

## John Menzies plc Preliminary Results Announcement for the year ended 31 December 2009

### Highlights

	2009	2008
Revenue	£1,725.7m	£1,667.1m
Underlying profit before taxation <sup>(1)</sup>	£35.2m	£30.7m
Profit before tax	£22.0m	£9.9m
Underlying operating profit by division <sup>(2)</sup>		
Aviation	£15.8m	£14.1m
Distribution	£28.6m	£23.9m
Underlying earnings per share <sup>(3)</sup>	43.8p	31.3p
Basic earnings per share <sup>(4)</sup>	25.8p	(2.0)p
Net Debt	£132.3m	£182.6m
Free Cashflow	£26.9m	£(11.1)m

#### ► GROUP

- Underlying profit before taxation up 14.7% to £35.2m
- Net debt reduced by £50.3m to £132.3m
- Strong cash generation produces £26.9m of free cashflow

#### ► MENZIES AVIATION

- Underlying operating profit up 12% to £15.8m
- Rigorous cost base actions deliver significant benefits
- Contract gain momentum within Ground Handling offsets market weakness

#### ► MENZIES DISTRIBUTION

- Underlying operating profit up 19.7% to £28.6m
- Contract gains provide a step change for the business
- Cost and productivity initiatives deliver ahead of expectations

#### ► DIVIDEND

- Dividend recommenced with an interim payment for 2009 of 8p in lieu of a final dividend (2008 7.56p)

Notes	
1	Underlying profit before taxation is defined as profit before taxation, intangible amortisation and exceptional items.
2	Underlying operating profit includes each division's share of pre-tax profit from joint ventures and associates, and excludes intangible amortisation and exceptional items.
3	Underlying earnings per share is profit after taxation and minority interest, but before intangible amortisation and exceptional items, divided by the weighted average number of ordinary shares in issue.
4	Basic earnings per share in 2008 includes exceptional costs of £7.3m, intangible amortisation of £4.3m and a non-recurring (non-cash) deferred tax charge of £9.3m.



**William Thomson, Chairman said:**

“2009 has been a year of great contrast but I am delighted that the Group has come through it in a strong position.

The focus for 2009 was on debt reduction and cost control. I am pleased that Group net debt has reduced by over £50m, demonstrating both the extremely cash generative nature of the Group and that management at both divisions rigorously controlled their cost bases.

Menzies Aviation turned in a resilient performance in the light of significant market weakness particularly in the cargo handling market and to a lesser extent in the ground handling market. Management’s ability to flex the cost base, particularly within the larger ground handling business, helped to mitigate the lost revenue. This combined with new contracts and the annualisation of contracts won in 2008, allowed the division to return profits up 12%, which in a distressed marketplace was a very commendable achievement.

Menzies Distribution had a stellar year. Cost initiatives, driven by management incentive schemes and the full benefit of investment in new technologies, delivered ahead of expectations. In addition, over £180m of new revenues were secured following the latest round of publisher negotiations. These contract gains secure core revenue streams through to 2015 and represent a splendid achievement.

To reflect the positive progress made during the year and the strong cashflow performance, the Board has decided to make an interim payment of 8p for the financial year 2009. The payment will be made on 1 April 2010 to all shareholders on the register of members as at 19 March 2010. This dividend is in lieu of a final dividend for 2009.

2010 has started well with both divisions trading ahead of the previous year. We intend to continue to grow both of our divisions by contract wins and selective growth opportunities whilst continuing to focus on debt reduction.”

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## **NOTES TO EDITORS:**

1. John Menzies plc is one of Scotland's largest companies. The company has two operating divisions, Menzies Aviation and Menzies Distribution. Both divisions operate in distinct business to business sectors where success depends on providing an efficient, high quality, time-critical service to their customers and partners.
  2. The company was established in 1833 and its head office is in Edinburgh, Scotland. Today the company is an international business operating in Europe, North America, India, Australasia and Africa.
  3. Menzies Aviation is one of the world's leading independent suppliers of ground handling services to the aviation market providing ground and cargo services for many of the world's leading airlines at some of the busiest international airports. The division employs 15,000 people worldwide servicing over 500 airline customers at 112 locations in 27 countries, In 2009 the division handled more than 650,000 flight turns, 71 million passengers and 1.4 million tonnes of cargo.
  4. Menzies Distribution is a leading provider of added value distribution and marketing services to the newspaper and magazine supply chain in the UK. The division handles around 5.5 million newspapers and 2.2 million magazines (covering 3,000 magazine titles) each day, with deliveries to more than 25,000 customers. The division employs 4,000 people at 40 sites throughout the UK - and is a strongly cash generative business, with around 43% of the newspaper and magazine wholesale distribution market in the UK. It has a track record of investment in innovation and customer service delivery.
1. Further information on John Menzies plc can be found at: [www.johnmenziesplc.com](http://www.johnmenziesplc.com), [www.menziesdistribution.com](http://www.menziesdistribution.com) and [www.menziesaviation.com](http://www.menziesaviation.com).



## **GROUP PERFORMANCE**

Against a backdrop of material reduction in volumes at both divisions the main focus for the Group in 2009 was cost control and reducing the Group's debt. As a result, the Group reduced net debt by over £50m in the year and generated an increase in underlying operating profits of 18.9%.

Menzies Aviation's revenue increased by 1.3% to £507m, with Menzies Distribution's revenue increasing by 4.5% to £1,219m.

Aviation delivered an underlying operating profit of £15.8m, (£14.1m 2008) up 12% on last year. The results for the year benefited from contract gains, the annualisation of prior year business development, lower start-up costs, foreign exchange and continued cost control. This all contributed in mitigating the impact of volume shortfalls.

Distribution had an excellent year with operating profits of £28.6m, (£23.9m 2008) up 19.7% on last year. Like for like gross profit again fell during the year particularly, as expected in the magazine categories. This was more than offset by a very strong performance on costs which net of inflation were reduced by £5.7m. In addition, new revenue streams, other income and a 53<sup>rd</sup> week of trading also helped to increase operating profits.

Corporate costs were reduced by a further £0.5m compared to last year resulting in an underlying operating profit for the Group of £43.4m, £6.9m of ahead last year, an increase of 18.9%. The Group underlying profit before tax was £35.2m, an increase on 2008 of 14.7%.

### **Cashflow and Investment**

Operating cashflow was £57.7m, an increase of £15.2m (c35%) on 2008 reflecting higher operating profits and a positive working capital movement. The focus on debt reduction resulted in Capital Expenditure of £15.1m, some £25.3m lower than the previous year. The reduction in capital expenditure in Aviation along with excellent working capital control led to Aviation having a higher cash conversion rate in the year than Distribution. This resulted in a free cash inflow of £26.9m (or 45p per share) in 2009 compared to a free cash outflow of £11.1m in 2008. In addition, £16.5m was raised from the sale and refinancing of assets which, together with a £6.8m translation gain reduced net debt by £50.3m to £132.3m.

### **Debt and Interest**

Net debt at the year-end was £132.3m which was £50.3m lower than the previous year-end. The key covenant measure, Net Debt to EBITDA was 2.2 times at the end of 2009 markedly down from its peak of 3.2 times at the end of last year. The Group's interest cover increased from 4.9 times in 2008 to 6.7 times in 2009.

External interest costs of £6.4m were £1.3m or 16.9% lower than the previous year, reflecting lower interest rates and the lower levels of average net debt. The IAS 19 interest charge of £1.8m is a £4.1m increase on the net credit of £2.3m in the previous year.

### **Exceptional Items**

Group profit before tax and basic earnings per share were affected by a net exceptional charge of £6m. The majority of this figure £3.8m related to redundancy costs in the Netherlands



as we downsized our ground handling operation. A further £1.0m was provided for the disposal of our Joint Venture investment in Chengdu expected to complete during 2010.

## Pensions

The triennial valuation of the Group's defined benefit pension scheme as at 31 March 2009 is currently being finalised. The IAS 19 deficit has increased from £25.6m in 2008 to £60.8m in 2009 net of deferred tax. The company has reached agreement with the trustees on the deficit funding which is an additional payment of £6m per annum (£4.3m net of tax). This will increase annually with RPI. We are looking at ways of reducing future volatility in the scheme and in particular, ways to mitigate the future inflation risk.

## Dividend

The Board has declared an interim dividend in lieu of a final dividend, of 8p per share. On the basis of a more normal one thirds, two thirds split this would represent an annualised dividend of 12p per share. At this level the annualised dividend would have been covered more than 3.5 times by both earnings and free cashflow in 2009.

## MENZIES AVIATION

		<u>2009</u>	<u>2008</u>
	Revenue	£507.2m	£500.9m
	Underlying operating profit	£15.8m	£14.1m

## Performance

Menzies Aviation produced a resilient performance with underlying operating profit up by 12%. This strong set of results was driven by cost control (including pay freezes and staff reductions), new stations, contract wins and lower start up costs, but mitigated by the sharp decline in volumes for cargo handling and cargo forwarding.

The split of revenues continued its shift towards the more profitable and flexible ground handling business which now represents 59% of divisional turnover with cargo handling and cargo forwarding representing 26% and 15% respectively.

The division also contributed to the cash position of the Group with a net cash inflow of £33.2m. This result was achieved by restricting capital expenditure, continued improvement in working capital management and moving the ground handling business to a less cash consumptive operating leasing model.

During the year the division was a net winner of 49 contracts. The net contract gains will contribute £1.5m on an annualised basis. A high proportion of the losses were as a result of predatory pricing or route cessation. Just as important as contract gains are contract renewals and during the year 35% of EBIT was renewed from key airline contracts that included Alaska Airlines, Pacific Blue, Thai, Virgin America and Continental.



In April 2010 a franchise agreement held in Peru comes to an end reducing divisional EBIT by around £1.5m. However, we expect the effect of this will be offset by the annualised effect of contracts gained during 2009.

### **Cost Savings**

Divisional management reacted quickly to the underlying market conditions and took rigorous measures to manage the cost base. During the year underlying headcount was reduced by some 8% as the workforce was flexed to match demand. Where possible a pay freeze was implemented which helped to restrict labour costs. Indirect costs were minimised, with back office functions further centralised into regional shared service centres, which helped produce an additional benefit of £2m.

Enhanced technology, in particular, a biometric recognition time and attendance system and a new rostering tool were rolled out across the network during the year. These tools brought greater standardisation to working practices and allowed further efficiencies to be driven from the business.

Within ground handling, hours per turn (the key productivity indicator) were reduced by 5.2% and in cargo handling hours per tonne were held in line with the previous year despite the volume shortfalls.

