

**THIS DOCUMENT AND THE ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 (the “FSMA”) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This document comprises: (i) a circular prepared in accordance with the Listing Rules made under section 73A of the FSMA; and (ii) a prospectus relating to John Menzies plc (“Menzies” or the “Company”) prepared in accordance with the Prospectus Rules. This document has been approved by the Financial Conduct Authority (the “FCA”) in accordance with section 85 of the FSMA, will be made available to the public and has been filed with the FCA in accordance with the Prospectus Rules. This document together with the documents incorporated into it by reference (as set out in Part XIII of this document) will be made available to the public in accordance with Prospectus Rule 3.2.1 by the same being made available, free of charge, at [www.johnmenziesplc.com](http://www.johnmenziesplc.com) and at the Company’s registered office at 2 Lochside Avenue, Edinburgh Park, Edinburgh, Scotland EH12 9DJ.

If you sell or have sold or have otherwise transferred all of your Existing Ordinary Shares (other than ex-rights) held in certificated form before 8.00 am (London time) on 12 October 2016 (the “Ex-Rights Date”), please send this document, together with any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that, subject to certain limited exceptions, **such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including the Commonwealth of Australia, its territories and possessions, each province and territory of Canada, Japan, the Republic of South Africa and the United States of America** (the “Excluded Territories”). If you sell or have sold or have otherwise transferred all or some of your Existing Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part III of this document and in the Provisional Allotment Letter.

**The distribution of this document, the Provisional Allotment Letter and the transfer of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, subject to certain limited exceptions, this document, the enclosures and the Provisional Allotment Letter and any other such documents should not be distributed, forwarded to or transmitted in or into the United States or any other Excluded Territory.**

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## **John Menzies plc**

(incorporated and registered in Scotland with registered number SC034970)

### **Proposed acquisition of ASIG UK and ASIG US**

**and**

**5 for 14 Rights Issue of 21,922,403 New Ordinary Shares at  
343 pence per New Ordinary Share**

**and**

### **Notice of General Meeting**

**Numis Securities Limited**

*Sponsor, Financial Adviser, Joint Bookrunner and Joint Broker*

**Shore Capital Stockbrokers Limited**

*Joint Bookrunner and Joint Broker*

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A Notice of General Meeting of the Company, to be held at 11.00 am at the offices of DLA Piper Scotland LLP, Collins House, Rutland Square, Edinburgh, EH1 2AA on 11 October 2016, is set out at the end of this document. Whether or not you intend to be present at the General Meeting, you

are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Company's Registrar, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, by not later than 11.00 am on 7 October 2016 (or, in the case of an adjournment, not later than 48 hours (excluding non-Business Days) before the time fixed for the holding of the adjourned meeting).

The Ordinary Shares are listed on the premium listing segment of the Official List maintained by the FCA and traded on the London Stock Exchange's main market for listed securities. Application will be made to the FCA and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Ordinary Shares (nil paid) will commence at 8.00 am (London time) on 12 October 2016.

**You should read the whole of this document and the information incorporated by reference into this document. Your attention is drawn to the letter of recommendation from the Chairman which is set out in Part I of this document. Your attention is also drawn to the section headed "Risk Factors" at the beginning of this document, which sets out certain risks and other factors that should be considered by Shareholders when deciding on what action to take in relation to the Rights Issue, and by others when deciding whether or not to purchase Nil Paid Rights, Fully Paid Rights or New Ordinary Shares.**

The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from or in a transaction not subject to the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares in the United States. Outside the United States, the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares are being offered in reliance on Regulation S under the Securities Act.

The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state's securities commission in the United States or any U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

Subject to certain limited exceptions, this document does not constitute an offer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to any person with a registered address, or who is located, in the United States or any other Excluded Territories or in any other jurisdiction in which such an offer or solicitation is unlawful.

The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters will not be registered or qualified for distribution to the public under the securities laws of any Excluded Territory and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions. There will be no public offer in any of the Excluded Territories. Subject to certain exceptions, neither this document nor the Provisional Allotment Letters will be posted to any person in the United States or in any other Excluded Territory or any other jurisdiction where the extension or availability of the Rights Issue and any other transaction contemplated thereby would breach applicable law.

Numis Securities Limited ("**Numis**") which is authorised and regulated by the FCA in the United Kingdom, is acting solely for the Company in relation to the Rights Issue and nobody else (whether or not a recipient of this document) as a client in relation to the Proposed Acquisition, the Rights Issue and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to the clients of Numis nor for providing advice in relation to the Proposed Acquisition, the Rights Issue and Admission or any other matter referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed upon Numis by the FSMA or the regulatory regime established thereunder, Numis does not accept any responsibility whatsoever or make any representation or warranty, express or implied, concerning the contents of this document, including its accuracy, completeness or verification, or concerning any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Nil Paid Rights,

the Fully Paid Rights, the New Ordinary Shares, the Provisional Allotment Letters, the Rights Issue or the Proposed Acquisition, and nothing in this document is, or shall be relied upon as, a promise or representation in the respect, whether as to the past or future. Numis accordingly disclaims, to the fullest extent permitted by law, all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to herein) which it might otherwise have in respect of this document or any such statement.

Shore Capital Stockbrokers Limited (“**Shore Capital**”, and together with Numis, the “**Banks**”) which is authorised and regulated by the FCA in the United Kingdom is acting solely for the Company in relation to the Rights Issue and nobody else (whether or not a recipient of this document) as a client in relation to the Proposed Acquisition, the Rights Issue and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to the clients of Shore Capital nor for providing advice in relation to the Rights Issue or any other matter referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed upon Shore Capital by the FSMA or the regulatory regime established thereunder, Shore Capital does not accept any responsibility whatsoever or make any representation or warranty, express or implied, concerning the contents of this document, including its accuracy, completeness or verification, or concerning any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares, the Provisional Allotment Letters, or the Rights Issue or the Proposed Acquisition, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Shore Capital accordingly disclaims, to the fullest extent permitted by law, all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to herein) which it might otherwise have in respect of this document or any such statement.

Subject to the passing of the Rights Issue Resolution, it is expected that Qualifying Non-CREST Shareholders (other than, subject to certain limited exceptions, those with registered addresses in the United States or any other Excluded Territory) will be sent a Provisional Allotment Letter on or about 11 October 2016, and that Qualifying CREST Shareholders (other than, subject to certain exceptions, those with registered addresses in the United States or any other Excluded Territory) will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 12 October 2016. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear as soon as practicable after Admission.

The Banks may, in accordance with applicable legal and regulatory provisions and subject to the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise. Except as required by applicable law or regulation, the Banks do not propose to make any public disclosure in relation to such transactions.

**The latest time and date for acceptance and payment in full for the New Ordinary Shares by holders of the Nil Paid Rights is expected to be 11.00 am on 26 October 2016. The procedures for delivery of the Nil Paid Rights, acceptance and payment are set out in Part III of this document and, for Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, those with registered addresses in the United States or any other Excluded Territory) also in the Provisional Allotment Letter. Overseas Shareholders with registered addresses in the United States or any other Excluded Territory should refer to paragraph 7 of Part III of this document.**

All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter, if and when received, or other document to a jurisdiction outside the United Kingdom should read the information set out in paragraph 7 of Part III of this document.

## **NOTICE TO ALL INVESTORS**

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares is prohibited. By accepting delivery of this document, each offeree of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares agrees to the foregoing.

The distribution of this document and/or the Provisional Allotment Letters and/or the transfer of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come

should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, subject to certain limited exceptions, such documents should not be distributed, forwarded to or transmitted in or into the United States or any other Excluded Territories. The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in paragraph 7 of Part III of this document. No action has been taken by the Company or by the Banks that would permit an offer of the New Ordinary Shares or rights thereto or possession or distribution of this document or any other offering or publicity material or the Provisional Allotment Letters, the Nil Paid Rights, or the Fully Paid Rights in any jurisdiction where action for that purpose is required, other than in the United Kingdom.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or by the Banks. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company and its subsidiary undertakings and, where the context requires, its associated undertakings, from time to time (the “**Group**”) since the date of this document or that the information in this document is correct as at any time subsequent to its date.

Without limitation, the contents of the Group’s websites do not form part of this document. Capitalised terms have the meanings ascribed to them in Part XIV of this document.

#### **WHERE TO FIND HELP**

Part II of this document answers some of the questions most often asked by shareholders about rights issues. If you have further questions, please call the Shareholder Helpline operated by the Registrar (the “**Shareholder Helpline**”) on 0370 703 6303 (from within the United Kingdom) or on +44 370 703 6303 (if calling from outside the United Kingdom). Lines are open from 8.30 am to 5.30 pm (London time) Monday to Friday. Calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that, for legal reasons, the Shareholder Helpline is only able to provide information contained in this document and information relating to the Company’s register of members and is unable to give advice on the merits of the Rights Issue or the Proposed Acquisition or to provide financial, tax, investment or legal advice.

This document is dated 16 September 2016.

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## SUMMARY

*Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A-E (A.1-E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary, together with “not applicable”.*

### SECTION A – INTRODUCTION AND WARNINGS

<b>A.1</b>	<p><b>WARNING</b></p> <p>This summary should be read as an introduction to this document.</p> <p>Any decision to invest in the securities should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area, have to bear the costs of translating this document before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in the securities.</p>
<b>A.2</b>	<p><b>CONSENT FOR INTERMEDIARIES</b></p> <p>Not applicable. No consent has been given by the Company or any person responsible for drawing up this document to use this document for subsequent sale or placement of securities by financial intermediaries.</p>

### SECTION B – ISSUER

<b>B.1</b>	<p><b>LEGAL AND COMMERCIAL NAME</b></p> <p>John Menzies plc (“<b>Menzies</b>” or the “<b>Company</b>”, and including its subsidiaries and undertakings and, where the context requires, its associated undertakings, from time to time, together the “<b>Group</b>”).</p>
<b>B.2</b>	<p><b>DOMICILE AND LEGAL FORM</b></p> <p>The Company is incorporated in Scotland as a public limited company, limited by shares. Its registered office is situated in Scotland and its registered number is SC034970. The principal legislation under which the Company operates is the Companies Act 2006, as amended (the “<b>Companies Act</b>”).</p>
<b>B.3</b>	<p><b>CURRENT OPERATIONS AND PRINCIPAL ACTIVITIES</b></p> <p><b>Description of Menzies</b></p> <p>Menzies is one of Scotland’s largest companies, having been established in 1833 as a bookseller, stationer and printseller. The Company is a logistics and support specialist with two operating divisions, Menzies Aviation, the parent company of which is Menzies Aviation plc, and Menzies Distribution, the parent company of which is Menzies Distribution Limited, operating in distinct but related Business to Business (“<b>B2B</b>”) sectors where success depends on providing an efficient, high quality, time-critical service to customers and partners.</p> <p>Menzies Aviation is a leading global provider of passenger, ramp and cargo services, operating from 149 airports in 32 countries and is supported by a team of approximately 23,000 people. Menzies Aviation serves over 500 customers, and handled approximately 1.2 million flights and 1.7 million tonnes of cargo in 2015. Key customers include easyJet, Cathay Pacific, IAG, Alaska Airlines, Qantas Group, Delta Air Lines, United Airlines, Etihad and Singapore Airlines. It also owns Air Menzies International (“<b>AMI</b>”), the world’s only trade-only global airfreight and express wholesaler.</p>

	<p>Menzies Distribution is a leading provider of added value distribution and marketing services to the newspaper and magazine supply chain in the UK (with approximately 45.0 per cent. of the newspaper and magazine wholesale distribution market in the UK by volume). The division employs approximately 3,500 people at 43 sites throughout the UK and handles approximately 4.3 million newspapers and 1.4 million magazines (covering some 3,000 magazine titles) each day, with deliveries to around 25,000 customers.</p> <p>The Company was admitted to trading on the London Stock Exchange in 1962 and at that time consisted of retail and logistics businesses. The main retail activities were divested during the 1990s and the first steps into the aviation services market were also taken at this time. In 2000, the Group acquired Ogden Ground Services, an international aviation services business which transformed Menzies Aviation from a UK-focused cargo handler to a comprehensive-service, international aviation services business. Since then a drive to expand the Menzies Aviation services business has continued and subsequent growth has come through further acquisitions and organic growth.</p> <p><b>ASIG UK and ASIG US</b></p> <p>ASIG Holdings Ltd (“ASIG UK”) and ASIG Holdings Corp (“ASIG US”, and together with ASIG UK, “ASIG”) is an aviation services provider and a leading independent fuelling services provider, providing ground, fuel and airport facility services to airlines, airports, oil companies and industry partners in the commercial aviation sector. It delivers comprehensive service solutions including into plane (“ITP”) fuelling, fuel farm management (“FFM”), ground handling, aircraft technical support services, facilities equipment maintenance and de-icing at 88 airports across seven countries in North America, Central America, Europe and Asia (with a presence in seven of the top ten global airports by 2014 flight activity). ASIG is currently ultimately owned by BBA Aviation plc (“BBA”), and is run as a standalone division with its president reporting to the ASIG president of Flight Support and being part of the ASIG Flight Support management team reporting directly to the BBA board.</p> <p>ASIG was established in 1947 and is headquartered in Orlando, Florida with an experienced management team and in depth expertise across many disciplines. The business directly employs over 8,000 people globally, servicing over 600 customers (with longstanding relationships with the largest of those), including American Airlines, IAG, Delta Air Lines, Shell and United Airlines. In 2015, ASIG fuelled over 4.0 million flights, transporting and pumping more than 10.0 billion gallons of fuel whilst its ground handling operations serviced over 100,000 flights and events (including cleaning events).</p>
<p><b>B.4a</b></p>	<p><b>SIGNIFICANT RECENT TRENDS AFFECTING MENZIES, ASIG UK AND ASIG US AND THE INDUSTRY IN WHICH THEY OPERATE</b></p> <p><b>Menzies Aviation – Ground Handling, ASIG – Fuelling</b></p> <p>Ground handlers undertake the essential processes required to ‘turn’ aircraft, an industry term that covers conveying passengers from planes after arrival to towing or pushing the planes into a position from which they can take off again. These fundamental activities must be carried out against tight deadlines and to exacting safety standards.</p> <p>The market continues to grow and develop, driven by the increasing numbers of aircraft entering service to satisfy growing passenger demand. According to Boeing’s Current Market Outlook 2016 – 2035, the global airplane fleet will more than double from 22,510 airplanes to 45,240 airplanes by 2035 (57.0 per cent. of which will be new, not replacement, airplanes) and 71.0 per cent. of this increase will be in single aisle aircrafts in line with air passenger demands. By 2020, there are expected to be approximately 46.0 million aircraft turns. Independent ground handlers’ position in the market is strengthening as many airlines choose to outsource their ground operations, following the initial opening up of this market to independent handlers by airport deregulation. A combination of general growth in the air passenger market, expected to be 4.8 per cent. per annum according to Boeing’s Current Market Outlook 2016-2035; particular growth amongst low-cost carriers, for whom outsourced ground handling is central to their business model; and a general trend towards increased outsourcing amongst full-service airlines is likely to continue over the medium to long term.</p> <p>This rise in aircraft numbers and aircraft movements will have a positive effect on ground handling and fuelling markets. The Directors believe that Menzies Aviation is well placed to benefit from these market dynamics as it is already a market leading handler for low-cost carriers with success in handling large volume hubs and bases for narrow body aircraft, such as easyJet at Gatwick and WestJet Airlines in Toronto. In addition, by outsourcing their ground handling, independent operators can often deliver significant cost decrease to their airline customers. Independent handlers, such as Menzies Aviation, can focus more on workforce cost effectiveness, have some cost advantages over the incumbent airline</p>

	<p>operators, and are able to streamline their services by making their operations less critical and less complex. Whilst airlines were historically reluctant to outsource large hub operations due to the perceived risk to the health and safety, efficiency and quality profile of their flagship airports, they have in recent times re-focused on their core business as complexity at airports has increased and outsourcing is on the rise.</p> <p><b>Menzies Aviation – Cargo Handling</b></p> <p>The air cargo market is driven by demand to deliver high value, time sensitive cargo across the globe. Companies choose to fly high value items where delivery within a tight time frame is worth the additional cost of air transportation over land or sea transportation. Less than 1.0 per cent. of international trade by volume, but 35.0 per cent. by value, travels by air. Approximately 51.3 million metric tonnes of cargo are transported annually by air around the world. According to Boeing’s Current Market Outlook 2016-2035, air cargo traffic is forecast to grow 4.2 per cent. annually over the next two decades.</p> <p><b>Menzies Distribution – Print Media</b></p> <p>The UK print media supply chain is structured around the production of newspapers and consumer magazines by publishers who then deliver the products to wholesalers, such as Menzies Distribution, for consolidation and distribution to retail outlets. This process is highly time-sensitive given the short shelf-life of news products. Consolidation of existing networks and maximisation of assets such as automated packing lines are crucial to protecting earnings.</p> <p>The print media sector is estimated to be worth approximately £2.6 billion per annum, split roughly between two-thirds news products and one-third magazines, and it has been in structural decline for decades as consumers have increasingly switched to other forms of media. Consequently, the market has consolidated over recent years to the position where today there are only two main distribution providers covering the UK market. Menzies Distribution’s investment in technology and the scale of its transportation network is designed to ensure it can provide the time-critical service which the industry requires.</p> <p><b>Menzies Distribution – UK Parcel Market</b></p> <p>The UK parcel delivery market has undergone significant change in the last decade, moving from a behind the scenes industry to a consumer-led business where the major carriers are household brands. This change can largely be attributed to the growth of internet shopping, particularly on mobile devices. Relentless demand for improved and faster service at reduced costs, backed by rapid volume growth, has challenged the traditional parcel carrier market. Neutral consolidation services, such as those provided by Menzies Distribution’s parcel offering in the North and West of Scotland, provide an opportunity to solve the carriers’ collective challenges in servicing hard to reach or high cost to serve areas. The parcel market in the UK is worth approximately £9.2 billion per year (according to IBISWorld UK) and is growing at over 5.0 per cent. per year.</p>
<p><b>B.5</b></p>	<p><b>GROUP STRUCTURE</b></p> <p>Menzies is the holding company of the Group, the principal activities of which are the provision of time-critical logistics and support services to the international airline sector and, within the UK, to the print media, travel and parcel markets. Following the closing of the acquisition of ASIG UK and ASIG US by Menzies Aviation plc and Menzies Aviation Inc. (as buyers) pursuant to the stock purchase agreement with BBA Holdings Limited and BBA Aviation USA Inc (as sellers) dated 16 September 2016 (the “<b>Acquisition Agreement</b>”) (the “<b>Proposed Acquisition</b>”), the Company will be the holding company for the Group following the completion of the Proposed Acquisition (the “<b>Enlarged Group</b>”).</p>
<p><b>B.6</b></p>	<p><b>MAJOR SHAREHOLDERS</b></p> <p>Insofar as the Company has been notified under the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (the “<b>FCA</b>”), as amended from time to time (the “<b>Disclosure Guidance</b>”), the names of each person who, directly or indirectly, has an interest in 3.0 per cent. or more of the Company’s issued share capital, and the amount of such person’s interests, as at 14 September 2016 (being the latest practicable date prior to the date of this document) are as follows:</p>



		<b>Ordinary Shares</b>	
<b>Name</b>	<b>Number</b>	<b>%</b>	
Kabouter Management LLC	7,450,612	12.14	
Lakestreet Capital Partners AG	5,250,983	8.55	
D.C. Thomson & Company Limited	4,618,711	7.52	
Shareholder Value Management AG	4,322,484	7.04	
Premier Fund Managers Limited	2,525,666	4.11	
Cynthia Harrison <sup>(1)</sup>	2,103,620	3.43	
WM Thomson	1,884,000	3.07	
<hr/>			
Notes:			
(1) As at 14 September 2016 (being the latest practicable date prior to the date of this document) the wider Menzies family together hold 11,229,563 or 18.29 per cent. of the Company's issued share capital in total, but these shareholdings are not required to be aggregated in accordance with the Disclosure Guidance.			
So far as the Company is aware, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government or any other natural or legal person, severally or jointly. None of the major Shareholders referred to above has different voting rights from other Shareholders. Preference Shares do not have voting rights attached to them except in limited circumstances.			
So far as the Company is aware, immediately following the Rights Issue, the interests of those persons set out above with an interest in 3.0 per cent. or more of the Company's issued share capital (assuming: (i) full take-up by such persons of their entitlements under the Rights Issue; and (ii) that no options under the share schemes of the Company are exercised between the date of this document and Admission becoming effective) will be as follows:			
		<b>Ordinary Shares</b>	
<b>Name</b>	<b>Number</b>	<b>%</b>	
Kabouter Management LLC	10,111,544	12.14	
Lakestreet Capital Partners AG	7,126,334	8.55	
D.C. Thomson & Company Limited	6,268,250	7.52	
Shareholder Value Management AG	5,866,228	7.04	
Premier Fund Managers Limited	3,427,689	4.11	
Cynthia Harrison	2,854,912	3.43	
WM Thomson	2,556,857	3.07	
<b>B.7</b>	<b>HISTORICAL FINANCIAL INFORMATION OF MENZIES</b>		
	<p>The tables below set out the Group's summary consolidated financial information for the periods indicated. The consolidated financial information for the Group for the six months ended 30 June 2016 and 2015 and for each of the three years ended 31 December 2015, 2014 and 2013 has been extracted without material adjustment from the unaudited consolidated interim financial statements of Menzies for the six month periods ended 30 June 2016 and 2015 and the audited consolidated financial statements for the financial years ended 31 December 2015, 2014 and 2013. The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union and IFRIC interpretations (together "IFRS") and the Companies Act 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. These consolidated financial statements have been incorporated by reference in this document.</p>		

***Menzies Summary Consolidated Income Statement***

	Six months ended 30 June		Financial year ended 31 December		
	2016	2015	2015	2014	2013
	(unaudited) £m	(unaudited) £m	(audited) £m	(audited) £m	(audited) £m
Revenue .....	956.0	954.1	1,899.2	1,902.9	1,905.4
Net operating costs.....	(953.1)	(948.3)	(1,880.4)	(1,877.4)	(1,860.0)
Operating profit .....	2.9	5.8	18.8	25.5	45.4
Share of post-tax results of joint ventures and associates .....	3.5	3.6	7.0	7.6	4.9
Operating profit after joint ventures and associates.....	6.4	9.4	25.8	33.1	50.3
<i>Analysed as:</i>					
Underlying operating profit.....	21.1	20.2	44.9	51.0	60.1
Non-recurring items – rationalisation and acquisition related items .....	(2.8)	(1.5)	(5.8)	(6.0)	(0.7)
Non-recurring items – impairment charges .....	(7.2)	(4.7)	(4.7)	(3.2)	(1.4)
Contract amortisation.....	(3.9)	(3.7)	(7.1)	(7.2)	(6.6)
Share of interest on joint ventures and associates.....	0.3	0.3	0.7	0.5	0.5
Share of tax on joint ventures and associates.....	(1.1)	(1.2)	(2.2)	(2.0)	(1.6)
Operating profit after joint ventures and associates.....	6.4	9.4	25.8	33.1	50.3
Finance income.....	0.3	0.5	0.8	0.7	0.7
Finance charges .....	(2.8)	(3.1)	(6.5)	(6.4)	(6.5)
Other finance charges – pensions.....	(0.9)	(1.0)	(1.9)	(1.7)	(2.4)
Profit before tax.....	3.0	5.8	18.2	25.7	42.1
Taxation.....	(4.7)	(2.8)	(8.3)	(11.7)	(11.7)
(Loss)/profit for the period .....	(1.7)	3.0	9.9	14.0	30.4

***Menzies Summary Consolidated Balance Sheet***

	Six months ended 30 June		Financial year ended 31 December	
	2016	2015	2014	2013
	(unaudited) £m	(unaudited) £m	(audited) £m	(audited) £m
Non-current assets.....	266.2	261.3	276.0	276.6
Current assets.....	286.0	251.3	234.2	235.7
Current liabilities.....	(326.0)	(237.9)	(233.9)	(263.7)
Net current assets.....	(40.0)	13.4	0.3	(28.0)
Total assets less current liabilities .....	226.2	274.7	276.3	248.6
Non-current liabilities.....	(154.1)	(203.5)	(206.6)	(152.3)
Net assets.....	72.1	71.2	69.7	96.3

***Menzies Summary Consolidated Cash Flow Statement***

	Six months ended 30 June		Financial year ended 31 December		
	2016	2015	2015	2014	2013
	(unaudited) £m	(unaudited) £m	(audited) £m	(audited) £m	(audited) £m
Net cash flow from operating activities...	12.7	7.4	23.1	37.1	34.7
Net cash flow used in investing activities	(9.7)	(19.0)	(26.8)	(25.9)	(26.7)
Net cash flow from/(used on) financing activities .....	6.0	14.2	6.9	(11.4)	(6.9)
Net increase/(decrease) in cash and cash equivalents .....	9.0	2.6	3.2	(0.2)	1.1
Effects of exchange rate movements.....	3.0	(1.7)	(1.5)	(0.9)	(1.6)
Opening net cash and cash equivalents ...	33.9	32.2	32.2	33.3	33.8
Closing net cash and cash equivalents.....	45.9	33.1	33.9	32.2	33.3

***Revenue***

The Group's revenue for the six months ended 30 June 2016 was £956.0 million (six months ended 30 June 2015: £954.1 million). On a constant currency basis, Group turnover was down 0.6 per cent.

The Group's revenue for the financial year ended 31 December 2015 was £1,899.2 million (2014: £1,902.9 million). On a constant currency basis, Group turnover was up 1.5 per cent.

The Group's revenue in the financial year ended 31 December 2014 was £1,902.9 million (2013: £1,905.4 million) largely in line with the preceding year. Turnover in Menzies Aviation grew 2.2 per cent. (9.2 per cent. in constant currency), reflecting ongoing market growth.

***Underlying Profit***

In the six months ended 30 June 2016, underlying profit before tax rose by 6.5 per cent. to £18.1 million compared to the same period in 2015 (£17.0 million) as a result of the favourable impact on earnings of the weakening sterling and an improvement in profitability in Menzies Aviation.

Menzies Distribution's underlying operating profit before corporate costs decreased marginally in the period. Trading performance benefitted from strong sticker sales, boosted by the European football championships, which largely offset core media declines.

In the financial year to 31 December 2015, underlying profit before tax fell 14.3 per cent. to £38.2 million (2014: £44.6 million) largely as a result of the decline in profitability in Menzies Aviation due to operational issues at London Gatwick and 2014 contract losses.

Growth in Menzies Aviation was underpinned by strong cargo volumes and the positive effect of ground handling hub wins in North America and Scandinavia since the fourth quarter of 2014. On a constant currency basis turnover was up 6.0 per cent. to £782.9 million, while constant currency underlying operating profit before corporate costs was £6.0 million lower at £24.2 million reflecting the operational issues at London Gatwick and prior year contract losses in South Africa.

Menzies Distribution's underlying operating profit before corporate costs increased to £25.1 million (2014: £24.0 million). This trading performance benefitted from cost savings which offset the impact of the football world cup stickers in 2014 and the decline in print media revenue. The network rationalisation programme was completed in the year.

In the financial year to 31 December 2014, underlying profit before tax fell to £44.6 million (2013: £53.1 million) largely as a result of the decline in profitability in Menzies Aviation and the adverse impact of currency of £3.5 million, at the level of underlying operating profit before corporate costs.

In Menzies Distribution, newsprint and magazine declines were offset by a number of actions maintaining 2013 underlying operating profit before corporate costs levels into 2014 at £24.0 million (2013: £24.3 million). The result was boosted by the results of the recently-acquired Orbital Marketing Services Group Limited business and ancillary sales related to the football world cup. Cost saving initiatives delivered £3.4 million in the year, as the division continued to rationalise its branch network.

In Menzies Aviation, start-up costs to support new contracts were expensed, and were £1.9 million higher than the prior year, on a constant currency basis. At constant currency, underlying operating profit before corporate costs was £33.7 million (2013: £37.8 million) reflecting both the investment in new contract wins and the impact of operational challenges.

#### *Net Assets*

Total net assets at 30 June 2016 were £72.1 million, as compared to £77.9 million as at 30 June 2015, and included intangible assets of £104.3 million (as compared to £110.2 million as at 30 June 2015), of which £49.0 million (as compared to £50.9 million as at 30 June 2015) related to goodwill and £45.8 million (as compared to £48.1 million as at 30 June 2015) related to contract rights. Movements in goodwill included an impairment of £7.2 million following the reduction in volumes with key cargo customers at the Netherlands cargo business in Amsterdam, and additional £0.3 million from the Thistle Couriers Limited acquisition by Menzies Distribution. Acquisitions of Thistle Couriers Limited and Renaissance Aviation Limited added £0.6 million and £1.9 million respectively of contract-based intangibles.

Total net assets at 31 December 2015 were £71.2 million, as compared to £69.7 million as at 31 December 2014, and included intangible assets of £108.3 million (as compared to £116.1 million as at 31 December 2014), of which £52.3 million (as compared to £48.6 million as at 31 December 2014) related to goodwill and £45.5 million (as compared to £55.9 million as at 31 December 2014) related to contract rights. The increase in goodwill and intangible assets during the 2015 financial year resulted primarily from the acquisitions of AJG Parcels Limited and Oban Express Parcel Service Limited. Contract-based intangibles were impaired by £4.0 million following the loss of licences in Menzies Aviation in Spain.

Total net assets at 31 December 2014 were £69.7 million, as compared to £96.3 million as at 31 December 2013, and included intangible assets of £116.1 million (as compared to £126.8 million as at 31 December 2013), of which £48.6 million (as compared to £47.5 million as at 31 December 2013) related to goodwill and £55.9 million (as compared to £66.9 million as at 31 December 2013) related to contract rights. The increase in goodwill during the 2014 financial year resulted primarily from the acquisition of PlaneBiz 2015 Limited.

#### *No Significant Change*

There has been no significant change in the financial condition or operating results of the Group since 30 June 2016, being the date to which the latest unaudited consolidated interim financial statements for the Group were prepared.

#### **Historical financial information of ASIG**

The tables below set out a summary of ASIG's historical financial information for the periods indicated. ASIG's historical financial information is presented on a stand-alone basis and has been carved out from the consolidated financial statements of BBA by applying the principles underlying the consolidation procedures of IFRS 10 "Consolidated Financial Statements" as of and for each of the three years ended 31 December 2015, 2014 and 2013.

This basis of preparation in note 2.1 of Part VIII of this document describes further how the historical financial information has been prepared.

The summary financial information is presented in U.S. dollars, which is ASIG's presentation currency.

**ASIG Summary Combined Income Statement**

	Financial year ended 31 December		
	2015 (audited) \$m	2014 (audited) \$m	2013 (audited) \$m
Revenue .....	415.8	451.9	402.6
Net operating costs excluding BBA central cost allocations	(402.5)	(433.2)	(383.8)
Operating profit before BBA central cost allocations and joint ventures and associates .....	13.3	18.7	18.8
BBA central cost allocations .....	(20.3)	(19.3)	(14.7)
Share of profit of joint ventures and associates .....	0.2	1.1	0.8
Operating (loss)/profit after joint ventures and associates	(6.8)	0.5	4.9
<i>Analysed as:</i>			
Underlying operating (loss)/profit.....	(4.1)	4.4	12.2
Contract amortisation.....	(2.4)	(1.8)	(2.0)
Non-underlying items .....	(0.3)	(2.1)	(5.3)
Operating (loss)/profit after joint ventures and associates	(6.8)	0.5	4.9
Finance income .....	2.3	3.9	4.1
Finance charges .....	(3.4)	(3.9)	(2.9)
(Loss)/profit before tax .....	(7.9)	0.5	6.1

**ASIG Summary Combined Balance Sheet**

	Financial year ended 31 December		
	2015 (audited) \$m	2014 (audited) \$m	2013 (audited) \$m
Non-current assets .....	252.4	263.0	247.6
Current assets .....	116.8	117.6	95.0
Current liabilities .....	(167.7)	(187.0)	(91.2)
Net current (liabilities)/assets.....	(50.9)	(69.4)	3.8
Total assets less current liabilities.....	201.5	193.6	251.4
Non-current liabilities .....	(55.9)	(38.3)	(119.2)
Net assets .....	145.6	155.3	132.2

**ASIG Summary Combined Cash Flow Statement**

	Financial year ended 31 December		
	2015 (audited) \$m	2014 (audited) \$m	2013 (audited) \$m
Net cash flow from operating activities.....	10.4	3.2	30.4
Net cash flow from/(used in) investing activities.....	5.4	(30.5)	(13.1)
Net cash flow (used in)/from financing activities.....	(8.4)	24.8	(11.8)
Increase/(decrease) in net cash and cash equivalents.....	7.4	(2.5)	5.5
Effects of exchange rate movements.....	(0.4)	(0.6)	0.2
Opening net cash and cash equivalents .....	7.8	10.9	5.2
Closing net cash and cash equivalents.....	14.8	7.8	10.9

### *Revenue*

Revenue in 2015 fell by 8.0 per cent. from 2014 with key movements in ground handling services, excluding fuel services (18.4 per cent. decrease) and other fuel services (22.1 per cent. decrease). \$41.1 million of the \$45.0 million decline in ground handling is attributed to the loss of Terminal One Group Association (“**TOGA**”) and Disney Magical Express, Orlando (“**DME**”) contracts. Base closures impacted total revenue adversely by \$8.0 million.

The impact of foreign exchange movements in 2015 compared to 2014 was \$12.9 million adverse as both the pound sterling (\$8.4 million) and Canadian dollar (\$4.5 million) weakened.

Revenue in 2014 rose 12.2 per cent. from 2013 with key movements in ground services, excluding fuel services (16.2 per cent. increase) and ITP fuelling (11.3 per cent. increase). Other fuel services declined 1.8 per cent. The increase in ground handling was due to new services at Terminal 2 Heathrow, London and at Manchester, contributing \$27.2 million combined, whilst ITP fuelling benefitted from the Skytanking acquisition (\$23.2 million).

The net impact of foreign exchange movements in 2014 compared to 2013 was \$4.5 million favourable as a result of the combination of a stronger pound sterling (\$5.8 million) and a weaker Canadian dollar (-\$1.3 million).

### *Underlying Operating Profit*

ASIG’s underlying operating profit decreased by \$8.5 million to a loss of \$4.1 million (2014: \$4.4 million profit). The decline reflected net contract losses, principally the losses of the ground handling contract with TOGA at John F. Kennedy International Airport, New York and a hotel to airport baggage handling contract with DME. The year-on-year impact on operating profit of the net contract losses was \$15.5 million.

Underlying profit in 2014 was adversely impacted by start-up and operational costs associated with the new operations at London Heathrow’s Terminal 2 and increased cost allocations from the parent group, partly offset by the contribution from the Skytanking USA, Inc. acquisition. The acquisition in April 2014 extended ASIG’s position in the military refuelling market.

Underlying operating profit for the three years ended 31 December 2015 has been impacted by a number of lost contracts and the closure of operating bases. The TOGA and DME lost contracts and operating base closures contributed EBITDA of \$0.3 million in the financial year ended 31 December 2015, \$15.8 million in the financial year ended 31 December 2014 and \$14.2 million in the financial year ended 31 December 2013.

ASIG was recharged selling, general and administrative expenses from BBA for certain shared services of \$20.3 million, \$19.3 million and \$14.7 million for the years ended 31 December 2015, 2014 and 2013, respectively, through central cost allocations.

### *No Significant Change*

There has been no significant change in the financial condition or operating results of ASIG since 31 December 2015, being the latest date to which the combined historical financial information for ASIG have been prepared.

