John Menzies plc

EXCELLENCE FROM TOUCHDOWN TO TAKEOFF

ANNUAL REPORT AND ACCOUNTS 2018

AS A LEADING AVIATION SERVICES BUSINESS, WITH A NETWORK SPANNING 36 COUNTRIES, WE AIM TO BE AN AIRLINE'S LOGISTICS SERVICES PARTNER OF CHOICE THROUGH OUR HIGH QUALITY, TIME-CRITICAL AND INDUSTRY-LEADING SERVICE.

What We Do

Executive Services

From stylish lounges to personalised meet-and-greet experiences, our Executive Services' offering enhances the comfort and convenience of executive and VIP air travel.

18

Executive lounges globally

Offline Services

We provide services such as line maintenance and aircraft washing, which take place outside the scope of our customers' regular flying schedules.

98,300

Third party equipment maintenance hours 2018

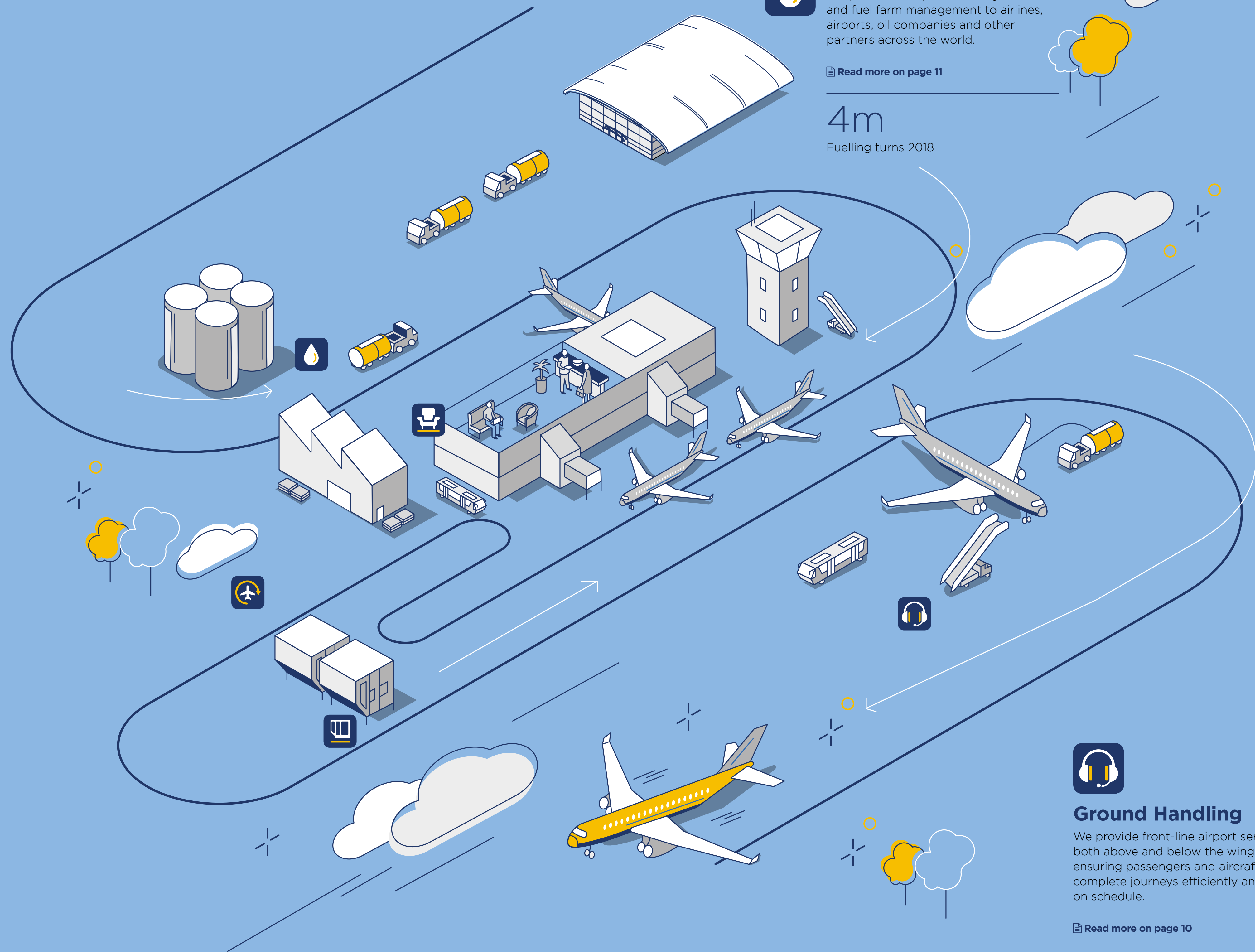
Cargo

We facilitate transportation of goods by accepting, storing and preparing cargo for worldwide transit with our airline customers.

Read more on page 11

1.6m

Cargo handled (tonnes) 2018



Fuelling

We provide into-plane fuelling services and fuel farm management to airlines, airports, oil companies and other partners across the world.

Read more on page 11

4m

Fuelling turns 2018

Ground Handling

We provide front-line airport services, both above and below the wing, ensuring passengers and aircraft complete journeys efficiently and on schedule.

Read more on page 10

1.3m

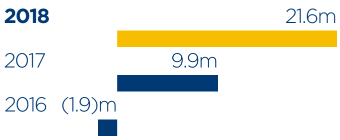
Ground handling turns 2018

EXCELLENCE FROM TOUCHDOWN TO TAKEOFF

Financial Highlights

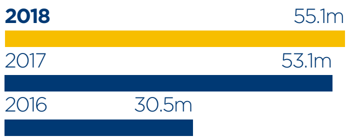
£21.6m

Continuing profit before tax



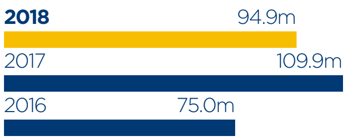
£55.1m

Continuing underlying operating profit



£94.9m

Operating cash flow



20.5p

Dividend per share

Operational and Strategic Highlights

- Aviation pure play business created following the completion of strategic re-alignment
- Underlying operating profit for continuing business £55.1m, up 8% in constant currency
- Underlying earnings per share for continuing business 37.6p, up 20% in constant currency
- Exceptional items for continuing business were £13.5m including spend for transactions, the completion of the ASIG integration and legal and warranty claims related to the ASIG acquisition
- Menzies Aviation delivered a resilient performance despite some challenging markets
- Strong customer relationships and service excellence support a very strong contract renewal performance
- Menzies Distribution sold for an enterprise value of £74.5m
- Full year dividend in line with previous year at 20.5p

Where We Operate

REACHING NEW GLOBAL MARKETS

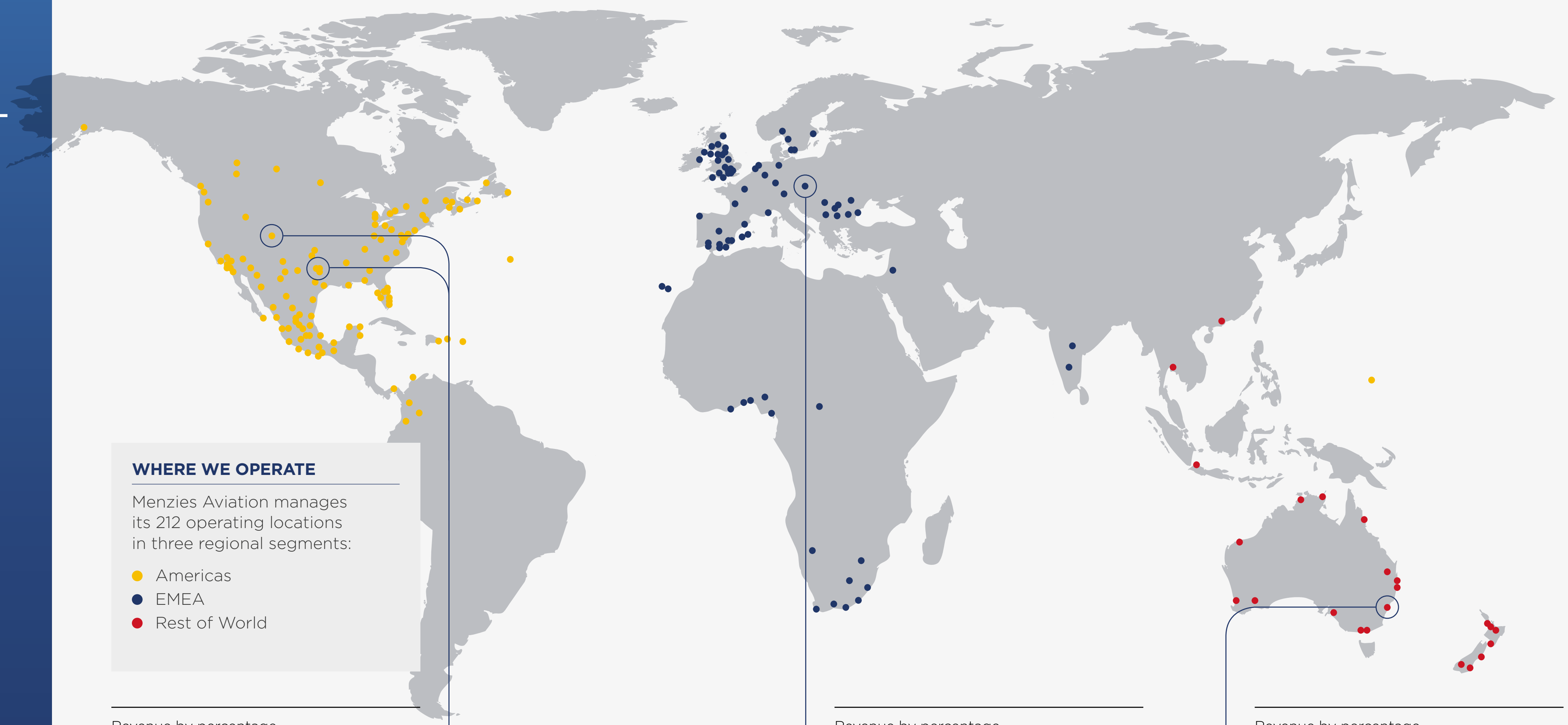
Menzies Aviation is a leading global provider of landside and airside services tailored to our customers' needs, timed to their schedules and delivered to the highest standards.

We operate at 212 airports in 36 countries, supported by a team of 32,000 highly trained people.

Each year Menzies Aviation serves around 500 customers, handling 1.3 million flights, 1.6 million tonnes of cargo and fuelling 4 million turnarounds.

Top 10 Customers

Norwegian
IAG
easyJet
United Airlines
American Airlines
Cathay Pacific
Air Canada
Air France-KLM
Lufthansa
Delta Air Lines

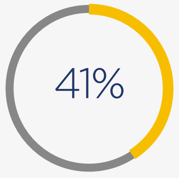


WHERE WE OPERATE

Menzies Aviation manages its 212 operating locations in three regional segments:

- Americas
- EMEA
- Rest of World

Revenue by percentage



AMERICAS

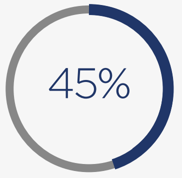
Featured contract:
Southwest (Denver and Dallas)

We re-negotiated and renewed our contracts with Southwest for into-plane fuelling services at 16 stations across the USA, including Southwest's two largest operations at Denver International Airport, Colorado, and Dallas Love Field Airport, Texas.

6,100

Aircraft turns per week

Revenue by percentage



EMEA

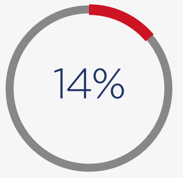
Featured contract:
Czech Airlines (Prague)

We entered into a significant new ground handling services contract with Czech Airlines at their main hub, Vaclav Havel Airport, Prague.

300

Aircraft turns per week

Revenue by percentage



REST OF WORLD

Featured contract:
Singapore Airlines (Sydney)

Singapore Airlines awarded us their passenger and ramp handling business in Sydney Airport, Australia, demonstrating our corporate strategy of growing our portfolio with key account customer airlines.

35

Aircraft turns per week

A TRANSFORMATIONAL YEAR

Dear Shareholder,

2018 was another significant year of progress for the Group.

On 4 September 2018 we celebrated a landmark day in the history of John Menzies plc with the divestment of Menzies Distribution, achieving our exit from the distribution of print media and the creation of a pure play Aviation Services business. Our Group has been in business since 1833 and we are very proud of our heritage. By delivering this strategic objective we are now pursuing the next stage of the Group's evolution and I believe that by positioning ourselves in the attractive, structurally growing Aviation Services market we are well-placed to grow and deliver returns for our shareholders.

During 2018 we have continued to expand, opening in 13 new airports, and deepened our product density. We also continued the investment in our systems and our People to ensure we have a solid platform for growth as we develop a market-leading Aviation Services business.

We remain committed to pursuing our Excellence Manifesto and aim to become the undisputed premium brand in the Aviation Services sector. In doing so we will set the highest standards for safety, security and performance; we will offer the deepest combination of service portfolio and geography; and we will deploy the most sophisticated technical solutions. Underpinning all of this are our People – they are at the heart of all that we do and our structured People agenda allows us to attract, retain and develop each of our 32,000 employees.

Aligned with our Excellence Manifesto, we also remain committed to the following principles:

- **Organic growth**: We seek to grow organically both within our existing footprint by winning more contracts and deepening our relationships with growing airlines in growing markets whilst entering new markets either with existing customers or through a new scale customer that provides the certainty of operations to allow the setting up of a new base.
- **Acquisitive growth**: We will make acquisitions where the strategic fit is right to bolster existing operations and products or to enter new markets. We will also prioritise acquisitions that are highly synergistic. These investments may be by participating in market consolidation or by entering joint ventures that allow us to enter new markets or to participate in airline outsourcing, particularly at hub locations.
- **Deliver shareholder returns**: We are focused on progressively growing our margin. We aim for top line growth of 8% per annum and target a minimum EPS growth of 10% per annum. Our target net debt will be between 1.5 and 2 times EBITDA and we will look to continue with a progressive dividend policy where cover lies between 2 and 3 times.

Geoff Eaton, Non-Executive Director, intimated his intention not to stand for re-election at the Company's forthcoming annual general meeting during 2018 and stood down as Chairman of the Company's Remuneration Committee and as a member of the Audit, Nomination and Human Resources Committees at the end of the year. I would like to thank Geoff for the contribution he has made to the Board. Following the announcement of this change David Garman assumed responsibilities for the Remuneration Committee and Philipp Joeinig took over as Chairman of the Nomination Committee, with both changes becoming effective on 1 January 2019.

Additionally, after leading our Aviation business for three years, Forsyth Black has stepped down from his role as Chief Executive Officer. Forsyth leaves with our best wishes as he moves on to pursue the next stage of his career. The Board will now undertake a thorough process, working with external recruitment consultants to look at both internal and external candidates, to appoint a new Chief Executive Officer who will prioritise growing the underlying business in what is an exciting growth market. In the interim, Giles Wilson, who has been Chief Financial Officer, will assume the position of Interim Chief Executive Officer.

Led by Giles, we are confident that the strong and experienced team we have in place will move the business forward in the short term. The position will be kept under regular review in 2019 to ensure that Board composition is such that at all times we are optimally-placed to compete effectively in the markets in which we operate and seize the strategic opportunities that may arise.

Dr. Dermot F. Smurfit
Chairman

OUR EXCELLENCE MANIFESTO

Our strategic goal is to position Menzies Aviation as the undisputed, premium partner in the Aviation Services industry through our 'Excellence Manifesto' which is centred around a customer promise of 'Excellence from touchdown to takeoff' and is underpinned by the following three objectives:

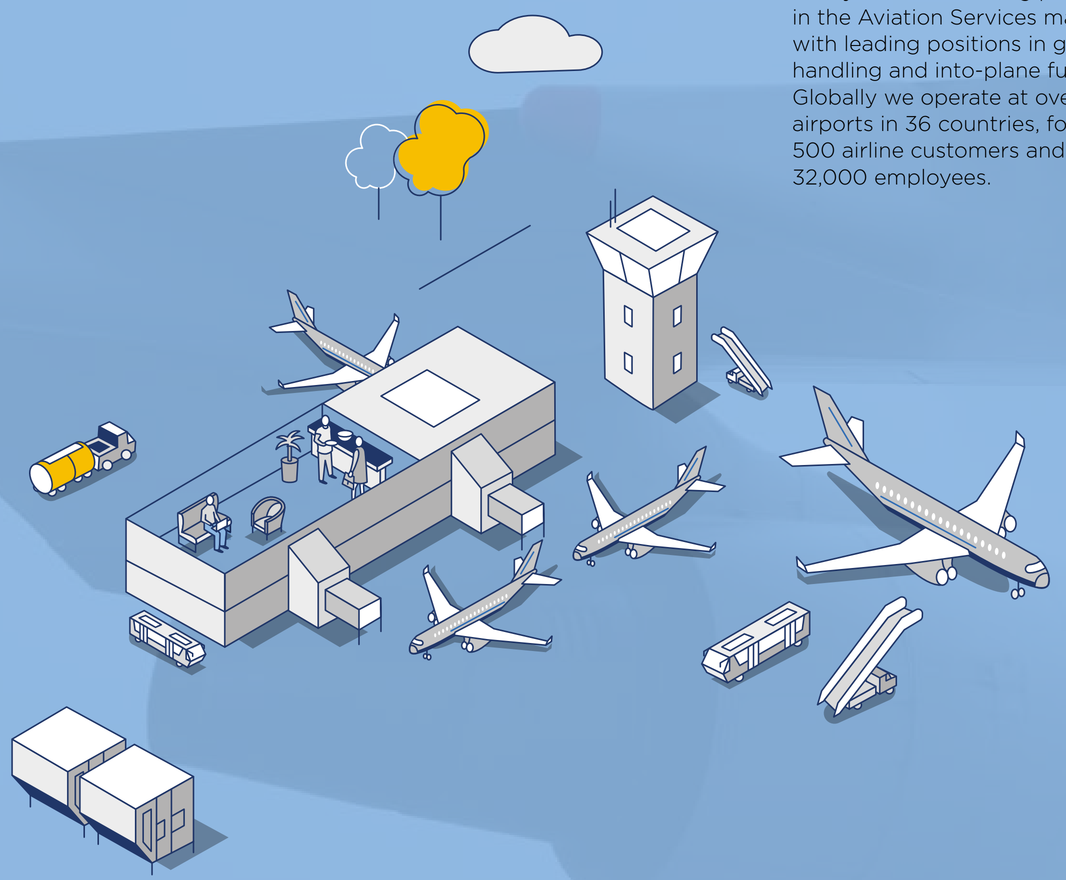
1. SET THE HIGHEST STANDARDS FOR SAFETY, SECURITY AND PERFORMANCE
2. HAVE THE DEEPEST COMBINATION OF SERVICE PORTFOLIO AND GEOGRAPHY
3. HAVE THE MOST SOPHISTICATED TECHNICAL SOLUTIONS

Read more on pages 12 to 19

Delivering on our Strategy

A PURE PLAY AVIATION SERVICES BUSINESS

During 2018 we delivered on our strategic objectives. Key to this plan was the disposal of our Distribution business on 4 September 2018. This created a global pure play Aviation Services business with strong growth ambitions that operates in a structural growth market.



As detailed in the Chairman's Statement, our overall aim is to be recognised as the premium brand in our market place, delivering service excellence with the highest levels of safety and security. We will deliver this by deploying innovative system solutions, standardising processes and, most importantly, by investing in our biggest asset, our People.

Today we are a leading player in the Aviation Services market with leading positions in ground handling and into-plane fuelling. Globally we operate at over 200 airports in 36 countries, for over 500 airline customers and with 32,000 employees.

We are very excited by the opportunity that exists. We operate in a growing market but we are also benefitting from an increasing addressable market, driven by both low cost carriers continuing to grow market share and from more traditional airlines looking to optimise their cost base by outsourcing ground services. In our two largest product categories, ground handling and into-plane fuelling, we see significant opportunity with aircraft traffic projected to grow by 4.7% per year and the world's aircraft fleet expected to grow by 3% annually through to 2037.

Our stated strategy is outlined in the Chairman's Statement and we will seek to deliver this by leveraging our existing customer relationships to enter into new airports and markets. Our primary focus is on organic growth which we can deliver by continuing to win more contracts, by grasping cross selling opportunities, particularly in North America, where we have overlapping products and by the strategic targeting of contracts and customers. We will do this in a disciplined manner with strict contracting governance and focus on sustainable returns. We are very focused on our margins and have continual programmes in our existing operations to improve returns wherever possible whether this be through product density or increased productivity.

Our industry is continuing to grow and evolve and we will continue to put ourselves at the forefront of this development as we strive to be the logistics services partner of choice for our airline and fuels customers. Airlines have a need for safe and secure on-time departure; aircraft types are changing with the introduction of carbon fibre composite fuselages and new generation engines that allow far greater distances to be flown by smaller aircraft. These new developments place a premium on service excellence from ground handling providers. Well-invested players with a focus on innovation, system deployment and first class safety records will continue to grow market share and we believe that, with our proven safety record and focus on service excellence, we are very well-placed to continue to prosper.

OUR CORE PRODUCTS

GROUND HANDLING

We provide front-line airport services, both above and below the wing, ensuring passengers and aircraft complete journeys efficiently and on schedule.

FUELLING

We provide into-plane fuelling services and fuel farm management to airlines, airports, oil companies and other partners across the world.

CARGO

We facilitate transportation of goods by accepting, storing and preparing cargo for worldwide transit with our airline customers.

Read more on pages 10 and 11

Our Business Model

By utilising our highly skilled people, global network and other key resources in the delivery of our Excellence Manifesto, John Menzies plc seeks to deliver stakeholder value and sustainable returns.

KEY RESOURCES AND INPUTS

Our People
We have a workforce of 32,000 highly trained employees who drive our productivity.

Our Network
An established network gives us the reach to service customers from more than 200 locations in 36 countries.

IT & Innovation
We seek out and invest in the most sophisticated technical solutions to support stronger performance, improved data and greater efficiency and prioritise new thinking in order to find innovative ways of satisfying our customers and gaining competitive advantage.

Safety & Security
Our exacting standards, driven by our expert safety and security teams, provide clear frameworks for safe operations across the Group.

Our Relationships
We enjoy the hard-earned status of trusted partner with many of the world's major airlines.

Governance
We provide clear corporate governance and compliance processes and controls to drive quality, reduce risk and support effective working throughout our business.

EXCELLENCE FROM TOUCHDOWN TO TAKEOFF

Our Excellence Manifesto sets three strategic objectives which our business pursues in order to achieve recognition as the undisputed, premium partner in the Aviation Services industry:

1

Set the highest standards for safety, security and performance

Menzies Aviation distinguishes itself from other handlers by setting a stringent benchmark for safety and security performance, and demanding exceptional levels of service delivery.

2

Have the deepest combination of service portfolio and geography

Menzies Aviation strives to be the partner of choice for major airlines, and the natural choice for multi-service contracts, by offering the deepest possible portfolio of services at each station across its network.

3

Have the most sophisticated technical solutions

Menzies Aviation employs software and equipment which deliver the smoothest, most appealing service experience to our customers and the most organised, efficient approach to resourcing of any business in the Aviation Services market.

For further information on our strategic objectives see pages 4 to 7

WHAT WE DO

We operate in a range of markets that serve the needs of the growing Aviation Services sector.

Ground Handling
Performing aircraft turns, managing passengers and handling baggage.

Fuelling
Providing into-plane fuelling services for airlines and managing fuel farms for our partners.

Cargo
Receiving cargo and storing and preparing it for transit; loading and unloading the consignment and readying it for onward transit; and wholesaling air cargo capacity.

Executive Services
Providing premium experiences for travellers via executive lounges, VIP meet-and-greet services, and more.

Offline Services
Handling key services for airline partners which take place away from front-line operations, such as maintenance and central load planning.

WE DELIVER VALUE TO

Our Stakeholders
We maintain clear oversight of our operations, ensuring that our business decisions generate real value for our stakeholders.

20.5p
Dividend per share 2018

Our Customers
We work in partnership with our customers to ensure our service offering is the right one to help them meet their own business challenges. As a professional Aviation Services business, our customers benefit from our R&D activities.

£29.1m
Invested in infrastructure and innovation 2018

Our People
We offer varied careers in dynamic environments, ensuring our employees remain engaged in delivering results.

£2.2m
Invested in training and development 2018

AVIATION SERVICES: A STRUCTURALLY GROWING MARKET

Ground Handling

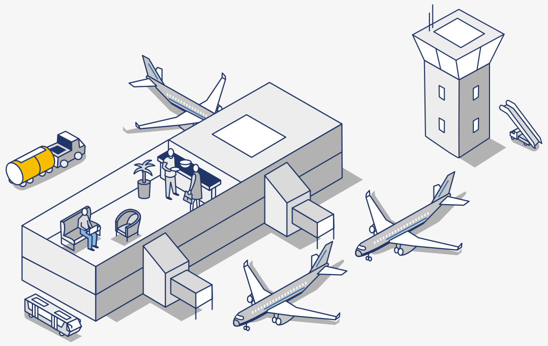
The Ground Handling market provides the world's airlines with essential logistics and support services. These services must be undertaken to exacting safety standards and within stringent timescales to ensure the smooth running of airline schedules and passenger satisfaction.

Participants in the market, ranging from in-house providers maintained by airlines to independent ground handlers, such as Menzies Aviation, perform the processes which allow airlines to 'turn' aircraft, an industry term that starts with the touchdown of an incoming flight, the offloading of cargo, passengers and their belongings, followed by the preparation and re-loading of the aircraft for the next scheduled journey. Ground handlers also provide key services such as the operation of check-in desks and gates.

There is continued opportunity for growth within the Ground Handling market with the four largest international handlers, one of whom is Menzies Aviation, responsible for only a small portion of market activity with the remainder of the market being served by a long tail of regional and local providers with varying levels of service offering. The market growth opportunities can be evidenced by the fact that in 2018 38m turns were undertaken globally[1], of which an estimated 50% were outsourced by the airlines, a number that is expected to increase to 70% by 2025[2].

Taking into account the prevailing fragmented state of the market, it would appear that the trend towards consolidation amongst ground handlers that has been experienced in recent years is set to continue, with many of the smaller providers recognising the increasing difficulty of competing with global players and demonstrating a corresponding willingness to divest. The largest international handlers have the greatest capacity to invest in innovative and productivity enhancing technologies; they possess broader networks with which to leverage scale agreements; and, generally, are party to stronger relationships with the world's largest carriers.

As a leading global provider of ground handling services, Menzies Aviation is well-placed to benefit from the continued consolidation and outsourcing trends and further strengthen its position in the Ground Handling market.



1. Source: www.OAG.com
2. Source: KPMG, 19th Annual GHI Conference, BCN (November 2017)
3. Source: Boeing, Commercial Market Outlook 2018 – 2037

Fuelling

The aircraft Fuelling market comprises two separate offerings: fuel farm management ("FFM") and into-plane fuelling ("ITP"). The FFM model provides on-airport jet fuel storage and associated underground hydrant facilities for airlines and fuel suppliers, whilst the ITP market offers aircraft refuelling services to airlines and fuel suppliers, facilitating the final transfer of jet fuel from the airport fuel infrastructure into the wing of the aircraft.

Within the Fuelling market all participants must focus on delivering jet fuel in the safest, most efficient manner, adhering to extremely prescriptive standard operating procedures, as well as government, industry and customer specifications and with an increased focus on environmental considerations. From an employee resource perspective, fuelling operations involve the same attendant issues that arise in ground handling in terms of security, control, certification, training and vetting.

Traditionally, oil companies would provide the FFM and ITP services themselves or sub-contract to service providers such as Menzies Aviation; although in North America it is more typical for the airlines themselves to own the fuelling infrastructure.

However, similar to what has been experienced in the retail petrol station market in recent years, there appears to be a growing trend amongst oil companies to retrench their businesses back to the refinery level. This, in turn, creates an opportunity for service providers to step into the gap and either take over those downstream activities or partner with investors in order to build and operate new FFM facilities over long, fixed terms as there is a need to invest in the upgrade of existing infrastructure and satisfy the increased demands of global passenger numbers.

The rate and reliability of returns available from such arrangements make them appealing to fuelling service providers such as Menzies Aviation.

Cargo

The traditional air cargo logistics model includes a number of specialised service roles. Specifically, the 'forwarder' sources the space on aircraft and ensures all documentary and customs requirements are satisfied; the airline provides the aircraft to transport the goods; and the 'handler' has warehouse capacity and equipment to accept the cargo on behalf of the airline and load it onto their aircraft. Menzies Aviation's primary role in this supply chain is as a handler, with Air Menzies International ("AMI"), our subsidiary business, acting as a forwarder.

In the Aviation Services market there has been a notable shift by airlines towards using non-traditional and secondary airports for cargo flights, in response to increasing congestion and restrictions at some of the world's largest airports. This affords those handlers with a global reach and a robust service offering the opportunity to work at these emerging locations and take advantage of airlines' increasing desire to consolidate their providers and achieve a standardised approach to handling.

The Cargo Forwarding market can generally be split into two business types: (i) retail forwarding, which is concerned with collecting consignments from their originators and organising onward transit; and (ii) wholesale forwarding, which is concerned with the consolidation of smaller consignments and their onward transport. Wholesale forwarders, such as AMI, purchase carrying capacity in bulk and re-sell it to smaller shippers and retail forwarders.

The key benefits of this service for smaller forwarders include the ability to leverage the considerable buying power of the wholesaler with airlines and gain improved pricing and service levels on any given trade lane, together with increased access to ancillary services such as collection, customs clearance, security screening arrangements, shipping documentation and warehousing, in turn substantially streamlining their own shipping process. Airlines also benefit as they can expect year-round throughput from wholesalers and will gain aggregated business from the smaller forwarders who may not have the volumes to deal with them directly.

With the upturn in growth towards the end of 2017 and further improved growth at the start of 2018[3], primarily driven by the significant increase in e-commerce and associated delivery targets, the outlook for the Cargo market remains bright.

MONITORING OUR SUCCESS

Our Excellence Manifesto	Progress during 2018
1 SET THE HIGHEST STANDARDS FOR SAFETY, SECURITY AND PERFORMANCE Menzies Aviation distinguishes itself from other handlers by setting a stringent benchmark for safety and security performance and demanding exceptional levels of service delivery.	• Recognition of our exceptional safety and security performance by a number of our partners (e.g. easyJet, United Airlines and American Airlines) through various awards, paying testament to the commitment of our People in achieving operational excellence. • Our first annual global Safety and Security Week raised employee awareness of health, safety and security matters by bringing the subject to life in an engaging, informative and fun manner. We also ran our Top 6 Risks awareness campaign and key regional events included our Safety Summit in Dallas, Texas, and our Safety and Security Workshop in Accra, Ghana. • Launch of our global Safety Perception Survey to further develop our Safety and Security culture and help us identify opportunities for improvement and steer employee engagement plans.
2 HAVE THE DEEPEST COMBINATION OF SERVICE PORTFOLIO AND GEOGRAPHY Menzies Aviation strives to be the partner of choice for major airlines, and the natural choice for multi-service contracts, by offering the deepest possible portfolio of services at each station across its network.	• Acquisition of the trade and assets of Airline Services Limited, a provider of aircraft presentation and de-icing services within the UK, simultaneously expanding our footprint, increasing our portfolio of services at existing locations and bolstering our resource and capabilities. • Expansion of our global fuelling operations, as evidenced with 58 new fuelling contract wins (including at three locations in France) and further strengthening our customer relationships. • Growing our cargo handling footprint in Oceania through entry into a JV with AT Group, a local aviation service provider, and the creation of a new cargo handling hub at Cairns Airport, Queensland, offering major airlines, such as Virgin Australia Airlines, international cargo handling facilities.
3 HAVE THE MOST SOPHISTICATED TECHNICAL SOLUTIONS Menzies Aviation employs software and equipment which deliver the smoothest, most appealing service experience to our customers and the most organised, efficient approach to resourcing of any business in the Aviation Services market.	• Deployment of a next generation workforce management system, WorkBridge, that fully integrates with airport, HR and Time & Attendance systems. Aligned to this we provided our employees with mobile devices to ensure we have the right people, with the right skills, in the right place, at the right time, meeting customer needs and minimising administration overhead. • Delivery of Telematics onto ground service equipment in the UK, Continental Europe and the Americas, enabling accurate billing for ground service equipment usage, providing insight into the use of our equipment and delivering a leaner, more efficient fleet. • Deployment of a 'best in class' HRiS solution, digitising HR and training records and integrating with core systems to support employee management.

We measure and track our performance against a number of financial and non-financial key performance indicators ("KPIs") relevant to our core activities. These KPIs have been selected to ensure a balanced assessment of the development and performance of our operations can be undertaken and progress against the Group's strategic objectives monitored.

KPIs

Operational delivery and ensuring excellence

Employee turnover (%)

2018	53.0
2017	53.3
2016	50.4

Why we measure this
We strive to employ the right individuals with the right skills. We train and develop our People 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. This KPI is measured on a station-by-station basis.

Employee hours per fuelling turn

2018	**1.7**
2017	1.7
2016	n/a

Why we measure this
Into-plane fuelling is a core service for our business and measuring the average number of employee hours utilised for each fuelling turn provides critical information on how efficiently we perform this activity throughout our operations.

Employee hours per ground handling turn

2018	**31.9**
2017	30.5
2016	29.2

Why we measure this
Although changes in the mix of wide and narrow-bodied aircraft handled by our business can impact this measure, the average number of employee hours invested to perform each ground handling turn remains a critical measure of how efficiently we operate.

Employee injuries per 100 full-time equivalents

2018	**0.16**
2017	0.15
2016	0.15

Why we measure this
Our People are our greatest asset and deliver our industry-leading service. We operate in areas with heavy machinery and must ensure that training is appropriate to minimise injuries.

Aircraft damage per 1,000 turns

2018	**0.02**
2017	0.06
2016	0.06

Why we measure this
Aircraft damage per 1,000 turns underpins our quality service provider reputation and ensures we maintain an industry-leading position in safety and service delivery. Insurance costs are also monitored and controlled.

Delivering value and measuring growth drivers

Revenue growth (%)

2018	**1.4**
2017	51.0
2016	15.9

Why we measure this
We are committed to growing our Aviation business and revenue growth is therefore a key metric.

Ground handling turns

2018	**1,293,233**
2017	1,380,551
2016	1,246,114

Why we measure this
Ground handling is a growing, dynamic market. We monitor aircraft turns to ensure our business is growing both on a like for like and absolute basis.

Ground handling contract renewal rate (%)

2018	**80.1**
2017	82.2
2016	86.6

Why we measure this
The rate of ground handling contracts that we successfully tender for and renew is a key sign of how satisfied our customers are with the levels of service and price we are able to provide.

Operating margin (%)

2018	**4.3**
2017	4.2
2016	3.5

Why we measure this
Operating margin is a standard measurement demonstrating our ability to turn our revenue into profit, encompassing our efficiency, controls and value generation.

Total shareholder return v FTSE SmallCap over three years (%)

2018	**31.0**
2017	89.4
2016	-19.8

Why we measure this
Total shareholder return is the most commonly used measurement of value generated for shareholders, capturing both capital and dividend growth.

Business Review

A RESILIENT PERFORMANCE

2018 was another year of progress for our business with underlying operating profit at £55.1m up 8% in constant currency. Overall, this represents a very resilient performance with results in line with expectations despite challenging markets, most notably in North America where previously highlighted labour shortages impacted the cost base and operational performance.

Our focus on customer relationships and service excellence was recognised by a strong contract renewal performance with 276 contracts renewed, representing £152m of annualised revenue. Importantly overall contract renewals enhanced margin. Contract win momentum continued with 98 net new contracts delivering profit growth. Revenue growth was adversely impacted by some contract losses and the exiting of uneconomic contracts that had large revenue contributions. We continue to focus on matching risk with reward, and price new business and renewals at sustainable rates. This inevitably led to the loss of some older contracts that were held at uneconomic rates.

Across the network ground handling turns decreased as a result of exclusive licence losses in Panama and the Dominican Republic, together with the exiting of some large contracts and the prior year impact of Hurricane Irma on our operations in St. Maarten. Into-plane fuelling volumes delivered strong growth with absolute turns up 7% to 3.9 million. This was a result of underlying market growth and an additional month's trading from ASIG. Cargo handling had an excellent year with like for like tonnes up 3% resulting from market growth and contract wins, particularly in the USA and Australia.

Our ongoing investments into service excellence continued. A roll-out plan to place Telematics on all motorised equipment continues and is delivering real benefits. Benefits are not only financial but also include greater fleet management and safety as our system is linked to our training records which therefore prevents those not trained to use a piece of equipment from using it. We continue to innovate within the fuels business where standard industry processes are largely paper based and successful trials in North America have given us systems that will allow us to automate many processes that will deliver bottom line benefits to ourselves and our customers.

"We have a Board that supports our endeavours to invest in and deploy the most sophisticated technical solutions. IATA has projected that the Aviation industry will increase spending by 20% towards digitisation, and we are investing significantly in parallel with airlines and airports, having a profound impact on our business as we move into this new era."

Mark Reid
Chief Information Officer

Corey Meyer, ITP Fueller, Bradley, USA

In Pursuit of our Excellence Manifesto

BRADLEY INTERNATIONAL AIRPORT PIONEERS CENTRE OF EXCELLENCE

The Aviation Services industry is undergoing a digital revolution, with greater automation and digitisation driving service improvements.

We are at the forefront of this revolution with Menzies Aviation's Central Operational Excellence team working in conjunction with its IT colleagues and counterparts in the USA to create our first 'Centre of Excellence' at Bradley International Airport, Connecticut. The Centre of Excellence pushes us forward in our pursuit of deploying the most sophisticated technical solutions ahead of our competitors and provides a template for Menzies to deliver operational efficiency and customer value.

At Bradley, traditionally labour-intensive processes, such as work allocation and the capture of fuelling records, have been transformed by digitisation. We have truly put technology in the hands of our People, delivering innovative digital solutions that allow operators to optimise rostering and staff allocation in real-time, ensuring we have the right resource, in the right place, at the right time. Additionally, our Telematics technology allows equipment to be tracked remotely and its usage monitored in granular detail, whilst digital fuel management systems replace large volumes of paper documents, saving cost whilst improving the integrity and accessibility of data. Our growing performance standards and scalable platforms, ensure we are well-placed to be at the forefront of our industry.

Transactions digitised annually

38,000

Tasks digitally allocated (per annum)

44,000

Americas

The Americas region experienced a challenging year with labour shortages in North America impacting the cost base and operational performance. Whilst we expect some of these challenges to continue the business has made significant progress in re-pricing contracts and accelerating our People agenda to help recruit and retain staff.

During the year our into-plane fuelling business continued to perform strongly. Contract renewals were excellent, reflecting the strong service provision and our moves to automate many processes. We renewed contracts with three major USA-based carriers at 35 locations, securing £39m of revenue at an improved margin.

During the year we ceased to operate exclusive licences for into-plane fuelling in Panama and ground handling at two airports in the Dominican Republic. The loss of these profitable licences was disappointing.

Overall commercial activity was strong in what remains a significant growth market where we have many opportunities to grow. As a portfolio business there were contracts lost that we would have chosen to keep but we also had significant contract wins, notably Sunwing in Toronto where we will handle 4,600 flights per annum in their largest hub and Air China in Los Angeles which added to our portfolio of Chinese carriers across the network.

Europe, Middle East & Africa

Overall the region performed very strongly. In particular, Continental Europe had an excellent year winning and renewing contracts. Our strong relationship with easyJet in Continental Europe continued with the renewal of our contract in Amsterdam, one of its largest bases in the region, together with new contract awards in Gothenburg and Oslo. In October we commenced handling Czech Airlines in Prague, their home airport. This is a significant hub operation operating 15,000 flights per annum. This added to the business of Travel Service, the parent company of Czech Airlines, who are already a customer and demonstrates our investments into key account management and our ability to leverage existing relationships to develop new organic business at existing locations.

The UK ground handling business, which represents less than 15% of continuing Group revenue, continued to be challenged. Operations at London Heathrow and London Gatwick performed strongly but performance outside these major hubs was disappointing as we continue to re-position the business as uneconomic contracts unwind and we right-size operations aligning ourselves to contracts where risk and reward are matched. On 14 December 2018 we were pleased to be given provisional clearance for the acquisition of the trade and assets of Airline Services Limited which was subsequently given full clearance on 17 January 2019. Whilst we were frustrated by the process and the delay this caused to our ability to run the business, raise standards and drive out the deal synergies, we are now pleased that this process has begun and we will incorporate Airline Services into the Menzies family.

Within our fuels business we continued to develop the business outside the UK adding four locations in France where we will provide fuel farm management together with into-plane fuelling operations on behalf of World Fuel Services. Performance during the year in these new airports has been good. We see collaboration with major industry players such as World Fuels as a significant avenue to grow the business throughout Continental

"This is major contract win for the Americas region and particularly for our fast-growing Canadian business. We are delighted that Sunwing Airlines has chosen to broaden its existing partnership with us, demonstrating the success of our work on the ground so far and further expanding our operations at one of its largest hub airports in North America."

Paul Walton
SVP Sales & Commercial Operations – Americas

Menzies Ground Handling team, Toronto, Canada

In Pursuit of our Excellence Manifesto

SUNWING PARTNERSHIP ON THE RISE IN NORTH AMERICA

Sunwing Airlines, the Canadian leisure carrier headquartered in Toronto, selected Menzies Aviation for three year ground handling contracts at two North American locations.

The contracts, which include passenger services, ramp handling and cabin cleaning, involve a renewal at Orlando International Airport, USA, and a significant new contract at Toronto Pearson International Airport, Canada, which will see Menzies Aviation handle 90 new aircraft turnarounds each week. Toronto is Sunwing's largest operation whilst Orlando offers a seasonal Sunwing service between November and April.

Sunwing provides services from Canada to 45 locations across the USA, Mexico, the Caribbean and Central America. The award of these contracts represents an expansion of our existing Sunwing relationship, which includes Mexico where we currently provide full handling services, and confirms our continuing relationship at Orlando.

Turns per year

5,200

New employees

270

In Pursuit of our Excellence Manifesto

MENZIES PEOPLE AGENDA ADVANCES

We recognise that investment in our People is key in pursuing our established strategic objectives.

Our People are at the core of all that we do and finding ways to support and invest in them, from the moment they become Menzies employees and throughout their career with us, is vital if we wish to maximise our collective success. To this end we have a structured People agenda that allows us to attract, retain and develop each of our 32,000 employees.

Our People priorities are as follows:
- We aim to attract and retain the best
- We aim to provide world class training and career development
- We aim to create an engaged team, providing excellent service

To achieve this we will seek to:
- Ensure a robust onboarding process is implemented throughout our networks
- Unlock business growth through high quality leadership
- Proactively strengthen our talent pools and succession plans with a mix of internal development and external pipeline plans
- Put in place clear retention strategies that drive pride and loyalty
- Create an inclusive culture that drives world class engagement

Menzies Careers webpage hits 2018

360,000

Menzies Careers webpage hits year on year

+28%

Kayla Moa, General Manager Cargo, NSW & ACT, Australia

Shawn Rohan, Lead Ramp Agent, and Cristiano Nogueria, Ramp Agent, Toronto, Canada

Tina Markussen, Customer Service Agent, Copenhagen, Denmark

Europe and we look forward to further progress during 2019.

Operations in Hyderabad, India, ceased during the year following the completion of our highly successful joint venture. Our partner, GMR, exercised their call option after ten years and we leave after having received market value for our proportion of the business.

Rest of World
Performance in the region was excellent. Significant contract wins at improved yields more than made up for cargo handling shortfalls created by a prior year contract loss. Cargo handling performance, which is a significant contributor within the region, was strong. Within the ground handling business we were delighted to win the business of Singapore Airlines in Sydney. Operations started in October with 1,800 flights per annum and this award builds on our existing relationships in five other cities in the region. In New Zealand, our operations in Auckland continued to prosper with excellent new contracts. We are also developing strong relationships with Chinese carriers across the region and we will look to build on this going forward.

Operations were opened in Jakarta, Indonesia, in September. Whilst the start-up operation is modest we believe there are real opportunities to grow the business locally and will look for further expansion during 2019.

Cargo Forwarding – Air Menzies International ("AMI")
AMI had a record year in 2018 increasing revenue by 9% in constant currency and continuing to grow the bottom line. New management continue to energise the business and are working on plans to synergise the regional business units and upgrade the operating platform which will leave the business in a stronger position from which to grow.

Strong volumes, particularly in Australia and the UK, boosted the full year outturn as the business benefitted from a generally strong year for the cargo forwarding market. Good business relationships in China and the Far East were developed and the potential to grow the business through bolt-on acquisitions is evident.

IMPROVED GROUP PERFORMANCE IN 2018

Group performance in 2018 improved with underlying operating profit for continuing operations up 4% (8% in constant currency) and underlying profit before tax for continuing operations up 4% (10% in constant currency).

£1,291m
Revenue*
↑ 4% in constant currency

£44.1m
Underlying profit before tax*
↑ 10% in constant currency

37.6p
Underlying earnings per share*
↑ 20% in constant currency

* from continuing operations

Outlook
On 17 January 2019 we were able to take full control of Airline Services following clearance from the UK Competition and Markets Authority. Integration is progressing well with synergy benefits being realised. Commercially we will look to leverage the deeper customer offering this business brings to win new business and bolster our UK operations.

Recent commercial successes include an award by Korean Airlines to handle their flights into our operations in Auckland, New Zealand, building on the very positive growth across the country in 2018 and we have also expanded our relationship with World Fuel Services who have awarded us fuel facility management and into-plane fuelling business in Toulouse and Lyon. This expansion, which began during 2018, now brings our portfolio of business from World Fuels in France to five airports.

Overall trading in the first two months has been tempered by soft cargo volumes and continuing difficult labour markets in North America. Despite this, and given the opportunities ahead of us, we still remain positive about the remainder of 2019. Looking forward, our medium term outlook remains very strong with excellent market dynamics and significant opportunities for growth.

Group Performance Review
Group performance in 2018 improved with underlying operating profit from continuing operations up 4% (8% in constant currency) and underlying profit before tax up 4% (10% in constant currency). The improvement was particularly a result of increased cargo tonnage, an extra month of ASIG trading and realisation of synergies, strong de-icing performance in EMEA and increased cargo forwarding volumes. The Group reported a profit before tax from continuing operations of £21.6m (2017: £9.9m) with stronger trading profit further enhanced by the non-recurrence of 2017 exceptional costs relating to the ASIG acquisition and integration.

The integration of the fuelling and the ground handling business acquired with ASIG in 2017 has now been completed with synergies delivered ahead of target. Contract win momentum continued with revenue at constant currency up 4% year on year, and we continue to benefit from a focus on margin control with the renewal of key contracts at increased pricing to mitigate higher staff costs. We continue to invest in people, processes and technology to drive further benefits.

The Group's revenue from continuing operations was £1,291.0m (2017: £1,273.6m). Continuing underlying profit before tax grew to £44.1m (2017: £42.3m) up 10% before the impact of foreign currency translation. Continuing profit before tax was £21.6m (2017: £9.9m). Continuing underlying earnings per share rose to 37.6p (2017: 33.7p).

The underlying post-tax profit for the year from the discontinued Distribution operations prior to their disposal on 4 September 2018 was £13.6m (2017: £19.6m for 12 months), offset by exceptional and other items of £31.5m being the loss on disposal and related transaction and separation costs.

Financial Overview
Exceptional items in operating profit
Exceptional items in continuing operating profit of £13.5m include acquisition and transaction costs (£2.9m) and costs to complete the integration of the ASIG acquisition (£2.1m). Also included are warranty and claim costs (£6.7m), which comprise the increase in provision for identified items relating to ASIG that occurred prior to the Group's ownership and are expected to become payable. These costs are stated before the expected recovery of these costs from the vendor under warranty and indemnity undertakings given in the sale and purchase agreement. Other items comprise the write-down in the investment in a joint venture (£3.7m) and the ongoing de-risking costs of the UK defined benefit pension scheme (£0.2m), partly offset by gains on disposal of property (£2.0m).

Finance costs
The continuing underlying net finance charge was £11.0m (2017: £10.8m) in line with the prior year.

Taxation
As a multinational business the Group is liable for taxation in multiple jurisdictions around the world. The Group's continuing underlying tax charge for the period was £12.4m (2017: £14.8m), representing an effective underlying tax rate of 28% (2017: 35%).

Earnings per share
The Group's underlying earnings per share for continuing operations was 37.6p (2017: 33.7p) as a result of the increase in underlying profits and the lower tax rate. The corresponding basic earnings per share was 14.6p (2017: 0.1p) benefitting from the reduction in non-recurring items compared with the prior year.

Defined benefit retirement obligation
The reported defined benefit retirement obligation in the UK has reduced by £31.5m since December 2017 to £18.0m. As reported in 2017 the pension scheme was split into two sections ahead of the planned disposal of the Distribution business with Section B to be funded by the Distribution business and Section A to be funded by the continuing business. The reduction in deficit in 2018 is a result of the transfer of £7.0m of Section B as part of the disposal of the Distribution business, additional cash injected following the disposal and sale of related properties (£12.5m), ongoing deficit contributions (£11.3m) and the impact of higher discount rates (£17.4m), partly offset by the year end downwards revaluation of pension scheme assets (£16.7m) due to weaker equity markets.