### **Cargo Handling**

The cargo handling business experienced a very difficult year. Absolute tonnes were down 17.8% (lfl 12.4%) as cargo volumes across the world deteriorated. This market weakness led to over capacity, particularly at the world's major airports, which encouraged predatory pricing. As a result of this contract losses, primarily at London Heathrow, also impacted the business. The division has not participated in predatory pricing as it believes that such actions will lead to a reduction in value that will not be recovered when the market turns.

Cargo handling at major hub airports is structurally challenged. Within the portfolio, loss making operations at four major airports have been identified and are now subject to a fix, close or sell process. Cargo operations at minor airports, whilst still affected by reduced volumes, were profitable as the dynamics of these operations differ with little over capacity and reduced competition.

During the year management reduced the cost base to meet the falling demand, with five sheds being closed and capacity rationalised where possible. Fourth quarter 2009 volumes did show signs of recovery, albeit against weak comparators.

### **Cargo Forwarding**

AMI, the division's freight forwarding business, was impacted by the general malaise in the cargo market. Bookings were down 11.6% coupled with yield pressure which saw the margin decline by 0.9% to 2.2%.

### **Ground Handling**

The ground handling business had another good year, with eight new stations opened during the year. Like for like turns were down 3.5%, but absolute turns were up 7.6% demonstrating continued contract gain momentum.



During the year the ground handling business model was further developed. Increasingly the division is utilising a turnkey lease/maintenance solution for its ground handling equipment requirements. Not only does this reduce cash consumption, but also leads to a reduction in total cost of ownership through reduced maintenance costs.

Within the ground handling network the UK business had another strong year, strengthening its relationship with easyJet through the award of contracts at Stansted and Bristol. At London Heathrow, operations at Terminal One prospered, with the award of contracts from Air New Zealand and Swiss. The business now has a significant presence at Terminal One and will look to expand its customer base in the adjacent Terminal Three, where it already has Finnair as its launch customer.

In Continental Europe, operations at Amsterdam were rationalised and a number of unprofitable airline contracts terminated. As a result some three hundred employees left the business. Elsewhere management are continuing to synergise the prior year acquisitions made in Scandinavia, creating a strong platform for growth. In addition, the regional density created in Spain was expanded with operations commencing at Barcelona. The division now operates nine stations in Spain.

The Americas had an excellent year winning new contracts, extending customer relationships and building a reputation as the quality player in the market. The contract to handle Alaska Airlines at their Seattle Tacoma hub was renewed, along with four other stations. In addition, Virgin America at three stations in the USA and Continental at twenty two stations in Mexico were also renewed.

Operations in South Africa had a successful year with new contracts secured and the region receiving a number of airline and airport awards for customer service. In Oceania, the region's largest contract with Pacific Blue to handle their flights at four airports in New Zealand was renewed and a further six new contracts were secured in Australia. Operations at Hyderabad and Bangalore, in India, had a good year and prospects are encouraging.

## Strategy

The division has remained true to its strategy and will continue to focus on working with attractive airlines in attractive markets creating product, station and regional densities.

The strong growth seen within the ground handling business will continue as the division pursues a rich pipeline of organic opportunities. This can largely be achieved by using the new business model which allows the business to grow without requiring major capital expenditure.

Within cargo handling, the focus will be on addressing the structural issues that exist at major cargo locations while the cost base is kept as tight as possible until the market recovers.

## MENZIES DISTRIBUTION

		<u>2009</u>	<u>2008</u>
	Revenue	£1,218.5m	£1,166.2m
	Underlying operating profit	£28.6m	£23.9m



## Performance

2009 was an excellent year for Menzies Distribution. Underlying operating profits were up 19.7%, largely as a result of excellent cost control, the delivery of productivity initiatives and the effect of a 53<sup>rd</sup> week of trading. In addition, £180m of new revenues were secured in the latest round of publisher negotiations. The majority of these contracts started, somewhat earlier than expected, during August following the administration of Dawson News and the remainder will come on stream during 2010. The 2009 full year effect of this new business was neutral as the incremental profit was offset by start up costs.

These contract gains are an excellent achievement and create a step change for the division and the industry.

## Sales

Market conditions during the year remained difficult but sales performed largely as forecast. Like for like sales of magazines were 5.5% down. Absolute volumes were up 2.9% reflecting the new contracts which commenced in August.

Newspapers continued their long term trend with like for like sales down 1.6% with only Saturday sales showing any year on year increase. Absolute volumes were up 4.1% again reflecting the new contract gains.

Stickers had a good year outperforming expectations following a number of successful launches. Overall like for like sales were up 3.6% despite having no major football tournament during the year.

## Marketplace and New Business

In August, following the administration of Dawson News, the division at extremely short notice, took responsibility for a number of contracts that were to migrate over time from Dawson News. This required operating from five Dawson News branches for an initial period. Swift action was required to ensure continuous supply was maintained to all the division's new customers. This was a major operational challenge but one that was met successfully.

During the year £60m of revenue was gained. This will rise to an annualised total of £180m when all of the contracts migrate. 34% of the new business will be serviced from the existing branch network and the remainder of the business will be serviced by two new hub branches opened in Maidstone and Preston together with two new newspaper packing spokes. These new branches were delivered on time and on budget and are producing the high levels of customer service that is already embedded across the branch network.

As a result of the increased footprint, further rationalisation opportunities exist and will be pursued during 2010.

The marketplace has now consolidated from three major wholesalers to two. As a result the division now holds approximately 43% UK market share. In recognition of this the division launched a service pledge to all our customers. The division is committed to being the industry leader in terms of the service that we provide to our publisher and retailer customers. This pledge raises the bar and the division is committed to delivering its pledge each day.



## **Cost and Productivity Initiatives**

2009 produced another excellent cost and productivity performance with like for like operating costs reducing by £5.7m. The full benefit of new technologies helped drive savings together with a Productivity Improvement Plan which incentivised managers to find efficiencies within their own branches. In addition, enhanced route planning delivered significant transport benefits.

The implementation of SAP continues. This major project is not without its challenges but the division remains confident that the project goals will be met. The financial module is operational and the project is now focussed on delivering SAP into the branch network during 2010, with full roll out during 2011.

## **New Revenue Streams**

The division continued to develop new businesses. New revenue streams made an increased contribution to divisional profits, although their growth was impacted by the challenging marketplace.

D-Cipher, the retail media management business, continued to work with its existing customers and delivered returns in line with expectations. Accelerated growth was difficult, largely due to external market conditions and a general reduction in promotional spend. However, the business model remains fit for purpose and growth opportunities exist.

The Network, a field marketing business, was hit by the closure of the London Lite newspaper which it distributed. The distribution contract for the London Evening Standard was secured but revenues from this new contract do not match the London Lite loss. This part of its business has been restructured accordingly and together with its travel and promotional activities will pursue a number of opportunities during 2010.

Jones Yarrell Leadenhall, the corporate news distribution business, performed in line with expectations and successfully integrated specialist London distribution contracts which were secured after Dawson News was placed in administration.

A new business was launched in conjunction with a German partner, Newslog, called Menzies Travel Media to service the needs of travellers for printed media, principally onboard aircraft or within airline lounges. This venture is still in its infancy but progress so far has been encouraging.

To drive this business segment forward, a subdivision - Menzies Marketing Services (MMS) - has been created with four businesses now under the MMS banner and the stewardship of one Managing Director. Each of the businesses has a niche and it is believed that they can grow market share and develop into adjacent markets.

Progress continues to be made on gaining more regional press contracts. £8m of new business was gained in 2010 and there remains a substantial amount of business to go after.

The joint venture with Eason and Son Ltd in Ireland had a good year. Operational stability was achieved and Menzies Distribution processes and standards are now becoming embedded into the culture. A number of new contracts have been secured and by delivering high levels of customer service it is hoped that further contracts will be gained.



## Office of Fair Trading (OFT)

The OFT announced in September that it was not referring the newspaper and magazine supply chain to the Competition Commission. The division welcomes this decision and looks forward to participating in industry groups to help shape the industry, as all participants look to address the challenges that exist.

## Strategy

After a year that has brought a great amount of change the division has clear objectives. In 2010 the additional new contracts will be integrated into the business. This enlarged network allows further synergy benefits and these will be pursued. New ventures will be developed and further efficiencies will be targeted.

Divisional strategy is set around three pillars:

### Pillar 1 – Execute

- fully integrate new business on the back of contract wins
- continue to deliver cost savings and productivity improvements
- develop joint venture in Ireland

### Pillar 2 – Redesign

- develop the business to meet the changing business environment
- increase customer focus and continue to improve service
- implement SAP throughout the business, driving further efficiencies

### Pillar 3 – Grow & Diversify

- deliver new regional distribution contracts
- expand Marketing Services
- explore acquisition opportunities

## OUTLOOK

At Menzies Aviation, the year has started well. Both Cargo and Ground handling volumes have seen like for like growth in the early weeks of 2010, albeit against weak comparatives in the previous year.

At Menzies Distribution, sales in the year so far are well up on last year as a result of the impact of contract gains. Overall trading in the early weeks of 2010 was broadly in line with last year. The focus for the year remains on cost control, the implementation of the new SAP system and the development of additional revenue streams.

Overall the Group is planning selectively to grow both divisions using the cash generated by the businesses whilst continuing to focus on debt reduction and further improve our financial ratios. We have recommenced dividend payments which we will look to grow progressively. The Board is looking forward with confidence and expects the Group to make further progress in 2010.