**B.8 UNAUDITED PRO FORMA FINANCIAL INFORMATION****Unaudited Pro Forma Net Assets Statement at 31 December 2015**

	Adjustments				
	Group at 31 December 2015	ASIG at 31 December 2015	Rights Issue and acquisition debt facilities	Proposed Acquisition	Unaudited <i>pro forma</i> total
	£m Note 1	£m Note 2	£m Note 3	£m Note 4	£m Note 5
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets.....	108.3	130.5	—	(17.8)	221.0
Property, plant and equipment.....	114.4	40.1	—	—	154.5
Investments accounted for using the equity method.....	26.4	—	—	—	26.4
Deferred tax assets.....	12.2	0.6	—	—	12.8
	<b>261.3</b>	<b>171.2</b>	<b>—</b>	<b>(17.8)</b>	<b>414.7</b>
<b>Current assets</b>					
Inventories.....	14.7	2.4	—	—	17.1
Trade and other receivables.....	201.9	66.2	(0.6)	—	267.5
Derivative financial assets.....	0.6	—	—	—	0.6
Cash and cash equivalents.....	34.1	10.7	159.0	(159.0)	44.8
	<b>251.3</b>	<b>79.3</b>	<b>158.4</b>	<b>(159.0)</b>	<b>330.0</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Borrowings.....	(3.4)	(64.5)	—	63.8	(4.1)
Derivative financial liabilities.....	(2.3)	—	—	—	(2.3)
Trade and other payables.....	(217.3)	(49.3)	—	—	(266.6)
Current income tax liabilities.....	(10.0)	—	—	—	(10.0)
Provisions.....	(4.9)	—	—	—	(4.9)
	<b>(237.9)</b>	<b>(113.8)</b>	<b>—</b>	<b>63.8</b>	<b>(287.9)</b>
<b>Net current assets/(liabilities).....</b>	<b>13.4</b>	<b>(34.5)</b>	<b>158.4</b>	<b>(95.2)</b>	<b>42.1</b>
<b>Total assets less current liabilities.....</b>	<b>274.7</b>	<b>136.7</b>	<b>158.4</b>	<b>(113.0)</b>	<b>456.8</b>
<b>Non-current liabilities</b>					
Borrowings.....	(152.2)	(4.5)	(85.7)	4.3	(238.1)
Other payables.....	(3.5)	(12.2)	—	—	(15.7)
Deferred tax liabilities.....	(1.5)	(19.1)	—	—	(20.6)
Provisions.....	(2.9)	(2.1)	—	—	(5.0)
Retirement benefit obligation.....	(43.4)	—	—	—	(43.4)
<b>Non-current liabilities.....</b>	<b>(203.5)</b>	<b>(37.9)</b>	<b>(85.7)</b>	<b>4.3</b>	<b>(322.8)</b>
<b>Net assets.....</b>	<b>71.2</b>	<b>98.8</b>	<b>72.7</b>	<b>(108.7)</b>	<b>134.0</b>

## Notes:

- (1) The net assets of Menzies have been extracted without material adjustment from the consolidated financial statements of Menzies for the financial year ended 31 December 2015, which are incorporated by reference into this document and are available for inspection as detailed in Part XIII of this document.
- (2) The net assets of ASIG have been extracted without material adjustment from the combined consolidated historical financial information of ASIG for the financial year ended 31 December 2015, which is included in Part VIII of this document. The following historical exchange rate, as at 31 December 2015, has been used to translate ASIG's net assets from U.S. dollars to pounds sterling: US\$1.4739 /£1.
- (3) The net proceeds of the Rights Issue of £73.3 million are calculated on the basis that the Company issues 21,922,403 New Ordinary Shares at a price of 343p per New Ordinary Share, net of estimated expenses in connection with the Rights Issue of approximately £1.9 million, which have been accounted for as a deduction to equity. The net proceeds of the Rights Issue will be used to fund the Proposed Acquisition.

The net proceeds of the acquisition debt facilities are expected to be £226.5 million, after debt transaction costs of £6.3 million, which have been offset against the gross borrowing amount (£232.8 million) within non-current borrowings. The gross borrowing amount comprises a \$250.0 million (£189.4 million) term loan to be drawn down under the terms of the Acquisition

Facilities Agreement and £43.4 million of revolving credit facilities to be drawn down also under the terms of the Acquisition Facilities Agreement.

Of the £226.5 million net proceeds from the acquisition debt facilities, £79.7 million will be used to fund the Proposed Acquisition, £6.0 million used to pay transaction costs associated with the Proposed Acquisition, and a further £140.8 million used to repay existing Group borrowings.

The adjustment to cash includes the net proceeds of the Rights Issue (£73.3 million) and the acquisition debt facilities (£226.5 million), less the repayment of the existing Group borrowings (£140.8 million).

The adjustment to non-current borrowings includes the net proceeds of the acquisition debt facilities (£226.5 million), less the repayment of the existing Group borrowings (£140.8 million).

As a consequence of the repayment of the existing Group borrowings, the remaining unamortised debt transaction costs of £0.6 million associated with these borrowings, within other receivables, has been derecognised.

- (4) The unaudited *pro forma* financial information has been prepared on the basis that the Proposed Acquisition will be treated as a business combination in accordance with IFRS 3 Business Combinations. The *pro forma* financial information does not reflect the impact of any fair value adjustments to the acquired assets and liabilities of ASIG. The fair value measurement of these items will only be performed subsequent to completion of the acquisition. For the purposes of the *pro forma* statement of net assets, the excess of the purchase consideration over the carrying amount of the net assets acquired has been attributed to intangible assets.

	<u>£m</u>	<u>£m</u>
Consideration paid (i).....		153.0
Less carrying value of net assets acquired as at 31 December 2015		
ASIG net assets at 31 December 2015.....	98.8	
Borrowings not acquired.....	68.1	
Non-controlling interest in ASIG subsidiaries.....	3.9	
Less: intangible assets derecognised.....	(130.5)	
Pro forma net assets acquired.....		<u>40.3</u>
Intangibles assets on acquisition.....		<u>112.7</u>
Adjustment to intangible assets (before fair value adjustments to assets and liabilities).....		<u><u>(17.8)</u></u>

- (i) The total consideration is calculated as the headline cash consideration of \$202.0 million translated to pounds sterling at 14 September 2016, the prevailing exchange rate at the latest practicable date prior to publication of this document: US\$1.3202/£1.

The adjustment to cash includes deductions for the headline cash consideration (£153.0 million) and a deduction for transaction costs associated with the Proposed Acquisition (£6.0 million).

The adjustments to current and non-current borrowings, totalling £68.1 million, are the result of borrowings not acquired following settlement prior to the Proposed Acquisition.

- (5) No adjustment has been made to reflect the financial results of either Menzies or ASIG since 31 December 2015.



**Unaudited Pro Forma Income Statement for the financial year ended 31 December 2015**

	Adjustments				
	Menzies Group for the year ended 31 December 2015	ASIG for the year ended 31 December 2015	Rights issue and acquisition debt facilities	Proposed Acquisition	Unaudited <i>pro forma</i> total
	£m	£m	£m	£m	£m
	Note 6	Note 7	Note 8	Note 9	Note 10 Note 11
Revenue.....	1,899.2	272.0	—	—	2,171.2
Net operating costs excluding BBA Aviation plc central cost allocations.	(1,880.4)	(263.3)	—	(6.0)	(2,149.7)
Operating profit before BBA					
Aviation plc central cost allocations and joint ventures and associates .....	18.8	8.7	—	(6.0)	21.5
BBA Aviation plc central cost allocations .....	—	(13.3)	—	—	(13.3)
Share of profit of joint ventures and associates.....	7.0	0.1	—	—	7.1
Operating (loss)/profit after joint ventures and associates .....	25.8	(4.5)	—	(6.0)	15.3
Analysed as:					
Underlying operating profit .....	44.9	(2.6)	—	—	42.3
Rationalisation & acquisition costs ..	(5.8)	—	—	(6.0)	(11.8)
Impairment charges .....	(4.7)	—	—	—	(4.7)
Contract amortisation.....	(7.1)	(1.6)	—	—	(8.7)
Bargain gain on subsidiary .....	—	1.6	—	—	1.6
Litigation settlements provision.....	—	(1.6)	—	—	(1.6)
Loss on re-measurement of fair value of associate.....	—	(0.3)	—	—	(0.3)
Share of interest on joint ventures & associates.....	0.7	—	—	—	0.7
Share of tax on joint ventures & associates.....	(2.2)	—	—	—	(2.2)
Operating (loss)/profit after joint ventures and associates .....	25.8	(4.5)	—	(6.0)	15.3
Finance income .....	0.8	1.5	—	—	2.3
Finance charges .....	(6.5)	(2.2)	(3.4)	—	(12.1)
Other finance charges – pensions.....	(1.9)	—	—	—	(1.9)
(Loss)/profit before tax .....	18.2	(5.2)	(3.4)	(6.0)	3.6
Taxation .....	(8.3)	1.9	0.9	—	(5.5)
(Loss)/profit for year.....	9.9	(3.3)	(2.5)	(6.0)	(1.9)

Notes:

- (6) The results of Menzies have been extracted without material adjustment from the consolidated financial statements of Menzies for the financial year ended 31 December 2015, which are incorporated by reference into this document and are available for inspection as detailed in Part XIII of this document.
- (7) The results of ASIG have been extracted without material adjustment from the combined consolidated historical financial information of ASIG for the financial year ended 31 December 2015, which is included in Part VIII of this document. The following historical exchange rate, the average rate for the financial year ended 31 December 2015, has been used to translate ASIG's results from U.S. dollars to pounds sterling: US\$1.5289 /£1.
- (8) The adjustment to finance charges of £3.4 million comprises £5.0 million relating to the incremental finance costs and amortisation of capitalised transaction costs as a result of the new acquisition debt facilities as if these bank facilities were in place from 1 January 2015 and £0.6 million relates to the expensing of finance costs relating to the Group's existing bank facilities which are being replaced as part of the acquisition debt facilities. These amounts are offset by an adjustment of £2.2 million, relating to the historical finance charge incurred by ASIG in the period, as this charge was incurred on borrowings from ASIG's former parent, BBA, which are to be settled prior to the Proposed Acquisition and therefore future finance charges on these borrowings will not be incurred.
- An adjustment to taxation of £0.9 million has been recognised as a result of the increased finance charge, and is based upon the effective taxation rate applicable to Menzies in the period.
- (9) The adjustment reflects the transaction costs associated with the Proposed Acquisition (£6.0 million).
- No adjustment has been made for future integration costs or synergies arising from the Proposed Acquisition.

	<p>(10) With the exception of consolidating future trading results of ASIG into the Group and the incremental increase in finance charges and decrease in taxation as a result of the acquisition debt facilities, the aforementioned adjustments to the Income Statement are not expected to have a continuing impact on Menzies.</p> <p>(11) No adjustment has been made to reflect the financial results of either Menzies or ASIG since 31 December 2015.</p>
<b>B.9</b>	<p><b>PROFIT FORECAST</b></p> <p>Not applicable. There are no profit forecasts in this document.</p>
<b>B.10</b>	<p><b>QUALIFICATIONS IN THE AUDIT REPORT ON THE HISTORICAL FINANCIAL INFORMATION</b></p> <p>Not applicable. The audit reports in the audited financial statements contained in, or incorporated by reference into, this document are not qualified.</p>
<b>B.11</b>	<p><b>INSUFFICIENT WORKING CAPITAL</b></p> <p>Not applicable. The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Group, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of publication of this document.</p> <p>The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Enlarged Group, the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least the next 12 months from the date of publication of this document.</p>
<b>SECTION C – SECURITIES</b>	
<b>C.1</b>	<p><b>TYPE AND CLASS OF SECURITIES</b></p> <p>The Rights Issue is being made to all holders of the ordinary shares of 25 pence each in the capital of the Company having the rights set out in the articles of association of the Company (the “<b>Ordinary Shares</b>”) (the “<b>Shareholders</b>”) on the register of members of the Company at close of business on 10 October 2016 (the “<b>Record Date</b>”). Pursuant to the Rights Issue, the Company is proposing to offer 21,922,403 New Ordinary Shares to the Shareholders on the register of members of the Company at the Record Date (the “<b>Qualifying Shareholders</b>”) at 343 pence per New Ordinary Share. Each New Ordinary Share is expected to be issued at a premium of 318 pence to its nominal value of 25 pence. When admitted to trading, the New Ordinary Shares will be registered with ISIN number GB0005790059 and SEDOL number 0579005. The ISIN number for the Nil Paid Rights is GB00BZB22D68 and the ISIN number for the Fully Paid Rights is GB00BZB22J21.</p>
<b>C.2</b>	<p><b>CURRENCY</b></p> <p>Pounds Sterling.</p>
<b>C.3</b>	<p><b>ISSUED SHARE CAPITAL</b></p> <p>On 14 September 2016 (being the last practicable date prior to the publication of this document), the Company had 61,382,731 Ordinary Shares of 25 pence each (fully paid) (the “<b>Existing Ordinary Shares</b>”) and 1,394,587 nine per cent. cumulative preference shares of £1.00 each (fully paid) (the “<b>Preference Shares</b>”), and the nominal share capital of the Company amounted to £16,740,269.75. There are 330,338 Ordinary Shares held in treasury.</p>
<b>C.4</b>	<p><b>RIGHTS ATTACHING TO THE SHARES</b></p> <p>The New Ordinary Shares will, when issued and fully paid, rank equally in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions made, paid or declared after the date of issue of the New Ordinary Shares. The holders of the Preference Shares have preferential rights over the holders of Ordinary Shares in respect of dividends and the return of capital in the event of a winding-up of Menzies.</p>
<b>C.5</b>	<p><b>RESTRICTIONS ON TRANSFER</b></p> <p>There are no restrictions on the free transferability of the Ordinary Shares.</p>

C.6	<p><b>ADMISSION</b></p> <p>Application will be made to the FCA and to the London Stock Exchange plc (“<b>London Stock Exchange</b>”) for the New Ordinary Shares to be admitted to the premium listing segment of the Official List of the FCA (“<b>Official List</b>”) and to trading on the London Stock Exchange’s main market for listed securities, respectively (“<b>Admission</b>”). It is expected that Admission (nil paid) will become effective on 12 October 2016 and that dealings on the London Stock Exchange in New Ordinary Shares (nil paid) will commence as soon as practicable after 8.00 am on that date.</p>
C.7	<p><b>DIVIDEND POLICY</b></p> <p>For the financial year ended 31 December 2015, Menzies paid a final dividend of 11.8 pence per Ordinary Share (2014: 8.1 pence; 2013: 18.8 pence).</p> <p>Menzies also declared an interim dividend on 16 August 2016 for the six months ended 30 June 2016 of 5.4 pence per Ordinary Share (2015: 5.0 pence; 2014: 8.1 pence; 2013: 7.7 pence) (the “<b>Interim Dividend</b>”), which will be paid on 18 November 2016 to Shareholders who were registered on 7 October 2016. The New Ordinary Shares to be issued pursuant to the Rights Issue will not carry an entitlement to the Interim Dividend.</p> <p>It is expected that any final dividend (if any) of the Enlarged Group for the financial year ending 31 December 2016 would be proposed at the Enlarged Group’s next annual general meeting in May 2017. It is expected that any interim dividend (if any) of the Enlarged Group for the financial year ending 31 December 2017 will be declared in August 2017 and paid in November 2017.</p> <p>Whilst there can be no guarantee that any dividends will be declared or paid in the future, the Board intends to continue with a progressive dividend policy. The final dividend (if any) in respect of the financial year ending 31 December 2016 (for which the New Ordinary Shares will be eligible) will be adjusted to take account of the increased number of Ordinary Shares that will be in issue following completion of the Rights Issue.</p>

#### SECTION D – RISKS

D.1	<p><b>KEY INFORMATION ON THE KEY RISKS SPECIFIC TO THE GROUP, THE PROPOSED ACQUISITION AND THE ENLARGED GROUP</b></p> <p><b>Risks relating to the Group’s, ASIG’s and, following Completion, the Enlarged Group’s business</b></p> <p>A deterioration in the global economy could have a material adverse effect on the aviation and e-commerce sectors which, in turn, could have a material adverse effect on the business, prospects, financial condition and results of operations of the Group, ASIG and, following Completion, the Enlarged Group.</p> <p>The outcome of the referendum on the UK’s membership of the European Union may lead to a prolonged period of uncertainty which may have a material adverse effect on the Group’s and, following Completion, the Enlarged Group’s business, prospects, financial condition and results of operations.</p> <p>The aviation industry is highly regulated and Menzies Aviation and ASIG are, and, following Completion, the Enlarged Group will be, required to comply with such regulations, which may cause Menzies Aviation, ASIG and the Enlarged Group to incur significant expenses and/or impact their operations.</p> <p>The Group and, following Completion, the Enlarged Group may be unable to recruit or retain experienced and/or qualified personnel which could materially impact its efficiency and therefore competitiveness, which could have a material adverse impact on the Group’s and, following Completion, the Enlarged Group’s business, prospects, financial condition and results of operations.</p> <p>Any incident which raises concerns over Menzies Aviation’s, ASIG’s or, following Completion, the Enlarged Group’s safety and security regime could have a material adverse reputational and financial impact on Menzies, ASIG and the Enlarged Group.</p> <p>Menzies Distribution may be further impacted by structural market changes including the ongoing migration from print to digital and Menzies Distribution could be affected by a material decrease in the prices or volumes of newspapers or magazines which it may be unable to continue to offset, and which therefore may have a material adverse effect on Menzies’ business, prospects, financial condition and results of operations.</p>
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	<p>Parcel volumes in the UK may not grow as forecast or may decline as a result of increased e-substitution in relation to its customers' products which would lead to reduced levels of parcel distribution for Menzies Distribution and so may adversely affect Menzies Distribution's growth prospects.</p> <p>The Group faces, and following Completion, the Enlarged Group will face, risks associated with the labour intensive nature of its business and its large workforce, including wage inflation, which could increase its cost base significantly and therefore may result in an adverse effect on the Group's business, prospects, financial condition and results of operations.</p> <p><b>Risks relating to the Proposed Acquisition</b></p> <p>The Enlarged Group may fail to realise the expected benefits resulting from the Proposed Acquisition, or these benefits may be materially lower than have been estimated, which may have a material adverse effect on the Enlarged Group's business, prospects, financial condition and results of operations.</p> <p>Completion is subject to a number of conditions which may not be satisfied or waived, so that the Proposed Acquisition may not complete as envisaged or at all.</p> <p>The Proposed Acquisition is conditional on the internal reorganisation of the BBA group for the creation of a standalone ASIG business and, following Completion, ASIG will continue to require provision of services from the BBA group.</p> <p>Integration of ASIG into the Group may be more time consuming and costly than expected and unforeseen difficulties may arise, which could result in synergy expectations not being met and could therefore result in an adverse change to the Enlarged Group's prospects and future growth.</p> <p>Management attention may be diverted from the Group's existing business by the Proposed Acquisition and the process of integrating ASIG with the Group, which may have a material adverse effect on the Enlarged Group's business, prospects, financial condition and results of operations.</p>
<b>D.3</b>	<p><b>KEY INFORMATION ON THE KEY RISKS SPECIFIC TO THE ORDINARY SHARES, THE NIL PAID RIGHTS OR THE FULLY PAID RIGHTS</b></p> <p>The market price of the Ordinary Shares could be volatile and subject to significant fluctuations due to a variety of factors, which could result in a decline in the market price of the Ordinary Shares.</p> <p>Shareholders who do not take up their entitlements to New Ordinary Shares in the Rights Issue will have their proportionate shareholdings in the Company diluted as a consequence of the Rights Issue.</p> <p>Shareholders outside the United Kingdom may not be able to take up the New Ordinary Shares in the Rights Issue or future issues of Ordinary Shares and therefore may suffer dilution.</p>
<b>SECTION E – OFFER</b>	
<b>E.1</b>	<p><b>NET PROCEEDS AND COSTS</b></p> <p>The proceeds of the Rights Issue are expected to be approximately £73.3 million (net of expenses). The total costs, charges and expenses payable by the Company in connection with the Rights Issue are estimated to be approximately £1.9 million (inclusive of VAT). No expenses will be charged by the Company to subscribers of the New Ordinary Shares.</p>
<b>E.2a</b>	<p><b>REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS</b></p> <p>The Board intends to use the entire proceeds of the Rights Issue to fund part of the Proposed Acquisition. Following Completion, the total consideration to be paid by Menzies will be \$202.0 million (£153.0 million) subject to certain adjustments. The consideration for the Proposed Acquisition and associated fees, costs and expenses will be funded through the £75.2 million of gross proceeds of the Rights Issue and the balance from funding drawn under the Acquisition Facilities Agreement. If the Proposed Acquisition does not complete or if Shareholders do not approve the Proposed Acquisition, the Company will endeavour to use the net proceeds of the Rights Issue to explore alternative acquisition opportunities, for general corporate purposes (including to manage the Group's debt and cash position on a short term basis) or will otherwise return such proceeds to Shareholders in a timely and efficient manner.</p>
<b>E.3</b>	<p><b>TERMS AND CONDITIONS OF THE RIGHTS ISSUE</b></p> <p>The Rights Issue is expected to raise approximately £73.3 million, net of expenses, through the issue of 21,922,403 New Ordinary Shares at 343 pence per New Ordinary Share. 343 pence per New Ordinary</p>

	<p>Share (the “<b>Issue Price</b>”) represents a 42.1 per cent. discount to the closing middle market price per Ordinary Share on 15 September 2016, the latest practicable date prior to publication of this document and a discount of 34.8 to the theoretical ex-rights price on the same basis.</p> <p>Subject to the fulfilment of the terms and conditions set out in this document (and, in the case of the Qualifying Shareholders holding Ordinary Shares in certificated form, the provisional allotment letter to be issued to Qualifying Non-CREST Shareholders (other than certain Overseas Shareholders) (the “<b>Provisional Allotment Letter</b>”), the New Ordinary Shares will be offered to Qualifying Shareholders (other than, subject to certain exceptions, Excluded Shareholders) on the basis of 5 New Ordinary Shares for every 14 Existing Ordinary Shares held and registered in the name of each Qualifying Shareholder at the close of business on the Record Date and so in proportion to any other number of Ordinary Shares then held.</p> <p>Qualifying Shareholders with fewer than 3 Existing Ordinary Shares will not be entitled to any New Ordinary Shares. Entitlements to New Ordinary Shares will be rounded down to the nearest whole number (or to zero in the case of Qualifying Shareholders holding fewer than 3 Existing Ordinary Shares at the close of business on the Record Date) and fractions of New Ordinary Shares will not be allotted to such Qualifying Shareholders but will be aggregated and, if possible, sold in the market as soon as practicable after the commencement of dealings in the New Ordinary Shares, nil paid. The net proceeds of such sales (after deduction of expenses) will accrue for the benefit of Menzies. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.</p> <p>The Rights Issue is fully underwritten by Numis Securities Limited and Shore Capital Stockbrokers Limited (the “<b>Banks</b>”) on the terms and conditions of the underwriting agreement made between the Company and the Banks and dated 16 September 2016 (the “<b>Underwriting Agreement</b>”) and is conditional upon (among other things) (i) passing of resolution 2 (the “<b>Rights Issue Resolution</b>”) to be proposed at the general meeting of the Company to be held at the offices of DLA Piper Scotland LLP, Collins House, Rutland Square, Edinburgh, EH1 2AA on 11 October 2016 in connection with the Rights Issue; (ii) save for the Acquisition Agreement terminating or becoming incapable of completing due to the non-satisfaction of the condition therein relating to the approval of the Proposed Acquisition, the Acquisition Agreement having been entered into and not having been varied, modified, supplemented in any respect (other than in accordance with the Acquisition Agreement) which is, in the good faith opinion of either Bank, material in the context of the Rights Issue, the Proposed Acquisition and/or Admission, or terminated and not having lapsed; and (iii) Admission becoming effective at 8.00 am on 12 October 2016 or such later time and date (being not later than 8.00 am on 17 October 2016) as the Company and the Banks may agree. The Underwriting Agreement may be terminated by the Banks prior to Admission upon the occurrence of certain specified events, in which case the Rights Issue will not proceed. The Underwriting Agreement is not capable of termination following Admission. The Rights Issue is not conditional on Completion. If the Rights Issue were to proceed, but Completion does not take place, the Board’s current intention is that the net proceeds of the Rights Issue will be used to explore alternative acquisition opportunities, for general corporate purposes (including to manage the Group’s debt and cash position on a short term basis) or otherwise be returned to Shareholders as soon as reasonably practicable.</p> <p>The latest time and date for acceptance and payment in full under the Rights Issue is expected to be 11.00 am on 26 October 2016.</p> <p>New Ordinary Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders on the Register at the Record Date, including Excluded Shareholders. However, Qualifying Shareholders with registered addresses in the Commonwealth of Australia, its territories and possessions, each province and territory of Canada, Japan, the Republic of South Africa and the United States of America and any other jurisdiction where the extension into or availability of the Rights Issue would breach any applicable law or regulation (the “<b>Excluded Territories</b>”) or who are otherwise located in the Excluded Territories will not be sent Provisional Allotment Letters and will not have their CREST stock accounts credited with Nil Paid Rights.</p> <p>If the conditions to the Underwriting Agreement are not satisfied or waived, the Rights Issue will not proceed.</p>
<p><b>E.4</b></p>	<p><b>MATERIAL INTERESTS</b></p> <p>Not applicable. There are no interests (including conflicts of interest), known to the Company, which are material to the Rights Issue.</p>

<b>E.5</b>	<p><b>SELLING SHAREHOLDER</b></p> <p>Not applicable. The Rights Issue comprises New Ordinary Shares being issued by the Company. There are no lock-up arrangements in respect of the New Ordinary Shares.</p>
<b>E.6</b>	<p><b>DILUTION</b></p> <p>Qualifying Shareholders who do not take up their entitlements to New Ordinary Shares will have their proportionate shareholdings in the Company diluted by approximately 26.3 per cent. as a consequence of the Rights Issue.</p>
<b>E.7</b>	<p><b>EXPENSES CHARGED TO THE INVESTOR</b></p> <p>Not applicable. There are no commissions, fees or expenses to be charged to investors by the Company.</p>

## RISK FACTORS

*The Rights Issue and any investment in the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights are subject to a number of risks. Accordingly, Shareholders and prospective investors should carefully consider the factors and risks associated with any investment in the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights, the Group's and, following Completion, the Enlarged Group's business and the respective industries in which they operate together with all other information contained or incorporated by reference in this document, including, in particular, the risk factors described below, and their personal circumstances prior to making any investment decision. Some of the following factors relate principally to the Group's and, following Completion, the Enlarged Group's business. Other factors relate principally to the Rights Issue and an investment in the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights. The businesses, operating results, financial condition and prospects of the Group and, following Completion, the Enlarged Group could be materially and adversely affected by any of the risks described below. In such case, the market price of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares may decline and investors may lose all or part of their investment.*

*Prospective investors should note that the risks relating to Menzies, ASIG and, following Completion, the Enlarged Group and the industries in which they operate and the risks relating to the New Ordinary Shares summarised in the section of this document headed "Summary" are the risks that the Board believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights. However, as the risks which Menzies, ASIG and the Enlarged Group face relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.*

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights and should be used as guidance only. Additional risks and uncertainties relating to Menzies, ASIG and, following Completion, the Enlarged Group that are not currently known to the Company, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on Menzies, ASIG and, following Completion, the Enlarged Group's business, financial condition and results of operations and, if any such risk should occur, the price of the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights is suitable for them in the light of the information in this document and their personal circumstances.*

### **RISKS RELATING TO MENZIES, ASIG AND, FOLLOWING COMPLETION, THE ENLARGED GROUP**

**The business, prospects, financial condition and results of operations of the Group, ASIG and, following Completion, the Enlarged Group are exposed to deterioration in the global economy**

The commercial aviation industry tends to experience corresponding adverse financial results during general economic downturns. The global economy has deteriorated in recent years which has affected countries worldwide, including the United Kingdom, the United States and other countries in which the Group and ASIG currently operate and in which the Enlarged Group will operate following Completion. Though the global economy has experienced significant recovery from the depths of the economic downturn, there is still concern regarding a potential future deterioration of the global economy and the outlook remains uncertain. Global concerns over issues such as inflation, geopolitical issues, energy costs, the availability and cost of credit, sovereign debt levels, and the possible break-up of the Eurozone, have contributed to, and diminished, expectations for national and global economies in the medium to long term.

The United Kingdom accounted for 71.8 per cent. of the Group's revenue for the financial year ended 31 December 2015. The Group's businesses may therefore be adversely affected by a worsening of general economic conditions in the United Kingdom, whether in isolation or as a consequence of economic conditions, or disruptions to European and/or global financial markets. Conditions which result in inflation, high levels of unemployment, a decrease in property values and low levels of customer confidence, and other factors may be particularly prevalent during periods of economic downturn, affect the disposable income and spending habits of customers. This, in turn, may have a

negative effect on (i) the commercial aviation industry which comprises the customer base for Menzies Aviation and (ii) sales of newspapers and magazines and the e-commerce market more generally. A worsening of the conditions in these markets may lead to a contraction or slower growth in the e-commerce fulfilment market, which Menzies Distribution is expanding into to offset the decline in print media distribution and hence may negatively affect Menzies Distribution. All these factors, individually or in aggregate, may have a material adverse effect on the prospects, financial condition and results of operation of the Group and, following Completion, the Enlarged Group.

**The outcome of the referendum on the UK's membership of the EU may lead to a prolonged period of uncertainty which may have a material adverse effect on the Group's and, following Completion, the Enlarged Group's business prospects, financial condition and results of operations**

On 23 June 2016, UK citizens voted in favour of the UK leaving the EU. The implications of this decision, together with the exact timing for the triggering by the UK government of a formal process for negotiating the UK's exit from the EU with other EU member states and the outcome of such negotiations, are not known as at the date of this document.

The Group accordingly faces, and following Completion, the Enlarged Group will face a period of possibly prolonged uncertainty regarding aspects of the UK economy including the possibility of a prolonged period of recession, together with other risks which could materially and adversely affect the operational, regulatory, insurance and tax regime(s) to which the Group is currently subject.

Menzies and certain of its subsidiaries are registered in Scotland. As a result of the potential exit by the UK from the EU, a further referendum on independence of Scotland may be held. The uncertainty created by any vote on independence may have a negative impact on consumer and business confidence in Scotland, which may negatively affect the Group's and, following Completion, the Enlarged Group's revenues. In addition, an affirmative vote in favour of Scottish independence could result in Scotland's application for the European Union membership but there can be no assurance that, even if Scotland were to apply for such membership, Scotland would be able to join as an independent member. EU accession could also potentially require Scotland to adopt the euro as its official currency. Members of the UK government have, in the past, also expressed their unwillingness to maintain a common currency union with an independent Scotland. These factors create uncertainty over the economic future of an independent Scotland which could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, the taxation and currency-related implications for the Group of an independent Scotland are unclear and any consequent change in taxation, currency or other related matters resulting from Scottish independence could have an adverse effect on the Group's business, financial condition and results of operations.

The effect of these risks could also be to increase compliance and operating costs for the Group, and, following Completion, the Enlarged Group whilst restricting the movement of its capital and the mobility of its personnel. The uncertainty created by the outcome of the UK referendum may also lead to heightened levels of market volatility both in the UK and globally. Any of these risks, taken singularly or in aggregate, could have a material adverse effect on the Group's, and following Completion, the Enlarged Group's business, financial position and results of operations.

**The commercial aviation industry may experience disruptions as a result of factors beyond Menzies Aviation's, ASIG's and, following Completion, the Enlarged Group's control that could materially affect Menzies Aviation's, ASIG's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations**

The impact of the war on terror and other conflicts, health concerns such as Severe Acute Respiratory Syndrome or the pandemic flu, increases in fuel costs and weak economies have, at times, resulted in a decrease in revenue, a decrease in passenger miles and in financial losses in the aviation industry. For example, in the aftermath of the 11 September 2001 terrorist attacks, passenger traffic on commercial flights was significantly lower than it was prior to the attacks and, in response, most commercial airlines reduced their operating schedules, lowered fares and implemented cost reduction initiatives.

Additionally, future world developments, such as changes in the global political landscape or further acts of terrorism (whether or not these are directed against the aviation industry), may lead to additional hostilities, as well as economic and political instability, which could adversely affect the number of aircraft turns that Menzies Aviation and ASIG service and, following Completion, the



Enlarged Group will service. A fall in aircraft movements would adversely affect the revenues of Menzies Aviation, ASIG and, following Completion, the Enlarged Group which would result in a material adverse effect to the Group's, and following Completion, the Enlarged Group's, business, prospects, financial conditions and results of operations.

**The aviation industry is highly regulated and Menzies Aviation and ASIG are, and, following Completion, the Enlarged Group will be, required to comply with such regulations, which may cause Menzies, ASIG and the Enlarged Group to incur significant expenses which may in turn impact on their operations**

The aviation industry is highly regulated around the world by agencies such as the U.S. Federal Aviation Administration (the "FAA"), the U.S. Transportation Security Administration, the UK Civil Aviation Authority, European Aviation Safety Agency, the Australian Government's Department of Infrastructure and Development and the U.S. Department of Homeland Security, as well as supra state (e.g. European Commission), state or local agencies or authorities, in the markets in which Menzies Aviation and ASIG currently, and, following Completion, the Enlarged Group will, operate. Regulations by these agencies or authorities apply to fuel storage and delivery, aircraft operations, aircraft maintenance, noise, air quality and emissions, airport security, safety, sensitive personnel drug testing and many other aspects in commercial aviation.

Although the Board is not, as at the date of this document, otherwise aware of any proposed material amendments to regulations applicable to the aviation industry, there can be no assurance that new or more stringent governmental regulations will not be adopted, or industry oversight heightened, in the future. Menzies Aviation, ASIG and, following Completion, the Enlarged Group may incur significant expense to comply with any new regulations or any heightened industry oversight, which may, in turn, have a material adverse impact on the Group's, ASIG's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

Menzies Aviation and ASIG each requires a number of licences and consents to operate in the highly regulated aviation industry and a number of these licences are currently under re-negotiation or will otherwise fall due for renewal in the short term. The Board does not currently anticipate that any of these licences and/or consents will not be granted to (or renewed in favour of) Menzies Aviation or, as far as it is aware, to ASIG on expiry. However, given the manner of ASIG's recent growth/expansion (which has been undertaken through a series of "bolt on" acquisitions), there are locations at which ASIG operates where it is operating under permits or licences that are not in its own name and, following Completion, the Enlarged Group may need (or be required) to cease operating in those locations where it was unable to provide licences in its own name. If this were to occur in connection with a number of licences at a number of the locations where there are current operations, this could have a material adverse effect on Menzies Aviation's, ASIG's and, following Completion, the Enlarged Group's business, prospects, financial condition or results of operation.

**The success of the Group, ASIG and, following Completion, the Enlarged Group is dependent on their ability to attract and retain high-quality and capable people**

The Directors are critical to Menzies' ongoing success. Although the Board does not anticipate any changes to it as a result of the Proposed Acquisition, losing the services of any of the Directors could have a material adverse effect on the results of the Group's and, following Completion, the Enlarged Group's operations until a suitable replacement is found. There may be a limited number of persons with the requisite skills to serve in such positions and Menzies cannot be certain that it would be able to locate or employ such qualified personnel on acceptable terms or at all. Following Completion, the Enlarged Group will conduct ITP fuelling and will also operate and manage fuel farms, which the current management of Menzies has limited experience of. Whilst the Board currently aims to retain the key personnel of ASIG, including at the management level, there is a risk that the Enlarged Group will not be able to retain or recruit suitably qualified personnel in this regard which in turn may result in that part of the Enlarged Group's operations not being overseen and/or managed adequately. Any such failure to manage or oversee the conducting of ITP fuelling or the operation of fuel farms appropriately could result in accidents, services not being delivered to customers on a timely basis or at all, thereby negatively impacting on the Enlarged Group's customer experience, which may have a material adverse effect on the Enlarged Group's reputation, business, financial condition, results of operations and prospects.

Human resources are an important factor for success in the provision of the Group's, ASIG's and, following Completion, the Enlarged Group's services and the growth of business. The ability of the Group, ASIG and, following Completion, the Enlarged Group to meet the demands of the market

and compete effectively with competitors is, to a large extent, dependent on the skills, experience and performance of personnel. There is a high level of demand for individuals with appropriate knowledge and experience in the aviation industry, including the commercial aviation sector, relating to aircraft service and maintenance and demonstrating a strong customer service bias. Menzies Aviation, ASIG and, following Completion, the Enlarged Group compete with other employers in aviation maintenance and operations, engine overhaul, military and business aircraft manufacturing and aerospace and ground handling to attract individuals with these skills.

The relationships which Menzies Aviation's employees develop with Menzies Aviation's customers are important to the success of the Group's business. The loss of key personnel, the loss of a significant number of staff or the continuous loss of employees across the Group, which has been an issue for the Group in particular in the United States, or the failure to attract the qualified employees required to service customer contracts could have a material adverse impact on Menzies Aviation, ASIG and, following Completion, the Enlarged Group, including a loss of standardisation across the Group's service offering and a negative effect on capacity to secure and service important customer contracts, which, consequently, could have a material adverse effect on business, prospects, financial condition and results of operations.