Chief Financial Officer's Review continued

	2018 £m	2017 £m
Underlying operating profit	**72.2**	77.9
Depreciation	**24.9**	27.8
Dividends from associates and joint ventures	**4.8**	6.3
Working capital	**(1.8)**	1.9
Net pension movement	**1.3**	1.0
Non-cash items	**(6.5)**	(5.0)
Operating cash flow	**94.9**	109.9
Net capital expenditure	**(17.3)**	(31.8)
Net interest paid	**(10.2)**	(11.9)
Regular tax paid	**(15.3)**	(13.3)
Non-recurring tax paid	**-**	(3.7)
Free cash flow	**52.1**	49.2
Equity dividends paid	**(17.1)**	(15.9)
Additional pension payment	**(24.8)**	(11.3)
M&A	**29.2**	(158.4)
Cash spend on exceptional items	**(11.0)**	(22.7)
Shares and other	**(4.4)**	1.5
Total movement	**24.0**	(157.6)
Opening net debt	**(214.4)**	(70.5)
Currency translation	**(9.2)**	13.7
Closing net debt	**(199.6)**	(214.4)

Investments and cash flow

Investments by the Group in the period of £22.4m include amounts included in sundry receivables incurred ahead of the acquisition of the trade and assets of Airline Services. The Group intended to account for this transaction as an acquisition from the closing date on 4 April 2018 as the clearance of the transaction by the UK Competition and Markets Authority was expected to be routine. In the event, full clearance was not received until 17 January 2019 when restrictions on the Group's ability to control the business were removed. Airline Services will be accounted for as an acquisition from 17 January 2019 in the Annual Report and Accounts 2019. The prior year comparative in the Interim Results 2019 will be amended as a result.

Operating cash flow was £94.9m (2017: £109.9m), the reduction year on year driven predominantly from the ownership of Menzies Distribution for eight months in 2018. Working capital management remains a key focus for the business. Free cash flow was £52.1m (2017: £49.2m). Net capital expenditure was £17.3m (2017: £31.8m).

Debt and facilities

The Group continues to operate on a sound financial footing with a robust balance sheet built from strong operating cash flows. At the year end, despite £10.5m adverse impact of foreign currency movements on the retranslation of the Group's US$250m term loan facility, net debt closed ahead of the prior year at £199.6m (2017: £214.4m).

The Group's net debt to EBITDA ratio was 2.4 times at 31 December 2018 (31 December 2017: 1.9 times) and interest cover was 5.2 times (2017: 8.3 times) both within covenanted levels. The reduction in headroom in the year reflects the exclusion of profits from discontinued operations. The Group had £345.3m of committed facilities at 31 December 2018 of which £91.0m were undrawn.

Impact of foreign currency movements

The majority of the Group's operations are located outside the UK and account in currencies other than the Group's reporting currency. The Group hedges the sterling exposure of foreign currency denominated assets to manage the impact of currency movements in the Group's net assets using forward contracts. The translation of profits from overseas trading entities is not hedged and as a result the movement of exchange rates impacts the Group's reported results. In 2018 the Group's profits were impacted by unfavourable exchange rate movements against the prior year, particularly with respect to sterling against the Australian and US dollars. The year on year impact of foreign currency movement on operating profit was a £2.3m reduction. As noted above, net debt is also subject to foreign currency movements on the US$250m term loan facility.

Discontinued operations

The post-tax loss for the year from discontinued operations was £17.9m representing the profit after taxation for the eight months to 4 September 2018 of £10.4m (2017: £12.5m for 12 months), offset by the loss on disposal of £28.3m.

Going Concern

The Group's core business activities are set out on pages 10 and 11 of this Annual Report and Accounts 2018 and the principal risks impacting these activities are set out on pages 26 to 29. The Group's financial position and cash flows are set out on pages 105 and 107 along with an analysis of its borrowings in Note 16 on page 139. As regards going concern, the Directors have considered market and gearing risks. Sensitivities to capital and liquidity risks are set out in Note 16 on pages 136 to 141 of this Annual Report and Accounts 2018.

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.

Viability Statement

The Directors have assessed the prospects of the Group over a period of three years. The Directors believe this period to be appropriate because the average length of the Group's customer contracts is approximately three years and the Group's planning cycle covers a three year period.

As detailed on pages 24 and 25 of this Annual Report and Accounts 2018, the Board monitors and assesses the risks and uncertainties faced by the Group. This includes a consideration of the principal risks and material uncertainties facing the Group, including those that would threaten its business model, future performance or solvency. During 2018 this process included a detailed strategic review of the Aviation business and a detailed three year planning process.

For the purpose of assessing the Group's viability, the Directors focused their attention on the principal risks that are critical to the Group's success. Each risk and its impact and mitigation are set out on pages 26 to 29 of this Annual Report and Accounts 2018. Other than in the event of a catastrophic large aircraft incident over a populated area, none of the plausible events in isolation or in combination would prevent the Group from continuing to operate and meet its liabilities as they fall due over the period of assessment of three years. In the case of such a catastrophic aircraft incident, the Group would seek to manage the timeframe in which any liabilities arose in order to continue in operation.

As a result, the Board confirms that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of assessment of three years.

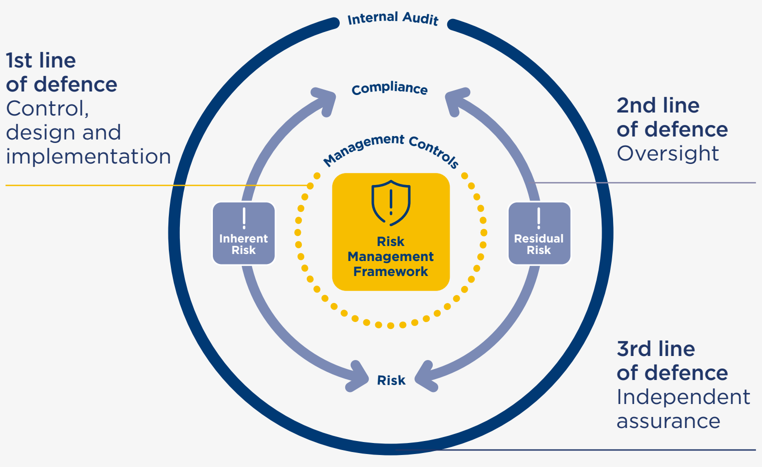
Dividend

As announced at the time of the sale of Menzies Distribution, the Board intends to hold the total paid and proposed dividend for the year in line with the previous year. Therefore, the Board has proposed a final dividend of 14.5p per ordinary share, which is payable on 1 July 2019 to all shareholders on the Company's Register of Members at 24 May 2019, bringing the total paid and proposed dividend for the year to 20.5p per ordinary share. Going forward the Board will look to have a progressive dividend policy with dividend cover between two and three times.

Giles Wilson
Chief Financial Officer
11 March 2019

EFFECTIVE RISK MANAGEMENT

Risk Management Framework



As a risk management-led organisation, we recognise that a robust risk management programme is essential if we are to safeguard the Group's assets and, more generally, promote the interests of its stakeholders. The Group's central Risk function, incorporating Audit, Security, Health and Safety, Insurance and Environmental, has been operating since 2015 and performs a key role in ensuring that risks are properly identified, prioritised, evaluated and managed.

We believe the Three Lines of Defence model, as set out below, provides a simple but effective way to enhance communications on risk management and control within our business by clarifying essential roles and duties. Operational management must own and manage risk, assuming responsibility for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis whilst also implementing corrective actions to address process and control deficiencies. Risk management and compliance functions are then expected to facilitate and monitor the implementation of effective risk management practices by operational management and assist risk owners in defining the target risk exposure and reporting risk-related information throughout the organisation via the appropriate means. Internal audit provides assurance on the effectiveness of governance, risk management and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives – it is expected to provide comprehensive assurance based on the highest level of independence and objectivity within the organisation.

The Group's Risk framework is underpinned by our '8 Pillar' Audit Programme from which our Group Risk Register is derived. The Programme prescribes the minimum standards that are expected throughout our operations and provides the necessary assurance that risks are adequately managed and continuous improvement achieved, whilst the Risk Register process seeks to build upon a process mapping and control identification exercise undertaken during the Programme. Risks are categorised into 15 areas with key identified risks, both financial and non-financial (the latter including environmental, social and governance risks), reviewed by both the Board and the Executive Committee on an ongoing basis.

In addition to the formal six-monthly review of risks and controls that occurs, supported by the Group's controls assurance provider, annual certifications on internal control compliance are undertaken and the standard agenda of the Executive Committee includes the review of audit, compliance and safety and security issues and risks. From a Finance perspective, the Tax Committee continues to convene on a two-monthly basis to ensure the potential impact of any global tax changes has been properly assessed whilst the Treasury Review Committee also meets on a two-monthly basis to review the adequacy of the Group's facilities against potential utilisation and commitments and to monitor and manage the Group's exposure to interest rate and currency movements.

The table on pages 26 to 29 of this Annual Report and Accounts 2018 sets out the principal risks and uncertainties, extracted from the Risk Register, that the Group faced, and continues to face, at the end of 2018 and the key control mechanisms it has in place to mitigate them. The most notable changes from 2017 are the removal of the 'Integration of an Acquisition' risk from the Top 10 (as a result of the successful integration of ASIG) and the introduction of the Training and Privacy risks, following a wholesale review of the relevant 'pillars' being undertaken by the new risk owners during 2018.

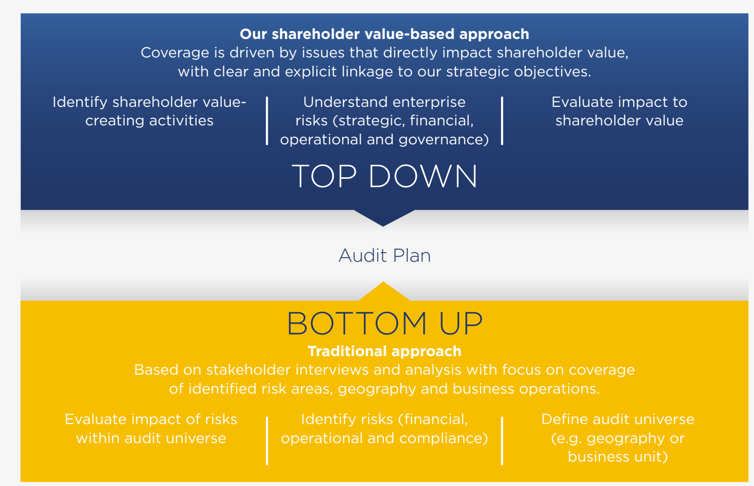
Whilst the risks on these pages do not represent all of the risks and uncertainties that may impact the Group, nor are they listed in order of priority, they have been subject to robust assessment and review by the Board in its consideration of the Company's ability to continue as a going concern and in its assessment of its viability, thus allowing it to make the Going Concern and Viability Statements contained on page 23 of this document.

It is expected that the ongoing evaluation and evolution of our risk appetite and profiling will continue with vigour during 2019. Aligned with this will be the implementation and global roll-out of the Group's new web-based Integrated Risk Management System which will bring together our Safety, Quality, Security and Environmental Management Systems and provide a more automated Risk solution that, significantly, will enable us to progress our risk assessment methodology from a less subjective to more objective basis.

As a business health, safety and security are at the heart of our operations; the ongoing development and refinement of our risk processes and functions must therefore continue for without a cohesive, co-ordinated approach, risk and control resources may not be deployed effectively and significant risks may not be identified or managed appropriately.

John Geddes
Director of Corporate Affairs & Group Company Secretary
8 March 2019

Approaches to Risk



Risk Management continued

PRINCIPAL RISKS AND UNCERTAINTIES

The Board has undertaken a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The following table, whilst not an exhaustive list of all the risks and uncertainties that may arise, details those which the Board considers most significant, together with the actions employed to mitigate them.

Increase ↑
Decrease ↓
No change ↔

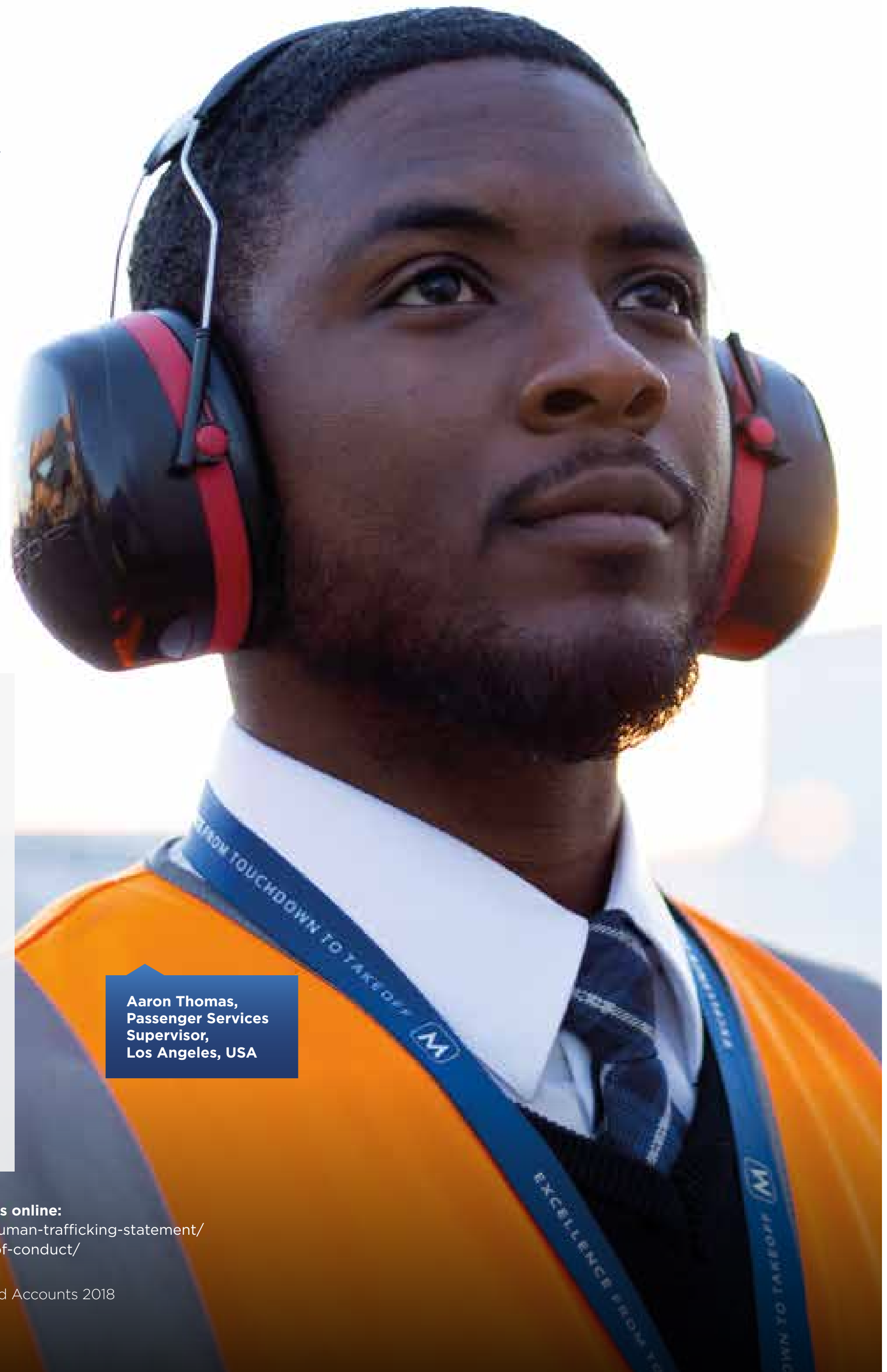
Risk Category	Risk	Risk Description	Impact	Key Control Mechanism	Change from 2017
BUSINESS MANAGEMENT	**Price Optimisation in Contract Renewals/ Contract Tendering and Competitive Pressure**	The risk that we fail to re-negotiate existing contracts at acceptable rates or to successfully win new contracts on terms that achieve the Group's internal rate of return and risk profile threshold criteria; together with the risk that a competitor enters an airport/area leading to a loss of key staff and/or contracts. Competition, in the UK particularly, continues to increase with new entrants to the market.	Inability to re-negotiate and retain key material contracts at rates that provide acceptable returns could significantly impact Group earnings.	Our Commercial teams rigorously undertake advance planning activities to ensure readiness for all upcoming contract renewals and new business tenders. The Group also operates a Menzies Commercial Appraisal Committee that convenes at least monthly to review all pricing and contractual terms before bids are submitted for new/repeat business. In addition, we constantly strive to innovate within our operations to ensure our operational model operates with an optimum cost base.	↔
EXTERNAL SHOCK	**Impact of 'Brexit' to UK and European Operations**	The risk that business becomes more difficult within the European Union when the UK exits.	The outcome of Brexit negotiations may affect/restrict the free movement of persons resulting in staff recruitment issues (during peak seasons in particular) and impact the operations of our customers.	This is a key focus of our HR teams under the stewardship of our Group EVP People and developments in this area remain under continual review to ensure we are positioned to react as and when appropriate. Our Commercial teams also have a strategy in place that is aimed at achieving the optimum combination of service portfolio and geography to offset any potential UK-European flight reduction. Further, many major airlines serving the UK have split, or are splitting, their *appellation d'origine controlee* into UK and European Union to mitigate their risk, in turn mitigating ours. Additionally, business continuity plans have been reviewed to ensure suppliers have adequate plans in place.	↔
FINANCE	**Menzies Pension Fund**	The risk associated with the Group's historic defined benefit pension scheme in the UK. The scheme closed to new members in 2003 and to future accrual in 2017 and is currently in deficit. The Group is required to make cash contributions to address this deficit and the potential exists that the deficit increases due to poor asset returns or because of an increase in liabilities arising from current financial assumptions differing from experience.	An increase in the scheme deficit could result in a requirement to increase the current cash contributions which in turn could reduce the amount that the Group can invest in growth business opportunities.	The decision to close the scheme to future accrual was a key determinant in reducing the risk associated with it as changes in the scheme liabilities now only result from a change in liabilities relating to past service, as opposed to a further increase as a result of current and future service. The ongoing controls adopted by the Group to manage this risk include working closely with the scheme's Trustee and its advisers to ensure that investment performance and liability experience are reviewed regularly; diversifying pension assets so that the impact decreases in the value of certain asset classes is minimised; and ensuring that the scheme has the optimum investment policy by matching asset profiles with associated liabilities taking into account the future likely mortality of members, investment returns and inflation. Additional cash has been injected into the scheme following the sale of Menzies Distribution.	↓
HUMAN RESOURCES	**Increased Labour Costs and Staff Turnover**	Our business relies on our People but risks exist relating to increased labour costs and staff turnover issues. Wage inflation is prominent in many of the territories in which we operate and there are a number of initiatives within various countries to improve salaries which in turn could impact our operations. Further, high staff turnover leads to low experience and skill levels to cover required shifts. This could leave our operations exposed and lacking sufficient skilled employees to deliver our business objectives.	An inability to pass on statutory increases to our customers could materially impact profitability (e.g. the UK's National Living Wage). Consistently high staff turnover could result in both a reduction in service levels and a loss of customer contracts. Additionally, a high number of inexperienced staff could lead to an increase in safety-related incidents.	Contracts with customers increasingly contain clauses that specify statutory wage increases. We also continue to evolve our operating model to optimise our cost base and resource management tools are being rolled-out to ensure roster outputs meet applicable regulations and customer demands whilst also providing improved productivity. The Board has a particular focus on staff turnover and regularly monitors the position. Initiatives aimed at reducing turnover are in place and are embedded throughout the Group (e.g. in the Americas a dedicated function exists to address this issue). Investment in onboarding HR systems, that help vet employees to ensure suitability for the role, have gained traction and, at Group level, the Human Resources Committee continues to give detailed consideration to the staff turnover issue to determine what can be done to make an impact in this area. Additionally, monthly reviews take place to ensure regular monitoring of this risk, together with an increased focus on the collation of competitor data.	↔

Risk Management continued

Risk Category	Risk	Risk Description	Impact	Key Control Mechanism	Change from 2017
HUMAN RESOURCES	Succession Planning	The risk that the Group does not have a structured and/or effective succession planning programme in place that ensures the necessary pool of talent exists from which to identify the correct individuals to occupy positions that may arise, whether supervisory, managerial or otherwise. Our operations rely on having the right people, with the right skills, in the right place, at the right time and as the Group expands staff retention and talent recruitment are key to guaranteeing the smooth running of our operations and maximising our present day success.	The operational and leadership impact of failing to have robust succession plans in place could result in increased costs to the business, lack of efficiency and a failure to deliver on any, or all, of the Group's key strategic objectives. Our brand loyalty could be impacted and a competitive disadvantage arise if we were unable to retain internal candidates to occupy key roles as they become available or we lose individuals with the requisite knowledge and expertise due to a lack of career opportunities.	Succession plans across the Group exist and the Board annually reviews such plans for Senior Management and Executive Directors. These succession plans are monitored by both regional and departmental teams as well as centrally at the Leadership Talent Review which takes place bi-annually. This Review now captures the risk and impact of loss which will assist in highlighting the 'critical positions' that require focus. Restructuring has taken place within the regions which has led to each region having a HR Senior Manager who is accountable for supporting their EVP in respect of robust succession planning. Structured development programmes are in place aimed at identifying and developing key employees while salaries and benefits are benchmarked to ensure they remain competitive with market standards. Additionally, succession planning was subject to detailed scrutiny by the Nomination Committee during 2018 and an action plan is to be agreed aimed at making our succession population more robust.	↔
IT	System Availability and Integrity	The risk of a cyber-attack that compromises the confidentiality, integrity and availability of systems and data is a growing worldwide issue. Sophisticated IT systems are at the core of our business, driving efficiency and underpinning our operations.	A serious IT systems outage and/or unauthorised access to the Group's network for even a limited period of time could have a significant operational, financial and/or reputational impact.	Improved security has been provided with the outsourcing of our physical hardware data centres, and associated support, to a third party outsourcing specialist. Appropriate plans and controls to mitigate risks to an acceptable level have been put in place through our Cyber Security Programme including: identification and replacement of all 'end of life' hardware; proactive management of threats and vulnerabilities; double authentication; move to Office 365; penetration testing of networks and systems; and periodic review of Response and Disaster Recovery plans.	↔
PRIVACY	Data Breach/ Data Protection Resource	The risk that a lack of awareness and/or resource in respect of data protection matters could result in ineffective handling of a data incident, including failure to report a breach within the prescribed timescale (72 hours) and thus non-compliance with the European Union's General Data Protection Regulation.	The impact of a major data breach could result in regulatory action, including administrative fines of up to 4% of global annual turnover, the potential risk of individual litigation, the termination of customer contracts and severe reputational damage.	Increased data protection resource is being introduced into the business to support the Data Protection Officer, whilst specialist information security and data protection consultancy services have been provided by an external third party. A targeted training and communications programme has also been launched to heighten awareness of data protection issues throughout the Group. Additionally, an improved Information Security Incident Policy has recently been published and an Incident Response process created that, together with associated documentation, will be implemented across the network.	↑
SAFETY	Adherence to Standard Operating Procedures	The risk of a breach of/failure to comply with our internal and airline standard operating procedures ("SOP") or regulations, which are key to ensuring that the Group delivers its strategic objectives and operates safely and securely at all times.	Failure to adhere to SOP could endanger employees and negatively impact both operational performance and the Group's reputation. An increase in aircraft damage and personal injury incidents may arise and, in turn, a poor safety record could produce increased operating costs, including punitive and compensatory charges and increased insurance rates, and ultimately lead to the loss of customer contracts.	Independent audit programmes exist to ensure applicable SOP are being adhered to and all audit scores are reviewed by the Senior Leadership team. The Operational Excellence function seeks to drive standardisation across the network whilst significant investment in infrastructure and systems has aided the drive for compliance and standardisation. Tailored training packages exist and all employees undertake full and rigorous training (as applicable). Safety and security represent the number one priority at every station and should never be compromised. Industry-leading safety systems are utilised whilst our internal M.O.R.S.E. system is at the heart of all our operations. In addition, each geographic region will have a dedicated SVP Risk with structures in place to drive continuous improvement.	↓
SECURITY	Global Act of Terrorism/ Insider Threat	The risk that a global terrorism event could materially affect the Aviation industry resulting in the number of aircraft flights being significantly reduced for a period of time. Additionally, the risk that a serious security breach or incident occurs that is directly attributable to the actions of one of our employees, former employees or contractors.	A global act of terrorism could lead to a significant loss in revenue as flights would be grounded and air cargo would not be transported. Further, the impact of a serious security-related incident could affect the Group's reputation, operational performance and, ultimately, financial performance.	The Group works closely with airport authorities. Rigorous checking and vetting of all employees takes place. Central support is provided to all stations via the Security team, utilising the M.O.R.S.E. intranet-based safety and security monitoring system which provides consistent and regular reporting. A dedicated Group Security Officer continues to raise standards across the Group and reinforce awareness whilst a corporate personal security measures assessment is due to be undertaken. Ground handling cost base is flexible and could be flexed to assist in mitigating the potential financial impact.	↔
TRAINING	Employee Training	The risk that employees are not trained or refresher training not provided in a timely manner.	Failure to deliver adequate training or refresher training could give rise to actual or potential safety, security and/or quality breaches. In addition to endangering employees and negatively impacting both our safety record and operational performance, the reputation of the Group would suffer.	The introduction of our new learning and development platform, Empower Learning, increases the resilience and transparency of our employee training records. The functionality of the system is such that it allows training to be delivered in a more efficient manner, reduces variation and simplifies the record-keeping process in terms of, for example, expiry and completion dates. Additionally, all employees undertake a full induction, which includes all mandatory training, upon joining the Group, the results of which are recorded in a business unit training matrix. Training compliance is included as part of the monthly self-certification process and independent audits are conducted at which the business unit training matrix is reviewed to identify any irregularities. All mandatory training has a refresher requirement of no more than every 36 months. Training is also one of the key pillars in our '8 Pillar' Audit Programme.	↓

AN ETHICAL APPROACH

Demonstrating our commitment to excellence and innovation in all that we do can serve to differentiate us from our competitors. Our stakeholders and customers can be confident in our abilities, our service and how we conduct our business and we can take pride in our work, our teams and in the John Menzies plc group.



Aaron Thomas, Passenger Services Supervisor, Los Angeles, USA

TRACE Anti-Bribery Compliance Solutions

Underlining our zero tolerance approach to bribery and corruption, we became a member of TRACE in May 2017.

TRACE is a globally recognised anti-bribery business organisation and leading provider of cost-effective third party risk management solutions. Members and clients include hundreds of multinational companies headquartered worldwide. For more information, visit www.TRACEinternational.org.

Read more about our responsible business online:
www.johnmenziesplc.com/anti-slavery-and-human-trafficking-statement/
www.johnmenziesplc.com/third-party-code-of-conduct/

Highlights

- **New Group Code of Conduct was launched network-wide in 12 languages, laying a solid foundation for our global Compliance Programme and providing every employee with an awareness and understanding of our culture and values and our ethical and legal obligations and expectations.**
- **Roll-out of new and updated policies such as Anti-Slavery and Human Trafficking, Conflicts of Interest and Anti-Bribery and Anti-Corruption to reflect our refreshed Compliance Programme and ensure their continued relevance to our business.**
- **Finalisation of a new suite of e-learning courses to align with our updated Compliance Programme together with a bespoke Code of Conduct module and Anti-Slavery and Human Trafficking Awareness video.**

Our framework of policies and guidelines seeks to ensure that we foster a culture in which integrity and sound ethical values are at the centre of everything that we do. Having consistent standards in place, wherever we operate and at every level of our organisation, allows us to conduct business in the 'right way'. It also helps mitigate compliance-related issues which in turn safeguards our business, our People and our Business Partners (who include our customers, contractors, suppliers, joint venture partners and consultants).

During 2018 we launched our new Group-wide Compliance Programme, which is designed to guide our People to act in accordance with all applicable laws, regulations and guidelines and to work ethically and with integrity, creating a workplace environment that is respectful, inclusive and supportive. This is a 'living' Programme that will be regularly reviewed and refreshed to ensure it both stays relevant to us as an expanding business and provides our People with the guidance and advice they require. At the centre of the Programme is our Code of Conduct which contains key principles, expectations and guidance on making ethical decisions together with helpful resources to assist our People in their endeavours.

Engaging with our People through regular communications and providing them with the requisite training, knowledge, tools and confidence ensures our business operates in line with our values and to the highest ethical standards; this is critical to the success of our Compliance Programme and our organisation more generally. We want our People to work in an environment where they have the courage to speak up if they feel something is not right or if they believe a breach of our values, policies or operating standards has taken place.

EXPOLINK

EXPOLINK, our independent whistleblowing hotline, is one way our People can report any concerns confidentially and anonymously and know it will always be followed-up. This platform represents an invaluable means by which we can ensure that potential or actual improper conduct, breaches of regulation or legislation or unethical behaviour are reported and addressed.

Our Third Party Code of Conduct, which mirrors our own Code of Conduct, was also published during 2018 and this outlines the values, ethics and behaviours we expect from all our Business Partners. It is a fundamental step in engaging with those with whom we do business and ensuring that we share the same strong business ethics and values, including a focus on employee wellbeing.

Our assessment of third party risk and ensuring our supply chains are free from all forms of modern slavery is another area we give keen consideration to as a Group. We do not tolerate any form of slavery within our business or any of our supply chains, as recognised within both our Code of Conduct and our Third Party Code of Conduct. We are currently working on the implementation of new measures to ensure improved rigour, consistency and auditability around our Business Partner due diligence process and these will be a key focus during 2019.

Aligned with both this and our Excellence Manifesto, we are also undertaking an assessment of new technology options intended to support our Business Partner risk assessment and onboarding procedures and further endorsing our commitment to the success of our Compliance Programme across the Group.

Our People

Our People are our most valued asset; they are at the heart of all that we do and are critical to securing the successful delivery of our Excellence Manifesto. Investment in our People therefore remains a top priority and during 2018 a number of global initiatives were launched in respect of attraction, retention and development that underline our strong commitment in this area.

Highlights

- **Appointment of a new Head of Operational Learning to lead our Learning team in their efforts to deliver industry-leading training and processes, incorporating blended-learning solutions, new systems and innovative technology.**
- **We have combined investment in our communities with investment in our future leaders through our Cultural Leadership Challenges which took place in Zaragoza, Spain, and St. Maarten, Caribbean. A more proactive approach to our leadership succession and talent pipeline in 2018 has allowed a greater focus on ensuring that we retain our best People.**
- **Our People are our most important resource and mental health is a key factor in ensuring they are healthy and happy. In recognition of this we marked World Mental Health Day, a World Health Organisation-supported day which encourages businesses and individuals to take a moment to think about their own mental health and that of those around them.**
- **In Oceania a pilot employee engagement survey was launched to gain insight into how passionate our People are about their work, how well they understand and feel committed to our Excellence Manifesto, and whether they feel their work is valued and their talents well-utilised. As a consequence of this, we are working towards a global roll-out of such surveys.**

The Board-constituted Human Resources Committee, further details on which can be found on pages 63 and 64 of this Annual Report and Accounts 2018, continues to play a key role in ensuring that we pursue best practice from a People perspective, particularly in areas such as staff retention and succession planning.

The rolling implementation of our online recruitment tools across our worldwide network continues to deliver multiple benefits, including efficiency of candidate management and the ability to take candidates through the recruitment process using real time information, leading to an improved standard of applicants and in turn calibre of recruits. Additionally, entry into a partnership with a software provider in the Americas has allowed us to engage with potential candidates and new recruits via their mobile telephones and text messaging service, modernising our employee recruitment and onboarding experience.

We have also been trialling a range of innovative retention initiatives in specific USA locations including, but not limited to, offering employees more flexibility in their work schedules; providing enhanced visibility of support teams and managers, coupled with improved communication from senior leaders within the business; and the introduction of employee recognition activities. The results of these initiatives have been overwhelmingly positive and at the present time consideration is being given as to what activities should be launched on a wider basis and when.

We consider learning essential to improvement and continuous improvement essential to delivering excellence. Therefore, in addition to 'on the job' learning, we invest in the development of our People through online and classroom-based courses and resources. The global implementation of our new People performance management system, Empower Performance, for graded managers and the ongoing implementation of our learning management system, Empower Learning, have enabled us to introduce consistency in the performance management process, deliver e-learning courses directly to employees and store their performance and training records in a standardised and consistent manner.

Following the successful launch of the Menzies Aviation Management Graduate Programme in 2017, we welcomed another group of graduates, with diverse work experience and educational backgrounds, onboard during 2018. Their 21 month placements will see them undertake a series of rotational, project-focused roles within the business designed to develop their leadership and core skills through mentoring, workshops and operational and functional exposure.

From an employee engagement perspective, managers are encouraged to hold team and one-to-one meetings with their staff and communication channels are in place to ensure our People are provided with regular updates on the Company's performance and associated items. We seek to maintain constructive relationships with labour unions and works councils formally representing our employees and continuously monitor feedback from employees who have left the business to ensure their comments are taken into account in the development and refinement of our retention strategies.

We recognise that there is more to meaningful work than the pursuit of success alone and, whilst our business will always strive for excellence, we also seek to build a community that reflects our inclusive, global spirit. Providing equality of opportunity, valuing diversity and promoting a culture of inclusion are vital to our continued success; as a global business, with a varied customer base, we want our People to reflect the diversity of the regional, national and international communities in which we operate.

Enshrining our commitment to fairness and our opposition to prejudice and discrimination, we launched our Group-wide Equality, Diversity and Inclusion Policy during 2018. This Policy communicates our Board level commitment to creating a working environment in which individuals can utilise their skills and talents to the full without fear of discrimination, bullying, victimisation, retaliation or harassment, creating a culture where everyone can strive to fulfil their full potential.

Additionally, we aim to ensure equal opportunity in recruitment, career development, promotion, training and reward for all employees – regardless of ethnicity, national origin, religion, gender, age, sexual orientation, marital status, disability, or any other characteristic protected by applicable laws (further details of which are included on page 88 of this Annual Report and Accounts 2018). Further, we encourage employee share ownership and, for example, under our Sharesave Scheme, UK employees have the opportunity to use accumulated savings to purchase shares in the Company.

Read more about our responsible business online:
www.johnmenziesplc.com/gender-pay-gap-report/

Gender Diversity (as at 31 December 2018)

	Employees	Decision-makers	Board of Directors
MALE	21,998	231	8
FEMALE	9,866	108	1

Our People continued

Responsible Business in Action

ENHANCING LEADERSHIP SKILLS

Two teams of high-performing managers were selected from across the global Menzies network to take part in the 2018 Cultural Leadership Challenges ("CLC"), aimed at enhancing each participant's leadership skills while raising funds and awareness for a carefully selected local charity in one of two locations: Zaragoza, Spain, and St. Maarten, Caribbean.

Over two eight day events, our managers faced a series of surprise challenges which pushed them out of their comfort zones and sought to strengthen leadership skills, encourage innovative thinking, wellness and physical fitness and also benefit the local communities.

Zaragoza, Spain:
SOS Children's Villages UK ("SOS")
Eleven Menzies leaders travelled to Spain in September 2018 to support SOS. SOS is part of the world's largest charity network caring for unsupported children. Through a global network of community projects, children who have lost parental care are offered the chance to grow up in a safe, family-like environment with a carer, siblings, quality education and healthcare.

Our CLC team visited a SOS Day Centre which was under construction, met with the local SOS leaders in Zaragoza and donated laptops for use by children who would attend the new Day Centre.

With hard work and support from friends and family, the team raised more than £19,000 to fund the Day Centre.

St. Maarten, Caribbean:
K1 Britannia Foundation ("K1")
In November 2018 eleven Menzies leaders visited St. Maarten in support of K1. K1's work focuses on supporting young people on the island in the aftermath of the devastating Hurricane Irma in 2017 which decimated St. Maarten's tourist industry and eliminated many sources of employment. K1's ideology of combatting poverty through empowerment brings together communities across the island and provides fresh opportunities for the children.

The CLC team met with young people involved in K1's many projects, including children from the local Little League: Player Development group and the apprentice programme at the National Institute for Professional Advancement. They also hosted a Personal Impact Workshop, offering guidance to young people on employability skills including advice on interview techniques and how to write a resume.

Fundraising efforts from the team resulted in a donation of over £30,000 to K1.

Our Cultural Leadership Challenge participants, Zaragoza, Spain

Our Cultural Leadership Challenge participants, St. Maarten, Caribbean

Supporting our Communities

Throughout 2018 the Group supported a variety of charitable organisations and community initiatives across the globe, including many that were nominated through our regions and by individual employees. By approaching our charitable giving in this way we hope to make a positive social contribution to the communities and environments in which we operate.

Highlights

- **We were pleased to continue to support charities that have previously benefitted from our charitable-giving programme, including: Playlist for Life, Scotland; Hummingbird House, Queensland, Australia; and Ramana Maharshi Academy for the Blind, Bangalore, India.**
- **In alignment with our charitable objectives:**
  - **£30,600 was donated to organisations that support adults and the elderly through improving quality of life and wellbeing as well as those that offer health and end-of-life care;**
  - **£33,400 was donated to organisations that support the younger generations through providing educational, health, emotional and wellbeing support as well as tackling poverty and inequality; and**
  - **an additional £16,000 was donated towards charities that encourage inter-generational engagement and provide community support across all ages and generations.**

We continue to focus our charitable efforts on organisations that:

- support and invest in the generations that will follow us by promoting the wellbeing of children and tackling the issues that undermine their life chances such as inequality, poverty and lack of education; and
- assist and empower the generations that preceded us by enabling their independence, addressing their social needs and providing health or end-of-life care.

A total of £80,000 was paid from our Main Charities Fund during 2018 to charities that satisfied this criteria, with a further £20,000 allocated from the John Maxwell Menzies Fund, which is used to encourage employees to participate in charitable, voluntary and community-related activities either on an individual basis or as part of a team.

As referenced in the foregoing People section, our 2018 Cultural Leadership Challenges not only had a profound personal impact on the participating delegates but also afforded us the opportunity to make a greater contribution to the charities and communities our teams worked with, through hands-on support as well as fundraising activities.

Our social contribution and the positive impact we can have on the local communities in which we operate is important to us and, with this in mind, we reviewed our charitable-giving strategy at the end of 2018 to consider how we might extend its value and reach.

It was agreed that we would revitalise our approach during 2019 and ensure an increased focus was placed on increasing employee engagement and encouraging participation. Additionally, we hope to make it easier for employees to nominate charities that are local or important to them and support alternative ways and means for employees to either volunteer, receive training or become more engaged with local charities and communities. Further, we would hope to strengthen and build upon relationships with key charitable partners going forward to seek to achieve longer lasting, positive impacts on the local communities they service. We look forward to the charitable year ahead.

Responsible Business in Action

CYCLING WITHOUT AGE SCOTLAND

Based on an international model, Cycling Without Age Scotland (“CWAS”) started life in 2016 as a community group and became a registered charity in February 2018.

It has gone from strength to strength with 25 local community groups now having been established throughout Scotland to deliver the CWAS inter-generational project.

Each community group is trained, guided and supported by CWAS to help over 65s who are suffering from mobility issues and/or who are isolated or live in care homes or sheltered housing to get outdoors, socialise and feel good about themselves. The project aims to improve the wellbeing of communities and to transform the lives of elderly people, bringing them closer to the outdoor environment through trips on trishaws with local volunteer pilots (trishaw drivers). We were delighted to support CWAS in 2018 by donating £12,500 towards the purchase of trishaws for groups in the Edinburgh area and look forward to supporting the charity again in the future.

Agnes (102) and Jenny (97) enjoying the outdoors with Christine Bell, trishaw driver

Health, Safety and Security

Setting the highest standards in respect of Health, Safety and Security is at the forefront of our Excellence Manifesto and good health, safety and security practices are a core responsibility of every Group employee. With quarterly Safety Awards, we reward the stations who lead the pack for safe practices and encourage others to improve where required.

Highlights

- **Stuart Jones was appointed SVP Risk, assuming overall responsibility for leading our Risk teams including Safety, Security, Environmental, Quality Assurance and Insurance. Stuart's focus is on taking our management of risk to the next level, including adopting a more forward-looking and predictive approach and by further driving improvements and standardisation throughout the business to fulfil our Excellence Manifesto.**
- **In addition to our own extensive internal audit programme, our customers/regulators conducted over 1,100 external audits across our operational network, with 75% of those audits resulting in zero audit findings.**
- **An enhanced Quality Control platform, SMART 2.0, was deployed, producing a more dynamic set of safety inspections and generating greater analytics capability, and in turn delivering increased value in respect of our 390,000 annual quality control checks.**
- **Our first annual Safety and Security Week was held, promoting health, safety and security in the workplace. This event was supplemented by other initiatives such as our 'safe driving' poster campaign in November, which received wide employee engagement.**

Employee welfare and protecting the interests of both our organisation and our stakeholders more generally are directly linked to how successfully we manage risk across our operations. A safe and secure environment helps safeguard our key assets, including our People and our business, and, in recognition of this, the Group continues to invest in resource and strive for continued improvement through its Risk Management programme.

Bolstering resource and developing capability and expertise within our Risk function and regional teams was a key area of focus during 2018 and included the engagement, and subsequent deployment, of subject matter experts in a variety of Risk disciplines. This in turn has facilitated increased adoption of Group Risk policies and procedures and equipped our People to help reduce and better mitigate and manage risk at every level of our organisation.

Our rate of 'damage' incidents relating to ground handling and fuelling activities reduced by over 20% in 2018, exceeding our own internal targets and demonstrating industry-leading performance in this area. Our personal injury rate also reduced and, whilst all improvement is welcome, we will seek further improved performance during 2019 and continue to challenge ourselves in our pursuit of achieving excellence. Our focus on ensuring a culture that promotes zero incidents and year on year improvements is fundamental to supporting our position as an industry leader.

As our processes and controls have matured so too have our levels of understanding and application and, consequently, we have been able to further develop the way in which we manage and track Risk disciplines, such as Safety, Security and Environmental, through investment in a new Integrated Risk Management System. This will assist us in integrating all such disciplines onto one platform and provide increased flexibility and improved usability and reporting of incidents, near misses and perceived hazards. The expectation is that once fully launched our analytics capability will be significantly expanded and we will have substantially improved oversight of operational risk throughout our global operations, driving even greater consistency and standards across the Group.

Responsible Business in Action

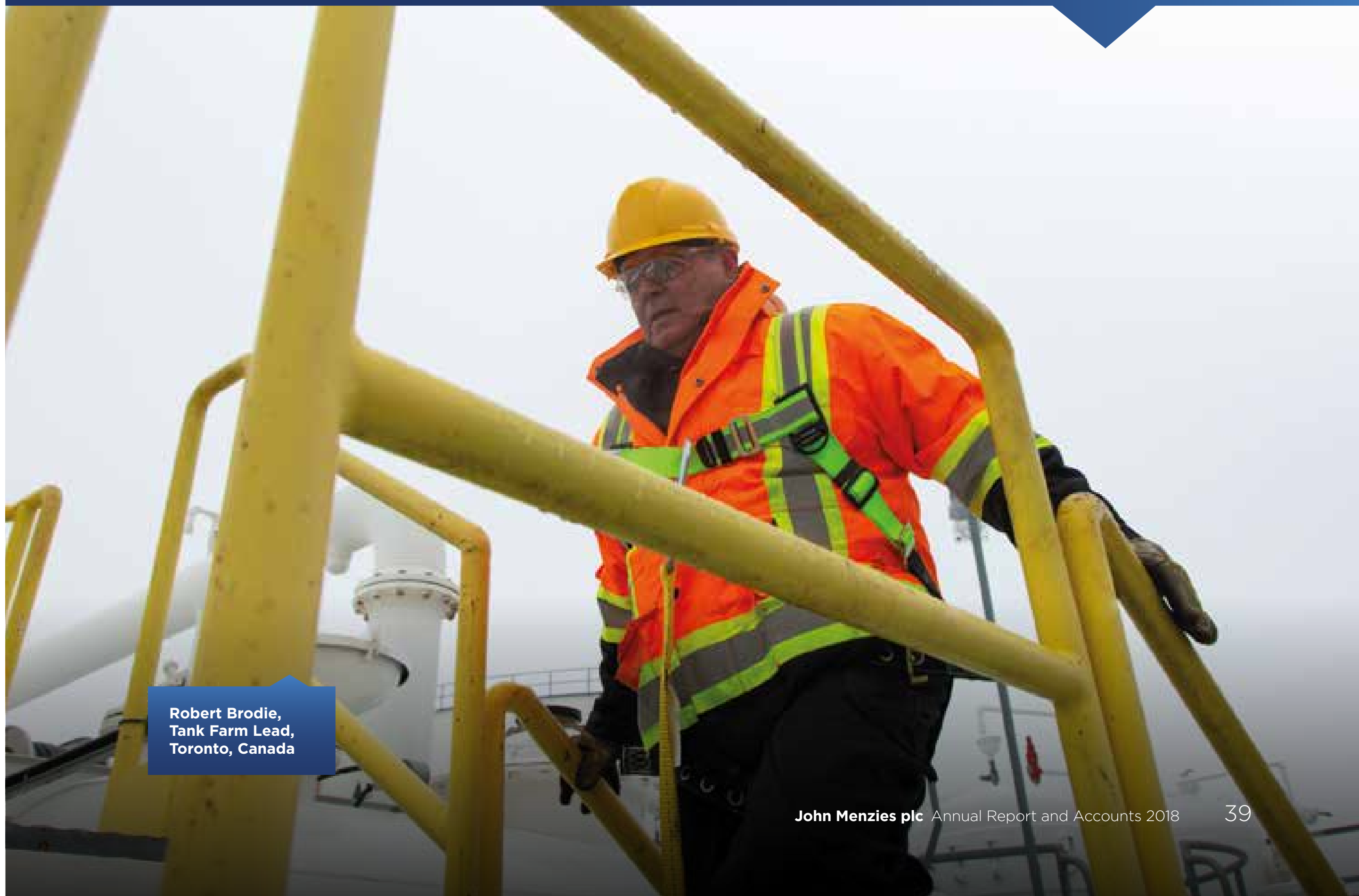
BUILDING OUR REPUTATION FOR EXCELLENCE

In seeking to continually develop and refine our Safety and Security culture and general risk awareness, elevating our performance to the next level, our Safety Perception Survey was launched across our global network in November 2018.

The Survey was designed to help us understand the perceptions and views of our People on our Safety and Security culture globally and assist in identifying potential opportunities for improvement.

The results of the Survey will be used to steer our staff engagement strategies in our rolling Safety and Security plan. Key anticipated outcomes should permit us to:

- analyse and better understand the Safety and Security culture of our organisation;
- use the results as a leading indicator to help identify areas of concern before they lead to an incident; and
- develop insights and apply predictive analytics for future performance improvements.



Robert Brodie, Tank Farm Lead, Toronto, Canada

Respecting our Environment

As our operational network continues to expand globally, our environmental commitment remains an important part of how we manage our business. Over the last year the Group has embarked upon a number of new environmental initiatives with an accompanying programme of internal communications aimed at increasing awareness of environmental issues and the associated impact across all areas of our organisation. In addition to workplace-related initiatives, we have also been providing our People with information on how they can participate in campaigns such as Earth Day and undertake environmental improvements at home.

Highlights

- **Voltage optimisation equipment is in the process of being installed at our head office in Edinburgh and is expected to reduce our electricity consumption by almost 84,000 kWh/year and our CO_2e emissions by 26 tonnes/year, which is equal to 37 return economy flights between London and New York.**
- **Our electrical ground support equipment fleet accounts for almost 15% of our entire global fleet.**
- **Our new Environment Management System provides business units with a standardised best practice approach together with instruction and guidance on how to identify and manage the most significant environmental issues that our operations may typically encounter.**
- **A new environmental e-learning module has been developed, providing awareness on how we, as a business, interact with the environment, how we can be more environmentally astute and how we should and could operate more sustainably.**

During 2018 we developed and launched our new Environment Management System which is now being rolled-out Group-wide. This has been created in line with the internationally recognised ISO 14001:2015 standard, ensuring best practice and a consistent approach is applied across all business areas in environmental management practices such as assessment, identification and optimisation of local issues and activities and standardising emergency response and waste management procedures. It remains our intention to achieve independent accreditation of ISO 14001:2015 which will further demonstrate our commitment to environmental stewardship.

In 2018 we made significant advances by converting a portion of our ground support equipment fleet to electric vehicles. In addition, and in alignment with our strategy of investing in the most sophisticated technology, we have rolled-out a number of fully electric towbarless tug vehicles as well as smaller remote-controlled Mototok pushbacks. These vehicles reduce emissions in the local area, thereby improving air quality and providing a reliable and efficient way of moving aircraft on the ramp. Furthermore, new procedures have been introduced that ensure all new equipment requests are assessed to determine whether a more environmentally-friendly option can be procured.

Our Technical Services team is also investigating more eco-friendly electrical equipment options such as an electrical ground power unit which would be used to power aircraft while grounded. Other initiatives include liaising with airport authorities to understand their environmental and sustainability goals and considering how we, as a member of the Aviation community, can support our partners and incorporate elements of those goals into our own environmental endeavours.

Our efforts are not limited to our core operations and one initiative that is being trialled at our head office in Edinburgh is the installation of voltage optimisation equipment ("VOE"). VOE optimises and reduces the voltage of the electricity supplied to equipment in a building, ensuring only the required electricity is used. By simply rejecting and returning any surplus electricity back to the National Grid, electricity usage is minimised while remaining within the operating conditions specified by the equipment manufacturer. Over the 25 year lifespan of the VOE equipment, we estimate that our electricity consumption from the National Grid would reduce by over 2.1 million kWh and our CO_2e emissions by 644 tonnes, reducing our environmental impact whilst achieving a financial saving. As a result of such benefits, we are assessing the viability of implementing the same solution in other network locations.

Greenhouse Gas Emissions Reporting

In line with the Climate Change Act 2008 and the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (the "Regulations"), we are mandated to disclose the greenhouse gas ("GHG") emissions arising from our operations. We disclose this figure in the form of tonnes of CO_2e on all material emissions of the six gases covered by the Kyoto Protocol generated from both direct sources and purchased electricity, heat, steam and cooling.