## GROUP INCOME STATEMENT

for the year ended 31 December 2009 (year ended 31 December 2008)

	Notes	Before exceptional and other items £m	Exceptional and other items £m	2009 Total £m
<b>Revenue</b>	2	1,725.7	-	1,725.7
Net operating costs		(1,692.1)	(9.3)	(1,701.4)
<b>Operating profit</b>		33.6	(9.3)	24.3
Share of post-tax results of joint ventures and associates		9.8	(3.9)	5.9
<b>Operating profit after joint ventures and associates</b>		43.4	(13.2)	30.2
<i>Analysed as:</i>				
Underlying operating profit*		43.4	-	43.4
Non-recurring items	4(a)	-	(6.0)	(6.0)
Intangible amortisation	4(b)	-	(5.1)	(5.1)
Share of interest and tax on joint ventures and associates		-	(2.1)	(2.1)
<b>Operating profit after joint ventures and associates</b>		43.4	(13.2)	30.2
Finance income	5	0.6	-	0.6
Finance charges	5	(7.0)	-	(7.0)
Other finance (charges)/income – pensions	3	(1.8)	-	(1.8)
<b>Profit before taxation</b>		35.2	(13.2)	22.0
Taxation	6	(9.3)	2.6	(6.7)
<b>Profit for the year</b>		25.9	(10.6)	15.3
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Attributable to equity shareholders		25.9	(10.6)	15.3
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<b>Earnings per ordinary share</b>	8			
Basic		43.8p	(17.9)p	25.8p
Diluted		43.8p	(17.9)p	25.8p



	Notes	Before exceptional and other items £m	Exceptional and other items £m	2008 Total £m
<b>Revenue</b>	2	1,667.1	-	1,667.1
Net operating costs		(1,636.1)	(11.6)	(1,647.7)
<b>Operating profit</b>		31.0	(11.6)	19.4
Share of post-tax results of joint ventures and associates		5.1	(1.5)	3.6
<b>Operating profit after joint ventures and associates</b>		36.1	(13.1)	23.0
<i>Analysed as:</i>				
Underlying operating profit*		36.5	-	36.5
Non-recurring items	4(a)	-	(7.3)	(7.3)
Intangible amortisation	4(b)	-	(4.3)	(4.3)
Share of interest and tax on joint ventures and associates		(0.4)	(1.5)	(1.9)
<b>Operating profit after joint ventures and associates</b>		36.1	(13.1)	23.0
Finance income	5	2.3	-	2.3
Finance charges	5	(10.0)	(7.7)	(17.7)
Other finance (charges)/income – pensions	3	2.3	-	2.3
<b>Profit before taxation</b>		30.7	(20.8)	9.9
Taxation	6	(12.1)	1.0	(11.1)
<b>Loss for the year</b>		18.6	(19.8)	(1.2)
Attributable to equity shareholders		18.6	(19.8)	(1.2)
<b>Earnings per ordinary share</b>	8			
Basic		31.3p	(33.3)p	(2.0)p
Diluted		31.3p	(33.3)p	(2.0)p

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



## GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009 (year ended 31 December 2008)

	Notes	2009 Total £m	2008 Total £m
Profit/(loss) for the year		15.3	(1.2)
Actuarial loss on defined benefit pensions	3	(50.0)	(48.7)
Actuarial loss on unfunded pension arrangements		(0.2)	-
Deferred tax associated with defined benefit pensions		14.1	13.6
Losses on cash flow hedges		(1.2)	-
Income tax effect		0.3	-
Net exchange adjustments		(1.7)	4.7
Net losses recognised directly in equity		(38.7)	(30.4)
Total recognised loss for the year		(23.4)	(31.6)
Attributable to equity shareholders		(23.4)	(31.6)

The parent company Statement of Comprehensive Income includes a profit for the year of £63.4m (2008: £18.5m) and a net actuarial loss on defined benefit pensions of £36.1m (2008: £35.1m).



**GROUP AND COMPANY BALANCE SHEETS**  
as at 31 December 2009 (31 December 2008)

	Notes	Group		Company	
		2009 £m	2008 £m	2009 £m	2008 £m
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	9	100.5	102.1	-	-
Property, plant and equipment		140.8	169.4	31.6	36.8
Investments		41.8	47.1	292.5	293.4
Derivative financial assets		0.1	-	0.1	-
Deferred tax assets		19.9	15.0	19.0	10.0
		<b>303.1</b>	<b>333.6</b>	<b>343.2</b>	<b>340.2</b>
<b>Current assets</b>					
Inventories		12.0	9.3	-	-
Trade and other receivables		158.9	157.4	224.7	169.6
Available for sale investment		1.4	2.7	-	-
Derivative financial assets		2.5	0.4	2.5	0.4
Cash and cash equivalents		31.5	19.6	10.5	2.6
		<b>206.3</b>	<b>189.4</b>	<b>237.7</b>	<b>172.6</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Borrowings		(12.8)	(58.6)	(12.2)	(57.7)
Derivative financial liabilities		(2.2)	(17.1)	(2.2)	(17.1)
Trade and other payables		(200.0)	(195.8)	(247.5)	(213.8)
Current income tax liabilities		(9.7)	(9.9)	-	-
Provisions		(2.6)	(2.0)	-	-
		<b>(227.3)</b>	<b>(283.4)</b>	<b>(261.9)</b>	<b>(288.6)</b>
<b>Net current liabilities</b>		<b>(21.0)</b>	<b>(94.0)</b>	<b>(24.2)</b>	<b>(116.0)</b>
<b>Total assets less current liabilities</b>		<b>282.1</b>	<b>239.6</b>	<b>319.0</b>	<b>224.2</b>
<b>Non-current liabilities</b>					
Borrowings		(150.1)	(126.0)	(150.1)	(125.8)
Other payables		(1.3)	(0.2)	-	-
Derivative financial liabilities		(1.3)	(0.9)	(1.3)	(0.9)
Provisions		(5.3)	(6.6)	-	-
Deferred tax liabilities		-	(7.7)	-	(5.2)
Retirement benefit obligations	3	(84.5)	(35.6)	(84.5)	(35.6)
		<b>(242.5)</b>	<b>(177.0)</b>	<b>(235.9)</b>	<b>(167.5)</b>
<b>Net assets</b>		<b>39.6</b>	<b>62.6</b>	<b>83.1</b>	<b>56.7</b>
<b>Shareholders' equity</b>					
Ordinary shares		15.1	15.1	15.1	15.1
Share premium account		15.8	15.8	15.8	15.8
Investment in own shares		(3.3)	(3.3)	-	-
Hedge accounting reserve	15	(0.9)	-	(0.9)	-
Retained earnings		(8.7)	13.4	31.5	4.2



Capital redemption reserve	<b>21.6</b>	21.6	<b>21.6</b>	21.6
<b>Total equity</b>	<b>39.6</b>	62.6	<b>83.1</b>	56.7

The accounts were approved by the board of directors on 8 March 2010 and signed on its behalf by:

**William Thomson,**  
Chairman

**Paul Dollman,**  
Group Finance Director



## GROUP AND COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31 December 2009 (31 December 2008)

	Ordinary shares £m	Share premium account £m	Investment in own shares £m	Hedge accounting reserve £m	Retained earnings £m	Capital redemption reserve £m	Total £m
<b>Group</b>							
As at 31 December 2008	15.1	15.8	(3.3)	-	13.4	21.6	62.6
Profit for the year	-	-	-	-	15.3	-	15.3
Share-based payments	-	-	-	-	0.4	-	0.4
Movement in the year	-	-	-	(0.9)	-	-	(0.9)
Actuarial loss (net of deferred tax)	-	-	-	-	(36.1)	-	(36.1)
Exchange adjustments	-	-	-	-	(1.7)	-	(1.7)
<b>As at 31 December 2009</b>	<b>15.1</b>	<b>15.8</b>	<b>(3.3)</b>	<b>(0.9)</b>	<b>(8.7)</b>	<b>21.6</b>	<b>39.6</b>
As at 29 December 2007	15.0	15.1	(3.4)	-	60.1	21.6	108.4
Loss for the year	-	-	-	-	(1.2)	-	(1.2)
Dividends	-	-	-	-	(15.5)	-	(15.5)
New share capital issued	0.1	0.7	-	-	-	-	0.8
Movement in own shares	-	-	0.1	-	-	-	0.1
Share-based payments	-	-	-	-	0.4	-	0.4
Actuarial loss (net of deferred tax)	-	-	-	-	(35.1)	-	(35.1)
Exchange adjustments	-	-	-	-	4.7	-	4.7
As at 31 December 2008	15.1	15.8	(3.3)	-	13.4	21.6	62.6
<b>Company</b>							
At 31 December 2008	15.1	15.8	-	-	4.2	21.6	56.7
Profit for the year	-	-	-	-	63.4	-	63.4
Movement in the year	-	-	-	(0.9)	-	-	(0.9)
Actuarial loss (net of deferred tax)	-	-	-	-	(36.1)	-	(36.1)
<b>As at 31 December 2009</b>	<b>15.1</b>	<b>15.8</b>	<b>-</b>	<b>(0.9)</b>	<b>31.5</b>	<b>21.6</b>	<b>83.1</b>
At 29 December 2007	15.0	15.1	-	-	36.2	21.6	87.9
Profit for the year	-	-	-	-	18.5	-	18.5
Dividends	-	-	-	-	(15.5)	-	(15.5)
New share capital issued	0.1	0.7	-	-	-	-	0.8
Share-based payments	-	-	-	-	0.1	-	0.1
Actuarial loss (net of deferred tax)	-	-	-	-	(35.1)	-	(35.1)
As at 31 December 2008	15.1	15.8	-	-	4.2	21.6	56.7

The profit for the year for the company of £63.4m (2008: £18.5m) is the same under both IFRS and UK GAAP.



## GROUP AND COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2009 (year ended 31 December 2008)

	Notes	Group		Company	
		2009 £m	2008 £m	2009 £m	2008 £m
<b>Cash flows from operating activities</b>					
Cash generated from operations	11	52.0	39.2	(7.7)	(9.9)
Interest received		0.8	2.2	-	0.1
Interest paid		(7.9)	(17.5)	(7.2)	(9.6)
Tax (paid)/recovered		(5.5)	(4.6)	(1.3)	0.7
<b>Net cash from operating activities</b>		<b>39.4</b>	<b>19.3</b>	<b>(16.2)</b>	<b>(18.7)</b>
<b>Cash flows from investing activities</b>					
Investment in joint ventures and associates		0.9	(8.7)	-	-
Loan repaid by joint venture		2.3	0.5	-	-
Loan repaid by associate		-	0.1	-	-
Proceeds from disposal of investments		0.6	12.2	-	-
Acquisition of subsidiaries		(1.6)	(13.0)	-	-
Net cash acquired with subsidiaries		-	1.2	-	-
Purchase of property, plant and equipment		(15.1)	(40.4)	-	-
Intangible asset additions		(4.1)	(2.4)	-	-
Proceeds from sale of property, plant and equipment		16.9	9.1	6.0	-
Dividends received		4.2	3.3	-	-
<b>Net cash used in investing activities</b>		<b>4.1</b>	<b>(38.1)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>					
Net proceeds from issue of ordinary share capital		-	0.8	-	0.8
Repayment of borrowings	10	(54.3)	(16.5)	(54.3)	(16.7)
Proceeds from borrowings	10	14.3	45.9	14.3	45.9
Dividends paid to ordinary shareholders		-	(15.5)	-	(15.5)
Amounts repaid by/(provided to) subsidiaries		-	-	49.4	3.9
<b>Net cash from financing activities</b>		<b>(40.0)</b>	<b>14.7</b>	<b>9.4</b>	<b>18.4</b>
<b>Increase/(decrease) in net cash and cash equivalents</b>	10	<b>3.5</b>	<b>(4.1)</b>	<b>(0.8)</b>	<b>(0.3)</b>
Effects of exchange rate movements		(0.2)	0.3	(0.2)	0.3
Opening net cash and cash equivalents		17.2	21.0	0.8	0.8
<b>Closing net cash and cash equivalents*</b>		<b>20.5</b>	<b>17.2</b>	<b>(0.2)</b>	<b>0.8</b>