**Menzies Aviation or ASIG may face large liability claims, which could have a material adverse effect on Menzies Aviation's, ASIG's and, following Completion, the Enlarged Group's business, prospects, results of operations and financial position, and against which Menzies, ASIG and the Enlarged Group may not be fully insured**

Various incidents could result in claims for personal injury, death or property damage, for example, fire caused by ground support equipment attached or near an aircraft, fire impacting a hangar not covered by fire suppression, or leaks of hazardous substances from issues when fuelling. In addition, many factors beyond Menzies' and ASIG's control could lead to liability claims, including:

- an aircraft damage incident;
- the reliability and skills of the operators of Menzies Aviation's or ASIG's customers' aircraft; and
- fuel quality problems, or mis-fuelling with the wrong type of fuel, resulting in damage to or loss of an aircraft.

The Group has obtained insurance coverage to mitigate the above types of liabilities and monitors any incidents that occur on its sites to allow it to respond to any such events or incidents promptly. However, insurance coverage is subject to deductibles and maximum coverage amounts and any liability not covered by insurance could require the Group, ASIG and, following Completion, the Enlarged Group to dedicate a substantial portion of cash flows to make payments on these liabilities. Furthermore, the Group, ASIG and, following Completion, the Enlarged Group may suffer reputational damage and/or incur significant expenses in the course of defending against such claims, both of which, in turn, may have a material adverse impact on the Group's, ASIG's and, following Completion, the Enlarged Group's business, prospects, financial condition or results of operations. In addition, adequate insurance may not be available in the future or may be available only on unacceptable terms, which may also have a material adverse impact on the Group's, ASIG's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

**The Group, and following Completion, the Enlarged Group, may not be able to maintain sufficient insurance coverage for the risks associated with the operation of its businesses**

While the Group maintains, and following Completion, the Enlarged Group will maintain insurance against standard risks, including fire or accidental damage, property all risk insurance, public liability insurance and workmen's compensation insurance, the terms of such insurance may not be sufficiently comprehensive, provide for lower levels of compensation and be more expensive than might be expected. The Group's insurance may not fully compensate it for losses associated with damage to customer aircrafts or other property. There are also certain types of losses, generally of a catastrophic nature, including force majeure events such as earthquakes, floods, hurricanes, political risk, civil unrest, terrorism or acts of war, as well as certain business interruptions and labour disputes, that are not economically insurable or generally insured. There may also be other risks which the Group has not foreseen and for which the Group has not obtained insurance cover. In addition, the Group could lose insurance coverage if its existing policies were allowed to expire without being renewed.

Furthermore, if a large number of the Group's customers were to bring claims against the Group, any legal costs arising from defending such claims or any damages it may be required to pay if any such claims against the Group were to be successful, may not be covered adequately by insurance. The Group cannot provide any assurance that its insurance coverage will be sufficient to cover the losses resulting from any or all of such events or that the Group will be able to renew existing coverage on commercially reasonable terms, if at all. Other factors such as inflation, changes in regulatory requirements and applicable ordinances and environmental considerations, may also result in insurance proceeds being insufficient to cover the Group's ASIG's, and following Completion, the Enlarged Group's losses and/or damages. In the event that the Group suffers losses or damages that are not adequately insured, the Group's, ASIG's and following Completion, the Enlarged Group's business prospects, financial condition and results of operations may be materially adversely affected.

**The Group and ASIG have and, following Completion, the Enlarged Group will have, international operations and are therefore exposed to various additional risks**

As at the date of this document, the Group operates at over 149 locations in 32 countries around the world and, following Completion, the Enlarged Group will operate at 208 locations in 36 jurisdictions. Doing business internationally exposes the Group and ASIG and, following Completion, will expose the Enlarged Group to a variety of risks including:

- the burden of complying with multiple and possibly conflicting laws and any unexpected changes in regulatory requirements between different jurisdictions. For example:
  - increased labour and employee benefit costs, such as those resulting from compliance with the Patient Protection and Affordable Care Act, which imposes health insurance coverage obligations for employees in the United States;
  - exchange controls, import and export restrictions (including the U.S. International Traffic in Arms Regulations, known as ITAR) and tariffs and other trade protection measures and sanctions;
- inability to recruit and retain sufficiently trained and qualified personnel at local levels;
- unstable economic, financial and market conditions and increased expenses;
- inflation or unstable interest rate environments;
- potentially adverse tax consequences from changes in tax law, requirements relating to withholding taxes or remittances; and
- exposure to liability under the UK Bribery Act 2010, the U.S. Foreign Corrupt Practices Act and similar laws in other countries.

Any one of these factors could materially adversely affect the Group's, ASIG's and, following Completion, the Enlarged Group's ability to provide services to customers in one or more of these jurisdictions, which could in turn materially adversely affect the Group's, ASIG's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

**Any incident which raises concerns over the Group's, ASIG's or, following Completion, the Enlarged Group's safety and security regime could have a material adverse reputational and financial impact on the Group, ASIG and, following Completion, the Enlarged Group**

The aviation industry is particularly sensitive to health and safety and security concerns and therefore the nature of the business conducted by Menzies Aviation and ASIG, and, following Completion, which will be conducted by the Enlarged Group, requires the adoption and maintenance of a rigorous health and safety programme and rigorous checking and vetting of all employees alongside the relevant airport authorities for security purposes. Whilst Menzies Aviation currently provides and intends to provide, following Completion, across the entire Enlarged Group, central support to all stations to ensure consistency across its operations, including via utilisation of the Menzies Operating Responsibly Safely and Effectively ("M.O.R.S.E.") system, Menzies Aviation's intranet based safety and security monitoring system which provides consistent and regular recording, there can be no assurances that there will be no security breaches and health and safety incidents. Any security breaches or incidents or any health and safety incidents that occur and which are directly or indirectly attributable to the actions, or failure to act, of one of Menzies Aviation's, ASIG's and, following Completion, the Enlarged Group's employees or the failure of their respective related processes or training may have a material adverse effect on Menzies Aviation's, ASIG's and,

following Completion, the Enlarged Group's reputation, operational performance and ultimately its or their respective business, financial condition, prospects and results of operations.

The Group is required to comply with laws and regulations relating to health and safety in respect of both Menzies Aviation and Menzies Distribution. The nature of the Group's and, following Completion, the Enlarged Group's, operations exposes them to certain risks arising out of the performance of operational activities by their employees. In particular, a large proportion of the Group's and, following Completion, the Enlarged Group's, employees are involved in the performance of labour-intensive manual tasks (including, for example, the lifting and handling of airline cargo and parcels) and the use of road and industrial vehicles.

Whilst the Group provides, and following Completion, the Enlarged Group will provide, training to employees and seeks to monitor health and safety processes with a view to providing a safe working environment, there are no assurances that such training and processes are sufficient and appropriate to provide a safe work environment. The Group, ASIG and, following Completion, the Enlarged Group, may fail to comply with relevant health and safety legislation, and accidents may occur. Any failure in health and safety performance which results in a major or significant health and safety incident is likely to be costly in terms of potential liabilities incurred as a result of that incident. Such a failure could generate significant adverse publicity and reputational damage, litigation or fines and damages claims, costly compliance procedures and may have a material adverse impact on the Group's, ASIG's and, following Completion, the Enlarged Group's reputation and ability to win new business, which in turn could materially adversely affect the Group's, ASIG's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

In addition, Menzies Distribution's operations depend on road transport and as such utilise a significant number of road vehicles in the UK. These vehicles, and their drivers, could be involved in accidents causing fatalities, injuries and property damage. Adverse weather conditions and increased road traffic volumes may contribute to increases in the number of accidents involving these vehicle fleets in the future. Menzies Distribution may suffer civil, criminal and regulatory liability (including fines and other financial penalties) arising from accidents involving its vehicles and the reputation and brand of Menzies Distribution may be affected. The Group's, and following Completion, the Enlarged Group's, external insurance costs may also increase following a rise in the number of accidents. Such violations, failures and incidents could, therefore, have a material adverse effect on the results of operations, financial condition and prospects of the Group, or following Completion, the Enlarged Group.

**Menzies Aviation and ASIG are and, following Completion, the Enlarged Group will be, required to comply with various environmental requirements, which may cause exposure to increased costs and potential sanctions**

Menzies Aviation's and ASIG's operations are and, following Completion, the Enlarged Group's operations will be, subject to various laws and regulations, including those relating to:

- the generation, storage, treatment, disposal, handling, use and transportation of hazardous materials;
- emissions and discharges to air, soil and water;
- remediation of contaminated soil and ground-water; and
- other environmental matters, including claims related to historical exposure to asbestos.

Menzies Aviation and ASIG are, and, following Completion, the Enlarged Group will be, required to obtain environmental permits from government and airport authorities. These authorities can modify or revoke such permits and can enforce compliance with laws, regulations and permits by issuing orders and fines. The Group and ASIG incur, and, following Completion, the Enlarged Group will incur, capital and operating costs to comply with laws, regulations and permits, including obtaining and renewing permits. There can be no assurance that regulators will not: (i) challenge Menzies Aviation's, ASIG's or following Completion, the Enlarged Group's compliance with these laws, regulations or permits; (ii) require Menzies Aviation, ASIG and, following Completion, the Enlarged Group to expend significant resources to comply with applicable environmental laws and regulations; or (iii) impose sanctions on it or them, as the case may be, such as remediation of hazardous substances in the ground and/or water. Moreover, Menzies Aviation, ASIG or, following Completion, the Enlarged Group may be held liable for remediation costs even where the relevant site is no longer owned by them, including pursuant to contractual indemnification obligations in the relevant sale contract or where the conduct at issue occurred before the Proposed Acquisition, if Menzies Aviation, ASIG or, following Completion, the Enlarged Group were deemed not to be in compliance.

Although the Board is not, as of the date of this document, aware of any proposed material amendments to applicable environmental laws and regulations, there can be no assurance that amendments will not be made in the future that may result in further costs of compliance for the Group, ASIG and, following Completion, the Enlarged Group. The cost of regulatory challenges, complying with current and future environmental laws, and any sanctions imposed could have a material adverse impact on the Group's, ASIG's and, following Completion, the Enlarged Group's business, prospects, financial condition or results of operations.

For example, the U.S. Environmental Protection Agency has declared that carbon dioxide emissions should be regulated as they are an endangerment and in August 2015 announced the Clean Power Plan requiring power plants in the United States to reduce carbon pollution. As far as the Board is aware there are currently no requirements for the reduction of carbon dioxide emissions applicable to Menzies Aviation or ASIG at a federal level in the United States. There can, however, be no assurance that such proposals and/or requirements will not be made, especially considering that there are other well-established emissions programmes in other jurisdictions that do impose such requirements (such as in Europe). If the U.S. Environmental Protection Agency introduces any requirements relating to carbon dioxide emissions applicable to Menzies Aviation, ASIG or, following Completion, the Enlarged Group, these could have a material adverse impact on Menzies Aviation's, ASIG's and, following Completion, the Enlarged Group's business, prospects, financial condition or results of operations.

#### **Menzies Distribution could also be adversely affected by environmental legislation**

Environmental sustainability is likely to be of continuing importance to governments, regulators and other interested or influential bodies. Menzies Distribution utilises a number of vehicles which contribute to carbon dioxide in the environment and, in recent years, measures have been adopted at the UK and EU level aimed at reducing greenhouse gas emissions, reducing energy usage and ensuring that greater use is made of energy from renewable sources which could adversely affect Menzies Distribution's operations and conduct of its business, particularly in relation to its use of energy and the management of its vehicles or buildings, in particular in relation to the level of carbon emissions from its vehicles and buildings. Changes to environmental legislation may increase Menzies Distribution's costs, which may adversely affect the results of operations, financial condition and prospects of Menzies.

The Group's property portfolios comprise properties that have been constructed at various times and a number of its properties have been constructed in areas that have historically been the subject of commercial or industrial use. It is possible that on-site pollution or contamination could have been caused by such previous uses, or in limited circumstances by current uses, for which it is possible that the Group could be held liable. Although the Board is not aware of any potential environmental issues or any relevant liability, claims or actions, in general or in respect of any particular properties with respect to its current property portfolio, a claim or regulatory action against the Group, for pollution or contamination could have a material adverse effect on its financial condition and results of operations.

#### **ASIG and, following Completion, the Enlarged Group, may be liable for environmental damages, which could adversely affect ASIG's and, following Completion, the Enlarged Group's business or financial results**

ASIG operates or owns and operates fuel farms, which involves the storage of aviation fuel at fuel farms which is subsequently transported and pumped into airplanes. The storage, handling and transportation of aviation fuel carries inherent environmental liabilities. ASIG is, and, following Completion, the Enlarged Group will be subject to risks relating to such services including product spills, discharge of hazardous materials into the soil, air and water, and other environmental damage. A fuel spill of a significant size may have an adverse impact on the environment and could impact ASIG's and, following Completion, the Enlarged Group's reputation and therefore their respective businesses. In addition, there could be claims by third parties (including governmental authorities) for violations of applicable law and/or damages arising out of past, current or future contamination. The Board understands that environmental regulators are aware of and, in some cases, are investigating certain fuel spills, storage fault failures, soil and groundwater contamination at a small number of ASIG's current and former operating locations, which could lead to fines being levied against and/or legal proceedings being initiated against ASIG. Whilst the Board is aware of certain contamination, there may be other environmental liabilities of which neither it nor ASIG are currently aware. Pursuant to the Acquisition Agreement, BBA Holdings Limited and BBA Aviation Inc (the "Sellers")

have agreed to provide an indemnity to Menzies for any such environmental liabilities (whether or not currently identified) that arise following Completion as a result of the activity of ASIG prior to Completion. ASIG and, following Completion, the Enlarged Group may be liable to pay substantial amounts in fees and penalties for remediation, or as compensation to third parties, in each case, in respect of environmental issues associated with past, current or future operations of ASIG. In addition, ASIG, and following Completion, the Enlarged Group may be liable for environmental damage caused by previous owners of fuel farms or properties acquired or used by ASIG, and following Completion, the Enlarged Group. ASIG, and following Completion, the Enlarged Group may be liable for decontamination and other remedial costs as a result of contamination caused in connection with the storage, transportation and pumping of aviation fuel. Any fines, third party damages or obligations for remedial work may be for substantial amounts of money which may become payable by the Enlarged Group to the extent this cannot be recovered from the Sellers under the indemnity in the Acquisition Agreement and may therefore have a material adverse impact on ASIG's and, following Completion, the Enlarged Group's business, prospects, financial position and results of operations.

**Menzies Distribution may be further impacted by structural market changes including the ongoing migration from print to digital and Menzies Distribution could be affected by a material decrease in the prices or volumes of newspapers or magazines which it may be unable to continue to offset**

For the financial year ended 31 December 2015, Menzies Distribution accounted for 62.4 per cent. of the Group's turnover. The majority of Menzies Distribution's revenue is dependent upon the volume of sales and the cover price of newspapers and magazines. Newspaper and magazine circulation volumes in the UK have generally been declining since the 1980s due to changing consumer habits and the growth of alternative sources of news such as TV and the internet. Whilst the Group is currently diversifying its products offering in Menzies Distribution to product delivery, Menzies Distribution is largely dependent on the distribution of newspapers and magazines in printed form and such items, which previously were purchased and delivered only in physical form, are now increasingly being purchased by customers for viewing and use electronically, whether through websites, on mobile devices or in downloadable form. This change in favour of digital products has led to sales declines in printed newspapers and magazines, with expectations of further declines in the future.

In addition, the increasing trend for advertisers to place their advertisements on the internet, mobile devices or other digital platforms, rather than in print media such as newspapers and magazines given the decline in circulation of print media, could impact the sustainability of the ongoing business models of publishers and distributors of newspapers and magazines comprising the customer base for Menzies Distribution, and could lead to further declines in newspaper and magazine circulation which would have a consequential impact on Menzies Distribution. These trends are expected to continue and may accelerate in coming years as consumers, whether for reasons of cost, convenience or otherwise, seek to purchase newspapers or magazines for use only in electronic form. The continuation or acceleration of these trends would have a material adverse effect on Menzies' results of operations, financial condition and prospects.

Historically, declines in circulation have been significantly offset by price increases; however these are not within the control of Menzies Distribution and a material decrease could impact Menzies Distribution by reducing revenue, margins and economies of scale. To the extent that newspaper and magazine cover price increases do not continue significantly to offset lower circulation figures, Menzies Distribution may have to consider factors within its control so as to preserve profitability and mitigate the impact of any further declines in circulation, for example, reducing its cost base and increasing its focus on its parcel delivery business. In the financial year ended 31 December 2015, Menzies Distribution generated cost savings of £4.0 million so as to offset the impact of the decline in profits in respect of newspapers and magazines being £3.6 million in that year. Such cost saving measures included the rationalisation of Menzies Distribution's UK network, reduced headcount and improved productivity. Such measures may offset the financial effect of lower circulation figures to an extent and for a period, but a significant proportion of Menzies Distribution's cost base is related to its delivery infrastructure and as such is essentially fixed. Therefore such reductions are not guaranteed and may not be sustainable over time, and there may become a time where such reductions may not be possible. To the extent that there is a material decrease in the prices or volumes of newspapers or magazines which Menzies Distribution is not able to offset by successfully migrating its business into the neutral parcel delivery industry, this could have a material adverse effect on the Group's results of operations, financial condition and prospects.

**The Group and, following Completion, the Enlarged Group may be unable to recruit or retain experienced and/or qualified personnel which could materially impact on its efficiency and therefore competitiveness**

The Group's and, following Completion, the Enlarged Group's current businesses and continued expansion depends, in part, on the Group's and, following Completion, the Enlarged Group's ability to attract and retain experienced and/or qualified personnel. In particular, the Group depends on skilled and qualified personnel for Menzies Aviation, but Menzies Distribution also relies on skilled, professional and reliable personnel for both its delivery and customer facing functions of its business. The Group's and, following Completion, the Enlarged Group's brand loyalty with customers could be impacted and a competitive disadvantage could arise if the Group and, following Completion, the Enlarged Group is unable to retain internal candidates to occupy key roles as they become available as the Group and, following Completion, the Enlarged Group loses individuals with the requisite depth of knowledge, deep customer relationships and expertise due to a lack of career opportunities.

There is a high level of demand for individuals with appropriate knowledge and experience in both the logistics and general aviation sectors and the Group and, following Completion, the Enlarged Group may face significant competition from within those sectors for qualified personnel, in particular, in respect of the new jurisdictions into which it is currently expanding, such as the Middle East, where it may be more difficult to recruit skilled personnel than in more mature markets. Other factors beyond the Group's and, following Completion, the Enlarged Group's control, such as inflation, the cost of living, more onerous or restrictive visa requirements and changes to the legal and tax regimes in the locations in which the Group and, following Completion, the Enlarged Group operates, or into which it is expanding, could make living and working in such locations less attractive, thus affecting the ability of the Group and, following Completion, the Enlarged Group to attract and retain personnel in such locations. In some of the locations in which the Group and, following Completion, the Enlarged Group already operates as well as new jurisdictions into which the Group intends to expand with respect to Menzies Aviation, there may also be legal restrictions, language restrictions or other practical difficulties in recruiting or importing requisite personnel. There can be no assurance that the Group and, following Completion, the Enlarged Group will be able to attract or retain the personnel on which the Group's and, following Completion, the Enlarged Group's businesses depend. Any increased competition for or shortage of qualified and/or skilled personnel, could materially increase the Group's and, following Completion, the Enlarged Group's costs, could lead to lack of efficiency and a failure to deliver on any of the key strategic objectives of the Group and, following Completion, the Enlarged Group and could therefore have a material adverse effect on the Group's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

**The Group and ASIG operate and, following Completion, the Enlarged Group will operate in certain jurisdictions where foreign ownership laws may apply which may limit the Group's, ASIG's and, following Completion, the Enlarged Group's control over operations in such jurisdictions**

ASIG operates in, and the Group is currently expanding the Menzies Aviation business into, certain jurisdictions, such as the Middle East and/or certain parts of Asia, where overseas investment in certain businesses or commercial and industrial activities by foreign entities or nationals is restricted under local laws. In order to operate in any such countries, ASIG and the Group have, and following Completion, the Enlarged Group may have to enter into certain ownership structures or joint venture arrangements with local nationals in an effort to seek to comply with these local requirements. Furthermore, it is possible that any such structures or joint ventures could be subject to investigation by governmental agencies or bodies (including the authorities) in the relevant overseas jurisdictions, particularly if these structures or joint ventures are deemed by such agencies or bodies to give de facto control to the Group, ASIG or, following Completion, the Enlarged Group. Any such challenges would also potentially restrict the Group's, ASIG's and, following Completion, the Enlarged Group's expansion into any such jurisdiction. Whilst the Board is not aware of any current investigations in respect of any such foreign ownership structures, either as regards the Group or ASIG, there may be one such structure which could be challenged were it to be investigated but the Board believes the risk of any such investigation being undertaken, resulting in any fines and/or other penalties, to be low. However, if the Group, ASIG or, following Completion, the Enlarged Group were found to have breached any foreign ownership restrictions under local laws, it or they may be subject to fines and potentially criminal liability in certain jurisdictions. There can be no assurances that the Group, ASIG and, following Completion, the Enlarged Group would be able to implement any alternative ownership structures or that it would not be subject to material fines for breach of

local laws, which could have a material adverse effect on the Group's, ASIG's, and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

**Parcel volumes in the UK may not grow as forecast or may decline as a result of increased e-substitution in relation to its customers' products and so adversely affect Menzies Distribution's growth prospects**

In June 2015, Menzies Distribution made an anchor acquisition in the parcel market being AJG Parcels Limited. Thereafter, in November 2015 and February 2016, two bolt on acquisitions followed of Oban Express Parcel Service Limited and Thistle Couriers Limited, respectively. These acquisitions have enabled Menzies Distribution to operate in the parcel delivery industry, specialising in neutral consolidation services and final mile delivery services and, in particular, in the more challenging geographical areas, such as North and West Scotland. The Board has analysed the marketplace and identified the addressable market for this aspect of Menzies Distribution, which Beveridge Associates Limited estimates to be worth approximately 700.0 million parcels per annum with a compound annual base growth rate of 8.2 per cent. over the years 2014 to 2020. Forecasting parcel volumes is a complex process that is subject to significant uncertainty. Forecasts of the volume growth of UK parcel markets published by third parties may diverge from, and in some cases be lower than, Menzies' own forecasts in this area. Forecasts, including Menzies', may change over time due to changes in the assumptions on which they are based. There can be no assurance that parcel volumes will grow in line with Menzies' forecasts.

While Menzies Distribution aims to increase revenue in its parcel delivery business to mitigate the continued decline in volumes and prices of newspapers and magazines, such increase is contingent on continued growth in the UK e-commerce and associated e-commerce parcel delivery market. It is possible that parcel volumes in the UK may fail to grow as forecast by Menzies Distribution, grow at rates different from Menzies Distribution's forecasts, or decline. If parcel volumes in the UK fail to grow as fast as forecast by Menzies Distribution or decline, the Group's results of operations, financial condition and prospects would be materially adversely affected. Moreover, there can be no assurance that Menzies Distribution will maintain or increase its share of the parcel delivery market in which it operates, and its share of this market may decline in the future.

In addition, the Board believes there is a strong link between the quality of the service which customers receive from a particular delivery provider and their willingness to use that delivery provider again in the future. The failure by Menzies Distribution to deliver the service quality standards expected by customers on time may lead to customers using alternative delivery providers. More generally, the failure by parcel delivery providers to meet the service quality standards expected by end-customers may lead to a decline in the overall size of the market as customers choose different options for the delivery of parcels and for sending and receiving items, including purchasing goods using traditional forms of retailing (rather than online retailing) or by using "click and collect" services offered by multi-channel retailers with a high street presence or "pick up drop off" points offered by other parcel deliverers who enter partnerships with retailers with a physical presence (such as convenience stores and garages) from whose premises consumers can collect parcels.

**The customers of Menzies Distribution may cease to continue trading with it or may reduce their level of demand for its products or services**

Menzies Distribution has a very broad customer base, with no instances where single customers account for a significant part of its revenue of any business or product areas. However, in order to retain existing customers, Menzies Distribution is required to satisfy customer requirements and remain competitive in the market, and a failure to do so may lead to a loss of customers or a reduction in the volume of items they choose to deliver through Menzies Distribution's networks. In addition, the Board believes that there is a strong link between the quality of the service which its customers require for the delivery of its parcels to the end-consumer and their willingness to use that parcel delivery service provider in the future.

The volume of items sent through Menzies Distribution's delivery networks by its parcel customers could decline as a result of external events and circumstances. Such events and circumstances could include periods of good weather, which lead to a reduction in the levels of online shopping and e-commerce, and a fall in the volume of parcels through Menzies Distribution's delivery networks. Any material reduction in the volume of parcels sent through Menzies Distribution's delivery networks as a result of such external events and circumstances could have a material adverse effect on Menzies' business, its results of operations, financial condition and prospects.



The Group could allocate insufficient investments to its infrastructure which would have a negative impact on the quality of its delivery service distribution. The Group makes investments relating to infrastructure and key network assets (including real estate, vehicles, machinery and other equipment) on the basis of forecasts of the volumes of parcels and newspapers it expects to deliver through its networks and the services to be provided. If these forecasts are not accurate, there may be a mismatch between investment and actual requirements. If the Group underestimates its future capacity requirements, the needs of Menzies Distribution and its customers may not be met and it could lose business, which could have a material adverse effect on the Groups' results of operations, financial condition and prospects. If the Group overestimates future needs it may experience costly excess capacity and this could also have a material adverse effect on its financial condition and prospects, including where it is required to increase prices for its products and services to recover those costs. Such price increases could lead to a loss of business which could have a material adverse effect on the Group's results of operations, financial condition and prospects. Menzies Distribution's contracts do not generally commit significant customers to send minimum volumes through its delivery networks (although pricing discounts do apply depending on the volume of items a customer despatches through the networks) and so there can be no certainty that historical volumes will be maintained. Any loss of a substantial number of customers, or the loss of any key customers that generate substantial revenue or profits for Menzies Distribution, or the inability to win new customers could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

**Menzies Distribution operates in increasingly competitive markets which could adversely affect prices and demand for its services, resulting in a decrease of its market share**

Menzies Distribution operates in increasingly competitive marketplaces. The Directors believe that Menzies Distribution's market scale and expertise enables it to compete primarily on the basis of factors such as quality and price, speed of delivery and ability to distribute parcels to remote areas. If Menzies Distribution fails to compete effectively, it may lose existing customers and fail to attract new customers resulting in reduced sales growth opportunities and loss of margins. In addition, as a result of the price discounting that is required in order to remain competitive, sales growth opportunities may be reduced and margins eroded.

The broader parcel market in which Menzies Distribution operates is highly competitive and there is significant competition in the UK from companies with established delivery capabilities. Menzies Distribution has identified a niche within the market, focusing on final mile delivery in the hard to reach areas of the UK, working in collaboration with the national parcel carriers, such as DPD, UPS, Fedex, TNT, Yodel, UK Mail and APC Overnight, and competing against smaller outsource service providers. Co-operating with the national parcel carriers in this way may, to some extent, require Menzies Distribution to rely on its partners to help achieve its aims. Menzies Distribution also seeks to grow organically with new parcel carriers or local B2B delivery requirements in hard to reach areas of the UK. Menzies Distribution primarily competes on the basis of factors such as price, IT capability, speed of delivery and ability to distribute parcels to remote areas. If Menzies Distribution fails to compete effectively in any one of these areas, it may lose existing customers or fail to attract new customers. In addition, any new initiatives may not achieve the revenue or profitability that justify the original investment made by Menzies Distribution.

The Board believes there is a strong link between the quality of the service which customers receive from a particular service provider and their willingness to use that provider again in the future. The failure by Menzies Distribution to deliver to the service quality standards expected by customers may lead to customers using alternative delivery providers.

Menzies Distribution's parcel service also faces risks associated with the further expansion of "click and collect" in the UK parcel market as a delivery option for consumers in the UK. The growth in the use of "pick up drop off" points located in high street shops and other locations by existing parcel customers of the Group (whether online retailers who do not have their own high street presence or "multi-channel" retailers who sell goods online and through more traditional retail locations) may lead to a reduction in the volume of parcels delivered by Menzies Distribution for those customers.

Such competitive pressures from one or more of Menzies Distribution's competitors, or the inability to adapt effectively and quickly to a changing competitive landscape, could affect the prices, margins and demand for Menzies Distribution's products and related services, which may have a material adverse effect on Menzies' business, financial condition, results of operations and prospects.

### **The Group is dependent on its information technology systems and the security of those systems**

The Group relies on information technology systems to operate its businesses, such as the SAP enterprise system, which underpins Menzies Distribution's operation and support services, and M.O.R.S.E., which is an intranet based safety and security monitoring system used by Menzies Aviation. System performance, data capacity, temporary or permanent loss of systems could seriously affect the Group's ability to carry out its business.

In addition, the Group may also be susceptible to cyber-attacks that may cause its websites or other systems to experience service outages, loss of intellectual property rights or other interruptions. The Group takes measures designed to prevent the occurrence of such breaches and disruptions. If, however, any compromise in the security measures of the Group were to occur, the reputation of the Group, or following Completion, the Enlarged Group, may be harmed, customer service and/or satisfaction could be adversely impacted and there could be increased costs for rectification and requirement for future investment. As a result, the Group's business, financial condition and results of operations may be materially adversely affected.

The Group also processes personal data, some of which may be sensitive, as part of its operations. There is a risk that such data could become public if there were a security breach in respect of such data and, if one were to occur, the Group, or following Completion, the Enlarged Group, could face liability under data protection laws. The Group also processes credit card payments and so is subject to payment card association operating rules, certification requirements, Payment Card Industry Data Security Standards and rules governing electronic funds transfers, which could change or be reinterpreted to make them difficult or impossible to comply with. If the Group, or following Completion, the Enlarged Group, fails to comply with these rules or requirements, it may be subject to fines or higher transaction fees. Any such breaches may have a material adverse effect on the reputation, business, financial condition, results of operations and prospects of the Group, or following Completion, the Enlarged Group.

### **Asbestos is present in certain of Menzies Distribution's properties**

Menzies Distribution's property portfolio includes properties where materials containing asbestos are present. Pursuant to applicable law and regulations relating to asbestos, Menzies Distribution is subject to duties to manage the risk of asbestos in its premises, which include ensuring that so far as reasonably practicable no person can come to harm from the presence of asbestos on the premises. This may involve isolating, encapsulating or removing asbestos that is found to be in poor condition. Menzies Distribution has developed and implemented an asbestos management plan which incorporates a set of policies and procedures to assist it to manage the asbestos risk in its property portfolio. The ongoing management of asbestos by Menzies Distribution will involve additional capital expenditure in the forthcoming years and may in certain circumstances require full or partial closure of certain properties. Any failure to manage the asbestos in its properties could result in Menzies Distribution, or following Completion, the Enlarged Group, incurring fines or other liabilities, which may adversely affect their respective reputations or cause the full or partial closure of such properties (or both), which, in turn, could have a material adverse effect on the financial conditions or results of operations of Menzies Distribution, or following Completion, the Enlarged Group.

### **Menzies Distribution may face unexpected increases in fuel costs, which may increase the costs of delivery and which may reduce its profitability**

The operations of Menzies Distribution depend on road transport and as such they utilise a significant number of road vehicles in the UK. Menzies Distribution currently imposes a fixed fee covering fuel costs in connection with its delivery services. The fuel costs and expenses of Menzies Distribution in connection with utilising road vehicles could increase, and there can be no certainty that the Group will be able to pass such increases on to customers. Any such increase in fuel costs, if not passed on to customers, could have a material impact on the business, financial condition, results of operations and prospects of the Group, or following Completion, but to a lesser extent due to the nature of ASIG's business, the Enlarged Group.

### **The Group faces, and following Completion, the Enlarged Group will face, risks associated with the labour-intensive nature of its business and its large workforce**

The Group's and ASIG's respective businesses are labour-intensive and necessitate a large workforce and the Group is, and following Completion, the Enlarged Group will be, reliant on its staff for the

management, operation, creation, maintenance, repair and upgrading of its business, operations and systems. For the six months ended 30 June 2016, the Group employed approximately 26,500 employees and ASIG employed approximately 8,000 employees, so that following Completion, the Enlarged Group will employ approximately 34,500 employees worldwide. The size of, and high fixed employment costs associated with, the Group's, and following Completion, the Enlarged Group's, workforce may make it less competitive compared with other delivery services operators or aviation services providers, as the case may be.

Changes to laws and regulations relating to employment (including the interpretation and enforcement of those laws and regulations) could have a material adverse effect on the Group, and following Completion, the Enlarged Group, its results of operations, financial condition and prospects. In particular, changes in this area could, directly or indirectly, increase the Group's, and following Completion, the Enlarged Group's employment costs, which, given the size of the Group's, and following Completion, the Enlarged Group's workforce, could have a material adverse effect on the Group's and, following Completion, the Enlarged Group's, profitability and financial condition. In addition, wage inflation is prominent in many of the territories in which the Group and ASIG operate, and following Completion, in which the Enlarged Group will operate. For example, the introduction of the new UK National Living Wage has had an impact on the Group's and ASIG's UK operations. In the United States, any changes to local wage ordinances or to the Affordable Care Act could also increase labour costs thereby negatively impacting the Group's and, following Completion, the Enlarged Group's profitability in the United States. Such and similar initiatives, could result in higher wages and other employment costs and increasing operating costs and to the extent that these increases cannot be passed on to the Group's, or following Completion, the Enlarged Group's customers this could have a material adverse effect on the Group's, or following Completion, the Enlarged Group's profitability, prospects, financial condition and results of operations.

**There is extensive trade union recognition in respect of the Group's and ASIG's workforces and the Group is, and following Completion, the Enlarged Group will be, subject to the ongoing risk that one or more material disagreements or disputes between the Group and the trade unions could result in widespread localised or national industrial action**

In the UK, the U.S. and Canada, the Group recognises a variety of trade unions across both Menzies Aviation and Menzies Distribution, including the Unite union in the UK. In addition, ASIG's workforce is also highly unionised in the United States, Canada and the UK. Therefore, the Group is, and following Completion, the Enlarged Group will be, required to reach agreement with trade unions prior to implementing changes to pay and terms and conditions of employment (for which the trade unions have been recognised to conduct collective bargaining) in respect of relevant employees. Changes to some non-contractual matters, including certain working arrangements and various processes for the introduction of new ways of working aimed at improving efficiency, are also subject to prior consultation and, in some circumstances, negotiation with the trade unions in accordance with the applicable industrial relations framework. The extent of trade union involvement across the Group's, and following Completion, the Enlarged Group's, workforce may limit the Group's flexibility in dealing with operational matters and lead to increased operating costs. In particular, following Completion, the Enlarged Group may be unable to successfully manage this potentially large number of unions and collective bargaining agreements, especially around integrating the ASIG Group's and the Group's respective workforces.

The Group has not been subject to national industrial action in the UK or any other country in which it operates in the period from 2012 to date. However, the historical tendency of the UK's trade unions to ballot its members for industrial action in the lead-up to the review date of an existing pay deal and its members' historical willingness to vote in favour of such action means that, in the UK, the Group is subject to ongoing risks of national industrial action. In addition, ASIG has a number of collective bargaining agreements in place across its business and a number of these are to be renewed and/or re-negotiated over the next 12 months, which could lead to demands for increased wage or other benefits and demand for different working conditions or terms of employment.

In addition to action at a national level, Menzies Distribution is also subject to the risk of localised industrial action at specific sorting, delivery or other operational units which may take the form of local strikes or a refusal on the part of employees to work normally. This can arise for a number of reasons, including, without limitation, in response to proposed changes in working arrangements at a local level, or the treatment of a member of staff.

The Group and ASIG are, and following Completion, the Enlarged Group will be, subject to the ongoing risk that if there is a material disagreement or dispute between the Group, ASIG or, following Completion, the Enlarged Group, and the trade unions resulting in widespread localised or national industrial action, or the threat of such industrial action, the Group's, ASIG's, and following Completion, the Enlarged Group's, business could suffer material disruption and be adversely affected and revenue could decline. Material or sustained industrial action (or the threat of such industrial action) could also adversely affect the Group's, ASIG's, and following Completion, the Enlarged Group's, reputation and brand. The threat of national industrial action (regardless of whether national industrial action actually occurs) would be likely to have an adverse effect on the business of the Group, ASIG, and following Completion, the Enlarged Group. The threat that the Group, ASIG, and following Completion, the Enlarged Group, may not be able to fulfil the delivery of parcels or provide its services to its active customers as a result of national industrial action would be likely to cause the Group's, ASIG's, and following Completion, the Enlarged Group's, customers to approach, and enter into contractual arrangements with, other operators.