The period covered for the purposes of this GHG Emissions Reporting section is 1 January 2018 to 31 December 2018 and includes data relating to Menzies Distribution for the period 1 January 2018 to 31 August 2018. We report on Scope 1 emissions (direct combustion of fuels) and Scope 2 emissions (indirect combustion e.g. purchased electricity) as follows: Scope 1 – fuels consumed by passenger and delivery vehicles, natural gas consumption in buildings and fugitive emissions of refrigerants; and Scope 2 – UK electricity and overseas electricity.

To further increase accuracy in 2018, we collected and internally validated source data from financial accounting databases, collated on a country-by-country basis. This information was then entered into an online Carbon Tracker system, where electricity usage and fuel consumption are calculated into CO_2e using emission factors issued by the Department for Business, Energy and Industrial Strategy.

Carbon Footprint Ltd. ("Carbon Footprint") is the independent GHG verifier that we have engaged since 2016. Carbon Footprint certifies that our approach to data collection is logical and that our data-sets are satisfactory, as well as providing external verification of our data. Carbon Footprint has, for a third consecutive year, validated the data entered into our online Carbon Tracker system and confirmed that our emissions factors, methodology and GHG calculations are robust. The CO_2e Emissions table below previously contained two different intensity ratios i.e. "CO_2e tonnes per aircraft turnaround" and "CO_2e tonnes per £000 revenue". We have removed the aircraft turnaround ratio but retained the revenue based ratio, as this is more commonly used in our industry and provides a clearer understanding of the performance of our operations.

Overall, the emissions from our global operations have reduced as a result of improved operational procedures, an increase in

CO_2E EMISSIONS

		Global tonnes of CO_2e 2018		Global tonnes of CO_2e 2017		UK tonnes of CO_2e 2018		UK tonnes of CO_2e 2017
Measure	**Group total**	**Menzies Aviation**	**Menzies Distribution***	**Total**	**UK total**	**Menzies Aviation**	**Menzies Distribution***	**Total**
Combustion of fossil fuels	**141,033**	123,185	17,848	169,319	**33,282**	15,435	17,848	**45,889**
Electricity purchased for own use	**26,143**	23,973	2,170	50,814	**5,860**	3,690	2,170	**6,202**
Total	**167,176**	147,158	20,018	220,133	**39,142**	19,125	20,018	**52,091**
Intensity ratios (tonnes of CO_2e)								
Per £000 turnover		0.114	0.025			0.072	0.025	
Per £000 turnover total	**0.080**			0.087	**0.037**			**0.035**

* Data for Menzies Distribution only includes figures for the applicable reporting period i.e. 1 January 2018 to 31 August 2018.

Respecting our Environment continued

electric equipment and improved efficiencies where fossil fuels are used (e.g. our emissions in the UK from fossil fuels have decreased by 25% whilst electricity consumption has increased by 3.7 million kWh). That said, the emissions from our electricity consumption have decreased compared to the previous year as a result of more electricity being produced from renewable sources together with an improvement in reporting procedures and the disposal of Menzies Distribution.

The Company also participates in the following UK Government-driven carbon reporting schemes:

- the Energy Savings Opportunity Scheme ("ESOS") which runs in four year cycles; and
- the Carbon Reduction Commitment Energy Efficiency Scheme (the "CRC Scheme") which is due to be phased-out following the 2018/2019 reporting period.

ESOS Compliant | carbon footprint

ESOS

ESOS is a mandatory UK energy assessment scheme which has been in force since July 2014. It requires larger companies and non-public sector organisations to conduct energy saving assessments and identify where energy savings can be implemented. Carbon Footprint was appointed our Lead Assessor and in 2015 undertook our Phase 1 ESOS-compliant energy audit, covering the period 1 January 2014 to 31 December 2014. As we are based in Scotland, we were also required to submit these audit findings to the Scottish Environment Protection Agency.

The Phase 1 audit identified areas of opportunity that would allow us to reduce our total energy consumption (including buildings and direct transport-related energy). As the audit was conducted when Menzies Distribution was part of the Group, some of the findings are no longer relevant to us, although as part of our ongoing energy management programme other opportunities have been revisited to assess their suitability. One example is the installation of solar panels at our head office which, after a second review, was still found to be a less cost-effective way to reduce energy consumption. Another opportunity that was re-assessed and that has been successfully progressed is the aforementioned VOE initiative which was identified as a better solution for reducing electricity consumption and therefore CO_2e emissions.

The ESOS scheme is currently in Phase 2 and our Phase 2 energy assessment must be completed ahead of the scheme closure in December 2019. The sample site visits for the Group took place at Edinburgh Airport, Edinburgh Park, World Business Centre and all associated London Heathrow operations in December 2018.

CRC Scheme

Effective from April 2010, the CRC Scheme is an obligatory emissions trading scheme with the stated objective of improving energy efficiency and reducing CO_2e emissions in large UK public and private sector organisations. Under the Scheme, we continue to submit information annually on our UK operations' energy usage. We disclosed just under 8,000 tonnes of CO_2e for the 2017/2018 reporting period, compared to 10,100 tonnes of CO_2e in the previous reporting period.

This year's reporting period included Menzies Distribution, which is responsible for almost all reported emissions in our CRC submission. The current reporting period, April 2018 to March 2019, is the last reporting period under the Scheme and a new scheme, Streamlined Energy and Carbon Reporting, is due to come into force during 2019. As we are still required to comply with the CRC Scheme, we will submit our annual compliance report to the CRC Registry by 31 July 2019.

This Emissions Reporting section is incorporated into the Directors' Report contained on pages 86 to 91 of this Annual Report and Accounts 2018.

The Strategic Report on pages 1 to 43 of this Annual Report and Accounts 2018 has been approved by the Board of Directors in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

On behalf of the Board of Directors

John Geddes
Director of Corporate Affairs & Group Company Secretary
8 March 2019

Responsible Business in Action

ENHANCING OUR ENVIRONMENT THROUGH TECHNOLOGY

In 2018 our Technical Services team introduced the first Mototok to our fleet at Edinburgh Airport, UK; this is a 100% electric, remote-controlled tug vehicle used for aircraft pushback.

As well as having excellent environmental credentials, with no fuel costs and a long battery life, Mototoks support increased safety as their remote operation enables an uncompromised view of an aircraft during pushback, allowing operators to stay further away from hazard zones while communicating with the flight deck and tower via a wireless headset.

A Mototok uses 8,963 kWh of electricity per year, which is similar to the annual electricity consumption of 2.3 average UK households. This electricity consumption produces just over 2.5 tonnes of CO_2e emissions. A conventional diesel tug used for the same type of work can use more than 11,000 litres of diesel per year and produce just under 29 tonnes of CO_2e emissions.

Innes Affleck, Ramp Controller, Edinburgh, UK

GOVERNANCE AT OUR CORE

Dear Shareholder,

As Chairman of John Menzies plc I am tasked with leading the Board and ensuring that it comprehensively and effectively discharges the duties and responsibilities incumbent upon it. Whilst simultaneously driving the strategic direction of the Group and overseeing the delivery of its business objectives, the Board must remain focused on the long term success of the Company and grow the business in a prudent and structured manner. The composition of the Board must be such that the leadership requirements of the Group are met and, collectively, the Directors must possess the requisite knowledge, skills and expertise to generate sustainable stakeholder value.

As previously announced, Geoff Eaton will not stand for re-election at the Company's forthcoming annual general meeting. Again, I would like to take this opportunity to extend my gratitude to Geoff for his contribution during his time in tenure both as an active Board member and as Chairman of the Remuneration Committee. The current balance of Executive/Non-Executive Directors has been reviewed and, whilst there is no intention to replace Geoff at the present time, the Nomination Committee will continue to monitor the position and ensure our leadership needs are at all times fully satisfied.

As one of the leading players in a structural growth market we recognise that adherence to our Excellence Manifesto is key in setting us apart from our competitors; if we are to become the undisputed, premium partner in the Aviation Services industry then our continual push for operational excellence and standardisation must persist but must be positioned within the parameters of the Group's stringent governance framework.

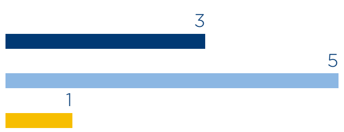
As a global organisation with 32,000 employees, strong governance practices, whether operational, regulatory or otherwise, sit at the core of what we do and how we do it and are not only essential to the long term success of our operations but also in securing and promoting the interests of all our stakeholders.

In accordance with the Financial Conduct Authority's Listing Rules, we are required to report on how we have complied with the main principles of the UK Corporate Governance Code (April 2016) during the 2018 financial year and I am pleased to confirm that the Board is of the view that full compliance was achieved.

The Reports that follow detail the corporate governance measures that we have in place, including our systems of risk management and internal control, and provide insight on the activities and considerations of the Board and its Committees during 2018. With the application of the new UK Corporate Governance Code (July 2018) to the current financial year we look forward to reporting on how we achieved compliance with the enhanced disclosure requirements, the challenges that we faced and how these were successfully addressed within the parameters of our governance framework.

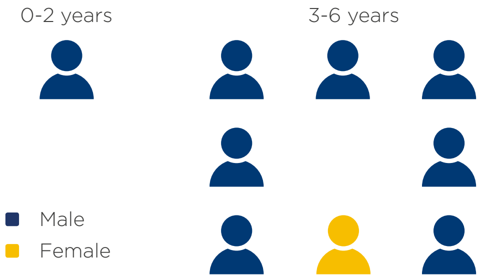
Dr. Dermot F. Smurfit
Chairman
8 March 2019

COMPOSITION OF THE BOARD



- Executive Director
- Independent Non-Executive Director
- Chairman

BOARD DIVERSITY AND TENURE



- Male
- Female

UK Corporate Governance Code

The Board is committed to the principles of good corporate governance contained in the UK Corporate Governance Code (July 2018), which is published by the Financial Reporting Council and is available on its website at www.frc.org.uk. The Company follows the good practice which the Code recommends and the Board considers that the Company has applied the principles and complied with the provisions set out in the UK Corporate Governance Code (April 2016) throughout 2018, as detailed in this Statement and the associated Reports.

The Board believes that the Annual Report and Accounts 2018 are, when taken as a whole, fair, balanced and understandable, providing shareholders with the requisite information to assess the Company's performance, business model and strategy.

BOARD

Principal responsibility is to ensure the long term success of the Company, assuming responsibility for the Group's overall strategy and providing shareholders with stability and growth.

AUDIT COMMITTEE
Monitors the integrity of the Group's financial reporting and financial statements, reviews the effectiveness of internal controls and risk management, and oversees the relationship with the external auditor.

NOMINATION COMMITTEE
Ensures appropriate succession plans are in place and reviews the structure and composition of the Board to ensure the necessary balance of knowledge, skills and experience to develop and support Group strategy.

REMUNERATION COMMITTEE
Determines and agrees the Company's remuneration policy in respect of Executive Directors and the Chairman, together with their specific remuneration packages.

HUMAN RESOURCES COMMITTEE
Assists the Board in fulfilling its human resources obligations and ensures standardisation, adequacy and effectiveness of structure, policies and process.

EXECUTIVE COMMITTEE

Responsibility for operational and strategic matters.

Board of Directors

Committee Membership Key

- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- H Human Resources Committee
- ☐ Indicates Committee Chair

				
Name and Title	**Dr. Dermot F. Smurfit** Chairman	**Forsyth Black** Chief Executive Officer	**Giles Wilson** Chief Financial Officer	**John Geddes** Director of Corporate Affairs & Group Company Secretary
Date of Appointment	July 2016	January 2016	June 2016	November 2016
Experience and Skills	Dermot brings a wealth of cross-industry experience to bear on his leadership of the Company, having previously served as Chairman of Powerflute Oyj and having held a number of senior positions within the Jefferson Smurfit Group, including joint Deputy Chairman (1994-2003) and worldwide Director of Sales and Marketing (1997-2003). Dermot is a former Chairman of Anker PLC, Peach Holdings PLC, the World Containerboard Organisation and FEFCO, the European Federation of Corrugated Board Manufacturers. He was also previously Chairman of Eurolink Motorway Services Limited and a Director of ACE Limited, Aon BV., Timber Capital Limited and The Forest Company Limited.	Forsyth assumed the role of Chief Executive Officer upon the disposal of Menzies Distribution in September 2018, having previously served as President & Managing Director, Menzies Aviation. During the course of his 18 year career with the Group, Forsyth has worked in a number of commercial and operational leadership roles across both its Aviation and Distribution operations. He brings extensive commercial, managerial and business development experience to the Board, having launched and grown Menzies' African and Indian Aviation businesses as well as having led the entry of Menzies Distribution into the parcel delivery market.	Giles has worked with the Group since 2011 in a variety of senior roles, including Finance Director of Menzies Aviation and Senior Vice-President of the Group's African, Middle East and Indian Operations. A chartered accountant, he was formerly Finance Director of Commercial Estates Group and held senior finance positions at Gallaher Group PLC, including Finance Director UK. Giles brings great financial acumen and a deep knowledge of the Aviation Services market to his role on the Board.	John has held the position of Group Company Secretary since 2006, having joined the Group in 1997, and was appointed to the Board in late 2016 as Director of Corporate Affairs. John possesses a keen and comprehensive understanding of the Aviation Services market and his responsibilities include Governance, Risk and Investor Relations. As a Chartered Secretary, John's career has included Company Secretariat posts at both Bank of Scotland plc and Guinness plc.
Other Appointments	Chairman of ML Capital Group Chairman of AustroCel Hallein GmbH Director of Gamma (Fiber) Holdings 1 B.V.	Director of various Group companies	Director of various Group companies	Board member of the Airport Services Association Director of various Group companies
Committees	–	H	–	H

					
Name and Title	**Paul Baines** Non-Executive Director	**Geoff Eaton** Non-Executive Director	**David Garman** Non-Executive Director & Senior Independent Director	**Philipp Joeinig** Non-Executive Director	**Silla Maizey** Non-Executive Director
Date of Appointment	June 2016	June 2015	June 2015	June 2017	May 2014
Experience and Skills	Paul brings extensive Corporate Finance experience to the Board. He served Hawkpoint Partners, an independent corporate advisory business, as Chief Executive (2003-2009) and Executive Chairman (2009-2013); was a main board director of Collins Stewart Hawkpoint plc (2006-2012); and, prior to joining Hawkpoint Partners in 2000, was Chief Executive (Corporate Finance Division) of Charterhouse Bank.	Geoff is a chartered accountant and has had an expansive Executive career, with roles including Chief Operating Officer of Premier Foods plc and Chief Executive Officer of Uniq plc. He has a distinguished business-to-business track record in both Europe and the United States, experience of diverse corporate cultures and brings the knowledge gleaned from his broad international business exposure to his Board position.	David brings comprehensive industrial and logistics sector expertise to the Board. He was previously Chief Executive of TDG plc, a European contract logistics and supply chain management business; an Executive Director of Associated British Foods plc; held Non-Executive directorships at St Modwen Properties PLC, Kewill Limited, Victoria PLC and Phoenix IT Group PLC: and occupied a variety of management roles at United Biscuits.	Philipp brings a deep understanding of the Aviation Services industry to the Board, having occupied a number of executive director roles within Swissport International Limited over a ten year period (2007-2016) as a member of the Management Board and latterly being in charge of all businesses in Europe Central, East and West. Prior to this his career included management consultant roles with both Management Consulting Group PLC and Lausanne Consulting Group Limited.	Silla is a qualified accountant and brings vast experience of the air travel industry to the Board. She enjoyed an Executive career at British Airways (1978-2012) holding a number of roles within Finance, Procurement, Corporate Responsibility and Customer Services. Most recently Silla served as Managing Director of London Gatwick.
Other Appointments	Chairman of the Shareholder Committee of Shepherd Building Group Limited Senior Adviser to Smith Square Partners Senior Adviser to Vermilion Partners	Chairman of New England Seafood International Limited Chairman of Butcher's Pet Care Limited	Non-Executive Director of Troy Income & Growth Trust plc Non-Executive Director of Speedy Hire Plc Director of various private companies	–	Chair of NHS Business Services Authority Non-Executive Director of the Crown Commercial Service Non-Executive Director of Network Rail Limited
Committees	A (Chair) N R	–	A N R (Chair) H	A H N (Chair)	A N R H (Chair)

Corporate Governance Statement

Board Responsibilities

The principal responsibility of the Board is to promote the long term success of the Company for the benefit of its shareholders as a whole. In discharging such responsibility it must ensure that the Company's affairs are always conducted within the parameters of the Group's internal control framework and the interests of internal and external stakeholders appropriately identified and managed. Whilst determining and overseeing delivery of the Group's strategic objectives, the Board also assumes governance and regulatory responsibilities across a diverse range of topics (e.g. Health and Safety, Risk and Compliance) and has a formal schedule of matters specifically reserved for its attention. This includes, without limitation, consideration and, if appropriate, approval of: the Group's financial statements, going concern statements at half year and year end and its Viability Statement; and key financial and operational items such as potential disposals and acquisitions, capital expenditure above certain thresholds and major non-recurring projects.

Additionally, the Board has overall responsibility for the Group's systems of internal control, covering financial, operational, compliance and risk management and for annually reviewing their effectiveness. Whilst the Audit Committee has delegated responsibility from the Board to review the effectiveness of these systems and the day-to-day responsibility for such systems, including deployment and maintenance, rests with the relevant members of the Senior Management team, the Board ensures that it regularly reviews their effectiveness and actively monitors the processes by which risks are identified, evaluated and managed. Further details on how the Board manages business risks are included on pages 24 and 25 of this Annual Report and Accounts 2018.

To ensure the full and proper discharge of its duties, the Board convenes on a regular basis and met seven times during 2018, as set out in the table opposite. Board papers are circulated one week prior to all Board meetings through a secure electronic platform, allowing Directors adequate time to familiarise themselves with the items for discussion, whilst the annual Board evaluation process affords Directors the opportunity to comment on the quality and content of Board packs.

Board Committees

The Company's Executive Committee, comprising the Executive Directors and other Senior Executives as required, has Board-delegated responsibility in respect of the oversight and delivery of strategic, operational and business matters.

The Board also delegates certain responsibilities to the Board Committees detailed in the table on the opposite page; specifically, the Nomination Committee, Audit Committee, Human Resources Committee and Remuneration Committee. Further information on these Committees can be found on pages 53 to 85 of this document and the defined Terms of Reference of each are available on the Group's website. Whilst Committee membership is monitored regularly to ensure a suitable balance and rotation of Directors, it is Board policy that membership of the three UK Corporate Governance Code-prescribed Committees is restricted to Non-Executive Directors alone. The Chairman of each of the Nomination, Audit and Human Resources Committees is selected from Directors who are considered independent under the UK Corporate Governance Code ("Code") with the Senior Independent Director serving as Chairman of the Remuneration Committee.

Directors must exercise their judgement independently from the influences of others and the independence of individual Directors is reviewed on an ongoing basis, taking into account the characteristics of independence contained within the Code. All current Non-Executive Directors are considered independent and, throughout 2018 and since the end of the financial year ending 31 December 2012, all Directors on each of the Board Committees referenced above have been independent in compliance with the Code. The Chairman was deemed independent under the terms of the Code as at the date of his appointment.

Role of Board Members

Chairman

Our Chairman, Dr. Dermot F. Smurfit, performs a clearly defined, Non-Executive role in which he not only leads the Board in the determination and development of the Company's strategy but is expected to promote both Board effectiveness and general Board relations. In chairing Board meetings, Dr. Smurfit seeks to foster an atmosphere that encourages constructive debate and discussion between Board members whilst ensuring the appropriate focus is given to key strategic agenda items, including long term shareholder value. Executive Directors may discuss issues of concern with the Chairman who is also actively engaged with stakeholders, both internal and external.

Board and Committee meetings attendance in 2018

	Appointed	Board	Nomination Committee	Audit Committee	Human Resources Committee[1]	Remuneration Committee
Meetings		**7**[2]	**2**	**3**	**2**	**6**
D Smurfit	Jul. 2016	7/7	–	–	–	–
F Black	Jan. 2016	7/7	–	–	2/2	–
G Wilson	Jun. 2016	7/7	–	–	–	–
J Geddes	Nov. 2016	7/7	–	–	2/2	–
P Baines	Jun. 2016	7/7	2/2	3/3	–	6/6
G Eaton[3]	Jun. 2015	6/7	2/2	2/3	–	6/6
D Garman	Jun. 2015	7/7	2/2	3/3	2/2	6/6
P Joeinig	Jun. 2018	7/7	–	3/3	2/2	–
S Maizey	May 2014	6/7	2/2	3/3	2/2	5/6

Notes:
1. Claire Hall, Group EVP People, is also a member of the Human Resources Committee.
2. Additionally, two Board meetings took place in 2018 at which a duly appointed committee of the Board of Directors was present.
3. Following the announcement that he would not stand for re-election at the Company's forthcoming annual general meeting in May 2019, Geoff Eaton was subsequently excused from the December Board and Committee meetings.

Board Composition

The Nomination Committee (further details of which can be found on pages 53 to 56 of this document) ensures that the size and composition of the Board is subject to ongoing scrutiny and that the appropriate balance of skills, experience, independence and knowledge exists. It was proposed that upon completion of the sale of Menzies Distribution, the Group revert to a more standard Executive structure and replace the position of President & Managing Director, Menzies Aviation, with the role of Chief Executive Officer ("CEO"). Accordingly, one of the Nomination Committee's key responsibilities during 2018 was to identify the most suitable candidate for this role, taking into account Board structure and expertise, and recommend their appointment to the Board, a process that resulted in the appointment of Forsyth Black as CEO.

As detailed in the diagram on page 44 of this document, membership of the Board is constituted as follows:

- the Chairman;
- three Executive Directors; and
- five Non-Executive Directors.

Biographical information on the current Board can be found on pages 46 and 47. As previously detailed, Geoff Eaton, Non-Executive Director, will not stand for re-election at the forthcoming annual general meeting ("AGM") in May 2019. At the present time there is no intention to appoint a replacement Non-Executive Director as the balance of Executive/Non-Executive Directors is considered appropriate (with specific reference to the collective balance of skills, knowledge and expertise). That said, the Nomination Committee will keep the position under review to ensure the leadership needs of the organisation are satisfied and the Company is at all times well-placed to execute its strategy and compete effectively in the markets in which it operates. Any new Director would be subject to election by shareholders at the first AGM following their appointment and, together with all incumbent directors and in accordance with best practice principles, subject to annual re-election thereafter.

Executive Directors

The role of the Executive team is to set and ensure the delivery of the Group's stated strategic objectives whilst providing the necessary leadership to the Group and overseeing its day-to-day management. They must report regularly to the Board, keeping it apprised of key strategic, financial and operational developments and on any issues or concerns that may arise. The Executive Directors have individual duties and responsibilities aligned with their specific function although these may vary in line with business requirements.

Corporate Governance Statement continued

Non-Executive Directors
In accordance with the Code, our Non-Executive Directors are expected to provide independent and constructive challenge and assist in the development of strategic proposals. In line with best practice, they must participate in the Chairman's annual evaluation whilst also keeping the performance of the Executive Directors under review. Additionally, they must satisfy themselves on the integrity of the Group's financial information and be comfortable that its systems of internal financial controls and risk management are rigorous and robust.

Senior Independent Director
David Garman has been Senior Independent Director since August 2015. He continues to support the Chairman in the discharge of his responsibilities and also makes himself available to the Company's shareholders and other stakeholders when discussions with the Chairman and/or Executive Directors are not considered appropriate. In accordance with the Code, David leads the Chairman's annual performance appraisal in addition to the annual Board effectiveness evaluation.

Board Recruitment, Induction, Development and Succession Planning
As noted above, the size and composition of the Board are monitored on an ongoing basis, with the collective knowledge and experience of the Directors taken into account together with the results of Board evaluations and other key factors such as diversity (including, for example, industry and international experience, nationality and gender). The Board is aware of the importance of having suitable succession plans in place, an issue highlighted in the external Board evaluation conducted in 2018 and referred to below, and therefore reviews its succession plans on at least an annual basis. If the need arises to fill or create a new Board position, whether Executive or Non-Executive, the Nomination Committee is tasked with both considering suitable internal candidates and also nominating external candidates, in relation to which it may employ the services of external recruitment agencies. The Committee must also ensure that contingency plans are in place to provide for Chairman continuity.

All new Directors are required to participate in a structured induction programme upon appointment. Whilst this encompasses standard governance and regulatory items aimed at ensuring that they fully understand, and are equipped to effectively discharge, their duties as directors of a listed company (and, as appropriate, members of any Board Committee), it is also tailored to the individual training and developmental needs of new Directors. Additionally, the programme includes a comprehensive introduction to the Group itself, providing new Board appointees with a firm understanding of the Group's operations, its stated strategic objectives, the markets in which it operates and the challenges to be addressed. Structured meetings will, for example, be arranged with the Chairman and Non-Executive Directors around the functioning of the Board, its Committees and associated operating responsibilities and governance requirements, whilst new Directors will also spend time with the Executive team and relevant members of Senior Management to develop familiarity with key strategic and operational items.

It is the Group Company Secretary's responsibility to ensure that as and when required: (i) all Directors have access to independent professional advice, at the Company's expense, to allow them to effectively discharge their directors' duties; and (ii) Board Committees also have the necessary resources available, including external professional support, to properly execute the responsibilities incumbent upon them. More generally, the Group Company Secretary is available at all times to provide support and guidance to both individual Directors and Board Committees.

The Board acknowledges that the regular training and upskilling of its members is key to its effective functioning and, accordingly, a number of measures are in place to ensure Directors are kept apprised of relevant governance, regulatory and policy developments (e.g. the attendance of guest speakers at Board meetings and the inclusion of targeted updates within Board packs). The annual Board evaluation process remains a key tool by which to identify the training requirements of individual Directors and the Board more generally, together with areas that may require particular focus/strengthening.

Site visits are also encouraged as an important means by which to gain a more rounded understanding of the Group's operations and markets, a point acknowledged in the external Board evaluation process referred to below. In July 2018 an offsite Board meeting took place in Budapest, Hungary, following which the Directors undertook a visit to Budapest Ferenc Liszt International Airport, one of our Aviation network locations. Budapest Ferenc Liszt International Airport is the largest of the country's commercial airports which, in addition to providing our Board with a valuable opportunity to meet with some of our Hungarian colleagues, showcased our ground handling, cargo handling and executive lounge capabilities.

Diversity
As detailed in the Nomination Committee Report, potential Board appointees are nominated and appointed on the basis of merit and evaluation against objective criteria; to date no diversity quotas, gender-based or otherwise, have been set or targeted as the Board does not believe that setting a quota is the most appropriate means by which to achieve a balanced board and guarantee the delivery of sustained shareholder growth. However, the Directors recognise the shift in focus under the new UK Corporate Governance Code (July 2018) which prescribes that Board appointments and succession plans should "promote diversity of gender, social and ethnic background". Endorsing its commitment to diversity and equality, this is an area that will be subject to detailed Board scrutiny during 2019.

From a Group perspective, the Company's Equality, Diversity and Inclusion Policy was launched in 2018 and it is the intention that an Equality, Diversity and Inclusion Focus Group will be established in 2019 to progress the aims and objectives set out in the Policy. During 2018 the Human Resources Committee considered equality, diversity and inclusion across the organisation as part of its discussions on capability and talent management whilst the Remuneration Committee and the Board reviewed and discussed data and reporting on the UK gender pay gap prior to publication of our Gender Pay Gap Report in March 2018. Focus was given to the data gathered in the preparation of the Report and the action that is being taken to address the gap as well as the broader issue of diversity within the Company.

Board Evaluation
The Board endorses the Principles and Provisions of the Code in respect of Board evaluation and thus conducts rigorous internal assessments of its own performance and that of its Committees and individual Directors. Whilst the annual evaluation process is typically conducted by the Group Company Secretary, with individual Directors being required to complete a detailed questionnaire and the results collated and reviewed collectively by the Board, external consultants are engaged to refresh the process at least every three years. As the last external evaluation took place in 2014, the Company engaged Genius Methods Limited to undertake an independent Board evaluation in the final quarter of 2018. Genius Methods confirmed that all Directors were fully engaged in the process, open to challenge on their ideas and considerations and frank in their views on the topics covered. Each Director received individual feedback relating to their own effectiveness, the objective being to empower the Board to work together in the most effective manner possible.

Taking into account the results of the questionnaires issued, attendance at Board and Committee meetings and face-to-face discussions with all the Directors, Genius Methods considered the Board vastly improved in terms of its effectiveness, providing a safe environment within which Directors could operate in a transparent and open manner. It was noted that the Chairman appeared to have brought a fresh energy to proceedings and introduced a more entrepreneurial spirit, resulting in a shift from being a procedural-style board to a board which is more engaged and dynamic in its approach. Challenges are allowed and, positively, valuable discussions take place between the Executive and Non-Executive Directors which is a result of Board members learning how to work together to achieve the best results.

Corporate Governance Statement continued

It was noted that effectiveness could be improved in some areas including the transition of and support for the CEO; the evaluation emphasised the importance of the supporting Executive team and next layer of Senior Management fully recognising the shift in the CEO's role and having the requisite capabilities to 'step up' and support his success. From a governance perspective, it was observed that gaps in Directors' knowledge should be addressed to ensure a comprehensive understanding of their fiduciary duties in terms of the long term success of the Company and to allow for full engagement. Further and as is a common issue with many boards, the focus of Board agendas and packs should be reviewed to, for example, re-focus the order of agenda items and bring strategic issues to the fore for discussion.

The evaluation paper narrated that the tone from the top is that of a 'can do' culture and it is clear the Board is unanimous in its view that there must be a keen focus on the sustainable growth of the Company and its performance. The overall conclusion was that the Board is effective and addresses key issues in a timely manner; it is considered forward-looking, focused on the challenges ahead and eager to ensure it is in the optimum position collectively to face the challenges ahead.

Relations with Shareholders

In line with the Code, the Board is aware of the importance of maintaining a clear dialogue with the Company's shareholders and has implemented a programme of activity to ensure that effective and constructive communication takes place. As detailed in the Annual Report and Accounts 2017, the Company's website, containing a dedicated Investor Centre through which the Company disseminates its announcements, results and reports, was re-launched in 2017 to make it more user-friendly and improve dialogue with shareholders.

The Company's AGM provides shareholders with the opportunity to engage directly with the Board; questions can be raised during the AGM in relation to the formal business of the meeting or shareholders may meet with the Directors at the end of the meeting, including the Board Committee Chairs, to discuss other Group or Committee-related matters. Board members may also request meetings with major shareholders and other key stakeholders, arranged via the Group Company Secretary, as and when considered necessary throughout the financial year. Further, as part of the Company's maturing Investor Relations programme, a key stakeholder and analyst update report has become a standard Board agenda item to ensure the Board has full visibility on the engagement activities being undertaken.

In addition to the standard analysts and investors meetings and calls that were scheduled during 2018, full and interim results presentations took place in London in March and August 2018 respectively. The Company also hosted a Capital Markets Day for investors and analysts in November 2018 which focused on the Group's strategy and growth dynamics and also included specific presentations on key focus areas within the Group such as our People agenda and our systems and technology programmes.

Nomination Committee Report

Philipp Joeinig
Nomination Committee Chairman

Committee Members

Name	Position	Attendance
P Joeinig[1]	Chairman	n/a
P Baines	Member	2/2
G Eaton[2]	Member	2/2
D Garman[1]	Member	2/2
S Maizey	Member	2/2

Notes:
1. Philipp Joeinig became Nomination Committee Chairman on 1 January 2019 when David Garman stepped down to become Remuneration Committee Chairman.
2. Geoff Eaton stepped down as a member of the Nomination Committee on 31 December 2018.

As the newly appointed Chairman of the Nomination Committee, I am delighted to introduce the Committee's Report for the 2018 financial year.

With the sale of the Group's Distribution business in September 2018 it has been an eventful period for the Committee, as can be seen from the key areas of focus detailed on the following pages.

I assumed the position of Nomination Committee Chairman at the beginning of 2019 when David Garman stepped down to become Chairman of the Remuneration Committee. Whilst David remains a member of the Nomination Committee, I would like to extend my gratitude to him for leading the Committee since his appointment in May 2016. The Committee continues to comprise solely of independent Non-Executive Directors, as set out in the table opposite. John Geddes, the Group Company Secretary, remains as Secretary to the Committee whilst Executive Directors attend Committee meetings by invitation if a particular agenda item requires.

Terms of Reference

The Nomination Committee operates under Terms of Reference that can be found on the Company's website. Whilst these are modelled closely on the relevant provisions of the UK Corporate Governance Code (April 2016), it is intended that these will be reviewed and updated during 2019 to ensure they remain fit for purpose and are properly aligned to the applicable provisions of the new UK Corporate Governance Code (July 2018) ("2018 Code").

Function and Responsibilities

A primary function of the Nomination Committee is to ensure that the Company's Board of Directors has the requisite combination of skills, experience and knowledge to effectively discharge its responsibilities. The Committee therefore regularly evaluates this balance and is responsible for identifying and recommending candidates to the Board when an appropriate position arises.

As detailed in its Terms of Reference, the key duties of the Nomination Committee, together with the main activities undertaken during 2018, are detailed in the following table. To ensure the effective discharge of these responsibilities, the Committee may engage such advisers, internal or external, as it considers either necessary and/or desirable.

Nomination Committee Report continued

	Responsibility	Main activities 2018
Evaluation	Prior to making a recommendation and as set out above, to evaluate the balance of skills, knowledge and experience on the Board and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.	It was proposed that, upon the completion of the sale of Menzies Distribution, we revert to a more standard Executive structure and replace the role of President & Managing Director, Menzies Aviation, with the role of Chief Executive Officer. After due and careful consideration of the skills, experience and expertise required for this position, the Nomination Committee identified Forsyth Black as the most suitable candidate and, accordingly, recommended his appointment to the Board. In identifying potential Board candidates the Committee may use open advertising or the services of independent external advisers to facilitate the search in question. The recruitment process will be undertaken in accordance with the relevant Group recruitment policies and candidates from a wide range of backgrounds, identified on the basis of merit and against objective criteria, including the time they are able to commit to the role, will be considered.
Leadership and structure	To annually review: (i) the structure, size and composition (including the skills, knowledge and experience) of the Board and its Committees and make recommendations to the Board with regard to any changes; and (ii) the leadership needs, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.	Prior to completion of the sale of Menzies Distribution, the Nomination Committee reviewed the proposed structure and composition of the Board following the disposal. Taking into account the relevant skillsets and length of service of each Director, together with the proposed appointment of Forsyth Black to the position of Chief Executive Officer, the Nomination Committee concluded that the Board composition was fit for purpose. In line with the Committee's Terms of Reference, it was agreed that a further review would be conducted in 2019 to ensure this remained the case and composition was in alignment with both current and proposed strategic developments.

	Responsibility	Main activities 2018
Succession planning	To ensure that appropriate plans are in place for the orderly succession of Board members, taking into account the challenges and opportunities facing the Company and what skills and expertise are therefore required on the Board in the future.	As detailed in the Annual Report and Accounts 2017, the Nomination Committee is tasked with focusing on succession planning from a Board and Executive Committee, comprising the next immediate level of Senior Management, perspective. Succession planning was subject to significant scrutiny at a meeting of the Nomination Committee held in October 2018 and, following detailed discussions and consideration of tenure to date, it was agreed that no succession planning was required at that time in respect of our Non-Executive Directors. Succession plans in relation to the Executives and the wider Senior Management team were also discussed and the Committee's responsibility to ensure that sufficient depth of skills and talent existed within the business acknowledged. The quality of the current succession planning arrangements was subject to detailed review, together with potential areas of vulnerability. The Committee concluded that, where possible, talent should be fostered from within the Group; noting the importance of having individuals of the requisite calibre in place, it was agreed that we should strive to be in a position where the current direct reports of Executives may be viewed as potential successors.
Executive remuneration	To liaise closely with the Chairman of the Remuneration Committee in relation to the service contract and remuneration package to be offered to any proposed Executive Director.	The Nomination Committee considered Forsyth Black's remuneration package in light of the proposal to appoint him to the position of Chief Executive Officer of the Group. In conjunction with the Remuneration Committee, it was considered appropriate that, in recognition of the increased scope of his role, Forsyth Black's salary be increased from £357,000 to £400,000 upon his appointment in September 2018.

Nomination Committee Report continued

In addition to the areas detailed above, the Nomination Committee also considered the following items during 2018:

- The Non-Executive Directors' letters of appointment were reviewed, in conjunction with the Group Company Secretary, to ensure they remained fit for purpose. Whilst it was noted that there had been an increased time commitment during 2018, principally as a result of the Menzies Distribution transaction, this was expected to recede in 2019. Accordingly, it was agreed that the letters of appointment were appropriate.
- In light of the application of the 2018 Code for financial years beginning on or after 1 January 2019 and associated discussions around employee engagement, it was generally accepted that, at the appropriate time, Non-Executive Director involvement would be considered in this regard.

Diversity and Succession

As can be seen from the preceding table, succession planning and internal leadership requirements and capabilities were a key focus of the Nomination Committee during 2018. This will continue to be the case during 2019, with investment in our People, our most valued resource, remaining a top priority. A robust succession plan is essential to ensure that, as our business continues to expand, we have the correct people in place to contribute to and maximise the success of our operations. At Board, Senior Management and, indeed, all other levels of our organisation, the recruitment, retention and development of driven and talented individuals is of vital importance and careful thought must be given to what skills, experience and knowledge are required to drive forward the Group's strategy and ensure its sustained growth and success.

An external Board evaluation was conducted at the end of 2018 by Genius Methods Limited, further details of which can be found on page 51 of this Annual Report and Accounts 2018. Notably, the evaluation paper reinforced the position that the Nomination Committee should lead on various succession agendas, including Executive management and that of the Chairman, but emphasised that the appropriate deliberations must take place substantially in advance of any proposed changes being made or required.

In recognising the importance of a robust succession plan, the Nomination Committee, and the Board more generally, acknowledge the need for the development of a diverse pipeline for succession (as required by the 2018 Code). Due and proper consideration is therefore given to all aspects of diversity in our deliberations and we rigorously endorse the advantages that diversity can bring both to the Boardroom and the business more generally. Potential Board appointees are, however, nominated and appointed on the basis of merit and evaluation against objective criteria and, to date, no diversity quotas, gender-based or otherwise, have been set or targeted. That said we recognise the shift in the 2018 Code, expanding as it does the scope of diversity considerations and prescribing that whilst Board appointments and succession plans should be based on merit and objective criteria, they should also, inter alia, "promote diversity of gender, social and ethnic background"; and this is something that will be subject to detailed consideration and discussion in 2019.

Further information on the above matters, including the measures which the Group takes to support diversity, can be found on pages 50 and 51 of this Annual Report and Accounts 2018 (and is incorporated by reference into this Nomination Committee Report).

On behalf of the Nomination Committee

Philipp Joeinig
Nomination Committee Chairman
8 March 2019

Audit Committee Report

Paul Baines
Audit Committee Chairman

Committee Members

Name	Position	Attendance
P Baines	Chairman	3/3
G Eaton[1]	Member	2/3
D Garman	Member	3/3
P Joeinig	Member	3/3
S Maizey	Member	3/3

Note:
1. Geoff Eaton stepped down as a member of the Audit Committee on 31 December 2018.

Welcome to the Audit Committee Report for the 2018 financial year.

Having now served my first full year as Chairman, I am pleased to report that throughout the year the Committee continued to assist the Board of Directors in discharging its oversight responsibilities in respect of the Company's internal financial controls and, ultimately, safeguarding the interests of its shareholders.

Whilst the Board has overall responsibility for the Group's systems of internal controls, the Audit Committee has delegated responsibility to review the effectiveness of such controls. Indeed, the Committee's principal role is to assess the quality of the Group's internal and external audit processes and ensure that the risks which our business faces, financial, operational, compliance-related or otherwise, are effectively managed. Whilst no systems of internal control can provide absolute assurance against material loss, the Group's systems are designed to provide the Directors with reasonable assurance that risks can be promptly identified and appropriate remedial action taken where necessary.

The Audit Committee carefully considered and evaluated the effectiveness of these controls for the period from 1 January 2018 to the date of approval of this document and concluded that the Group has sound systems of risk management and internal controls in place, further details of which can be found on pages 24 and 25 of this Annual Report and Accounts 2018.

Additional key responsibilities of the Audit Committee include, but are not limited to, the following:

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

Audit Committee Report continued

To properly fulfil its role and ensure the effective discharge of its duties, the Audit Committee may take such independent professional advice and request any information from any Group employee, including Executive Directors, as it considers necessary. The Audit Committee may also meet with the external auditor in the absence of Executive Directors, allowing for any items of concern to be raised with or by the external auditor.

Meetings and Principal Activities

During 2018 the Audit Committee convened three times, as scheduled, with meeting attendance set out on the previous page and also in the table on page 49 of this Annual Report and Accounts 2018. As can be seen on the previous page, the Audit Committee comprised five Non-Executive Directors during 2018: Geoff Eaton, a chartered accountant (who stepped down as a member of the Committee on 31 December 2018), David Garman, Philipp Joeinig, Silla Maizey, a qualified accountant, and myself. The current composition of the Audit Committee meets with the requirements of the UK Corporate Governance Code (April 2016), possessing competence relevant to the sector in which the Company operates, although, in line with good practice, membership will continue to be reviewed annually. Whilst composition is also aligned with the new UK Corporate Governance Code (July 2018), effective from 1 January 2019, the Committee's Terms of Reference will be reviewed during 2019 to ensure they are also fully reflective of the new Code.

All of the Committee meetings were held immediately prior to a full Board meeting which afforded me the opportunity to provide a comprehensive update on the Committee's discussions and recommendations to those Directors not in attendance. The Group's Chairman, Chief Financial Officer and Director of Corporate Affairs & Group Company Secretary are, together with certain senior members of the Finance team and representatives from the internal and external audit teams, given notice of all Audit Committee meetings and invited to attend and speak where considered appropriate.

I met with the Group Company Secretary at the start of the year to agree the agenda for the 2018 Audit Committee meetings and also identify non-standard agenda items which required consideration over the coming months. Once again, the Committee received ad hoc presentations from members of the Senior Management team on a variety of key issues throughout 2018 whilst the re-tender of the external audit process ("Audit Tender") was subject to significant deliberation (as discussed further below).

The main activities which the Audit Committee has undertaken since March 2018 are as follows:

- Formally reviewed the Company's Annual Report and Accounts 2018 (including the Statements on Internal Control and the work of the Audit Committee) and associated business review together with the Interim Results announcement made by the Company, focusing on key accounting policies, estimates and judgements, including significant or unusual transactions or changes to these. In doing so the Audit Committee reviewed the reports of Management and the controls assurance (internal audit) provider and took into account the views of the external auditor. It concluded that a recommendation should be made to the Board that the required disclosure set out in the Statement of Directors' Responsibilities could be made, as set out on page 92 of this Annual Report and Accounts 2018.
- Reviewed the work of Management which involved assessing key risks according to their significance, likelihood and impact, in addition to the Group's exposure to and management of these risks. The Risk Register and evaluation of risk constantly evolve and the Audit Committee was satisfied that Management had appropriate risk management strategies and systems in place to address the Group's principal business risks, such strategies and systems having been in place throughout 2018 and up to the date of approval of this document.
- Reviewed and adopted an updated internal audit plan and considered the objectivity and independence of the external auditor.
- Oversaw the Audit Tender process in accordance with the relevant legislation and guidance, including the provisions of The Statutory Auditors and Third Country Auditors Regulations 2016 ("2016 Regulations") that require mandatory audit firm rotation for listed entities and detail the criteria for the selection and appointment of the auditor (further details of which can be found below).
- Considered the transfer and integration of the financial operations following the acquisition of ASIG into our shared service centre in the USA, the issues encountered and the key lessons learned.
- Examined and discussed the impact of new accounting standards and disclosures on the Group's financial statements and reporting practices, including IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leasing.

Annual Report and Accounts 2018

The primary areas of judgement considered by the Audit Committee in relation to the financial statements contained within this document and how these were addressed are as follows:

Disposal of Distribution business
The Audit Committee considered and monitored the treatment of Menzies Distribution as a discontinued business during the year and examined the calculation and treatment of the retained investment in the business.

Acquisition of Airline Services
The Audit Committee reviewed the accounting for the acquisition of the trade and assets of Airline Services Limited and the impact of the anticipated and realised restrictions placed on the Group during the year by the UK's Competition and Markets Authority. The Audit Committee was satisfied with the accounting treatment adopted and the disclosures made.

Revenue recognition
The Audit Committee has reviewed the work completed by Management during 2018 to ensure that the Group has appropriately recognised revenues in accordance with its contractual obligations during the period. The Audit Committee was satisfied with the approach and judgements taken.

Goodwill and 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 Group forecasts. The achievability of the forecast is a risk, given inherent uncertainty within any financial projection.

The Audit Committee evaluated a paper from Management on the results of the impairment assessment. Key assumptions were reviewed and challenged by the Committee, including discount rates, business risk factors and cash flow projections based on the most recent budget and strategic reviews. Actions and factors likely to influence levels of impairment were reviewed with alternative scenarios requested for further analysis. Taking into account the documentation presented, the Audit Committee was satisfied with the approach and judgements taken.

Pension accounting
The assumptions made in the calculation for pension scheme liabilities and asset returns are underpinned by a range of judgements. Assumptions were prepared by external actuaries, reviewed by Management and approved by the external auditor, ensuring they were aligned to prevailing economic indicators. Changes in assumptions and the completeness of disclosures were then summarised for the Audit Committee. The Audit Committee was satisfied with the disclosures made and judgements taken.

Exceptional and other items
The Audit Committee considered the appropriateness of the measure of underlying profits and the classification and transparency of items separately disclosed as exceptional and other items. It was satisfied that the measure of underlying profits provided a reasonable view of the underlying performance of the Group and that there was transparent disclosure of items shown separately as exceptional and other items.

Taxation
Provisioning for current and deferred tax liabilities and assets requires the exercising of judgement. The Audit Committee addressed this through the receipt of a range of reports from Management and a separate Tax Committee exists to deal with such requests (see further details on page 25 of this Annual Report and Accounts 2018). The Audit Committee challenged the appropriateness of Management's views, including the extent to which these were supported by appropriate external advice. In particular, the Committee challenged Management's calculations of provision for items under discussion with authorities and of the deferred tax assets and liabilities.

Provisions
The Audit Committee has challenged the assumptions used by Management in determining whether provisions are appropriate in relation to insurance, onerous property leases and ongoing warranty and legal matters.

Audit Committee Report continued

External Group Audit

Audit Tender

A key focus of the Audit Committee during 2018 was, as stated above, overseeing the Audit Tender, the scope of which covered statutory audit services for the Company and its subsidiaries, covering all statutory audit work for the continuing businesses for the financial year ending 31 December 2019 ("2019 FY"), for a tenure of five years. In our Annual Report and Accounts 2017 it was noted that Ernst & Young LLP ("EY") was the appointed external auditor to the Group, having assumed the role in 2009 following a full tender process. We further confirmed our compliance with the UK Corporate Governance Code and the FRC Guidance on Audit Committees (April 2016) with regard to the external audit tendering timetable and, in relation to mandatory auditor rotation and tendering, the provisions of the 2016 Regulations. In accordance with such guidance and legislation, the Committee determined that the 2019 FY audit should be tendered, EY completing its ten year tenure following the 2018 year end.

The Audit Tender resulted in the proposal to re-appoint EY as the external auditor for the 2019 FY, subject to the required shareholder approval being obtained at the Company's forthcoming annual general meeting in May 2019.

Governance of Audit Tender

The overall objective of the Audit Tender was to select the best auditor for the Group from a calibre and quality perspective, as the Group requires audit services of the highest standard in order to provide shareholders with the level of assurance expected of a listed entity, but within a reasonable price range. To ensure a transparent and robust evaluation and selection process a sub-committee of the Audit Committee, chaired by myself and including the Chief Financial Officer, was formed to oversee the process. Whilst the Audit Committee retained ultimate authority over the Audit Tender and audit firm evaluation, approved the criteria and recommended the selection of EY to the Board, the sub-committee approved the detail of the Audit Tender, agreed the objectives and evaluation criteria and oversaw its execution.

In accordance with the relevant Group policies, the prohibition on the provision of any gifts and/or hospitality during the process was reinforced to the participants to avoid influencing (or the perception of influencing) the outcome of the Audit Tender whilst engagement with key decision-makers was restricted to regular business matters only.

Market assessment and selection criteria

A desktop market assessment, focusing on the audit market and firms' capabilities, network, experience in the services and logistics industries and findings of audit regulator reports, was completed in February 2018 and resulted in a shortlist of two audit firms. In order to be successful in the Audit Tender, the participants were assessed on certain minimum requirements i.e. the firm's willingness to bid; audit firm and auditor independence; commercial scoping, including price range; ethics and compliance standards; investigations by regulators; and acceptance of legal terms and conditions.

In addition, a number of selection criteria were applied with specific weightings including:

- technical criteria, including the proposed audit plan, audit quality, structure of audit, innovative tools and the transition plan;
- team quality, including lead partner and team, industry knowledge, access to specialists and mitigation of frequent team changes;
- resources and organisation, including representation in industry and accounting bodies and conflict resolution mechanism in the audit firm; and
- value added, including access to accounting training and additional assurance obtained.

The selection criteria to evaluate each of the audit firms participating in the Audit Tender formed the basis for the questions to be included in the request for proposal.

Request for proposal

In May 2018, the request for proposal was issued to the two audit firms invited to participate in the Audit Tender. Relevant information on the Group was shared with each of the participating firms through an electronic data room that was accessible during the period of the Audit Tender. In this period a structured question and answer process was in place where responses to clarification questions and additional information requests were shared with the participating firms.

Technical tests and interviews

Both participating firms were given the opportunity to demonstrate their differentiating technical capability relevant to the Group audit.

The lead engagement partners from each of the participating firms met with myself, the Chief Financial Officer and Director of Corporate Affairs & Group Company Secretary, as well as senior Finance and IT managers, and provided answers to a series of identical questions relating to the Company's financial reporting and wider industry matters.