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



## Notes to the Accounts

The consolidated accounts of the Group for the year ended 31 December 2009 were approved and authorised for issue in accordance with a resolution of the directors on 8 March 2010. John Menzies plc is a limited company incorporated in Scotland and is listed on the London Stock Exchange

### 1. Accounting policies

A summary of the more significant accounting policies, which have been consistently applied, is set out below.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2009 and have not been adopted early:-

IFRS 1 '(Amendment) Limited Exemption from Comparative IFRS 7 disclosures' is effective for periods on or after 1 July 2010

IFRS 2 '(Amendment) Group Cash-settled Share-based Payment Transactions' is effective for periods on or after 1 January 2010

IFRS 3 'Business Combinations (Revised)' is effective for annual periods on or after 1 July 2009

IFRS 9 'Financial Instruments: Classification & Measurement' is effective for periods on or after 1 January 2013

IAS 24 '(Revised) Related Party Disclosures' is effective for periods on or after 1 January 2011

IAS 27 'Consolidated and Separate financial statements (Revised)' is effective for annual periods on or after 1 July 2009

IAS 32 '(Amendment) classification of right Issues' is effective for annual periods on or after 1 February 2010

IAS 39 '(Amendment) Eligible Hedged items' is effective for annual periods on or after 1 July 2009

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

IFRIC 17 'Distribution of non-cash Assets to owners' is effective for annual periods on or after 1 July 2009

IFRIC 18 'Transfers of assets from customers' is effective for annual periods on or after 1 July 2009

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' is effective for periods on or after 1 July 2010

The Group has adopted the following new and amended IFRS's as of 1 January 2009:

The adoption of IAS 1 (revised) has required the reconciliation of movements in equity, previously disclosed in Note 21 in the accounts for the year ended 31 December 2008, to be presented as a primary statement entitled 'Statement of Changes in Equity'. In addition the Statement of Recognised Income and Expense has been replaced with the Statement of Comprehensive Income.

IFRS 7 'Financial Instruments: Disclosures' required additional disclosures as shown in Note 16.



IFRS 8 'Operating segments'. In adopting IFRS 8 the Group has concluded that the operating segments were the same as the business segments determined under IAS 14 'Segmental Reporting'. Details of these operating segments are disclosed in Note 2.

IAS 23 'Borrowing costs'. In adopting IAS 23 (revised) the Group has amended its accounting policy and, from 1 January 2009, now capitalises borrowing costs on qualifying assets. The implementation of this policy has had no material impact on the Group's accounts.

As permitted by section 408 of the Companies Act 2006 no income statement is presented for the Company.

### **Basis of consolidation**

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

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

### **Joint ventures and associates**

A joint venture is an entity in which the Group holds an interest on a long-term basis and which is jointly controlled by the Group and one or more other venturers under a contractual agreement.

An associate is an undertaking, not being a subsidiary or joint venture, over which the Group has significant influence and can participate in the financial and operating policy decisions of the entity.

The Group's share of the results of joint ventures and associates is included in the Group Income Statement using the equity method of accounting. Investments in joint ventures and associates are carried in the Group Balance Sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

### **Revenue**

Distribution - revenue is recognised on the weekly dispatched value of goods sold, excluding value-added tax.

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

### **Property, plant and equipment**

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

Freehold and long leasehold properties - over 50 years



Short leasehold properties - over the remaining lease term  
Plant and equipment - over the estimated life of the asset.

### **Inventories**

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

### **Pensions**

The operating and financing costs of pensions are charged to the income statement in the period in which they arise and are recognised separately. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, are recognised in the statement of comprehensive income.

Pension costs are assessed in accordance with the advice of qualified actuaries.

With regard to defined contribution schemes, the income statement charge represents contributions made.

Pension financing costs are now shown separately in the income statement.

### **Taxation**

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

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

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

Current and deferred tax is recognised in the income statement except if it relates to an item recognised directly in equity or in other comprehensive income, in which case it is recognised directly in equity or in the Group Statement of Comprehensive Income.

### **Intangible assets**

#### ***Goodwill***

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill acquired is recognised as an asset and reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.



Any impairment is recognised in the income statement.

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

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

### **Contracts**

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

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

### **Development costs**

Development expenditure incurred on individual projects is carried forward only if all the criteria set out in IAS 38 "Intangible assets" are met. Following the initial recognition of development expenditure, the cost is amortised over the project's estimated useful life, usually three to five years.

### **Computer software**

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly attributable with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees. Costs are amortised over their estimated useful lives, usually three to five years.

### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets acquired under finance leases are capitalised in the balance sheet at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is recorded in the balance sheet as a finance lease obligation. The lease payments are apportioned between finance charges (charged to the income statement) and a reduction of the lease obligations.

Rental payments under operating leases are charged to the income statement on a straight-line basis over applicable lease periods.

### **Available for sale investments**

Investments are classified as available for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Available for sale investments are stated at the lower of carrying value and fair value less costs to sell.

### **Trade receivables**

If there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of an invoice, a provision on the respective trade receivable is recognised. In such an



instance, the carrying value of the receivable is reduced, with the amount of the loss recognised in the income statement.

### **Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### **Foreign currencies**

Foreign currency assets and liabilities of the Group are translated at the rates of exchange ruling at the balance sheet date. The trading results of overseas subsidiaries, joint ventures and associates are translated at the average exchange rate ruling during the year, with the exchange difference between average rates and the rates ruling at the balance sheet date being taken to reserves.

Any differences arising on the translation of the opening net investment, including goodwill, in overseas subsidiaries, joint ventures and associates, and of applicable foreign currency loans, are dealt with as adjustments to reserves. All other exchange differences are dealt with in the income statement.

### **Derivative financial instruments and hedging activities**

The Group uses forward contracts and cross-currency swaps as derivatives to hedge the risk arising from the retranslation of foreign currency denominated items.

The Group has derivatives which are designated as hedges of overseas net investments in foreign entities (net investment hedges) and derivatives which are designated as hedges of the exchange risk arising from the retranslation of highly probable forecast revenue denominated in non-local currency of some of our overseas operations (cash flow hedges).

In all cases, the derivative contracts entered into by the Group have been highly effective during the reporting period, and are expected to continue to be highly effective until they expire. As a result, all derivatives have been recorded using hedge accounting, which is explained below.

All derivatives are measured at fair value, which is calculated as the present value of all future cash flows from the derivative discounted at prevailing market rates.

Changes in the fair value of the effective portion of net investment hedges are recorded in equity, and are only recycled to the income statement on disposal of the overseas net investment.

Changes in the fair value of the effective portion of cash flow hedges are recorded in equity until such time as the forecast transaction occurs, at which time they are recycled to the income statement. If, however, the occurrence of the transaction results in a non-financial asset or liability, then amounts recycled from equity would be included in the cost of the non-financial asset or liability. If the forecast transaction remains probable but ceases to be highly probable then, from that point, changes in fair value would be recorded in the income statement within finance costs. Similarly, if the forecast transaction ceases to be probable then the entire fair value recorded in equity and future changes in fair value would be posted to the income statement within finance costs.

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### **Share capital**

Ordinary shares are classed as equity. Where the Company purchases its own shares the consideration paid including any directly attributable incremental costs, is deducted from the equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.



### **Share-based payments**

Equity-settled share-based payments are measured at fair value at the date of grant and recognised as an expense over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest unless the options do not vest as a result of a failure to satisfy market conditions. Fair value is measured by use of a relevant pricing model.

### **Critical accounting estimates and judgements**

The Group makes estimates and assumptions concerning the future. These estimates will, by definition, seldom equal the related actual results particularly so given the prevailing difficult economic conditions and the level of uncertainty regarding their duration and severity.

The Board has considered the critical accounting estimates and assumptions used in the Accounts and concluded that the main areas of significant risk which may cause a material adjustment to the carrying amount of assets and liabilities within the next financial year is in respect of the carrying value of intangible assets and the assumptions used to calculate pension benefits.

### ***Impairment of long-lived assets***

The Group periodically evaluates the net realisable value of long-lived assets, including goodwill, other intangible assets and tangible fixed assets, having regard to a number of factors, including business plans, projected results and discounted future cash flows.

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation and are tested annually for impairment or whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value is, in most cases, based on the discounted present value of the future cash flows expected to arise from the cash generating unit to which the goodwill relates, or from the individual asset or asset group.

Estimates are used in deriving these cash flows and the discount rate. The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the intangible and tangible fixed asset accounting policies affect the amounts reported in the financial statements.

In particular, if different estimates of the projected future cash flows or a different selection of an appropriate discount rate or long-term growth rate were made, these changes could materially alter the projected value of the cash flows of the asset and, as a consequence, materially different amounts would be reported in the financial statements. These estimates are interlinked and specific to the circumstances of each asset, so that it is not appropriate to indicate how reported amounts might change if different estimates were made.

### ***Pensions***

The assumptions include corporate bond yields, investment return, price and salary inflation and mortality assumptions. Full details of assumptions used to calculate the pension assets and liabilities are found in Note 3.

### **Exceptional items**

Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the income statement to enable a full understanding of the Group's financial performance.



These exclude certain elements of intangible asset impairment and amortisation, which are also presented separately in the income statement.

Transactions which may give rise to exceptional items include restructurings of business activities (in terms of rationalisation costs and onerous lease provisions) and gains or losses on the disposal of businesses.

#### **Dividend distributions**

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

#### **Financial risk factors**

The Group is exposed to financial risks: liquidity risk, interest rate fluctuations, foreign exchange exposures and credit risk. More details on these are disclosed in Note 16.

## **2. SEGMENT INFORMATION**

For management purposes the Group is organised into two operating divisions: Distribution and Aviation. These two divisions are organised and managed separately based upon their key markets and each is treated as an operating segment and reportable segment in accordance with IFRS8.