**The Group, and following Completion, the Enlarged Group, may face unexpected increases in operating and other expenses, which may reduce their profitability**

The operating and other expenses of the Group, and following Completion, the Enlarged Group, could increase without a corresponding increase in revenue. Factors which could increase operating and other expenses include unforeseen increases in:

- third-party couriers;
- airport leases;
- the national minimum wage, any increases in the national living wage, other payroll expenses (for example, National Insurance and, following a recent UK legal ruling, in the amount of remuneration payable in respect of statutory holiday entitlement) or further changes to the UK pensions regime;
- advertising costs;
- business rates;
- fuel costs for vehicles used in Menzies Aviation;
- costs of leasing ground equipment at airports;
- property taxes and other statutory charges;
- insurance premiums;
- tax charges (including road usage and haulage taxes and tariffs);
- legislation; and
- the rate of general inflation,

together with changes in laws, regulations or government policies (including those relating to health and safety, financial services, planning and environmental compliance) which increase the costs of compliance with such laws, regulations or policies. In addition, Menzies Aviation and ASIG could face increased costs if additional security and/or environmental compliance requirements are implemented in relation to the supply of products and/or services to airlines. To the extent that such increases in operating and other expenses exceed or are not in line with increases in the Group's, or following Completion, the Enlarged Group's revenue, their profitability will be reduced and reduction could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group, or following Completion, the Enlarged Group.

**Menzies Distribution may not be able to distribute or deliver its customers' products due to circumstances beyond its control**

Menzies Distribution is subject to the risks associated with its ability to provide distribution and delivery services. In particular, the business is almost entirely reliant on deliveries by road and, as a result, Menzies Distribution is exposed to the risk of fuel shortages, traffic congestion, road works, congestion charging and inclement weather, particularly snow, all of which could render deliveries difficult or even impossible.

In addition, Menzies Distribution is subject to regulations governing the number of hours that its drivers can work on consecutive days and, as a result, Menzies Distribution may not have enough

drivers available to work during periods of high demand or adverse weather conditions. Any major disruption could lead to Menzies Distribution failing to meet its regulatory and/or contractual obligations. Such breaches could lead to fines, contractual damages and other regulatory enforcement action.

Any significant interruption to Menzies Distribution's newspaper and magazine distribution or parcel delivery services may have a material adverse effect on the reputation, business, financial condition and results of operations of the Group.

**Menzies Distribution relies on a large number of operational sites in the UK, and disruptions to the efficient operation of these sites may adversely affect Menzies**

Menzies Distribution relies on 43 locations throughout the UK, four of which are hub depots and are fundamental to its business operations. Disruption to the efficient operation of these sites may affect its ability to distribute or deliver (as applicable), or to do so economically. Disruptions may arise for a number of reasons including strike action and other industrial relations actions, fuel shortages, traffic congestion, road works, congestion charging, power or equipment failures, fires, floods, adverse health pandemic outbreaks, terrorist incidents, extreme weather events, particularly snow, and other natural disasters and other unforeseen events that may not be covered by insurance. Any such disruptions or failures could have a material adverse effect on the financial condition, results of operations, prospects and reputation of the Group.

**Menzies Distribution is reliant upon independent contractors in connection with its business and could see operating costs adversely impacted by changes in the self-employment status of these independent contractors which may reduce their profitability**

Menzies Distribution utilises independent contractors to make the majority of its deliveries, using vehicles owned or leased by the independent contractors. As independent contractors, however, they may choose to provide delivery or related services to other companies outside of Menzies Distribution, or choose to cease making deliveries for Menzies Distribution at any time (subject to contractual notice provisions). If Menzies Distribution lost a significant number of its independent contractor delivery teams and was unable to recruit a sufficient number of qualified replacement delivery teams in a timely manner, the ability of Menzies Distribution, and following Completion, the Enlarged Group, to make deliveries would be materially adversely affected.

The self-employment status of Menzies Distribution's independent contractors could be subject to challenge by, for example, HMRC or the independent contractors themselves (or both), due to, for example, a change in existing law and regulation or a change in interpretation of existing law and regulation. The independent contractors could seek to assert status as employees in order to access certain statutory employment rights which would not otherwise be available to them, such as the right to receive redundancy payment upon termination in certain circumstances. In addition, if HMRC deemed the independent contractors to be employees of Menzies Distribution, the Group could: (i) face additional tax obligations in respect of National Insurance contributions, potentially including obligations and/or penalties in respect of prior periods; or (ii) face allegations for failure to properly deduct Pay As You Earn which could lead to financial penalties being imposed (or both). Any change to the status of Menzies Distribution's independent contractors, as well as any awards of compensation or additional tax obligations or penalties, could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group, or following Completion, the Enlarged Group.

**The Group is subject to the risk of fraud**

The Group is exposed to the risk of actual and attempted fraud, both internally and externally, from a range of sources including suppliers, customers, employees, sub-contractors and other third parties. This risk may be exacerbated during poor economic conditions.

The Group is also at risk from employees and staff members who fail to follow, or avoid, procedures designed to prevent fraudulent and criminal activities. The Group could incur fines and penalties imposed by regulatory and governmental bodies and enforcement agencies. The occurrence or persistence of fraud, criminal activity or other misconduct in any part of the Group's business, or the perception thereof, or the failure of the Group or, following Completion, the Enlarged Group to detect such conduct and activity, could damage its brand and reputation and could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group could also suffer loss through poor management of debtors and stock if operational processes are not consistently applied.

**Menzies Aviation's and the Enlarged Group's reputation as a quality service provider may be adversely affected by any failure to meet its contractual obligations, customer expectations or agreed service levels**

As service providers to the aviation industry, Menzies Aviation's and ASIG's respective reputation for providing high quality services is key to their maintaining and developing relationships with their customers in the aviation industry. Menzies Aviation's, ASIG's and, following Completion, the Enlarged Group's ability to attract new customers or retain existing customers is largely dependent on its ability to provide reliable high quality services and to maintain a good reputation. Whilst there may be local concentration on a limited number of airlines per airport which the Group provides and following Completion, the Enlarged Group will provide, services to, the Group as a whole is not and following Completion, the Enlarged Group will not be, dependent on any one or a limited number of customers and/or contracts. As many of Menzies Aviation's contracts involve the provision of services critical to the business operations of its customers, the failure or inability to meet a customer's expectations could have an adverse effect on the customer's operations, which, in turn, could damage Menzies Aviation's and the Enlarged Group's relationship with that customer and Menzies Aviation's and the Enlarged Group's reputation. Accordingly, any such reputational damage could result in an adverse effect on the Group's or, following Completion, the Enlarged Group's business, prospects, financial condition and results of operations.

Moreover, any failure to meet contractual obligations or agreed service levels may lead to contractual disputes with counterparties, which may result in legal and other costs to Menzies or the Enlarged Group.

**Menzies Aviation and ASIG operate and, following Completion, the Enlarged Group will operate, in a highly competitive market**

Menzies Aviation and ASIG currently operate in a highly competitive market, facing competition in the industry from multiple sources, including national and international ground handling providers. The ground handling markets in the United Kingdom and the United States are highly competitive, which has contributed to weaker operating performance for ASIG and other ground handling providers in recent periods. In the future, Menzies Aviation and ASIG and, following Completion, the Enlarged Group may face increased activity from competitors. Such competition may also come from joint ventures or consortia established with the resources to rival or exceed those available to the Group, ASIG and the Enlarged Group.

Renewing ground handling and fuelling licences from the relevant airport authorities will be key to the future of the Enlarged Group as the licences create an ability to operate and service existing customers. Licences are often renewed but, following Completion, the Enlarged Group must maintain impeccable standards to ensure it retains and gains licences to operate from the relevant airport authorities.

The ground handling and fuelling businesses of Menzies Aviation, ASIG and the Enlarged Group do not, and will not, have the right to be the sole provider of services at any airport. The authority responsible for each airport has the ability to grant other leases or operating licences to other operators and new competitors could be established at those airports. The addition of such new competitors may have an adverse effect on the Group's, ASIG's or, following Completion, the Enlarged Group's business, prospects, financial condition or results of operations.

**The Enlarged Group's commercial freedom could be restricted if it is found to be dominant in one or more local markets**

There are a number of local markets across the United Kingdom, the United States and Canada where the Enlarged Group's operations will have a high market share. The relevant competition authorities have previously tended to determine that these markets may be defined narrowly (both geographically and as regards the alternative services to be provided), and that may mean that the Enlarged Group could potentially be considered by a regulator or a court to be dominant in relevant market(s) where it has a particularly high market share. Whilst there is nothing to prohibit companies from having a market leading or dominant position, relevant competition laws prohibits conduct by companies that are found to have a dominant position which may be categorised as an abuse of their dominant position. For example, case law of the European Courts indicates that dominant companies have a special responsibility not to allow their conduct to distort or impede effective competition.

Without conceding whether or not it might have a dominant position in any market, it may be more prudent in some locations for the Enlarged Group to be mindful of these additional legal responsibilities and to limit its commercial freedom in certain local areas, for example as regards pricing below cost and granting discounts or rebates that are loyalty inducing. These factors, in addition to the risk of possible future competition claims initiated by the relevant authorities and/or third parties against the Enlarged Group, could have a material adverse effect on the Enlarged Group's business, results of operations and financial condition.

**A significant privacy breach of the Group's, ASIG's, or, following Completion, the Enlarged Group's information systems could have an adverse reputational and financial impact on the Group, ASIG and the Enlarged Group**

The protection of customer, employee and company data is important to the Group's and ASIG's business and the Group's and ASIG's customers and employees expect that their personal information will be adequately protected. In addition, the regulatory environment surrounding information security and privacy is becoming increasingly demanding, with evolving requirements in the various jurisdictions in which the Group, ASIG and, following Completion, the Enlarged Group do business. Although the Group and ASIG have developed and implemented systems and processes that are designed to protect personal and company information and prevent data loss and other security breaches, such measures cannot provide absolute security. Additionally, the Group's, ASIG's and, following Completion, the Enlarged Group's, increased use of and reliance on web-based systems for the storage, processing and transmission of information, including customer and employee information, could expose their respective businesses, employees and customers to a risk of loss or misuse of such information. A significant breach of customer, employee or company data could damage their reputation and relationships and could result in lost sales, sizeable fines, significant breach-notification costs and lawsuits.

**Any failure to negotiate existing or new contracts with customers on acceptable commercial terms or at all may have a material adverse effect on Menzies' Distribution's business, prospectus, financial position and results of operations**

The majority of the Menzies' Distribution's current key contracts, including its wholesale news contracts, are of a long-term nature and therefore play an important role in the Group's internal rate of return and profitability planning. The majority of its wholesale news contracts were renegotiated during 2013 and secured through to 2019 and beyond. However, whilst Menzies Distribution currently undertakes, and will continue to undertake, strategic analysis of all options at the time contracts are entered into by it when they are due for renewal, any inability to renegotiate key existing contracts or to negotiate new contracts on favourable economic terms or at all, could materially affect the Group's and, following Completion, the Enlarged Group's operations and profitability.

**ASIG currently participates in the BBA pension scheme and such participation will cease on Completion which could trigger certain liabilities**

Certain members of the ASIG Group currently participate in the defined contribution section of the BBA Income and Protection Plan ("Plan"). The defined benefit section of the Plan is in deficit. One member of the ASIG Group previously participated in the defined benefit section of the Plan until 2007, triggering an employer debt under sections 75 and 75A of the Pensions Act 1995 ("S.75 Debt") upon leaving that section. Whilst that S.75 Debt was paid in 2007, another S.75 Debt will be triggered by the same entity leaving the defined contribution part of the Plan on Completion. The Sellers have agreed to discuss with the trustees of the Plan apportioning this S.75 Debt to another part of the BBA Group outside of ASIG. As this is subject to the consent of the trustees, there can be no assurances that such apportionment will occur and that Menzies will not assume any liability to pay any such S.75 Debt.

Also, pursuant to certain "anti-avoidance/moral hazard powers", the Pension Regulator can issue contribution notices or financial support directions to require the recipient to make payments or provide financial support to a pension scheme. Whilst the Plan will not transfer alongside the Proposed Acquisition and therefore ASIG will no longer be a participant in the Plan and the Board is not aware of any reasons for the Pension Regulator to use the "anti-avoidance/moral hazard powers", there can be no assurances that the Pension Regulator will not do so in the future and therefore there is a risk that members of the ASIG Group will remain prone to sanction by the Pension Regulator in relation to material detriment that may have occurred in relation to the Plan prior to Completion.

In addition, there have been transfers of employees under the operation of the Transfer of Undertakings (Protection of Employment) Regulations 1981/2006 (“TUPE”) into ASIG who may have rights to enhanced early retirement pension benefits which transferred with them under TUPE (known as “Beckmann rights”), the cost of which is currently hard to determine as they are dependent on a number of different factors and which may have to be borne by the Enlarged Group.

For each of these possibilities, the Sellers have therefore provided an indemnity to the Buyers pursuant to the Acquisition Agreement, so that even if one or more of these possibilities were to materialise, the Buyers would have recourse to the Sellers. Should the Sellers default under the indemnity and/or the indemnity be insufficient to cover such liabilities, the Enlarged Group would have to pay any shortfall itself which, depending on the materiality of the liability, could have an adverse impact on its business, financial condition, prospects or results of operations.

**The Group is, and following Completion, the Enlarged Group will be, exposed to funding risks in relation to Menzies’ defined benefit pension scheme in the United Kingdom**

Menzies operates a defined benefit pension scheme in the United Kingdom (“DB Scheme”). Menzies is required to make assumptions about pension increases, discount rates, inflation, and participants’ life expectancy for accounting purposes in accordance with the accounting standard IAS 19. The Group is currently reviewing its current pension arrangements. Once this review is complete a decision on whether the Group and, following Completion, the Enlarged Group will continue to operate the current schemes will be taken. As at 30 June 2016, the deficit for Menzies’ DB Scheme on the IAS 19 valuation basis was £52.7 million.

The cash contributions to the DB Scheme are affected by the statutory requirement that the trustee of the DB Scheme carries out a new valuation using appropriately prudent valuation assumptions every three years. The assumptions used are agreed with Menzies. The assets of the DB Scheme are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustee of the DB Scheme is required to act in the best interests of the beneficiaries of the DB Scheme.

Under the statutory funding requirements, to the extent there is a shortfall in the assets as against the value of the DB Scheme’s liabilities, the DB Scheme’s trustee and Menzies must agree a recovery plan setting out a multi-year programme for clearing the deficit. Where no agreement on the valuation can be reached, the Pensions Regulator in the United Kingdom may intervene to facilitate agreement and has the power to impose a contribution schedule, although this is rare. The latest valuation was completed at 31 March 2015. Agreement was reached between Menzies and the trustee resulting in a ten year funding plan which will result in deficit reduction payments of £10.7 million in the year to 31 March 2016 rising annually up to the year ending 31 March 2025 with the higher of inflation and the percentage change in dividends paid to Menzies’ shareholders, the latter only when the annual dividend exceeds the dividend paid relating to the financial year ending 31 December 2013. Additional contributions are required to fund benefits for current employee members.

Menzies monitors its DB Scheme’s assets and liabilities on an ongoing basis. A decline in pension asset values, different actuarial assumptions, for example, changes in discount rates, inflation or mortality assumptions or a more prudent approach by the pension trustee may result in an increase in pension liability and could require increases in the level of additional cash contributions to the DB Scheme at subsequent triennial valuations. Prolonged periods of low interest rates, such as those seen in the current environment, tend to increase the liabilities of defined benefit pension schemes because liabilities are calculated by discounting future benefits by reference to prevailing interest rates appropriate to the duration of the pension benefit payment. Adverse events in the equity and other investment markets, or increases in longevity rates may also have a negative effect on the funding positions of defined benefit schemes when these valuations take place.

In the event of a major disposal that generates significant cash proceeds which are returned to the shareholders, Menzies may be required to make additional cash payments to the DB Scheme or to provide some other form of mitigation, if the disposal were to result in a material detriment to the covenant enjoyed by the DB Scheme.

Also, in certain limited circumstances, (and subject to the satisfaction of reasonableness requirements), actions by the Pensions Regulator in the United Kingdom to impose financial support directions or contribution notices could result in Menzies or, following Completion, the Enlarged Group being required to contribute significant additional amounts to the DB Scheme, which could thereby also have a material adverse effect on Menzies’ or, following Completion, the Enlarged Group’s business,



financial condition and results of operations. Such sanctions are extremely rare in practice, but if successfully enforced could have a material adverse impact on the Group's and, following Completion, the Enlarged Group's operating results, business prospects and financial condition.

In the event that Menzies or, following Completion, the Enlarged Group agrees with the trustee to increase cash contributions, it is expected that any additional cash contributions required would be structured over a reasonable period of time, such that there is no material impact on cash contributions in the next twelve months.

**The Group is, and following Completion, the Enlarged Group will be, exposed to litigation risks in the course of its business**

The Group is, and, following Completion, the Enlarged Group will be, party to litigation and equivalent proceedings in the course of its business, including, but not limited to, litigation arising out of employment tribunal claims, labour and health and safety disputes, claims as to satisfactory services provided, claims in connection with damage caused to third party property and claims in relation to prior transactions, as well as such matters as employment and pension. Any litigation by the Enlarged Group may be costly and lengthy and there can be no assurance that the Enlarged Group would prevail. Litigation could also involve a significant diversion of resources and management attention and be disruptive to normal business operations and the Group and, following Completion, the Enlarged Group's insurance policies may not necessarily cover claims against it or may not be adequate to protect it against all liability that may be imposed. An unfavourable resolution of a particular litigation proceeding or the costs associated with substantial litigation could have a material adverse effect on the Enlarged Group's reputation, corporate and brand image, business, operating results and financial condition.

**The use of net operating losses carried forward for U.S. federal tax purposes, to offset future income for federal tax purposes, may be restricted by changes in the ownership of Menzies and, following Completion, the Enlarged Group**

At the end of the financial year ended 31 December 2015, the Group carried forward £53.0 million (US\$70.0 million at an exchange rate of US\$1.32:£1.0) of estimated net operating losses for U.S. federal income tax purposes that can be used against future U.S. federal taxable profit for Menzies, the Group and, following Completion, the Enlarged Group. Internal Revenue Code S.382 in the United States severely limits the offset of those net operating losses if there were to be a change in ownership of Menzies, the Group and, following Completion, the Enlarged Group for the purposes of S.382. An ownership change for the purposes of S.382 would broadly occur if there was to be, in aggregate, a more than a 50 percentage point change in the ownership of Menzies, the Group and, following Completion, the Enlarged Group's shares by one or more shareholder(s) owning at least 5.0 per cent. or more of the then issued share capital, looking back over the preceding three years on a rolling basis. It is currently not expected that the Rights Issue and/or the Proposed Acquisition would result in any such changes to the ownership of Menzies' share capital. Other provisions of the Internal Revenue Code could apply to limit the use of net operating losses and other tax attributes of Menzies, the Group and, following Completion, the Enlarged Group in addition to the S.382 limitations. Any limitation on the offset under U.S. revenue laws could decrease the Group's and, following Completion, the Enlarged Group's profits thereby having an adverse effect on the Group's and, following Completion, the Enlarged Group's business, prospects, financial condition and results of operation.

**RISKS RELATING TO THE PROPOSED ACQUISITION**

**The Enlarged Group may experience difficulties in incorporating ASIG into Menzies Aviation**

Menzies Aviation and ASIG currently operate and, until Completion, will continue to operate, as two separate businesses independent of each other. Following Completion, ASIG will be consolidated operationally with Menzies Aviation, adopting Menzies Aviation's current policies and practices. The success of the Enlarged Group will depend, in part, on the effectiveness of this process and the ability of the Enlarged Group to realise the anticipated benefits and cost savings from the Proposed Acquisition of ASIG. Some of the potential challenges in incorporating ASIG may not become known until after Completion due to the substantial increase in the size and scale of the operations of the Group and the operational complexity of the Enlarged Group.

The Group anticipates that the key potential difficulties of combining the businesses could include the following:

- ensuring the Group's existing senior management team are able to supervise the incorporation of ASIG into Menzies Aviation as well as continue to perform their existing roles and responsibilities;
- integration of ASIG's IT systems and IT security standards with Menzies Aviation's existing IT systems and IT security standards;
- ensuring the alignment of ASIG's current health and safety processes to Menzies Aviation's requirements;
- aligning ASIG's approach to management of contractors and employees to that of Menzies Aviation;
- embedding a risk management framework and associated processes to meet the standards of Menzies Aviation (including health and safety);
- adapting ASIG's operational and management processes, and their associated costs, so as to ensure compliance to regulatory requirements; and
- aligning ASIG's corporate and workplace culture and values with those of Menzies Aviation.

The process of incorporating ASIG into Menzies Aviation could potentially lead to the interruption of operations of the Group or ASIG or a loss of customers or key personnel which could have a material adverse effect on the business, results of operations or financial condition of the Enlarged Group. Any delays or difficulties encountered in connection with this process could also lead to reputational damage to the Enlarged Group.

**With the Proposed Acquisition, Menzies Aviation is expanding its product offering by adding into plane ("ITP") fuelling and fuel farm management ("FFM") services, which will subject Menzies Aviation to additional operational and other risks**

The Enlarged Group's success is, in part, dependent on the successful integration of the ASIG business into the Group. The Board has therefore prepared an integration plan which is further supported by work undertaken by an external advisor. It is believed that together these will enable the Enlarged Group to comply with the Listing Rules and the Disclosure Guidance by establishing adequate financial position and prospects procedures for the Enlarged Group following Completion. Whilst there is a substantial overlap in the services currently offered by ASIG and Menzies Aviation, the provision of ITP fuelling and FFM services will be a new offering by Menzies Aviation. With the addition of these new services, Menzies Aviation will be subject to various risks and challenges, including its lack of experience operating such services and potential difficulties in staffing and managing these new services (particularly if ASIG were to lose a significant number of those of its employees who are currently operating these services), which may result in the Enlarged Group failing to meet the demands of customers and/or in it failing to comply with its contractual obligations.

Menzies Aviation's, ASIG's and, following Completion, the Enlarged Group's ability to attract new customers and retain existing customers is largely dependent on their respective ability to provide reliable high quality services and to maintain a good reputation. Any inability by the Enlarged Group due to its lack of experience to maintain or improve the ITP fuelling and/or FFM service levels provided by ASIG to its customers could damage the Enlarged Group's reputation and its relationships with existing customer and may constitute breaches of contract. Any failure to meet contractual obligations or agreed service levels may lead to termination of these contracts and/or contractual disputes with customers, which may have a material adverse effect on the Enlarged Group's business, prospects, financial condition and results of operations.

**Following Completion, the indebtedness and financial leverage of the Enlarged Group will increase**

The Group will part-finance the Proposed Acquisition through an entry into new debt facilities. Consequently, the Proposed Acquisition will increase the overall indebtedness and financial leverage of the Enlarged Group which will result in increased repayment commitments and borrowing costs. This could limit the Enlarged Group's commercial and financial flexibility, causing it to reprioritise the uses to which its capital is put to the potential detriment of its business. Therefore, depending on the level of the Enlarged Group's borrowings, prevailing interest rates and exchange rate fluctuations, this could result in reduced funds being available for expansion, dividend payments and other general corporate purposes.

**The Sellers are providing certain indemnities to the Buyers and whilst the Sellers and BBA group currently have sufficient net assets to satisfy any claims under these indemnities, there can be no assurances that these will be maintained in the future**

The Sellers are giving certain indemnities in favour of the Buyers pursuant to the Acquisition Agreement, including in respect of environmental liabilities (whether known or unknown at the date of this document), which will remain in place for a prolonged period of time following Completion. Whilst the Acquisition Agreement also stipulates that the Sellers maintain certain levels of net assets and/or provide alternative guarantors of similar net asset strength on any reorganisation, the Sellers and their affiliates may undergo further reorganisations without providing any such new guarantors either of sufficient covenant strength or at all and/or may otherwise fail to maintain these net asset levels, which may also reduce for reasons outside of the Sellers' and their affiliates' control. Should the Enlarged Group suffer any material losses for which it is unable to recover under the indemnities either in substantial part or at all, then this may have an adverse effect on the Enlarged Group's business, prospects, financial condition or results of operations.

**Completion is subject to a number of regulatory conditions which may not be satisfied or waived**

The Proposed Acquisition is subject to, among other regimes, the merger control regime established by the U.S. Hart-Scott-Rodino Improvements Act of 1976, amended ("HSR"), pursuant to which Menzies is required to submit a premerger notification form to the U.S. Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice ("DoJ"). In addition, Menzies is required to file notifications and/or applications with the Committee on Foreign Investment in the United States and the Industry Canada Department pursuant to the Investment Canada Act. The Proposed Acquisition is further subject to competition clearances in the UK by the UK Competition and Markets Authority ("CMA"). Menzies will be unable to complete the Proposed Acquisition until it has obtained clearance from the DoJ, the CMA, whether or not subject to conditions. The process of obtaining this clearance from the DoJ and the CMA may result in new, or more stringent, conditions being applicable to the Enlarged Group, including restrictions on operations and possible divestitures. Such conditions may adversely affect the benefits of the Proposed Acquisition and may materially limit the ability of the Enlarged Group to achieve cost synergies and/or may materially limit the revenues of the Enlarged Group.

No assurance can be given that all necessary approvals and clearances will be obtained to allow Menzies to complete the Proposed Acquisition.

**The Proposed Acquisition is conditional on the BBA group effecting the Reorganisation prior to Completion in order to create a standalone ASIG business and, following Completion, ASIG will, for a period of time, continue to require the provision of certain services from the BBA group**

Prior to Completion, the BBA group will undergo an internal corporate reorganisation process involving the moving of certain ASIG related assets into the Group, and the extraction from the Group of certain assets that are to be retained by BBA, as more fully described in Part XI in order to create a standalone ASIG business, which is the subject of the Proposed Acquisition. The Proposed Acquisition is conditional on completion of certain elements of the Reorganisation and therefore any delay in completing the relevant elements of the Reorganisation or a failure to complete the Reorganisation in the manner intended may result in a delay or failure of the Proposed Acquisition. The Reorganisation requires the Sellers to obtain consents of certain third parties, such as airport authorities and certain customers in respect of the assignment of licences and permits and certain contracts, which will be required to effect the Reorganisation in the manner contemplated and such consents may not be forthcoming with the resultant effect that the Reorganisation may not be completed and (by virtue of the Proposed Acquisition being conditional on the Reorganisation) Completion may not occur. Menzies will be entitled to waive non-fulfilment of certain of the conditions to the Acquisition Agreement. To the extent that: (a) any assets that should have been transferred to or from ASIG prior to Completion are not so transferred; and/or (b) any consents to the change of control in ASIG with regards to important customer contracts and/or licences and/or permits or a significant number of customer contracts and/or licences and/or permits are not successfully transferred; and/or (c) such customer contracts or consents to license or permit assignments from airport authorities are subject to less commercially attractive terms (and such non-fulfillment of conditions is waived by the Board), the Group would be acquiring a different business to that which is currently envisaged. Therefore, if the Reorganisation is not implemented according to the steps plan agreed between Menzies and the Sellers, Menzies may acquire assets and liabilities of which it is not currently aware or may not be acquiring certain assets it currently believes will be part

of the overall ASIG Group, which may impact the value of ASIG or its business and may therefore have a material adverse effect on the Enlarged Group's business, prospects, financial condition and results of operations. Should any one or all of the conditions to Completion (as specified in the Acquisition Agreement) not be satisfied or become incapable of satisfaction, the Board may decide not to complete on the Proposed Acquisition in which case it currently intends to use the net proceeds from the Rights Issue to explore alternative acquisition opportunities, for general corporate purposes (including to manage the Group's debt and cash position on a short term basis), or to otherwise return these proceeds to Shareholders.

The businesses that are currently intended to be included in ASIG have historically relied on the BBA group for central provision of certain corporate functions and services, including IT, finance, accounting, shared business centre, use of corporate facilities and human resources. Following Completion, ASIG will be integrated into the Group and so will need to replicate certain facilities, systems, infrastructure and personnel to which ASIG will no longer have access and the Enlarged Group may incur associated costs with developing and implementing these functions and systems. Following Completion and whilst ASIG is being fully integrated operationally into the Group, the BBA group has agreed to continue to provide certain of these services to ASIG pursuant to one or more transitional services agreements (the "**Transitional Services Agreement**") and although the Board does not consider it likely that BBA group would fail to provide these services adequately or at all, there can be no assurances that BBA group would provide the same level of support to ASIG following Completion. Any failure to do so could have a material adverse effect on the Enlarged Group's business, prospects, financial condition and results of operations. In addition, the Enlarged Group will be providing facilities-related services (including, but not limited to, ground support relating to equipment maintenance and fuelling, de-icing, ad hoc ground handling, cleaning services and ITP fulling services) to the Sellers and their affiliates after Completion pursuant to one or more facilities services agreements (the "**Facilities Services Agreement**") which will constitute an important revenue stream to Menzies Aviation as enlarged by ASIG going forward. Whilst the entry into the Facilities Services Agreement is a condition to Completion, any failure to enter into this agreement on terms commercially acceptable to Menzies Aviation could therefore lead to a reduction or loss in this anticipated revenue stream which in turn could have a material adverse impact on the Enlarged Group's business, prospects, financial condition and results of operations.

At certain airports in the US (comprising Chicago O'Hare International Airport, Bradley International Airport, General Mitchell Airport Milwaukee and Baltimore/Washington International Airport) it is intended that following Completion (and subject to the granting of the required approvals by the relevant airport authorities) the Enlarged Group would conduct its activities under certain subcontract and operating rights agreements (in each case created out of a master licence for the relevant location held by an affiliate of BBA) between, in each case, a member of the ASIG Group and an affiliate of BBA. There can be no guarantee that the relevant airport authorities will approve the entry into the relevant subcontract and operating rights agreements (or that where approval of these arrangements is granted it will not be in such a form or manner that materially alters the economic terms on which ASIG operates at any of the affected airports). Further, the coming into effect of each of these agreements is a condition to Completion, and therefore any failure or delay in obtaining the approval of the relevant airport authority could result in Completion of the Proposed Acquisition being delayed or could otherwise result in the Proposed Acquisition failing to complete. In circumstances where each of the relevant subcontract and operating rights agreements becomes effective this will mean that following Completion ASIG is effectively operating as a sub-licensee of a BBA affiliate, and is therefore exposed to the risk associated with a failure by the relevant BBA affiliate to comply with its obligations under the relevant master licence, with the resultant possibility that an act or omission of a BBA affiliate could result in the termination of one or more of the relevant master licences (and consequently the termination of the related subcontract and operating rights agreements, with the resultant effect that ASIG was unable to conduct its business at the relevant airport(s)). Whilst there are certain rights that will be included in each subcontract and operating rights agreement (and any associated documentation) to protect ASIG against any default under the relevant master licence, there can be no assurances that ASIG will be able to exercise the relevant rights in a manner that allows it to remediate or endure any breach of the relevant master licence.

**The Enlarged Group may fail to realise the expected benefits resulting from the Proposed Acquisition, or these benefits may be materially lower than have been estimated**

The Board believes the combination of the businesses of the Group and ASIG will achieve significant operational cost savings and other benefits for the Enlarged Group and deliver benefit to its customers by virtue of its enhanced service offering. The Enlarged Group may not realise the expected benefits and synergies from the Proposed Acquisition or may encounter difficulties or higher costs in achieving those expected benefits and synergies and/or in delivering improved and enhanced services to its customers, or may not realise the expected benefits, synergies and/or delivery of improved and enhanced services in the time initially contemplated. The Board has estimated these cost savings and other expected benefits, such as tax synergies, as key factors in determining the consideration for the Proposed Acquisition. These are, however, only estimates developed by Menzies in connection with its review of various aspects of the ASIG business and development of an integration plan for the Enlarged Group. Realisation of the expected benefits of the Proposed Acquisition will depend largely on the success of Menzies and ASIG management in implementing their combined strategy. Additionally, the success of ASIG's business within the Enlarged Group depends in part on the Enlarged Group's ability to maintain and/or increase its client base, including maintaining and enhancing its service offerings, including providing services to the Sellers and their associates under the Facilities Services Agreement going forward, key management and employee continuity. Any failure to realise the expected benefits of the Proposed Acquisition could have a material adverse effect on the Enlarged Group's business, prospects, financial condition and results of operations.

**Many of ASIG's contracts with customers either contain change of control provisions which may be triggered by the Proposed Acquisition and/or have short notice provisions for their termination**

Certain of the contracts in place between ASIG and its customers contain standard commercial provisions, which would provide such customers with the option to terminate the relevant contract: (a) in the event of a change of control in ASIG; and/or (b) on short notice. The Proposed Acquisition is likely to give the relevant customers the right to exercise their rights under change of control provisions and/or certain customers may take advantage of the short notice periods required for termination under their contracts. In addition, a number of ASIG's customer contracts have not been fully documented or ASIG has continued to operate under contracts after their expiry. As Completion is not conditional on ASIG or the Sellers obtaining any waivers of rights or consents to the change of control in ASIG, there can be no assurances that following Completion customers will continue to deal with the Enlarged Group on the same terms as under the current or previous contractual arrangements or at all. A loss of, or a renegotiation resulting in less commercially attractive terms for ASIG of, a significant number of customer contracts could have an adverse impact on the Enlarged Group's revenues and therefore its business, prospects, financial condition and results of operations.

**Integration of ASIG into the Group may be more time consuming and costly than expected and unforeseen difficulties may arise**

Menzies and ASIG operate as at the date of this document, and will operate until Completion, as two separate and independent entities. The Proposed Acquisition will lead to the integration of ASIG into Menzies and the success of the Enlarged Group will depend, in part, on the ability of the Enlarged Group to realise the anticipated benefits from combining the respective operations.

Whilst the Board has undertaken analysis in respect of the monitoring systems for the Enlarged Group following Completion, and is confident that these will be effective and sufficient, this integration process is likely to present significant administrative, managerial and financial challenges, some of which may not be known until after the process begins. The integration may also take longer than is expected, which may be due to difficulties relating to the integration, of which the Board is not yet aware, arising during the process.

Potential difficulties of the integration process could include the following:

- coordinating services and operations;
- the BBA group unsuccessfully reorganising its business and being unable to transfer all material assets, permits and/or licences into ASIG or to remove other assets which were agreed would not form part of ASIG;

- consolidating infrastructure, procedures, systems, facilities, accounting functions, compensation structures and other policies;
- integrating the management teams and retaining and incentivising key employees;
- coordinating and communicating with a larger workforce and maintaining employee morale;
- operating and integrating a large number of different technology platforms and systems;
- obtaining landlord consents to the change of control of ASIG and/or the indirect transfer or assignment of leases;
- obtaining certain customers consents to the change of control of ASIG; and
- disruptions to the ongoing businesses of each of Menzies and ASIG.

The failure of, or any unforeseen delays, difficulties, costs, liabilities or losses encountered in connection with, the integration of ASIG with Menzies could have a negative impact on the Enlarged Group's reputation. Furthermore, since the success of the Enlarged Group will in part depend on the effectiveness of such integration, the Enlarged Group's business, prospects, financial condition and results of operations (as well as the price of the Ordinary Shares) may also suffer a negative impact as a result of such failure.

**Management attention may be diverted from the Group's existing business by the Proposed Acquisition and the process of integrating ASIG into the Group**

The Proposed Acquisition has required, and will continue to require, substantial amounts of both time and focus from the Group's and ASIG's management teams, which could divert the attention of those teams from maintaining standards of operation in their respective businesses. Following Completion, the Enlarged Group's management team will also be required to devote significant attention and resources to integrating the Group's and ASIG's businesses. There is a risk that the challenges associated with managing the Proposed Acquisition will result in management teams of each of the Group, ASIG and the Enlarged Group being distracted and that consequently the underlying businesses will not perform in line with expectations.

**The value of ASIG may be less than the consideration paid by Menzies**

The consideration to be paid by Menzies pursuant to the Acquisition Agreement was calculated based on the information provided to Menzies by ASIG and determined during the negotiations between the parties prior to entering into the Acquisition Agreement. Prior to Completion, Menzies has certain limited rights to terminate the Acquisition Agreement. Accordingly, if there is a factor of which Menzies is unaware, or an adverse event, affecting the value of ASIG, or the value of ASIG's business declines prior to Completion, the value of ASIG's business purchased by Menzies may be less than the consideration agreed to be paid by Menzies and, as a result, the net assets of the Enlarged Group could be reduced. There can be no assurance that Menzies would be able to renegotiate the consideration paid for ASIG in such circumstances and Menzies may therefore pay an amount in excess of market value for ASIG. The potential payment in excess of market value under the Acquisition Agreement could have a material adverse effect on the business, financial condition and results of operations of the Enlarged Group.