Final presentations, evaluation and shareholder approval

Both participating firms provided a final presentation of their proposal to the sub-committee in July 2018. The final proposals submitted were compliant with the minimum requirements set and the bids qualified and assessed against the selection criteria.

In August 2018 the Audit Committee concluded that EY was the preferred firm to conduct the Group audit engagement for the 2019 FY. The Audit Committee recognised that the audit services would, however, be re-assessed annually and acknowledged that a further tender would not be required for a period of ten years; it was agreed that the Audit Committee would formally notify the Board at the end of the five year period with a recommendation to re-tender or not. The appropriate recommendation was thereafter made to and approved by the Board which noted the five year rotation period.

Independence and non-audit services

The Audit Committee regularly monitors the objectivity and independence of the external auditor to ensure its continued effectiveness, value for money and compliance with statutory duties. The nature and extent of EY's non-audit services are also subject to the Committee's consideration and in 2018 its non-audit work continued to be managed separately from the audit workstream, distinct from the work undertaken by the EY external audit partner. No conflict of interest is considered to exist between the provision by EY of audit and non-audit services and the arrangement is viewed as the most cost-effective means by which to undertake the services in question. Following a review held at the conclusion of the 2018 audit, the Audit Committee was satisfied that EY continued to provide an effective audit and remained independent and objective.

All non-audit work is put out to tender and non-audit fees paid to EY approved by the Chief Financial Officer, who reports any significant payments or awards of work to the Audit Committee. The Audit Committee continues to believes that the level and scope of these non-audit services do not impair EY's objectivity and consistently monitors the remuneration received by EY, whether for audit services or otherwise. For the 2018 financial year, EY's non-audit fees were in the sum of £0.7m whilst audit-related fees amounted to £1.3m.

Audit Committee Report continued

Internal Control and Audit

The internal audit function continues to be undertaken by a combination of internal teams, Deloitte LLP and other third parties as and when required. In November 2018, the Group recruited an inhouse financial internal audit resource in addition to its long-established operational capability. Taking into account the global spread and nature of the Group's operations, the Audit Committee is of the view that the co-sourcing model is the optimum approach, given the increased capacity of the inhouse team to conduct a significant proportion of the financial reviews, Deloitte's international presence, on-the-ground resource and business management expertise, and the capability of internal teams to undertake operational and compliance audits at our stations. Internal audit programme findings are presented to the Audit Committee and prioritised by Management for action, with follow-up reports subject to the Committee's careful scrutiny to ensure that the necessary corrective measures are implemented.

As noted above, the Audit Committee has concluded that the Group has effective systems of risk management and internal controls in place to provide the Directors with reasonable but not absolute assurance that risks can be promptly identified and appropriate remedial action taken to protect against material loss. Further details on this can be found within the Risk Management section contained on pages 24 to 29 of this Annual Report and Accounts 2018.

On behalf of the Audit Committee

Paul Baines

Paul Baines
Audit Committee Chairman
8 March 2019

Human Resources Committee Report

Silla Maizey
Human Resources Committee Chairman

Committee Members

Name	Position	Attendance
S Maizey	Chairman	2/2
F Black	Member	2/2
D Garman	Member	2/2
J Geddes	Member	2/2
C Hall[1]	Member	2/2
P Joeinig	Member	2/2

Note:
1. Claire Hall sits on this Board Committee in her capacity as Group EVP People.

I am pleased to introduce the second Report of the Board-constituted Human Resources ("HR") Committee for the 2018 financial year. Establishment of the Committee was, as previously intimated, considered the optimum means by which to ensure that the Group's People agenda was actively pursued and best practice followed in key focus areas such as succession planning and staff retention.

The main priorities of the Committee are detailed in its Terms of Reference which acknowledge the role of the Committee in: (i) assisting the Board in fulfilling its obligations in respect of all HR matters; (ii) ensuring standardisation of HR structure, policies and process; and (iii) overseeing the optimisation of our People, who are our key resource.

Composition and Meetings

Recognising the significant role that our People play in the ongoing success of our operations, it was considered important that Claire Hall, Group EVP People, be party to the Committee's deliberations to ensure the requisite People items are properly identified, pursued and delivered. Claire therefore sits on the Committee with both Executive (Forsyth Black and John Geddes) and Non-Executive (David Garman and Philipp Joeinig) Board members and inputs from a more general HR perspective sharing, for example, information on HR-specific Group initiatives and issues which dovetail into the Committee's remit.

As can be seen from the table opposite and on page 49 of this document, the Committee convened twice during 2018, in March and October, and, from an agenda perspective, linked in with the Nomination Committee as and when necessary to ensure upcoming agenda items were considered by the appropriate Committee.

Progress During 2018

As detailed in last year's inaugural Report, whilst operational training does not fall within its remit, the HR Committee does review and monitor People development programmes and initiatives and, in this regard, one of the principal challenges that the Committee faced during 2018 was in relation to employee training. Detailed consideration has been given to the fact that more flexible and innovative ways to facilitate learning within the Group, coupled with modernisation of the training mediums employed, is required, together with implementation of a more robust training curriculum that identifies and targets a revised training population. More specifically, the importance of the Station Manager's role within the Group's network was also acknowledged and discussed and it was agreed that a Station Manager

Human Resources Committee Report continued

Lifecycle Project would be scoped and initiated; the Committee recognised that the retention and development of the Group's middle operational management is essential for overall sustainability within its business units.

Staff retention and recruitment also fell to be considered by the Committee with key priority projects identified for focus stations including a station-specific recruitment and retention plan for 15 radar stations (five within each region), the development of a proposition for a Menzies Academy and the introduction of a comprehensive induction programme. A digital pilot employee engagement survey was also conducted in Oceania and, due to the success of this, a global roll-out of such surveys is currently being considered. Whilst there was a general acceptance of the common themes across the regions that produced the high staff turnover rates and a keen recognition of the importance of getting recruitment 'right', the Committee acknowledged that, as a Group, we must improve our data accumulation and turnover statistics to provide better quality data for analysis.

At the March Committee meeting the importance of clear values and culture to drive our business performance was recognised; it was highlighted that a review of the Group's vision and values had exposed the challenges that exist in getting our People to engage with our current value set and desired culture. As a result of this, workshops were facilitated which sought to define the culture within each region and create a tailored action plan that is now updated at Executive team meetings. Aligned with this, Group EVPs have been set a 'cultural change' key result area that is expected to be developed and refined over time.

Looking Forward

Whilst good progress has been made over the course of 2018 in relation to a number of the Committee's key agenda items, we are acutely aware of the challenges that the Group faces and which will remain subject to detailed scrutiny in 2019. Staff turnover and retention issues, particularly in the USA and Eastern Europe, are high on the agenda and Group strategies to address material items such as these continue to be refined and implemented. For example, in addition to individual radar stations (as referred to above) having their own specific recruitment and retention action plans, information gathered at these stations will form the basis of a strategy bank that will be applied on a station-by-station basis to assist in countering such issues.

Further, consideration is currently being given as to how the Board can best engage with our People to enhance the 'employee voice' in the Boardroom, as prescribed by the revised UK Corporate Governance Code (July 2018), taking into account the size and geographical spread of our organisation. I look forward to reporting on the effectiveness of our workforce engagement and how we consider this has strengthened our People's voice in next year's HR Committee Report. I will conclude, however, by re-stating our commitment to retain, foster and develop our People, a commitment that is evidenced through our identified HR priority areas, namely to: (i) attract and retain the best staff; (ii) provide an optimal training and development experience; and (iii) create an engaged team that delivers an unparalleled service. We are actively seeking to strengthen our talent pools and succession plans, unlock business growth through superlative leadership, put in place clear retention strategies that instil pride and loyalty in our business and create an inclusive culture that drives world-class engagement.

On behalf of the Human Resources Committee

Silla Maizey
Human Resources Committee Chairman
8 March 2019

Remuneration Committee Report

David Garman
Remuneration Committee Chairman

Committee Members

Name	Position	Attendance
D Garman[1]	Chairman	6/6
P Baines	Member	6/6
G Eaton[1]	Member	6/6
S Maizey	Member	5/6

Note:
1. Geoff Eaton stepped down as both Chairman and a member of the Remuneration Committee on 31 December 2018. David Garman assumed the position of Chairman at this time.

Having assumed the position of Chairman of the Remuneration Committee at the beginning of this year, I am delighted to introduce the Company's Remuneration Report for the 2018 financial year. At the outset, I would also like to extend my sincere thanks to Geoff Eaton, who previously chaired the Committee, for his contribution during his period in tenure.

As you will be aware, the John Menzies plc group has undergone a significant transformation in recent years culminating in the disposal of its Distribution business in September 2018, following which the Group became a pure play focused global leader in Aviation Services, a high growth, high return market.

The Board was keen to ensure that long term incentive arrangements were aligned to its Aviation strategy, with Management incentivised and focused on the opportunities ahead to create significant value for the Company's shareholders.

Against this background and at a general meeting of the Company held in August 2018 ("2018 GM"), our shareholders approved: (i) a new value creation plan ("VCP") for Executive Directors and other Senior Managers within the Company, further details of which are set out below; and (ii) a new remuneration policy ("2018 Remuneration Policy"), adopted in substitution for the Directors' Remuneration Policy approved at the Company's 2017 annual general meeting ("2017 Remuneration Policy").

The differences between the 2018 Remuneration Policy and the 2017 Remuneration Policy are as follows:
- the inclusion of the VCP;
- the increase to shareholding guidelines from 100% to 200% of salary;
- the removal of the Company's Bonus Co-Investment Plan ("BCIP") and the Share Matching Plan ("SMP") from the 'policy table' to reflect the fact that these have been removed from the 2017 Remuneration Policy from 1 January 2018, although existing awards under the BCIP and SMP may be satisfied in accordance with both their terms and the Directors' Remuneration Policy in place when they were granted; and
- the removal of the Company's Long Term Incentive Plan ("LTIP") from the 'policy table' to reflect the fact that from the date of adoption of the 2018 Remuneration Policy no further LTIP awards will be made to Executive Directors, although existing awards under the LTIP may be satisfied in accordance with both their terms and the Directors' Remuneration Policy in place when they were granted.

VCP

As detailed in the Company's shareholder circular dated 30 July 2018, the Remuneration Committee believes that the VCP provides an incentive for the Company's Management team, motivating it to use shareholder capital effectively within the business and create tangible value and material returns to shareholders going forward. The VCP, which replaced Executive Directors' participation in future LTIP awards, provides Management with a share in the upside value created for shareholders whilst at the same time incorporating a significant number of safeguard features (further details of which can be found on page 80 of this Annual Report and Accounts 2018) to ensure that Management remains focused on creating long term sustainable value.

Remuneration Committee Report continued

2018 Remuneration Outcomes
The Group continued to make solid progress against its strategic objectives in 2018, as reflected in the Remuneration Committee's assessment of the 2018 outcomes detailed in this Report.

The Remuneration Committee considered it appropriate that, in recognition of the increased scope of his role, Forsyth Black's salary be increased from £357,000 to £400,000 upon his appointment as Chief Executive Officer of the Company in September 2018. Having reviewed the base salary levels of all Executive Directors, the Remuneration Committee has determined that there will be no salary increase for Forsyth Black, Giles Wilson or John Geddes in 2019.

In July 2018 share awards granted to each of Forsyth Black, Giles Wilson and John Geddes in July 2015, prior to their respective appointments to the Board of Directors, vested. Details of these awards are disclosed on page 82 of this Annual Report and Accounts 2018. The 2016 LTIP awards were assessed by the Remuneration Committee based on performance to 31 December 2018. The Remuneration Committee determined that the relevant performance measures were met and awards will vest as appropriate following the Company's final results announcement on 12 March 2019. Further details are provided on page 79 of this Annual Report and Accounts 2018.

For the 2018 annual bonus plan, the Remuneration Committee reviewed Group Underlying Profit before Tax performance and the performance of Forsyth Black, Giles Wilson and John Geddes against key result areas ("KRAs") which were set at the start of the year and covered a number of key operational and strategic areas. Details of financial targets, 2018 performance and individual awards are disclosed on pages 77 and 78 of this Annual Report and Accounts 2018, including details of the KRA performance element.

Looking Forward
In my first year as Chairman, I would like the Remuneration Committee to review the 2018 Remuneration Policy and assess its fitness for purpose. Indeed, the Board is committed to a strategy that will grow both the Group's business and the quality of earnings in a sustainable way, whilst adopting a measured approach to its balance sheet.

During 2019 the Committee will also be considering the revised UK Corporate Governance Code (July 2018). As appropriate and taking into account the remit of the Human Resources Committee, consideration will be given to items such as wider workforce pay and practices including pay ratios and gender pay. Further, consideration is also currently being given as to how the Board can best engage with our employees to enhance the 'employee voice' in the Boardroom. As referenced in the Human Resources Committee Report, we are committed to retaining, fostering and developing our People, as well as creating an inclusive culture that drives world-class engagement. Details of any further changes to comply with the Code will be made available in our Annual Report and Accounts 2019.

The remainder of this Remuneration Committee Report comprises the 2018 Remuneration Policy, approved at the 2018 GM, and our 2018 Annual Report on Remuneration which will be put to a shareholder vote at our 2019 annual general meeting. We look forward to receiving your views and support.

On behalf of the Remuneration Committee

David Garman
Remuneration Committee Chairman
8 March 2019

Directors' Remuneration Policy

This section of the Remuneration Committee Report sets out the Company's Remuneration Policy in respect of its Directors. As previously detailed, the 2018 Remuneration Policy was approved by shareholders at a general meeting of the Company held in August 2018 and took effect immediately upon receipt of such approval.

The 2018 Remuneration Policy is available on the Company's website at: www.johnmenziesplc.com.

Directors' Remuneration: Principles
The 2018 Remuneration Policy has been developed to ensure that the Company is well-placed to attract, retain and motivate Directors with the ability and experience necessary to run the Group successfully, whilst also aligning Executive remuneration with the financial returns of its shareholders.

1 Basic salary	
Purpose and link to strategy	Attract and retain high performing individuals, reflecting the market value of the role and Executive Directors' skills and experience.
Operation	Normally reviewed annually. Salaries for 2019 will be: • F Black: £400,000; • G Wilson: £331,500; and • J Geddes: £255,000. The Remuneration Committee takes into consideration a number of factors when setting salaries including (but not limited to): • the size and scope of an individual's responsibilities; • an individual's skills, experience and performance; • typical salary levels for comparable roles at appropriate comparator companies; • pay and conditions elsewhere in the Group; and • inflation in the relevant market.
Maximum opportunity	There is no maximum opportunity. Salary increases will normally be in line with the average increase awarded in the wider employee population. Higher increases may be made in certain circumstances and at the Remuneration Committee's discretion. For example, this may include (but is not limited to): • increase in the scope and/or responsibility of an individual's role; • development of an individual within the role; • corporate events such as a significant acquisition or Group restructuring which impacts the scope of a role; and • where it is considered necessary for the retention of an Executive Director or to reflect significant changes in market practice.
Performance metrics	None, although individual and Company performance are factors taken into account when setting salaries.
2 Annual bonus	
Purpose and link to strategy	Incentivise delivery of Group and individual objectives and enhance performance.
Operation	The annual bonus is paid in cash and shares, based on the Remuneration Committee's assessment of performance during the financial year in question.
Maximum opportunity	Maximum annual award is 100% of salary.
Performance metrics	All measures and targets are reviewed annually and set at the start of each financial year. The measures will include relevant financial measures and may include performance against KRAs or other strategic measures as appropriate. At least 70% of the bonus will be based on financial measures.

Remuneration Committee Report continued

Bonus in deferred Ordinary Shares ("Deferred Bonus Shares")	
Purpose and link to strategy	Encourage a longer term focus which is aligned to shareholders and discourages inappropriate risk-taking.
Operation	20% of any annual bonus award is paid in Deferred Bonus Shares with such Shares having dividend entitlements. The Remuneration Committee may claw back bonus awards for a period of three years after the end of the relevant bonus year in the event of misstatement of accounts that materially increased the amount of bonus paid or misconduct by an employee which has or could have led to their employment being summarily terminated. The Remuneration Committee may increase the level of deferral at any time.
Maximum opportunity	None.
Performance metrics	None.
3 VCP	
Purpose and link to strategy	Incentivise Executive Directors to deliver significant, sustainable absolute returns to shareholders over the long term.
Operation	Awards under the VCP take the form of entitlements to receive a number of Ordinary Shares for nil cost. The number of Ordinary Shares to which a participant is entitled is determined by reference to shareholder value created above a total shareholder return ("TSR") hurdle. Each participant's award will represent a percentage of the shareholder value above the hurdle. Performance will be measured in three tranches from 26 July 2018: • 1/3 will be measured over 3.5 years; • 1/3 will be measured over 4.5 years; and • 1/3 will be measured over 5.5 years. Awards are 'released' so that participants are entitled to receive the Ordinary Shares after a two year holding period beginning at the end of the vesting period applying to the relevant tranche of the award. An additional payment (in the form of cash or Ordinary Shares) may be made in respect of Ordinary Shares delivered under the VCP to reflect the value of dividends that would have been paid on those Ordinary Shares over the holding period. This payment may assume the re-investment of dividends into Ordinary Shares on such basis as the Remuneration Committee determines.
Maximum opportunity	The value that may be delivered under the VCP is linked to the shareholder value created over the relevant performance period. The TSR hurdle will be 8% per annum (calculated on a compound basis) over the relevant performance period. The stretch hurdle will be 15% per annum. The total pool for all participants will be 6.5% of the shareholder value generated above the 8% per annum hurdle. This would increase to 7.5% if the stretch TSR hurdle of 15% per annum is achieved. The allocations of this pool for each Executive Director will be: • F Black: 25.0%; • G Wilson: 19.8%; and • J Geddes: 15.2%. The total VCP value is capped at £30 million. For current Executive Directors the aggregate cap is £18 million (being 60% of the overall cap) with proportionate interim caps. The maximum award for each Executive Director is: • F Black: £7,511,178; • G Wilson: £5,928,465; and • J Geddes: £4,560,358.
Performance metrics	The principal performance condition applying to the VCP is the TSR achieved relative to the hurdle. A portion of the VCP award may be subject to additional performance conditions. If such performance conditions are not satisfied, a participant's award value may be reduced (but not increased). For the Executive Directors 20% of the award will be subject to additional performance conditions relating to compliance measures such as safety and security. The Remuneration Committee may exercise discretion and make adjustments to the value that may be delivered under the VCP and/or number of Ordinary Shares subject to an award, taking into account the provisions of any current or prospectively applicable corporate governance codes and, as appropriate, associated guidance published by relevant regulatory, institutional or trade bodies, including (but not limited to) where the payment outcome would materially deviate from the intention of the Company's Remuneration Policy, is materially impacted by unexpected or unforeseen circumstances, or is materially misaligned with the results achieved by the Company.
4 Pension	
Purpose and link to strategy	Provide market levels of pension provision.
Operation	Executive Directors can participate in the Menzies Money Purchase Pension Scheme or cash equivalent.
Maximum opportunity	Under the Menzies Money Purchase Pension Scheme Executive Directors may receive a pension contribution of up to 20% of salary. The Remuneration Committee may determine that Executive Directors receive a cash supplement of up to 20% of salary in lieu of pension.
Performance metrics	None.
5 Benefits	
Purpose and link to strategy	Provide market levels of benefits provision.
Operation	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 Remuneration Committee may introduce or remove benefits offered to individuals where it considers it appropriate to do so. Where Executive Directors are required to relocate, the Remuneration Committee may, if considered appropriate, offer additional relocation or expatriate benefits.
Maximum opportunity	As the cost of providing other benefits, including health insurance and life assurance, may vary from year to year, it is not considered practical to define a maximum level for these or any other benefits. The level of any relocation benefits, allowances and expenses will depend on the specific circumstances. There is no overall maximum level of benefits.
Performance metrics	None.

Remuneration Committee Report continued

Company Sharesave Scheme	
Purpose and link to strategy	Provide the Company's UK employees with an interest in the performance of its Ordinary Shares.
Operation	Accumulated savings may be used to exercise an option to acquire Ordinary Shares. The option price of such Ordinary Shares may be discounted by up to the HMRC-approved level (currently 20%).
Maximum opportunity	Monthly contributions of up to the HMRC-approved limit over a three or five year period.
Performance metrics	None.
Shareholding guidelines	
Purpose and link to strategy	Align the Executive Directors with the long term interests of shareholders.
Operation	Shareholding guidelines for Executive Directors are 200% of salary (built up over time).
Maximum opportunity	None.
Performance metrics	None.
Chairman and Non-Executive Directors' fees	
Purpose and link to strategy	Attract Non-Executive Directors of sufficient skills and experience to fulfil the role.
Operation	The fees for Non-Executive Directors comprise a basic payment plus additional payments for being Chairman of a Committee, a Committee member or for being the Senior Independent Director. Differential fee levels may be paid for Non-Executive Directors depending on the skills, experience, nationality and responsibilities of an individual or additional time commitments for the role. The Chairman receives a fee for services to the Company. A portion of Chairman and Non-Executive Directors' fees may be delivered as Ordinary Shares. Non-Executives Directors' fees are reviewed periodically by the Board with reference to external benchmarking.
Maximum opportunity	None.
Performance metrics	None.

Notes:

1. **Annual bonus**
   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 the Group's KRAs. This balance allows the Remuneration Committee to effectively reward performance against the key elements of the Group's 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.
2. **VCP**
   The ultimate goal of the Company is to provide long term sustainable returns to shareholders. The VCP rewards Management for the delivery of sustainable shareholder returns above the hurdle. TSR has been used as it aligns Management's interests with those of shareholders, and the hurdle has been set to reward excellent performance. Additional performance measures linked to compliance measures such as safety and security are included to support a long term outlook and a culture focused on sustainable working practices.
3. **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 also 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. Below Board, up to 40% of the VCP pool will be available to top up existing incentives to ensure the VCP is inclusive for the wider Management team. The Company also operates an HMRC-approved Sharesave Scheme, in which all UK employees (including Executive Directors) are eligible to participate and which aims to promote a sense of ownership amongst staff.

The Remuneration Committee reserves the right to make any remuneration payments and/or 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 2018 Remuneration Policy, where the terms of the payment were agreed: (i) before 16 May 2014 (the date on which the Company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before the 2018 Remuneration Policy came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over Ordinary Shares, the terms of the payment are 'agreed' at the time the award is granted.

Payments may be made in respect of existing awards under the BSP, SMP and LTIP and the Remuneration Committee may exercise any discretions available to it in connection with such awards in accordance with the shareholder-approved Directors' Remuneration Policy in force at the time awards were made. The VCP will be operated in accordance with the Rules of the John Menzies plc 2018 VCP, as approved by shareholders at a general meeting of the Company in August 2018 ("VCP Rules"). Awards may be adjusted in accordance with the VCP Rules (e.g. VCP awards may be adjusted in the event of any variation of the Company's share capital). The Remuneration Committee may recommend to the Board that it amends the targets applicable to VCP awards (other than the principal TSR targets applicable to VCP awards) if an event occurs which causes the Remuneration Committee to reasonably consider that, having due regard to the interests of shareholders, the performance targets should be varied to ensure a fair measure of performance.

The Remuneration Committee may make minor amendments to the 2018 Remuneration 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. Clawback and Malus

Awards granted during 2016 and onwards to Executive Directors are subject to the following terms:

- Cash and Deferred Bonus Shares may be clawed back 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 the amount of bonus paid or misconduct by an employee which has or could have led to their employment being summarily terminated.
- VCP awards may be reduced or clawed back up to the third anniversary of the end of the relevant performance period in the event of material misstatement of financial results, an error in assessing the VCP value or any applicable performance condition, serious reputational damage, serious misconduct on the part of the participant, a material downturn in financial performance, material corporate failure or material failure on compliance measures such as safety and security or any other reason the Remuneration Committee includes in the relevant terms at the time an award is made.
- Matching Deferred Bonus Share awards and LTIP awards may be clawed back after vesting where the Company is required to restate its accounts to a material extent; the Board becomes aware of any material wrongdoing on the part of an employee which would have entitled the Company to terminate the employee's employment; or any other reason the Remuneration Committee includes in the relevant terms at the time an award is made. The clawback period will be set by the Remuneration Committee.

2. Recruitment Policy

In determining appropriate remuneration arrangements upon hiring a new Executive Director, the Remuneration 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 Remuneration Committee is mindful of the need to avoid paying more than is necessary upon recruitment. Salary would be set to take into account role and responsibilities. For interim positions a cash supplement may be paid rather than salary (e.g. a Non-Executive Director taking on an Executive function on a short term basis).

Remuneration Committee Report continued

The Remuneration Committee may make awards on hiring an external candidate to 'buy out' remuneration arrangements forfeited upon leaving a previous employer. In doing so the Remuneration Committee will take account of relevant factors including any performance conditions attached to these awards, the form in which they were granted (i.e. cash or shares) and the time over which they would have vested. The key principle should 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 2018 Remuneration Policy table set out above, including that the Executive Director may participate in the VCP (within the overall limits of the VCP). The Remuneration 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. Against that background, where the potential exists that a new Executive Director could have different roles and responsibilities to those currently appointed, such responsibilities may require to be reflected in that Executive Director's remuneration arrangements. Taking this into account the Remuneration 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 relevant time.

Where an Executive Director is appointed from within the Group, the normal policy of the Company is that any legacy incentive arrangements should be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following the Company's acquisition of, or merger with, another company, legacy terms and conditions should 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 2018 Remuneration Policy.

3. Service Contracts and Letters of Appointment

The Executive Directors have service contracts with the Company as detailed below. The Company's practice is that the service contracts of Executive Directors should contain a 12 month notice period for both the Executive and the Company.

Executive Director	Date of service contract	Notice period
F Black	June 2017	Terminable on 52 weeks' notice
G Wilson	June 2017	Terminable on 52 weeks' notice
J Geddes	June 2017	Terminable on 52 weeks' notice

All Executive Directors' service contracts and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office.

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 Non-Executive 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.

4. Payments to Outgoing Directors

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 Remuneration 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 2018 Remuneration Policy includes consideration of appropriate mitigation, including phasing of payments.

In the event of a Director's departure, any outstanding share awards will be treated in accordance with the rules of the relevant share plan.

The following principles apply for the treatment of remuneration elements following loss of office of a Director:

Annual Bonus	There is no automatic entitlement to annual bonus. Taking into account the circumstances of leaving, the Remuneration Committee may award a bonus in respect of performance in the relevant financial year with appropriate consideration of time pro-rating.
Deferred Bonus Shares	Deferred Bonus Shares are required to be transferred back to the Company (or the Director to pay the market value of such shares to the Company) in circumstances of resignation or dismissal. In other circumstances the Deferred Bonus Shares would normally be retained by the Director.
VCP	In the event of a participant's death, any unvested awards held by that participant will vest and be released at that point based on the value growth achieved at the time of cessation of employment. Any additional performance conditions will also be tested at the time of cessation of employment. The number of Ordinary Shares that vest will be reduced to take into account the proportion of the performance period that had elapsed on the date of cessation of employment. The holding period would continue to apply unless the Remuneration Committee decides that the holding period will be reduced or waived. If a participant ceases to be an employee because of injury, disability, sale of their employer or in any circumstances at the discretion of the Remuneration Committee ('a good leaver'), any unvested awards held by that participant will continue to vest and be released in line with the VCP's ordinary provisions, except that the number of Ordinary Shares awarded will be reduced to take into account the proportion of the performance period that has elapsed at cessation of employment. Alternatively, the Remuneration Committee may determine that unvested Awards will be treated in the same way as in the event of a participant's death, or that the holding period will be reduced or waived. For all other leavers, all unvested awards will lapse following cessation of employment. If a participant ceases employment during the holding period applying to a tranche of an award, that tranche will normally continue and be released in line with the VCP's ordinary provisions, unless the Remuneration Committee determines that it will be released earlier.
LTIP	If a Director ceases office or employment with the Company any unvested awards will lapse unless the individual is a good leaver. Good leavers are those participants who leave by reason of injury, 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 Remuneration Committee may determine. This discretion will not be exercised where the individual is dismissed for misconduct. Awards will vest no earlier than the normal vesting date subject to performance to the end of the relevant performance period and time pro-rating. The Remuneration Committee may determine the extent to which the additional holding period will continue to apply post leaving. If the participant dies, awards will normally vest as soon as practical on a time-apportioned basis and subject to the Remuneration Committee's assessment of the likelihood that the performance conditions will be met in the ordinary course of events.
Pension	The Director will be eligible to receive the standard contribution to the defined contribution pension plan, or cash equivalent, during the notice period.
Company Sharesave Scheme	Leavers will be treated in accordance with the rules of the approved Scheme.
Benefits	The Company may make a contribution towards reasonable legal fees incurred in relation to any agreement to cease employment.
Buyout awards and additional recruitment awards	The Remuneration Committee should determine the leaving terms for any such award at the time of grant.

Remuneration Committee Report continued

The Remuneration Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include, but are not limited to, amounts in respect of accrued leave, paying any fees for outplacement assistance and/or the Director's legal or professional advice fees in connection with their cessation of office or employment.

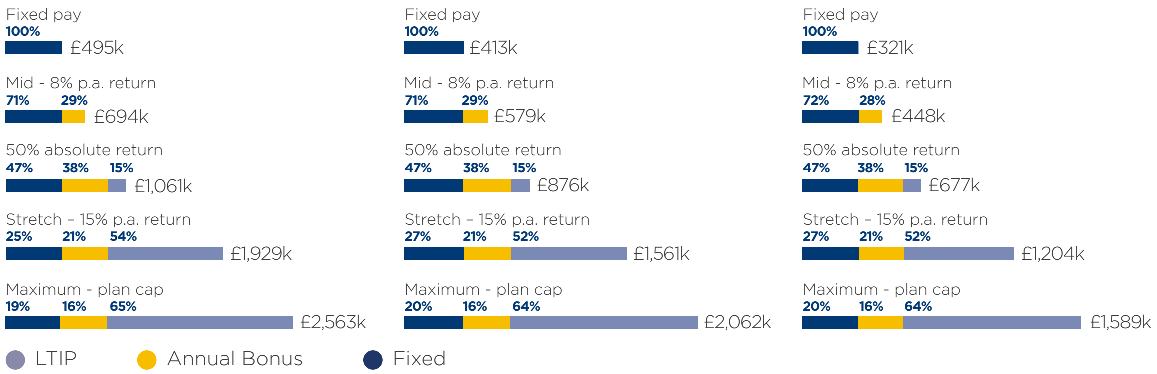
In the event of a change of control or winding-up of the Company, the treatment of share awards will be in accordance with the rules of the relevant share plan which, in summary, are as follows:
- LTIP awards may vest upon a change of control, taking into account the Remuneration Committee's assessment of the extent to which the performance targets have been met and the proportion of the performance period that has elapsed.
- VCP awards will vest and be released on a change of control based on performance achieved to that point. The number of Ordinary Shares to which a participant is entitled will be determined by reference to the share price on completion of the change of control. The hurdle rate used will be the higher of 8% per annum and 25%. The total VCP value cap of £30 million will apply.

5. Illustrations of Remuneration Policy

The following charts illustrate the different elements of the Executive Directors' remuneration under five performance scenarios: 'Fixed', 'Mid – 8% per annum return', '50% absolute return', 'Stretch – 15% per annum return' and 'Maximum – plan cap'. The assumptions used are provided below the charts.

The VCP awards are tested in three tranches over 3.5 years, 4.5 years and 5.5 years. The VCP award is therefore comparable to three LTIP awards. The charts below show the potential VCP payments in aggregate for all three tranches of the award, annualised over the average performance period for the three tranches. The maximum value available to the Executive Directors under the VCP is shown on page 68 of this Annual Report and Accounts 2018.

Chief Executive Officer | **Chief Financial Officer** | **Director of Corporate Affairs & Group Company Secretary**



Component	'Fixed'	'Mid – 8% per annum return'	'50% absolute return'	'Stretch – 15% per annum return'	'Maximum – plan cap'
Base salary	Base salary for 2019				
Pension	Defined contribution/cash supplement – 20% of salary				
Benefits	Taxable value of annual benefits provided in 2018				
Annual bonus (cash and Ordinary Shares)	0% of salary	50% of salary	100% of salary	100% of salary	100% of salary
VCP[1]	No vesting	TSR performance assumed to be equal to hurdle of 8% per annum	TSR performance assumed to be 50% over 4.5 years (the average performance period for the three tranches)[2]	TSR performance assumed to be equal to stretch hurdle of 15% per annum	TSR performance assumed to be at a level which results in the overall VCP cap of £30 million being met

Notes:
1. The 50% absolute TSR scenario has been shown on a voluntary basis taking into account the new UK reporting requirements which will be formally introduced from 2019 onwards. The 50% absolute TSR performance over 4.5 years translates into 9.4% per annum TSR. This return rate is applied to all three tranches of the award for the purpose of the above illustration.
2. Assuming a start price of £6.30, the maximum amount is achievable if growth of 18.8% per annum is achieved over 3.5 years, 4.5 years and 5.5 years, assuming constant growth. As each tranche is tested independently, if TSR per annum is lower than 18.8% over either of the 3.5 year or 4.5 year periods, this would mean that returns of more than 18.8% would be required over the 5.5 year period in order for the cap to be reached.

6. 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.

The Group employs 32,000 people in 213 locations globally and the Remuneration Committee therefore did not believe it practical or reasonable to consult employees on the 2018 Remuneration Policy. The Remuneration Committee took into account employee conditions across the Group when determining the 2018 Remuneration Policy.

7. Consideration of Shareholder Views

The Remuneration 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 Director remuneration policies. The Remuneration Committee consulted with some of its major shareholders in relation to the VCP prior to the publication of the 2018 Remuneration Policy. Due to restrictions relating to disclosure of inside information prior to announcement of the disposal of Menzies Distribution, the Remuneration Committee was limited in its ability to consult more widely with shareholders.

Remuneration Committee Report continued

Annual Report on Remuneration

Total Remuneration Received for the Year Ended 31 December 2018

The table below provides a single figure of remuneration for each member of the Board, broken down into each element of pay and compared to the previous year.

The table below and the subsequent sections 1 to 9 are subject to audit by the Company's auditor.

	Base salary/fee £000		Taxable benefits[1] £000		Annual bonus £000		Legacy awards £000		LTIP & SMP[5] £000		Total long term incentives £000		Pension total £000		Total remuneration £000	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Executive Directors																
F Black	**368**[2]	350	**14**	15	**267**	329	**177**	–	**407**	304	**584**	304	**74**	77	**1,308**	1,075
G Wilson	**329**	317	**15**	148	**252**	319	**91**	96	**208**	297	**299**	393	**66**	63	**960**	1,240
J Geddes	**253**	250	**15**	16	**189**	245	**91**	96	**172**	234	**264**	330	**51**	80	**771**	921
Non-Executive Directors																
D Smurfit	**253**[3]	150[4]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**253**	150
P Baines	**46**	44	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**46**	44
G Eaton	**46**	46	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**46**	46
D Garman	**52**	52[6]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**52**	52[6]
P Joeinig	**43**	25	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**43**	25
S Maizey	**46**	46	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**46**	46

Notes:
1. Taxable benefits offered to Executive Directors include a car allowance and health insurance. Details of the pension arrangements for each of the Directors are included on page 82 of this Annual Report and Accounts 2018.
2. The figure of £368,000 reflects the pro-rated increase of Forsyth's Black salary from £357,000 to £400,000 upon his appointment as Chief Executive Officer on 5 September 2018.
3. As detailed in section 2 below, the Company's Remuneration Committee determined that it would be appropriate for part of the Company's fee arrangement with Dr. Dermot F. Smurfit to be a cash fee satisfied by way of issue of up to 20,000 Ordinary Shares, issued on an annual basis for three years. Accordingly, in satisfaction of the Chairman's award for the financial year ending 31 December 2018, the Company transferred 20,000 Ordinary Shares out of Treasury to Dr. Smurfit on 8 November 2018 at a price of 514.6p per Ordinary Share. The value of these Ordinary Shares is included in the fee figure for Dr. Smurfit.
4. Dr. Dermot F. Smurfit's fee for 2017 has been restated to include the value of the Chairman's award for the financial year ending 31 December 2017 that was subsequently awarded in March 2018. As explained in section 2, the Chairman's annual fee for 2016, 2017 and 2018 comprises a cash fee plus an award of up to 20,000 Ordinary Shares per annum.
5. The value of the LTIP and SMP awards that will vest in March 2019 is based on the average share price for the three months to December 2018.
6. David Garman's 2017 fee has been restated to include fees that were due to be paid in respect of his Chairmanship of the Nomination Committee during 2017 but were subsequently paid in January 2019.

1. Base Salary

Salaries of Executive Directors and other Company staff are reviewed annually. The current salaries for Executive Directors are set out below and are usually updated annually on 1 May. It has been determined that there will be no salary increase for Forsyth Black, Giles Wilson or John Geddes in 2019.

When determining the remuneration of Executive Directors, the Remuneration Committee takes account of pay and employment conditions in the Group as a whole.

	2017 salary	**2018 salary**	2019 salary	Percentage increase for 2019
F Black	£350,000	**£357,000**	£400,000	0
G Wilson	£325,000	**£331,500**	£331,500	0
J Geddes	£250,000	**£255,000**	£255,000	0

As previously announced, the Company reverted to a more standard executive structure following completion of the sale of Menzies Distribution in September 2018 with Forsyth Black, previously President & Managing Director, Menzies Aviation, being appointed as Chief Executive Officer of the Company. The Remuneration Committee determined that it was appropriate for his salary to be increased from £357,000 to £400,000 upon his appointment to reflect the increased scope of his role.

2. Non-Executive Directors' and Chair Fees

For 2018 the fees policy for Non-Executive Directors was as follows:

	Fee level
Basic payment	£40,000
Committee Chair	£6,000
Committee membership	£2,500
Senior Independent Director	£6,000

Directors receive one fee either for being a Committee Chair or for Committee membership, irrespective of the number of Committees on which they serve. The fees paid to Non-Executive Directors in respect of each of the positions detailed above are reviewed annually and are currently under consideration for 2019.

The Chairman's fees comprise a cash fee of £150,000 per annum plus up to 20,000 Ordinary Shares per annum for each of the financial years ended 31 December 2016, 2017 and 2018. This fee arrangement was approved by shareholders at the Company's general meeting convened on 11 October 2016.

3. Annual Bonus Scheme

The Executive Directors participate in a discretionary bonus scheme which is subject to the achievement of challenging Group and personal targets designed to encourage excellent performance. Targets are set by the Remuneration Committee at the start of the relevant performance period and taking into account market expectations at that time. Bonus payments are non-pensionable.

2018 Bonus Awards

For 2018 bonuses were calculated as follows:

Financial performance

Measure	**Weighting (percentage of salary)**	**Threshold target**	**Stretch target**	**Performance achieved**	**Overall achieved (percentage of salary)**
Group Underlying Profit before Tax[1]	80	£60.7m	£63.5m	£62.4m	56

KRA performance

The KRAs for the Executive Directors were set at the start of the year and covered a number of key operational and strategic areas including:

KRA
Finalisation of Group corporate structure, including in respect of Menzies Distribution
Implementation of appropriate internal platforms to provide for enhanced analysis and compliance in areas such as Risk, data protection and anti-bribery and anti-corruption
Increasing the Company's shareholder base
Reduction in the reported health and safety incident rate
Ongoing de-risking of the UK defined benefit pension scheme
Reduction of staff turnover and progress in relation to Operational Excellence system roll-out and cultural improvement and alignment
Improved financial internal audit compliance throughout the Group

Remuneration Committee Report continued

Based on this performance achieved, the KRA outcomes for 2018 are as follows:

Name	Weighting (maximum percentage of salary)	KRA performance achieved (percentage of salary)
F Black	20	16
G Wilson	20	20
J Geddes	20	18

Annual bonus awards

Name	Financial performance achieved (percentage of salary)	KRA performance achieved (percentage of salary)	Overall achieved (percentage of salary)	Cash value of award £000[2]
F Black	56	16	72	267
G Wilson	56	20	76	252
J Geddes	56	18	74	189

Notes:
1. Calculated in accordance with the Bonus Scheme Rules.
2. 20% of all bonus awards are deferred in the Ordinary Shares for a three year period to December 2021.

Operation of policy for 2019 bonus awards

The performance measures used for 2019 annual bonus awards will be the same as those detailed above. Performance targets will be disclosed retrospectively where considered appropriate as the Board considers that the disclosure of prospective targets is not appropriate due to their commercial sensitivity.

4. SMP

Under the SMP, Executive Directors were invited to invest up to 40% of any annual cash bonus into the SMP. As detailed in the Annual Report and Accounts 2016, the SMP has been discontinued from 1 January 2018 and no further awards granted to Executive Directors.

2016 SMP awards

As detailed in the Annual Report and Accounts 2016, the performance measures and targets for awards made under the SMP in March 2016 were set as follows:

Measurement	Threshold target (25% vesting)	Stretch target (100% vesting)
EPS v CPI	EPS growth equals CPI growth	EPS growth exceeds CPI growth by 3%

Outstanding SMP awards are as follows:

Name	31 December 2017	Granted during 2018	Market price of award	Vested during 2018	Lapsed during 2018	Gain/(loss) £000	31 December 2018	Performance period
F Black	2,385[1]	–	478.0p	–	–	–	**2,385[2]**	1/1/2016–31/12/2018
G Wilson	2,757[1]	–	478.0p	–	–	–	**2,757[2]**	1/1/2016–31/12/2018

Notes:
1. These award figures have been adjusted to reflect the Rights Issue undertaken by the Company in 2016.
2. These awards will vest as appropriate following the Company's final results announcement on 12 March 2019.

5. LTIP

Under the Company's LTIP all awards are subject to a three year performance period with appropriate targets. The Company's LTIP targets are designed to align the interests of the Executive Directors with those of the Company's shareholders and promote a long term interest in the success of the Group. As detailed in the Annual Report and Accounts 2016, the Company sought to further strengthen alignment with shareholders through an additional 12 month retention period for all new LTIP awards, with this holding period normally continuing post an Executive leaving employment. The performance criteria are set at threshold and stretch level. At threshold, 25% of an LTIP award will vest, increasing on a straight-line basis to 100% for stretch or greater achievement.

As detailed in the Company's Circular dated 30 July 2018, the LTIP has been removed from the remuneration 'policy table' to reflect the fact that from the date of adoption of the 2018 Remuneration Policy no further LTIP awards will be made to Executive Directors, although existing awards under the LTIP may be satisfied in accordance with their terms and the relevant Directors' Remuneration Policy in place when they were granted.

2016 LTIP awards

LTIP awards made to Executive Directors during the financial year ending 31 December 2016 are detailed below. As the performance criteria has been achieved, these awards will vest as appropriate following the Company's final results announcement on 12 March 2019.

Criteria	Weighting	Threshold target (25% vesting)	Stretch target (100% vesting)	Attainment	Overall vesting (percentage of maximum)	Performance period
TSR v FTSE SmallCap	100%	TSR = FTSE SmallCap median	TSR > FTSE SmallCap median + 30%	100%	100%	1/1/2016–31/12/2018

Name	Shares granted/vesting[1]
F Black	76,736
G Wilson	37,610
J Geddes	33,571

Note:
1. These award figures have been adjusted to reflect the Rights Issue undertaken by the Company in 2016.

2018 LTIP awards

As disclosed in the Annual Report and Accounts 2017, performance measures and targets for the LTIP awards made in March 2018 were as follows:

Group performance criteria	Weighting	Threshold target (25% vesting)	Stretch target (100% vesting)
TSR v FTSE SmallCap	100%	TSR = FTSE SmallCap median	TSR > FTSE SmallCap + 30%

Details of the LTIP awards made in March 2018 are shown in the table headed 'Scheme Interests Awarded During 2018' on page 81 of this Annual Report and Accounts 2018.

Remuneration Committee Report continued

Outstanding LTIP awards as at 31 December 2018 are shown below:

Name	31 December 2017	Granted during 2018	Market price of award	Vested during 2018	Lapsed during 2018	Gain/(loss) £000	31 December 2018	Performance period
F Black	76,736[1]	–	443p	–	–	–	**76,736**[2]	1/1/2016–31/12/2018
	60,449	–	579p	–	–	–	**60,449**	1/1/2017–31/12/2019
	–	51,244	683p	–	–	–	**51,244**	1/1/2018–31/12/2020
G Wilson	37,610[1]	–	443p	–	–	–	**37,610**[2]	1/1/2016–31/12/2018
	51,813	–	579p	–	–	–	**51,813**	1/1/2017–31/12/2019
	–	47,584	683p	–	–	–	**47,584**	1/1/2018–31/12/2020
J Geddes	33,571[1]	–	443p	–	–	–	**33,571**[2]	1/1/2016–31/12/2018
	43,178	–	579p	–	–	–	**43,178**	1/1/2017–31/12/2019
	–	36,603	683p	–	–	–	**36,603**	1/1/2018–31/12/2020

Notes:
1. These award figures have been adjusted to reflect the Rights Issue undertaken by the Company in 2016.
2. These awards will vest as appropriate following the Company's final results announcement on 12 March 2019.

6. VCP

As detailed above, the Company's shareholders approved the adoption of the VCP at the 2018 GM. The key features of the VCP are as follows:

- Participants have a pool over certain of the Ordinary Shares with a value equal to 6.5% of cumulative shareholder value created above a compound hurdle rate of 8% per annum. This will increase to 7.5% if a stretch TSR hurdle of 15% per annum is achieved.
- The starting Ordinary Share price was set at £6.30, being the three month average price prior to 26 July 2018, the date of the announcement of the disposal of Menzies Distribution.
- Performance will be measured in three equal tranches over 3.5, 4.5 and 5.5 years from 26 July 2018, time horizons which emphasise sustained performance over the longer term rather than a short term uplift to share price.
- The VCP contains a significant number of safeguard features, including:
  - for Executive Directors, a further holding period of two years applies to each tranche, taking the overall time horizon of the VCP to 7.5 years;
  - aggregate rewards under the VCP are capped at a maximum of £30 million for all participants and £18 million (60%) in aggregate for Executive Directors, with interim aggregate caps of £15 million and £20 million applicable in respect of the first and second tranches respectively;
  - a focus on compliance is central to the Directors' approach and 20% of any pool is subject to compliance measures such as safety and security which, if not met, will reduce the outcome for participants;
  - enhanced malus and clawback provisions apply to any payments made under the VCP; and
  - the Remuneration Committee has discretion on vesting outcomes in accordance with the new UK Corporate Governance Code (July 2018).

The number of Ordinary Shares under a VCP award will be determined when performance is measured and will be calculated by reference to the Executive Director's percentage entitlement to growth in value as detailed in the following table:

Name	Allocations from pool	Outcome for less than 8% p.a. TSR performance (£000)	Outcome for 10% p.a. TSR performance (£000)	Outcome for 15% p.a. TSR performance (£000)	Maximum outcome: 18.8% p.a. TSR performance (£000)
F Black	25.0%	0	1,058	4,657	7,511
G Wilson	19.8%	0	835	3,676	5,928
J Geddes	15.2%	0	643	2,828	4,560

The remaining portion of the VCP pool will be granted to other senior members of the Company's Management team.

7. Scheme Interests Awarded During 2018

Name	Type of interest	Basis on which award made	Maximum number of Ordinary Shares awarded	Share price on date of grant of option	Face value of Ordinary Shares	Percentage vesting at threshold	Performance period end
F Black	LTIP[1] – conditional shares	100% of salary	51,244	£6.83	£350,000	25	31/12/2020
	Save As You Earn[2]	n/a	765	£4.70	£3,600	n/a	31/11/2021
	VCP[3]	25.0% of pool	n/a	£6.30	n/a	n/a	26/01/2024
G Wilson	LTIP[1] – conditional shares	100% of salary	47,584	£6.83	£325,000	25	31/12/2020
	Save As You Earn[2]	n/a	765	£4.70	£3,600	n/a	31/11/2021
	VCP[3]	19.8% of pool	n/a	£6.30	n/a	n/a	26/01/2024
J Geddes	LTIP[1] – conditional shares	100% of salary	36,603	£6.83	£250,000	25	31/12/2020
	Save As You Earn[2]	n/a	382	£4.70	£1,800	n/a	31/11/2021
	VCP[3]	15.2% of pool	n/a	£6.30	n/a	n/a	26/01/2024

Notes:
1. The exercise price for Ordinary Shares granted under the LTIP is zero.
2. The exercise price for Ordinary Shares granted under the Save As You Earn Scheme is the Ordinary Share price at the date of grant discounted by 20%.
3. The number of Ordinary Shares that will be delivered under the VCP will be determined by the absolute TSR performance relative to the performance hurdles.

LTIP awards are subject to performance conditions and the value delivered on vesting depends on performance against pre-defined targets over the relevant period and changes in the Ordinary Share price between grant and vesting. The face value of awards is calculated using the Ordinary Share price on the date of grant.

The face value of the Save As You Earn award is calculated using the share option price under the Sharesave Scheme in the relevant year.

The share price shown for VCP awards is the starting price used for the TSR performance assessment, being the three month average to 26 July 2018.

Remuneration Committee Report continued

8. Total Pension Entitlements

Scheme benefits/cash payments in lieu of pension contributions

Both Forsyth Black and John Geddes were members of the Menzies Pension Fund, accruing 1/60th and 1/30th respectively of their pensionable salaries (subject to the scheme earnings cap) for each year of pensionable service. On 31 March 2017 the Menzies Pension Fund was closed to future accrual. From 1 April 2017 they now each receive a cash payment equal to 20% of their salary in lieu of pension contribution. Giles Wilson also receives a cash payment equivalent to 20% of his salary in lieu of pension contribution.

Unfunded arrangement

The total of the transfer values for unfunded pension entitlements, held on the Company's Balance Sheet at 31 December 2018 for former Directors, totalled £2,000,000 (2017: £1,940,000), from which annual pensions of £70,000 were paid to former Directors (2017: £60,000).