The operating and reportable segments were determined based on the reports reviewed by the Board which are used to make decisions about the allocation of resources between the two divisions.

The Distribution segment provides newspaper and magazine distribution services across the UK along with marketing services. The Aviation segment provides cargo and passenger ground handling services across the world.

The Board assesses the performance of the operating segments based on a measure of adjusted segment result before exceptional items and intangibles amortisation. Net finance income and expenditure are not allocated to segments as this type of activity is driven by the central treasury function.

The amounts provided to the Board with respect to total assets and total liabilities are measured in a manner consistent with that of the Accounts. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment.

The Group's interest bearing liabilities are not considered to be segment liabilities but rather are managed by the central treasury function.

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



<b>Segment results 2009</b>	Distribution £m	Aviation £m	Corporate £m	<b>Group £m</b>
Revenue	1,218.5	507.2	-	<b>1,725.7</b>
Operating profit/(loss)	26.7	(1.4)	(1.0)	<b>24.3</b>
Share of post-tax results of joint ventures	1.3	2.9	-	<b>4.2</b>
Share of post-tax results of associates	-	1.7	-	<b>1.7</b>
Operating profit/(loss) after joint ventures and associates	28.0	3.2	(1.0)	<b>30.2</b>
Net finance expense				<b>(8.2)</b>
Profit before tax				<b>22.0</b>

Analysed as:				
Pre-exceptional operating profit/(loss)*	28.6	15.8	(1.0)	<b>43.4</b>
(Loss)/gain on disposal of property, plant and equipment (Note 4)	-	(0.5)	1.7	<b>1.2</b>
Gain on disposal of interest in joint venture (Note 4)	-	0.2	-	<b>0.2</b>
Impairment provisions (Note 4)	-	(2.8)	-	<b>(2.8)</b>
Onerous lease provision (Note 4)	-	-	(1.7)	<b>(1.7)</b>
Rationalisation costs (Note 4)	-	(4.7)	-	<b>(4.7)</b>
Contract amortisation (Note 9)	-	(3.3)	-	<b>(3.3)</b>
Share of tax on joint ventures and associates	(0.6)	(1.5)	-	<b>(2.1)</b>
Operating profit/(loss) after joint ventures and associates	28.0	3.2	(1.0)	<b>30.2</b>

2008	£m	£m	£m	£m
Revenue	1,166.2	500.9	-	1,667.1
Operating profit/(loss)	22.7	(0.6)	(2.7)	19.4
Share of post-tax results of joint ventures	0.1	2.5	-	2.6
Share of post-tax results of associates	-	1.0	-	1.0
Operating profit/(loss) after joint ventures and associates	22.8	2.9	(2.7)	23.0
Net finance expense				(13.1)
Profit before tax				9.9

Analysed as:				
Pre-exceptional operating profit/(loss)*	23.9	14.1	(1.5)	36.5
Gain on disposal of interest in joint venture	-	8.2	-	8.2
Impairment provisions (Note 4)	(0.8)	(4.8)	-	(5.6)
Onerous lease provision (Note 4)	-	(3.8)	(1.2)	(5.0)
Rationalisation costs (Note 4)	-	(6.7)	-	(6.7)
Contract amortisation (Note 9)	-	(2.5)	-	(2.5)
Share of interest on joint ventures and associates	(0.1)	(0.3)	-	(0.4)



Share of tax on joint ventures and associates	(0.2)	(1.3)	-	(1.5)
Operating profit/(loss) after joint ventures and associates	22.8	2.9	(2.7)	23.0

\* Pre-exceptional operating profit/(loss) is defined as operating profit/(loss) excluding intangible amortisation as shown in Note 4(b) and exceptional items but including the pre-tax share of results from joint ventures and associates.

	Distribution £m	Aviation £m	Corporate £m	Group £m
<b>2009</b>				
Segment assets	184.2	267.9	5.9	<b>458.0</b>
Unallocated assets				<b>51.4</b>
Total assets				<b>509.4</b>
Segment liabilities	(124.0)	(70.2)	(18.5)	<b>(212.7)</b>
Unallocated liabilities				<b>(257.1)</b>
Total liabilities				<b>(469.8)</b>
Segment assets/(liabilities)	60.3	196.4	(11.3)	<b>245.3</b>
Unallocated net liabilities				<b>(205.7)</b>
Net assets				<b>39.6</b>
<b>2008</b>				
Segment assets	167.6	317.5	3.3	488.4
Unallocated assets				34.6
Total assets				523.0
Segment liabilities	(108.3)	(80.7)	(33.6)	(222.6)
Unallocated liabilities				(237.8)
Total liabilities				(460.4)
Segment assets/(liabilities)	59.3	236.8	(30.3)	265.8
Unallocated net liabilities				(203.2)
Net assets				62.6

Unallocated assets comprise deferred tax assets, cash and cash equivalents.

Unallocated liabilities comprise retirement benefit obligations, borrowings, current income tax liabilities and deferred tax liabilities.



	Distribution £m	Aviation £m	Corporate £m	Group £m
<b>2009</b>				
Capital expenditure	7.0	8.1	-	15.1
Depreciation	5.8	18.2	0.9	24.9
Amortisation of intangible assets (Note 9)	1.2	3.5	-	4.7
Goodwill impairment (Note 4)	-	1.8	-	1.8
Gain on disposal of property, plant and equipment	-	-	(1.7)	(1.7)
<b>2008</b>	£m	£m	£m	£m
Capital expenditure	8.7	31.6	-	40.3
Depreciation	5.6	17.1	0.9	23.6
Amortisation of intangible assets (Note 9)	0.5	2.5	-	3.0
Goodwill impairment (Note 4)	-	4.8	-	4.8
(Gain)/loss on disposal of property, plant and equipment	-	(0.3)	0.4	0.1

### Geographic information

	Revenue		Segment non-current assets	
	2009 £m	2008 £m	2009 £m	2008 £m
United Kingdom	1,369.0	1,316.2	182.9	181.4
Continental Europe	112.5	128.2	35.3	46.4
Americas	126.6	116.9	25.8	32.0
Rest of the World	117.6	105.8	60.3	61.4
	<b>1,725.7</b>	<b>1,667.1</b>	<b>304.3</b>	<b>321.2</b>

### 3. PENSIONS

#### Pension schemes

With regard to the principal Group-funded defined benefit scheme in the UK (the Menzies Pension Fund), to which the employees contribute, the charge to the income statement is assessed in accordance with independent actuarial advice from Hymans Robertson LLP ("the Actuary"), using the projected unit method. Certain Group subsidiaries operate overseas and participate in a number of pension schemes, which are of a defined contribution nature. The income statement charge for defined contribution schemes represents the contributions payable.

The pension charge to the income statement is analysed as follows:

	2009 £m	2008 £m
Menzies Pension Fund	1.6	2.3
Other schemes	7.4	7.1
	<b>9.0</b>	<b>9.4</b>

The Actuary undertook a valuation of the Menzies Pension Fund as at 31 December 2009 (2008: 31 December) under IAS 19.



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

	<b>2009</b>	2008
	%	%
Rate of increase in salaries	<b>3.50</b>	3.60
Rate of increase in pensions (prior to 1 April 2006)	<b>3.60</b>	3.35
Rate of increase in pensions (after 1 April 2006)	<b>2.50</b>	2.50
Price inflation	<b>3.50</b>	3.10
Discount rate	<b>5.70</b>	6.40

Assumptions regarding future mortality experience are set based on advice from the Actuary in accordance with published statistics and experience in the business.

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

	<b>2009</b>	2008
Male	<b>20.5</b>	18.4
Female	<b>22.3</b>	21.2

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

	<b>2009</b>	2008
Male	<b>21.8</b>	19.2
Female	<b>24.3</b>	22.0

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

	<b>Long-term rate of return %</b>	<b>Value at December 2009 £m</b>	Long-term rate of return %	Value at December 2008 £m
Equities	<b>7.9</b>	<b>141.1</b>	7.3	110.5
Bonds	<b>5.7</b>	<b>46.2</b>	6.1	44.3
Property	<b>6.9</b>	<b>23.9</b>	6.3	26.8
Other	<b>0.5</b>	<b>0.7</b>	2.0	0.8
Total value of assets		<b>211.9</b>		182.4
Defined benefit obligation		<b>(296.4)</b>		(218.0)
Recognised in balance sheet		<b>(84.5)</b>		(35.6)
Related deferred tax asset		<b>23.7</b>		10.0
Net pension liabilities		<b>(60.8)</b>		(25.6)

#### Sensitivity analysis

A reduction in the discount rate will increase the assessed value of the defined benefit obligation and a rise in the discount rate will decrease the assessed value of the defined benefit obligation. The overall effect of a change in the discount rate for the Fund of 0.1% would be an increase/decrease to the defined benefit obligation of around 1.8%/£5.3m.



The effect of changing the assumption regarding life expectancy by one year longer than the disclosed table would be to increase the assessed value of the defined benefit obligation by around 3% to £305m.

### Components of pension expense

	2009	2008
	£m	£m
<b>Amounts charged to operating profit</b>		
Current service cost	1.8	2.3
Past service cost	0.2	-
Gains on curtailments and settlements	(0.4)	-
<b>Total amount charged to the Income Statement</b>	<b>1.6</b>	<b>2.3</b>
<b>Amounts included in finance costs</b>	<b>£m</b>	<b>£m</b>
Expected return on pension scheme assets	11.9	15.8
Interest on pension liabilities	(13.7)	(13.5)
Net financial (charge)/return	(1.8)	2.3
<b>Pension expense</b>	<b>3.4</b>	<b>-</b>
<b>Amounts recognised in the Statement of Comprehensive Income</b>	<b>£m</b>	<b>£m</b>
Gain/(loss) on assets	26.4	(78.1)
(Loss)/gain on defined benefit obligation	(76.4)	29.4
<b>Actuarial loss</b>	<b>(50.0)</b>	<b>(48.7)</b>
<b>Change in scheme assets during the year</b>	<b>£m</b>	<b>£m</b>
Fair value of assets at start of year	182.4	250.2
Expected return on assets	11.9	15.8
Company contributions	4.5	3.6
Employee contributions	1.3	1.4
Assets distributed on settlements	(1.5)	-
Benefits and expenses paid	(13.1)	(10.5)
Gain/(loss) on assets	26.4	(78.1)
<b>Fair value of assets at end of year</b>	<b>211.9</b>	<b>182.4</b>

The actual return on scheme assets was a gain of £38.3m (2008: a loss of £62.3m)

	£m	£m
<b>Change in defined benefit obligation during the year</b>		
Defined benefit obligation at start of year	218.0	240.7
Current service cost	1.8	2.3
Past service cost	0.2	-
Interest cost	13.7	13.5
Liabilities extinguished on settlements	(1.9)	-
Employee contributions	1.3	1.4
Benefits and expenses paid	(13.1)	(10.5)
Loss/(gain) on defined benefit obligation	76.4	(29.4)
<b>Defined benefit obligation at end of year</b>	<b>296.4</b>	<b>218.0</b>

Expected employer contributions for 2010 are estimated to be £6 million.