**RISKS RELATING TO THE RIGHTS ISSUE AND THE NEW ORDINARY SHARES**

**The value of an investment in the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may go down as well as up and any fluctuations may be material and may not reflect the underlying asset value**

The market price of the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding these securities. The fluctuations could result from national and global economic and financial conditions, market perceptions of the Group, ASIG and, following Completion, the Enlarged Group or of their industry and various other factors and events, including, but not limited to, regulatory changes affecting Menzies' operations, variations in the Group's or, following Completion, the Enlarged Group's operating results, business developments of the Group or, following Completion, the Enlarged Group's and/or their respective competitors and the liquidity of the financial markets. Furthermore, the Group's or, following Completion, the Enlarged Group's financial results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares.

**The market price for the Ordinary Shares may decline below the Issue Price**

The public trading market price of the Ordinary Shares may decline below the Issue Price. Should that occur prior to the latest time and date for acceptance under the Rights Issue, Shareholders who exercise their rights in the Rights Issue will suffer an immediate loss as a result. Moreover, following the exercise of their rights, Shareholders may not be able to sell their New Ordinary Shares at a price equal to or greater than the Issue Price for those New Ordinary Shares. Shareholders who decide not to exercise their Nil Paid Rights may also sell or transfer them. If the public trading market price of the Ordinary Shares declines below the Issue Price, investors who have acquired any such Nil Paid Rights in the secondary market will likely suffer a loss as a result.

**Qualifying Shareholders located outside the United Kingdom may not be permitted to take up their entitlements under the Rights Issue**

Securities laws of certain jurisdictions may restrict Menzies' ability to allow participation by Qualifying Shareholders in the Rights Issue. In particular, the Rights Issue will not be registered under the Securities Act and therefore Qualifying Shareholders located in the United States may not be able to take up their entitlements under the Rights Issue unless a registration statement is effective under the Securities Act or an exemption from the registration requirements of the Securities Act is available. The Rights Issue will not be registered under the Securities Act. Qualifying Shareholders with a registered address in, or who are a resident in or are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or New Ordinary Shares.

**Qualifying Shareholders who do not (or are not permitted to) take up their entitlements for New Ordinary Shares in the Rights Issue will have their proportionate shareholdings diluted as a consequence of the Rights Issue and may not receive adequate compensation for this**

If any Qualifying Shareholder, including Qualifying Shareholders in the United States and other jurisdictions where their participation is restricted for legal, regulatory and other reasons, or is otherwise not permitted under the terms of the Rights Issue, does not take up their entitlements under the Rights Issue by 11.00 am (UK time) on 26 October 2016, the expected latest time and date for acceptance and payment in full for that Qualifying Shareholder's provisional allotment of New Ordinary Shares, that Qualifying Shareholder's Nil Paid Rights to subscribe for New Ordinary Shares will lapse. Menzies has made arrangements under which the Banks, within the two Business Day period following the expiration of the latest time and date for acceptance and payment, will use reasonable endeavours to find subscribers for those New Ordinary Shares not taken up.

If, however, the Banks are unable to find subscribers for such New Ordinary Shares or are unable to achieve a price at least equal to the Issue Price and the related expenses of procuring such subscribers, Qualifying Shareholders will not receive any consideration for the Nil Paid Rights they have not taken up. Furthermore, to the extent that Qualifying Shareholders do not exercise their Nil Paid Rights to subscribe for New Ordinary Shares, their proportionate ownership and voting interest in Menzies and, following Completion, the Enlarged Group will be reduced and the percentage that the Ordinary Shares of that Qualifying Shareholder would represent of the total share capital of Menzies and the Enlarged Group will also be reduced accordingly. Any consideration received may not be sufficient to compensate that Qualifying Shareholder fully for the dilution of their percentage ownership of Menzies' and, following Completion, the Enlarged Group's share capital that may be caused as a result of the Rights Issue.

**Any future issue of Ordinary Shares will further dilute the holdings of Shareholders of Menzies and the Enlarged Group and could adversely affect the market price of the Ordinary Shares**

Other than pursuant to the Rights Issue, Menzies has no current plans for an offering of Ordinary Shares apart from offerings in relation to employee share plans. However, it is possible that Menzies may decide to offer additional Ordinary Shares in the future either to raise capital or for other purposes. If Shareholders of Menzies did not take up such offer of Ordinary Shares or were not eligible to participate in such offering, their proportionate ownership and voting interests in Menzies would be reduced and the percentage that their Ordinary Shares would represent of the total share capital of Menzies would be reduced accordingly. Any additional offering, issues of Ordinary Shares or significant sales of Ordinary Shares by major Shareholders could have a material adverse effect on the market price of the Ordinary Shares as a whole.

**The Rights Issue is not conditional upon Completion or Shareholder approval of the Proposed Acquisition and Shareholders may be exposed to lower earnings per Ordinary Share if the Rights Issue completes but the Proposed Acquisition does not**

If the Rights Issue completes but the Proposed Acquisition does not (including because Shareholders approve the Rights Issue but not the Proposed Acquisition), there will be an increase in the number of Ordinary Shares in issue but without any associated increase in earnings from the Proposed Acquisition. In such circumstances, Shareholders will be exposed to lower earnings per Ordinary Share unless Menzies returns substantially all the net proceeds of the Rights Issue to Shareholders. In such circumstances, although Menzies will endeavour to use the net proceeds of the Rights Issue to explore alternative acquisition opportunities, for general corporate purposes (including to manage the Group's debt and cash position on a short term basis), or will otherwise return such proceeds to Shareholders in a timely and efficient manner, there can be no assurance or guarantee as to either the manner in which it would do so or the time such process would take. Menzies will also be obliged to pay certain fees and costs in connection with the Rights Issue and the Proposed Acquisition.

**The ability of non-UK Shareholders to bring actions, or to enforce judgments, against Menzies and, following Completion, the Enlarged Group or the directors or officers of either may be limited**

Menzies is a public limited company incorporated in Scotland. The rights of Shareholders are governed by the laws applicable in the United Kingdom and the Articles. These rights differ from the rights of shareholders in typical U.S. corporations and some other non-UK corporations. A non-UK Shareholder may not be able to enforce a judgment against some or all the Menzies Directors and executive officers. Additionally, the Menzies Directors and executive officers are residents of the United Kingdom. Consequently, it may not be possible for a non-UK Shareholder to effect service of process upon the Menzies Directors and executive officers within that non-UK Shareholder's country of residence, or to enforce against Menzies Directors and executive officers judgments of courts of that non-UK Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that a non-UK Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the United Kingdom against the Group's and the Enlarged Group's Directors and Executive officers who are residents of the United Kingdom or countries other than those in which judgment is made. In addition, English, Scottish or other courts may not impose civil liability on the Group and, following Completion, the Enlarged Group or the Group's Directors and executive officers in any original action based solely on foreign securities laws brought against the Group and, following Completion, the Enlarged Group or the Group and the Directors and executive officers in a court of competent jurisdiction in England, Scotland or other countries.

**A trading market for the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not occur when, or develop as, expected**

Application for Admission of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares is subject to the approval (and satisfaction of any conditions subject to which such approval is expressed) of the UK Listing Authority and Admission will become effective as soon as a dealing notice has been issued by the UK Listing Authority and the London Stock Exchange has acknowledged that the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares, respectively, will be admitted to trading. It is expected that dealings in the New Ordinary Shares, nil paid, will commence on the London Stock Exchange's main market for listed securities at 8.00 am on 12 October 2016. There can be no guarantee that any conditions to which Admission is subject will be met or that the UK Listing Authority will issue a dealing notice. See the "*Expected Timetable for the Rights Issue*" on page 51 of this document for further information.

Furthermore, there can be no assurance that an active trading market in the Nil Paid Rights or Fully Paid Rights will develop upon or following Admission and, because the trading price of the Nil Paid Rights depends on the trading price of the Ordinary Shares, the price of the Nil Paid Rights and Fully Paid Rights may be volatile and subject to the same risks as noted elsewhere in this document in respect of the Ordinary Shares. The volatility of the price of Ordinary Shares may have the effect of magnifying the price volatility of the Nil Paid Rights and Fully Paid Rights.

**The ability of Menzies, and following Completion, the Enlarged Group, to pay dividends is not guaranteed**

Under UK company law, a company can only make distributions (including cash dividends) to the extent that it has distributable reserves (and cash) available for this purpose. As a holding company,



whose only principal assets are its shares in and loans due by its subsidiaries, Menzies' ability to make such distributions to Shareholders in the future is affected by a number of factors, principally its ability to generate distributable reserves and to receive sufficient cash dividends, loan repayments, interest and other cash flows from its subsidiaries. The payment of dividends or any cash amounts to Menzies by its subsidiaries is, in turn, subject to restrictions, including applicable local law, local regulatory requirements and other restrictions including, but not limited to, regulatory capital requirements and applicable tax laws and the existence of sufficient distributable reserves and cash in Menzies' subsidiaries. Menzies' loan arrangements may in certain circumstances restrict the ability of Menzies to pay dividends. Such laws and restrictions could limit the payment of dividends and distributions to Menzies by its subsidiaries and restrict Menzies' ability to fund other operations or to pay a dividend to Shareholders. Moreover, Menzies may elect to reduce or forgo dividend payments as a means of maintaining or enhancing capital position.

## **IMPORTANT INFORMATION**

### **MARKET AND INDUSTRY INFORMATION**

Market data and certain industry forecasts used in this document were obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy or completeness of such information is not guaranteed. Similarly, internal surveys, reports and studies and market research, while believed by the Company to be reliable and accurately extracted by the Company for the purposes of this document, have not been independently verified and the Company makes no representation as to the accuracy of such information. The industry forecasts are forward-looking statements. See “Cautionary Note Regarding Forward-Looking Statements” below.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This document and the information incorporated by reference into this document include statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “goal”, “target”, “aim”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and the information incorporated by reference into this document and include statements regarding the intentions, beliefs or current expectations of the Board, the Company or the Group concerning, *inter alia*, the operating results, financial condition, prospects, growth, strategies and dividend policy of the Group and the industry in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company’s ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group’s actual operating results, financial condition, dividend policy and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in this document and/or the information incorporated by reference into this document. In addition, even if the operating results, financial condition and dividend policy of the Group, and the development of the industry in which it operates, are consistent with the forward-looking statements contained in this document and/or the information incorporated by reference into this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to, general economic and business conditions, industry trends, competition, changes in government and other regulation, including in relation to the environment, health and safety, taxation, security measures for airport personnel, changes in political and economic stability and changes in business strategy or development plans and other risks, including those described in the section of this document headed “Risk Factors”.

You are advised to read this document and the information incorporated by reference into this document in their entirety, and, in particular, the section of this document headed “Risk Factors”, for a further discussion of the factors that could affect the Group’s future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document and/or the information incorporated by reference into this document may not occur.

Other than in accordance with their legal or regulatory obligations (including under the Listing Rules, the Disclosure Guidance and the Prospectus Rules), neither the Company nor the Banks undertakes any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

### **PRESENTATION OF FINANCIAL INFORMATION**

Capitalisation and indebtedness information relating to the Group in this document is derived from the Group’s unaudited interim financial statements for the six months ended 30 June 2016. All financial information relating to the Group, unless otherwise stated, has been extracted from its unaudited consolidated interim financial statements for the six months ended 30 June 2016, prepared in accordance with IAS 34, and its audited consolidated financial statements as set out in the Annual

Report 2013, the Annual Report 2014 and the Annual Report 2015, certain sections of which are incorporated by reference into this document.

Where information has been extracted from the Group's audited consolidated financial statements, the information is audited unless otherwise stated. Where the information has been extracted from the Group's unaudited consolidated interim financial statements, the information is unaudited. Unless otherwise indicated, financial information relating to the Group in this document and the information relating to the Group incorporated by reference into this document is presented in pounds sterling and has been prepared in accordance with IFRS.

All financial information relating to ASIG, unless otherwise stated, has been extracted from the historical financial information of ASIG as set out in Part A of Part VIII of this document; or from the accounting records of ASIG. Where information has been extracted from the historical financial information of ASIG, the information is audited unless otherwise stated. Where the information has been extracted from the accounting records of ASIG, the information is unaudited.

The financial information included in this document or incorporated by reference into this document was not prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") or audited in accordance with U.S. Generally Accepted Audited Standards ("U.S. GAAS") or the auditing standards of the Public Company Accounting Oversight Board ("PCAOB Standards"). No opinion or any other assurance with regard to any financial information was expressed under U.S. GAAP, U.S. GAAS or PCAOB Standards and the financial information is not intended to comply with SEC reporting requirements. Compliance with such requirements would require modification, reformulation or exclusion of certain financial measures. In addition, changes would be required in the presentation of certain other information. In particular, no reconciliation to U.S. GAAP is provided.

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

## UNDERLYING FINANCIAL INFORMATION

This document contains certain financial measure that are not defined or recognised under IFRS or any other generally accepted accounting principles ("GAAP"), including turnover, underlying operating profit, underlying operating profit after joint ventures and associates, underlying operating profit before BBA central cost allocations, EBITDA, underlying EBITDA, underlying EBITDA before BBA central cost allocations, operating cash flow, free cash flow and underlying earnings per share ("non-IFRS measures"). The definition of each of these non-IFRS measures is given below, and are reconciled to and reconciled to IFRS measures in Part VI to Part IX of this document:

- Turnover is defined as the total of the Group's revenue and the Group's share of revenue from joint ventures and associates.
- Underlying operating profit is defined as operating profit adjusted for non-recurring exceptional items, impairment charges associated with goodwill, joint venture assets and other intangibles, contract amortisation and the Group's share of interest and tax on joint ventures and associates.
- Underlying operating profit after joint ventures and associates is defined as underlying operating profit including the share of post-tax results of joint ventures and associates.
- Underlying operating profit before BBA central cost allocations is defined as underlying operating profit adjusted to add back BBA central cost allocations.
- EBITDA is defined as operating profit and underlying operating profit after joint ventures and associates adjusted to add back depreciation and software amortisation.
- Underlying EBITDA is defined as underlying operating profit after joint ventures and associates adjusted to add back depreciation and software amortisation.
- Underlying EBITDA before BBA central cost allocations is defined as underlying EBITDA adjusted to add back BBA central cost allocations.

- Operating cash flow is operating profit adjusted for depreciation, amortisation, income and dividends from joint ventures and associates, pension and share based payments, and movements in working capital and provisions.
- Free cash flow is cash generated after net capital expenditure, interest and taxation, but before special pension contributions, acquisitions, disposals, cash spend on exceptional items, ordinary dividends and net spend on shares.
- Underlying earnings per share is profit before taxation and non-controlling interests, but before intangible amortisation and impairment and exceptional items, divided by the weighted average number of ordinary shares in issue in the period.

Revenue and operating profit are also reported at constant currency rates. These performance measures have been calculated by translating non-sterling revenues and costs for the period into sterling at the relevant average exchange rates applicable during the prior financial period.

Currency	Average constant currency exchange rate applied to the period ending		
	30 June 2016	31 December 2015	31 December 2014
AUD	1.9606	1.8308	1.6294
CAD	1.8942	1.8206	1.6145
COP	3804.3649	3295.4883	3076.2570
CZK	37.6230	34.2670	30.5940
DKK	10.1990	9.2700	8.7890
DOP	68.2990	71.6640	65.1500
EUR	1.3674	1.2435	1.1786
GBP	1.0000	1.0000	1.0000
HKD	11.8370	12.8010	12.1380
HUF	419.6995	384.5854	350.9470
INR	95.9640	100.7610	91.8070
MXN	23.1970	21.9430	20.1320
NAD	18.1615	17.8629	17.3472
NOK	11.8178	10.4061	9.2227
NZD	2.0691	1.9959	1.9164
RON	6.0682	5.5169	5.2033
SEK	12.7690	11.3150	10.2020
USD	1.5268	1.6506	1.5649
ZAR	18.1615	17.8629	15.1200

The Board believes that these non-IFRS measures provide valuable information to readers of its and ASIG's historical financial information because it enables the reader to, *inter alia*, evaluate the impact of the Proposed Acquisition prior to the Proposed Acquisition and reflects an important aspect of the way in which the Board assessed the consideration for the Proposed Acquisition.

The non-IFRS measures as used in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well. The presentation of underlying results is not in conformity with IFRS. The underlying results of operations may also not be comparable to underlying figures reported by other companies as those companies may compute their underlying figures differently from Menzies and ASIG.

In addition, this document contains certain information relating to (a) the anticipated synergies for the Enlarged Group and (b) the Proposed Acquisition, which in each case is stated in US Dollars and Pounds Sterling and was converted using the spot conversion rate at the close of business on 14 September 2016 (the latest practicable date before the date of this document), derived from Bloomberg.

## PRO FORMA FINANCIAL INFORMATION

In this document, any reference to “*pro forma*” financial information is to information which has been extracted without material adjustment from the unaudited *pro forma* financial statements contained in Part IX of this document. The unaudited *pro forma* financial information of the Enlarged Group has been prepared to illustrate the effect of the Rights Issue, the Proposed Acquisition and the entering into of the Acquisition Facilities Agreement on the consolidated net assets of the Group at 31 December 2015 as if each of the foregoing had occurred on 31 December

2015 and the effect on the Group's Income Statement for the financial year ended 31 December 2015 had the Rights Issue, the Proposed Acquisition and the financing under the Acquisition Facilities Agreement taken place on 1 January 2015. The unaudited *pro forma* statement of net assets and Income Statement are based on the consolidated financial information and compiled on the basis set out in the notes thereto and in accordance with the accounting policies adopted by the Group for the financial year ended 31 December 2015. The unaudited *pro forma* financial information has not been prepared, and shall not be construed as having been prepared, in accordance with Regulation S-X under the Securities Act.

The unaudited *pro forma* Income Statement and net assets statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent either the Group's or the Enlarged Group's actual financial position or results. The unaudited *pro forma* financial information has been prepared on the basis set out in the notes to the *pro forma* financial information and in accordance with Annex II to the PD Regulation. The unaudited *pro forma* financial information is stated on the basis of the Group's accounting policies.

## **CURRENCIES**

In this document and the information incorporated by reference into this document, references to "£", "sterling", "pounds sterling" or "GBP" are to the lawful currency of the United Kingdom. References to "US\$", "\$", "U.S. dollars" or "dollars" are to the lawful currency of the United States.

## **NO PROFIT FORECAST**

No statement in this document is intended as a profit forecast and no statement in this document should be interpreted to mean that earnings per Ordinary Share for the current or future financial years would necessarily match or exceed the historical published earnings per Ordinary Share.

## **NOTICE TO INVESTORS IN THE UNITED STATES OF AMERICA**

Subject to certain limited exceptions, neither this document nor the Provisional Allotment Letter constitutes, or will constitute, or forms part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights to any Shareholder with a registered address in, or who is resident of, the United States.

Subject to certain limited exceptions, any envelope containing a Provisional Allotment Letter and postmarked from the United States will not be valid unless it contains a duly executed investor letter in the appropriate form as described above, and any Provisional Allotment Letter in which the exercising holder requests New Ordinary Shares to be issued in registered form and gives an address in the United States will not be valid unless it contains a duly executed investor letter. The payment paid in respect of Provisional Allotment Letters that do not meet the foregoing criteria will be returned without interest.

Any person in the United States who obtains a copy of this document and who is not authorised to receive it is required to disregard it.

Neither the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letter nor the New Ordinary Shares have been or will be registered under the Securities Act and may not be offered or sold, directly or indirectly, in or into the United States absent such registration or pursuant to an exemption from, or in transaction not subject to, the registration requirements of the Securities Act. Outside the United States, the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares are being offered and sold in reliance upon Regulation S. See also paragraph 7.2 of Part III for further information.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE RIGHTS ISSUE OR HAS DETERMINED IF THIS DOCUMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

## **ENFORCEMENT OF CIVIL LIABILITIES**

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in Scotland. The rights of holders of

Ordinary Shares are governed by English and Scottish laws and by the Articles. These rights differ from the rights of shareholders in typical U.S. corporations and some other non-UK corporations.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Board and executive officers. The majority of the Board and executive officers are residents of the United Kingdom. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Board and executive officers within the Overseas Shareholder's country of residence or to enforce against the Board and executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the United Kingdom against the Board or executive officers who are residents of the United Kingdom or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Board or executive officers in any original action based solely on the foreign securities laws brought against the Company or the Board in a court of competent jurisdiction in England or other countries.

#### **Notice to investors in Switzerland**

The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares or the Rights Issue may be publicly distributed or otherwise made publicly available in Switzerland. Neither this document nor any other offering or marketing material relating to the Rights Issue, the Company, the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares has not been, and will not be, authorised under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interest in collective investment schemes under CISA does not extend to acquirers of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares.

#### **Cayman Islands Selling Restriction**

Menzies does not intend to establish a place of business or otherwise intend to conduct business in the Cayman Islands. Accordingly, Menzies should not be subject to the supervision of any Cayman Islands authority.

#### **Notice to investors in the British Virgin Islands**

This prospectus has not been, and will not be, registered with the Financial Services Commission of the British Virgin Islands. No registered prospectus has been or will be prepared in respect of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares for the purposes of the Securities and Investment Business Act, 2010 ("SIBA") or the Public Issuers Code of the British Virgin Islands.

The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may be offered to persons located in the British Virgin Islands who are "*qualified investors*" for the purposes of SIBA. Qualified investors include (i) certain entities which are regulated by the Financial Services Commission in the British Virgin Islands, including banks, insurance companies, licensees under SIBA and public, professional and private mutual funds; (ii) a company, any securities of which are listed on a recognised exchange; and (iii) persons defined as "*professional investors*" under SIBA, which is any person (a) whose ordinary business involves, whether for that person's own account or the account of others, the acquisition or disposal of property of the same kind as the property, or a substantial part of the property of the Company; or (b) who has signed a declaration that he, whether individually or jointly with his spouse, has net worth in excess of \$1.0 million and that he consents to being treated as a professional investor.

## RIGHTS ISSUE STATISTICS

Price per New Ordinary Share	343 pence
Basis of Rights Issue	5 New Ordinary Shares for every 14 Existing Ordinary Shares
Number of Ordinary Shares in issue on 14 September 2016 <sup>(1)</sup>	61,382,731
Number of New Ordinary Shares to be issued by the Company pursuant to the Rights Issue <sup>(2)</sup>	21,922,403
Number of Ordinary Shares in issue immediately following completion of the Rights Issue <sup>(2)</sup>	83,305,134
New Ordinary Shares as a percentage of enlarged issued share capital of the Company immediately following completion of the Rights Issue <sup>(2)</sup>	26.3 per cent.
Estimated expenses in connection with the Rights Issue	£1.9 million
Estimated net proceeds receivable by the Company after expenses	£73.3 million

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Notes:

(1) Being the latest practicable date prior to the date of this document.

(2) Assuming that no options under the Menzies Share Schemes are exercised between the date of this document and Admission becoming effective.

## EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

<b>Publication and posting of this document, the Notice of General Meeting and the Form of Proxy</b>	16 September 2016 <sup>(2)(3)</sup>
Latest time and date for receipt of Forms of Proxy	11.00 am on 7 October 2016
<b>Record Date for entitlements under the Rights Issue</b>	Close of business on 10 October 2016
General Meeting	11.00 am on 11 October 2016
Date of despatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only) <sup>(1)</sup>	on or about 11 October 2016
<b>Dealings in New Ordinary Shares, nil paid, commence on the London Stock Exchange</b>	8.00 am on 12 October 2016
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)	As soon as practicable after 8.00 am on 12 October 2016
Nil Paid Rights and Fully Paid Rights enabled in CREST	As soon as practicable after 8.00 am on 12 October 2016
The Ex-Rights Date	12 October 2016
Latest time and date for cashless take-up or disposal of Nil Paid Rights using the Computershare Dealing Facility	3.00 pm on 20 October 2016
Recommended latest time for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (ie if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form)	4.30 pm on 20 October 2016
Latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights into a CREST stock account	3.00 pm on 21 October 2016
Latest time and date for splitting Provisional Allotment Letters	3.00 pm on 24 October 2016
<b>Latest time and date for acceptance in CREST and payment in full and registration of renounced Provisional Allotment Letters</b>	11.00 am on 26 October 2016
Expected date of announcement of results of the Rights Issue	27 October 2016
<b>Dealings in the New Ordinary Shares to commence on the London Stock Exchange fully paid</b>	8.00 am on 27 October 2016
New Ordinary Shares credited to CREST stock accounts (uncertificated holders only) <sup>(1)</sup>	As soon as practicable after 8.00 am on 27 October 2016
Despatch of definitive share certificates for New Ordinary Shares in certificated form (to Qualifying Non-CREST Shareholders only) <sup>(1)</sup>	By no later than 2 November 2016
End date for Completion of the Proposed Acquisition	31 May 2017

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Notes:

- (1) Subject to certain restrictions relating to Overseas Shareholders. See paragraph 7 of Part III of this document.
- (2) The times and dates set out in the timetable above and referred to throughout this document and in the Provisional Allotment Letter may be adjusted by the Company by announcement through a Regulatory Information Service, in which event details of the new dates will also be notified to the Financial Conduct Authority, the London Stock Exchange and, where appropriate, Shareholders.
- (3) References to times in this document are to London time, unless otherwise stated.



## DIRECTORS AND ADVISERS

### BOARD OF DIRECTORS

A list of the members of the Board is as follows:

<b>Name</b>	<b>Position</b>
Dr Dermot Smurfit	Chairman
Giles Wilson	Chief Financial Officer
Forsyth Black	President & Managing Director, Menzies Aviation
Dermot Jenkinson	Non-Executive Director
Paul Baines	Non-Executive Director
Geoffrey Eaton	Non-Executive Director
David Garman	Non-Executive Director
Drusilla Maizey	Non-Executive Director

Telephone: +44 (0) 131 225 8555.

#### **Group Company Secretary and Registered Office**

John Geddes  
2 Lochside Avenue, Edinburgh Park,  
Edinburgh  
Scotland  
EH12 9DJ

#### **Sponsor, Financial Adviser, Joint Bookrunner and Joint Broker:**

Numis Securities Limited  
10 Paternoster Square  
London EC4M 7LT

#### **Joint Bookrunner and Joint Broker:**

Shore Capital Stockbrokers Limited  
Bond Street House  
14 Clifford Street  
London W1S 4JU

#### **Reporting Accountant:**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

#### **Statutory Auditor to the Company:**

Ernst & Young LLP  
5 George Square  
Glasgow  
G2 1DY

#### **Legal advisers to the Company as to English and United States law:**

DLA Piper UK LLP  
3 Noble Street  
London EC2V 7EE

#### **Legal advisers to the Banks as to English and United States law:**

Simmons & Simmons LLP  
CityPoint  
One Ropemaker Street  
London EC2Y 9SS

#### **Receiving Agent and Registrar:**

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ

## PART I – LETTER FROM THE CHAIRMAN OF JOHN MENZIES PLC

### Board:

Dr Dermot Smurfit	Chairman
Giles Wilson	Chief Financial Officer
Forsyth Black	President & Managing Director, Menzies Aviation plc
Dermot Jenkinson	Non-Executive Director
Paul Baines	Non-Executive Director
Geoffrey Eaton	Non-Executive Director
David Garman	Non-Executive Director
Drusilla Maizey	Non-Executive Director

### Registered Office:

2 Lochside Avenue  
Edinburgh Park  
Edinburgh  
Scotland  
EH12 9DJ

16 September 2016

### 5 FOR 14 RIGHTS ISSUE OF 21,922,403 NEW ORDINARY SHARES

AND

### CLASS 1 ACQUISITION OF ASIG HOLDINGS LTD AND ASIG HOLDINGS CORP

AND

### NOTICE OF GENERAL MEETING

Dear Shareholder

#### 1. INTRODUCTION

On 16 September 2016, John Menzies plc (“**Company**” or “**Menzies**”) announced that Menzies Aviation Inc. and Menzies Aviation plc (together, the “**Buyers**”) had reached agreement on the terms of the proposed acquisition of ASIG Holdings Ltd and ASIG Holdings Corp (together, “**ASIG**”) from ASIG’s ultimate owner BBA Aviation plc (“**BBA**”) for a cash consideration of \$202.0 million (£153.0 million) (the “**Proposed Acquisition**”), conditional on Shareholders’ approval.

ASIG is one of the largest independent providers of commercial airline services in the world. Headquartered in Orlando, Florida, it currently has operations in 88 locations across seven countries and is one of the market leaders for ITP fuelling and FFM services in North America and the United Kingdom, where it also has ground handling operations in high-traffic airports as well as in small and medium sized airports. ASIG currently operates as a standalone division of BBA.

Menzies proposes to finance the Proposed Acquisition through a combination of (a) the proceeds of a Rights Issue to raise a sum of £73.3 million, net of estimated expenses, and (b) the balance from new bank facilities following the repayment of existing bank facilities. Under the Rights Issue, 21,922,403 New Ordinary Shares at a price of 343 pence per New Ordinary Share will be issued, which represents a 42.1 per cent. discount to the closing middle market price per Ordinary Share on 15 September 2016, the latest practicable date prior to publication of this document and a discount of 34.8 per cent. to the theoretical ex-rights price on the same basis.

The key terms of the Proposed Acquisition are described in Part XI of this document. The Proposed Acquisition constitutes a Class 1 transaction under the Listing Rules as a result of the size of ASIG relative to Menzies. The Proposed Acquisition is therefore conditional upon the approval of Shareholders. Accordingly, a General Meeting has been convened for 11.00 am on 11 October 2016 at the offices of DLA Piper Scotland LLP, Collins House, Rutland Square, Edinburgh, EH1 2AA for Shareholders to consider, and if thought fit, pass the necessary resolutions to approve the Proposed Acquisition. Shareholders will also be asked to consider, and if thought fit, approve the relevant Resolutions in order to allow Menzies to proceed with the Rights Issue and certain other matters. An explanation of the Resolutions is set out in paragraph 11 below.

**The purpose of this document is to give Shareholders further details of the Proposed Acquisition and the Rights Issue, including the background to and reasons for these, to explain why the Board considers it to be in the best interests of Menzies and Shareholders as a whole and to convene the**

**General Meeting at which to seek approval of the Resolutions. Shareholders should read the whole of this document, including the information incorporated by reference, and not just rely on the summarised information in this letter.**

## **2. BACKGROUND TO AND REASONS FOR THE ACQUISITION AND THE RIGHTS ISSUE**

### **2.1 Summary Information on Menzies**

Menzies is one of Scotland's largest companies, having been established in 1833 as a bookseller, stationer and printseller. The Company is a logistics and support specialist with two operating divisions, Menzies Aviation, the parent company of which is Menzies Aviation plc, and Menzies Distribution, the parent company of which is Menzies Distribution Limited, operating in distinct but related B2B sectors where success depends on providing an efficient, high quality, time-critical service to customers and partners.

Menzies Aviation is a leading global provider of passenger, ramp and cargo services, operating from 149 airports in 32 countries and is supported by a team of approximately 23,000 people. Menzies Aviation serves over 500 customers and handled approximately 1.2 million flights and 1.7 million tonnes of cargo in 2015. Key customers include easyJet, Cathay Pacific, IAG, Alaska Airlines, Qantas Group, Delta Air Lines, United Airlines, Etihad and Singapore Airlines. It also owns AMI, the world's only trade-only global airfreight and express wholesaler.

Menzies Distribution is a leading provider of added value distribution and marketing services to the newspaper and magazine supply chain in the UK (with approximately 45.0 per cent. of the newspaper and magazine wholesale distribution market in the UK by volume). The division employs approximately 3,500 people at 43 sites throughout the UK and handles approximately 4.3 million newspapers and 1.4 million magazines (covering some 3,000 magazine titles) each day, with deliveries to around 25,000 customers.

The Company was admitted to trading on the London Stock Exchange in 1962 and at that time consisted of retail and logistics businesses. The main retail activities were divested during the 1990s and the first steps into the aviation services market were also taken at this time. In 2000, the Group acquired Ogden Ground Services, an international aviation services business which transformed Menzies Aviation from a UK-focused cargo handler to a comprehensive-service, international aviation services business. Since then a drive to expand the Menzies Aviation services business has continued and subsequent growth has come through further acquisitions and organic growth.

### **2.2 Menzies' Strategy**

In 2015, Menzies launched its strategy to optimise returns on existing investments whilst opening pathways to new growth. Both of Menzies Aviation and Menzies Distribution are well-placed to take advantage of market opportunities.

Whilst the landscapes of the UK print media and parcel markets have altered in recent years, Menzies Distribution is well-placed to take advantage of the opportunities afforded from working in both sectors.

Its current operational and IT network, alongside its property and vehicle asset base, give Menzies Distribution substantial presence and capacity to grow in daylight hours. By offering neutral consolidation solutions to existing territories, it can increase its asset utilisation and provide a compelling proposition to parcel carrier networks. This new strategic direction is still at an early stage of implementation but does offer access to growing markets. Menzies Distribution also intends to use this neutral consolidation offering to build customer relationships in new territories.

Menzies Aviation is a leader in the global aviation services market with a strong reputation for both services and safety. The Group intends to take advantage of and promote these credentials to win contracts at existing and new airports and to strengthen existing customer relationships. Menzies Aviation concentrates on airlines and airports where location and product line density can be achieved to ensure it delivers sustainable margins to Shareholders.

The Board will also seek to expand the Group acquisitively, where the market dynamics are strong and acquisitions are earnings-enhancing. The Board is currently considering a pipeline of minor acquisitions that present further growth investment opportunities. The strategic priorities for Menzies Aviation are as follows:

- **Focus on Key Customers (Customer Ethos)** — Menzies Aviation focusses on key customers in order to nurture and deepen the relationships, while understanding their needs and outlook in as much detail as possible. This focus allows Menzies Aviation to design and deliver services tailored to deliver value to its customers. By consistently and innovatively supporting customers' success, Menzies Aviation will enhance the value and lifespan of these partnerships.
- **Expand Emerging Markets (Emerging Opportunities)** — Menzies Aviation invests both time and expertise in those regions which promise to yield rapid air traffic expansion over the coming decades, such as Africa, the Middle East and Asia, so that it is best placed to benefit from this positive expansion trend.
- **Re-focus Geographical Investment (Optimised Investment)** — The Board takes a disciplined approach to assessing the impacts of the Group's spending, prioritising those markets with the highest growth potential and drawing its resources away from areas which do not perform strongly.
- **Accelerate Complementary Services (Diversified Offer)** — The Group has dedicated resources within Menzies Aviation used to develop new ancillary service offerings and their roll-out at key locations across its global network. It is through this programme that the Board aims to deepen customer relationships and improve overall margins at these locations.
- **Pursue Hubs and Bases (Growth Agenda)** — The Board believes that the outsourcing of ground handling duties at dense, strategically important locations by major airlines presents one of the biggest opportunities to grow Menzies Aviation's earnings and to channel its investments appropriately.

The Proposed Acquisition is strongly aligned to the strategy for Menzies Aviation, meeting all of the five strategic priorities discussed above. The strategy will not change following Completion and will therefore apply to the Enlarged Group.

The Board, led by the Chairman, intends to review the structure of the Group with a view to maximising shareholder value. This will include looking at whether the Group's two operating divisions are best placed to prosper while they are part of one group of companies. The situation is complex, particularly with regard to the Group's pension schemes. The Board has already engaged with specialist advisers and the pension trustees to progress with the structuring of the pension scheme in such a way as to give the Board the maximum amount of flexibility in the future. The Board expects this work to take up to twelve months and it will update Shareholders when appropriate.

### 2.3 Reasons for the Proposed Acquisition

The Board believes that the strategic rationale for the Proposed Acquisition is compelling and in strong alignment with all of Menzies' stated strategic priorities for Menzies Aviation. The combination of Menzies Aviation and ASIG will create a comprehensive airline service provider covering key elements of airline services at airports and the Enlarged Group will be a strong strategically placed player in the majority of the markets in which it will operate.

The principal strategic and financial benefits of the Proposed Acquisition include:

#### **Enlarged Platform with Significant Scale in North America and at major international gateways**

The combination of ASIG and Menzies Aviation will create one of the largest aviation services business globally. It will substantially enhance the Group's network, doubling the size of Menzies Aviation's existing U.S. operations and adding significant scale at major international gateways. ASIG currently operates at eight of the ten busiest U.S. airports, four of the five busiest Canadian airports, and eight of the ten busiest UK airports. In particular, the Proposed Acquisition will strengthen the Menzies Aviation service offering at major international gateways such as London Heathrow, San Francisco, Denver and Los Angeles.