9. Directors' Shareholdings and Share Interests

Executive Directors are expected to build a shareholding in the Company of 200% of salary under the 2018 Remuneration Policy. The Remuneration Committee believes that shareholding guidelines of 200% of salary, coupled with the 12 month holding period for LTIP awards and the two year holding period applicable to Ordinary Shares that vest under the VCP, create a strong, but proportionate, alignment with shareholders and further align Executive interests with sustained value creation. Executive Directors are given a period of time to build their shareholding in the Company.

The following table shows Directors' shareholdings and share interests as at 31 December 2018 together with share options exercised during 2018:

	Number of Ordinary Shares owned (including Deferred Bonus Shares)	Unvested conditional Ordinary Shares subject to performance conditions (LTIP and BCIP/SMP awards)	Unvested options over Ordinary Shares subject to savings contracts (SAYE)	Vested options exercised during 2018	Unvested conditional Ordinary Shares not subject to performance conditions
D Smurfit	465,000	–	–	–	–
F Black[1]	65,042	203,794	2,103	44,098	0
G Wilson[1]	45,384	149,391	2,103	43,227	0
J Geddes[1]	41,425	119,499	1,055	33,928	0
P Baines	3,000	–	–	–	–
G Eaton	4,077	–	–	–	–
D Garman	13,571	–	–	–	–
P Joeinig	100,000	–	–	–	–
S Maizey	5,450	–	–	–	–

Note:
1. Forsyth Black, Giles Wilson and John Geddes also have an interest in the VCP as described above.

Legacy awards

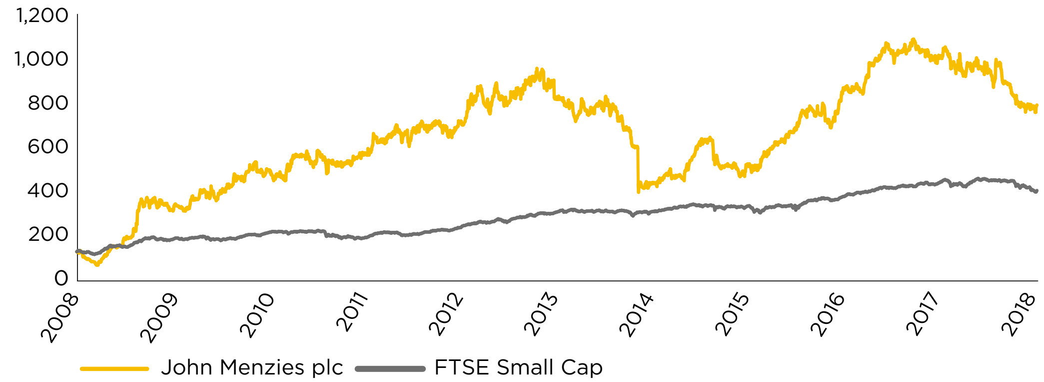
The share interests table above includes the following outstanding awards for current Executive Directors (granted prior to their appointment to the Board) as at 31 December 2018:

Name	31 December 2017	Initial value of award	Vested during 2018	Lapsed during 2018	Gain/(loss) £000	**31 December 2018**	Retention period
F Black[1]	28,296	£124,250	28,296	–	–	**–**	1/7/2015–30/6/2018[2]
G Wilson[1]	14,515	£63,740	14,515	–	–	**–**	1/7/2015–30/6/2018[2]
J Geddes[1]	14,515	£63,740	14,515	–	–	**–**	1/7/2015–30/6/2018[2]

Notes:
1. The award figures detailed for each of the Executive Directors have been adjusted to reflect the Rights Issue undertaken by the Company in 2016.
2. Conditional Ordinary Shares subject to performance conditions (EPS growth of 3% per annum).

10. Ten Year Historical TSR Performance and Executive Director Pay

The following graph compares the Company's TSR for the ten years to December 2018 with the equivalent performance of the FTSE SmallCap Index.



The Large and Medium-sized Companies and Groups (Accounts and Report) Regulations 2008 (the "Regulations") require companies to show the total remuneration of any director who undertakes the role of Chief Executive Officer in each of the last ten years. As the Company's Executive structure did not include the role of Chief Executive Officer prior to October 2014 and between 13 January 2016 and 5 September 2018, the following table shows the required figures for the highest paid Director in each year:

Highest paid Director in the year	2009: Dollman	2010: Dollman	2011: Dollman	2012: Dollman	2013: Smyth	January-October 2014: Smyth	October-December 2014: Stafford	2015: Stafford	1/1/16-13/1/16: Stafford	13/1/16-31/12/16: Black	2017: Wilson	2018: Black
Role	Group Finance Director	Group Finance Director	Group Finance Director	Group Finance Director	MD, Menzies Aviation	MD, Menzies Aviation	Chief Executive Officer	Chief Executive Officer	Chief Executive Officer	President & MD, Menzies Aviation	Chief Financial Officer	Chief Executive Officer
Total remuneration (£000)	757	750	3,578	1,735	1,203	725	167	493	41[1]	648	1,240	1,308
Annual bonus award (percentage of maximum)	75	74	74	63	46	–	45	–	–	95	98	72
Long term incentive vesting (percentage of maximum)	22	40	100	100	84	–	n/a	–	–	0	100	100

Note:
1. A payment of £65,200 (gross) was also made to Jeremy Stafford for loss of office together with a contribution of £4,000 plus VAT towards legal fees incurred in connection with his loss of office.

11. Percentage Change in Remuneration

The Regulations also require companies to show the annual change in base salary, benefits and annual bonus for any director undertaking the role of Chief Executive Officer during the financial year in question, in this case Forsyth Black, together with the average change for all Group employees. Whilst the table below details this information, given the geographical spread of the Group's operations and taking into account the different rates of wage inflation that exist, the average for Group employees for comparison with Forsyth Black is based on a like for like change in basic pay per full-time equivalent in the UK employee base.

	Base salary (percentage change)	Benefits (percentage change)	Annual bonus (percentage change)
Chief Executive Officer	14	-3	-19
Average for Group employees	3	0	-40

12. Relative Importance of Spend on Pay

The total Group spend on employee remuneration during 2018 and the immediately preceding financial year is reflected in the following table:

	2017	2018
Group employee remuneration costs	£857.5m	**£832.3m**
Dividend distribution	£15.9m	**£17.1m**
Share buyback	£Nil	**£3.3m**

13. The Remuneration Committee

During 2018 the following Non-Executive Directors were members of the Remuneration Committee:

Name	Position	Attendance
G Eaton[1]	Chairman	6/6
P Baines	Member	6/6
D Garman	Member	6/6
S Maizey	Member	5/6

Note:
1. Geoff Eaton stepped down as both Chairman and a member of the Remuneration Committee on 31 December 2018. David Garman assumed the position of Chairman at this time.

Advisers to the Remuneration Committee

During 2018 the Remuneration Committee was advised by remuneration consultants from Deloitte LLP. Total fees in relation to Executive remuneration consulting were £0.2m. Deloitte also provided advice in relation to controls assurance.

Deloitte were appointed by the Remuneration Committee and, as a member of the Remuneration Consultants' Group, voluntarily operates under the Code of Conduct in relation to Executive Remuneration Consulting in the UK. Each year the Chairman of the Remuneration Committee agrees the protocols under which Deloitte will provide advice to support independence. The Remuneration Committee is satisfied that the advice that it has received from Deloitte has been objective and independent.

In addition, legal advice was sought by the Remuneration Committee from the Company's solicitors, Dentons UKMEA LLP, where considered appropriate.

The Chief Financial Officer and Group Company Secretary also provided internal support and guidance to the Remuneration Committee where appropriate. They are, however, specifically excluded from any matters concerning the details of their own remuneration. Members of the Remuneration Committee have no personal financial interest (other than as shareholders) in the matters to be decided by the Remuneration Committee and no day-to-day involvement in the running of the business of the Group.

14. Remuneration Resolutions

The table below provides the results of the 2017 Directors' Remuneration Report resolution, tabled at the Company's AGM in May 2018, and the 2018 Remuneration Policy resolution, tabled at the Company's general meeting in August 2018:

Resolution	Votes for	Percentage	Votes against	Percentage	Votes total	Votes withheld
2017 Directors' Remuneration Report	50,057,760	99.37	317,050	0.63	50,374,810	9,097
2018 Remuneration Policy	43,372,005	76.80	13,099,043	23.20	56,471,048	17,559

It can be seen that a significant number of votes were cast against the 2018 Remuneration Policy resolution. The Remuneration Committee recognises that while the majority of its shareholders supported the 2018 Remuneration Policy, a significant number of shareholders did not support the introduction of the VCP. The Committee will continue to engage with shareholders to understand their views on the ongoing implementation of the Policy.

An advisory resolution to approve this Remuneration Report will be tabled at the Company's forthcoming AGM.

The Chairman of the Remuneration Committee will be available to answer questions from the Company's shareholders on this Remuneration Report.

15. 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 Chairman of the Company. This approval will not be denied where the Chairman is confident that the appointment in question will not interfere with the Director's ability to perform their duties for the Company or provide a conflict of interest. Executive Directors are entitled to retain any fees received under such appointments.

On behalf of the Remuneration Committee

David Garman
Remuneration Committee Chairman
8 March 2019

Directors' Report

For the financial year ended 31 December 2018

The following sections provide information on those items which are required to be included in this Directors' Report, pursuant to the requirements of the Companies Act 2006 ("2006 Act"), the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013) ("2013 Regulations") and the Financial Conduct Authority's ("FCA") Listing Rules. Some items are incorporated by reference into this Directors' Report, as detailed below.

Directors

All of the Directors who served during 2018 are shown in the table below. Biographies of those Directors who were in office at the end of 2018 are included on pages 46 and 47 of this Annual Report and Accounts 2018 and all of these Directors held office throughout 2018.

Current and former Directors' interests in the Company's ordinary shares of £0.25 each ("Ordinary Shares") were as follows:

Name	Position	Appointed		**31 December 2018**	31 December 2017
D Smurfit	Chairman	Jul. 2016	Beneficial	**465,000**	425,000
F Black	Chief Executive Officer	Jan. 2016	Beneficial	**65,042**	35,342
G Wilson	Chief Financial Officer	Jun. 2016	Beneficial	**45,384**	27,800
J Geddes	Director of Corporate Affairs & Group Company Secretary	Nov. 2016	Beneficial	**41,425**	17,886
P Baines	Non-Executive Director	Jun. 2016	Beneficial	**3,000**	3,000
G Eaton	Non-Executive Director	Jun. 2015	Beneficial	**4,077**	4,077
D Garman	Non-Executive Director	Jun. 2015	Beneficial	**13,571**	13,571
P Joeinig	Non-Executive Director	Jun. 2017	Beneficial	**100,000**	20,000
S Maizey	Non-Executive Director	May 2014	Beneficial	**5,450**	2,035

There have been no subsequent changes to these interests as at 8 March 2019.

No Director had any material interest in any contract, other than a service contract as set out on page 72 of this Annual Report and Accounts 2018.

Substantial Shareholders

In addition to the Directors' interests set out above, the Company had been notified of the following interests of 3% or more in its Ordinary Shares as at 31 December 2018 and 8 March 2019:

Name	Number of Ordinary Shares as at 8 March 2019	Percentage of issued Ordinary Shares as at 8 March 2019	**Number of Ordinary Shares as at 31 December 2018**	Percentage of issued Ordinary Shares as at 31 December 2018
Kabouter Management LLC	9,978,079	11.88	**9,978,079**	11.88
Axxion S.A.[1]	8,341,866	9.93	**8,341,866**	9.94
Sterling Strategic Value Fund S.A.	5,932,823	7.06	**5,932,823**	7.07
Lakestreet Capital Partners AG	5,390,643	6.42	**5,390,643**	6.42
DC Thomson & Company Limited	5,013,058	5.97	**5,013,058**	5.97
Premier Asset Management	3,467,269	4.13	**3,467,269**	4.13

Note:
1. Axxion S.A. acting on behalf of Frankfurter Aktienfonds für Stiftungen and Frankfurter Stiftungsfonds.

Directors' and Officers' Liability Insurance

In accordance with the 2006 Act and the Company's Articles of Association ("Articles"), the Company has arranged qualifying third party indemnities against financial exposure which the Directors may incur in the course of their professional duties for the Company. In addition to 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 14.5p per Ordinary Share (2017: 14.5p), payable on 1 July 2019 to shareholders on the Company's Register of Members as at the close of business on 24 May 2019. The Ordinary Shares will be quoted as ex-dividend on 23 May 2019. This final dividend, together with the interim dividend of 6.0p per Ordinary Share (2017: 6.0p) paid on 16 November 2018, makes a total dividend of 20.5p per Ordinary Share for the 2018 financial year.

Political Donations

In accordance with its policy, the Group did not give any money for political purposes nor did it make any donations to political organisations or independent candidates or incur any political expenditure during 2018.

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, are detailed in Note 16 to the Accounts contained in this Annual Report and Accounts 2018, which information is incorporated by reference into this Directors' Report.

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 to the Accounts contained in this Annual Report and Accounts 2018, which information is incorporated by reference into this Directors' Report.

Financial Instruments

Details of the use of financial instruments and financial risk management are included in Note 16 to the Accounts contained in this Annual Report and Accounts 2018, which details are incorporated by reference into this Directors' Report.

Employee Involvement

Details of how the Company involves its employees in its business are contained in the Strategic Report section of this Annual Report and Accounts 2018 (pages 1 to 43), which details are incorporated by reference into this Directors' Report.

Post Balance Sheet Events

The Competition and Markets Authority cleared the acquisition of the trade and assets of Airline Services Limited on 17 January 2019 and the business will be treated as an acquisition from that date in the 2019 consolidated financial statements.

Outlook

An indication of the likely future developments in the business of the Company (and its subsidiaries) is included in the Strategic Report section of this Annual Report and Accounts 2018 (pages 1 to 43), which details are incorporated by reference into this Directors' Report.

Research

The Company is not actively involved in research activities.

Geographical Spread

The Company operates in 36 countries worldwide and details of this geographical spread can be found on pages 2 and 3 of this Annual Report and Accounts 2018, which details are incorporated by reference into this Directors' Report.

Directors' Report continued

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 Responsible Business section of this Annual Report and Accounts 2018 (pages 30 to 43), which details are incorporated by reference into this Directors' Report.

At the end of 2018 the split of male to female employees in the Group was:

Employee group	Male	Female
Directors	8	1
Decision-makers	231	108
All employees	21,998	9,866

Full and fair consideration is given to all applications for employment; Group policies dictate that during the recruitment process all individuals are treated equitably, including those with disabilities. Where employees become disabled whilst employed by the Group we would seek to ensure that their employment could continue or alternative employment arranged whenever reasonable and practicable to do so, subject to any necessary training taking place and making reasonable adjustments where necessary. All employees, irrespective of whether they have a physical or mental disability, are given the same opportunities within the Group in terms of training, career development and promotion; our policies and procedures for recruitment, training, promotion and reward promote equality of opportunity, regardless of background and personal circumstances.

Policy and Practice on Payment of Creditors

The Group does not operate a standard code in respect of payments to suppliers with each operating business 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. The amount owed to trade creditors relating to the 2018 continuing business represented 20 days of purchases from suppliers (2017: 25 days restated).

Audit Information

So far as the Directors in office at the date of signing of this Directors' Report are aware, having made the requisite enquiries, there is no relevant audit information in terms of which the Company's auditor is unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. Resolutions to re-appoint Ernst & Young LLP as auditor of the Company and to authorise the Board to set its remuneration will be proposed at the Company's forthcoming annual general meeting ("AGM").

Share Capital and Structure

The Company has two classes of shares: the Ordinary Shares of £0.25 each and preference shares of £1.00 each ("Preference Shares"). As at 31 December 2018 the Company had an issued share capital comprising 1,394,587 Preference Shares and 84,363,714 Ordinary Shares. Of these 84,363,714 Ordinary Shares, 401,766 were held as treasury shares. Whilst it is the Company's general policy that shares held in Treasury will be used for the satisfaction of share plan awards, the Company transferred 20,000 Ordinary Shares out of Treasury to Dr. Dermot F. Smurfit on 15 March 2018 at a price of 661.4p per Ordinary Share and on 8 November 2018 at a price of 514.6p per Ordinary Share in respect of financial years ending 31 December 2017 and 31 December 2018 respectively. These transfers were to reflect the fact that part of the Chairman's fee arrangement for his services would be a cash fee to be satisfied by way of issue of Ordinary Shares, as approved by the Company's shareholders at its general meeting on 11 October 2016.

During 2018 the Company undertook an irrevocable, discretionary programme to purchase up to 500,000 Ordinary Shares, at an aggregate maximum consideration of £3.5 million, to be placed into Treasury for use in meeting future obligations to employees arising from share plan awards. The buy-back was conducted by the Company's broker, Numis Securities Limited, in compliance with, inter alia, the relevant conditions for trading, restrictions regarding time and volume, and in accordance with and under the terms of the general authority granted by the Company's shareholders at its AGM in May 2017 and the provisions of the Market Abuse Regulation 596/2014/EU dealing with buy-back programmes.

During 2018 the Company did not purchase any of its own shares for cancellation.

No shares in the capital of the Company can be allotted at a discount nor can they be allotted except as paid up both in regard to nominal amount and premium to the minimum extent permitted by the 2006 Act.

Articles of Association

Transfer of shares

There are no restrictions on the transfer of shares in the Company other than as contained in the Articles. Subject to the Articles, the Admission and Disclosure Standards of the London Stock Exchange and any requirements of the FCA, 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 Company's shares.

Voting rights

Deadlines for exercising voting rights and appointing a proxy or proxies to vote on the resolutions to be considered at the Company's forthcoming AGM on 17 May 2019 are specified in the Notes to 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, they have been appointed by more than one shareholder and have received instructions to vote both in favour of and against the same resolution in which case they will have one vote against that resolution and one vote for. On a poll, every shareholder of the Company present in person or by proxy at a general meeting of the Company shall have one vote for every share which they hold and, if the holders of the Preference Shares have the right to vote on any resolution, each such holder shall have one vote for every Preference Share which they hold.

The holders of the Preference Shares shall have no right 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 Preference 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 attaching 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 its shares are held by persons other than the holders of its Ordinary Shares or Preference Shares. The Company is not aware of any agreement between holders of its shares which may result in restrictions on the transfer of its shares or on voting rights attaching thereto.

Allotment and Issue of Shares

The Directors are, by shareholder resolution passed at the Company's AGM in May 2018, 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 £13,976,170 of which any amount in excess of £6,988,085 may only be applied to fully pre-emptive rights issues. Such authority and power will expire at the Company's forthcoming AGM unless previously revoked, varied or renewed. It is proposed that such authority and power be renewed by shareholder resolution at the Company's forthcoming AGM but without prejudice to the exercise of any such authority and power prior to the date of such resolution. Accordingly, shareholders will be asked to grant an authority to allot relevant securities: (i) up to a nominal amount of £7,019,658; and (ii) up to a nominal amount of £14,039,316 (after deducting from such limit any relevant securities allotted under (i)), in connection with an offer of a rights issue, such authority to apply until the conclusion of the AGM to be held in 2020 or, if earlier, close of business on 30 June 2020.

Directors' Report continued

Purchase of Own Shares

The Company is, by shareholder resolution passed at its 2018 AGM, authorised to purchase up to 8,385,702 of its Ordinary Shares at a maximum price which is the higher of:

(i) an amount equal to 105% of the average of the middle market quotations for such Ordinary Shares 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 on the trading venues where the market purchases by the Company will be carried out),

and at a minimum price of £0.25 per Ordinary Share.

The Company is also, by shareholder resolution passed at its 2018 AGM, authorised to purchase up to 1,394,587 of its Preference Shares at a maximum price which is the higher of:

(i) an amount equal to 110% of the average of the middle market quotations for such Preference Shares 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 Preference Share on the trading venues where the market purchases by the Company will be carried out),

and at a minimum price of £1.00 per Preference Share.

These authorities will expire at the Company's forthcoming AGM when it is proposed that they be renewed but without prejudice to the exercise of any such authorities prior to the date of such resolutions being put to the Company's shareholders.

Disapplication of Pre-Emption Rights and Notice of General Meetings

In response to shareholder feedback and noting the repeated opposition in past years of more than 20% of the shareholder votes cast in respect of proposed resolutions to: (i) disapply pre-emption rights upon the allotment of new shares; and (ii) convene general meetings, other than annual general meetings, on short notice of 14 days, the Directors have, again, decided not to propose such resolutions, which have been in accordance with Investment Association principles and market practice, at the forthcoming AGM.

Directors

Appointment of Directors

Directors may be appointed by the Company by an ordinary resolution of its shareholders. The Board may appoint a Director either to fill a vacancy or as an additional Director and any Director so appointed shall hold office only until the next AGM of the Company following such appointment and shall then be eligible for re-appointment. If not re-appointed at such AGM, such a Director will vacate office at its conclusion except where a resolution is passed to appoint someone in their place (other than with effect from a time later than the conclusion of the AGM) or a resolution for their re-appointment is put to the AGM and lost (in either which case the retirement takes effect from the passing of the relevant resolution).

An appropriate induction is provided by the Company to all new Directors and ongoing training is supplied as and when it may be required, with documentation on the Company and its activities distributed to Directors on a regular basis. Further details in respect of the induction and training of Directors can be found on pages 50 and 51 of this Annual Report and Accounts 2018, which details are incorporated by reference into this Directors' Report. A Director is not required to hold shares in the capital of the Company.

Retirement of Directors

In accordance with best practice principles, all Directors 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 its business or otherwise, subject to any restrictions contained in the Articles which detail the specific powers of the Directors. Copies of the Articles may be obtained from the Group Company Secretary or from the Company's website at www.johnmenziesplc.com. The Articles can only be amended by a special resolution of the Company's shareholders in general meeting.

Significant Agreements – Change of Control

The Group has 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 any of its subsidiaries are a party, such as banking arrangements, property leases and licence agreements, to take effect, alter or terminate. Additionally, the Directors' service agreements and employee share plans would be similarly affected upon a change of control.

Emissions Reporting

The information required to be included in this Directors' Report pursuant to the 2013 Regulations in respect of greenhouse gas emissions is included in the Responsible Business section of this Annual Report and Accounts 2018 on pages 40 to 43, which information is incorporated by reference into this Directors' Report.

Annual General Meeting

Notice of the Company's forthcoming AGM is contained at the end of this document.

Approved and issued by the Board of Directors.

On behalf of the Board of Directors

John Geddes
Director of Corporate Affairs & Group Company Secretary
8 March 2019

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Company's Annual Report, Remuneration Report and its financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare such 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 ("IFRS") 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 IFRS 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 IFRS, 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 Accounts 2018, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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

Directors' Statement Pursuant to the Disclosure Guidance and Transparency Rules

Each of the Directors confirms that to the best of their knowledge and belief:
- the financial statements, prepared in accordance with IFRS, 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 and Accounts 2018 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.

Independent Auditor's Report to the Members of John Menzies plc

Opinion

In our opinion:

- John Menzies plc's Group financial statements and parent company financial statements (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 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of John Menzies plc which comprise:

Group	Parent company
Consolidated Balance Sheet as at 31 December 2018	Balance Sheet as at 31 December 2018
Consolidated Income Statement for the year then ended	Statement of Changes in Equity for the year then ended
Consolidated Statement of Comprehensive Income for the year then ended	Consolidated Statement of Changes in Equity for the year then ended
Consolidated Statement of Changes in Equity for the year then ended	Related notes 1 to 15 to the financial statements including a summary of significant accounting policies
Consolidated Statement of Cash Flows for the year then ended	
Related notes 1 to 28 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and IFRS 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report to the Members of John Menzies plc continued

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on page 26 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 27 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 23 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 23 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Risk of misstatement due to management override, fraud and error specifically around revenue recognition. • Accounting for the disposal of the Distribution business. • Valuation of defined benefit pension scheme liabilities.
Audit scope	• We performed an audit of the complete financial information of four components and audit procedures on specific balances for a further 43 components. • The components where we performed full or specific audit procedures accounted for 92% of adjusted profit before tax, 91% of revenue and 84% of total assets.
Materiality	• Overall Group materiality of £2.1m which represents 5% of adjusted profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters:

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of misstatement due to management override, fraud and error specifically around revenue recognition. *Refer to the Audit Committee Report (page 57); Accounting policies (pages 106 and 159); and Note 2 of the Consolidated Financial Statements (page 118).* There is a risk that the financial statements as a whole are not free from material misstatement due to the risk of management override of controls whether caused by fraud or error. Revenue recognition is a particular area of focus for our audit in considering possible areas of management bias and fraud. We recognise that sales arrangements for the Group are generally straightforward, requiring minimal judgement to be exercised. Accordingly, we focus on the appropriate application of contractual rates for Aviation contracts.	We have gained an understanding of the key controls and processes in place over revenue recognition. At both full and specific scope components we performed detailed testing of a sample of sales and accrued income to ensure that revenue has been appropriately recognised. We utilised our data analytical tools to correlate sales to debtors and cash. We have used our bespoke billing analytics tool to capture all billings and reconciled this to the revenue recognised in the year. We used this tool to select a sample for agreement to underlying contract terms. In addition, for ground handling revenue, we utilised data analytical tools to focus testing on unusual items and outliers (e.g. unusual contract rates, new contracts identified) from a complete population of revenue transactions by station and airline at each of the full and specific scope locations. These procedures were supplemented with analytical review procedures and enquiry of management. We performed journal entry testing, applying particular focus to individually unusual and/or material revenue manual journals, particularly those posted around the year end. All audit work in relation to this key audit matter was undertaken by the primary and local audit teams.	We have concluded that revenue recognised in the year is materially correct on the basis of procedures performed both at Group and by component audit teams.

Independent Auditor's Report to the Members of John Menzies plc continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Accounting for the disposal of the Distribution business. *Refer to the Audit Committee Report (page 57); Accounting policies (pages 106 and 159); and Note 27 of the Consolidated Financial Statements (page 153).* On 4 September 2018, the Group completed the sale of the Distribution business. The key judgments impacting the accounting for the loss on sale include the determination of the date of disposal and assessing those costs that are directly incremental to the sale of the Distribution business.	We have reviewed the sale and purchase agreement in assessing that the sale was subject to three conditions, being shareholder approval: competition authority approval and a property restructure. We have agreed the date of disposal and assessed when power and exposure to variable returns was relinquished based on the above conditions. We performed substantive audit testing over in-scope Distribution entities to gain assurance over the income statement consolidated to the date of disposal, and in turn, the net assets disposed of. We have agreed a sample of costs related to the sale to invoice support and challenged management over what is classified as directly incremental by performing our own assessment of these costs. We reviewed the remaining Distribution trial balances at the date of disposal to ensure all Distribution assets and liabilities disposed of were appropriately recorded and eliminated as part of accounting for the disposal. We have agreed final cash consideration to bank statement and agreed the fair value of the investment retained to supporting documentation. We have assessed the adequacy of the disclosure regarding the sale. All audit work in relation to this key audit matter was undertaken by the primary audit team.	We are satisfied that the accounting for the disposal is materially correct and that sufficient disclosure is included in the financial statements.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of defined benefit pension scheme liabilities. *Refer to the Audit Committee Report (page 57); Accounting policies (pages 106 and 159); and Note 22 of the Consolidated Financial Statements (page 146).* The Group makes provision for the net pension liability of its defined benefit pension scheme. The significant risk relates to the potential misstatement of the pension liability due to the significant judgments being exercised by management in determining the appropriate underlying actuarial assumptions. The principal assumptions include life expectancies of scheme members, discount rate and inflation rates.	We have obtained an understanding and made an assessment of the key controls and processes in place to determine the actuarial assumptions. Through inspection of pensionable salary data from payroll reports, we have assessed the calculation of the pension liabilities. Our actuarial specialists evaluated the consistency of the methodology applied to calculate the pension liabilities as well as the appropriateness of the key underlying actuarial assumptions, such as life expectancies of scheme members, discount rate and inflation rates, at the year-end, ensuring they are within an acceptable range. Using our actuarial specialists, we have assessed management's calculation of the impact of the GMP equalisation. We considered the competency and objectivity of management's experts. We have assessed the adequacy of disclosures within the financial statements. All audit work in relation to this key audit matter was undertaken by the primary audit team.	We have concluded that the pension liability is materially correct and that management's judgments in relation to underlying actuarial assumptions were appropriate.

In the prior year, our auditor's report included key audit matters in relation to ASIG acquisition accounting and assessment of the carrying value of Distribution goodwill and indefinite life intangibles. These matters are considered below:

- ASIG acquisition accounting including identification and valuation of acquisition intangibles – acquisition accounting was concluded upon in the prior period. This is therefore not applicable in the year to 31 December 2018.
- Assessment of the carrying value of Distribution goodwill and indefinite life intangibles – the disposal of the Distribution business concluded on 4 September 2018. This is therefore not applicable in the year to 31 December 2018. However, as noted above, we have included a key audit matter in the current year in relation to the accounting for the sale of the Distribution business.

Independent Auditor's Report to the Members of John Menzies plc continued

Overview of the scope of our audit

	Components		Percentage of PBT*		Percentage of revenue		Percentage of total assets	
	2018	2017	2018	2017	2018	2017	2018	2017
Full scope	4	5	23	31	57	60	69	52
Specific scope & consolidation adjustments	43	38	69	53	34	24	15	28
Overall coverage			92	84	91	84	84	80

* Percentage of profit before tax is calculated on an absolute basis against the adjusted profit before tax measure used to calculate materiality.

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 125 reporting components of the Group, we selected 47 components covering entities within the United Kingdom, the United States of America, Canada, Australia, New Zealand, Spain, the Czech Republic, South Africa, The Netherlands, India, Dominican Republic and China, which represent the principal business units within the Group.

Of the 47 components selected, we performed an audit of the complete financial information of 4 components ("full scope components"), which were selected based on their size or risk characteristics. For the remaining 43 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The audit scope of specific scope components may not have included testing of all significant accounts of the component but will have contributed to the coverage of the accounts tested for the Group.

Of the remaining 78 components that together represent 8% of the Group's adjusted profit before tax, none is individually greater than 5% of the Group's adjusted profit before tax. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group's consolidated financial statements.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the four full scope components, audit procedures were performed on four of these directly by the primary audit team. For the 43 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement that we, as the primary audit team, needed to have to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The audit work on the UK and North America full scope reporting units was performed directly by the primary audit team covering all full scope locations. The primary audit team interacted regularly with all component teams through emails and teleconferencing where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. The audit partner also visited the Australian component team this year which is the largest component of the Group after the US and UK. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

We determined materiality for the Group to be £2.1m (2017: £2.6m), which is 5% (2017: 5%) of adjusted profit before tax. We believe that adjusted profit before tax provides us with the appropriate measure for determining the materiality based on the focus of the user of the financial statements.

We determined materiality for the Company to be £1.7m (2017: £1.7m), which is 1% (2017: 1%) of equity. We believe that equity provides us with the appropriate measure for determining the materiality based on the focus of the user of the financial statements.

During the course of our audit we reassessed initial materiality and have deemed this still to be appropriate at the year end.

Performance materiality

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely £1.6m (2017: £1.9m). We have set performance materiality at this percentage due to our understanding of the perspective of the users of the financial statements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.3m to £0.9m (2017: £0.3m to £1.1m).

Reporting threshold

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1m (2017: £0.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report, including the five year review and shareholder information set out on pages 164 to 189, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of John Menzies plc continued

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 92 – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on page 57 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee is materially inconsistent with our knowledge obtained in the audit; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 45 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority ("the FCA Rules"), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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
- a Corporate Governance Statement has not been prepared by the Company

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 92, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant include IATA regulations, UK Department for Transport, applicable health & safety and data protection regulations, competition and consumer protection laws, labour regulations and employee rights laws.
- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Group's consolidated financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included a review of board minutes to identify any non-compliance with laws and regulations and enquiries of senior management.
- We identified any instances of non-compliance with laws and regulations at Group components through the direction and oversight of our component audit teams. We discussed any potential findings with senior management.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation of the Audit Committee, we were appointed as auditors and signed an engagement letter on 20 August 2018. We were reappointed by the Company at the Annual General Meeting in 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is ten years, covering the years ending 31 December 2009 to 31 December 2018.
- The non-audit services prohibited by the Financial Reporting Council's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting the audit.
- The audit opinion is consistent with the additional Report to the Audit Committee.

Independent Auditor's Report to the Members of John Menzies plc continued

Use of our report

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.

Ernst & Young LLP

Kevin Weston
Senior Statutory Auditor
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
11 March 2019

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

Consolidated Income Statement
for the year ended 31 December 2018 (year ended 31 December 2017)

	Notes	Before exceptional and other items £m	Exceptional and other items £m	2018 £m	Before exceptional and other items Restated (Note 1) £m	Exceptional and other items Restated (Note 1) £m	2017 Restated (Note 1) £m
Continuing operations							
Revenue	2	**1,291.0**	**–**	**1,291.0**	1,273.6	–	1,273.6
Net operating costs	3	**(1,244.0)**	**(19.8)**	**(1,263.8)**	(1,228.5)	(29.7)	(1,258.2)
Operating profit before joint ventures and associates		**47.0**	**(19.8)**	**27.2**	45.1	(29.7)	15.4
Share of post-tax results of joint ventures and associates	12	**8.1**	**(1.3)**	**6.8**	8.0	(1.0)	7.0
Operating profit	2	**55.1**	**(21.1)**	**34.0**	53.1	(30.7)	22.4
Analysed as:							
Underlying operating profit (i)		**55.1**	**–**	**55.1**	53.1	–	53.1
Non-recurring items – transaction related and integration	5	**–**	**(11.7)**	**(11.7)**	–	(18.5)	(18.5)
Non-recurring item – impairment, pension related and other	5	**–**	**(1.8)**	**(1.8)**	–	(4.1)	(4.1)
Acquired intangible asset amortisation	5	**–**	**(6.3)**	**(6.3)**	–	(7.1)	(7.1)
Share of joint ventures and associates interest		**–**	**0.7**	**0.7**	–	0.9	0.9
Share of joint ventures and associates tax		**–**	**(2.0)**	**(2.0)**	–	(1.9)	(1.9)
Operating profit		**55.1**	**(21.1)**	**34.0**	53.1	(30.7)	22.4
Finance income	6	**1.0**	**–**	**1.0**	1.2	–	1.2
Finance charges excluding retirement benefit obligation interest	6	**(11.2)**	**(1.4)**	**(12.6)**	(10.2)	(1.7)	(11.9)
Retirement benefit obligation interest	22	**(0.8)**	**–**	**(0.8)**	(1.8)	–	(1.8)
Profit before taxation		**44.1**	**(22.5)**	**21.6**	42.3	(32.4)	9.9
Taxation	7	**(12.4)**	**3.3**	**(9.1)**	(14.8)	4.4	(10.4)
Profit/(loss) for the year from continuing operations		**31.7**	**(19.2)**	**12.5**	27.5	(28.0)	(0.5)
Discontinued operations							
Profit/(loss) for the period from discontinued operations	27	**13.6**	**(31.5)**	**(17.9)**	19.6	(7.1)	12.5
Profit/(loss) for the year		**45.3**	**(50.7)**	**(5.4)**	47.1	(35.1)	12.0
Attributable to equity shareholders		**45.0**	**(50.7)**	**(5.7)**	47.7	(35.1)	12.6
Attributable to non-controlling interests		**0.3**	**–**	**0.3**	(0.6)	–	(0.6)
		45.3	**(50.7)**	**(5.4)**	47.1	(35.1)	12.0
Earnings per ordinary share							
Continuing operations							
Basic	9	**37.6p**	**(23.0)p**	**14.6p**	33.7p	(33.6)p	0.1p
Diluted	9	**37.5p**	**(22.9)p**	**14.6p**	33.6p	(33.5)p	0.1p
Continuing and discontinued operations							
Basic	9	**53.8p**	**(60.6)p**	**(6.8)p**	57.2p	(42.1)p	15.1p
Diluted	9	**53.7p**	**(60.5)p**	**(6.8)p**	57.0p	(41.9)p	15.1p

Note:
(i) Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with non-current assets, amortisation relating to acquired contract, customer relationship and brand intangibles 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.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018 (year ended 31 December 2017)

	Notes	2018 £m	2017 Restated (Note 1) £m
(Loss)/profit for the year		**(5.4)**	12.0
Items that will not be reclassified subsequently to profit or loss			
Continuing operations:			
Actuarial gain on defined benefit retirement obligation	22	**3.1**	15.5
Actuarial loss on unfunded retirement benefit obligation		**(0.1)**	(0.1)
Income tax effect on defined benefit retirement obligation		**(0.5)**	(2.7)
Discontinued operations:			
Actuarial (loss)/gain on defined benefit retirement obligation	27	**(7.2)**	0.2
Income tax effect on defined benefit retirement obligation		**1.1**	–
Items that may be reclassified subsequently to profit or loss			
Continuing operations:			
Movement on cash flow hedges		**0.6**	0.5
Income tax effect on cash flow hedges		**(0.1)**	(0.1)
Movement on net investment hedges		**0.4**	2.0
Income tax effect on net investment hedges		**(0.1)**	(0.4)
Exchange loss on translation of foreign currency net assets		**(4.3)**	(3.7)
Income tax effect of exchange loss on foreign currency net assets		**1.0**	0.7
Other comprehensive (loss)/income for the year		**(6.1)**	11.9
Total comprehensive (loss)/income for the year		**(11.5)**	23.9
Attributable to equity shareholders		**(11.8)**	24.5
Attributable to non-controlling interests		**0.3**	(0.6)
		(11.5)	23.9

Consolidated Balance Sheet

as at 31 December 2018 (31 December 2017)

	Notes	2018 £m	2017 Restated (Note 1) £m
Assets			
Non-current assets			
Intangible assets	10	**159.2**	203.7
Property, plant and equipment	11	**116.0**	155.6
Investments in joint ventures and associates	12	**19.3**	27.5
Other investments	12	**5.2**	0.2
Deferred tax assets	13	**23.2**	24.2
Derivative financial assets	16	**1.5**	0.9
		324.4	412.1
Current assets			
Inventories		**5.6**	20.9
Trade and other receivables	14	**359.0**	354.3
Derivative financial assets	16	**0.6**	1.1
Cash and cash equivalents	18	**78.0**	72.8
		443.2	449.1
Liabilities			
Current liabilities			
Borrowings	16	**(34.7)**	(5.1)
Derivative financial liabilities	16	**(0.5)**	(0.5)
Trade and other payables	15	**(290.5)**	(325.3)
Current income tax liabilities		**(11.6)**	(13.5)
Provisions	21	**(49.3)**	(39.4)
		(386.6)	(383.8)
Net current assets		**56.6**	65.3
Total assets less current liabilities		**381.0**	477.4
Non-current liabilities			
Borrowings	16	**(244.5)**	(283.6)
Other payables	15	**(3.7)**	(4.6)
Deferred tax liabilities	13	**(2.9)**	(4.7)
Provisions	21	**(10.6)**	(2.5)
Retirement benefit obligation	22	**(18.0)**	(49.5)
		(279.7)	(344.9)
Net assets		**101.3**	132.5
Ordinary shares	23	**21.1**	21.0
Share premium account		**23.1**	21.9
Treasury shares		**(2.6)**	(1.3)
Other reserves		**(8.1)**	(5.6)
Merger relief reserve		**67.3**	67.3
Retained earnings		**(17.2)**	11.4
Capital redemption reserve		**21.6**	21.6
Total shareholders' equity		**105.2**	136.3
Non-controlling interest in equity		**(3.9)**	(3.8)
Equity		**101.3**	132.5

The accounts were approved by the Board of Directors on 11 March 2019 and signed on its behalf by:

Dr. Dermot F. Smurfit
Chairman

Giles Wilson
Chief Financial Officer

Company No. SC34970

Consolidated Statement of Changes in Equity

as at 31 December 2018 (31 December 2017)

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Translation and hedge reserves £m	Merger relief reserve £m	Retained earnings £m	Capital redemption reserve £m	Total shareholders' equity £m	Non-controlling equity £m	Equity £m
At 31 December 2017	21.0	21.9	(1.3)	(5.6)	67.3	11.4	21.6	136.3	(3.8)	132.5
(Loss)/profit for the year	–	–	–	–	–	(5.7)	–	(5.7)	0.3	(5.4)
Other comprehensive loss	–	–	–	(2.5)	–	(3.6)	–	(6.1)	–	(6.1)
Total comprehensive (loss)/income	–	–	–	(2.5)	–	(9.3)	–	(11.8)	0.3	(11.5)
New share capital issued	0.1	1.2	–	–	–	–	–	1.3	–	1.3
Share-based payments	–	–	–	–	–	1.6	–	1.6	–	1.6
Income tax effect of share-based payments	–	–	–	–	–	(0.1)	–	(0.1)	–	(0.1)
Subsidiaries acquired (Note 24)	–	–	–	–	–	–	–	–	0.3	0.3
Dividends paid (Note 8)	–	–	–	–	–	(17.1)	–	(17.1)	(0.7)	(17.8)
Repurchase of Company's shares	–	–	(5.0)	–	–	–	–	(5.0)	–	(5.0)
Disposal of Company's shares	–	–	3.7	–	–	(3.7)	–	–	–	–
At 31 December 2018	**21.1**	**23.1**	**(2.6)**	**(8.1)**	**67.3**	**(17.2)**	**21.6**	**105.2**	**(3.9)**	**101.3**

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Translation and hedge reserves £m	Merger relief reserve £m	Retained earnings £m	Capital redemption reserve £m	Total shareholders' equity £m	Non-controlling equity £m	Equity £m
At 31 December 2016	20.9	20.5	(1.6)	(4.6)	67.3	0.1	21.6	124.2	1.0	125.2
Profit/(loss) for the year	–	–	–	–	–	12.6	–	12.6	(0.6)	12.0
Other comprehensive (loss)/income	–	–	–	(1.0)	–	12.9	–	11.9	–	11.9
Total comprehensive (loss)/income	–	–	–	(1.0)	–	25.5	–	24.5	(0.6)	23.9
New share capital issued	0.1	1.4	–	–	–	–	–	1.5	–	1.5
Share-based payments	–	–	–	–	–	1.4	–	1.4	–	1.4
Income tax effect of share-based payments	–	–	–	–	–	0.6	–	0.6	–	0.6
Subsidiaries acquired (Note 24)	–	–	–	–	–	–	–	–	(4.2)	(4.2)
Dividends paid (Note 8)	–	–	–	–	–	(15.9)	–	(15.9)	–	(15.9)
Disposal of Company's shares	–	–	0.3	–	–	(0.3)	–	–	–	–
At 31 December 2017	21.0	21.9	(1.3)	(5.6)	67.3	11.4	21.6	136.3	(3.8)	132.5

Consolidated Statement of Cash Flows

for the year ended 31 December 2018 (year ended 31 December 2017)

	Notes	2018 £m	2017 £m
Cash flows from operating activities			
Cash generated from operations	17	**54.9**	70.2
Interest received		**1.0**	1.2
Interest paid		**(11.8)**	(13.7)
Tax paid		**(15.3)**	(17.0)
Net cash flow from operating activities		**28.8**	40.7
Cash flows from investing activities			
Acquisitions	24	**(1.0)**	(171.3)
Advance payment for acquisition	14	**(20.2)**	–
Cash acquired with subsidiaries	24	**–**	12.9
Disposal of subsidiaries	27	**51.2**	–
Cash held by disposed subsidiaries	27	**(5.9)**	–
Investment in joint ventures	24	**(1.2)**	–
Disposal of joint venture	12	**6.3**	–
Purchase of property, plant and equipment		**(29.0)**	(29.8)
Intangible asset additions		**(3.2)**	(2.8)
Proceeds from sale of property, plant and equipment		**14.9**	0.8
Dividends received from equity accounted investments		**4.8**	6.3
Net cash flow from/(used in) investing activities		**16.7**	(183.9)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**1.3**	1.5
Purchase of Company's shares		**(5.0)**	–
Proceeds from borrowings		**1.0**	293.4
Repayment of borrowings		**(41.7)**	(101.3)
Dividends paid to non-controlling interests		**(0.7)**	–
Dividends paid to ordinary shareholders	8	**(17.1)**	(15.9)
Net cash flow (used in)/from financing activities		**(62.2)**	177.7
(Decrease)/increase in net cash and cash equivalents		**(16.7)**	34.5
Effects of exchange rate movements		**0.3**	(1.7)
Opening net cash and cash equivalents (i)		**70.9**	38.1
Closing net cash and cash equivalents (i)	18	**54.5**	70.9

Note:
(i) Net cash and cash equivalents include cash at bank and in hand and bank overdrafts.

Notes to the Consolidated Financial Statements

1. Significant Accounting Policies

Basis of preparation

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

During the current year, the Group disposed of Menzies Distribution Ltd and its subsidiaries on 4 September 2018. This business is therefore presented as a discontinued operation. As a result of this, these consolidated financial statements have been represented and restated where required as if operations discontinued during the current year had been discontinued from the start of the comparative year. Note 27 sets out the details and impact of discontinued operations.

The Group has restated the prior year comparatives to reclassify certain liabilities from accruals to provisions, largely in respect of the Group's insurance, legal and employee related claims as set out in Note 21 to reflect the uncertain timing or amount and nature of these liabilities. The Group has comprehensive cover in respect of aviation motor, property and individual insurance claims. The Group previously measured insurance claim accruals based on the cost it expected to incur net of any amounts to be settled directly by insurers. Having reclassified these accruals as provisions the Group has adjusted its prior year Balance Sheet presentation to show its gross insurance claims in provisions and a reimbursement asset in receivables in respect of amounts recoverable from the insurers. This has resulted in an increase in other receivables in the prior year of £4.1m (2016: £2.3m), a corresponding increase in the insurance provision of £18.3m (2016: £15.5m) and a net reduction in accruals of £14.2m (2016: £13.2m) with no impact on the consolidated net assets or Income Statement in either year. Other liabilities of £5.3m (2016: £4.3m) have also been reclassified from accruals to provisions as set out in Note 21 with no impact on the consolidated net assets or Income Statement in either year.

New accounting standards and amendments

Four new accounting standards and amendments are applicable for the first time in 2018. They have no material impact on the consolidated financial statements of the Group. These are:
IFRS 15 Revenue from Contracts with Customers – effective 1 January 2018
IFRS 9 Financial Instruments – effective 1 January 2018
IFRS 2 Classification and Measurement of Share Based Payment Transactions – effective 1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration – effective 1 January 2018
Further details on IFRS 15 and IFRS 9 are set out below.

Standards and amendments to standards that have been issued that are applicable for the Group but are not effective for 2018 and have not been early adopted in these financial statements are:
IFRS 16 Leases – effective 1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments – effective 1 January 2019
Annual improvements to IFRS 2015-2017 cycle [(i)] – effective 1 January 2019
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement [(i)] – effective 1 January 2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures [(i)] – effective 1 January 2019
Amendment to IFRS 3 Business Combinations [(i)] – effective 1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material [(i)] – effective 1 January 2020

Note:
(i) Annual improvements 2015-2017, IAS 19 amendments, IAS 28 amendments, IFRS 3 amendment and IAS 1/IAS 8 amendments are not yet adopted for use in the European Union.

Standards and amendments that are not effective for 2018 will be adopted in accordance with their effective dates and for standards with a future effective date, the Group is in the process of assessing the likely impact and look to finalisation of the standards before formalising a view. The impact of IFRS 16 Leases has been assessed separately and is set out below.

IFRS 15 Revenue from Contracts with Customers

On 1 January 2018 the Group adopted IFRS 15 using the modified retrospective method. Results for reporting periods beginning on or after 1 January 2018 have and will be presented under IFRS 15, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting under IAS 18.

The Group has not identified any changes to revenue recognition practices under IFRS 15. The Group's continuing revenue is primarily based on fees for services.

The presentation of trade and other receivables and trade and other payables has been amended by the new standard. There is no impact on the measurement of the total balances recognised with accrued income and deferred income being separately presented in the receivables and payables notes respectively. Revenue from contracts with customers disaggregated by the timing of performance obligations being satisfied is presented in Note 2. The estimate of sales returns in the Group's discontinued operation is based on past experience and has required judgement.

IFRS 9 Financial Instruments

With regard to IFRS 9, there are no significant changes to the Group. The impact on accounting for hedging arrangements is minimal and the expected credit loss model for impairment reviews does not have an overall impact on the consolidated financial statements. There have been no classification changes and the hedging requirements of IAS 39 continue to be applied. The expected credit loss approach has resulted in an impact on the retained earnings of individual entities within the Group due to the potential additional impairment provision for some of the longer term intercompany receivables. These intragroup provisions for potential impairments do not impact the consolidated financial statements.

IFRS 9 requires equity investments that fall within the scope of the standard to be measured at fair value with changes in fair value charged through profit and loss or recognised within Other Comprehensive Income under an irrevocable election. As part of the disposal arrangement relating to the Distribution business in the current year the Group acquired a 10% equity investment in Endless Newco1 Ltd, the company established to hold the trade of the Distribution business disposed of during the year. The Group has elected to recognise future changes in the fair value of this equity investment within Other Comprehensive Income.

IFRS 16 Leases

Ahead of the adoption of IFRS 16 Leases on 1 January 2019, Management has been collating information to ensure compliance with the new standard for lessees. The standard removes the distinction between operating leases and finance leases and will result in a significant number of leased assets being recognised as non-current assets representing the right to use the underlying asset with a corresponding liability shown as debt. This will materially gross up the Balance Sheet with the recognition of a new right of use asset which will be depreciated through the Income Statement and a lease liability on which interest will be charged through the Income Statement. There will be no change to the reporting of net cash flows.