## History of experience gains and losses

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Gain/(loss) on scheme assets	26.4	(78.1)	(2.7)	12.0	19.8
Percentage of scheme assets	12.5%	42.8%	1.0%	5.0%	9.5%
Actuarial (loss)/gain on defined benefit obligation	(76.4)	29.4	(0.5)	11.4	(29.4)
Percentage of scheme liabilities	25.8%	13.5%	0.2%	5.0%	12.2%
Total value of assets	211.9	182.4	250.2	237.2	208.5
Defined benefit obligation	(296.4)	(218.0)	(240.7)	(231.8)	(241.1)
Recognised in balance sheet	(84.5)	(35.6)	9.5	5.4	(32.6)

## 4 (a) EXCEPTIONAL ITEMS

	Notes	2009 £m	2008 £m
Gain on disposal of property, plant and equipment	(i)	1.2	-
Gain on disposal of interest in joint venture	(ii)	0.2	8.2
Impairment provisions	(iii)	(1.0)	(3.8)
Onerous lease provision	(iv)	(1.7)	(5.0)
Rationalisation costs	(v)	(4.7)	(6.7)
		(6.0)	(7.3)

- (i) The Group completed a number of property and equipment sale and leaseback arrangements, which resulted in a gain on disposal of £1.2m.
- (ii) During 2009 the Group disposed of the 50% interest in Freshport BV for a consideration of £0.6m and in 2008 disposed of the 50% interest in Talma Menzies SRL for a consideration of £10.3m.
- (iii) The 2009 impairment provision reduces the carrying value of the Group's 40% interest in Menzies Chengdu Aviation Services Limited, which is held as an available for sale asset, to its estimated recoverable amount.

During 2008, following a deterioration in the North American cargo handling market the acquired goodwill in respect of Aeroground Inc was tested for impairment in accordance with IAS 36 and a goodwill charge of £3.0m (approximately 1/3 of the original amount capitalised) was recognised. This goodwill impairment resulted from poor post-acquisition performance exacerbated by global market conditions. The recoverable amount of the cash-generating unit was measured based on a value in use calculation and a pre-tax discount rate of 11.1%. The Group's investment in associate company Worldwide Magazine Distribution Ltd was also reviewed for impairment in accordance with IAS 36 and restated to reflect current trading performance. As a result, an impairment charge of £0.8m was recognised.

- (iv) This provision is in respect of future obligations on leasehold properties, which became empty during 2009 and 2008.



- (v) Costs of rationalising excess capacity comprising asset write-downs and staff redundancy costs in the Aviation business during 2009 and 2008.

#### 4 (b) INTANGIBLE AMORTISATION

		<b>2009</b>	2008
		<b>£m</b>	£m
Goodwill impairment	(i)	<b>(1.8)</b>	(1.8)
Contract amortisation	(ii)	<b>(3.3)</b>	(2.5)
		<b>(5.1)</b>	(4.3)

- (i) As permitted under the transitional requirements of IFRS1, the acquisition accounting of business combinations completed prior to the transition date has not been restated. As a result, assets which were previously capitalised as goodwill have not been reclassified as other intangible assets. Accordingly, these financial statements include an impairment charge of £1.8m (2008: £1.8m) reflecting the remaining life of the current licence at Menzies Macau Aviation Services Ltd.
- (ii) This charge relates to contracts capitalised as intangible assets on the acquisition of businesses.

The taxation effect of the exceptional items is a net credit of £0.6m (2008: £1.1m).

#### 5. FINANCE COSTS

	<b>2009</b>	2008
	<b>£m</b>	£m
Finance income:		
Bank deposits	<b>0.6</b>	2.3
	<b>0.6</b>	2.3
Finance charges:		
Bank loans and overdrafts	<b>(6.9)</b>	(9.9)
Preference dividends	<b>(0.1)</b>	(0.1)
Foreign currency loss	-	(7.7)
	<b>(7.0)</b>	(17.7)
Net finance costs	<b>(6.4)</b>	(15.4)

During 2008 the Group executed cross-currency basis swaps which reduced its interest costs by £1.0m. The foreign currency loss incurred of £7.7m was exactly matched by tax relief of £7.7m. The tax relief comprised £2.2m at the standard rate of corporation tax in the UK of 28% and a non-taxable exchange gain of £5.5m.



## 6. TAXATION

<b>(a) Analysis of charge in year</b>	<b>2009</b> £m	2008
		£m
<b>Current tax</b>		
UK corporation tax on profits for the year	-	0.8
Overseas tax	3.2	4.8
Adjustments to prior years' liabilities	(0.5)	-
Total current tax	2.7	5.6
<b>Deferred tax</b>		
Origination and reversal of temporary differences	3.8	4.5
Adjustments to prior years' liabilities	(0.1)	-
Total deferred tax	3.7	4.5
Retirement benefit obligations	0.3	1.0
Total deferred tax	4.0	5.5
Tax on profit on ordinary activities	6.7	11.1

### **(b) Current and deferred tax related items credited directly to equity**

Deferred tax on actuarial loss on retirement benefit obligations	(14.1)	(13.6)
Deferred tax on fair value movement on interest rate hedges	(0.3)	-
Current tax on net exchange adjustments	0.2	(0.7)
Tax credit reported in equity	(14.2)	(14.3)

**c) Reconciliation between tax charge and the product of accounting profit multiplied by the Group's domestic tax rate for the years ended 31 December 2009 and 31 December 2008 is as follows:**

Profit before tax	22.0	9.9
Profit before tax multiplied by standard rate of corporation tax in the UK 28% (2008: 28.5%)	6.2	2.8
Non-deductible expenses (principally goodwill impairment and intangible amortisation)	2.2	2.8
Depreciation on non-qualifying assets	0.1	0.4
Unrelieved overseas losses	2.1	3.8
Profits covered by losses forward	(0.7)	(0.6)
Higher tax rates on overseas earnings	0.2	0.8
Deferred tax on undistributed reserves of associate	(0.6)	0.1
Joint venture and associate post-tax result (included in profit before tax)	(1.7)	(1.0)
Adjustments to prior years' liabilities	(0.6)	-
Overseas deferred tax assets (recognised)/written-off (i)	(0.5)	3.9



Increase in deferred tax liability due to the abolition of industrial buildings allowances	(ii)	-	5.4
Non-taxable exchange gain		-	(5.5)
Tax-exempt gain on disposal of interest in joint venture		-	(1.8)
At the effective corporation tax rate of 30.5% (2008: 112.1%)		<b>6.7</b>	<b>11.1</b>

(i) In 2009 the Group recognised deferred tax assets in relation to losses carried forward by a subsidiary operating in South Africa. In prior years the Group recognised deferred tax assets in relation to losses carried forward by, and other temporary differences available to, subsidiaries operating mainly in the Netherlands and the USA. Trading conditions in these territories were such that it was no longer possible to say with a degree of certainty that, in the short-term, future taxable profits would be available against which the carry forward tax losses, and other temporary differences, could be utilised. As a consequence, the Group wrote-off £3.9m of deferred tax assets in 2008.

(ii) The phased abolition of industrial buildings allowances by the end of March 2011 was enacted in the Finance Act 2008. As a consequence, there was a one-off increase in the Group's deferred tax liability of £5.4m in 2008.

#### (d) Factors that may affect future tax charges

The Group has estimated tax losses carried forward, which arose in subsidiary companies operating in the undernoted jurisdictions, that are available for offset against future profits of those subsidiaries. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries where it is not probable that future taxable profits will be available against which such assets could be utilised.

	Losses £m	Expiry
USA	31.4	Carry forward indefinitely
Netherlands	24.0	Not earlier than 1 January 2012
Germany	26.1	Carry forward indefinitely
Hungary	1.3	Carry forward indefinitely
Norway	2.4	Carry forward indefinitely
Sweden	1.4	Carry forward indefinitely

The Group has capital losses in the UK of approximately £12.8m that are available for offset against future taxable gains arising in the UK. No deferred tax asset has been recognised in respect of these losses.



## 7. DIVIDENDS

		2009 £m	2008 £m
<b>Dividends on equity shares:</b>			
Ordinary	- Final paid in respect of 2008, nil (2007 :18.4p) per share	-	11.0
	- Interim paid in respect of 2009, nil (2008: 7.56p) per share	-	4.5
		-	15.5

Dividends of £0.1m were waived by employee share trusts during 2008.

### Investment in own shares

The Company's ordinary shares are held in trust for an employee share scheme. At 31 December 2009 the trusts held 1,020,387 (2008: 1,031,387) ordinary 25p shares with a market value of £3,038,202 (2008: £1,101,006).

## 8. EARNINGS PER SHARE

	Basic		Underlying*	
	2009 £m	2008 £m	2009 £m	2008 £m
Operating profit	24.3	19.4	24.3	19.4
Share of post-tax results of joint ventures and associates	5.9	3.6	5.9	3.6
Add back:				
Exceptional items (Note 4(a))	-	-	6.0	7.3
Intangible amortisation (Note 4(b))	-	-	5.1	4.3
Share of tax on joint ventures and associates	-	-	2.1	1.5
Net finance costs	(8.2)	(13.1)	(8.2)	(5.4)
Profit before taxation	22.0	9.9	35.2	30.7
Taxation	(6.7)	(11.1)	(6.7)	(11.1)
Exceptional tax	-	-	(2.6)	(1.0)
Earnings for the year	15.3	(1.2)	25.9	18.6

### Basic

Earnings per ordinary share (pence)	25.8	(2.0)
Diluted earnings per ordinary share (pence)	25.8	(2.0)

### Underlying\*

Earnings per ordinary share (pence)	43.8	31.3
Diluted earnings per ordinary share (pence)	43.8	31.3

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

Weighted average	59.188	59.445
Diluted weighted average	59.188	59.499

The weighted average number of fully paid shares in issue during the year excludes those



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

\* Underlying earnings are presented as an additional performance measure. They are stated before exceptional items, intangible amortisation and share of tax on joint ventures and associates.