#### **Enlarged Product Offering**

ASIG is a leader in ITP fuelling and FFM in the United States and the UK and is recognised as a strong brand in these markets. Its fuelling operations are of a significant size with predictable and scalable revenue streams. In addition, ASIG's business gives greater scale and diversification to Menzies Aviation's complementary services, such as equipment maintenance and de-icing, increasing the density and diversity of the Enlarged Group's offering at new and

existing stations. Based on the turnover of Menzies Aviation and ASIG for the financial year ended 31 December 2015, the Board expects that ITP fuelling will contribute 12.0 per cent. to the Menzies Aviation business going forward.

By adding the product lines incumbent within ASIG, Menzies is able to offer more services to airlines at those airports where the Enlarged Group will operate. This is particularly relevant to ground handling activities, which can be added to existing ITP only stations operated by ASIG. This offering, together with Menzies' reputation for safe and secure operations, could be compelling to both existing and potential airline customers.

#### **Deepening Customer Relationships**

The Proposed Acquisition would deepen Menzies Aviation's position with its key customers, including Delta Air Lines, United Airlines and IAG, through provision of more services in more locations. The Enlarged Group's comprehensive service offering will be used to leverage existing customer relationships and accelerate growth by also building new customer relationships with oil companies, such as Shell, Air BP and Exxon.

#### **Expansion Opportunities**

Following the integration of ASIG, there are a number of further expansion opportunities that the Board intends to explore, including:

- a focus on gaining market share in ITP fuelling and FFM as pure fuelling companies in the U.S. have retrenched, and outside the U.S. continue to retrench, to refineries, which will allow Menzies Aviation to grow ahead of the wider airport services market;
- the roll-out of ASIG fuelling services to Menzies Aviation locations across the network where ASIG does not currently operate so as to gain market share through organic expansion;
- further bolt-on acquisition opportunities, including to expand ASIG's geographic reach; and
- entry into attractive new geographical markets in which ASIG already operates, including Thailand, Guam and Puerto Rico.

#### **Delivery of Shareholder Value**

The opportunity to rationalise the operations and duplicate cost bases of Menzies Aviation and ASIG will enable the Group to deliver significant cost synergies (see paragraph 4.1 of this Part I for more detail).

After taking into account the forecasted synergy benefits and based (amongst other things) on current economic assumptions, the Board expects the Proposed Acquisition to deliver material enhancement in underlying earnings per share for Menzies for the financial year ending 31 December 2017, the first full financial year following Completion.

### **2.4 Financial Effects of the Proposed Acquisition**

The Board has carefully reviewed the expected business and prospects of the Enlarged Group, as well as the expected synergy benefits and the associated costs of achieving them. The Proposed Acquisition meets Menzies' criteria for acquisitions and, after taking into account the forecast synergy benefits, and based on, *inter alia*, current economic assumptions, the Proposed Acquisition is expected by the Board to deliver material enhancement in underlying earnings per share for Menzies for the financial year ending 31 December 2017, the first full financial year following Completion. Based on the foregoing, the Board expects the leverage ratio for the Enlarged Group to be reduced to below 2.0 times net debt/underlying EBITDA within 18 months of Completion of the Proposed Acquisition.

After taking account of the net present value of the tax benefits, the Proposed Acquisition is expected to deliver a Return on Invested Capital in excess of Menzies' weighted-average cost of capital in the first full financial year following Completion (ending 31 December 2017).

### **3. SUMMARY INFORMATION ABOUT ASIG**

ASIG is an aviation services provider and a leading independent fuelling services provider, providing ground, fuel and airport facility services to airlines, airports, oil companies and industry partners in the commercial aviation sector. It delivers comprehensive service solutions

including ITP fuelling, FFM, ground handling, aircraft technical support services, facilities equipment maintenance and de-icing at 88 airports across seven countries in North America, Central America, Europe and Asia (with a presence in seven of the top ten global airports by 2014 flight activity). ASIG is currently ultimately owned by BBA, and is run as a standalone division with its president reporting to the ASIG president of Flight Support and being part of the ASIG Flight Support management team reporting directly to the BBA board.

ASIG was established in 1947 and is headquartered in Orlando, Florida with an experienced management team and in depth expertise across many disciplines. The business directly employs over 8,000 people globally, servicing over 600 customers (with longstanding relationships with the largest of those), including American Airlines, IAG, Delta Air Lines, Shell and United Airlines. In 2015, ASIG fuelled over 4.0 million flights, transporting and pumping more than 10.0 billion gallons of fuel whilst its ground handling operations serviced over 100,000 flights and events (including cleaning events).

The results for ASIG for the three years ended 31 December 2015 (which have been extracted from Parts VII and VIII of this document) were as follows:

	<b>Financial year ended 31 December (audited)</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Revenue .....	415.8	451.9	402.6
Operating profit (excluding BBA central cost allocations and joint ventures and associates).....	13.3	18.7	18.8
Operating (loss)/profit after joint ventures and associates .....	(6.8)	0.5	4.9
(Loss)/profit before taxation.....	(7.9)	0.5	6.1
Gross assets .....	369.2	380.6	342.6

ASIG's revenue for the financial year ended 31 December 2015 decreased by 8.0 per cent. to \$415.8 million (2014: \$451.9 million). This revenue decline reflected net contract losses, principally the losses of the ground handling contract at Terminal One, John F. Kennedy International Airport, New York and a hotel to airport baggage handling contract with Disney Magical Express, Orlando. The operating profit impact of the net contract losses was \$15.8 million in the financial year ended 31 December 2015. In the financial year ended 31 December 2014, ASIG's revenue increased by 12.2 per cent. to \$451.9 million (2013: \$402.6 million) reflecting the impact of the start-up of operations at London Heathrow's newly opened Terminal 2 and the acquisition of Skytanking USA, Inc. in the United States. Operating performance in 2014 was adversely impacted by start-up and operational costs associated with the new operations at London Heathrow and increased cost allocations from the parent group, partly offset by the contribution from the Skytanking USA, Inc. acquisition. By geographic region, the United States accounted for 64.0 per cent. of ASIG's total revenue, and the UK 26.9 per cent.

In order to understand the ongoing trading of the operation of ASIG, the following table reconciles underlying operating profit adding back BBA central cost allocations to calculate underlying operating profit before BBA central cost allocations then adjusting for depreciation, and software amortisation to show acquired underlying EBITDA before BBA central cost allocations. The information is presented for each of the financial years ended 31 December:

	<b>Financial year ended 31 December (audited)</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Operating (loss)/profit after joint ventures and associates .....	(6.8)	0.5	4.9
Add back: Contract amortisation .....	2.4	1.8	2.0
Non-underlying items .....	0.3	2.1	5.3
Underlying operating (loss)/profit .....	(4.1)	4.4	12.2
Add back: BBA central cost allocations .....	20.3	19.3	14.7
Underlying operating profit before BBA central cost allocations .....	16.2	23.7	26.9
Depreciation .....	11.4	13.0	11.5
Computer software amortisation.....	0.1	0.3	0.5
Underlying EBITDA before BBA central cost allocations.....	27.7	37.0	38.9

ASIG was recharged selling, general and administrative expenses from BBA for certain shared services of \$20.3 million (including \$3.8 million exceptional costs), \$19.3 million and \$14.7 million for the years ended 31 December 2015, 2014 and 2013, respectively, through central cost allocations. Historically, the centralised functions have included executive senior management, finance, accounting, internal audit, shared services, information technology, tax, treasury, legal, human resources and payroll, regulatory, health safety and environment, insurance, facilities, and strategy and development. Menzies understands from BBA that these recharges reasonably reflect the utilisation of services provided and benefits received, however, these amounts are not necessarily representative of the amounts that would have been incurred had ASIG operated during this period as a separate entity, nor are they necessarily representative of the amounts expected to be incurred to provide these functions to ASIG in future. As set out in paragraph 4.1 of this Part I below, the Board estimates that the cost to Menzies of providing these services to ASIG following completion of the Proposed Acquisition will be £5.5 million per annum (\$7.3 million).

On this basis, the consideration for the Proposed Acquisition represents a multiple of 2015 underlying EBITDA before BBA central cost allocations of 9.9x after taking account of the estimated costs for corporate functions of \$7.3 million (£5.5 million) described in paragraph 4.1 below, falling to 5.9x after taking account of the estimated \$13.9 million (£10.5 million) of annual cost synergies described in paragraph 4.1 below, and 5.4x after deduction from the headline consideration of the estimated \$15.7 million net present value of the tax benefit described in paragraph 4.2 below.

#### **4. SYNERGIES AND INTEGRATION OF ASIG**

##### **4.1 Cost Synergies**

The Board believes that, based on its assessment of the operating expenses of the ASIG business and how it plans to integrate ASIG into Menzies Aviation, the Proposed Acquisition presents opportunities for significant cost synergies, with the Enlarged Group expected to achieve aggregate net annual pre-tax cost synergies of approximately £5.0 million by the financial year ending 31 December 2018, comprising gross cost synergies of £10.5 million and additional ongoing costs of £5.5 million. These estimated synergies are contingent on the completion of the Proposed Acquisition and could not be achieved by Menzies independently. The estimated synergies reflect both the beneficial elements and relevant costs.

The Board believes cost synergies of approximately £10.5 million (equivalent to approximately \$13.9 million) can be achieved by utilising the combined Menzies and ASIG resources across the Enlarged Group more effectively, principally by removing certain duplicated costs where there is operational overlap at common hubs and in the overheads of the Enlarged Group and also through standardising systems, processes and adopting best practices. The Board has identified the following potential recurring synergistic benefits:

- Removing operational duplication, particularly at sites where Menzies and ASIG both currently provide ground handling services, which is presently expected to save some £6.3 million in the financial year ending 31 December 2018. These savings would include direct labour and operating costs; and
- Combining regional support functions and overheads (including shared services), which it is anticipated could achieve savings in the order of £4.2 million in the financial year ending 31 December 2018.

The Board has identified certain corporate functions, for example HR and IT, that will need to be expanded to replace corporate services that ASIG currently receives from its parent company. Currently, it is envisaged that these functions will cost an estimated £5.5 million (approximately \$7.3 million) in the financial year ending 31 December 2017 and will partially offset the beneficial elements above.

The Board also expects that the integration process and the realisation of these cost synergies will result in one-off exceptional costs of approximately £14.3 million, which is planned primarily to be incurred in the financial year ending 31 December 2017. This total comprises an estimated £5.8 million of costs to achieve the targeted cost synergies and £8.5 million of costs to undertake the integration process.

Furthermore, the Board expects there to be further opportunities for operational synergies in the future. The Board is currently of the view that the integration of ASIG can be achieved without significant disruption to the Enlarged Group.

#### **4.2 Tax Treatment**

As detailed at Part XI, following Completion of the Proposed Acquisition, the Buyers will acquire the ordinary shares of ASIG UK, a company organised under the laws of England and Wales and the shares of common stock of ASIG US, a Delaware corporation.

In relation to the acquisition of the common stock of ASIG US, the intention is that a joint election will be made by Menzies Aviation Inc. and BBA Aviation USA, Inc under section 338(h)(10) Internal Revenue Code (U.S.). The effect of this election, from a U.S. federal income tax perspective, should be that the vendor is deemed to sell, and the purchaser to acquire, the assets of the ASIG US sub-group. The purchase price given for the shares of ASIG US plus the liabilities assumed within that sub-group will be apportioned over the assets acquired, including intangible assets and goodwill. It is expected that a proportion of this amount will be allocated to goodwill, which for U.S. federal income tax purposes can be amortised over a fifteen year period. As a result, the Board expects to be able to deduct approximately \$5.8 million per year from the Enlarged Group's earnings for tax purposes in the United States. The Board has been advised that this tax treatment is uncontroversial and available under long-standing U.S. tax legislation, and believes that the net present value of this tax benefit is approximately \$15.7 million, assuming an 8.0 per cent. post-tax discount rate.

#### **4.3 Integration Plan**

The Board has developed a plan for the integration of ASIG into Menzies Aviation based on their experience of successfully integrating acquired businesses into the Group and successful site consolidations at airports on the ontake of new customers. The integration plan also sets out steps proposed to be taken in order to establish adequate financial position and prospects procedures to ensure compliance with the Listing Rules and the Disclosure Guidance by the Enlarged Group following Completion, which is further supported by work undertaken by external advisors. In order to provide clarity of leadership and to provide significant focus to ensure that the deal benefits are realised, the Board established a steering committee with responsibility for the implementation of the integration plan, led by Philip Harnden, a senior Menzies Aviation manager located in the United States. The integration plan sets target



deadlines for the achieving of certain milestones, ranging from executing certain urgent actions identified by the Board within 100 days of Completion to full integration within 12 months of Completion.

## 5. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

In order to implement the Proposed Acquisition, the Buyers have entered into the Acquisition Agreement. A more detailed summary of the key terms of the Acquisition Agreement is set out in Part XI of this document.

Under the terms of the Acquisition Agreement, and subject to the conditions thereunder being satisfied, Menzies has conditionally agreed to acquire ASIG UK and ASIG US for a cash consideration of \$202.0 million (£153.0 million) (subject to certain adjustments).

Completion of the Proposed Acquisition is conditional on, *inter alia*, (i) the Acquisition Resolution being passed at the General Meeting; (ii) the receipt by Menzies of the proceeds of the Rights Issue; and (iii) obtaining certain regulatory clearances such as from the CMA.

The End Date of Completion pursuant to the Acquisition Agreement is on or around 31 May 2017.

The Group will further enter into a transitional services agreement with the Sellers for the provision of certain transitional services (such as human resources, IT and finance) (the “**Transitional Services Agreement**”). In addition, the Enlarged Group will also provide facilities-related services to the Sellers and their affiliates after Completion pursuant to the facilities services agreements which will be entered into between Menzies and the Sellers (the “**Facilities Services Agreement**”). Entry into the Transitional Services Agreement and the Facilities Services Agreement is a condition to Completion and the respective heads of terms for these agreements will form part of the Acquisition Agreement.

## 6. FINANCING THE PROPOSED ACQUISITION

It is intended that the entire proceeds of the Rights Issue and a required proportion of the new acquisition debt facilities will be used towards funding the Proposed Acquisition and associated fees, costs and expenses, as well as refinancing the Group’s existing bank facilities. The Proposed Acquisition, associated costs, fees and expenses and refinancing of the Group’s existing bank facilities will be funded through:

- (a) £75.2 million from the gross proceeds of the Rights Issue; and
- (b) \$250.0 million term loan and a required proportion of a £150.0 million revolving credit facility pursuant to the terms of the Acquisition Facilities Agreement, of which amounts will be drawn to: (i) finance the Proposed Acquisition and associated costs; (ii) refinance existing financial indebtedness of the Group and, following Completion, the Enlarged Group; and (iii) in relation to the revolving credit facility part of this Acquisition Facilities Agreement only, to use for the general corporate purposes of the Group and, following Completion, the Enlarged Group.

The Acquisition Facilities Agreement is conditional on *inter alia*: (i) the Rights Issue raising a minimum amount of £75.0 million; and (ii) the Acquisition Agreement having been signed and having become unconditional.

## 7. STRUCTURE OF THE RIGHTS ISSUE

The Rights Issue has been structured in a way that is expected to have the effect of providing Menzies with the ability to realise distributable reserves approximately equal to the proceeds of the Rights Issue less the nominal value of the New Ordinary Shares issued by Menzies.

Menzies and Numis have agreed to subscribe for ordinary shares in Project Athena (Jersey) Limited (“**JerseyCo**”). Numis will apply the proceeds of the Rights Issue received from Qualifying Shareholders and renounees and from acquirers of New Ordinary Shares not taken up by Qualifying Shareholders and renounees under the Rights Issue (less any premium above the Issue Price) to subscribe for redeemable preference shares in JerseyCo.

Menzies will allot and issue the New Ordinary Shares to those persons entitled thereto in consideration for Numis transferring its holdings of ordinary shares and redeemable preference shares in JerseyCo to Menzies. Accordingly, instead of receiving cash consideration for the issue of the New Ordinary Shares, Menzies will (following completion of the Rights Issue) own the entire issued share capital of JerseyCo, whose only asset will be the cash reserves representing an

amount equal to the net proceeds of the Rights Issue. Menzies should be able to access those funds by redeeming the redeemable preference shares it holds in JerseyCo or, alternatively, during any interim period prior to redemption, by procuring that JerseyCo lends the amount to Menzies. The ability to realise distributable reserves in Menzies will facilitate servicing distributions to Shareholders made by Menzies in future.

Accordingly, by taking up New Ordinary Shares under the Rights Issue and submitting a valid payment in respect thereof, a Qualifying Shareholder or the person taking up the Rights under the Rights Issue instructs the Receiving Agent (i) to the extent of a successful application under the Rights Issue, to apply such payment on behalf of Numis solely to subscribe for redeemable preference shares in JerseyCo and (ii) to the extent of an unsuccessful application under the Rights Issue, to return the relevant payment without interest to the applicant. Further details of the documents relating to this structure are set out in paragraph 17 of Part XII of this document.

## **8. CURRENT TRADING AND PROSPECTS**

### **8.1 Menzies**

The Group's turnover for the six months ended 30 June 2016 was £1,002.2 million (six months ended 30 June 2015: £1,001.4 million). Underlying profit before tax rose to £18.1 million (six months ended 30 June 2015: £17.0 million) as a result of the favourable foreign exchange rates and an improvement in profitability in the Aviation division. The increase in underlying profit before tax had a consequential impact on underlying earnings per share which rose 8.5 per cent. to 20.4 pence (six months ended 30 June 2015: 18.8 pence). Profit before tax was £3.0 million (six months ended 30 June 2015: £5.8 million), with the reduction reflecting the impact of £10.0 million of exceptional costs (six months ended 30 June 2015: £6.2 million).

On a constant currency basis, the Group's turnover was down 0.6 per cent. to £995.3 million (six months ended 30 June 2015: £1,001.4 million) with underlying operating profit £0.2 million higher at £20.4 million (six months ended 30 June 2015: £20.2 million).

Menzies Aviation is performing well and continues to make progress in the formation of a joint venture in Oman with operations aimed to start later in 2016.

Menzies Distribution has benefitted from an increased volume of football related sticker sales but continues to work to mitigate volume declines and increased costs relating to the new UK national living wage legislation. Parcels and trucking operations are gaining traction with opportunities to further utilise vehicle and property assets during daylight hours.

Martinair, a subsidiary of KLM/Air France, continues to reduce its freighter volumes that pass through the Amsterdam airport where it is a key customer to Menzies Aviation. This resulted in a non-cash cost of £7.2 million relating to the impairment of assets in the six months ended 30 June 2016. The Board expects that the reductions in freighter volumes will increase further in 2017 and this will therefore continue to impact the returns of Menzies Aviation at Amsterdam Airport. The Board is considering its options on mitigating this loss of earnings.

### **8.2 ASIG**

On an underlying basis, ASIG continued to deliver good operational improvement in the six months ended June 2016, with profit increasing as a result of the continuing operational improvements – new business wins, successful new contract and new location start-up cost savings and the benefit of the Panama acquisition – offset by adverse de-icing activity in an unusually warm first quarter in North America. The profit improvement also benefitted from a suspension of depreciation during quarter two, the required accounting treatment whilst the asset is held for sale.

## **9. PRINCIPAL TERMS OF THE RIGHTS ISSUE**

Pursuant to the Rights Issue, the Company is proposing to offer 21,922,403 New Ordinary Shares to Qualifying Shareholders. The offer is to be made at 343 pence per New Ordinary Share, payable in full on acceptance by no later than 11.00 am on 26 October 2016. The Rights Issue is expected to raise approximately £73.3 million, net of expenses. The Issue Price represents a 42.1 per cent. discount to the closing middle market price per Ordinary Share on 15 September 2016, the latest practicable date prior to publication of this document and a discount of 34.8 per cent to the theoretical ex-rights price on the same basis.

The Rights Issue will be made on the basis of **5 New Ordinary Shares for every 14 Existing Ordinary Shares** held by Qualifying Shareholders at the close of business on the Record Date.

Entitlements to New Ordinary Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders but will be aggregated and issued into the market for the benefit of the Company. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is fully underwritten by the Banks pursuant to the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarised in Part XII of this document.

The Rights Issue will result in 21,922,403 New Ordinary Shares being issued (representing approximately 35.7 per cent. of the existing issued share capital and 26.3 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue, assuming that no options under the Menzies Share Schemes are exercised between the date of this document and Admission becoming effective). Shareholder approval is being sought under the Rights Issue Resolution for 21,927,403 New Ordinary Shares which will provide sufficient additional authority for the provisional allotment of Nil Paid Rights in respect of any Ordinary Shares issued pursuant to any exercise of outstanding options between the date of this document and the Record Date.

The Rights Issue is conditional, *inter alia*, upon:

- 9.1 the Underwriting Agreement having become unconditional in all respects save for the condition relating to Admission;
- 9.2 save for the Acquisition Agreement terminating or becoming incapable of completing due to the non-satisfaction of the condition therein relating to the approval of the Proposed Acquisition by Shareholders, the Acquisition Agreement having been entered into and not having been varied, modified, supplemented in any respect (other than in accordance with the terms of the Acquisition Agreement) which is in the good faith opinion of either Bank material in the context of the Rights Issue, the Proposed Acquisition and/or Admission, or terminated and not having lapsed;
- 9.3 the Acquisition Facilities Agreement being entered into by the parties thereto and having, and continuing to have, full force and effect and not having been varied, modified, supplemented in any respect which is, in the good faith opinion of either Bank, material in the context of the Rights Issue, the Proposed Acquisition and/or Admission or having been terminated or having lapsed;
- 9.4 Admission becoming effective by not later than 8.00 am on 12 October 2016 (or such later time and date as the Banks and the Company may agree, not being later than 8.00 am on 17 October 2016); and
- 9.5 the passing of the Rights Issue Resolution.

In addition, general resolutions authorising the allotment of Ordinary Shares and the waiver of pre-emption rights in respect of Menzies' share capital as enlarged by the Rights Issue are proposed to Shareholders for approval at the General Meeting. These authorities, if passed, would give the Board authority to allot shares in the Company on a non-pre-emptive basis for general corporate purposes following the Rights Issue. The Investment Management Association's Share Capital Management Guidelines permit, and regard as routine, an authority to allot up to two-thirds of a company's existing issued share capital. They also provide that any amount in excess of one-third of a company's issued share capital should only be applied to fully pre-emptive rights issue. Resolution 3 therefore will allow the Board to allot Ordinary Shares in the Company in accordance with these guidelines after the Rights Issue on the basis of the enlarged share capital following completion of the Rights Issue. In addition, Resolution 5 will, if passed, give the Board power, pursuant to the authority to allot granted under Resolution 3, to allot Ordinary Shares or sell treasury shares for cash on a non-pre-emptive basis without first offering them to Shareholders of the Company in proportion to their existing shareholdings in limited circumstances. This power will permit the Board to allot equity securities: (a) in relation to a pre-emptive rights issue only, up to a maximum nominal amount representing approximately two-thirds of the enlarged ordinary share capital following completion of the Rights Issue; and (b) in any other case, up to a maximum nominal value representing approximately 5.0 per cent. of the enlarged ordinary share capital following

completion of the Rights Issue otherwise than in connection with an offer to Shareholders of the Company. The Board has no current intention of exercising these powers and these authorities, if granted, will last until the conclusion of Menzies' next annual general meeting in 2017 or, if earlier, 30 June 2017.

The Rights Issue is not conditional on Completion. If the Rights Issue were to proceed but Completion does not take place (including because Shareholders approve the Rights Issue but not the Proposed Acquisition), the Board's current intention is that the net proceeds of the Rights Issue will be used to explore alternative acquisition opportunities, for general corporate purposes (including to manage the Group's debt and cash position on a short term basis), or otherwise be returned to Shareholders as soon as reasonably practicable. Such a return could carry costs for certain Shareholders and will have costs for the Company.

The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Ordinary Shares other than in respect of the interim dividend declared on 16 August 2016 for the six months ended 30 June 2016 of 5.4 pence per Ordinary Share (the "**Interim Dividend**"), payable only to those Shareholders registered as holders of Ordinary Shares, fully paid, on 7 October 2016. Application will be made to the FCA and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Ordinary Shares (nil paid) will commence at 8.00 am on 12 October 2016.

Some questions and answers, together with details of further terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Parts II and III of this document and, where relevant, will also be set out in the Provisional Allotment Letter.

Overseas Shareholders should refer to paragraph 7 of Part III of this document for further information on their ability to participate in the Rights Issue.

## **10. CHAIRMAN'S AWARD**

Whilst Dr Dermot Smurfit, the Chairman newly appointed on 25 July 2016, does not currently hold any Ordinary Shares, he intends to purchase such number of Nil Paid Rights in ordinary market trading and subsequently take up his resulting rights to New Ordinary Shares from such Nil Paid Rights so that he will own such number of Ordinary Shares as represent an aggregate value of up to £2.0 million.

In addition, the Company's Remuneration Committee has determined that it would be appropriate for part of the Chairman's fee arrangement for his services to be a cash fee to be satisfied by way of issue of Ordinary Shares in the Company. The Remuneration Committee believes that this arrangement would align the Chairman's interests with those of the Company. Such arrangement would be an exception to the Company's existing remuneration policy and therefore requires the prior approval of the Shareholders by ordinary resolution. It is proposed that the Company shall be permitted to award the Chairman up to 20,000 Ordinary Shares for his services in the first year of his appointment. The Remuneration Committee intends that the number of Ordinary Shares to be awarded shall be determined on the basis of such number of Ordinary Shares as amount to an aggregate value of £100,000 on the basis of the volume weighted average price of an Ordinary Share over the five Business Days following 27 October 2016, being the date of commencement of dealings in the New Ordinary Shares, fully paid. Such number of Ordinary Shares shall be awarded to the Chairman on or around 2 November 2016 following such determination. The Remuneration Committee has also resolved that the Chairman shall be awarded that same number of Ordinary Shares on the second and third anniversaries of the initial award, provided that he has continued in office up to those dates. The awards of Ordinary Shares to the Chairman shall have no performance criteria. The awards are not pensionable. The Board does not believe that the awards would compromise the Chairman's independence.

## **11. THE RESOLUTIONS**

The notice convening the General Meeting, at which the Resolutions will be proposed, is set out on pages 252 to 257 (inclusive) of this document. The full text of the Resolutions is set out in the Notice of General Meeting. The purpose of the General Meeting is to consider and, if thought appropriate, pass the Resolutions.

### **11.1 Resolution 1**

Resolution 1 proposes that the Proposed Acquisition be approved for the purposes of the Listing Rules and that the Board be authorised to implement the Proposed Acquisition.

### **11.2 Resolution 2**

Resolution 2 proposes that the Board be authorised to allot Ordinary Shares in the Company up to a nominal amount of £5,481,850.75 pursuant to, or in connection with, the Rights Issue. This authority will apply until the conclusion of the annual general meeting of the Company to be held in 2017, or on 30 June 2017, if earlier.

### **11.3 Resolution 3**

Resolution 3 proposes that the Board be generally authorised to allot Ordinary Shares in the Company up to a nominal amount of £3,654,567.00. This is conditional upon the passing of Resolution 2 and is additional to the general share allotment authority granted at the Company's last annual general meeting in order to update the authorisation on the basis of the enlarged share capital of the Company following completion of the Rights Issue. This authority will apply until the conclusion of the annual general meeting of the Company to be held in 2017, or on 30 June 2017, if earlier.

### **11.4 Resolution 4**

Resolution 4 proposes that (i) as an exception to the existing remuneration policy, the Company shall be permitted to award Ordinary Shares to the Chairman as part of his fee arrangement as a Director; and (ii) the Board be authorised to allot Ordinary Shares in the Company for such purposes up to an aggregate nominal amount of £15,000 (being up to 20,000 Ordinary Shares over each of the next three years). This authority will apply until the conclusion of the annual general meeting of the Company to be held in 2019, or on 30 June 2019, if earlier and will be used to allot Ordinary Shares to the Chairman.

### **11.5 Resolution 5**

Resolution 5 proposes that, subject to and conditional upon Resolutions 2 and 3 being duly passed, the Board be given power to allot Ordinary Shares in connection with a pre-emptive issue or on a non-pre-emptive basis up to a maximum nominal value of £1,041,314.25 representing approximately 5.0 per cent. of the enlarged issued share capital of the Company following completion of the Rights Issue, as if section 561(1) of the Companies Act did not apply. This authority will apply until the conclusion of the annual general meeting of the Company to be held in 2017, or on 30 June 2017, if earlier.

### **11.6 Resolution 6**

Resolution 6 proposes that, subject to and conditional upon Resolution 4 being duly passed, the Board be given power to allot Ordinary Shares in the Company up to an aggregate nominal amount of £15,000 to the Chairman as if section 561(1) of the Companies Act did not apply. This authority will apply until the conclusion of the annual general meeting of the Company to be held in 2019, or on 30 June 2019, if earlier and will be used to allot Ordinary Shares to the Chairman.

## **12. DIVIDENDS AND DIVIDEND POLICY**

For the financial year ended 31 December 2015, Menzies paid a final dividend of 11.8 pence per Ordinary Share (2014: 8.1 pence; 2013: 18.8 pence).

For the financial year ended 31 December 2015, Menzies paid semi-annual dividends totalling 9.0 pence per Preference Share (2014: 9.0 pence; 2013: 9.0 pence).

Menzies also declared the Interim Dividend on 16 August 2016 for the six months ended 30 June 2016 of 5.4 pence per Ordinary Share (2015: 5.0 pence; 2014: 8.1 pence; 2013: 7.7 pence), which will be paid on 18 November 2016 to Shareholders who are registered as holders of Ordinary Shares, fully paid, on 7 October 2016. Accordingly, the New Ordinary Shares to be issued pursuant to the Rights Issue will not carry an entitlement to the Interim Dividend.

It is expected that any final dividend (if any) of the Enlarged Group for the financial year ending 31 December 2016 will be proposed at the Enlarged Group's next annual general meeting in May 2017. It is expected that any interim dividend (if any) of the Enlarged Group for the financial year ending 31 December 2017 will be declared in August 2017 and paid in November 2017.

Whilst there can be no guarantee that any dividends will be declared or paid in the future, the Board intends to continue with a progressive dividend policy. The final dividend (if any) in respect of the financial year ending 31 December 2016 (for which the New Ordinary Shares will rank) will be adjusted to take account of the increased number of Ordinary Shares that will be in issue following completion of the Rights Issue.

### **13. FURTHER INFORMATION**

Your attention is drawn to the further information set out in Parts II to XV (inclusive) of this document.

Shareholders should read the whole of this document and not rely solely on the information set out in this letter. In addition, you should consider the risk factors set out on pages 18 to 44 (inclusive) of this document.

### **14. OVERSEAS SHAREHOLDERS**

The attention of Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of or located in countries other than the United Kingdom, is drawn to the information in paragraph 7 of Part III of this document.

New Ordinary Shares will be provisionally allotted (nil paid) to all Shareholders on the Company's register of members at the Record Date, including Overseas Shareholders. However, subject to certain exceptions, Provisional Allotment Letters will only be sent to Qualifying Non-CREST Shareholders with registered addresses outside the United States or any of the other Excluded Territories and only the CREST stock accounts of Qualifying CREST Shareholders with registered addresses outside the United States or any of the other Excluded Territories will be credited.

Notwithstanding any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Qualifying Shareholder to take up his/her rights if the Company in its sole and absolute discretion is satisfied that the transaction in question will not violate applicable laws.

The provisions of paragraph 7 of Part III of this document will apply generally to Overseas Shareholders who cannot or do not take up the New Ordinary Shares provisionally allotted to them.

### **15. UK TAXATION**

Certain information about UK taxation in relation to the Rights Issue is set out in Part X of this document. If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own independent tax adviser without delay.

### **16. ACTION TO BE TAKEN**

#### **16.1 Action to be Taken in Respect of the General Meeting**

Set out at the end of this document is a notice convening the General Meeting to be held at 11.00 am on 11 October 2016 at the offices of DLA Piper Scotland LLP, Collins House, Rutland Square, Edinburgh, EH1 2AA. At the General Meeting, the Resolutions will be proposed for approval.

You will find enclosed with this document (unless you hold your shares indirectly) a Form of Proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting in person, you are asked to complete the Form of Proxy and return it to the Company's Registrar, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY (using the enclosed prepaid envelope), so as to arrive as soon as possible, but in any event so as to be received by no later than 11.00 am on 7 October 2016.

Alternatively, Shareholders may submit their proxy vote electronically via [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy).

To appoint a proxy electronically, you will be asked to provide your Control Number, Shareholder Reference Number and PIN which are detailed on your proxy form.

CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the notice convening the General Meeting at the end of this document.

Completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting at the General Meeting in person if you so wish.

Further details relating to voting by proxy are set out in the notes to the Notice of General Meeting on pages 254 to 257 (inclusive) of this document.

## 16.2 Action to be Taken in Respect of the Rights Issue

If you are a Qualifying Non-CREST Shareholder with a registered address outside the United States or any of the other Excluded Territories (subject to certain limited exceptions), you will be sent a Provisional Allotment Letter giving you details of your Nil Paid Rights by post on or about 11 October 2016. If you are a Qualifying CREST Shareholder, you will not be sent a Provisional Allotment Letter. Instead, provided that you have a registered address outside the United States or any of the other Excluded Territories (subject to certain limited exceptions), you will receive a credit to your appropriate stock accounts in CREST in respect of Nil Paid Rights, which it is expected will take place as soon as practicable after 8.00 am on 12 October 2016. Such crediting does not in itself constitute an offer of New Ordinary Shares.

If you sell or have sold or otherwise transferred all of your Ordinary Shares held (other than ex-rights) in certificated form before 8.00 am on 12 October 2016, please forward this document and any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States and any of the other Excluded Territories.

If you sell or have sold or otherwise transferred all or some of your Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part III of this document and in the Provisional Allotment Letter.

**The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11.00 am on 26 October 2016, unless otherwise announced by the Company. The procedure for acceptance and payment is set out in Part III of this document and, if applicable, in the Provisional Allotment Letter.**

For Qualifying Non-CREST Shareholders, the New Ordinary Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched by no later than 2 November 2016 to the registered address of the person(s) entitled to them.

For Qualifying CREST Shareholders who take up their rights, the Registrar will instruct CREST to credit the stock accounts of the Qualifying CREST Shareholders with their entitlements to New Ordinary Shares. It is expected that this will take place by 8.00 am on 27 October 2016.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Rights Issue.

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA or, if you are outside the United Kingdom, by another appropriately authorised independent financial adviser.

**17. MENZIES SHARE SCHEMES**

Participants in the Menzies Share Schemes will be advised separately of adjustments (if any) to their rights or as to any entitlement to participate in the Rights Issue.

**18. FINANCIAL ADVICE**

The Board has received financial advice from Numis in relation to the Proposed Acquisition. In providing advice to the Board, Numis have relied upon the Board's commercial assessment of the Proposed Acquisition.

**19. RECOMMENDATION AND VOTING INTENTIONS**

The Board is fully supportive of the Rights Issue and the Proposed Acquisition. Each of the members of the Board who holds Ordinary Shares either intends, to the extent that he or she is able, to take up in full his or her rights to subscribe for New Ordinary Shares under the Rights Issue or to sell a sufficient number of their Nil Paid Rights during the nil paid trading period to meet the costs of taking up the balance of his or her entitlement to New Ordinary Shares.

The Board believes the Proposed Acquisition and the Resolutions to be in the best interests of Menzies and Shareholders as a whole and, accordingly, unanimously recommends that the Shareholders vote in favour of the Resolutions, as the members of the Board each intend to do in respect of their own legal and beneficial holdings, amounting to 1,761,384 Ordinary Shares (representing approximately 2.87 per cent. of the Company's existing issued share capital as at 14 September 2016, being the last practicable date prior to the date of this document).

Yours faithfully

**Dr Dermot Smurfit**  
Chairman  
John Menzies plc



## **PART II – QUESTIONS AND ANSWERS ABOUT THE RIGHTS ISSUE**

*The questions and answers set out in this Part II are intended to be in general terms only and, as such, you should read Part III of this document for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, duly authorised under the FSMA if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.*

*This Part II deals with general questions relating to the Rights Issue and more specific questions relating to Ordinary Shares held by persons resident in the UK who hold their Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 7 of Part III of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your rights. If you hold your Ordinary Shares in uncertificated form (that is, through CREST) you should read Part III of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Ordinary Shares are in certificated or uncertificated form, please call the Shareholder Helpline on 0370 703 6303 (from within the UK) or on +44 370 703 6303 (if calling from outside the UK). Lines are open from 8.30 am to 5.30 pm (London time) Monday to Friday. Calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.*

*Times and dates referred to in this Part II have been included on the basis of the expected timetable for the Rights Issue set out on page 51.*

### **1. WHAT IS A RIGHTS ISSUE?**

A rights issue is a way for companies to raise money. Companies do this by giving their existing shareholders a right to buy further shares in proportion to their existing shareholdings.