The Group plans to utilise the modified retrospective method of application on 1 January 2019 and anticipates recognising approximately £190m of lease liabilities and approximately the same amount of right of use assets. Although going forward the aggregate Income Statement impact of each lease over its life will not change, the Income Statement impact of generally straight line profile of operating lease expenses will be recognised earlier under IFRS 16 due to the interest on the lease liability being higher in the first year of adoption. Therefore, subject to any material changes in the portfolio of leases, annual operating lease expenses are expected to be replaced by higher levels of depreciation and interest expense such that an adverse impact on profit before tax in the region of £3m is expected in 2019, the year of transition.

The practical expedients expected to be utilised under the modified retrospective approach are that: there will be no restatement of comparative periods; recognition exemptions for leases ending within 12 months of 1 January 2019 and for low value assets; a single discount rate to a portfolio of leases with reasonably similar characteristics will be applied; the standard will only be applied to contracts that were previously classified as leases; and no new onerous lease assessments will be required on transition due to the ability to rely on previous assessments.

Judgement will be required to determine the non-lease component for one significant leasing vendor. This non-lease component will be 50% of the lease cost resulting in the remainder of the commitments being capitalised as a right of use asset.

For the majority of the Group's right of use assets the initial lease liability will equal the right of use asset on 1 January 2019. For one long term property lease, the Group will utilise the option to measure the initial lease liability and right of use asset at the inception of the lease. As the lease liability will exceed the right of use asset a minor amount will be recognised in equity as a transition adjustment.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

Basis of consolidation

The consolidated financial statements of the Group comprise 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 do not have coterminous year ends. In such cases the information is based on the accounting period of these entities and is adjusted for trading results and material changes up to 31 December.

Controlled interests

Control is achieved when the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if the Group has all of the following: power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including: contractual arrangement with other vote holders of the investee, rights arising from other contractual arrangements, and the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains initial control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group first obtains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income are attributed to the Company's equity holders and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary the related assets including goodwill, liabilities, non-controlling interests and other components of equity are derecognised, while any resultant gain or loss is recognised in the Income Statement. Any investment retained is recognised at fair value.

Joint ventures and associates

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method. The investments in an associate or a joint venture are initially recognised at cost. The carrying amount of investments are adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The Income Statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Consolidated Statement of Comprehensive Income. In addition when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes when applicable in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the Income Statement outside operating profit and represents profit or loss after tax and non-controlling interests in the associate or joint venture.

At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within the share of the profit of an associate and joint venture in the Income Statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the Income Statement.

In India, Menzies Bobba Ground Handling Services Private Ltd is 51% owned, Menzies Aviation Bobba (Bangalore) Private Ltd is 49% owned and Menzies Macau Airport Services Ltd in China is 29% owned. They are treated as joint ventures in the consolidated financial statements as 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 all parties.

The financial statements of each associate or joint venture are prepared for the same reporting period as the Group. The Group's two Indian joint ventures have a statutory year end of 31 March. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Revenue recognition

Ramp, passenger, into-plane fuelling and other aviation related services income is recognised at the time the service is provided in accordance with the terms of the relevant contract. Cargo handling and cargo forwarding revenue is recognised at the point of departure for exports and at the point that the goods are ready for despatch for imports. Revenue excludes value added and sales taxes and charges collected on behalf of customers.

The timing of customer billing in relation to the satisfaction of performance obligations results in amounts being recorded in the Balance Sheet for accrued and deferred income. Individual billing arrangements vary by customer and contract. Accrued income is recognised on contracts for which performance obligations have been satisfied but have not yet been billed to customers at the Balance Sheet date. When the recovery of such amounts becomes unconditional the customer is billed and the amounts are transferred to trade receivables. Deferred income is recognised in respect of payments received from customers in advance of the Group fulfilling its performance obligations under contracts.

In the discontinued Distribution business revenue has been recognised on the despatched value of goods sold, excluding value-added tax. Product has been sold to retailers on a sale or return basis. Revenue for goods supplied with a right of return has been stated net of the value of any returns.

Foreign currencies

Foreign currency assets and liabilities 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.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

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 that may give rise to exceptional items include restructuring of business activities in terms of rationalisation costs and onerous lease provisions, one off costs relating to reducing long term pension liabilities, gains or losses on the disposal of businesses and significant assets and acquisition transaction and other related costs including changes in deferred consideration.

Intangible assets

Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the 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 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, customer relationships and brands

The fair value of intangible assets attributed to contracts, customer relationships and brands at the point of acquisition is determined by discounting the expected future cash flows to be generated from that asset at the relevant risk-adjusted weighted average cost of capital for the Group. Values are not attributed to internally generated customer relationships.

Most contracts are amortised on a straight line basis over ten years as this period is the minimum timeframe management considers when assessing businesses for acquisition. Certain other intangible assets are amortised over the remaining life as appropriate.

Computer software

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly attributable to the production of identifiable software products controlled by the Group, and that are expected to generate economic benefits exceeding costs, are recognised as intangible assets. Computer software assets are amortised over their estimated useful lives, usually three to seven years.

Property, plant and equipment

Property, plant and equipment is stated at cost, including costs to acquire, less accumulated depreciation.
Depreciation is provided on a straight-line basis at the following rates:
Freehold and long leasehold properties – over the shorter of the remaining lease term and 50 years.
Short leasehold properties – over the remaining lease term.
Plant and equipment – over the estimated life of the asset between three and 20 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 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 the applicable lease periods.

As noted above, the accounting for leases will change from 1 January 2019 with the adoption of IFRS 16 Leases.

Inventories

Inventories are goods for resale and consumables and are stated at the lower of purchase cost and net realisable value.

Cash and cash equivalents

Cash and cash equivalents 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.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets are classified at initial recognition and subsequently measured at amortised cost or fair value through Other Comprehensive Income.

In order for a financial asset such as a debt instrument to be classified and measured at amortised cost it needs to give rise to cash flows that are solely payments of principal and where applicable interest on the principal amount outstanding. This assessment is performed at an instrument level. For the purposes of subsequent measurement, the Group measures financial assets at amortised cost if the financial asset is both held in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subject to impairment assessment and comprise trade receivables and accrued income as set out in Note 14. Where a provision is recognised the carrying value of the receivable is reduced with the amount of the loss recognised in the Income Statement.

Financial assets such as equity instruments and derivatives held for hedging purposes are measured through Other Comprehensive Income. In addition to the remeasurement of hedging derivatives being taken through Other Comprehensive Income, the Group has elected to irrevocably classify its equity investment in Endless Newco1 Ltd as an equity instrument designated at fair value through Other Comprehensive Income. The Group has utilised this category as the investment is not held for trading purposes. Gains and losses on this financial asset will not be recognised in the Income Statement. Dividends from this investment will be recognised as other income in the Income Statement when the right of payment is established. Equity instruments designated at fair value through Other Comprehensive Income are not subject to impairment assessment.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset to a third party. Further disclosures relating to impairment of financial assets are set out as follows: Note 14 includes disclosures relating to trade receivables including accrued income and Note 16 includes disclosures relating to instruments at fair value through Other Comprehensive Income.

The Group recognises an allowance for expected credit losses ("ECLs") based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Group expects to receive, discounted if material. For trade receivables and contract assets the Group has adopted the simplified approach in calculating ECLs. The Group recognises a loss allowance based on lifetime ECLs at each reporting date. Provisions are calculated based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment. Further information specific to credit risk management is set out in Note 14.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

Financial instruments continued

Financial liabilities

Financial liabilities are classified at initial recognition as borrowings, payables or derivatives designated as hedging instruments as an effective hedge. All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, borrowings including bank overdrafts, and derivative financial instruments.

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs, with the charge included as finance costs in the Income Statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Derivative financial instruments and hedging

For the purpose of hedge accounting, hedges are classified as either cash flow hedges when hedging the exposure to variability in cash flows or hedges of a net investment in a foreign operation.

Cash flow hedges comprise interest rate swaps and foreign exchange forward contracts that are used to hedge the risks arising from interest rates and the retranslation of foreign currency denominated items. 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 recognised in the Income Statement. If the transaction results in a non-financial asset or liability, amounts recycled from equity are included in the cost of the non-financial asset or liability. If the forecast transaction remains probable but ceases to be highly probable, from that point changes in fair value are recorded in the Income Statement within finance costs. Similarly if the forecast transaction ceases to be probable, the entire fair value recorded in equity and future changes in fair value are recognised in the Income Statement within finance costs.

Net investment hedges comprise derivatives that are designated as hedges of overseas net investments in foreign currency denominated entities. Changes in the fair value of the effective portion of net investment hedges are recorded in equity and are only recognised in the Income Statement on disposal of the overseas net investment.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. At inception the hedge relationship is designated and documented and the risk management objective and strategy for undertaking the hedge is noted. Derivative contracts entered into are expected to continue to be highly effective until they expire. The effectiveness of these contracts is monitored during the year.

Taxation

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

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

Deferred tax is determined using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current and deferred tax is recognised in the Income Statement except if it relates to an item recognised directly in equity or in Other Comprehensive Income, in which case it is recognised directly in the Statement of Changes in Equity or in the Statement of Comprehensive Income as appropriate.

Provisions

Provisions are liabilities of uncertain timing and amount. Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and 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.

Retirement benefit obligation

For the defined benefit pension scheme, 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 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, is recognised in the Statement of Comprehensive Income. Pension charges are assessed in accordance with the advice of a qualified actuary.

For the defined contribution pension schemes, the Income Statement charge represents contributions made.

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.

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.

Dividend distributions

Final ordinary dividends are recognised as liabilities in the period in which the dividends are approved by the Company's shareholders.

Assumptions, estimates and judgements

The preparation of the consolidated accounts requires Management to make assumptions, estimates and judgements 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 given changes in economic conditions and the level of uncertainty regarding their duration and severity.

Assumptions and estimates

Management has made a number of accounting assumptions and estimates which, if they transpire to be materially incorrect, have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the future. 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 assumptions and estimates are set out below.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

Assumptions, estimates and judgements continued

Assumptions and estimates continued

Fair value of 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 cash flows, 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. See Note 10 for further details.

Impairment of intangible assets and investments

Management performs an impairment review on any assets that show indications of impairment and annually on goodwill and intangibles that are deemed to have indefinite lives. Management's impairment review of goodwill and indefinite life intangibles involves exercising judgement about future cash flows and other events that are by their nature uncertain. Management has disclosed the pre-tax discount rates used when performing this review in Note 10. Management's review of other significant assets identified an impairment relating to Menzies Bobba Ground Handling Services Private Ltd as set out in Note 5.

Retirement benefit obligation

Management is responsible for making a number of financial and demographic assumptions in relation to the defined benefit pension scheme that has a direct impact on the pension deficit recognised within the financial statements. The assumptions underlying the calculation of the retirement benefit obligation are important and Management has determined the appropriate estimates based on independent actuarial advice. Changes in these assumptions could have a material impact on the measurement of the Group's retirement benefit obligation. See Note 22 for further details.

Judgements

The following are key judgements, apart from those involving estimations which are dealt with separately above, that Management has made in the process of applying the accounting policies and that have a significant effect on the amounts recognised within the financial statements.

Provisions

Judgement is exercised in determining whether provisions are required in relation to onerous property leases. Judgement is necessary in assessing the likelihood of whether or not an alternative use can be found for these properties or a suitable tenant can be found in order to cover the cost of the lease. This likelihood will vary depending on the size, location and type of property. Management has performed a review of all leases at year end and concluded that a small minority are deemed to be onerous and such leases have been fully provided for.

Judgement is exercised in determining whether provisions are required in relation to workers' compensation claims and legal claims. Judgement is necessary in assessing the veracity, measurement and probability of the claims. Management has reviewed available external and internal information relating to these types of claims and has made appropriate provisions accordingly.

Judgement is exercised in determining whether provisions are required in relation to insurance, warranties and claims. Management has reviewed available external and internal information relating to these items and has made appropriate provisions accordingly.

See Note 21 for further details.

Income taxes

The Group is subject to income tax in a number of jurisdictions and judgement is required in determining the provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain. Provisions for tax are recognised by estimating the taxes that are likely to become due, based on Management's interpretation of country specific tax law and the likelihood of settlement. Management uses the services of a professional firm together with the expertise and historic experience of the Group's in-house tax team when assessing tax risks. 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.

A provision is held against a claim for a reduced rate of tax in an overseas territory based on the nature of its activities in that territory, which is subject to enquiry by the relevant tax authority. The potential benefit to the effective tax rate from that claim is not recognised until the agreement of the relevant tax authority is obtained and therefore an appropriate provision is held until that point. Other uncertain tax provisions are held for potential tax authority challenge of transfer pricing arrangements, deemed distributions of profits, the tax treatment of interest and foreign exchange differences on certain intercompany loans and for tax authority challenge against the interpretation of local tax legislation where the application of that legislation is unclear. Whilst there is a range of potential outcomes for these uncertain tax positions, based on Management's experience of such issues, on conclusion of the open positions it is believed that a likely range of outcomes is an additional tax liability of up to £1.9m (2017: £2.0m) and a reduction in the tax liability of around £2.3m (2017: £0.2m).

An assessment of the use of tax losses has been used in calculating the Group's deferred tax asset and liability including losses in the United States of America that may be subject to section 382 restrictions should the ownership of the Company change significantly in the future. Deferred tax assets on unutilised tax losses carried forward within the United Kingdom of £6.2m and in the United States of America £3.6m have been recognised despite current year losses being incurred in those jurisdictions. The deferred tax assets have been recognised as there is sufficient evidence in the form of projected future profitability to conclude that these losses will be recoverable in the foreseeable future.

See Notes 7 and 13 for further details.

Non-GAAP measures

The Group's consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006. In measuring our performance, the financial measures that are used include those which have been derived from the reported results in order to eliminate factors which distort period-on-period comparisons. These are considered non-GAAP financial measures. This information, along with comparable GAAP measurements, is useful to investors in providing a basis for measuring our operational performance. Management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating performance and value creation. Non-GAAP measures should not be considered in isolation from, or as a substitute for, financial information in compliance with GAAP. Non-GAAP financial measures as reported by the Group may not be comparable with similarly titled amounts reported by other companies.

Contract, customer relationship and brand amortisation

As disclosed above, contract, customer relationship and brand amortisation relates to intangible assets recognised on historic acquisitions and since it is transaction related it is presented separately in order to provide stakeholders and Management with an appreciation of underlying business performance.

Share of earnings from joint ventures and associates

As disclosed in the Income Statement, the Group's share of post-tax profit relating to joint ventures and associates is included within operating profit given the similarity of those operations to other wholly owned businesses.

Turnover

Turnover is no longer employed as a non-GAAP measure as the metric is less meaningful following the step acquisitions of the joint ventures in the Distribution business in the prior year.

Underlying operating profit

As disclosed on the face of the Income Statement, underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with goodwill, joint venture assets and other intangibles, contract, customer relationship and brand amortisation and the Group's share of joint ventures and associates interest and tax to provide an appreciation of the impact of those items on operating profit.

Underlying operating profit and the reconciliation to operating profit are set out on the face of the Income Statement.

Underlying profit before taxation

As disclosed on the face of the Income Statement, underlying profit before taxation is defined as underlying operating profit, less net finance charges and before exceptional and other items.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

Non-GAAP measures continued

Underlying earnings per share

As disclosed on the face of the Income Statement, underlying earnings per share is defined as profit after taxation and non-controlling interest before intangible amortisation and impairment and exceptional items, divided by the weighted average number of ordinary shares in issue. The calculation of underlying earnings per share is set out in Note 9.

Free cash flow

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

	2018 £m	2017 £m
Cash generated from operations	**54.9**	70.2
Adjusted for:		
Net interest paid	**(10.8)**	(12.5)
Exceptional interest paid	**0.6**	0.6
Tax paid	**(15.3)**	(17.0)
Dividends received from equity accounted investments	**4.8**	6.3
Purchase of property, plant and equipment	**(29.0)**	(29.8)
Intangible asset additions	**(3.2)**	(2.8)
Proceeds from sale of property, plant and equipment	**14.9**	0.8
Additional retirement benefit obligation contribution	**24.8**	11.3
Exceptional cash spend	**10.4**	22.1
Free cash flow	**52.1**	49.2

Underlying operating cash flow

Underlying operating cash flow is free cash flow before net capital expenditure, net interest paid and taxation.

	2018 £m	2017 £m
Free cash flow as set out above	**52.1**	49.2
Adjusted for:		
Purchase of property, plant and equipment	**29.0**	29.8
Intangible asset additions	**3.2**	2.8
Proceeds from sale of property, plant and equipment	**(14.9)**	(0.8)
Net interest paid excluding exceptional interest	**10.2**	11.9
Tax paid	**15.3**	17.0
Underlying operating cash flow	**94.9**	109.9

2. Segment Information

For management purposes the Group has historically been organised into two operating divisions, Aviation and Distribution, and a central Corporate function. The two operating divisions were organised and managed separately based upon their key markets. The Aviation division provides ground handling and cargo services as well as into-plane fuelling and fuel farm management services across the world. Prior to disposal on 4 September 2018 the Distribution division provided newspaper and magazine distribution and other services in the United Kingdom and the Republic of Ireland. Following this disposal the Corporate function was subsumed into the Aviation division on 31 December 2018.

The information presented to the Board for the purpose of resource allocation and assessment of segment performance has been focused on the performance of each of the two divisions and the performance information on a number of operating segments within the Aviation division. From 31 December 2018 onwards the resource allocation and assessment will be focused on the 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, intangible amortisation and share of interest and tax on joint ventures and associates.

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		Underlying operating profit/(loss)	
	2018 £m	2017 £m	2018 £m	2017 £m
Continuing operations				
Aviation				
Americas	**463.8**	460.4	**19.2**	23.0
EMEA	**517.3**	508.2	**18.7**	14.9
Rest of World	**157.6**	162.6	**15.9**	15.5
Cargo Forwarding	**152.3**	142.4	**7.2**	5.4
	1,291.0	1,273.6	**61.0**	58.8
Corporate	**–**	–	**(5.9)**	(5.7)
	1,291.0	1,273.6	**55.1**	53.1

The reconciliation of segmental underlying operating profit/(loss) to profit/(loss) is provided below.

2018	Notes	Aviation £m	Corporate £m	Total £m
Operating profit/(loss) before joint ventures and associates		**33.7**	**(6.5)**	**27.2**
Share of post-tax results of joint ventures and associates		**6.8**	**–**	**6.8**
Operating profit/(loss)		**40.5**	**(6.5)**	**34.0**
Analysed as:				
Underlying operating profit/(loss)[i]		**61.0**	**(5.9)**	**55.1**
Exceptional transaction related items	5	**(11.3)**	**(0.4)**	**(11.7)**
Exceptional impairment and other items	5	**(1.6)**	**(0.2)**	**(1.8)**
Acquired intangible asset amortisation	10	**(6.3)**	**–**	**(6.3)**
Share of joint ventures and associates interest		**0.7**	**–**	**0.7**
Share of joint ventures and associates tax		**(2.0)**	**–**	**(2.0)**
Operating profit/(loss)		**40.5**	**(6.5)**	**34.0**
Net finance expense				**(12.4)**
Profit before taxation				**21.6**
Taxation				**(9.1)**
Profit for the year from continuing operations				**12.5**

Notes to the Consolidated Financial Statements continued

2. Segment Information continued

Business segment information continued

2017	Notes	Aviation £m	Corporate £m	Total £m
Operating profit/(loss) before joint ventures and associates		28.2	(12.8)	15.4
Share of post-tax results of joint ventures and associates		7.0	–	7.0
Operating profit/(loss)		35.2	(12.8)	22.4
Analysed as:				
Underlying operating profit/(loss) (i)		58.8	(5.7)	53.1
Exceptional transaction related items	5	(15.5)	(3.0)	(18.5)
Exceptional pension de-risking costs	5	–	(4.1)	(4.1)
Acquired intangible asset amortisation	10	(7.1)	–	(7.1)
Share of interest on joint ventures and associates		0.9	–	0.9
Share of tax on joint ventures and associates		(1.9)	–	(1.9)
Operating profit/(loss)		35.2	(12.8)	22.4
Net finance expense				(12.5)
Profit before taxation				9.9
Taxation				(10.4)
Loss for the year from continuing operations				(0.5)

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

At 31 December 2018 the assets and liabilities of the Group were that of the Aviation business. The prior year comparative information is set out below.

2017	Aviation £m	Corporate £m	Distribution £m	Group £m
Segment assets	578.1	6.9	179.2	764.2
Unallocated assets				97.0
Total assets (i)				861.2
Segment liabilities	(245.7)	(25.9)	(100.2)	(371.8)
Unallocated liabilities including retirement benefit obligation				(356.9)
Total liabilities (i)				(728.7)
Segment net assets/(liabilities)	332.4	(19.0)	79.0	392.4
Unallocated net liabilities including retirement benefit obligation				(259.9)
Net assets				132.5

Note:
(i) As set out in Note 1 assets and liabilities have both been restated to include £4.1m of insurance related items.

Unallocated assets comprise deferred tax assets, cash and cash equivalents. Unallocated liabilities comprise retirement benefit obligation, borrowings, current income tax liabilities and deferred tax liabilities.

	Continuing operations		Discontinued operations	
2018	**Aviation £m**	**Corporate £m**	**Distribution £m**	**Total £m**
Capital expenditure – property, plant and equipment	**26.8**	**0.5**	**1.9**	**29.2**
Capital expenditure – intangible assets	**1.7**	**0.1**	**0.7**	**2.5**
Gain on disposal of property, plant and equipment	**(1.6)**	**–**	**–**	**(1.6)**
2017	Aviation £m	Corporate £m	Distribution £m	Group £m
Capital expenditure – property, plant and equipment	26.5	0.3	2.1	28.9
Capital expenditure – intangible assets	1.9	–	0.9	2.8
Gain on disposal of property, plant and equipment	–	–	(0.1)	(0.1)

	Depreciation		Amortisation	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Continuing operations				
Aviation				
Americas	**12.1**	11.6	**4.1**	3.8
EMEA	**6.6**	7.0	**2.1**	3.0
Rest of World	**4.1**	4.2	**0.9**	0.9
Cargo Forwarding	**0.5**	0.5	**0.3**	0.4
	23.3	23.3	**7.4**	8.1
Corporate	**0.7**	0.8	**–**	–
	24.0	24.1	**7.4**	8.1

Geographic information

	Revenue		Non-current assets (i)	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Continuing operations				
United States of America	**370.0**	362.0	**140.7**	136.3
United Kingdom	**264.5**	287.6	**55.1**	70.7
Australia	**164.0**	168.2	**18.7**	27.3
Others	**492.5**	455.8	**85.2**	93.9
	1,291.0	1,273.6	**299.7**	328.2

Note:
(i) Non-current assets exclude deferred tax assets and derivative financial assets. Prior year figures have been restated for discontinued operations.

Revenue by performance obligation

	2018 £m
Continuing operations	
At the point of service	**1,268.6**
Franchise and consortia fees	**22.4**
	1,291.0

Notes to the Consolidated Financial Statements continued

2. Segment Information continued

Revenue by performance obligation continued

The Aviation business provides customers with a comprehensive handling service whilst aircraft are on the ground, encompassing a variety of critical support services including baggage handling, cleaning, fuelling, de-icing and towing. The level of service required can vary according to conditions therefore judgement is exercised in determining the distinct performance obligations under the contract. Performance obligations under ground handling and cargo handling contracts constitute a package of services provided together within a single aircraft turnaround. The interrelated activities are considered to be integrated in providing a single turnaround to customers. Revenue on these contracts is recognised according to the actual work carried out, typically governed by a schedule of agreed rates, at the time the service is provided.

In addition, the cargo forwarding business contracts with customers to fulfil the single performance obligation to facilitate the transportation of goods from one location to another. The business directs the performance of this obligation, selecting carriers to use. Revenue is recognised at the point of delivery as this is the point at which the revenue is significantly assured.

Franchise and consortia fees represent revenue earned from periodic management fees for fuel farms and franchising arrangements, which are recognised in accordance with contractual rates.

3. Net Operating Costs

	Notes	2018 £m	2017 £m
Goods for resale and other direct operating costs		**175.8**	158.1
Employment costs	4	**780.1**	777.7
Operating leases and hire charges – plant and equipment		**48.9**	46.6
Rent of properties		**41.7**	42.5
Depreciation		**24.0**	24.1
Gain on disposal of property, plant and equipment		**(1.6)**	–
Exceptional items	5	**13.5**	22.6
Intangible assets amortisation		**7.3**	8.1
Other operating charges		**174.1**	178.5
Continuing operations		**1,263.8**	1,258.2

The Group obtained services from the Group's auditor at costs as provided below.

	2018 £m	2017 £m
Audit of the Company and consolidated accounts	**0.3**	0.3
Audit of the Company's subsidiaries pursuant to legislation	**1.0**	1.0
Transaction advisory services	**0.7**	0.7

4. Employee Costs

	2018 £m	2017 £m
Wages and salaries	**745.4**	768.3
Share-based payments	**1.6**	1.4
Social security costs	**64.1**	66.6
	811.1	836.3
Pension charge	**21.2**	21.2
	832.3	857.5
Less: discontinued operations employee costs	**(52.2)**	(79.8)
Continuing operations employee costs	**780.1**	777.7

The average number of people employed during the year is provided below.

	2018	2017
Aviation	**32,683**	33,054
Corporate	**36**	36
Continuing operations	**32,719**	33,090
Discontinued operations	**3,592**	3,563
	36,311	36,653

The above includes 26,649 people employed outside the United Kingdom (2017: 26,235).

Retirement benefit obligation charge

Certain subsidiaries participate in a number of pension schemes which are of a defined contribution nature and some of which operate overseas. The Income Statement charge for defined contribution schemes represents the contributions payable. A defined benefit scheme is operated in the United Kingdom as set out in Note 22.

The retirement benefit obligation charge to underlying operating profit is provided below.

	2018 £m	2017 £m
Defined contribution schemes	**19.8**	19.0
Defined benefit scheme	**1.4**	2.3
Retirement benefit obligation charge	**21.2**	21.3
Less: discontinued operations retirement benefit obligation charge	**–**	(0.1)
Continuing operations retirement benefit obligation charge	**21.2**	21.2

Notes to the Consolidated Financial Statements continued

5. Exceptional and Other Items

Exceptional items included in operating profit

	2018 £m	2017 £m
Acquisition and transaction related costs (i)	(2.9)	(4.6)
Acquisition integration costs (ii)	(2.1)	(13.9)
Acquisition warranties and claims (iii)	(6.7)	–
Impairment (iv)	(3.7)	–
Property and pension items (v)	1.9	(4.1)
	(13.5)	(22.6)

Notes:
(i) Acquisition and transaction related costs comprise £1.5m relating to the acquisition of the trade and assets of Airline Services Ltd, £0.8m loss on disposal of Hyderabad Menzies Air Cargo Private Ltd and £0.6m other transaction related costs. In the prior year transaction related costs reflect £2.2m pre-acquisition costs relating to the ASIG acquisition, £1.2m increase in onerous lease provision, £0.4m transaction related costs relating to the disposal of Hyderabad Menzies Air Cargo Private Ltd, and £0.8m other transaction related costs.
(ii) Acquisition integration costs £2.1m (2017: £13.9m) relate to the ASIG acquisition where the costs comprise integration team, IT consultancy and systems related costs and rationalisation.
(iii) Acquisition warranty claims recognised during the year of £6.7m relate to provisions for employee and customer claims for identified items relating to ASIG that occurred prior to the Group's ownership and are expected to become payable. These costs are stated before the expected recovery of these costs from the vendor under warranty and indemnity undertakings given in the sale and purchase agreement.
(iv) Impairment costs comprise a £3.3m write-down in the investment in Menzies Bobba Ground Handling Services Private Ltd to its recoverable amount of fair value less costs to sell of £2.5m and £0.4m of related tax receivables. The impairment of the investment has been performed based on the investment being categorised at Level 3 in the fair value hierarchy with the recoverability being assessed using the estimated net realisable value of the Group's share of the net assets of the company.
(v) Property and pension items comprise £2.1m gain on disposal of property partly offset by £0.2m of pension de-risking costs and past service costs relating to the need to equalise men's and women's pension entitlement for some of the members in the Menzies Pension Fund. In the prior year costs related to fees to close the Company's defined benefit pension scheme in the United Kingdom to future accrual and in relation to the sectionalisation of the scheme ahead of the disposal of the Distribution business.

Exceptional items included in finance charges

	2018 £m	2017 £m
Transaction related finance costs (i)	(0.6)	(0.7)
Unwind discount costs (ii)	(0.1)	(0.1)

Notes:
(i) Transaction related finance costs comprise syndicated facility fees and break costs relating to the disposal of the Distribution business. In the prior year, acquisition related financing costs comprised of the write off of bilateral facility fees, pre-acquisition ticking fees and amortisation of underwriting fees on the financing facilities to fund the ASIG acquisition.
(ii) Unwind discount costs relate to deferred consideration and onerous lease provisions.

Acquired intangible assets amortisation included in operating profit

Acquired intangible asset amortisation costs incurred were £6.3m (2017: £7.1m). The amortisation relates to contract, customer relationship and brand assets recognised on the acquisition of businesses.

Tax effect of exceptional items

The taxation effect of the exceptional items is a net credit of £1.0m (2017: net credit of £1.9m) in relation to tax deductions available for a proportion of the exceptional costs arising during the year.

6. Finance Costs

	2018 £m	2017 £m
Finance income		
Bank deposits	1.0	1.2
Finance charges		
Bank loans and overdrafts	(11.1)	(10.1)
Preference dividends	(0.1)	(0.1)
	(11.2)	(10.2)
	(10.2)	(9.0)

All of the above net finance cost of £10.2m (2017: £9.0m) relates to continuing operations.

7. Taxation

Tax charge in continuing operations in Income Statement

	2018 £m	2017 £m
Current tax		
UK corporation tax on profits from continuing operations for the year	(0.9)	(5.3)
Overseas tax	11.5	16.6
Adjustments to prior years' liabilities	0.3	(1.2)
	10.9	10.1
Deferred tax		
Origination and reversal of temporary differences	(4.1)	(0.9)
Adjustments to prior years' liabilities	(1.4)	0.2
	(5.5)	(0.7)
Retirement benefit obligation	3.7	1.0
	(1.8)	0.3
Tax on profit from continuing operations	9.1	10.4

Tax related to items charged/(credited) outside Income Statement

	2018 £m	2017 £m
Deferred tax on actuarial gain on retirement benefit obligation	0.5	2.7
Current tax on share-based payments	–	(0.1)
Deferred tax on share-based payments	0.1	(0.3)
Current tax on net exchange adjustments	(0.5)	(0.2)
Deferred tax on net exchange adjustments	(0.3)	–
	(0.2)	2.1

Effective tax rate

The reconciliation between tax charge and the product of accounting profit multiplied by the Group's domestic tax rate is provided below.

	2018 £m	2017 £m
Profit before tax from continuing operations	21.6	9.9
Profit before tax multiplied by standard rate of UK corporation tax of 19% (2017: 19.25%)	4.1	1.9
Non-deductible expenses including intangible amortisation	0.7	1.9
Depreciation on non-qualifying assets	0.3	0.3
Unrelieved overseas losses	2.0	0.9
Deferred tax assets written off/(recognised) on overseas losses carried forward	0.6	(0.3)
Exceptional items	1.6	2.7
Utilisation of previously unrecognised losses	(0.6)	(1.4)
Higher tax rates on overseas earnings	3.1	4.8
Share of joint venture and associate post-tax result included in profit before tax	(1.6)	(1.5)
Adjustments to prior years' liabilities	(1.1)	(1.0)
Impact of tax rate changes	–	2.1
	9.1	10.4

The main rate of UK corporation tax reduced from 20% to 19% from 1 April 2017 and will further reduce to 17% from 1 April 2020.

Notes to the Consolidated Financial Statements continued

7. Taxation continued

Factors that may affect future tax charges

The Group has tax losses carried forward that arose in subsidiary companies operating in the undernoted jurisdictions and 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. The losses carried forward are set out below.

	Expiry	2018 £m	2017 £m
United States of America	Carry forward for up to 20 years	**40.0**	23.2
Colombia	Carry forward indefinitely	**–**	1.2
Germany	Carry forward indefinitely	**15.0**	20.2
Ireland	Carry forward indefinitely	**0.2**	–
Norway	Carry forward indefinitely	**16.7**	16.5
Sweden	Carry forward indefinitely	**–**	2.2
The Netherlands	Carry forward for 4 years	**0.1**	1.6
Namibia	Carry forward indefinitely	**0.3**	0.5
South Africa	Carry forward indefinitely	**14.6**	14.7
Indonesia	Carry forward for 5 years	**0.2**	–
Thailand	Carry forward for 5 years	**1.2**	–

The Group has capital losses in the United Kingdom of approximately £10.0m (2017: £10.4m) that are available for offset against future taxable gains arising in the United Kingdom. No deferred tax asset has been recognised in respect of these losses.

8. Dividends

Dividends paid on ordinary shares	2018 £m	2017 £m
Interim paid in respect of 2018, 6.0p per share	**5.0**	–
Final paid in respect of 2017, 14.5p per share	**12.1**	–
Interim paid in respect of 2017, 6.0p per share	**–**	5.0
Final paid in respect of 2016, 13.1p per share	**–**	10.9
	17.1	15.9

Dividends of £0.1m were waived on Treasury shares (2017: £Nil).

The Directors are proposing a final dividend in respect of the year to 31 December 2018 of 14.5p per ordinary share, which will absorb an estimated £12.2m of shareholders' funds. Payment will be made on 1 July 2019 to shareholders on the register at the close of business on 24 May 2019.

9. Earnings Per Share

	Basic		Underlying [i]	
	2018 £m	2017 £m	2018 £m	2017 £m
(Loss)/profit for the year after tax as set out in the Income Statement	**(5.4)**	12.0	**45.3**	47.1
Adjustment to exclude result relating to non-controlling interests	**(0.3)**	0.6	**(0.3)**	0.6
(Loss)/earnings for the year attributable to equity shareholders	**(5.7)**	12.6	**45.0**	47.7
Basic earnings per ordinary share				
(Loss)/earnings per ordinary share	**(6.8)p**	15.1p		
Diluted (loss)/earnings per ordinary share	**(6.8)p**	15.1p		
Underlying earnings per ordinary share [i]				
Earnings per ordinary share			**53.8p**	57.2p
Diluted earnings per ordinary share			**53.7p**	57.0p
Number of ordinary shares in issue				
Weighted average (million)	**83.7**	83.4		
Diluted weighted average (million)	**83.8**	83.7		
Continuing operations				
(Loss)/profit for the year after tax as set out in the Income Statement	**(5.4)**	12.0	**45.3**	47.1
Adjustment to exclude result from discontinued operations	**17.9**	(12.5)	**(13.6)**	(19.6)
Adjustment to exclude result relating to non-controlling interests	**(0.3)**	0.6	**(0.3)**	0.6
Earnings for the year attributable to equity shareholders	**12.2**	0.1	**31.4**	28.1
Basic				
Earnings per ordinary share	**14.6p**	0.1p		
Diluted earnings per ordinary share	**14.6p**	0.1p		
Underlying				
Earnings per ordinary share			**37.6p**	33.7p
Diluted earnings per ordinary share			**37.5p**	33.6p
Discontinued operations				
(Loss)/profit for the year after tax as set out in the Income Statement	**(5.4)**	12.0	**45.3**	47.1
Adjustment to exclude result from continuing operations	**(12.5)**	0.5	**(31.7)**	(27.5)
(Loss)/earnings for the year attributable to equity shareholders	**(17.9)**	12.5	**13.6**	19.6
Basic				
(Loss)/earnings per ordinary share	**(21.4)p**	15.0p		
Diluted (loss)/earnings per ordinary share	**(21.4)p**	14.9p		
Underlying				
Earnings per ordinary share			**16.2p**	23.5p
Diluted earnings per ordinary share			**16.2p**	23.4p

Note:
(i) Underlying earnings is presented as an additional performance measure and is stated before exceptional items, intangible amortisation and impairment charges.

Notes to the Consolidated Financial Statements continued

9. Earnings Per Share continued

The weighted average number of fully paid shares in issue during the year excludes those held by the employee share trusts. The diluted weighted average is calculated by adjusting for all outstanding share options that are potentially dilutive (i.e. where the exercise price is less than the average market price of the shares during the year). The impact of these share options is to increase the diluted weighted average number of shares by 0.1m (2017: 0.3m) and there is no anti-dilutive impact on basic EPS.

10. Intangible Assets

	Goodwill £m	Contracts, customer relationships and brands £m	Computer software £m	Total £m
Cost				
At 31 December 2017	147.7	138.1	35.9	321.7
Subsidiaries sold (Note 27)	(15.5)	(36.7)	(23.8)	(76.0)
Additions	–	0.7	2.5	3.2
Currency translation	4.6	1.7	–	6.3
At 31 December 2018	**136.8**	**103.8**	**14.6**	**255.2**
Amortisation and impairment				
At 31 December 2017	23.0	68.3	26.7	118.0
Subsidiaries sold (Note 27)	–	(14.0)	(18.3)	(32.3)
Amortisation charge	–	7.2	1.6	8.8
Currency translation	1.4	–	0.1	1.5
At 31 December 2018	**24.4**	**61.5**	**10.1**	**96.0**
Net book value				
At 31 December 2018	**112.4**	**42.3**	**4.5**	**159.2**
At 31 December 2017	124.7	69.8	9.2	203.7

	Goodwill £m	Contracts, customer relationships and brands £m	Computer software £m	Total £m
Cost				
At 31 December 2016	77.1	101.1	35.0	213.2
Acquisitions (Note 24)	78.0	42.4	–	120.4
Additions	–	–	2.8	2.8
Disposals	–	(3.1)	(1.9)	(5.0)
Currency translation	(7.4)	(2.3)	–	(9.7)
At 31 December 2017	147.7	138.1	35.9	321.7
Amortisation and impairment				
At 31 December 2016	25.3	58.7	25.2	109.2
Amortisation charge	–	10.5	3.4	13.9
Released on disposal	–	–	(1.9)	(1.9)
Currency translation	(2.3)	(0.9)	–	(3.2)
At 31 December 2017	23.0	68.3	26.7	118.0
Net book value				
At 31 December 2017	124.7	69.8	9.2	203.7
At 31 December 2016	51.8	42.4	9.8	104.0

Goodwill acquired through business combinations has been allocated at acquisition to cash generating units ("CGUs") that are expected to benefit from the business combination. The carrying amount of the goodwill has been allocated to the operating units as provided below.

		2018		2017	
		Pre-tax discount rate used in impairment review	**Goodwill £m**	Pre-tax discount rate used in impairment review	Goodwill £m
Americas	Ground handling	**11%**	**57.4**	11%	54.1
	Cargo handling	**11%**	**9.8**	11%	9.3
EMEA	Ground handling	**11%**	**30.3**	9%	30.4
	Cargo handling	**9%**	**2.9**	9%	3.0
Rest of World		**10%**	**4.0**	10%	4.0
Cargo Forwarding [i]		**11%**	**8.0**	11%	8.4
			112.4		109.2

Note:
(i) Cargo Forwarding South Africa has been combined with USA, Australia and New Zealand as the business is managed by one central team.

The Group tests goodwill 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 value in use calculations use a post-tax discount rate assumption in a range from 7% to 9% (2017: 7% to 9%) based on the Group's weighted average post-tax cost of capital and having considered the uncertainty risk attributable to individual CGUs. The equivalent pre-tax discount rate is a range from 9% to 11% (2017: 9% to 11%) as shown in the table above. The pre-tax rate has been applied to pre-tax cash flows.

Value in use calculations are based on Board approved budgets and plans for a three year period and extrapolated for a further two year period. Growth rates in the cash flows beyond the three year period have been assumed to be Nil% (2017: Nil%). 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. For all significant CGUs there is no reasonably possible change that would cause the carrying values to exceed recoverable amounts.

Notes to the Consolidated Financial Statements continued

11. Property, Plant and Equipment

	Freehold property £m	Leasehold property £m	Plant and equipment £m	Total £m
Cost				
At 31 December 2017	36.1	51.9	298.9	386.9
Subsidiaries sold (Note 27)	(19.0)	(1.5)	(66.5)	(87.0)
Additions	–	1.1	28.1	29.2
Disposals	(5.3)	(0.1)	(42.2)	(47.6)
Currency translation	–	0.4	(0.2)	0.2
At 31 December 2018	**11.8**	**51.8**	**218.1**	**281.7**
Depreciation				
At 31 December 2017	13.2	31.1	187.0	231.3
Subsidiaries sold (Note 27)	(6.4)	(0.6)	(53.0)	(60.0)
Charge for the year	0.5	3.0	21.4	24.9
Disposals	(1.7)	–	(27.6)	(29.3)
Currency translation	–	(0.1)	(1.1)	(1.2)
At 31 December 2018	**5.6**	**33.4**	**126.7**	**165.7**
Net book value				
At 31 December 2018	**6.2**	**18.4**	**91.4**	**116.0**
At 31 December 2017	22.9	20.8	111.9	155.6

	Freehold property £m	Leasehold property £m	Plant and equipment £m	Total £m
Cost				
At 31 December 2016	34.9	39.5	263.2	337.6
Acquisitions (Note 24)	–	10.8	21.1	31.9
Additions	1.2	1.3	26.4	28.9
Disposals	–	–	(5.4)	(5.4)
Currency translation	–	0.3	(6.4)	(6.1)
At 31 December 2017	36.1	51.9	298.9	386.9
Depreciation				
At 31 December 2016	12.5	27.9	169.9	210.3
Charge for the year	0.7	3.1	24.0	27.8
Disposals	–	–	(4.7)	(4.7)
Currency translation	–	0.1	(2.2)	(2.1)
At 31 December 2017	13.2	31.1	187.0	231.3
Net book value				
At 31 December 2017	22.9	20.8	111.9	155.6
At 31 December 2016	22.4	11.6	93.3	127.3

12. Investments

The movement of the net book value of investments is set out below.

2018	**Interest in joint ventures £m**	**Interest in associates £m**	**Other £m**	**Total £m**
Net book value				
At 31 December 2017	27.1	0.4	0.2	27.7
Share of profits after tax	6.8	–	–	6.8
Dividends received during the year	(5.0)	–	–	(5.0)
Additions (i)	1.2	–	5.0	6.2
Disposal (ii)	(7.4)	–	–	(7.4)
Impairment (iii)	(3.3)	–	–	(3.3)
Currency translation	(0.5)	–	–	(0.5)
At 31 December 2018	**18.9**	**0.4**	**5.2**	**24.5**

2017	Interest in joint ventures £m	Interest in associates £m	Other £m	Total £m
Net book value				
At 31 December 2016	30.3	0.4	0.2	30.9
Share of profits after tax	7.8	–	–	7.8
Dividends received during the year	(7.3)	–	–	(7.3)
Additions	–	–	–	–
Currency translation	(2.8)	–	–	(2.8)
Other	(0.9)	–	–	(0.9)
At 31 December 2017	27.1	0.4	0.2	27.7

Notes:
(i) Additions in the year comprise investments of £1.0m in Menzies Aviation Cairns Pty Ltd and £0.2m in Smarter Asset Management Ltd. As set out in Note 27, as part of the disposal arrangement relating to the Distribution business in the current year the Company acquired a 10% equity investment of £5.0m in Endless Newco1 Ltd, the company established to hold the trade of the Distribution business disposed of during the year. There was no change in the valuation recognised in the current year.
(ii) Investment in Hyderabad Menzies Air Cargo Private Ltd was disposed on 31 October 2018 for £6.3m resulting in a loss of £0.8m before tax as set out in Note 5.
(iii) The investment in Menzies Bobba Ground Handling Services Private Ltd was impaired by £3.3m following the loss of licence to operate ground handling services in Hyderabad as set out in Note 5.

Notes to the Consolidated Financial Statements continued

12. Investments continued

Material joint ventures

2018	Menzies Bobba Ground Handling Services Private Ltd £m	Menzies Aviation Bobba (Bangalore) Private Ltd £m	Hyderabad Menzies Air Cargo Private Ltd [ii] £m	Menzies Macau Airport Services Ltd £m
Country of incorporation	India	India	India	China
Statutory year end	31 March	31 March	31 March	31 December
Business activity	Ground handling services in Hyderabad	Cargo handling services in Bangalore	Cargo handling services in Hyderabad	Ground handling and cargo handling in Macau
Interest held – ordinary shares	51%	49%	–	29%
Interest held – preference shares	0%	100%	–	0%
Group's share of total comprehensive income	51%	49%	–	29%
Group's share of net assets	46%	68%	–	29%
Summarised Balance Sheet				
Current assets [i]	5.9	12.5	–	11.2
Non-current assets	0.6	4.4	–	9.0
Current liabilities	(0.7)	(2.1)	–	(7.3)
Non-current liabilities	–	–	–	(0.5)
Net assets	5.8	14.8	–	12.4

Notes:

(i) Includes cash and cash equivalents 3.9 10.3 – 6.0

(ii) Investment in Hyderabad Menzies Air Cargo Private Ltd was disposed on 31 October 2018

Reconciliation of net assets to carrying value				
Net assets	5.8	14.8	–	12.4
Partners' share of net assets	(3.3)	(4.7)	–	(8.7)
Carrying amount of the investment	2.5	10.1	–	3.7
Summarised Income Statement				
Revenue	4.4	15.3	8.5	40.6
Depreciation and amortisation	–	(0.9)	(0.3)	(1.2)
Other operating costs	(3.5)	(8.3)	(5.8)	(28.8)
Interest income	0.2	0.6	0.5	–
Income tax	(0.2)	(2.3)	(0.8)	(1.3)
Profit from continuing operations	0.9	4.4	2.1	9.3
Comprehensive income for the year	0.9	4.4	2.1	9.3
Group's share of total comprehensive income	0.5	2.2	1.0	2.7
Carrying amount of investment				
At 31 December 2017	5.8	10.4	6.7	3.2
Group's share of total comprehensive income	0.5	2.2	1.0	2.7
Dividends received during the year	(0.3)	(2.3)	–	(2.4)
Disposal	–	–	(7.4)	–
Impairment	(3.3)	–	–	–
Currency translation	(0.2)	(0.2)	(0.3)	0.2
At 31 December 2018	**2.5**	**10.1**	**–**	**3.7**

2017	Menzies Bobba Ground Handling Services Private Ltd £m	Menzies Aviation Bobba (Bangalore) Private Ltd £m	Hyderabad Menzies Air Cargo Private Ltd £m	Menzies Macau Airport Services Ltd £m
Interest held – ordinary shares	51%	49%	49%	29%
Interest held – preference shares	0%	100%	100%	0%
Group's share of total comprehensive income	51%	49%	49%	29%
Group's share of net assets	47%	69%	54%	29%
Summarised Balance Sheet				
Current assets [i]	5.7	12.3	5.7	9.5
Non-current assets	0.6	4.6	6.8	7.3
Current liabilities	(0.7)	(1.8)	(0.1)	(5.9)
Non-current liabilities	–	–	–	(0.1)
Net assets	5.6	15.1	12.4	10.8

Note:

(i) Includes cash and cash equivalents 3.8 10.3 3.9 4.0

Reconciliation of net assets to carrying value				
Net assets	5.6	15.1	12.4	10.8
Partners' share of net assets	(3.0)	(4.7)	(5.7)	(7.6)
Unpaid dividends	3.2	–	–	–
Carrying amount of the investment	5.8	10.4	6.7	3.2
Summarised Income Statement				
Revenue	3.8	14.3	10.9	36.9
Depreciation and amortisation	(0.1)	(0.9)	(0.3)	(1.1)
Other operating costs	(3.2)	(7.6)	(7.1)	(26.5)
Interest income	0.3	0.6	1.0	–
Income tax	(0.1)	(1.8)	(1.1)	(1.1)
Profit from continuing operations	0.7	4.6	3.4	8.2
Comprehensive income for the year	0.7	4.6	3.4	8.2
Group's share of total comprehensive income	0.4	2.2	1.8	2.4
Carrying amount of investment				
At 31 December 2016	5.7	11.0	5.9	3.2
Group's share of total comprehensive income	0.4	2.3	1.7	2.4
Dividends received during the year	(0.2)	(2.6)	(0.7)	(2.1)
Currency translation	(0.1)	(0.3)	(0.2)	(0.3)
At 31 December 2017	5.8	10.4	6.7	3.2

Individually immaterial joint ventures and associates

	2018 £m	2017 £m
Carrying amount of interests in joint ventures and associates	**3.0**	1.4
Share of profit from continuing operations	**0.4**	0.5
Total comprehensive income	**0.4**	0.5

The increase in the carrying value primarily relates to the investment of £1.0m in Menzies Aviation Cairns Pty Ltd.

The listing of joint venture and associates, along with all subsidiary undertakings, is presented on pages 166 to 179.

Notes to the Consolidated Financial Statements continued

13. Deferred Tax

	2018 £m	2017 £m
Deferred tax assets		
Retirement benefit obligation	**3.1**	8.4
Share-based payments	**1.1**	1.3
Tax losses	**11.1**	5.9
Other temporary differences [i]	**7.9**	8.6
	23.2	24.2
Deferred tax liabilities		
Intangible assets	**(1.7)**	(4.6)
Other overseas temporary differences	**(1.2)**	(0.1)
	(2.9)	(4.7)
Net recognised in Balance Sheet	**20.3**	19.5
Movement in net deferred tax assets in the year:		
Income Statement: retirement benefit obligation	**(3.7)**	(0.9)
Income Statement: other	**5.5**	0.8
Income Statement: discontinued operations	**(0.7)**	1.1
Exchange adjustments	**–**	(0.7)
Transaction related movements	**(1.1)**	(2.6)
Reclassification of corporation tax	**–**	2.4
Tax related to items charged/(credited) outside Income Statement	**0.8**	(2.0)
	0.8	(1.9)

Note:
(i) Other temporary differences comprise temporary differences arising on property, plant and equipment, share-based payments, accruals and provisions.