## 9. INTANGIBLE ASSETS

	Goodwill £m	Contracts £m	Computer Software £m	Total £m
<b>Cost</b>				
At 31 December 2008	60.0	51.9	6.2	118.1
Additions	0.1	0.2	3.8	4.1
Transferred from fixed assets	-	-	2.6	2.6
Currency translation	(1.8)	(2.1)	-	(3.9)
At 31 December 2009	58.3	50.0	12.6	120.9
<b>Amortisation and impairment</b>				
At 31 December 2008	8.1	4.4	3.5	16.0
Amortisation charge	-	3.3	1.4	4.7
Currency translation	-	(0.3)	-	(0.3)
At 31 December 2009	8.1	7.4	4.9	20.4
<b>Net book value</b>				
At 31 December 2009	<b>50.2</b>	<b>42.6</b>	<b>7.7</b>	<b>100.5</b>
At 31 December 2008	51.9	47.5	2.7	102.1
	£m	£m	£m	£m
<b>Cost</b>				
At 29 December 2007	44.1	34.2	4.8	83.1
Acquisitions	2.3	9.6	-	11.9
Additions	-	1.0	1.4	2.4
Currency translation	13.6	7.1	-	20.7
At 31 December 2008	60.0	51.9	6.2	118.1
<b>Amortisation and impairment</b>				
At 29 December 2007	0.1	1.4	3.0	4.5
Amortisation charge	-	2.5	0.5	3.0
Impairment provision (Note 4 (a))	3.0	-	-	3.0
Currency translation	5.0	0.5	-	5.5
At 31 December 2008	8.1	4.4	3.5	16.0
<b>Net book value</b>				
At 29 December 2008	51.9	47.5	2.7	102.1
At 30 December 2007	44.0	32.8	1.8	78.6

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



	2009		2008	
	Goodwill £m	Contracts £m	Goodwill £m	Contracts £m
<b>Aviation</b>				
Netherland Cargo	8.3	-	9.0	-
North American Cargo	7.8	-	8.7	-
Australia Cargo	6.0	-	5.3	-
UK Cargo	2.6	-	2.6	-
South Africa	2.9	-	2.5	-
Scandinavia	2.9	-	2.9	-
Ogden worldwide	9.2	-	10.3	-
Other	4.3	-	4.3	-
	<b>44.0</b>	<b>-</b>	<b>45.6</b>	<b>-</b>
<b>Distribution</b>				
Turners News	4.8	-	4.8	-
EM News Distribution (NI) Ltd	-	3.1	-	3.1
Chester Independent Wholesale News Ltd	-	7.1	-	7.1
North West Wholesale News Ltd	-	2.7	-	2.7
The Network – field marketing	-	1.4	-	1.4
Other	1.4	4.2	1.5	4.3
	<b>6.2</b>	<b>18.5</b>	<b>6.3</b>	<b>18.6</b>
<b>Total</b>	<b>50.2</b>	<b>18.5</b>	<b>51.9</b>	<b>18.6</b>

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

The recoverable amounts of the cash-generating units (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 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 discount rate assumptions use an estimate of the Group's weighted average post-tax cost of capital calculated at 5.3% plus an adjustment for the uncertainty risk attributable to individual CGU's. The pre-tax discount rate used is 11.1% (2008: 11.1%).

#### Aviation

Value in use calculations are based on Board approved plans for 2010 and 2011 extrapolated to a 10-year period as this timeframe is more representative of the industry's normal investment period. Short-term revenue growth rates over the period to 2014 range from -8.9% to +10% and reflect management's specific location expectations and the expected recovery in cargo volumes over the period that are now being reported by IATA. Thereafter, revenue growth rates range from 0.5% to 3.5% and are derived using the best available market information (such as Boeing's 2009 Aviation Industry Review) adjusted for the specific risks and challenges relating to Menzies Aviation. Net margin assumptions are based on historic experience.



Base case forecasts show significant headroom above carrying value for each CGU with the exception of the UK and North American cargo operations. Sensitivity analysis has been undertaken for each CGU to assess the impact of any reasonably possible change in key assumptions. With the exception of the UK and North American cargo operations there is no reasonably possible change that would cause the carrying values to exceed recoverable amounts.

In respect of the UK and North American cargo operations, management has concluded that a reasonably possible change in a key assumption could cause the carrying values to exceed recoverable amounts. Under the current assumptions, the recoverable amount exceeds carrying amount by £0.1m for UK cargo and £0.6m for North American cargo. Any decrease in the expected growth rate for UK cargo (4% average over the period to 2014 thereafter 3%) and a decrease of 0.1% for North American cargo (3.6% average over the period to 2014 thereafter 1.2%) will result in the respective carrying values being equal to recoverable amounts.

### Distribution

Contract amortisation is business-stream dependent. At Distribution, contracts capitalised are not amortised due to the very long-term nature of the business in the UK. These contracts are, however, tested annually for impairment using similar criteria to the goodwill test.

Value in use calculations are based on Board approved plans for 2010 extrapolated to a 10-year period using a long-term growth rate of 0%. Net margin assumptions are based on historic experience.

Base case forecasts show significant headroom above carrying value for each CGU. Sensitivity analysis has been undertaken for each CGU to assess the impact of any reasonably possible change in key assumptions. There is no reasonably possible change that would cause the carrying values to exceed recoverable amounts.

## 10. ANALYSIS OF CHANGES IN NET BORROWINGS

	2008	Cash flows	Currency translation	2009
	£m	£m	£m	£m
Cash at bank and in hand	19.6	12.1	(0.2)	<b>31.5</b>
Bank overdrafts	(2.4)	(8.6)	-	<b>(11.0)</b>
Net cash and cash equivalents	17.2	3.5	(0.2)	<b>20.5</b>
Bank loans due within one year	(56.0)	54.3	0.1	<b>(1.6)</b>
Loan stock due within one year	(0.1)	-	-	<b>(0.1)</b>
Preference shares	(1.4)	-	-	<b>(1.4)</b>
Finance leases	(0.3)	-	-	<b>(0.3)</b>
Debt due after one year	(124.4)	(26.5)	2.4	<b>(148.5)</b>
Net derivative liabilities	(17.6)	12.2	4.5	<b>(0.9)</b>
	<b>(182.6)</b>	<b>43.5</b>	<b>6.8</b>	<b>(132.3)</b>

The currency translation movement results from the Group's policy of hedging its overseas net assets, which are denominated mainly in US\$ and Euro. The translation effect on net debt is offset by the translation effect on net assets resulting in an overall net exchange loss of £1.7m (2008: gain of £4.7m). This net loss/gain is recognised directly in equity.



## 11. CASH GENERATED FROM OPERATIONS

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Operating profit/(loss)	<b>24.3</b>	19.4	-	(5.4)
Depreciation	<b>24.9</b>	23.6	<b>0.9</b>	1.0
Amortisation of intangible assets	<b>4.7</b>	3.0	-	-
Impairment provisions (Note 4(a))	<b>1.0</b>	3.8	-	-
Share-based payments	<b>0.4</b>	0.4	-	0.1
Cash spend on dilapidations on onerous lease	-	(3.0)	-	(3.0)
Onerous lease provisions	<b>1.7</b>	5.0	<b>1.7</b>	1.2
Cash spend on onerous leases	<b>(2.0)</b>	(1.0)	<b>(0.6)</b>	-
(Gain)/loss on sale of property, plant and equipment	<b>(1.7)</b>	0.1	<b>(1.7)</b>	-
Gain on disposal of investment in joint venture	<b>(0.2)</b>	(8.2)	-	-
Pension charge	<b>1.6</b>	2.3	<b>0.2</b>	0.2
Pension contributions in cash	<b>(4.5)</b>	(3.6)	<b>(4.5)</b>	(3.6)
Rationalisation costs	<b>4.7</b>	6.7	-	0.8
Cash spend on rationalisation costs	<b>(6.1)</b>	(5.3)	<b>(0.3)</b>	-
(Increase)/decrease in inventories	<b>(2.7)</b>	3.1	-	-
(Increase)/decrease in trade and other receivables	<b>(2.2)</b>	(9.3)	<b>(0.6)</b>	0.2
Increase/(decrease) in trade and other payables and provisions	<b>8.1</b>	2.2	<b>(2.8)</b>	(1.4)
	<b>52.0</b>	39.2	<b>(7.7)</b>	(9.9)



## 12. FINANCIAL INSTRUMENTS

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
<b>Derivative financial instruments</b>				
Cash Flow Hedges				
Foreign exchange forward contracts	-	(2.2)	-	(2.2)
Interest rate swaps	(1.2)	-	(1.2)	-
Foreign Currency Net Investment Hedge				
Foreign exchange forward contracts	0.3	(15.4)	0.3	(15.4)
<b>Total derivative financial instruments</b>	<b>(0.9)</b>	<b>(17.6)</b>	<b>(0.9)</b>	<b>(17.6)</b>
Current	0.3	(16.7)	0.3	(16.7)
Non-current	(1.2)	(0.9)	(1.2)	(0.9)
	<b>(0.9)</b>	<b>(17.6)</b>	<b>(0.9)</b>	<b>(17.6)</b>

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

The fair values of the derivative financial instruments are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. The derivative financial instruments are classified as non-current based on the remaining maturity of the related hedged item.

### Fair Value Hierarchy

As at 31 December 2009, the Group held the following financial instruments measured at fair value. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

	Assets measured at fair value			
	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets at fair value through the income statement				
Foreign exchange contracts – hedged	2.6	-	2.6	-

	Liabilities measured at fair value			
	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial liabilities at fair value through the income statement				
Foreign exchange contracts – hedged	2.3	-	2.3	-
Interest rate swaps	1.2	-	1.2	-



During the year ended 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
<b>Interest-bearing loans and borrowings</b>				
Obligations under finance leases	0.3	0.3	-	-
Bank overdrafts	11.0	2.4	10.8	1.7
Non-amortising bank loans	122.8	151.7	122.8	151.7
Amortising term loan	27.2	28.7	27.2	28.7
Preference shares	1.4	1.4	1.4	1.4
Unsecured loan stock	0.1	0.1	-	-
<b>Total interest-bearing loans &amp; borrowings</b>	<b>162.9</b>	<b>184.6</b>	<b>162.3</b>	<b>183.5</b>
Current	12.8	58.6	12.2	57.7
Non-current	150.1	126.0	150.1	125.8
	<b>162.9</b>	<b>184.6</b>	<b>162.3</b>	<b>183.5</b>

**Interest-bearing loans and borrowings**

Obligations under finance leases  
Bank overdrafts  
Non-amortising bank loans  
Amortising term loan  
Preference shares  
Unsecured loan stock

**Maturity**

January 2011 - July 2013  
*n/a*  
June 2010 - January 2013  
March 2020  
Non-redeemable  
On demand (by July 2012)

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

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

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

The amortising term loan is repayable between 2010 and 2020 with interest payable at a fixed rate of 6.23%.