The offer under this Rights Issue is at a price of 343 pence per New Ordinary Share. If you hold Ordinary Shares on the Record Date and, subject to certain limited exceptions, do not have a registered address in the United States or any of the other Excluded Territories, you will be entitled to buy New Ordinary Shares pursuant to the Rights Issue. If you hold your Ordinary Shares in certificated form, your entitlement will be set out in your Provisional Allotment Letter.

New Ordinary Shares are being offered to Qualifying Shareholders in the Rights Issue at a discount to the Ordinary Share price on the last dealing day before the details of the Rights Issue were announced on 16 September 2016. The Issue Price of 343 pence per New Ordinary Share represents a 34.8 per cent. discount to the theoretical ex-rights price based on the closing middle-market price quotation as derived from SEDOL of 592 pence per Ordinary Share on 15 September 2016, the last Business Day prior to the date of announcement of the terms of the Rights Issue. As a result of this discount and while the market value of the Existing Ordinary Shares exceeds the Issue Price, the right to buy the New Ordinary Shares is potentially valuable.

The Rights Issue is on the basis of 5 New Ordinary Shares for every 14 Existing Ordinary Shares held by Qualifying Shareholders.

If you are a Qualifying Shareholder and you do not want to buy the New Ordinary Shares to which you are entitled, you can instead sell or transfer your rights (called Nil Paid Rights) to those New Ordinary Shares and receive the net proceeds, if any, of the sale or transfer in cash. This is referred to as “dealing nil paid”.

### **2. WHAT HAPPENS NEXT?**

The Company has called a General Meeting to be held at the offices of DLA Piper Scotland LLP, Collins House, Rutland Square, Edinburgh, EH1 2AA at 11.00 am on 11 October 2016. Please see the Notice of General Meeting at the end of this document. As you will see from the contents of the Notice of General Meeting, the Board is seeking Shareholder approval for, *inter alia*, the Proposed Acquisition and for the allotment of the New Ordinary Shares and disapplication of pre-emption rights associated with the Rights Issue.

If the Rights Issue Resolution is approved at the General Meeting, the Rights Issue will proceed (subject to certain conditions). The Provisional Allotment Letters are due to be despatched on or about 11 October 2016 to Qualifying Non-CREST Shareholders with registered addresses

outside the United States or any of the other Excluded Territories (subject to certain limited exceptions) and the Nil Paid Rights are due to be credited to the CREST stock accounts of Qualifying CREST Shareholders with registered addresses outside the United States or any of the other Excluded Territories (subject to certain limited exceptions) as soon as practicable after 8.00 am on 12 October 2016.

**3. CAN I SELL SOME RIGHTS AND USE THE PROCEEDS TO TAKE UP MY REMAINING RIGHTS?**

This is known as a cashless take-up or “tail-swallowing”. You can do this through the Computershare Dealing Facility by completing Box 2 on your Provisional Allotment Letter and returning it to Computershare Investor Services PLC by no later than 3.00 pm on 20 October 2016. By doing this you are agreeing to the terms and conditions of the Computershare Dealing Facility. If you do not wish to use the Computershare Dealing Facility, you should contact your stockbroker or financial adviser who may be able to help if you wish to do this. Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 am on 26 October 2016.

**4. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. HOW DO I KNOW IF I AM ABLE TO ACQUIRE NEW ORDINARY SHARES UNDER THE RIGHTS ISSUE?**

If you receive a Provisional Allotment Letter and are a Qualifying Non-CREST Shareholder with a registered address outside the United States or any of the other Excluded Territories (subject to certain limited exceptions), then you should be eligible to acquire New Ordinary Shares under the Rights Issue (as long as you have not sold all of your Existing Ordinary Shares before 8.00 am on the Ex-Rights Date, in which case you will need to follow the instructions on the front page of this document).

**5. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. HOW WILL I BE INFORMED OF HOW MANY NEW ORDINARY SHARES I AM ENTITLED TO BUY?**

Subject to Shareholders approving the Resolutions at the General Meeting to be held on 11 October 2016, if you hold your Existing Ordinary Shares in certificated form and are a Qualifying Non-CREST Shareholder with a registered address outside the United States or any of the other Excluded Territories (subject to certain limited exceptions), you will be sent a Provisional Allotment Letter that shows:

- 5.1 how many Existing Ordinary Shares you held at the close of business on 10 October 2016 (the record date for the Rights Issue);
- 5.2 how many New Ordinary Shares you are entitled to buy; and
- 5.3 how much you need to pay if you want to take up your right to buy all the New Ordinary Shares provisionally allotted to you in full.

Subject to certain limited exceptions, if you have a registered address in the United States or any of the other Excluded Territories, you will not receive a Provisional Allotment Letter.

**6. I AM A QUALIFYING SHAREHOLDER WITH A REGISTERED ADDRESS IN THE UNITED KINGDOM AND I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHAT ARE MY CHOICES AND WHAT SHOULD I DO WITH THE PROVISIONAL ALLOTMENT LETTER?**

**6.1 If you want to take up all of your rights**

If you want to take up all of your rights to acquire the New Ordinary Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque or banker’s draft for the full amount, payable to “Computershare Investor Services PLC re: John Menzies plc -Rights Issue” and crossed “A/C payee only” to Computershare Investor Services PLC by post at Corporate Actions Projects, Bristol BS99 6AH, or by hand during normal business hours only to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, to arrive by no later than 11.00 am on 26 October 2016. Within the

United Kingdom only, you can use the reply-paid envelope which will be enclosed with the Provisional Allotment Letter. Full instructions are set out in Part III of this document and will be set out in the Provisional Allotment Letter.

**Please note third-party cheques may not be accepted other than building society cheques or banker's drafts.**

Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The name of the account holder should be the same as the name of the shareholder shown on page 1 or page 4 of the Provisional Allotment Letter.

A definitive share certificate will then be sent to you for the New Ordinary Shares that you take up. Your definitive share certificate for New Ordinary Shares is expected to be despatched to you by no later than 2 November 2016. You will need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your Provisional Allotment Letter will not be returned to you unless you tick the appropriate box on the Provisional Allotment Letter.

#### 6.2 **If you do not want to take up your rights at all**

If you do not want to take up your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter subscribing for the New Ordinary Shares to which you are entitled by 11.00 am on 26 October 2016, we have made arrangements under which the Banks will try to find investors to take up your rights and the rights of others who have not taken up their rights. If the Banks do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium, provided that this is £5.00 or more. Cheques are expected to be despatched to your existing address appearing on the Company's register of members (or to the first-named holder if you hold your Existing Ordinary Shares jointly). If the Banks cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment, and any amounts of less than £5.00 will be aggregated and retained for the benefit of the Company. Alternatively, if you do not want to take up your rights, you can sell or transfer your Nil Paid Rights (see paragraph 6.4 below).

#### 6.3 **If you want to take up some but not all of your rights**

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply to have your Provisional Allotment Letter split by completing Form X on the Provisional Allotment Letter, and returning it by post or by hand (during normal business hours only) to Computershare Investor Services PLC at Corporate Actions Projects, Bristol BS99 6AH, or by hand during normal business hours only to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, to be received by 3.00 pm on 24 October 2016, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter representing the New Ordinary Shares that you wish to accept together with your cheque or banker's draft to Computershare Investor Services PLC at the above address, to be received by 11.00 am on 26 October 2016.

**Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate.** Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 am on 26 October 2016.

Further details are set out in Part III of this document and will be set out in the Provisional Allotment Letter.

#### 6.4 **If you want to sell all of your rights**

If you want to sell all of your rights, you can do this through the Computershare Dealing Facility by completing Box 3 on your Provisional Allotment Letter and returning it to Computershare Investor Services PLC by no later than 3.00 pm on 20 October 2016. By doing

this you are agreeing to the terms and conditions of the Computershare Dealing Facility. If you do not wish to use the Computershare Dealing Facility you should complete and sign Form X on the Provisional Allotment Letter (if it is not already marked “Original Duly Renounced”) and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they are not in the United States or any of the other Excluded Territories).

**Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate.** Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 am on 26 October 2016.

**7. I ACQUIRED MY EXISTING ORDINARY SHARES PRIOR TO THE RECORD DATE AND HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHAT IF I DO NOT RECEIVE A PROVISIONAL ALLOTMENT LETTER?**

If the Shareholders approve the Rights Issue Resolution at the General Meeting to be held on 11 October 2016, and you do not receive a Provisional Allotment Letter but hold your Existing Ordinary Shares in certificated form, this probably means that you are not able to acquire New Ordinary Shares under the Rights Issue. Some Non-CREST Shareholders, however, will not receive a Provisional Allotment Letter but may still be eligible to acquire New Ordinary Shares under the Rights Issue, namely:

- 7.1 Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 12 October 2016 and who have converted them to certificated form;
- 7.2 Shareholders who bought Ordinary Shares before 12 October 2016 and who hold such Ordinary Shares in certificated form but were not registered as the holders of those Ordinary Shares at the close of business on 10 October 2016; and
- 7.3 certain Overseas Shareholders.

If you do not receive a Provisional Allotment Letter but think that you should have received one, please call the Shareholder Helpline on 0370 703 6303 (from within the United Kingdom) or on +44 370 703 6303 (if calling from outside the United Kingdom). Lines are open from 8.30 am to 5.30 pm (London time) Monday to Friday. Calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

**8. IF I BUY ORDINARY SHARES AFTER THE RECORD DATE, WILL I BE ELIGIBLE TO PARTICIPATE IN THE RIGHTS ISSUE?**

If you bought Ordinary Shares after the Record Date but prior to 8.00 am on the Ex-Rights Date, you may be eligible to participate in the Rights Issue.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Shares at or after 8.00 am on 12 October 2016, you will not be eligible to participate in the Rights Issue in respect of those Ordinary Shares.

**9. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. IF I TAKE UP MY RIGHTS, WHEN WILL I RECEIVE THE CERTIFICATE REPRESENTING MY NEW ORDINARY SHARES?**

If you take up your rights under the Rights Issue, share certificates for the New Ordinary Shares are expected to be posted by no later than 2 November 2016.

**10. WHAT IF THE NUMBER OF NEW ORDINARY SHARES TO WHICH I AM ENTITLED IS NOT A WHOLE NUMBER? AM I ENTITLED TO FRACTIONS OF NEW ORDINARY SHARES?**

Your entitlement to New Ordinary Shares will be calculated at the Record Date (other than in the case of those who bought shares after the Record Date but prior to 8.00 am on the Ex-Rights Date who are eligible to participate in the Rights Issue). If the result is not a whole number, you will not be provisionally allotted a New Share in respect of the fraction of a New

Share and your entitlement will be rounded down to the nearest whole number. The New Ordinary Shares representing the aggregated fractions that would otherwise be allotted to Shareholders will be issued in the market nil paid for the benefit of the Company.

**11. WILL I BE TAXED IF I TAKE UP OR SELL MY RIGHTS OR IF MY RIGHTS ARE SOLD ON MY BEHALF?**

If you are resident in the United Kingdom for tax purposes, you should not have to pay UK tax when you take up your rights, although the Rights Issue will affect the amount of UK tax you may pay when you subsequently sell your Ordinary Shares.

However, assuming that you hold your Ordinary Shares as an investment, rather than for the purposes of a trade, you may (subject to any available exemption or relief) be subject to capital gains tax on any proceeds that you receive from the sale of your rights. Similarly, assuming that you hold your Ordinary Shares as an investment, if you allow, or are deemed to allow, your rights to lapse and receive a cash payment in respect of them, you may (subject to any available exemption or relief) be subject to capital gains tax on any proceeds.

However, if the proceeds are “small” as compared to the value of the Existing Ordinary Shares in respect of which the rights arose (broadly, the proceeds do not exceed £3,000 or 5.0 per cent. of the value of the Existing Ordinary Shares), a capital gains tax charge should not generally arise at that time. Rather, the proceeds will be deducted from the base cost of the holding of the Existing Ordinary Shares for the purposes of computing a chargeable gain or allowable loss on a subsequent disposal. This treatment will not apply if the proceeds are greater than the base cost of the holding of Existing Ordinary Shares.

Further information for Qualifying Shareholders who are resident in the United Kingdom for tax purposes is contained in Part X of this document. This information is intended as a general guide to the current tax position in the United Kingdom and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible. Please note that the Shareholder Helpline will not be able to assist you with taxation issues.

**12. I UNDERSTAND THAT THERE IS A PERIOD WHEN THERE IS TRADING IN THE NIL PAID RIGHTS. WHAT DOES THIS MEAN?**

If you do not want to buy the New Ordinary Shares being offered to you under the Rights Issue, you can instead sell or transfer your Nil Paid Rights and receive the net proceeds of the sale or transfer in cash. This is referred to as “dealing nil paid”. This means that, during the Rights Issue (between 12 October 2016 and 11.00 am on 26 October 2016) you can either purchase Shares (which will not carry any entitlement to participate in the Rights Issue) or you can trade in the Nil Paid Rights.

**13. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM. WHAT IF I WANT TO SELL THE NEW ORDINARY SHARES FOR WHICH I HAVE PAID?**

Provided the New Ordinary Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X (the form of renunciation) on the receipted Provisional Allotment Letter in accordance with the instructions set out in the Provisional Allotment Letter until 11.00 am on 26 October 2016. After that time, you will be able to sell your New Ordinary Shares in the normal way. The share certificate relating to your New Ordinary Shares is expected to be despatched to you by no later than 2 November 2016. Pending despatch of the share certificate, instruments of transfer will be certified by the Registrar against the register.

Further details are set out in Part III of this document.

**14. WHAT SHOULD I DO IF I LIVE OUTSIDE THE UNITED KINGDOM?**

Whilst you have an entitlement to participate in the Rights Issue, your ability to take up or sell rights to New Ordinary Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your rights. Shareholders with registered addresses in the United States or any of the other Excluded

Territories are, subject to certain limited exceptions, not able to acquire New Ordinary Shares under the Rights Issue. Your attention is drawn to the information in paragraph 7 of Part III of this document.

The Company has made arrangements under which the Banks will try to find investors to take up your rights and those of other Shareholders who have not taken up their rights. If the Banks do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium provided that this is £5.00 or more. Cheques are expected to be despatched to your address appearing on the Company's register of members (or to the first-named holder if you hold your Ordinary Shares jointly). If the Banks cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment and any such amount of less than £5.00 will be retained for the benefit of the Company.

**15. WILL THE RIGHTS ISSUE AFFECT THE FUTURE DIVIDENDS THE COMPANY PAYS?**

Following completion of the Rights Issue, future dividend payments will be adjusted for the Rights Issue. The adjustment will take account of the discount in the Issue Price to the share price at close of business on 26 October 2016, being the day prior to the announcement of the terms of the Rights Issue.

**16. WHAT IF I HOLD OPTIONS AND AWARDS UNDER THE MENZIES SHARE SCHEMES?**

Participants in the Menzies Share Schemes will be contacted separately with further information on how their options and awards granted under such plans may be affected by the Rights Issue.

**17. HOW DO I TRANSFER MY RIGHTS INTO THE CREST SYSTEM?**

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your New Ordinary Shares to be in uncertificated form, you should complete Form X and the CREST Deposit Form (both on the Provisional Allotment Letter) and ensure they are delivered to CCSS to be received by 3.00 pm on 21 October 2016 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to paragraph 5 of Part III of this document for details on how to pay for the New Ordinary Shares.

**18. WHAT SHOULD I DO IF I THINK MY HOLDING OF ORDINARY SHARES IS INCORRECT?**

If you have recently bought or sold Ordinary Shares, your transaction may not be entered on the Company's register of members in time to appear on the register at the Record Date. If you are concerned about the figure in the Provisional Allotment Letter or otherwise concerned that your holding of Ordinary Shares is incorrect, please call the Shareholder Helpline on 0370 703 6303 (from within the United Kingdom) or on +44 370 703 6303 (if calling from outside the United Kingdom). Lines are open from 8.30 am to 5.30 pm, (London time) Monday to Friday. Calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

## PART III – TERMS AND CONDITIONS OF THE RIGHTS ISSUE

### 1. SUMMARY OF THE RIGHTS ISSUE

- 1.1 Menzies is proposing to raise approximately £73.3 million net of expenses, by way of a rights issue of 21,922,403 New Ordinary Shares.
- 1.2 Qualifying Shareholders who do not, or are not able or permitted to, take up their Nil Paid Rights in full will have their proportionate shareholdings in the Company diluted by approximately 26.3 per cent. as a result of the Rights Issue.
- 1.3 The Issue Price of 343 pence per New Ordinary Share represents a discount of approximately 34.8 per cent. to the theoretical ex-rights price based on the closing middle-market price of an Ordinary Share as derived from SEDOL of 592 pence per Existing Ordinary Share on 15 September 2016 (being the latest practicable date prior to the date of this document).

### 2. TERMS AND CONDITIONS OF THE RIGHTS ISSUE

- 2.1 Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter), the New Ordinary Shares will be offered for subscription by way of a rights issue to Qualifying Shareholders (other than, subject to certain exceptions, Excluded Shareholders) on the following basis:

#### **5 New Ordinary Shares at 343 pence each for every 14 Existing Ordinary Shares**

held and registered in the name of each Qualifying Shareholder at the close of business on the Record Date and so in proportion for any other number of Ordinary Shares then held. Qualifying Shareholders with fewer than 3 Existing Ordinary Shares will not be entitled to any New Ordinary Shares. Entitlements to New Ordinary Shares will be rounded down to the nearest whole number (or to zero in the case of Qualifying Shareholders holding fewer than 3 Existing Ordinary Shares at the close of business on the Record Date) and fractions of New Ordinary Shares will not be allotted to Qualifying Shareholders but will be aggregated and, if possible, sold in the market as soon as practicable after the commencement of dealings in the Nil Paid Rights. The net proceeds of such sales (after deduction of expenses) will accrue for the benefit of Menzies. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

- 2.2 The Nil Paid Rights (also described as New Ordinary Shares, nil paid) are entitlements to buy New Ordinary Shares at the Issue Price. The Fully Paid Rights are entitlements to receive New Ordinary Shares for which subscription and payment has already been made.
- 2.3 Qualifying Shareholders who do not, or are not able or permitted to, take up their Nil Paid Rights in full will experience dilution of their shareholdings by 26.3 per cent. as a result of the Rights Issue. Those Qualifying Shareholders who take up the New Ordinary Shares provisionally allotted to them in full will, subject to the rounding down and sale of any fractions, retain the same proportionate voting and distribution rights as held by them at the close of business on the Record Date.
- 2.4 **The attention of all Qualifying Shareholders and any other person (including, without limitation, custodians, nominees and trustees) who has a contractual or legal obligation to forward this document into a jurisdiction other than the UK is drawn to paragraph 7 of this Part III below. New Ordinary Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders on the Register at the Record Date, including Excluded Shareholders. However, subject to certain exceptions, Qualifying Shareholders who have a registered address in the Excluded Territories or who are otherwise located in the Excluded Territories have not been and will not be sent Provisional Allotment Letters and have not and will not have their CREST accounts credited with Nil Paid Rights.**
- 2.5 The Existing Ordinary Shares are listed on the premium listing segment of the Official List and traded on the London Stock Exchange's Main Market for listed securities. Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities, respectively.
- 2.6 It is expected that Admission will become effective on 12 October 2016 and that dealings in the Nil Paid Rights, will commence at 8.00 am on the same day.

- 2.7 The New Ordinary Shares and the Existing Ordinary Shares are in registered form and can be held in certificated and uncertificated form via CREST.
- 2.8 The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is required for the New Ordinary Shares. All such New Ordinary Shares, when issued and fully paid, may be held and transferred by means of CREST.
- 2.9 The New Ordinary Shares will be issued pursuant to the authority to be granted under the Rights Issue Resolution being proposed at the General Meeting. The New Ordinary Shares, when fully paid, will rank *pari passu* with the Existing Ordinary Shares. Further details of the rights attaching to the New Ordinary Shares are set out in paragraph 9 of Part I of this document.
- 2.10 The ISIN for the New Ordinary Shares will be the same as the ISIN for the Existing Ordinary Shares, being GB0005790059 and the SEDOL will be 0579005. The ISIN for the Nil Paid Rights will be GB00BZB22D68 and the SEDOL will be BZB22D6. The ISIN for the Fully Paid Rights will be GB00BZB22J21 and the SEDOL will be BZB22J2.
- 2.11 None of the New Ordinary Shares are being made available to the public other than pursuant to the Rights Issue on the terms and subject to the conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders holding certificated shares, any relevant Provisional Allotment Letter.
- 2.12 The Rights Issue has been fully underwritten by the Banks in accordance with the terms of the Underwriting Agreement and is conditional on, *inter alia*:
- 2.12.1 the Company having complied with and not being in, in any respect which, in the good faith opinion of either Bank is material in the context of the Group, the Rights Issue, Admission and/or the Proposed Acquisition, breach, at any time prior to Admission, of any of its obligations under the Underwriting Agreement, and which fail to be performed or satisfied prior to Admission and the Company having complied with those of its obligations under the Listing Rules and the Prospectus Rules which fail to be performed or satisfied prior to Admission;
- 2.12.2 the publication of a press release relating to the Rights Issue and Proposed Acquisition in the approved terms through a Regulatory Information Service by not later than 8.00 am on the date of the Underwriting Agreement;
- 2.12.3 the passing without amendment (which, in the good faith opinion of either Bank, is material in the context of the Rights Issue and/or Admission) at the General Meeting of the Rights Issue Resolution and that such Rights Issue Resolution remaining in force;
- 2.12.4 no supplementary prospectus being published by or on behalf of the Company prior to Admission;
- 2.12.5 the Acquisition Agreement not having been varied, modified, supplemented or terminated and not having lapsed prior to Admission;
- 2.12.6 Admission becoming effective by not later than 8.00 am on 12 October 2016 (or such later date as the Company and the Banks may agree, not being later than 8.00 am on 17 October 2016); and
- 2.12.7 each condition to enable the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares to be admitted as participating securities in CREST (other than Admission) being satisfied on or before the date of the General Meeting and no notification having been received from Euroclear on or before Admission that such admission has been or is to be refused.
- 2.13 In the event that the Rights Issue does not proceed then the Proposed Acquisition will not proceed.
- 2.14 The Rights Issue is not conditional upon Completion of the Proposed Acquisition or Shareholder approval of the Proposed Acquisition; if the Proposed Acquisition does not complete or if Shareholders do not approve the Proposed Acquisition, the Rights Issue may still complete and the Company will endeavour to use the net proceeds of the Rights Issue to explore alternative acquisition opportunities, for general corporate purposes (including to manage the Group's debt and cash position on a short term basis) or will otherwise return such proceeds to Shareholders in a timely and efficient manner. Such a return could carry costs for certain Shareholders and will have costs for the Company.



- 2.15 The Underwriting Agreement may be terminated by the Banks prior to Admission upon the occurrence of certain specified events, in which case the Rights Issue will not proceed. The Banks may arrange sub-underwriting for some, or none, of the New Ordinary Shares. The Underwriting Agreement is not capable of termination following Admission. A summary of the principal terms of the Underwriting Agreement is set out in Part XII of this document.
- 2.16 The Banks and their respective affiliates may, in accordance with the applicable legal and regulatory provisions, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares and/or related instruments for its own account for the purpose of hedging its underwriting exposure or otherwise. Except as required by applicable law or regulation, the Banks do not propose to make any public disclosure in relation to such transactions.
- 2.17 In connection with the Rights Issue, the Banks and their respective affiliates, acting as an investor for its own account, may take up New Ordinary Shares in the Rights Issue and in that capacity may retain, purchase or sell for their own account such securities and any New Ordinary Shares or related investments and may offer to sell such New Ordinary Shares or other investments otherwise than in connection with a Rights Issue. Accordingly, references in this document to New Ordinary Shares being offered or placed should be read as including any offering or placement of New Ordinary Shares to the Banks or any of their respective affiliates acting in such capacity. None of the Banks or their respective affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, the Banks or their respective affiliates may enter into financing arrangements (including swaps or contract for differences) with investors in connection with which the Banks may from time to time acquire, hold or dispose of New Ordinary Shares.
- 2.18 Applications will be made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST. Euroclear requires Menzies to confirm to it that certain conditions are satisfied before Euroclear will admit any security to CREST. As soon as practicable after Admission, Menzies will confirm this to Euroclear. It is expected that these conditions will be satisfied on Admission.
- 2.19 In addition, the Company reserves the right to decide not to proceed with the Rights Issue if the Underwriting Agreement is terminated at any time prior to Admission and commencement of dealings in the Nil Paid Rights.
- 2.20 Subject, *inter alia*, to the conditions referred to in paragraphs 2.12.1 to 2.12.7 above being satisfied and save as provided in paragraph 7 of this Part III, it is intended that:
- 2.20.1 Provisional Allotment Letters (which constitute temporary documents of title) in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with a registered address in the Excluded Territories, or who are otherwise located in any Excluded Territory, or any agent or intermediary of those Qualifying Shareholders, except where Menzies is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction) following the General Meeting on 11 October 2016;
- 2.20.2 the Receiving Agent will instruct Euroclear UK & Ireland to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than Qualifying CREST Shareholders with a registered address in the Excluded Territories or who are otherwise located in any Excluded Territory, or any agent or intermediary of those Qualifying CREST Shareholders, except where Menzies is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction) with their entitlements to Nil Paid Rights with effect from 8.00 am on 12 October 2016;
- 2.20.3 the Nil Paid Rights and Fully Paid Rights will be enabled for settlement by Euroclear UK & Ireland on 12 October 2016, as soon as practicable after Menzies has confirmed to Euroclear UK & Ireland that all the conditions for admission of the Nil Paid Rights and the Fully Paid Rights to CREST have been satisfied;
- 2.20.4 the New Ordinary Shares will be credited to the appropriate CREST accounts of the relevant Qualifying CREST Shareholders (or relevant renounees) who validly take up their Nil Paid Rights as soon as practicable after 8.00 am on 27 October 2016; and

- 2.20.5 share certificates in respect of New Ordinary Shares taken up are expected to be posted to the relevant Qualifying Non-CREST Shareholders (or relevant renounees) on or around 2 November 2016 at their own risk.
- 2.21 This document constitutes the offer of New Ordinary Shares to all Qualifying CREST Shareholders (other than, subject to certain exceptions, Qualifying CREST Shareholders with a registered address in the Excluded Territories or who are otherwise located in any Excluded Territory, or any agent or intermediary of those Qualifying Shareholders, except where Menzies and the Banks are satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction) by way of enablement of the Nil Paid Rights and the Fully Paid Rights (as set out in paragraph 2.20.3 above); and to Qualifying Non-CREST Shareholders (other than Qualifying Non-CREST Shareholders with a registered address in the Excluded Territories or who are otherwise located in any Excluded Territory; or any agent or intermediary of those Qualifying Non-CREST Shareholders, except where Menzies is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction) by way of a Provisional Allotment Letter (as set out in paragraph 2.20.1 above).
- 2.22 All documents, including Provisional Allotment Letters (which constitute temporary documents of title), cheques and certificates posted to or by or from Qualifying Shareholders and/or their respective transferees or renounees (or their agents, as appropriate) will be posted at their own risk. Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein and any CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in paragraphs 4.2 and 5.2 of this Part III of this document is deemed to have made the representations and warranties set out in paragraphs 5.2.4 and 7.4 of this Part III of this document.
- 2.23 If for any reason it becomes necessary to adjust the expected timetable as set out in this document, Menzies will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.
- 2.24 The attention of Overseas Shareholders is drawn to paragraph 7 of this Part III.
- 2.25 The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of issue of the New Ordinary Shares (save for the Interim Dividend). There will be no restrictions on the free transferability of the New Ordinary Shares save as provided in the Articles. The rights attaching to the New Ordinary Shares are governed by the Articles, a summary of which is set out in paragraph 5.1 of Part XII of this document.
- 2.26 Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a MTM instruction to Euroclear will be deemed to have given the representations and warranties set out in paragraph 5.2.4 and 7.4 of this Part III, unless the requirement is waived by the Company.

### **3. ACTION TO BE TAKEN**

- 3.1 The action to be taken in respect of New Ordinary Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or in uncertificated form (that is, are in CREST).
- 3.2 If you are a Qualifying Non-CREST Shareholder and (subject to certain limited exceptions, as set out in paragraph 7 of this Part III) do not have a registered address in the Excluded Territories, please refer to paragraphs 1, 2, 4 and 7 to 14 (inclusive) of this Part III.
- 3.3 If you are a Qualifying CREST Shareholder and (subject to certain limited exceptions, as set out in paragraph 7 of this Part III) do not have a registered address in the Excluded Territories, please refer to paragraphs 1, 2, 5 and 7 to 14 (inclusive) of this Part III and to the CREST Manual for further information on the CREST procedures referred to below.
- 3.4 If you are a Qualifying CREST Shareholder or a Qualifying Non-CREST Shareholder, either (i) with a registered address in an Excluded Territory, or (ii) holding Ordinary Shares on behalf of, or for the account or benefit of any person on a non-discretionary basis who is in an External Territory, please refer to paragraph 7 below.

- 3.5 CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.
- 3.6 All enquiries in relation to the Provisional Allotment Letters should be addressed to Computershare Investor Services PLC. If you have any questions, please call the Shareholder Helpline on 0370 703 6303 or on +44 370 703 6303 (if calling from outside the UK). Lines are open from 8.30 am to 5.30 pm (London time) Monday to Friday. Calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Proposed Acquisition or Rights Issue or give financial, tax, investment or legal advice.

#### **4. ACTION TO BE TAKEN BY QUALIFYING NON-CREST SHAREHOLDERS IN RELATION TO NIL PAID RIGHTS REPRESENTED BY PROVISIONAL ALLOTMENT LETTERS**

##### **4.1 General**

- 4.1.1 Provisional Allotment Letters are expected to be despatched to Qualifying Non- CREST Shareholders (other than, subject to certain limited exceptions, as set out in paragraph 7 of this Part III, Qualifying Non-CREST Shareholders with registered addresses in the Excluded Territories) following the General Meeting on 11 October 2016.
- 4.1.2 Each Provisional Allotment Letter will set out:
- 4.1.2.1 the holding at the close of business on the Record Date of Existing Ordinary Shares on which a Qualifying Non-CREST Shareholder's entitlement to New Ordinary Shares has been based;
  - 4.1.2.2 the aggregate number of New Ordinary Shares provisionally allotted to that Qualifying Non-CREST Shareholder;
  - 4.1.2.3 the amount payable by a Qualifying Non-CREST shareholder at the Issue Price to take up his entitlement in full;
  - 4.1.2.4 the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and
  - 4.1.2.5 instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.
- 4.1.3 If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares (other than ex-rights) in certificated form before the Ex-Rights Date, please send any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that no Provisional Allotment Letter should be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the United States or any of the other Excluded Territories.
- 4.1.4 If you sell or transfer or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in paragraph 4.8 of this Part III.
- 4.1.5 If you do not receive a Provisional Allotment letter or you think that the holding of Existing Ordinary Shares in certificated form on which your entitlement to New Ordinary Shares in the Provisional Allotment Letter has been based does not reflect your holding of Existing Ordinary Shares in certificated form on the Record Date, please telephone Computershare Investor Services PLC on the numbers set out in paragraph 3.6 of this Part III.
- 4.1.6 If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 11 October 2016, the expected timetable on page 51 of this document will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service. References to dates and times in this document should be read as subject to any such adjustment.

4.1.7 On the basis that Provisional Allotment Letters are posted on 11 October and that dealings commence at 8.00 am on 12 October 2016, the latest time and date for acceptance and payment in full will be 11.00 am on 26 October 2016. Assuming that dealings commence at 8.00 am on 12 October 2016, the latest time and date for requesting a Cashless Take-Up or a disposal of all Nil Paid Rights through the Computershare Dealing Facility will be 3.00 pm on 20 October 2016.

#### 4.2 Procedure for acceptance and payment

- 4.2.1 Qualifying Non-CREST Shareholders who wish to accept in full Holders of Provisional Allotment Letters who wish to take up all of their Nil Paid Rights must return the Provisional Allotment Letter in accordance with the instructions thereon, together with a cheque or banker's draft, made payable to "CIS PLC re John Menzies plc Rights Issue" for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE so as to be received as soon as possible and, in any event, not later than 11.00 am on 26 October 2016. A reply-paid envelope is enclosed for use within the United Kingdom only. If you post your Provisional Allotment Letter, it is recommended that you allow sufficient time for delivery. Please note that payments via CHAPS, BACS or electronic transfer will not be accepted. Once your Provisional Allotment Letter duly completed and payment have been received by the Registrar in accordance with the above, you will have accepted the offer to subscribe for the number of New Ordinary Shares specified on your Provisional Allotment Letter.
- 4.2.2 Qualifying Non-CREST Shareholders who do not wish to take up their rights at all Holders of Provisional Allotment Letters who do not wish to take up their rights at all do not need to do anything. If Qualifying Non-CREST Shareholders do not return the Provisional Allotment Letter by 11.00 am on 26 October 2016, Menzies has made arrangements under which the Banks will try to find investors to take up such Shareholders' rights. If they do find investors and are able to achieve a premium over the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), Qualifying Non-CREST Shareholders so entitled will be sent a cheque for the amount of that aggregate premium above the Issue Price less related expenses (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), so long as the amount in question is at least £5.00. Any amounts of less than £5.00 will be retained for the benefit of the Company.
- 4.2.3 Qualifying Non-CREST Shareholders who wish to accept in part and holders of Provisional Allotment Letters who wish to take up some but not all of their rights should refer to section 4.8 of this Part III.
- 4.2.4 Qualifying Non-CREST Shareholders who wish to effect a Cashless Take-Up through the Computershare Dealing Facility should tick the box under Option 2 "CASHLESS TAKE-UP" on page 1 of the Provisional Allotment Letter, sign and date the bottom of page 1 of the Provisional Allotment Letter, and return their Provisional Allotment Letter by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to be received as soon as possible and, in any event, not later than 3.00 pm on 20 October 2016, the latest time and date for requesting a Cashless Take-Up. A business reply-paid envelope is enclosed with the Provisional Allotment Letter for use within the United Kingdom only. If you post your Provisional Allotment Letter within the United Kingdom by first class post, it is recommended that you allow at least four Business Days for delivery. Please note the Receiving Agent will charge a commission of 0.35 per cent. of the proceeds of sale (subject to a minimum of £20) for effecting a Cashless Take-Up through the Computershare Dealing Facility. The terms and conditions of the Computershare Dealing Facility accompany the Provisional Allotment Letters or are available on request from the Receiving Agent. Shareholders using such service should note that they will be clients of the Receiving Agent and not of the Company when using this service. The Receiving Agent rather than the Company will be responsible,

therefore, for providing the protections afforded by the UK regulatory regime to clients for whom such services are provided. The Company is not providing advice to Shareholders on dealing in its Ordinary Shares.