The value of unremitted earnings of the Group's subsidiaries on which no deferred tax liability has been provided is £27.0m (2017: £20.1m). No deferred tax liability has been recognised on the basis that the Group can control the timing of the remittance of these reserves and there are currently no plans for these reserves to be remitted.

14. Trade and Other Receivables

	2018 £m	2017 [i] £m
Trade receivables	**174.7**	287.5
Less: sales returns	**–**	(23.7)
Less: provision for doubtful debts	**(3.9)**	(4.4)
Net trade receivables	**170.8**	259.4
Accrued income	**22.2**	34.8
Consortium related receivables	**97.9**	27.4
Prepayments	**15.4**	17.1
Current income tax receivables	**0.8**	–
Other receivables	**51.9**	15.6
	359.0	354.3

Note:
(i) As set out in Note 1 other receivables have been restated to include £4.1m of insurance receivables.

The average credit period on sale of goods is 48 days (2017: 42 days). Interest is not charged on trade receivables.

Consortium related receivables include re-billable expenses and restricted cash related to fuel farm management services. Restricted cash represents funding received from customers and held in a fiduciary capacity to be used on their behalf to satisfy fuel farm management expenses within 12 months and is therefore classified as a current asset.

Included within other receivables is a total of £20.2m relating to the planned acquisition of the trade and assets of Airline Services Ltd in the United Kingdom. The Group made a payment of £14.4m to the vendor on 4 April 2018 but was not able to control the business until the conclusion of an investigation by the UK Competition and Markets Authority. The transaction has not been treated as a business combination in the 2018 consolidated financial statements with the payment to acquire the business and the funding of its activities since being included in other receivables. The Competition and Markets Authority cleared the transaction on 17 January 2019 and the business will be treated as an acquisition in the 2019 consolidated financial statements from that date.

Credit risk management

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. All new customers are subject to formal credit checks. Credit terms for new customers cannot exceed 30 days without prior approval. New contracts and renewals with existing customers are subject to credit worthiness checks. Any existing or previous trading experiences are taken into account before making a recommendation on terms. All receivables 12 months overdue are provided in full unless there is a justified business reason and clear evidence of collectability. Any bad debts written off require prior approval.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low due to its wide customer base. There is no risk relating to consortium related receivables due to funding received in advance for fuel farm operations.

The credit risk exposure on the Group's trade receivables and accrued income is set out below.

		Trade receivables				
2018	Accrued income £m	Current £m	31-60 days £m	61-90 days £m	over 90 days £m	Total £m
Estimated credit loss rate	**–**	**0.2%**	**0.2%**	**2.4%**	**20.6%**	
Estimated total gross carrying amount at default	**22.2**	**109.3**	**44.2**	**4.2**	**17.0**	**174.7**
Expected credit loss	**–**	**0.2**	**0.1**	**0.1**	**3.5**	**3.9**

Allowance for expected credit losses

	2018 £m	2017 £m
At beginning of year	**4.4**	3.8
Amounts provided	**1.6**	1.8
Amounts released	**(0.6)**	(0.5)
Amounts utilised	**–**	(0.7)
Subsidiaries sold	**(1.6)**	–
Currency translation	**0.1**	–
At end of year	**3.9**	4.4

Notes to the Consolidated Financial Statements continued

15. Trade and Other Payables

	2018 £m	2017 (i) £m
Due within one year		
Trade payables	**39.9**	119.4
Less: sales returns	**–**	(20.2)
Net trade payables	**39.9**	99.2
Accruals	**109.3**	144.6
Deferred income	**2.4**	3.1
Consortium related payables	**108.0**	39.1
Other taxes and social security costs	**7.8**	6.6
Other payables	**23.1**	32.7
	290.5	325.3
Due after more than one year		
Other payables	**3.7**	4.6

Note:
(i) As set out in Note 1 accruals have been restated to include £14.2m of insurance related items and £5.3m of other items.

The carrying value of trade and other payables approximates fair value.

Included within other payables is contingent consideration and other contingent acquisition related amounts as disclosed in Note 16. Such amounts included within other payables due within one year are £3.7m (2017: £0.4m) and other payables due after more than one year are £Nil (2017: £3.6m).

During the year £3.1m of deferred income at 31 December 2017 was recognised in the Income Statement.

16. Financial Instruments

Derivative financial instruments

Recognised in Balance Sheet

	2018 £m	2017 £m
Non-current asset	**1.5**	0.9
Current asset	**0.6**	1.1
Current liability	**(0.5)**	(0.5)
Net fair value	**1.6**	1.5

Adjusted to fair value through the Statement of Other Comprehensive Income

	2018 Level 2 £m	2017 Level 2 £m
Cash flow hedges:		
Foreign exchange forward contracts	**0.2**	0.1
Interest rate swaps	**1.5**	0.9
Foreign currency net investment hedges:		
Foreign exchange forward contracts	**(0.1)**	0.5
Net fair value	**1.6**	1.5

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk. 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. During the year, all derivative financial instruments were measured using Level 2 fair value measurements.

The Group uses a hierarchy for determining and disclosing the fair value of financial instruments by valuation technique as set out below.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

For financial instruments that are recognised at fair value 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.

Cash flow hedges

Foreign exchange forward contracts

At 31 December 2018 the Group held foreign currency forward contracts designated as hedges of transaction exposures arising from revenue in foreign currencies. 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 for revenue in foreign currencies were assessed to be highly effective therefore there is no ineffectiveness recognised within the Income Statement.

The notional value of forward contracts utilised to hedge forecast foreign currency transaction exposures at 31 December is £22.0m (2017: £25.6m) all of which expire within 12 months. The cash flow hedge reserve records the portion of the gains or losses on hedging instruments used as cash flow hedges that are determined to be effective.

Interest rate swaps

During the year the Group maintained US$125m of interest rate swaps with an amortising profile to match 50% of the US$250m term loan maturing in June 2021. At 31 December 2018, 35.5% (2017: 34.9%) of the interest on the Group's borrowings were fixed.

	2018	2017	
	Assets £m	Assets £m	Liabilities £m
Fair value of cash flow hedges – currency forward contracts	**0.2**	0.3	(0.2)
Fair value of cash flow hedges – interest rate swaps	**1.5**	0.9	–
	1.7	1.2	(0.2)
Current value	**0.2**	0.3	(0.2)
Non-current value	**1.5**	0.9	–
	1.7	1.2	(0.2)

Foreign currency net investment hedges

The Group's policy is to hedge the exposure of foreign currency denominated assets to minimise 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 foreign currency net investment hedges were assessed to be highly effective therefore there is no ineffectiveness recognised within the Income Statement.

	2018 Assets £m	Liabilities £m	2017 Assets £m	Liabilities £m
Fair value of foreign currency net investment hedges	**0.4**	**(0.5)**	0.8	(0.3)
Current value	**0.4**	**(0.5)**	0.8	(0.3)

Notes to the Consolidated Financial Statements continued

16. Financial instruments continued

Cash flow hedges continued

Foreign currency net investment hedges continued

The notional value of forward contracts designated as foreign currency net investment hedges at 31 December 2018 is £41.4m (2017: £50.3m), all of which expire within 12 months.

The notional principal amounts of the outstanding forward foreign exchange contracts relating to the most significant currencies for the Group is provided below.

	Currency value		Sterling equivalent	
	2018 m	2017 m	**2018 £m**	2017 £m
Australian dollar	**13.0**	23.9	**7.2**	13.8
Canadian dollar	**11.5**	5.5	**6.6**	3.2
Colombian peso	**5,100**	4,000	**1.2**	1.0
Czech koruna	**115.0**	115.0	**4.0**	4.0
Danish krone	**15.0**	10.0	**1.8**	1.2
Euro	**2.1**	3.6	**1.9**	3.2
Indian rupee	**574**	810	**6.4**	9.4
Mexican peso	**51.0**	51.0	**2.0**	1.9
New Zealand dollar	**3.0**	6.0	**1.6**	3.2
Norwegian krone	**35.0**	35.0	**3.1**	3.2
South African rand	**30.0**	30.0	**1.6**	1.8
Swedish krona	**50.0**	50.0	**4.4**	4.5

Other financial instruments

Contingent consideration

The acquisition of Gold Coast Air Terminal Services Pty Ltd included an earn-out target based on annualised EBITDA, which should it be met would require the Group to pay the vendor up to an additional £0.4m in 2019. The difference between the fair value at the date of acquisition and the maximum payable contingent consideration is not considered to be material. Management expects that the target will be met and therefore the contingent consideration has been provided for. During the year ended 31 December 2018, contingent consideration of £0.4m was cash settled.

The acquisition of PlaneBiz 2015 Ltd in 2014 included options in relation to the 40% shareholding owned by a third party. These options take the form of a put option in favour of the third party shareholders for up to 30% of the share capital, exercisable during 2019. Following the expiry of this put option the Group then has a call option, exercisable for a 60 day period, for the remaining shares that have not been exercised under the put option. The fair value of the put option has been calculated based on the expected discounted cash flows of the underlying value, which is the expected average annual EBITDA over the preceding three years multiplied by 5.5. The call option is considered to have a negligible fair value.

The liabilities for contingent consideration and other acquisition related amounts are Level 3 derivative financial instruments. The fair value of contingent acquisition related amounts is set out below.

	2018 £m	2017 £m
PlaneBiz 2015 Ltd	**3.3**	3.2
Gold Coast Air Terminal Services Pty Ltd	**0.4**	0.8

Interest-bearing loans and borrowings

	Maturity	**2018 £m**	2017 £m
Bank overdrafts	On demand	**23.5**	1.9
Amortising sterling term loan	Settled	**–**	7.1
Non-amortising sterling bank loans	June 2021	**59.0**	93.6
Amortising US dollar term loan	June 2021	**195.3**	184.7
Preference shares	Non-redeemable	**1.4**	1.4
		279.2	288.7
Current value		**34.7**	5.1
Non-current value		**244.5**	283.6
		279.2	288.7

The Group's current bank facilities were drawn down on 1 February 2017 and comprise a US$250m amortising term loan and a £150m revolving credit facility, both with a maturity of June 2021. At 31 December 2018 the average interest rates on these US dollar and sterling loans were 4.1% and 2.7%, respectively.

The amortising US dollar term loan is repayable between 2019 and 2021. The loan has a weighted average maturity of three years.

Non-amortising bank loans are drawn against unsecured, committed revolving bank credit facilities maturing in June 2021.

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.

Net debt

	2018 £m	2017 £m
Interest-bearing loans and borrowings	**279.2**	288.7
Derivative financial instruments	**(1.6)**	(1.5)
Total borrowings	**277.6**	287.2
Less: cash at bank, cash in hand and short-term deposits	**78.0**	72.8
	199.6	214.4

The book and fair values of net debt is provided below.

	2018		2017	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Short-term borrowings	**11.2**	**11.2**	3.2	3.4
Medium-term borrowings	**16.7**	**16.7**	14.1	14.3
Long-term borrowings	**227.8**	**227.8**	269.5	269.5
Derivative financial instruments	**(1.6)**	**(1.6)**	(1.5)	(1.5)
Bank overdrafts	**23.5**	**23.5**	1.9	1.9
Total financial liabilities	**277.6**	**277.6**	287.2	287.6
Less: cash at bank, cash in hand and short-term deposits	**78.0**	**78.0**	72.8	72.8
Net debt	**199.6**	**199.6**	214.4	214.8

Notes to the Consolidated Financial Statements continued

16. Financial instruments continued

Net debt continued

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

Other than trade and other 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 currency and interest rate profile of financial liabilities is provided below.

	2018			2017		
	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m
Sterling denominated	79.0	1.4	80.4	95.4	8.5	103.9
US dollar denominated	100.5	97.7	198.2	92.4	92.4	184.8
Thai baht denominated	0.6	–	0.6	–	–	–
	180.1	99.1	279.2	187.8	100.9	288.7

Undrawn committed facilities of £91.0m expire between two and five years (2017: £56.5m between two and five years).

Trade and other receivables and payables

Trade and other receivables and trade and other payables carrying values of £222.7m (2017: £275.0m) and £172.3m (2017: £276.5m), respectively, in respect of the Group which approximate their fair values due to their short-term nature.

Sensitivity and risk information

Foreign currency sensitivity

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investments in foreign subsidiaries. The impact of sterling weakening/strengthening by 10% on currencies that have a significant impact on the consolidated profit before tax and equity, with all other variables held constant, the effect is set out below.

		2018		2017	
	Changes in rate	Effect on profit before tax £m	Effect on equity £m	Effect on profit before tax £m	Effect on equity £m
US dollar	+10%	1.8	(0.9)	2.0	1.6
US dollar	–10%	(1.5)	1.1	(1.6)	(1.3)
Australian dollar	+10%	1.5	1.3	1.4	1.6
Australian dollar	–10%	(1.2)	(1.1)	(1.2)	(1.3)
Euro	+10%	1.4	(0.1)	1.1	(0.8)
Euro	–10%	(1.1)	0.1	(0.9)	0.7
Indian rupee	+10%	0.7	1.0	0.7	1.3
Indian rupee	–10%	(0.6)	(0.8)	(0.6)	(1.1)

Capital risk

The Group capital structure is managed in order to minimise the cost of capital whilst ensuring that it has access to ongoing sources of finance such as the debt capital markets. The Group defines capital as the sum of net debt (as set out in Note 18) and equity attributable to equity holders of the Company (as set out in the Group and Company Statement of Changes in Equity). The only externally imposed capital requirements for the Group are debt to EBITDA and interest cover covenants under the terms of the bank facilities, with which the Group has fully complied during both the current year and the prior year. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders and/or issue new shares.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables, and from its financing activities, including deposits with banks as set out below.

	2018 £m	2017 £m
Bank deposits	78.0	72.8
Trade receivables	170.8	259.4
Accrued income	22.2	34.8
	271.0	367.0

For banks and financial institutions, the Group's policy is to transact with independently rated parties with a minimum rating of 'A'. If there is no independent rating the credit quality of the counterparty is assessed taking into account factors including its financial position and past experience. For trade receivables and accrued income the Group's credit risk policy and management process is set out in Note 14.

Liquidity risk

Liquidity risk is managed by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows. The following is an analysis of the maturity of the consolidated financial liabilities and derivative financial liabilities 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.

2018	Due under 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due over 5 years £m
Interest-bearing loans and borrowings	20.8	19.1	237.5	–
Preference shares	0.1	0.1	0.4	1.5
Trade and other payables	63.0	3.7	–	–
Financial derivatives	40.7	(0.9)	(0.3)	–
	124.6	22.0	237.6	1.5

2017	Due under 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due over 5 years £m
Interest-bearing loans and borrowings	14.6	23.3	281.7	–
Preference shares	0.1	0.1	0.4	1.5
Trade and other payables	131.9	4.6	–	–
Financial derivatives	50.3	(0.1)	(0.2)	–
	196.9	27.9	281.9	1.5

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. 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 and by maintaining interest rate swaps with an amortising profile to match 50% of the US$250m term loan maturing in June 2021.

If interest rates on sterling denominated borrowings had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been £0.5m (2017: £0.4m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

If interest rates on US dollar denominated borrowings had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been £0.5m (2017: £0.5m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Notes to the Consolidated Financial Statements continued

17. Cash Generated from Operations

Continuing and discontinued operations	2018 £m	2017 £m
Operating profit before joint ventures and associates	**13.1**	31.4
Depreciation	**24.9**	27.8
Amortisation of intangible assets	**8.8**	13.9
Share-based payments expense	**1.6**	1.4
Non-exceptional onerous lease provision release	**–**	(0.8)
Cash spend on onerous leases	**(1.5)**	(1.0)
Gain on sale of property, plant and equipment	**(1.6)**	(0.1)
Pension charge	**1.4**	2.2
Pension contributions in cash	**(24.9)**	(12.5)
Transaction and related exceptional items	**13.5**	27.1
Loss on disposal and other related costs	**30.3**	–
Cash spend on exceptional items	**(8.9)**	(21.1)
(Increase)/decrease in working capital	**(1.8)**	1.9
	54.9	70.2

18. Changes in Net Borrowings

	31 December 2017 £m	Cash flows £m	Fair value movements £m	Currency translation £m	31 December 2018 £m
Cash at bank and in hand	72.8	4.9	–	0.3	**78.0**
Bank overdrafts	(1.9)	(21.6)	–	–	**(23.5)**
Net cash and cash equivalents	70.9	(16.7)	–	0.3	**54.5**
Bank loans due within one year	(3.2)	(8.0)	–	–	**(11.2)**
Preference shares	(1.4)	–	–	–	**(1.4)**
Debt due after one year	(282.2)	49.6	–	(10.5)	**(243.1)**
Net derivative liabilities	1.5	(0.9)	1.0	–	**1.6**
Net debt	(214.4)	24.0	1.0	(10.2)	**(199.6)**

As set out in the cash flow statement, proceeds from borrowings were £1.0m (2017: £293.4m) and repayments of borrowings were £41.7m (2017: £101.3m).

Currency translation movements result from the Group's policy of hedging overseas net assets, which are denominated mainly in US dollars, euros and Australian dollars. The translation effect on net debt is offset by the translation effect on net assets which resulted in an overall net exchange loss of £3.0m (2017: loss of £1.4m). The net loss is recognised in other comprehensive income.

19. Operating Lease Commitments

The future aggregate minimum lease payments under non-cancellable operating leases is provided below.

	Property		Other	
	2018 £m	2017 £m	2018 £m	2017 £m
Within one year	**29.7**	35.4	**59.9**	39.2
Between one and five years	**38.3**	61.4	**140.2**	67.2
After five years	**15.1**	47.3	**7.6**	7.1
	83.1	144.1	**207.7**	113.5

Property commitments relate to leases of offices and buildings around the world. Other commitments primarily relate to leases of equipment and vehicles which generally have a contractual period of three to four years.

As set out in Note 1 the implementation of IFRS 16 Leases in 2019 will remove the distinction between operating leases and finance leases and bring most of the assets subject to lease onto the Balance Sheet as fixed assets with the corresponding liability shown as debt. This will materially gross up the Balance Sheet with the recognition of a new right of use asset which will be depreciated through the Income Statement and a lease liability on which interest will be charged through the Income Statement.

20. Capital Commitments

	2018 £m	2017 £m
Contracted but not provided – property, plant and equipment	**0.4**	0.8

21. Provisions

	Insurance £m	Legal and employee related £m	Property and equipment £m	Other £m	Group £m
At 31 December 2017 restated	18.3	12.3	6.0	5.3	41.9
Provided/(released) during year	12.3	17.8	1.5	(1.8)	29.8
Utilised during year	(4.5)	(7.2)	(2.6)	(0.2)	(14.5)
Reclassifications	–	3.4	0.2	(2.2)	1.4
Subsidiaries sold	–	–	(0.2)	–	(0.2)
Currency translation loss	0.9	0.5	–	0.1	1.5
At 31 December 2018	**27.0**	**26.8**	**4.9**	**1.2**	**59.9**
Current	**27.0**	**19.5**	**2.1**	**0.7**	**49.3**
Non-current	**–**	**7.3**	**2.8**	**0.5**	**10.6**
	27.0	**26.8**	**4.9**	**1.2**	**59.9**

	Insurance £m	Legal and employee related £m	Property and equipment £m	Other £m	Group £m
At 31 December 2016 restated	13.2	6.5	5.9	0.1	25.7
Provided during year	11.2	2.8	0.4	0.3	14.7
Utilised during year	(5.1)	(0.3)	(1.2)	(1.4)	(8.0)
Reclassifications	–	(0.5)	–	0.4	(0.1)
Subsidiaries acquired	–	4.2	1.0	6.1	11.3
Currency translation gain	(1.0)	(0.4)	(0.1)	(0.2)	(1.7)
At 31 December 2017 restated	18.3	12.3	6.0	5.3	41.9
Current	18.3	12.3	3.5	5.3	39.4
Non-current	–	–	2.5	–	2.5
	18.3	12.3	6.0	5.3	41.9

As set out in Note 1 insurance provisions have been reclassified from accruals with effect from 31 December 2016. Additionally other reclassifications of provisions from accruals were recognised during the current year and prior year.

Legal and employee related provisions include amounts in respect of claims for costs likely to be incurred in relation to pre-acquisition ASIG customer and employee claims not immediately reclaimable from the vendor and the cost of settling workers' compensation claims in the United States of America. The timing and amount of these liabilities is uncertain and is based on estimates using available information on the claims and historical experience of similar claims. The pre-acquisition ASIG related claims exclude any expected reimbursement from the vendor under warranty and indemnity undertakings given in the sale and purchase agreement.

The property related provisions are in respect of obligations for vacated leasehold properties where applicable sublet income may be insufficient to meet obligations under head leases. The provisions for property costs unwind over the period between 2019 and 2043. Other provisions include warranty claims, onerous contracts and redundancy costs.

Notes to the Consolidated Financial Statements continued

21. Provisions continued

Contingent liabilities

The Group has a number of claims in the normal course of business that Management believes should not result in a material impact to the consolidated financial statements. In addition there are a number of employee and customer related claims against the ASIG business relating to practices prior to the Group's acquisition of the business in February 2017 that Management is assessing. To the extent that the financial impact can be reliably measured these amounts are included in provisions, whilst for certain claims where Management has determined that the outcome is currently less certain and therefore the liability cannot be reliably measured these items constitute contingent liabilities. In accordance with the applicable accounting standards the Group has not recognised an asset in respect of the recovery of any losses from these claims from the vendor under the warranty and indemnity undertakings given in the sale and purchase agreement.

22. Retirement Benefit Obligation

Defined benefit scheme

The principal Group-funded defined benefit pension scheme is the Menzies Pension Fund ("the Fund") in the United Kingdom. The Fund closed to future accrual in March 2017. In the prior year the Fund was split into two sections, Section A and Section B. Section B transferred to the new owner of the Distribution business on completion of the disposal transaction. The information presented below in the current year relates to Section A only.

The scheme valuations were assessed in accordance with independent actuarial advice from PricewaterhouseCoopers ("the Actuary").

Fund financial assumptions and information

The Actuary undertook a valuation of the Fund as at 31 December 2018 (2017: 31 December 2017) based on the Fund's membership data as at 31 March 2018. In deriving the results the Actuary used the financial assumptions as set out below.

	2018 %	2017 %
Price inflation	**3.2**	3.1
Discount rate	**2.8**	2.5
Rate of increase on pensions accrued before 2006	**3.6**	3.6
Rate of increase on pensions accrued after 2006	**2.2**	2.2

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

The average future life expectancy for a pensioner aged 65 is set out below.

	2018 Years	2017 Years
Male	**21**	22
Female	**23**	23

The average future life expectancy at age 65 for a non-pensioner aged 45 is set out below.

	2018 Years	2017 Years
Male	**22**	23
Female	**24**	24

The membership of the Fund is set out below.

	2018	2017
Deferred members	**3,348**	3,556
Pensioners	**1,676**	2,148
	5,024	5,704

The liability split of the Fund by membership is set out below.

	2018	2017
Deferred members	**53%**	49%
Pensioners	**47%**	51%

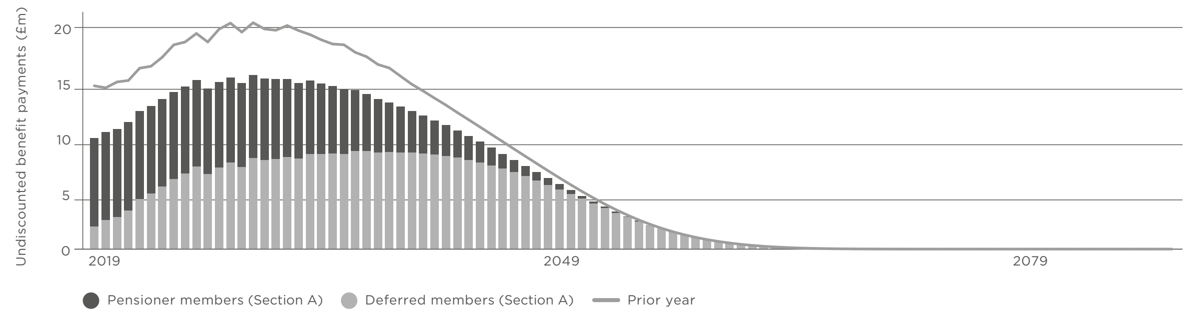
The average liability duration of the Fund by membership is set out below.

	2018 Years	2017 Years
Deferred members	**21**	21
Pensioners	**12**	12

Overall weighted average liability duration is 17 years (2017: 17 years).

Future Fund benefit payments

Estimated undiscounted benefit payments expected to be paid from the Fund over its life is set out below.



The fair value of Fund assets and liabilities is set out below.

	2018 Quoted £m	**2018 Unquoted(i) £m**	**2018 Total £m**	2017 Quoted £m	2017 Unquoted(i) £m	2017 Total £m
Equities	**74.6**	**–**	**74.6**	120.1	–	120.1
Bonds	**90.7**	**–**	**90.7**	80.8	–	80.8
Investment funds	**6.6**	**38.3**	**44.9**	6.3	–	6.3
Liability driven investment funds	**–**	**57.2**	**57.2**	–	127.4	127.4
Property	**–**	**24.4**	**24.4**	–	26.4	26.4
Annuity contracts(ii)	**–**	**4.9**	**4.9**	–	6.1	6.1
Cash	**8.3**	**–**	**8.3**	6.9	–	6.9
Other	**–**	**–**	**–**	0.4	–	0.4
Assets	**180.2**	**124.8**	**305.0**	214.5	159.9	374.4
Defined benefit obligation			**(323.0)**			(423.9)
Recognised in Balance Sheet			**(18.0)**			(49.5)
Related deferred tax asset (Note 13)			**3.1**			8.4
Net retirement obligation			**(14.9)**			(41.1)

Notes:
(i) The valuations of unquoted assets have been determined by reference to the latest available manager valuation reports.
(ii) The Fund holds annuity contracts in respect of a number of members that provide cash flows to the Fund which match the benefit payments to these members.

The value of Fund liabilities at various assumptions is set out below.

	2018 £m	2017 £m
0.5% decrease in discount rate	**350.7**	462.1
One year increase in life expectancy	**335.1**	441.2
0.5% decrease in inflation	**309.4**	404.9
0.25% increase in pensions	**331.9**	451.2

Actuarial gains and losses are recognised immediately through the remeasurement of the net defined benefit liability.

Notes to the Consolidated Financial Statements continued

22. Retirement Benefit Obligation continued

Pension expense

The charge to the Income Statement is assessed in accordance with independent actuarial advice from the Actuary using the projected unit method. The components of pension expense are set out below.

	2018 £m	2017 £m
Amounts charged to operating profit		
Past service cost (Note 5)	0.1	–
Current service cost	–	0.6
Administrative costs	1.3	1.6
Effect of curtailments and settlements (Note 5)	–	2.7
Total service cost	1.4	4.9
Amounts included in finance costs		
Interest cost on defined benefit obligation	8.7	11.5
Interest income on Fund assets	(7.9)	(9.7)
Net finance charge	0.8	1.8
Pension expense	2.2	6.7

The components of the actuarial gain/(loss) in the consolidated Statement of Comprehensive Income is set out below.

	2018 £m	2017 £m
Returns on assets excluding interest income	(16.7)	18.2
Changes in demographic assumptions	2.1	7.1
Changes in financial assumptions	17.4	(6.2)
Experience	0.3	(3.4)
Actuarial gain	3.1	15.7

Changes in Fund assets and defined benefit obligation

	2018 (i) £m	2017 £m
Fair value of assets at start of year	309.9	368.9
Interest income	7.9	9.7
Returns on assets excluding interest income	(16.7)	18.2
Company contributions	23.6	12.5
Employee contributions	–	0.2
Benefits and expenses paid	(19.7)	(35.1)
Fair value of assets at end of year	305.0	374.4
Return on scheme assets including interest income	(8.8)	27.9

	2018 (i) £m	2017 £m
Defined benefit obligation at start of year	352.4	439.9
Service cost	1.4	2.2
Exceptional curtailments	–	2.7
Interest cost	8.7	11.5
Employee contributions	–	0.2
Benefits and expenses paid	(19.7)	(35.1)
Changes in demographic assumptions	(2.1)	(7.1)
Changes in financial assumptions	(17.4)	6.2
Experience	(0.3)	3.4
Defined benefit obligation at end of year	323.0	423.9

Note:
(i) Current year excludes discontinued operations.

Benefits, regulatory framework and governance of the Fund

The Fund is a registered defined benefit career average revalued earnings scheme subject to the UK regulatory framework for pensions, including the statutory funding regime. 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 interests 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 of the Fund

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: 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; lower than expected investment returns; members living for longer than expected; and higher than expected actual inflation and pension increase experience.

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

Asset-liability matching strategies

In the prior year the Trustee agreed to de-risk and increase hedging of liabilities on a gilts basis across interest rates (40% hedged) and inflation (30% hedged) using leveraged Liability Driven Investment (LDI) funds. This was funded by reducing the Fund's UK equity allocation and moving a proportion of the Fund's index-linked gilts into the LDI funds.

The Trustee's current investment strategy is to invest the majority of the Fund's assets in a mix of equities and 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.

The Trustee has implemented a de-risking process such that the Fund's assets are gradually switched out of equities and into 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 is currently being considered following the conclusion of the 2018 triennial valuation exercise. The current benchmark is to hold 60% in growth assets such as equities and 40% in bonds including index-linked and fixed interest Government bonds and corporate bonds. The Trustee has also increased the hedging of liabilities across interest rates (50% hedged) and inflation (50% hedged) using LDI funds.

Notes to the Consolidated Financial Statements continued

22. Retirement Benefit Obligation continued

Asset-liability matching strategies continued

The triennial valuation process in which the Trustee and the Company agree the long term funding strategy was concluded for 31 March 2018 and a schedule of contributions agreed and dated 29 November 2018. The schedule of contributions sets out the additional contributions required to meet the funding shortfall between the value of the Fund's assets and liabilities. The additional contributions have been agreed as monthly contributions totalling £9.4m per annum rising with the higher of the UK retail price index or the annual percentage change in dividends beginning in December 2018 and continuing to the year ended 31 March 2026. The Company and the Trustee have agreed that reasonable adjustment be made for the impact of any equity raising or change in equity, recognising the actual percentage increase in dividend per share.

The value of the net liabilities of the Fund at 31 March 2018 as measured on the Fund Trustee's technical provisions basis was approximately £73m and the funding level, being the ratio of assets to liabilities measured on the technical provisions basis was 80%. The Company and the Trustee have agreed that the schedule of contributions may be revised should the funding level reach 98% following any quarter end before 31 March 2026. The purpose of any revision would be to ensure that contributions are sufficient to reach 100% by 31 March 2026 without the possibility of overfunding at that time. The next triennial valuation of the Fund will be effective as at 31 March 2021.

The Company expects to contribute around £9.5m (2017: £11.8m) to the Fund during the year to 31 December 2019.

The Group has an unconditional right to a refund of a projected future surplus at some point in the future. There is no requirement for the Group to adjust the Balance Sheet to recognise the future agreed deficit recovery contributions.

Other information

Small settlements of members' retirement obligations have occurred over the year. As set out in Note 5, £0.2m of pension de-risking costs and past service costs relating to the need to equalise men's and women's pension entitlement for some of the members in the Fund have been recognised as an exceptional cost (2017: £2.7m curtailment costs).

23. Share Capital

	2018 £m	2017 £m
Allotted, called up and fully paid		
Opening – 83,955,951 ordinary shares of 25p each	**21.0**	20.9
Allotted under share option schemes (i)	**0.1**	0.1
Closing – 84,363,714 ordinary shares of 25p each	**21.1**	21.0

Note:
(i) As a result of share scheme allotments, 397,000 (2017: 329,600) ordinary shares having a nominal value of £0.1m (2017: £0.1m) were issued during the year at a share premium of £1.2m (2017: £1.4m).

Employees 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 396,262 shares were exercised in 2018 and 258,462 options lapsed.

Year of grant	Exercise price	Exercise period	2018 Number	2017 Number
2014	437p	2017-2018	**–**	43,325
2015	309p	2018-2019	**75,705**	415,660
2016	424p	2019-2020	**344,011**	474,413
2017	567p	2021-2022	**660,942**	787,310
2018	470p	2022-2023	**661,113**	–
			1,741,771	1,720,708

Company share schemes

The Company operates the following share-based payment arrangements as set out below.

Savings related Share Option Scheme

The Company operates a Savings related Share Option Scheme which is open to all full and part-time employees in the United Kingdom. Annual grants of options are made in September or October each year and become exercisable after three years. Employees enter into a savings contract administered by a third party. 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.

Value Creation Plan

On 26 July 2018 the Board sought approval for a new long term Management incentive plan to reflect the significant change that the Group had undertaken in the last two years, which has resulted in it being a pure play aviation services company in a high growth, high return market and the resultant need to ensure that both Executive Directors and senior management are appropriately incentivised and focused on opportunities to create long term shareholder value.

The shareholders approved the proposed 2018 Value Creation Plan ("VCP") at a general meeting on 22 August 2018. Under the terms of the VCP participants are given the opportunity to receive a number of ordinary shares equal in value to a proportion of the total return, comprising share price growth and dividend returns, generated for shareholders of the Company above a specified performance hurdle over relevant performance periods. The performance periods are split into three equal tranches over 3.5, 4.5 and 5.5 years from 26 July 2018 the date of the announcement of the disposal of the Distribution business. The value created will be allocated to a pool to be split 60% to Executive Directors and 40% to senior management. 20% of any pool value will be subject to compliance measures such as safety and security which if not met will reduce the pool value accordingly. For Executive Directors upon any awards vesting a further two year holding period will apply to each tranche.

The performance hurdle referred to above is an 8% annual compound growth in total shareholder return over the performance period. To the extent this 8% hurdle is exceeded the VCP pool value is either 6.5% of the value of growth above 8% annual compound growth or to the extent total shareholder returns exceed compound annual growth of 15% the value is based on 7.5% of the value of the growth.

This VCP value is converted to a number of shares based on the number of shares in issue and share price at the end of each performance period of the three tranches and is also subject to caps at the end of the performance periods. Further information is set out in the Remuneration Committee Report.

Bonus Co-investment Plan ("BCIP")/Share Matching Plan ("SMP")

The BCIP and, in 2016, the SMP offered 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. Since 2010 the ratio of matching shares to contributory shares has been set at 1:1. The maximum amount of the annual cash bonus which may be eligible for matching has been set at 40%. The net of tax amount is applied in the purchase of shares.

The first bonus award that qualified for investment in shares under the plan was the award for the financial year ended December 2004 and the last qualifying bonus award was for the financial year which commenced ten years after the adoption of the Plan. A revised plan was approved at the Annual General Meeting of the Company on 15 May 2014 and the SMP was discontinued in 2017.

Notes to the Consolidated Financial Statements continued

23. Share Capital continued

Company share schemes continued

Bonus Co-investment Plan ("BCIP")/Share Matching Plan ("SMP") continued

Performance targets are based on real growth in earnings measured over three financial years. For awards in 2016, if the percentage growth in the Company's EPS is Consumer Prices Index +3% p.a. or more, then the number of matching shares that will vest is one. If the threshold growth in EPS is achieved (CPI +0%) then 25% of the matching shares will be paid. For EPS growth of between CPI +0% p.a. and CPI +3% p.a., the number of matching shares vesting will be calculated on a straight-line basis. No matching shares will vest for EPS percentage growth below CPI +0% p.a. for any award.

Long-term Incentive Plan ("LTIP")

The LTIP enables divisional and senior management to align more closely with the achievement of target Group and divisional financial results. A detailed description of this plan is included in the Directors' Remuneration Report on page 73.

Shares will vest at the end of three year financial periods. A £Nil award will be achieved where the financial results are below the threshold performance target, 25% if at threshold and 100% will vest where the results are 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 for Executive Directors are 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 and the Monte Carlo simulation models. No performance conditions are included in the fair value calculations.

The fair value per option granted and the assumptions used in the calculation is set out below.

	Savings related Option Scheme			
Date of grant (October)	**2018**	2017	2016	2015
Share price at grant date	**588p**	709p	592p	412p
Exercise price	**470p**	567p	424p	309p
Vesting period (years)	**3**	3	3	3
Expected volatility	**23%**	33%	33%	33%
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	**1.0%**	1.0%	1.0%	1.0%
Expected dividends expressed as a dividend yield (i)	**3.7%**	3.0%	3.0%	6.0%
Fair value per option	**97p**	184p	152p	90p
Charge per option (ii)	**68p**	129p	106p	63p

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.

Notes:
(i) Based on the daily 12 month trailing dividend yield averaged over the 12 months prior to valuation date.
(ii) The difference between the fair value and charge per option is due to adjustments for forfeiture risk.

	VCP		
	Tranche 1	Tranche 2	Tranche 3
Share price at date of grant	586p	586p	586p
Contractual life (for Executive Directors)	5.5 years	6.5 years	7.5 years
Total fair value attributed to each tranche (£m)	0.8	1.0	1.0

	BCIP/SMP			LTIP		
Date of grant (March)	**2018**	2017	2016	**2018**	2017	2016
Share price at grant date	**–**	637p	478p	**683p**	579p	443p
Contractual life (years)	**–**	3	3	**3**	3	3
Expected leavers	**–**	0%	0%	**0%**	0%	0%
Expected outcome of meeting performance criteria	**–**	31%	51%	**n/a**	n/a	n/a
Fair value per share	**–**	199p	245p	**225p**	151p	169p
Charge per share award (i)	**–**	199p	245p	**225p**	151p	169p

Note:
(i) Adjusted for forfeiture risk.

Movement in share options

	Savings related Option Scheme			
	2018		2017	
	Number	**Weighted average exercise price (pence)**	Number	Weighted average exercise price (pence)
Outstanding at start of year	**1,721,026**	**462**	1,588,893	411
Granted	**675,469**	**470**	799,919	567
Forfeited/expired	**(258,462)**	**482**	(330,127)	449
Exercised	**(396,262)**	**336**	(337,659)	484
Outstanding at end of year	**1,741,771**	**491**	1,721,026	462
Exercisable	**75,705**		44,170	
Range of exercise prices		**309-567**		309-567
Weighted average remaining contractual life (years)	**2.0**		2.1	

As referred to above the VCP does not award a specific number of shares but rather determines that a number of shares will be issued to the participants in the event that the value of shareholder returns over the performance periods exceed certain predetermined hurdles. The actual number of shares issued will depend on the Company's issued share capital and share price at the time any award vests.

Notes to the Consolidated Financial Statements continued

23. Share Capital continued

Movement in share options continued

	BCIP/SMP				LTIP			
	2018		2017		2018		2017	
	Number	Weighted average price (pence)	Number	Weighted average price (pence)	Number	Weighted average price (pence)	Number	Weighted average price (pence)
Outstanding at start of year	37,224	452	38,719	461	1,302,399	470	1,034,867	451
Awards made	–	–	5,486	637	270,483	683	399,989	579
Lapsed	(1,352)	547	(436)	647	(14,997)	509	(123,017)	654
Exercised	(26,419)	412	(6,545)	647	(617,539)	429	(9,440)	654
Outstanding at end of year	9,453	550	37,224	452	940,346	557	1,302,399	470
Range of award date prices		376-637		376-637		404-683		404-579
Weighted average remaining contractual life (years)	0.7		0.9		1.1		1.1	

Charge for share-based incentive schemes

The total charge for the year relating to employee share-based plans was £1.6m (2017: £1.4m), all of which related to equity-settled share-based payment transactions. After tax the total charge was £1.5m (2017: £1.1m).

Treasury shares

Ordinary shares are held for employee share schemes. At 31 December 2018, the Company held 401,766 (2017: 257,523) ordinary shares with a market value of £2.1m (2017: £1.8m).

24. Acquisitions

There were no acquisitions during the year. Details relating to the prior year are set out below.

	2017 £m
Purchase consideration:	
Cash paid	172.8
Impact of assets not transferred	(2.2)
Contingent consideration	0.8
Fair value of existing equity interest in joint ventures	5.8
	177.2
Less: non-controlling interest acquired	4.2
Less: fair value of net assets acquired	95.0
Goodwill	78.0

The fair value of assets and liabilities arising from the acquisitions are:

	2017 £m
Intangible assets – contracts and customer relationships	35.8
Intangible assets – brand	6.6
Deferred tax assets	3.6
Property, plant and equipment	31.9
Inventory	5.0
Trade and other receivables	101.5
Cash	12.9
Trade and other payables	(83.6)
Provisions	(11.3)
Current income tax liabilities	(1.1)
Deferred tax liability	(6.3)
Net assets acquired at fair value	95.0

There have been no changes to the provisional fair values of the net assets acquired in the prior year.

The Group invested £0.4m for a controlling share of a new start-up operation in Indonesia and recognised £0.3m of non-controlling interest on acquisition. The Group also invested £1.0m in Menzies Aviation Cairns Pty Ltd, a 50% joint venture, and £0.2m in Smarter Asset Management Ltd, a 26% joint venture.

As set out in Note 14, an advance payment was paid during the year for the trade and assets of Airline Services Ltd. Following regulatory approval on 17 January 2019 this transaction will be recognised as an acquisition in the 2019 consolidated financial statements.

Contingent and deferred consideration

Contingent consideration in continuing operations of £0.4m relating to the acquisition of Gold Coast Air Terminal Services Pty Ltd was cash settled in April 2018. Deferred consideration in discontinued operations of £0.2m relating to the acquisition of AJG Parcels Ltd was cash settled in May 2018.

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. These sales to and from related parties are made at normal market prices and details are set out below.

Related party	Group share holding %	Sales to related party £m	Amounts owed to related party at 31 December 2018 £m	Amounts owed by related party at 31 December 2018 £m
Menzies Bobba Ground Handling Services Private Ltd	51	0.1	–	–
Menzies Aviation Bobba (Bangalore) Private Ltd	49	0.1	–	–
Menzies Macau Airport Services Ltd	29	0.3	–	0.1

Key Management personnel include individuals who are Directors of the Company and those having authority and responsibility for planning, directing and controlling activities of the business as disclosed in the segmental analysis. Remuneration of key Management personnel is:

	2018 £m	2017 £m
Short-term employee benefits	5.3	6.8
Post-employment pension and medical benefits	0.4	0.5
Share-based payments	1.6	1.4
	7.3	8.7

Notes to the Consolidated Financial Statements continued

26. Related Undertakings

The subsidiary entities and entities in which the Company has a significant interest at 31 December 2018 are disclosed as an appendix to these financial statements.

27. Discontinued operations

On 26 July 2018 the Group announced the conditional disposal of Menzies Distribution Ltd and its subsidiaries to Endless LLP. Completion occurred on 4 September 2018 for a total consideration of £56.2m including cash of £51.2m and with the Group receiving a 10% equity interest in Endless Newco1 Ltd, the holding company of the disposed business, valued at £5.0m. The sale consisted of 100% of ordinary shares, 100% of 6% cumulative preference shares and 100% of 3% non-cumulative preference shares of £1 each in the capital of the disposed holding company.

At the half year to 30 June 2018 the Distribution business was classified as held for sale and the operations were classified as discontinued in the half year financial statements with the disposal group being held at the lower of its carrying amount and fair value less costs to sell. The comparative consolidated income statement has been restated to show the discontinued operation separately from continuing operations.

The post-tax loss on disposal of discontinued operations was determined as set out below.

	2018 £m
Consideration received [i]	**56.2**
Less: net assets disposed	
Intangibles	**(43.7)**
Property, plant and equipment	**(27.0)**
Deferred tax asset	**(1.1)**
Inventories	**(17.1)**
Trade receivables	**(102.6)**
Cash	**(5.9)**
Trade payables	**112.9**
Current income tax liabilities	**0.8**
Provisions	**0.2**
Retirement benefit obligation	**13.0**
	(70.5)
Costs of disposal	**(13.6)**
Loss on disposal of discontinued operations	**(27.9)**
Taxation	**(0.4)**
Loss on disposal of discontinued operations after tax	**(28.3)**

Note:
(i) Consideration received includes cash of £51.2m.

Results of discontinued operations

	Before exceptional and other items £m	**Exceptional and other items £m**	**2018 £m**	Before exceptional and other items £m	Exceptional and other items £m	2017 £m
Revenue	**789.5**	**–**	**789.5**	1,186.9	–	1,186.9
Net operating costs	**(772.4)**	**(3.3)**	**(775.7)**	(1,163.0)	(7.9)	(1,170.9)
Operating profit before joint ventures and associates	**17.1**	**(3.3)**	**13.8**	23.9	(7.9)	16.0
Share of post-tax results of joint ventures and associates	**–**	**–**	**–**	0.9	(0.1)	0.8
Operating profit/(loss)	**17.1**	**(3.3)**	**13.8**	24.8	(8.0)	16.8
Analysed as:						
Underlying operating profit [i]	**17.1**	**–**	**17.1**	24.8	–	24.8
Non-recurring items – transaction related	**–**	**(2.4)**	**(2.4)**	–	(3.2)	(3.2)
Non-recurring items – pension related	**–**	**–**	**–**	–	(1.3)	(1.3)
Acquired intangible asset amortisation	**–**	**(0.9)**	**(0.9)**	–	(3.4)	(3.4)
Share of tax on joint ventures and associates	**–**	**–**	**–**	–	(0.1)	(0.1)
Operating profit/(loss)	**17.1**	**(3.3)**	**13.8**	24.8	(8.0)	16.8
Other finance charge – pensions	**(0.1)**	**–**	**(0.1)**	–	–	–
Profit/(loss) before taxation	**17.0**	**(3.3)**	**13.7**	24.8	(8.0)	16.8
Taxation	**(3.4)**	**0.1**	**(3.3)**	(5.2)	0.9	(4.3)
Profit/(loss) for the period	**13.6**	**(3.2)**	**10.4**	19.6	(7.1)	12.5
Loss on disposal of discontinued operations after tax	**–**	**(28.3)**	**(28.3)**	–	–	–
Profit/(loss) for the period from discontinued operations	**13.6**	**(31.5)**	**(17.9)**	19.6	(7.1)	12.5

Note:
(i) Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with non-current assets, amortisation relating to acquired contract, customer relationship and brand intangibles 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.

Exceptional items

	2018 £m	2017 £m
Transaction related costs [i]	**(2.4)**	(3.2)
Pension related costs [ii]	**–**	(1.3)
	(2.4)	(4.5)

Notes:
(i) The £2.4m transaction related costs comprise separation costs incurred subsequently to the disposal of the Distribution business. In the prior year transaction costs of £3.2m related to the aborted demerger of the Distribution business and the step acquisition of EM News Distribution (Ireland) Ltd and EM News Distribution (NI) Ltd.
(ii) In the prior year pension related costs incurred were fees and charges incurred in order to close the defined benefit scheme to future accrual.

Acquired intangible assets amortisation

Acquired intangible asset amortisation costs incurred were £0.9m (2017: £3.4m). The amortisation relates to contract intangible assets recognised on the acquisition of businesses. Amortisation ceased from 31 March 2018 when the business was classified as held for sale.

27. Discontinued operations continued

Tax effect of exceptional items
The taxation effect of the exceptional items is a net debit of £0.4m (2017: net credit of £0.3m) in relation to tax deductions available for a proportion of the exceptional costs arising during the year.

Cash flows from/(used in) discontinued operations

	2018 £m	2017 £m
Net cash inflow from operating activities	**8.9**	31.9
Net cash outflow used in investing activities	**(0.2)**	(5.0)
Net cash flows for the period	**8.7**	26.9

Retirement benefit obligation of discontinued operations

Pension expense
The components of pension expense are set out below.

	2018 £m	2017 £m
Amounts charged to operating profit		
Administrative costs	**–**	0.1
Amounts included in finance costs		
Interest cost on defined benefit obligation	**1.1**	0.9
Interest income on Fund assets	**(1.0)**	(0.8)
Net finance charge	**0.1**	0.1
Pension expense	**0.1**	0.2

The components of the actuarial gain/(loss) in the consolidated Statement of Comprehensive Income are set out below.

	2018 £m	2017 £m
Returns on assets excluding interest income	**(8.5)**	1.2
Changes in demographic assumptions	**(0.4)**	–
Changes in financial assumptions	**1.4**	(0.7)
Experience	**0.3**	(0.3)
Actuarial (loss)/gain	**(7.2)**	0.2

28. Events after the reporting period

The acquisition of the trade and assets of Airline Services Ltd will be recognised on 17 January 2019 following clearance from the UK Competition and Markets Authority. As set out in Note 14, cash consideration of £14.4m along with £5.8m incurred funding the business from 4 April 2018 to 31 December 2018 has been included within other receivables in the consolidated financial statements. The business provides de-icing and aircraft presentation services at various UK airports together with ground handling operations at London Gatwick airport. This acquisition expands coverage into four new UK airports. The acquisition accounting is not yet complete as control has recently been obtained. No further disclosures are provided on the assets and liabilities acquired.

COMPANY FINANCIAL STATEMENTS

Balance Sheet
as at 31 December 2018 (31 December 2017)

	Notes	2018 £m	2017 £m
Assets			
Non-current assets			
Property, plant and equipment	5	**5.6**	23.4
Investments in subsidiaries	6	**121.6**	306.1
Other investments	7	**5.0**	–
Deferred tax assets	8	**6.5**	5.8
Derivative financial assets	11	**1.5**	0.9
		140.2	336.2
Current assets			
Trade and other receivables	9	**427.2**	499.9
Current income tax receivable		**–**	4.6
Derivative financial assets	11	**0.6**	1.1
Cash and cash equivalents		**5.5**	5.0
		433.3	510.6
Liabilities			
Current liabilities			
Borrowings	11	**(31.2)**	(3.3)
Derivative financial liabilities	11	**(0.5)**	(0.5)
Trade and other payables	10	**(94.0)**	(338.0)
Current income tax payable		**(0.1)**	–
Provisions	12	**(8.7)**	(2.7)
		(134.5)	(344.5)
Net current assets		**298.8**	166.1
Total assets less current liabilities		**439.0**	502.3
Non-current liabilities			
Borrowings	11	**(244.5)**	(283.6)
Provisions	12	**(2.3)**	–
Retirement benefit obligation	14	**(18.0)**	(42.5)
		(264.8)	(326.1)
Net assets		**174.2**	176.2
Ordinary shares	15	**21.1**	21.0
Share premium account		**23.1**	21.9
Treasury shares		**(2.6)**	(1.3)
Other reserves		**–**	(0.5)
Merger relief reserve		**67.3**	67.3
Retained earnings [(i)]		**43.7**	46.2
Capital redemption reserve		**21.6**	21.6
Equity		**174.2**	176.2

Note:
(i) Profit after tax for the year was £14.2m (2017: loss £0.1m).