The loan has a weighted average maturity of 5 years (2008: 6 years).

Non-amortising bank loans are drawn against unsecured, committed revolving bank credit facilities maturing between June 2010 and January 2013.



	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
<b>Net Debt</b>				
Derivative financial instruments	0.9	17.6	0.9	17.6
Interest-bearing loans and borrowings	162.9	184.7	162.3	183.5
Total borrowings	163.8	202.2	163.2	201.1
Less: cash at bank, cash in hand and short-term deposits	31.5	19.6	10.5	2.6
	132.3	182.6	152.7	198.5

	2009		2008	
	Book value £m	Fair value £m	Book value £m	Fair value £m
<b>Financial assets and financial liabilities</b>				
Short-term borrowings	1.8	1.9	56.1	56.3
Medium-term borrowings	131.5	132.4	104.9	105.9
Long-term borrowings	18.4	20.2	20.8	23.4
Derivative financial instruments	0.9	0.9	17.6	17.6
Finance leases	0.2	0.2	0.3	0.3
Bank overdrafts	11.0	11.0	2.4	2.4
<b>Total financial assets and financial liabilities</b>	163.8	166.7	202.2	206.0
Less: cash at bank, cash in hand and short-term deposits	31.5	31.5	19.6	19.6
<b>Net Debt</b>	132.3	135.2	182.6	186.4

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

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

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

Currency	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	2009 Total financial liabilities £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	2008 total financial liabilities £m
Sterling	59.2	103.7	162.9	131.4	30.2	161.6
Euro	-	-	-	4.4	-	4.4
US dollar	-	-	-	18.6	-	18.6
Net derivative liabilities	0.9	-	0.9	17.6	-	17.6
	60.1	103.7	163.8	172.0	30.2	202.2



	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
As 31 December 2009, the expiry profile of undrawn committed facilities was as follows:				
Less than one year	20.0	19.8	20.0	19.8
Between one and two years	33.9	-	33.9	-
Between two and five years	-	2.8	-	2.8
	<b>53.9</b>	<b>22.6</b>	<b>53.9</b>	<b>22.6</b>

## Cash Flow Hedges

### Foreign exchange forward contracts

At 31 December 2009 the Group held foreign currency forward contracts designed as hedges of transaction exposures arising from non-local currency revenue. These contracts were in line with the Group's policy to hedge significant forecast transaction exposures for a maximum 18 months forward.

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

### Interest rates swaps

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

During 2009 the Group hedged the exposure to interest rate rises by entering into £75m of interest rate swap agreements, whereby the Group pays a fixed rate of interest and receives a variable rate of LIBOR+margin on the notional amount.

£50m of these interest rate swaps mature in July 2011 with the remaining £25m maturing in June 2012.

At 31 December 2009, 68.1% (2008: 22.0%) of the Group's borrowings were fixed.

	2009		2008	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fair value of Cash Flow Hedges - currency forward contracts	0.4	(0.4)	-	(2.3)
Fair value of Cash Flow Hedges - interest rate swaps	-	(1.2)	-	-
	<b>0.4</b>	<b>(1.6)</b>	<b>-</b>	<b>(2.3)</b>
<b>Current</b>	<b>0.4</b>	<b>(0.4)</b>	<b>-</b>	<b>(1.9)</b>
<b>Non current</b>	<b>-</b>	<b>(1.2)</b>	<b>-</b>	<b>(0.4)</b>
	<b>0.4</b>	<b>(1.6)</b>	<b>-</b>	<b>(2.3)</b>

For 2009, if interest rates on UK pound-denominated borrowings had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been £0.3m (2008:£0.6m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.



### Foreign currency net investment hedges

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

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

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

		Group		Company	
		2009	2008	2009	2008
		million	million	million	million
Euro	EUR	19.4	24.5	19.4	24.5
US dollar	USD	34.0	56.0	34.0	56.0
Czech koruna	CZK	99.0	319.2	99.0	319.2
Australian dollar	AUD	11.9	24.5	11.9	24.5
New Zealand dollar	NZD	5.3	8.1	5.3	8.1
Swedish krona	SEK	12.0	49.1	12.0	49.1
Norwegian krone	NOK	5.0	17.5	5.0	17.5
Hungarian forint	HUF	-	325.0	-	325.0
Indian rupee	INR	668.6	1,289.7	668.6	1,289.7

		Sterling Equivalent	
		2009	2008
		£m	£m
Euro	EUR	17.2	23.7
US dollar	USD	21.1	38.9
Czech koruna	CZK	3.3	11.5
Australian dollar	AUD	6.6	11.9
New Zealand dollar	NZD	2.4	3.3
Swedish krona	SEK	1.0	4.3
Norwegian krone	NOK	0.5	1.7
Hungarian forint	HUF	-	1.2
Indian rupee	INR	8.9	18.4

	2009		2008	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Fair value of foreign currency net investment hedges	2.2	(1.9)	0.4	(15.8)
Current	2.1	(1.8)	0.4	(15.3)
Non-Current	0.1	(0.1)	-	(0.5)

### Foreign currency sensitivity

For 2009, if the UK pound had weakened/strengthened by 10% against the US dollar or the Euro, with all other variables held constant the effect would have been:



Change in GBP/USD Rate	Change in GBP/EUR Rate	2009		2008	
		Effect on Profit Before Tax	Effect on Equity	Effect on Profit Before Tax	Effect on Equity
		£m	£m	£m	£m
10%		0.5	0.7	0.2	5.1
(10%)		(0.5)	(0.6)	(0.2)	(4.2)
	10%	0.5	(1.7)	0.5	2.6
	(10%)	(0.5)	1.4	(0.5)	(2.1)

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

### Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

### Credit Risk

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

	2009 £m	2008 £m
Bank deposits	31.5	19.6
Trade receivables	117.8	109.9
	<b>149.3</b>	<b>129.5</b>

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

### Liquidity Risk

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

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

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

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

	2009			
	Due within 1 year	Due between 1-2 years	Due between 2-4 years	Due over 5 years
	£m	£m	£m	£m
Interest bearing loans and borrowings	(15.6)	(77.7)	(58.2)	(18.0)
Preference shares	(0.1)	(0.1)	(0.1)	(1.5)
Other liabilities	(0.1)	(0.1)	-	-
Trade and other payables	(201.1)	(1.3)	-	-
Financial derivatives	(48.7)	(14.9)	(0.3)	-



<b>Total</b>	<b>(265.6)</b>	<b>(94.2)</b>	<b>(58.6)</b>	<b>(19.5)</b>
	2008			
	Due within 1 year	Due between 1-2 years	Due between 2-4 years	Due over 5 years
	£m	£m	£m	£m
Interest bearing loans and borrowings	(63.4)	(5.3)	(106.9)	(20.7)
Preference shares	(0.1)	(0.1)	(0.1)	(1.5)
Other liabilities	(0.1)	-	-	(0.2)
Trade and other payables	(195.8)	(0.2)	-	-
Financial derivatives	(89.0)	(14.2)	-	-
<b>Total</b>	<b>(348.4)</b>	<b>(19.8)</b>	<b>(107.0)</b>	<b>(22.4)</b>

### 13. CONTINGENT LIABILITIES

There are contingent liabilities, including those in respect of disposed and acquired businesses, which are not expected to give rise to any significant loss to the Group.

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

### 14. ACQUISITIONS

On 7 January 2009 Menzies Aviation acquired the trade and fixed assets of Kion, a ramp services business based at Mexico City airport, for a consideration of £0.5m, including costs of £0.1m.

A performance-related payment of up to £1.6m may become payable in respect of The Network (Field Marketing & Promotions) Company Limited, acquired in 2008, up to May 2011.

### 15. HEDGE ACCOUNTING RESERVE

This reserve records the portion of the gains or losses on hedging instruments used as cash flow hedges that are determined to be effective.



## 16. CASHFLOW

	2009		2008
	£m	£m	£m
<b>Operating Profit</b>	<b>24.3</b>		19.4
Share-based payments	0.4		0.4
Depreciation	24.9		23.6
Amortisation of intangibles	4.7		3.0
Net pension movement	(1.4)		(1.3)
Working capital	3.2		(4.0)
Exceptional items	6.0		7.3
Cash spend on exceptional items	(8.1)		(9.3)
Dividends from associates and joint ventures	4.2		3.3
Non-cash items	(0.5)		0.1
<b>Operating cash flow</b>	<b>57.7</b>		42.5
Purchase of property, plant and equipment	(15.1)	(40.4)	
Intangible asset additions	(4.1)	(2.4)	
Sale of property, plant and equipment	1.0	9.1	
Net capital expenditure	(18.2)		(33.7)
Net interest paid	(7.1)		(7.6)
Foreign currency loss	-		(7.7)
Tax paid	(5.5)		(4.6)
<b>Free cash flow</b>	<b>26.9</b>		(11.1)
Equity dividends paid	-		(15.5)
Additional pension payment	(1.5)		-
Acquisitions	(1.6)		(11.8)
Cash raised from asset sales and leasebacks	16.5		-
Other investments	3.2		4.1
Shares	-		0.8
<b>Total movement</b>	<b>43.5</b>		(33.5)
<b>Opening net debt</b>	<b>(182.6)</b>		(111.3)
Currency movement	6.8		(37.8)
<b>Closing net debt</b>	<b>(132.3)</b>		(182.6)

## 17. ACCOUNTING POLICIES

This statement has been prepared in accordance with accounting standards and policies consistent with those set out in the Group Accounts for the year ended 31 December 2009.

## 18. ACCOUNTS

The figures used in this statement, which was approved by the directors on 8 March 2010, are not the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006 for the year, but



are taken from those accounts. The auditors' report on the statutory accounts was unqualified and did not contain a statement under Section 428 (4(f)) of the Companies Act 2006.

## **19. ANNUAL REPORT**

The Annual Report and Accounts will be available on 9 April 2010 and the Annual General Meeting will be held at the Roxburgh Hotel in Edinburgh on 21 May 2010 at 12.15pm. Statutory accounts for the year ended 31 December 2008 have been delivered to the Registrar of companies and those for the year to 31 December 2009 will be delivered following the Company's Annual General Meeting.