The accounts were approved by the Board of Directors on 11 March 2019 and signed on its behalf by:

Dr. Dermot F. Smurfit
Chairman

Giles Wilson
Chief Financial Officer

Company No. SC34970

COMPANY FINANCIAL STATEMENTS

Statement of Changes in Equity
as at 31 December 2018 (31 December 2017)

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Hedge reserve £m	Merger relief reserve £m	Retained earnings £m	Capital redemption reserve £m	Equity £m
At 31 December 2017	21.0	21.9	(1.3)	(0.5)	67.3	46.2	21.6	176.2
Profit for the year	–	–	–	–	–	14.2	–	14.2
Other comprehensive gain	–	–	–	0.5	–	2.6	–	3.1
Total comprehensive income	–	–	–	0.5	–	16.8	–	17.3
New share capital issued	0.1	1.2	–	–	–	–	–	1.3
Share-based payments	–	–	–	–	–	1.6	–	1.6
Income tax effect of share-based payments	–	–	–	–	–	(0.1)	–	(0.1)
Dividends paid	–	–	–	–	–	(17.1)	–	(17.1)
Repurchase of own shares	–	–	(5.0)	–	–	–	–	(5.0)
Disposal of own shares	–	–	3.7	–	–	(3.7)	–	–
At 31 December 2018	**21.1**	**23.1**	**(2.6)**	**–**	**67.3**	**43.7**	**21.6**	**174.2**

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Hedge reserve £m	Merger relief reserve £m	Retained earnings £m	Capital redemption reserve £m	Equity £m
At 31 December 2016	20.9	20.5	(1.6)	(0.9)	67.3	42.2	21.6	170.0
Loss for the year	–	–	–	–	–	(0.1)	–	(0.1)
Other comprehensive gain	–	–	–	0.4	–	12.6	–	13.0
Total comprehensive income	–	–	–	0.4	–	12.5	–	12.9
New share capital issued	0.1	1.4	–	–	–	–	–	1.5
Share-based payments	–	–	–	–	–	1.4	–	1.4
Income tax effect of share-based payments	–	–	–	–	–	0.1	–	0.1
Intragroup transfer of pension obligation	–	–	–	–	–	6.2	–	6.2
Dividends paid	–	–	–	–	–	(15.9)	–	(15.9)
Disposal of own shares	–	–	0.3	–	–	(0.3)	–	–
At 31 December 2017	21.0	21.9	(1.3)	(0.5)	67.3	46.2	21.6	176.2

COMPANY FINANCIAL STATEMENTS

Statement of Cash Flows
for the year ended 31 December 2018 (year ended 31 December 2017)

	Notes	**2018 £m**	2017 £m
Cash flows from operating activities			
Cash generated from operations	13	**(38.8)**	(9.4)
Interest paid		**(10.9)**	(12.4)
Tax paid		**(0.1)**	(2.7)
Net cash flow used in operating activities		**(49.8)**	(24.5)
Cash flows from investing activities			
Disposal of subsidiaries		**51.2**	–
Investment in subsidiary		**(14.3)**	–
Purchase of property, plant and equipment		**(0.5)**	(0.3)
Proceeds from sale of property, plant and equipment		**6.6**	–
Net cash flow from/(used in) investing activities		**43.0**	(0.3)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**1.3**	1.5
Purchase of own shares		**(5.0)**	–
Proceeds from borrowings		**1.0**	293.4
Repayment of borrowings		**(41.7)**	(101.3)
Dividends paid to ordinary shareholders	4	**(17.1)**	(15.9)
Net amounts repaid by/(lent to) subsidiaries		**48.8**	(148.9)
Net cash flow (used in)/from financing activities		**(12.7)**	28.8
Increase/(decrease) in net cash and cash equivalents		**(19.5)**	4.0
Opening net cash and cash equivalents (i)		**5.0**	1.0
Closing net cash and cash equivalents (i)		**(14.5)**	5.0

Note:
(i) Net cash and cash equivalents include cash at bank and in hand and bank overdrafts.

COMPANY FINANCIAL STATEMENTS

Notes to the Financial Statements

The financial statements of the Company for the year ended 31 December 2018 were approved and authorised for issue in accordance with a resolution of the Directors on 11 March 2019. John Menzies plc, a public company with registered number SC34970 and registered address of 2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ is a limited company incorporated in Scotland and listed on the London Stock Exchange.

1. Significant Accounting Policies

Basis of preparation

The principal accounting policies adopted by the Company are the same as those set out in the consolidated financial statements. They have consistently been prepared under the historical cost convention and in accordance with EU Endorsed International Financial Reporting Standards, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

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

The Company has restated the prior year comparatives to reclassify certain liabilities from accruals to provisions, largely in respect of the Company's insurance related claims as set out in Note 21 to reflect the uncertain timing or amount and nature of these liabilities. The Company previously measured insurance claim accruals based on the cost it expected to incur net of any amounts to be settled directly by insurers. The prior year insurance provision has been increased by £7.2m (2016: £5.6m) and accruals reduced by £7.2m (2016: £5.6m) with no impact on the consolidated net assets or Income Statement in either year.

New accounting standards and amendments

The new accounting standards and amendments applicable for the Company for the first time in 2018 are the same as those set out in the consolidated financial statements. Only IFRS 9 Financial Instruments has an impact on the Company.

IFRS 9 introduced a new impairment model whereby credit losses are recognised on an expected basis rather than an incurred basis. Accordingly, the Company has recognised a £6.0m provision for impairment against two long-term intragroup receivables where a credit loss is expected due to the financial position of the counterparty. Although this reduces the distributable reserves of the Company, there is no impact to the consolidated financial statements as these are intragroup items.

IFRS 9 requires equity investments that fall within the scope of the standard to be measured at fair value with changes in fair value charged through profit and loss or recognised within other comprehensive income under an irrevocable election. As part of the disposal arrangement relating to the Distribution business in the current year the Company acquired a 10% equity investment in Endless Newco1 Ltd and the Company has elected to recognise future changes in the fair value of this equity investment within other comprehensive income.

There have been no classification changes under IFRS 9 with regard to hedging and the requirements of IAS 39 continue to be applied.

Standards and amendments to standards that have been issued that are applicable for the Company but are not effective for 2018 and have not been early adopted in these financial statements are set out in the Group accounts. The only standard expected to have a material impact on the accounts of the Company is IFRS 16 Leases.

Ahead of the adoption of IFRS 16 Leases on 1 January 2019, Management has been in the process of collating information to ensure compliance with the new standard for lessees. The standard removes the distinction between operating leases and finance leases and brings most of the assets subject to lease on to the Balance Sheet as fixed assets representing the right to use the underlying asset with the corresponding liability shown as debt. This will materially gross up the Balance Sheet with the recognition of a new right of use asset which will be depreciated through the Income Statement and a lease liability on which interest will be charged through the Income Statement. The Company plans to utilise the modified retrospective method of application on 1 January 2019 and anticipates recognising approximately £4m of lease liabilities, approximately £2m of right of use assets and a decrease in equity of approximately £2m. Although the aggregate Income Statement impact of each lease over its life will not change, the Income Statement impact of generally straight line profile of operating lease expenses will be recognised earlier under IFRS 16 due to the interest on the lease liability being higher in the first year of adoption. Therefore, subject to any material changes in the portfolio of leases, annual operating lease expenses are expected to be replaced by slightly higher levels of depreciation and interest expense such that an immaterial adverse impact on profit before tax is expected in the year of transition. There will be no net impact on cash flows.

Assumptions, estimates and judgements

The preparation of the Company's financial statements requires Management to make assumptions, estimates and judgements 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 given changes in economic conditions and the level of uncertainty regarding their duration and severity.

Management considers the items where the largest estimates and judgements have been made in the Company's accounts relate to the retirement benefit obligation and income taxes. Details are set out in the consolidated financial statements.

2. Audit Fees

During the year, the Company obtained services from the Group's auditor at costs set out in the consolidated Financial Statements.

3. Directors' Emoluments

	2018 £m	2017 £m
Salary and fees	**1.5**	1.5
Bonus	**0.7**	0.9
Pension salary supplement	**0.2**	0.2
	2.4	2.6

Gains made on the exercise of Long Term Incentive Plan awards were £0.8m (2017: £1.0m). There were nine employees of the Company, all of whom were members of the Board (2017: nine). Key Management personnel is the same as the individuals who are Directors of the Company.

Further details of the Directors' remuneration are disclosed in the Directors' Remuneration Report.

4. Dividends

Details of the dividends paid are set out in Note 8 of the consolidated financial statements.

5. Property, Plant and Equipment

	2018 £m	2017 £m
Cost		
At beginning of year	**33.2**	32.9
Additions	**0.5**	0.3
Disposals	**(26.0)**	–
At end of year	**7.7**	33.2
Depreciation		
At beginning of year	**9.8**	9.0
Charge for the year	**0.7**	0.8
Disposals	**(8.4)**	–
At end of year	**2.1**	9.8
Net book value		
At end of year	**5.6**	23.4
At beginning of year	**23.4**	23.9

Notes to the Financial Statements continued

6. Investments in subsidiaries

	2018 £m	2017 £m
At beginning of the year	**306.1**	292.6
Additions	**402.9**	13.5
Disposals	**(587.4)**	–
At end of the year	**121.6**	306.1

An intragroup restructure was undertaken during the year in advance of the disposal of the Distribution business. As part of the restructure the Company acquired a direct 100% shareholding of Menzies Distribution Ltd, the holding company of the Distribution business. This investment was subsequently disposed on 4 September 2018 for a consideration of £56.2m as set out in Note 27. Other transactions involved the acquisition of the ordinary share capital of John Menzies (108) Ltd from another subsidiary undertaking and the acquisition of the remaining 35% ordinary share capital of Princes Street (Jersey) Ltd from other subsidiary undertakings.

7. Other investments

Details of other investments are set out in Note 12 of the consolidated financial statements.

8. Deferred Tax

	2018 £m	2017 £m
Deferred tax assets		
Retirement benefit obligation	**3.1**	7.2
Share-based payments	**0.3**	0.2
Tax losses	**2.7**	0.6
Other temporary differences	**0.4**	0.4
	6.5	8.4
Deferred tax liabilities		
Accelerated capital allowances and other temporary differences	**–**	(2.6)
	–	(2.6)
Net recognised in the Balance Sheet	**6.5**	5.8
Movement in net deferred tax assets in the year:		
Income Statement: retirement benefit obligation	**(3.7)**	(0.9)
Income Statement: other	**3.0**	0.6
Tax related to items (credited)/charged outside Income Statement	**(0.5)**	(4.0)
Loss on disposal of discontinued operations	**1.9**	–
	0.7	(4.3)

9. Trade and Other Receivables

	2018 £m	2017 £m
Accrued income	**0.3**	0.3
Prepayments	**3.6**	4.2
Amounts owed by other Group companies	**422.3**	494.9
Other receivables	**1.0**	0.5
	427.2	499.9

During the year an impairment of £6.0m relating to two intragroup receivables was provided for (2017: £Nil).

10. Trade and Other Payables

	2018 £m	2017 (i) £m
Accruals	**7.3**	9.8
Amounts owed to other Group companies (ii)	**84.2**	317.4
Other payables	**2.5**	3.6
	94.0	330.8

Note:
(i) As set out in Note 1 accruals have been restated to exclude £7.2m of insurance related provisions.
(ii) The net intercompany receivable position set out in Note 9 and Note 10 has increased to £338.1m (2017: £177.5m). The principal causes of this increase relate to intragroup dividend receipts of £131.4m, the £66.8m impact of the intragroup restructure set out in Note 2 partly offset by amounts repaid by subsidiaries of £48.8m as set out in the Cash Flow statement.

11. Financial Instruments

Details relating to financial instruments are set out in Note 16 of the consolidated financial statements. Information specific to the Company is set out below.

Net debt

	2018 £m	2017 £m
Interest-bearing loans and borrowings	**276.3**	288.0
Derivative financial instruments	**(1.6)**	(1.5)
Total borrowings	**274.7**	286.5
Less: cash at bank, cash in hand and short-term deposits	**5.5**	5.0
	269.2	281.5

Interest-bearing loans and borrowings

	Maturity	2018 £m	2017 £m
Bank overdrafts	On demand	**20.0**	0.1
Amortising sterling term loan	March 2020	**–**	7.1
Non-amortising sterling bank loans	June 2021	**59.0**	93.6
Amortising US dollar term loan	June 2021	**195.3**	184.7
Preference shares	Non-redeemable	**1.4**	1.4
		275.7	286.9
Current value		**31.2**	3.3
Non-current value		**244.5**	283.6
		275.7	286.9

COMPANY FINANCIAL STATEMENTS

Notes to the Financial Statements continued

11. Financial Instruments continued

Trade and other receivables and payables

Trade and other receivables and trade and other payables carrying values of £423.3m and £94.0m (2017: £495.4m and £330.8m) approximate their fair values.

Credit risk

Exposure to credit risk is set out in the table below.

	2018 £m	2017 £m
Bank deposits	**5.5**	5.0

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

In addition to the relevant items above the Company is exposed to credit risk in relation to on demand amounts owed by other Group companies. The amounts owed to and due by the Company from dealings with subsidiary companies are disclosed in Notes 9 and 10. Transactions between the Company and other Group companies primarily related to financing activities.

12. Provisions

The Company carries an insurance provision of £7.5m (all current). In the prior year this provision was £7.2m (all current). As set out in Note 1 insurance provisions have been reclassified from accruals with effect from 1 January 2017.

The Company also carries an onerous lease provision of £3.5m (£1.2m current and £2.3m non-current). In the prior year this provision was £2.7m (£0.9m current and £1.8m non-current).

13. Cash Generated from Operations

	2018 £m	2017 £m
Operating loss before exceptional items (i)	**(6.2)**	(2.3)
Depreciation	**0.7**	0.8
Share-based payments expense	**1.6**	1.4
Pension contributions in cash	**(23.6)**	(12.5)
Net movement relating to exceptional items	**(8.9)**	3.2
Increase in working capital	**(2.4)**	–
	(38.8)	(9.4)

Note:
(i) Excludes non-cash exceptional costs relating to the loss on disposal of the Distribution business and related costs.

14. Retirement Benefit Obligation

Details of the Company's defined benefit pension scheme in the United Kingdom are set out in Note 22 of the consolidated financial statements.

15. Share Capital

Details of Company share capital, including issuance of new shares in the year, are set out in Note 23 of the consolidated financial statements. Details of share based payments are set out in Note 23 of the consolidated financial statements.

Five Year Summary

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Revenue					
Americas	**463.8**	460.4	219.8	173.7	145.4
EMEA	**517.3**	508.2	376.8	338.2	344.3
Rest of World	**157.6**	162.6	130.0	104.3	111.4
Cargo Forwarding	**152.3**	142.4	116.8	111.8	117.7
	1,291.0	1,273.6	843.4	728.0	718.8
Underlying operating profit	**55.1**	53.1	30.5	19.8	27.0
Exceptional and other items	**(19.8)**	(29.7)	(23.7)	(11.2)	(8.8)
Share of joint ventures and associates interest and tax	**(1.3)**	(1.0)	(0.9)	(1.2)	(1.1)
Profit before interest	**34.0**	22.4	5.9	7.4	17.1
Net finance costs	**(12.4)**	(12.5)	(7.8)	(7.6)	(7.4)
Profit before taxation	**21.6**	9.9	(1.9)	(0.2)	9.7
Per ordinary share					
Dividends paid	**20.5p**	19.1p	17.2p	13.1p	26.9p
Underlying earnings	**37.6p**	33.7p	21.8p	11.2p	17.3p
Basic earnings	**14.6p**	0.1p	(11.2)p	(3.6)p	4.1p

The above analysis has been adjusted to exclude the Distribution business that was disposed on 4 September 2018.

Subsidiary, Joint Venture and Associate Undertakings
At 31 December 2018

Interests in all of the companies listed below are in ordinary share capital of these undertakings, except where otherwise stated.

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Administracion de Servicios en Tierra, S.A. de C.V.	Mexico	Plaza Alamos Local 2, SM 311, MZ 26 Lote 03-01 Boulevard Luis Donaldo Colosio C.P. 77560, Cancun, Quintana Roo	Indirect
Aeroground, Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Air Marketing Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Air Menzies International (Aust) Pty Ltd	Australia	Unit 12, Discovery Cove, 1801 Botany Road, Banksmeadow NSW 2019	Indirect
Air Menzies International (Cape) Proprietary Ltd	South Africa	New Agents Road, Unit 6, Air Cargo Centre, Cape Town International Airport, Cape Town	Indirect (59%)
Air Menzies International (India) Private Ltd	India	Cargo Terminal 1, Kempegowda International Airport, Bangalore 560300	Indirect
Air Menzies International (Netherlands) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Air Menzies International (NZ) Ltd	New Zealand	c/o Buddle Findlay, Level 18, PwC Tower, 188 Quay Street, Auckland 1140	Indirect
Air Menzies International (USA), Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Air Menzies International Holding (NZ) Ltd	New Zealand	c/o Buddle Findlay, Level 18, PwC Tower, 188 Quay Street, Auckland 1140	Indirect
Air Menzies International Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Air Menzies International SA Proprietary Ltd	South Africa	Unit 3 Aviation Park, 17 Pomona Road, Kempton Park, Johannesburg	Indirect
Airbase Flight Support Ltd	Isle of Man	66 Athol Street, Douglas IM1 1JE	Indirect
Airbase Flight Support Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Aircraft Service International Group, Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Aircraft Service International, Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Airports Bureau Systems Ltd	United Kingdom	Windmill House, 91-93 Windmill Road, Sunbury-on-Thames TW16 7EF	Indirect
AMI Ocean Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
ASIG (Thailand) Co. Ltd	Thailand	7th-9th & 16th Floor, Bubhajit Building, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500	Indirect (51%)
ASIG (U.K.) Limited	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
ASIG Canada Limited	Canada	6500 Silver Dart Drive, Suite 257, Mississauga, Ontario L5P 1B2	Indirect
ASIG Ground Handling Canada Ltd	Canada	6500 Silver Dart Drive, Suite 257, Mississauga, Ontario L5P 1B2	Indirect
ASIG Holdings (Barbados) Ltd	Barbados	Suite 1, Ground Floor, The Financial Services Centre, Bishop's Court Hill, St. Michael	Indirect
ASIG Holdings Corp.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
ASIG Holdings Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
ASIG Lounge, Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
ASIG Manchester Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
ASIG Nassau Fueling Services Ltd.	Bahamas	3rd Floor, Shirley House, 253 Shirley Street, P.O. Box N-624	Indirect
Australian Air Support Pty Ltd	Australia	c/o Norton Rose Fulbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect

Subsidiary, Joint Venture and Associate Undertakings continued

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Aviation Consultancy Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Aviation Service Leader (Chile) S.A.	Chile	Est. Arturo Alessandri, Amunategui 277, 3F, Santiago	Indirect
Boker Aeroclean Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Cargo 2000 Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Cargosave Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
Coronet Aviation Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Cranford Forwarders Bond Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Czech GH s.r.o.	Czech Republic	K Letisti 1049/57, 161 00 Prague 6	Indirect
DNDS Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Elmdon Cargo Handling Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Express Handling (Scotland) Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
Gold Cost Air Terminal Services Pty	Australia	c/o Norton Rose Fulbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
Heathrow Aviation Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
HO/Menzies Investimentos & Transportes Investments Limitada	China	Avenida da Praia Grande 665, Edificio Great Will, Macau	Indirect

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
JM Nominees Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
JM Secretaries Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
John Menzies (108) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
John Menzies (Birmingham) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
John Menzies (Edinburgh) Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
John Menzies (GB) Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
John Menzies Corporate Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
John Menzies Distribution Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
John Menzies Finance Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
John Menzies Holding GmbH	Germany	Carl-Theodor-Strasse 6, 40213, Düsseldorf	Indirect
John Menzies International Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
John Menzies Property 1 Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
John Menzies Property 2 Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct

Subsidiary, Joint Venture and Associate Undertakings continued

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
John Menzies Property 3 Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
John Menzies USA Holdings, Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
John Menzies USA, Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Direct
London Cargo Group Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
London Cargo Handling Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
London Cargo Imports Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Lonsdale Universal Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Lonsdale Universal Trustees Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
Luton Ramp Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Luton Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
MA Secretaries Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
MAG Nominees Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Mancargo Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Manchester Cargo Centre Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Manchester Handling Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
MCS Trustee Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
Menzies Aviation – Portugal – Servicos De Carga, Unipessoal, LDA	Portugal	Avenida Antonio Augusto de Aguiar, No. 183, R/C Dto., 1050-014 Lisbon	Indirect
Menzies Aviation (Africa) Pty Ltd	South Africa	Unit F4, CTX Business Park, Cape Town International Airport, Cape Town	Indirect
Menzies Aviation (Asia Pacific) Ltd	British Virgin Islands	Newhaven Corporate Services (BVI) Limited, 3rd Floor, Omar Hodge Building, Wickhams Cay I, PO Box 362, Road Town, Tortola	Indirect
Menzies Aviation (ASIG Ground Handling) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (ASIG) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (Australia) Pty Ltd	Australia	c/o Norton Rose Fulbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
Menzies Aviation (Aviation) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Brasil) Ltda	Brazil	Avenida Nove de Julho no. 4865, 5 Andar, Conjunto 51, Sala A, Sao Paulo	Indirect
Menzies Aviation (Canada) Ltd	Canada	100 King Street West, Suite 1600, 1 First Canada Place, Toronto, Ontario M5X 1G5	Indirect
Menzies Aviation (Cargo) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Chengdu) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect

Subsidiary, Joint Venture and Associate Undertakings continued

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Menzies Aviation (Czech) s.r.o.	Czech Republic	K Letisti 1049/57, 161 00 Prague 6	Indirect
Menzies Aviation (DEL), Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Menzies Aviation (Denmark) A/S	Denmark	Copenhagen Airport, Terminal 2, Lufthavnsboulevarden 6, 2770 Kastrup	Indirect
Menzies Aviation (Dominicana) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (EMEA) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (EMEA) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (FR9) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (France) SAS	France	Aeroport Toulouse Blagnac, Hall C, 31700 Blagnac	Indirect
Menzies Aviation (Freighter Handling) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Fuelling) Deutschland GmbH	Germany	Kronenstrasse 73, 10117 Berlin	Indirect
Menzies Aviation (Fuelling) France	France	Aeroport Toulouse Blagnac, Hall C, 31700 Blagnac	Indirect
Menzies Aviation (Ground Services) Australia Pty Ltd	Australia	c/o Norton Rose Fulbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
Menzies Aviation (Handling) Proprietary Ltd	South Africa	Unit F4, CTX Business Park, Cape Town International Airport, Cape Town	Indirect (56%)
Menzies Aviation (Hungary) Kft.	Hungary	Liszt Ferenc Nemzetkozi Repuloter, Repules Oktatasi Kozpont, 17, sz H-1185 Budapest	Indirect
Menzies Aviation (Ibérica) S.A.	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation (India) Private Ltd	India	Plot No-C-04L, Cargo Terminal-1, Kempegowda International Airport, Devanahalli, Bangalore 560300	Indirect
Menzies Aviation (Ireland) Limited	Republic of Ireland	First Floor, Riverside Two, 43/49 Sir John Rogerson's Quay, Dublin 2	Indirect
Menzies Aviation (Italy) srl	Italy	Via Carducci 11, 20123, Milan	Indirect

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Menzies Aviation (LCC) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Lounge) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Luton) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (Mexico) S.A. de C.V.	Mexico	Plaza Alamos Local 2, SM 311, MZ 26 Lote 03-01 Boulevard Luis Donaldo Colosio C.P. 77560, Cancun, Quintana Roo	Indirect
Menzies Aviation (Mumbai) Passenger Ltd	Mauritius	5th Floor, Ebene Esplanade, 24 Cybercity, Ebene	Indirect
Menzies Aviation (Namibia) Proprietary Ltd	Namibia	Bougain Villas, 78 Sam Nujoma Drive, Windhoek	Indirect
Menzies Aviation (New Zealand) Ltd	New Zealand	George Bolt Memorial Drive, Auckland Airport, Auckland 2022	Indirect
Menzies Aviation (NL) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (Oslo) AS	Norway	Sigrid Undsets plass, Terminalen, 2060 Gardermoen, 0235 Ullensaker	Indirect
Menzies Aviation (Poland) Sp. z.o.o.	Poland	ul. Sienna 72/3, 00-833 Warsaw	Indirect
Menzies Aviation (Romania) S.A.	Romania	Henri-Coanda International Airport, Calea Bucurestilor no 224E, Otopeni City, Ilfov	Indirect
Menzies Aviation (Santo Domingo) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (Schiphol) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (South Africa) (Cargo) Proprietary Ltd	South Africa	Unit F4, CTX Business Park, Cape Town International Airport, Cape Town	Indirect (59%)
Menzies Aviation (South Africa) (Pty) Ltd	South Africa	Unit F4, CTX Business Park, Cape Town International, Airport, Cape Town	Indirect (59%)
Menzies Aviation (Stockholm) AB	Sweden	Box 197, SE 190-45, Stockholm, Arlanda	Indirect
Menzies Aviation (Support Services) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect

Subsidiary, Joint Venture and Associate Undertakings continued

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Menzies Aviation (Support) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Sverige) AB	Sweden	Box 197, SE 190-45, Stockholm, Arlanda	Indirect
Menzies Aviation (Sweden) AB	Sweden	Box 51, 230 32 Malmo, Sturup	Indirect
Menzies Aviation (Texas), Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Menzies Aviation (UK) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (USA), Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Menzies Aviation (Venezuela) S.A.	Venezuela	Aeropuerto Internacional Simon Bolivar, Nivel 1, Sector 1, Maiquetia	Indirect
Menzies Aviation (Washington), Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Menzies Aviation (Windhoek Lounge) (Pty) Ltd	Namibia	Bougain Villas, 78 Sam Nujoma Drive, Windhoek	Indirect
Menzies Aviation Alicante UTE	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation Almeria UTE	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation Bermuda Ltd	Bermuda	Thistle House, 4 Burnaby Street, Hamilton HM 11	Indirect
Menzies Aviation Cargo (Bangalore) Ltd	Mauritius	5th Floor, Ebene Esplanade, 24 Cybercity, Ebene	Indirect
Menzies Aviation Cargo (Hungary) Kft.	Hungary	H-2220 Vecses, Lorinci str. 59, C Building, Budapest	Indirect
Menzies Aviation Cargo (Hyderabad) Ltd	Mauritius	5th Floor, Ebene Esplanade, 24 Cybercity, Ebene	Indirect
Menzies Aviation Cargo (Romania) S.R.L.	Romania	Henri-Coanda International Airport, Calea Bucurestilor no 224E, Otopeni City, Ilfov	Indirect
Menzies Aviation Colombia Holdings S.A.S.	Colombia	Carrera 7, No 71 – 21 Torre A, Oficina 602, Bogota	Indirect
Menzies Aviation Colombia S.A.S.	Colombia	Carrera 7, No 71 – 21 Torre A, Oficina 602, Bogota	Indirect
Menzies Aviation Contracts (NL) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation Corporate Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Menzies Aviation Denmark Lounges A/S	Denmark	Menzies Aviation, Copenhagen Airport, Petersdalvej 13, 1st, 2770 Kastrup	Indirect
Menzies Aviation Deutschland Verwaltungs GmbH	Germany	Carl-Theodor-Strasse 6, 40213 Dusseldorf	Indirect (75%)
Menzies Aviation Finance (USA) LLC	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Menzies Aviation Fuelling (Canada) Ltd	Canada	6500 Silver Dart Drive, Suite 257, Mississauga, Ontario L5P 1B2	Indirect
Menzies Aviation Group (Philippines) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation Fuelling Panama, Inc.	Panama	c/o Patton, Moreno & Asvat, Capital Plaza, 8th Floor, Roberto Motta Ave., Costa del Este, Panama City	Indirect
Menzies Aviation Handling Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation Holdings (Asia Pacific) Ltd	British Virgin Islands	Newhaven Corporate Services (BVI) Limited, 3rd Floor, Omar Hodge Building, Wickhams Cay I, PO Box 362, Road Town, Tortola	Indirect
Menzies Aviation Holdings (Australia) Pty Ltd	Australia	c/o Norton Rose Fulbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
Menzies Aviation Holdings (Brasil) Ltda	Brazil	Avenida Nove de Julho no. 4865, 5 Andar, Conjunto 51, Sala A, Sao Paulo	Indirect
Menzies Aviation Holdings Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation Holdings (Venezuela) S.A.	Venezuela	Aeropuerto Internacional Simon Bolivar, Nivel 1, Sector 1, Maiquetia	Indirect
Menzies Aviation Hyderabad (Passenger) Ltd	Mauritius	5th Floor, Ebene Esplanade, 24 Cybercity, Ebene	Indirect
Menzies Aviation, Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Menzies Aviation International Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation Jerez UTE	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect

Subsidiary, Joint Venture and Associate Undertakings continued

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Menzies Aviation Leasing (Mexico) S.A. de C.V.	Mexico	Plaza Alamos Local 2, SM 311, MZ 26 Lote 03-01 Boulevard Luis Donaldo Colosio C.P. 77560, Cancun, Quintana Roo	Indirect
Menzies Aviation Murcia-San Javier UTE	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation plc	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation Puerto Plata S.A.	Dominican Republic	7 and 8 of General Gregorio Luperón, International Airport, Sosua, Puerto Plata	Indirect
Menzies Aviation Services (Asia Pacific) LLC	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Menzies Aviation Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation Services SL	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation Services Venezuela S.A.	Venezuela	Aeropuerto Internacional Simon Bolivar, Nivel 1, Sector 1, Maiquetia	Indirect
Menzies Aviation Spain SL	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation St. Maarten B.V.	Sint Maarten	P.O. Box 2003, Princess Juliana Airport	Indirect
Menzies Aviation Washing Denmark A/S	Denmark	Menzies Aviation, Copenhagen Airport, Petersdalvej 13, 1st, 2770 Kastrup	Indirect
Menzies Aviation Washing Oslo AS	Norway	Sigrid Undsets plass, Terminalen, 2060 Gardermoen, 0235 Ullensaker	Indirect
Menzies Cargo Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Cargo Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Client Solutions (USA), Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Menzies Client Solutions Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Express Baggage Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Group Holdings Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
Menzies Security Services B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Services, Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Menzies Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
Menzies Wholesale Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
Menzies World Cargo (Amsterdam) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies World Cargo (Rotterdam) B.V.	The Netherlands	Brandenburghbaan 2b, 3045 AK Rotterdam	Indirect
Menzies World Cargo Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Worldwide Distribution Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
Moose Aviation Services AB	Sweden	Box 2, 190 45 Stockholm, Arlanda	Indirect
MPF Trustee Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
Ogden Aviation Services (Chile) Ltda	Chile	Est. Arturo Alessandri, Amunategui 277, 3F, Santiago	Indirect
Ogden Cargo Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect

Subsidiary, Joint Venture and Associate Undertakings continued

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Perth Cargo Centre Pty Ltd	Australia	c/o Norton Rose Fulbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
PlaneBiz 2015 Ltd	New Zealand	George Bolt Memorial Drive, Auckland Airport, Auckland 2022	Indirect (60%)
Princes Street (Jersey) Ltd	Jersey	47 Esplanade, St. Helier JE1 0BD	Direct
Rose Street Nominees Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
Simplicity Ground Services, LLC	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Skycare Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Skyport Handling Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Skyport Handling Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Skystar Airport Services NZ Pty Ltd	New Zealand	George Bolt Memorial Drive, Auckland Airport, Auckland 2022	Indirect
Skystar Airport Services Pty Ltd	Australia	c/o Norton Rose Fulbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
Southampton Airport Cargo Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
The London Cargo Centre Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
The Menzies Group Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
Wyng Group Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Wyng Roadflight Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect

Joint venture or associate undertaking	Country of incorporation	Registered address	Holding
Aircraft Service International Group Holdings (Thailand) Ltd	Thailand	7th-9th & 16th Floor, Bubhajit Building, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500	Indirect (49.6%)
AMI Asia HK Ltd	China	Room 1403, Causeway Commercial Building, 3 Sugar Street, Causeway Bay, Hong Kong	Indirect (50%)
ASIG Tanking (Thailand) Ltd	Thailand	7th-9th & 16th Floor, Bubhajit Building, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500	Indirect (40%)
Aviation Service (Iraq) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect (40%)
Menzies Aviation Bobba (Bangalore) Private Ltd	India	Plot No-C-04L, Cargo Terminal-1, Kempegowda International Airport, Devanahalli, Bangalore 560300	Indirect (49%); 100% of preference shares
Menzies Aviation Cairns Pty Ltd	Australia	c/o Norton Rose Fulbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect (50%)
Menzies Aviation Pakistan (Private) Ltd	Pakistan	Office No. 311, 3rd Floor, The Forum, Khayaban-e-Jami, Clifton, Block 9, Karachi	Indirect (60%)
Menzies Bobba Ground Handling Services Private Ltd	India	H.No.6-3-345/1/2, Flat No. 102, Apurupa Classic, Road No. 1, Banjara Hills, Hyderabad 500034	Indirect (51%)
Menzies Macau Airport Services Ltd	China	Avenido de Aeroporto, Edificio Airport Logistic Business Centre, 1 andar, sala 52, Taipa, Macau	Indirect (29%)
PT. Menzies Aviation Indonesia	Indonesia	Area Cargo Bandara Soekarno Hatta, Kel. Pajang, Kec. Benda, Jakarta Barat, Jakarta	Indirect (51%)
Smarter Asset Management Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect (26%)
Swissport Menzies Handling PMR UTE	Spain	Avenida Central 25, 28042 Madrid	Indirect (19.5%)
Zaankracht Uitzendbureau Schiphol B.V.	The Netherlands	Stationsplein 979, 1117 CE Schiphol	Indirect (30%)

Notice of Annual General Meeting

This document is important and requires your immediate attention. If you are in any doubt about what action you should take you are recommended to consult your independent financial adviser authorised under the Financial Services and Markets Act 2000 or, if outside the United Kingdom, another appropriately authorised financial adviser. If you have sold or transferred all of your ordinary shares in John Menzies plc, you should forward this document, together with accompanying documents, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of John Menzies plc ("Company") will be held in the Kimpton Charlotte Square Hotel, 38 Charlotte Square, Edinburgh EH2 4HQ on Friday 17 May 2019 at 2:00pm ("Meeting") to transact the following business:

Ordinary Resolutions

To consider and, if thought fit, pass Resolutions 1–13, each of which will be proposed as an ordinary resolution:

1. Report and Accounts
To receive the Annual Accounts of the Company for the financial year ended 31 December 2018, the Strategic Report and the Reports of the Directors and Auditor 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 2018.

3. Dividend
To declare a final dividend of 14.5p per ordinary share in the Company for the financial year ended 31 December 2018.

4 – 10. Re-election of Directors

4. To re-elect Paul Baines as a director of the Company.

5. To re-elect David Garman as a director of the Company.

6. To re-elect John Geddes as a director of the Company.

7. To re-elect Philipp Joeinig as a director of the Company.

8. To re-elect Silla Maizey as a director of the Company.

9. To re-elect Dermot Smurfit as a director of the Company.

10. To re-elect Giles Wilson as a director of the Company.

11. Re-appointment of auditor
To re-appoint Ernst & Young LLP as the Company's auditor to hold office from the conclusion of this Meeting until the conclusion of the next general meeting at which Annual Accounts are laid before the Company.

12. Remuneration of auditor
To authorise the directors of the Company to fix the remuneration of the Company's auditor.

13. Authority to allot shares
That the directors of the Company ("Directors") be and are hereby generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 ("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 £7,019,658 (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 £7,019,658; and

(b) comprising equity securities up to an aggregate nominal amount of £14,039,316 (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, at the close of business on 30 June 2020 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 hereby had not expired. This authority is in substitution for and to the exclusion of all unexercised existing authorities previously granted to the Directors under the 2006 Act but without prejudice to any allotment of shares or grants of rights already made, offered or agreed to be made pursuant to such authorities.

Special Resolutions

To consider, and if thought fit, pass Resolutions 14 and 15, each of which will be proposed as a special resolution:

14. Purchase of own ordinary shares by the Company
That the Company be and is hereby authorised pursuant to section 701 of the Companies Act 2006 ("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 ("Ordinary Shares"), on such terms and in such manner as the directors of the Company may from time to time determine, provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 8,423,590, representing approximately 10% of the issued ordinary share capital of the Company as at 29 March 2019;

(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 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) an amount equal to the higher of the price of the last independent trade and the highest current independent bid for an Ordinary Share on the trading venue where the market purchases by the Company pursuant to the authority conferred by this Resolution 14 will be carried out,

and the minimum price which may be paid for any such Ordinary Share is 25p, in each case exclusive of the expenses of purchase (if any) payable by the Company; and

Notice of Annual General Meeting continued

(c) the authority hereby conferred shall expire (unless previously renewed, varied or revoked) at the conclusion of the next annual general meeting of the Company or, if earlier, at the close of business on 30 June 2020 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.

15. Purchase of own preference shares by the Company
That the Company be and is hereby authorised pursuant to section 701 of the Companies Act 2006 ("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 ("Preference Shares"), on such terms and in such manner as the directors of the Company may from time to time determine, provided that:

(a) the maximum number of Preference Shares hereby authorised to be purchased is 1,394,587, representing 100% of the issued Preference Share capital of the Company as at 29 March 2019;

(b) the maximum price which may be paid for each such 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 Preference Share 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) an amount equal to the higher of the price of the last independent trade and the highest current independent bid for a Preference Share on the trading venue where the market purchases by the Company pursuant to the authority conferred by this Resolution 15 will be carried out,

and the minimum price which may be paid for any such Preference Share 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 renewed, varied or revoked) at the conclusion of the next annual general meeting of the Company or, if earlier, at the close of business on 30 June 2020, except in relation to the purchase of 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.

Approved and issued by the Board of Directors.

On behalf of the Board of Directors

John Geddes
Director of Corporate Affairs & Company Secretary
29 March 2019

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

Resolution 2: Remuneration Report
In accordance with the provisions of the Companies Act 2006 ("2006 Act"), the Company's Report on Directors' Remuneration (excluding the Directors' Remuneration Policy ("Remuneration Policy")) will be put to an annual shareholder vote by ordinary resolution. This vote is advisory in nature and is in respect of the overall remuneration package which is in place for directors of the Company ("Directors") – it is not specific to individual levels of remuneration nor is the entitlement of a Director to remuneration conditional on the vote being passed.

The Remuneration Policy is, however, subject to a binding shareholder vote by ordinary resolution at least every three years. A new Remuneration Policy was proposed and approved at a general meeting of the Company held on 22 August 2018, further details of which are set out on pages 67 to 75 of the Annual Report and Accounts 2018. The Company cannot make a remuneration payment to a current or prospective Director or a payment for loss of office to a current or past Director unless such payment is consistent with the Remuneration Policy or has been approved by a resolution of the Company's shareholders.

Resolutions 4 – 10: Re-election of Directors
Biographical details of the Directors to be re-elected at this year's annual general meeting ("AGM") can be found on pages 46 and 47 of the Annual Report and Accounts 2018. In accordance with the principles of good governance set out in the UK Corporate Governance Code (April 2016) and as prescribed by the UK Corporate Governance Code (July 2018), all Directors who will continue following the AGM will seek re-election. As previously announced by the Company, Geoff Eaton will not stand for re-election at the AGM and Forsyth Black resigned as a Director in March 2019.

In proposing the re-election of the Directors, the Chairman has confirmed that, following the most recent rigorous external performance evaluations (described on pages 50 and 51 of the Annual Report and Accounts 2018), each individual continues to make an effective and valuable contribution to the Board and demonstrates commitment to their role.

Resolution 13: Authority to allot shares
The Investment Association's Share Capital Management Guidelines ("IA Guidelines") permit, and regard as routine, an authority to allot up to two thirds of a company's existing issued share capital. They provide that any amount in excess of one third of a company's issued share capital should only be applied to fully pre-emptive rights issues.

At the Company's AGM in May 2018, the Directors were given authority to allot shares in the capital of the Company up to an aggregate nominal amount of £13,976,170, representing approximately two thirds of the Company's issued ordinary share capital as at 30 March 2018. To the extent not utilised, this authority is due to expire at the end of this year's AGM.

It is considered appropriate that the Directors again be granted authority to allot shares in the capital of the Company up to a maximum nominal amount of £14,039,316, which amount represents approximately two thirds of the Company's issued ordinary share capital as at 29 March 2019 and thus complies with the IA Guidelines. Accordingly, 28,078,635 ordinary shares of 25p each ("Ordinary Shares"), representing approximately one third of the Company's issued ordinary share capital, may be allotted pursuant to a fully pre-emptive rights issue.

The authority sought by Resolution 13 will last until the conclusion of the next AGM of the Company or, if earlier, the close of business on 30 June 2020. The Directors have no present intention of exercising this authority, although they have confirmed that should the power authorised in Resolution 13 be utilised then all Directors would stand for re-election at the next AGM (as they currently do in accordance with the principles of good governance).

As at 29 March 2019, the Company held 198,334 of its Ordinary Shares in Treasury.

Notice of Annual General Meeting continued

Resolutions 14 and 15: Authority to buy-back shares
Special Resolutions 14 and 15 give the Company authority to make market purchases of its Ordinary Shares and 9% cumulative preference shares ("Preference Shares") in the market, as permitted by the 2006 Act. The authorities set the minimum and maximum prices and limit the number of Ordinary Shares that can be purchased to 8,423,590 (representing approximately 10% of the issued Ordinary Shares as at 29 March 2019) and the number of Preference Shares to 1,394,587 (representing 100% of the issued Preference Shares as at 29 March 2019).

The authorities, if granted, will expire at the conclusion of the next AGM of the Company or, if earlier, at the close of business on 30 June 2020. The Directors have no present intention of exercising the authority to purchase the 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 would only be exercised if the Directors believed that to do so would result in an increase in earnings per share and would be in the interests of the Company's shareholders generally.

As at 29 March 2019, the Company held 198,334 Ordinary Shares in Treasury. The Company may make purchases of its Ordinary Shares, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. No voting rights attach to Ordinary Shares whilst held in Treasury nor are dividends payable on them. The authority sought under Resolution 14 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 the Company's shareholders generally. Any purchase of Ordinary Shares would be by means of market purchase through the London Stock Exchange.

Recommendation
The Directors consider that all the above Resolutions are in the best interests of the Company and its shareholders as a whole and are most likely to promote the success of the Company. Accordingly, they unanimously recommend that you vote in favour of all proposed Resolutions.

Notes to the Notice of AGM

1. Information about the AGM is available from the Company's website found at www.johnmenziesplc.com.

2. As a shareholder, 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 shareholder 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 ("Computershare") at The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to arrive no later than 48 hours before the commencement of the AGM. No amendments to, or submission or withdrawal of, any Form of Proxy shall be effective if lodged with Computershare less than 48 hours before the time appointed for the holding of the AGM or any adjourned meeting.

4. It is possible for you to submit your proxy votes online. Further information on this service can be found on your Form of Proxy or, if you receive communications 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 15 May 2019 or, if the AGM is adjourned, on the day two days prior to the adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any shareholder to attend and vote at the AGM.

7. As a shareholder, 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 shareholder 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 shareholder as to the exercise of voting rights.

9. The statement of the rights of shareholders 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 Notes can only be exercised by shareholders of the Company.

10. As at 29 March 2019, the issued ordinary share capital of the Company comprised 84,434,239 Ordinary Shares and the Company held 198,334 of these Ordinary Shares 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 29 March 2019 is 84,235,905.

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 ("CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's 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 or any adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the shareholder information message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

13. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited 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 their 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, shareholders may require the Company to give, to shareholders 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 the 2006 Act, shareholders 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.

Notice of Annual General Meeting continued

16. It is possible that, pursuant to requests made by shareholders of the Company under section 527 of the 2006 Act, 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 shareholder 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 2006 Act, 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 to publish on a website under section 527 of the 2006 Act.

17. You may not use any electronic address provided either in this Notice of AGM or any related documents to communicate with the Company for any purpose other than as expressly stated.

Documents
The following documents will be available for inspection during usual business hours 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 at the registered office of the Company and at the offices of the Company's solicitors, Dentons UK and Middle East LLP, at One Fleet Street, London EC4M 7RA:

(a) copies of the Directors' service contracts with the Company; and

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

On the date of the AGM, these documents will be available for inspection at the venue of the AGM from 12 noon until the conclusion of the AGM.

General Information

Internet
The Company operates a website which can be found at www.johnmenziesplc.com. This site is regularly updated to provide you with information about the Company and its activities. In particular, all of the Company's press releases and announcements can be found on this site together with copies of its Annual Reports and Accounts.

Share Register and Shareholder Enquiries
Any enquiry concerning your shareholding should be directed to the Company's Registrar, Computershare Investor Services PLC ("Computershare"), and should clearly state your name, address and Shareholder Reference Number ("SRN"). The contact details are as follows:

Telephone:	+44 (0) 370 703 6303
Web:	www.investorcentre.co.uk
Email:	www.investorcentre.co.uk/contactus
Post:	The John Menzies plc Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ

Computershare should be notified promptly in writing of any change in a shareholder's address. Computershare's online Investor Centre also enables you to view your shareholding and update your address and payment instructions online. You can register at www.investorcentre.co.uk. In order to register, you will need your SRN which you can find on your share certificate or dividend confirmation.

Share Price
The current price of the Company's ordinary shares of 25p each ("Ordinary Shares") can be viewed on the Company's website at www.johnmenziesplc.com.

Telephone Share Dealing Service
A share dealing service has been arranged with Jarvis Investment Management Limited which provides a simple way of buying or selling shares in the Company. To use this service you should visit www.dialndeal.co.uk or call the following telephone number and quote reference 'John Menzies plc dial and deal':

Telephone: +44 (0) 1892 700849

Commission for this share dealing service will be at a fixed rate of £27.50. Additionally, UK share purchases will be subject to a 0.5% stamp duty charge whilst a levy of £1.00 will be imposed by the Panel on Takeovers and Mergers for single trades in excess of £10,000.

You will be required to pay for any shares purchased by debit card at the time of the transaction. You must therefore ensure you have sufficient cleared funds available in your debit card account to pay for the shares in full.

ShareGift
If you only have a small number of shares which may be uneconomic to sell, you may wish to consider donating them to the charity ShareGift (Registered Charity No. 1052686) which specialises in accepting such shares as donations. There are no implications for UK Capital Gains Tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. If you wish to do this then the details are as follows:

Telephone:	+44 (0) 20 7930 3737
Web:	www.sharegift.org
Email:	help@sharegift.org

General Information continued

Analysis of Shareholdings
At 31 December 2018

Shareholding (Ordinary Shares)	Number of shareholders	Percentage of shareholders	Total number of Ordinary Shares held	Percentage of Ordinary Shares held
1-1,000	3,003	79.87	731,304	0.87
1,001-5,000	502	13.35	1,033,078	1.22
5,001-10,000	59	1.57	433,638	0.51
10,001-100,000	123	3.27	4,688,250	5.56
Over 100,000	73	1.94	77,477,444	91.84
Total	**3,760**	**100**	**84,363,714**	**100**

Payment of Dividends
It is in the interests of both the Company and its shareholders for dividends to be paid directly into bank or building society accounts. Any shareholder who wishes to receive dividends in this way should contact Computershare to obtain a dividend mandate form.

9% Cumulative Preference Shares
Dividends will be paid on 1 April 2019 and 1 October 2019.

Ordinary Shares
A final dividend of 14.5p per Ordinary Share was proposed by the Directors on 11 March 2019 and, subject to shareholder approval, will be paid on 1 July 2019 to shareholders on the Company's Register of Members as at the close of business on 24 May 2019.

Any interim dividends for the financial year ended 31 December 2019 will be paid on 15 November 2019 to shareholders on the Company's Register of Members as at close of business on 18 October 2019.

Investor Relations
For any Investor Relations enquiries, please contact the Company by one of the following means:

Telephone: +44 (0) 131 225 8144
Email: investor.relations@johnmenziesplc.com
Post: John Menzies plc, 2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ, marked for the attention of John Geddes, Director of Corporate Affairs & Group Company Secretary

Principal Advisers
Auditor
Ernst & Young LLP
3rd Floor, 144 Morrison Street
Edinburgh EH3 8EX

Corporate advisers and joint broker
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Row
London EC4M 7LT

Joint broker
Berenberg
60 Threadneedle Street
London EC2R 8HP

Principal Business Addresses
John Menzies plc
2 Lochside Avenue
Edinburgh Park
Edinburgh EH12 9DJ

Telephone: +44 (0) 131 225 8555
Email: info@johnmenziesplc.com

Menzies Aviation
2 Lochside Avenue
Edinburgh Park
Edinburgh EH12 9DJ

Telephone: +44 (0) 131 225 8555

Corporate Calendar
(Provisional dates)

12 March 2019	Preliminary announcement of Annual Results
1 April 2019	Payment of dividend on Preference Shares
5 April 2019	Annual Report and Accounts 2018 and Notice of AGM released
17 May 2019	AGM
24 May 2019	Record date for final dividend on Ordinary Shares
1 July 2019	Payment of final dividend on Ordinary Shares
13 August 2019	Announcement of Interim Results
1 October 2019	Payment of dividend on Preference Shares
18 October 2019	Record date for interim dividend on Ordinary Shares
15 November 2019	Payment of interim dividend on Ordinary Shares

Notes

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