- 4.2.5 Qualifying Non-CREST Shareholders who wish to dispose of all of their Nil Paid Rights through the Computershare Dealing Facility should tick the box under Option 3 “SELL ALL OF YOUR RIGHTS” on page 1 of the Provisional Allotment Letter, sign and date the bottom of page 1 of the Provisional Allotment Letter, and return their Provisional Allotment Letter by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH, or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to be received as soon as possible and, in any event, not later than 3.00 pm on 20 October 2016, the latest time and date for requesting disposals of Nil Paid Rights through the Computershare Dealing Facility. A business reply-paid envelope is enclosed with the Provisional Allotment Letter for use within the United Kingdom only. If you post your Provisional Allotment Letter within the United Kingdom by first class post, it is recommended that you allow at least four Business Days for delivery. Please note that the Receiving Agent will charge commission of 0.35 per cent. of the proceeds of sale (subject to a minimum of £20) for disposing of all your Nil Paid Rights through the Computershare Dealing Facility. The terms and conditions of the Computershare Dealing Facility accompany the Provisional Allotment Letters or are available on request from Computershare Investor Services PLC. Shareholders using such service should note that they will be clients of the Receiving Agent and not of the Company when using this service. The Receiving Agent rather than the Company will be responsible, therefore, for providing the protections afforded by the UK regulatory regime to clients for whom such services are provided. The Company is not providing advice to Shareholders on dealing in its Ordinary Shares.
- 4.2.6 Payments made by Qualifying Non-CREST Shareholders must be made in Pounds Sterling by cheque or banker’s draft made payable to “CIS PLC re John Menzies plc Rights Issue” and crossed “A/C payee only”. Qualifying Non-CREST Shareholders should write their Shareholder Reference Number (indicated at the top of page 1 of the Provisional Allotment Letter) on the reverse of the cheque or banker’s draft. Third party cheques may not be accepted with the exception of building society cheques or banker’s drafts where the building society or bank has inserted details of the name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The name of the account holder should be the same as the name of the shareholder shown on page 1 or page 4 of the Provisional Allotment Letter. Post-dated cheques will not be accepted. Cheques or banker’s drafts must be drawn on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker’s drafts to be cleared through facilities provided by either of these companies. Such cheques and banker’s drafts must bear the appropriate sorting code in the top right-hand corner. Cash will not be accepted. Cheques and banker’s drafts will be presented for payment on receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearances of cheques and banker’s drafts to allow value to be obtained for remittances at the earliest opportunity. No interest will be allowed on payments made before they are due and any interest on such payments ultimately will accrue for the benefit of the Company. It is a term of the Rights Issue that cheques shall be honoured on first presentation, and the Company and the Banks may elect to treat as invalid any acceptances in respect of which cheques are not so honoured. If New Ordinary Shares have already been allotted to Qualifying Non-CREST Shareholders prior to any payment not being so honoured or such Qualifying Non-CREST Shareholder’s acceptance being treated as invalid, the Company and the Banks may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of those Qualifying Non-CREST Shareholders and hold the proceeds of sale (net of the Company’s reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of

such shares, and of all amounts payable by such Qualifying Non-CREST Shareholders pursuant to the provisions of this Part III in respect of the acquisition of such shares) on behalf of such Qualifying Non-CREST Shareholders. None of the Company, the Banks or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such Qualifying Non-CREST Shareholders as a result. If a cheque or banker's draft sent by a Qualifying Non-CREST Shareholder is drawn for an amount different from that set out in Box 3 of that Qualifying Non-CREST Shareholder's Provisional Allotment Letter, that Shareholder's application shall be treated as an acceptance in respect of such whole number of New Ordinary Shares which could be acquired at the Issue Price with the amount for which the cheque or banker's draft is drawn (and not the amount set out in Box 3 of the Provisional Allotment Letter). Any balance from the amount of the cheque will be retained for the benefit of the Company.

#### **4.3 Discretion as to validity of acceptances**

- 4.3.1 If payment is not received in full by 11.00 am on 26 October 2016, the provisional allotment will (unless the Company has exercised its right to treat as valid an acceptance, as set out below) be deemed to have been declined and lapsed. Menzies and the Banks may elect, but shall not be obliged, to treat as valid: (a) Provisional Allotment Letters and accompanying remittances that are received through the post not later than 8.00 am on 27 October 2016 (being the day immediately following the last date for acceptance and payment) (the cover bearing a legible postmark not later than 11.00 am on 26 October 2016); and (b) acceptances in respect of which a remittance is received prior to 11.00 am on 26 October 2016 from an authorised person (as defined in section 31(2) of the FSMA) specifying the number of New Ordinary Shares to be acquired and undertaking to lodge the relevant Provisional Allotment Letter, duly completed, in due course.
- 4.3.2 Menzies may also (with the agreement of the Banks) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.
- 4.3.3 The Company, having first consulted with the Banks, reserves the right to treat as invalid any acceptance or purported acceptance of the New Ordinary Shares that appears to the Company and the Banks to have been executed in, despatched from or that provides an address for delivery of share certificates for New Ordinary Shares in the United States or any other Excluded Territory unless the Company and the Banks are satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.
- 4.3.4 The provisions of this paragraph 4.3 and any other terms of the Rights Issue relating to Qualifying Non-CREST Shareholders may be waived, varied or modified as regards specific Qualifying Non-CREST Shareholder(s) or on a general basis by the Company and the Banks.
- 4.3.5 A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this paragraph 4.3 is deemed to request that the New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this document and subject to the Articles of Association.

#### **4.4 Payments**

- 4.4.1 All payments must be made in pounds sterling by cheque or banker's draft made payable to "CIS PLC re John Menzies plc Rights Issue". Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The name of the account holder should be the same as the name of the shareholder shown on page 1 or page 4 of the Provisional Allotment Letter. Post-dated cheques will not be accepted. Cheques or banker's drafts must be drawn on the personal account to which the Qualifying Non-CREST Shareholder (or their nominees) has sole or joint title to the funds. Such payments will be held by the Registrar to the order of Menzies. Cheques or banker's drafts must be

drawn on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by either of these companies. Such cheques and banker's drafts must bear the appropriate sorting code in the top right-hand corner. Neither post-dated cheques nor payments via CHAPS, BACS or electronic transfer will be accepted. Cheques and banker's drafts will be presented for payment on receipt. It is a term of the Rights Issue that cheques shall be honoured on first presentation, and Menzies may elect to treat as invalid any acceptances in respect of which cheques are not so honoured. Return of the Provisional Allotment Letter with a cheque will constitute a warranty that the cheque will be honoured on first presentation.

- 4.4.2 The Company reserves the right to instruct the Registrar to seek special clearance of cheques or banker's drafts to allow value to be obtained for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. All documents, cheques, and banker's drafts sent through the post will be sent at the risk of the sender. If New Ordinary Shares have already been issued to Qualifying Non-CREST Shareholders prior to any payment not being so honoured or such Qualifying Non-CREST Shareholders' acceptances being treated as invalid, Menzies may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of those Qualifying Non-CREST Shareholders and hold the proceeds of sale (net of Menzies' reasonable estimate of any loss that they have suffered as a result of the payment not being honoured or the acceptance being treated as invalid and of the expenses of sale, and of all amounts payable by such Qualifying Non-CREST Shareholders pursuant to the provisions of this Part III in respect of the acquisition of such New Ordinary Shares) on behalf of such Qualifying Non-CREST Shareholders. None of Menzies, the Banks or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by Qualifying Non-CREST Shareholders as a result.

#### 4.5 Money Laundering Regulations

- 4.5.1 It is a term of the Rights Issue that, to ensure compliance with the Money Laundering Regulations, the Registrar may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If the Provisional Allotment Letter is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Registrar. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter. The person lodging the Provisional Allotment Letter with payment and in accordance with the other terms as described above (the "acceptor"), including any person who appears to the Registrar to be acting on behalf of some other person, shall thereby be deemed to agree to provide the Registrar with such information and other evidence as the Registrar may require to satisfy the verification of identity requirements.
- 4.5.2 The Registrar may therefore undertake electronic searches, including using a credit reference agency, for the purposes of verifying identity. To do so, the Registrar may verify the details against the applicant's identity, but also may request further proof of identity. A record of the search will be retained. If the Registrar determines that the verification of identity requirements apply to any acceptor or application, the relevant New Ordinary Shares (notwithstanding any other term of the Rights Issue) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Registrar is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Registrar, the Banks, nor Menzies will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

- 4.5.3 If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable time and in any event by not later than 11.00 am on 26 October 2016 following a request for verification of identity, the Registrar has not received evidence satisfactory to it as aforesaid, Menzies may be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the acceptor). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the acceptor, subject to the requirements of the Money Laundering Regulations (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn (without prejudice to the right of Menzies to take proceedings to recover the amount by which the net proceeds of sale of the relevant New Ordinary Shares fall short of the amount payable thereon).
- 4.5.4 None of the Registrar, the Banks or the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of any such discretion or as a result of any sale of relevant shares.
- 4.5.5 **Submission of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty to each of Menzies, the Registrar and the Banks from the applicant that the Money Laundering Regulations will not be breached by application of such remittance and an undertaking to provide promptly to the Registrar such information as may be specified by the Registrar as being required for the purpose of the Money Laundering Regulations. If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in your acceptance being treated as invalid or in delays in the despatch of a receipted fully paid Provisional Allotment Letter, share certificate or other documents relating to the Rights Issue (as applicable).**
- 4.5.6 The verification of identity requirements will not usually apply for the UK purposes if:
- 4.5.6.1 the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no.91/308/EEC)) as amended;
- 4.5.6.2 the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- 4.5.6.3 the applicant is a company whose securities are listed on a regulated market subject to specified disclosure obligations;
- 4.5.6.4 the applicant (not being an applicant who delivers his/her application in person) makes payment through an account in the name of such applicant with a credit institution which is subject to the Money Laundering Regulations or with a credit institution situated in a non-EEA State which imposes requirements equivalent to those laid down in that directive; or
- 4.5.6.5 the aggregate subscription price for the New Ordinary Shares is less than EUR15,000 (or its pounds sterling equivalent).
- 4.5.7 In other cases the verification of identity requirements may apply. The following guidance is provided in order to assist in satisfying the verification of identity requirements and to reduce the likelihood of difficulties or delays and potential rejection of an application (but does not limit the right of the Registrar to require verification of identity as stated above). Satisfaction of these requirements may be facilitated in the following ways:
- 4.5.7.1 if payment is made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right-hand corner the following applies. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be payable to "CIS PLC re John Menzies plc Rights Issue" in respect of an application by a Qualifying Non-CREST Shareholder. Third party cheques may not be accepted



with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The name of the account holder should be the same as the name of the shareholder shown on page 1 or page 4 of the Provisional Allotment Letter. Post-dated cheques will not be accepted; or

4.5.7.2 if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in sub-paragraph 4.5.6.1 above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non- European Union members of which are Argentina, Australia, Brazil, Canada, China, Hong Kong, Iceland, India, Japan, Malaysia, Mexico, New Zealand, Norway, Republic of Korea, Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the United States and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Provisional Allotment Letter written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Registrar and/or any relevant regulatory or investigatory authority, or if the agent is not such an organisation, it should contact the Registrar at the address set out in "Directors and Advisers"; or

4.5.7.3 if a Provisional Allotment Letter is lodged by hand by the applicant in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address (for example, a recent bank statement). Please call the Shareholder Helpline on 0370 703 6303 (from within the UK) or on +44 370 703 6303 (if calling from outside the UK). Lines are open from 8.30 am to 5.30 pm (London time) Monday to Friday). Calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Proposed Acquisition or Rights Issue or give financial, tax, investment or legal advice.

#### **4.6 Dealings in Nil Paid Rights**

Subject to the fulfilment of the conditions set out in paragraph 2 of this Part III, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 am on 12 October 2016. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the Provisional Allotment Letter to the transferee or to a stockbroker, bank or other appropriate financial adviser. The latest time for registration of renunciation of Provisional Allotment Letters, nil paid, is expected to be 11.00 am on 26 October 2016.

#### **4.7 Dealings in Fully Paid Rights**

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and in the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant Provisional Allotment Letter and lodging of the same, by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, so as to be received not later than 11.00 am on 26 October 2016. To do this, Qualifying Non-CREST Shareholders will need to have their fully paid Provisional Allotment Letter returned to them after their acceptance has been effected by the Registrar. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking the appropriate box on the Provisional Allotment Letter. Thereafter, the New Ordinary Shares will be registered and transferable in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

#### 4.8 Renunciation and splitting of Provisional Allotment Letters

- 4.8.1 The Provisional Allotment Letters are fully renounceable (save as required by the laws of certain overseas jurisdictions) and may be split prior to 3.00 pm on 24 October 2016 nil paid and fully paid. Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 2 of the Provisional Allotment Letter (if it is not already marked “Original Duly Renounced”) and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been so renounced, it will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in such letter may be transferred by delivery of such letter to the transferee, provided that a transferee must not have a registered address in, or be resident or located in, the United States or any other Excluded Territory.
- 4.8.2 The latest time and date for registration of renunciation of Provisional Allotment Letters is 11.00 am on 26 October 2016 and after such date the New Ordinary Shares will be in registered form, transferable by written instrument of transfer in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.
- 4.8.3 Qualifying Non-CREST Shareholders should note that fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested.
- 4.8.4 If a holder of a Provisional Allotment Letter wishes to have only some of the New Ordinary Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights but to different persons, he may have the Provisional Allotment Letter split, for which purpose he must sign and date Form X on page 2 of the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to the appropriate address as set out in paragraph 4.2 of this Part III by no later than 3.00 pm on 24 October 2016, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split Provisional Allotment Letter should be stated in an accompanying letter. Form X on page 2 of split Provisional Allotment Letters will be marked “Original Duly Renounced” before issue. The holder of the split Provisional Allotment Letters should then follow the instructions in the preceding paragraph in relation to transferring the Nil Paid Rights or (if appropriate) Fully Paid Rights represented by each of the Provisional Allotment Letters.
- 4.8.5 Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without transferring the remainder, should complete Form X on page 2 of the original Provisional Allotment Letter and return it by post or by hand (during normal business hours only) to the Registrar at the appropriate address as set out in paragraph 4.7 of this Part III, together with a covering letter confirming the number of New Ordinary Shares to be taken up and a cheque or banker’s draft in pounds sterling for the appropriate amount made payable to “CIS PLC re: John Menzies plc Rights Issue A/C” and crossed “A/C payee only” detailing the allotment number (which is on page 1 of the Provisional Allotment Letter) written on the reverse of the cheque or banker’s draft to pay for this number of shares. In this case, the Provisional Allotment Letter and the cheque or banker’s draft must be received by the Registrar by 11.00 am on 26 October 2016, being the last date and time for acceptance.
- 4.8.6 Menzies reserves the right to refuse to register any renunciation in favour of any person in respect of which Menzies believes such renunciation may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.

#### **4.9 Registration in the names of Qualifying Non-CREST Shareholders**

A Qualifying Non-CREST Shareholder who wishes to have all his entitlement to New Ordinary Shares registered in his name must accept and make payment for such allotment prior to the latest time for acceptance and payment in full, which is 11.00 am on 26 October 2016, in accordance with the provisions set out in the Provisional Allotment Letter and this document, but need take no further action. A share certificate shall be sent to such Shareholder by post not later than 2 November 2016.

#### **4.10 Registration in the names of persons other than Qualifying Non-CREST Shareholders originally entitled**

In order to register Fully Paid Rights in certificated form in the name of someone other than the Qualifying CREST Shareholders originally entitled, the renounee or his agent(s) must complete Form Y on page 2 of the Provisional Allotment Letter (unless the renounee is a CREST member who wishes to hold such shares in uncertificated form, in which case Form X and the CREST Deposit Form must be completed – as set out in paragraph 4.11 of this Part III) and lodge the entire letter when fully paid by post or by hand (during normal business hours only) with the Receiving Agent at the appropriate address as set out in paragraph 4.7 of this Part III not later than the latest time for registration of renunciation which is 11.00 am on 26 October 2016. Registration cannot be effected unless and until the New Ordinary Shares comprised in a Provisional Allotment Letter are fully paid. The New Ordinary Shares comprised in two or more Provisional Allotment Letters (duly renounced where applicable) may be registered in the name of one holder (or joint holder) if Form Y is completed on page 2 of one of the Provisional Allotment Letters (the “Principal Letter”) and all other relevant Provisional Allotment Letters are delivered in one batch. Details of each relevant Provisional Allotment Letter (including the Principal Letter) should be listed in an attached letter and the allotment number of the Principal Letter should be entered into the space provided on each of the other Provisional Allotment Letters.

#### **4.11 Deposit of Nil Paid Rights or Fully Paid Rights into CREST**

4.11.1 The Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter may be converted into uncertificated form, that is deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is withdrawn from CREST. Subject as provided in the next paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

4.11.2 The procedure for depositing the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both set out on page 2 of the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the “CCSS”; in addition, the normal CREST stock deposit procedures will need to be carried out, except that: (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS; and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit only some of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. A Consolidation Listing Form (as defined in the CREST Regulations) must not be used. A holder of the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights or Fully Paid Rights in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 am on 26 October 2016.

- 4.11.3 In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on page 2 of the Provisional Allotment Letter duly completed) with the CCSS (to enable the person acquiring the Nil Paid Rights or Fully Paid Rights in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 am on 26 October 2016) is 3.00 pm on 21 October 2016.
- 4.11.4 When Form X and the CREST Deposit Form (both set out on page 2 of the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the relevant Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and, for the avoidance of doubt, any entries in Form X on page 2 of such Provisional Allotment Letter will not be recognised or acted upon by the Registrar. All renunciations or transfers of the Nil Paid Rights or Fully Paid Rights must be effected through the means of the CREST system once such rights have been deposited into CREST.
- 4.11.5 CREST sponsored members should contact their CREST sponsor as only their CREST sponsor will be able to take the necessary action to take up their entitlement or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of the CREST sponsored member. Note: Surrender of the Provisional Allotment Letter with (a) Form X purporting to have been signed by the same person(s) in whose name(s) it was issued or, in the case of a split Provisional Allotment Letter, marked “Original Duly Renounced”, and (b) where applicable, Form Y or the CREST Deposit Form duly completed, shall be conclusive evidence in favour of Menzies and the Registrar of:
- 4.11.5.1 the right of the person(s) named in Form Y or the CREST Deposit Form of the Provisional Allotment Letter to be registered as the holder(s) of the New Ordinary Shares comprised in the Provisional Allotment Letter;
- 4.11.5.2 the title of the person(s) lodging the Provisional Allotment Letter to deal with the same and to receive split Provisional Allotment Letters and/or a share certificate or a deposit to their CREST member’s account (as appropriate); and
- 4.11.5.3 the authority of the person(s) completing Form Y or the CREST Deposit Form. All documents will be despatched by post at the risk of the person(s) entitled to them. For the avoidance of doubt, each Provisional Allotment Letter deposited with the CCSS is not considered to be a bearer document unless delivered. Liability is limited to standard stock deposit replacement costs in accordance with Euroclear UK’s standard terms and conditions.

#### **4.12 Issue of New Ordinary Shares in definitive form**

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post by no later than 2 November 2016 at the risk of the person(s) entitled to them, to accepting Qualifying Non-CREST Shareholders and renounees or their agents or, in the case of joint holdings, to the first-named Shareholder at their registered address (unless lodging agent details have been completed in box 4 on page 2 of the Provisional Allotment Letter). After despatch of definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates and the inscription of the member in Menzies’ register of members, instruments of transfer of the New Ordinary Shares will be certified by the Registrar against the lodgement of fully paid Provisional Allotment Letters and/or, in the case of renunciations, against the Provisional Allotment Letters held by the Registrar.

### **5. ACTION TO BE TAKEN BY QUALIFYING CREST SHAREHOLDERS IN RELATION TO NIL PAID RIGHTS IN CREST**

#### **5.1 General**

- 5.1.1 Subject as provided in paragraph 7 of this Part III in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his entitlement to Nil Paid Rights as soon as practicable after 8.00 am on 12 October 2016. For such Qualifying CREST Shareholders, the CREST stock account to be credited will be an account under the participant ID and member

account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

- 5.1.2 The maximum number of New Ordinary Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he receives a credit of entitlement into his stock account in CREST. The minimum number of New Ordinary Shares a Qualifying CREST Shareholder may take up is one.
- 5.1.3 The Nil Paid Rights will constitute a separate security and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST. If, for any reason, it is impracticable to credit the stock accounts of such Qualifying CREST Shareholders or to enable the Nil Paid Rights by 8.00 am on 12 October 2016, Provisional Allotment Letters shall, unless Menzies decides otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document may be adjusted as appropriate. References to dates and times in this document should be read as subject to any such adjustment. Menzies will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.
- 5.1.4 CREST members who wish to take up all or part of, or otherwise to transfer all or part of, their entitlements in respect of or otherwise to transfer Nil Paid Rights or Fully Paid Rights held by them in CREST (including effecting a cashless take-up of Nil Paid Rights), should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise deal with your Nil Paid Rights or Fully Paid Rights.

## 5.2 Procedure for acceptance and payment

### 5.2.1 MTM instructions

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM instruction to Euroclear which, on its settlement, will have the following effect:

- 5.2.1.1 the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- 5.2.1.2 the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank (as this term is defined in the CREST Manual) of the Receiving Agent in pounds sterling, in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in sub-paragraph 5.2.1.1 above; and
- 5.2.1.3 the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in sub-paragraph 5.2.1.1 above.

### 5.2.2 Contents of MTM instructions

The MTM instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- 5.2.2.1 the number of Nil Paid Rights to which the acceptance relates;
- 5.2.2.2 the participant ID of the accepting CREST member;

- 5.2.2.3 the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
  - 5.2.2.4 the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 3RA39;
  - 5.2.2.5 the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is JOHNMERI;
  - 5.2.2.6 the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
  - 5.2.2.7 the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates (referred to in paragraph 5.2.2.1 above);
  - 5.2.2.8 the intended settlement date (which must be on or before 11.00 am on 26 October 2016);
  - 5.2.2.9 the Nil Paid Rights ISIN. This is GB00BZB22D68;
  - 5.2.2.10 the Fully Paid Rights ISIN. This is GB00BZB22J21;
  - 5.2.2.11 the Corporate Action Number (as this term is defined in the CREST Manual) to the Rights Issue. This will be available by viewing the relevant corporate action details in CREST; and
  - 5.2.2.12 contact name and telephone numbers in the shared notes field.
- 5.2.3 Valid acceptance
- 5.2.3.1 An MTM instruction complying with each of the requirements as to authentication and contents set out in paragraph 5.2.2 will constitute a valid acceptance where either:
    - (a) the MTM instruction settles by not later than 11.00 am on 26 October 2016; or
    - (b) at the discretion of Menzies and the Banks: (A) the MTM instruction is received by Euroclear by not later than 11.00 am on 26 October; and (B) the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11.00 am on 26 October 2016; and (C) the relevant MTM instruction settles by 2.00 pm on 26 October 2016 (or such later date as Menzies and the Banks have determined).
  - 5.2.3.2 An MTM instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Provider's Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction by the Network Provider's Communications Host.
  - 5.2.3.3 The provisions of this paragraph 5.2 and any other terms of the Rights Issue relating to Qualifying CREST Shareholders may be waived, varied or modified as regards specific Qualifying CREST Shareholder(s) or on a general basis by the Company and the Banks.
- 5.2.4 Representations, warranties and undertakings of CREST members
- 5.2.4.1 A CREST member, or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 5.2, represents, warrants and undertakes to Menzies and the Banks that he/she has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him/her or by his/her CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 am on 26 October 2016 and remains capable of settlement at all times after that until 2.00 pm on 26 October 2016 (or until such later time and date as Menzies and

the Banks may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that at 11.00 am on 26 October 2016 and at all times thereafter until 2.00 pm on 26 October 2016 (or until such later time and date as Menzies and the Banks may determine) there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

5.2.4.2 If there is insufficient headroom within the Cap in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST member or CREST sponsored member, Menzies and the Banks may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of Menzies' reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part III in respect of the acquisition of such shares) on behalf of such CREST member or CREST sponsored member. None of Menzies or the Banks or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST member or CREST sponsored member as a result.

5.2.4.3 A Qualifying CREST Shareholder will be deemed to have made the representations and warranties set out in paragraph 5.2.4 of this Part III and the agreement and acknowledgement set out in paragraph 5.3 of this Part III.

#### 5.2.5 CREST procedures and timings

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 am on 26 October 2016. In this connection, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning the practical limitations of the CREST system and timings.

#### 5.2.6 CREST member's undertaking to pay

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this paragraph 5.2 undertakes to pay to the Registrar, or to procure the payment to the Registrar of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as Menzies may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual), the creation of a RTGS settlement bank (as this term is defined in the CREST Manual) payment obligation in pounds sterling in favour of the Registrar's RTGS settlement bank, in accordance with the RTGS payment mechanism, shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay the amount payable on acceptance); and requests that the Fully Paid Rights and/or New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this document and subject to the Articles. If the payment obligations of the relevant CREST member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been issued to the CREST member or CREST sponsored member, Menzies and the Banks may (in their absolute discretion as to the manner, timing and terms) make arrangements for the sale

of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of expenses, and all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part III in respect of the acquisition of such shares) or an amount equal to the original payment of the CREST member or CREST sponsored member (whichever is lower) on trust for such CREST member or CREST sponsored member. In these circumstances, none of the Banks or Menzies shall be responsible for, or have any liability for, any losses, expenses or damages arising as a result.

#### 5.2.7 Discretion as to rejection and validity of acceptances

Menzies may in its absolute discretion (after consulting with the Banks):

- 5.2.7.1 reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this Part III. Where an acceptance is made as described in this paragraph 5.2.7 which is otherwise valid, and the MTM instruction concerned fails to settle by 2.00 pm on 26 October 2016 (or by such later time and date as Menzies and the Banks may determine), Menzies shall be entitled to assume, for the purposes of its right to reject an acceptance as described in this paragraph 5.2.7, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 5.2.7 unless Menzies is aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) concerned for the MTM instruction to settle;
- 5.2.7.2 treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 5.2;
- 5.2.7.3 accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as Menzies and the Banks may determine;
- 5.2.7.4 treat a properly authenticated dematerialised instruction (the “First Instruction”) as not constituting a valid acceptance if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction, either Menzies or the Registrar has received actual notice from Euroclear of any of the matters specified in CREST Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- 5.2.7.5 accept an alternative instruction or notification from a CREST member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification, if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his/her Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

### 5.3 Money Laundering Regulations

- 5.3.1 If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a bank, a broker or another UK financial institution), then, irrespective of the value of the application, the Registrar is required to take reasonable measures to establish the identity of the person or persons (or the ultimate controller of such persons) on whose behalf you are making the application and any submission of a MTM instruction constitutes agreement for the Registrar to make a search via a credit



reference agency where deemed necessary. A record of search results will be retained. Such Qualifying CREST Shareholders must therefore contact the Registrar before sending any MTM instruction or other instruction so that appropriate measures may be taken.

- 5.3.2 Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Registrar any information the Registrar may specify as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Registrar as to identity, the Registrar, having consulted with Menzies and the Banks, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction.
- 5.3.3 If satisfactory evidence of identity has not been provided within a reasonable time, the Registrar will not permit the MTM instruction concerned to proceed to settlement; but without prejudice to the right of Menzies and the Banks to take proceedings to recover any loss suffered by it/them as a result of failure by the applicant to provide satisfactory evidence.

#### **5.4 Dealings in Nil Paid Rights in CREST**

Subject to the fulfilment of the conditions under the Underwriting Agreement (summarised in paragraph 2 of this Part III), dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 am on 12 October 2016. Dealings in Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST at 11.00 am on 26 October 2016.

#### **5.5 Dealings in Fully Paid Rights in CREST**

- 5.5.1 After acceptance and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred (in whole or in part) by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 am on 26 October 2016. The Fully Paid Rights are expected to be disabled in CREST at 11.00 am on 26 October 2016.
- 5.5.2 After 2 November 2016, the New Ordinary Shares will be registered in the name(s) of the person(s) entitled to them in Menzies' register of members and will be transferable in the usual way.

#### **5.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST**

- 5.6.1 Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.
- 5.6.2 The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights from CREST is 4.30 pm on 20 October 2016, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 am on 26 October 2016. You are recommended to refer to the CREST Manual for details of such procedures.

#### **5.7 Issue of New Ordinary Shares in CREST**

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 26 October 2016 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Ordinary Shares (in definitive form) will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. The Registrar will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect from the next Business Day (expected to be 27 October 2016).

## 5.8 Right to allot/issue in certificated form

Despite any other provision of this document, Menzies reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

## 6. PROCEDURE IN RESPECT OF NEW ORDINARY SHARES NOT TAKEN UP

- 6.1 If an entitlement to New Ordinary Shares is not validly taken up by 11.00 am on 26 October 2016 in accordance with the procedure laid down for acceptance and payment, then that provisional allotment will be deemed to have been declined and will lapse. The Banks will endeavour to procure, by not later than 5.00 pm on the second dealing day after the last date for acceptance of the Rights Issue, subscribers for all (or as many as possible) of those New Ordinary Shares not taken up at a price per New Share which is at least equal to the Issue Price and the expenses of procuring such subscribers (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable).
- 6.2 Notwithstanding the above, the Banks may cease to endeavour to procure any such subscribers if, in the good faith opinion of the Banks, there is no reasonable likelihood that any such subscribers can be so procured at such a price by such time. If and to the extent that subscribers cannot be procured on the basis outlined above, the relevant New Ordinary Shares will be subscribed for by the Banks as principal pursuant to the Underwriting Agreement and by the sub-underwriters (if any) procured by the Banks, in each case, at the Issue Price and on the terms and subject to the conditions of the Underwriting Agreement.
- 6.3 Any premium over the aggregate of the Issue Price and the expenses of procuring subscribers (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable) shall be paid (subject as provided in this paragraph 6):
- 6.3.1 where the Nil Paid Rights were, at the time of its lapsing, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter;
- 6.3.2 where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- 6.3.3 to the extent not provided above, where an entitlement to New Ordinary Shares was not taken up by an Overseas Shareholder, to that Overseas Shareholder,
- 6.4 New Ordinary Shares for which subscribers are procured on this basis will be re-allotted to such subscribers and the aggregate of any premiums (being the amount paid by such subscribers after deducting the price at which the New Ordinary Shares are offered pursuant to the Rights Issue and the expenses of procuring such subscribers including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable tax), if any, will be paid (without interest) to those persons entitled (as referred to above) *pro rata* to the entitlements not taken up, save that any amounts of less than £5.00 will be retained for the benefit of the Company. Cheques for the amounts due (if any) will be sent in pounds sterling, by first class post, at the risk of the person(s) entitled, to their registered addresses (the registered address of the first named in the case of joint holders), provided that where any entitlement concerned was held in CREST, the amount due will, unless Menzies (in its absolute discretion) otherwise determines, be satisfied by Menzies procuring the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.
- 6.5 Any transactions undertaken pursuant to this paragraph 6 shall be deemed to have been undertaken at the request of the persons who did not take up their entitlements and none of Menzies, the Banks nor any other person procuring subscribers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms of or timing of any such acquisition, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis described above. The Banks will be entitled to retain any brokerage, fees, commissions or other benefits received in connection with these arrangements.

- 6.6 It is a term of the Rights Issue that all New Ordinary Shares validly taken up by subscribers under the Rights Issue may be allotted to such subscribers in the event that not all of the New Ordinary Shares offered for subscription under the Rights Issue are taken up.

## **7. OVERSEAS SHAREHOLDERS AND SELLING AND TRANSFER RESTRICTIONS**

### **7.1 General**

- 7.1.1 Whilst Overseas Shareholders (other than those in Excluded Territories) are entitled to participate in the Rights Issue, the offer of Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters and/or New Ordinary Shares pursuant to the Rights Issue and the distribution of this document or any other document relating to the Rights Issue (including the Provisional Allotment Letter) to persons resident in, or who are citizens of, or who have a registered address in a jurisdiction other than, the United Kingdom may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights under the Rights Issue. It is the responsibility of all persons outside the United Kingdom (including, without limitation, custodians, nominees and trustees) receiving this document and/or a Provisional Allotment Letter and/or a credit of Nil Paid Rights to a stock account in CREST and wishing to accept the offer of New Ordinary Shares to satisfy themselves as to full observance of the laws of the relevant territory, including obtaining all necessary governmental or other consents which may be required, observing all other requisite formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.
- 7.1.2 This paragraph 7.1 is intended as a general guide only. Any Overseas Shareholder who is in doubt as to his position should consult his own Independent Professional Adviser without delay. It sets out certain restrictions applicable to Qualifying Shareholders who have registered addresses outside the United Kingdom, who are citizens or residents of countries other than the United Kingdom, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside the United Kingdom or who hold Existing Ordinary Shares for the account or benefit of any such person. The restrictions set out in this paragraph 7 will also apply to any investors who acquire New Ordinary Shares in connection with the placement of New Ordinary Shares not subscribed for in the Rights Issue.
- 7.1.3 Having considered the circumstances, the Board have formed the view that it is necessary or expedient to restrict the ability of persons in the Excluded Territories to take up rights to the New Ordinary Shares or otherwise participate in the Rights Issue due to the time and costs involved in the registration of this document and/or compliance with the relevant local, legal or regulatory requirements in those jurisdictions.
- 7.1.4 Receipt of this document and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed. New Ordinary Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date, including Excluded Shareholders. However, a Provisional Allotment Letter will not be sent to, and Nil Paid Rights will not be credited to CREST accounts of, persons with registered addresses in the United States or any other Excluded Territory or their agent or intermediary, except where Menzies and the Banks are satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.
- 7.1.5 No person receiving a copy of this document and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him nor should he in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or the Provisional Allotment

Letter could lawfully be used or dealt with without contravention of any registration or other legal requirements.

- 7.1.6 Accordingly, subject to certain limited exceptions, persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same in or into, or transfer Nil Paid Rights or Fully Paid Rights to any person in or into, the United States or any other Excluded Territory. If a Provisional Allotment Letter or credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any Excluded Territory, or by their agent or nominee in any such territory, he must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights in CREST unless Menzies determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this document or a Provisional Allotment Letter into any such territories (whether under contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 7.1.
- 7.1.7 Subject to this paragraph 7.1, any person (including, without limitation, nominees, agents and trustees) outside the United Kingdom wishing to take up his rights under the Rights Issue (or to do so on behalf of someone else) must satisfy himself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.
- 7.1.8 None of Menzies, the Banks, nor either of their respective representatives, is making any representation to any offeree or purchaser of the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights regarding the legality of an investment in the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights by such offeree or purchaser under the laws applicable to such offeree or purchaser.
- 7.1.9 The Company reserves the right to treat as invalid and will not be bound to allot or issue any New Ordinary Shares in respect of any acceptance or purported acceptance of the offer of New Ordinary Shares which:
- 7.1.9.1 appears to the Company or its agents to have been executed, effected or dispatched from the United States or any other Excluded Territory unless the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement; or
- 7.1.9.2 in the case of a Provisional Allotment Letter, provides an address for delivery of the share certificates or other statements of entitlement or advice in an Excluded Territory or any other jurisdiction outside the UK in which it would be unlawful to deliver such certificates, statements or advice or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or
- 7.1.9.3 in the case of a credit of New Ordinary Shares in CREST, to a CREST member or CREST sponsored member whose registered address would be in the United States or any other Excluded Territory or any other jurisdiction outside the UK in which it would be unlawful to make such a credit or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements.
- 7.1.10 The attention of Overseas Shareholders with registered addresses in the United States or any of the other Excluded Territories is drawn to paragraphs 7.2 to 7.6 below.
- 7.1.11 The provisions of paragraph 6 above will apply to Overseas Shareholders who do not take up New Ordinary Shares provisionally allotted to them or are unable to take up New Ordinary Shares provisionally allotted to them because such action would result in a contravention of applicable law or regulatory requirements. Accordingly, such Shareholders will be treated as Shareholders that have not taken up their entitlement for the purposes of paragraph 6 above and the Banks will use reasonable endeavours to

procure subscribers for the relevant New Ordinary Shares. The net proceeds of such sales (after deduction of expenses) will be paid to the relevant Shareholders pro-rata to their holdings of Existing Ordinary Shares at the close of business on the Record Date as soon as practicable after receipt, save that no payment will be made of amounts of less than £5.00 or for amounts in respect of fractions, which amounts will be retained for the benefit of the Company. None of the Company, the Banks or any other person shall be responsible or have any liability whatsoever for any loss or damage (actual or alleged) arising from the terms or the timing of the acquisition or the procuring of it or any failure to procure subscribers.

- 7.1.12 Notwithstanding any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Qualifying Shareholder to take up rights, if in its sole and absolute discretion, it is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question. If the Company is so satisfied, the Company will arrange for the relevant Qualifying Shareholder to be sent a Provisional Allotment Letter if he is a Qualifying Non-CREST Shareholder or, if he is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.
- 7.1.13 Those Qualifying Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraph 4.4 in relation to Qualifying Non-CREST Shareholders and paragraph 5.2 in relation to Qualifying CREST Shareholders of this Part III.
- 7.1.14 The provisions of paragraph 6 of this Part III will apply generally to Qualifying Shareholders with registered addresses in the Excluded Territories who do not or are unable to take up New Ordinary Shares provisionally allotted to them.

## **7.2 Offering and transfer restrictions relating to the United States**

- 7.2.1 The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters have not been nor will they be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, in or within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with any applicable securities laws of any states or other jurisdiction of the United States.
- 7.2.2 Menzies is not extending the Rights Issue into the United States and none of this document and the Provisional Allotment Letters constitute or will constitute an offer or invitation to apply for an offer or an invitation to acquire any Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares in the United States. Subject to certain limited exceptions, Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights have not been, and will not be, credited to the CREST account of, any Qualifying Shareholder with a registered address in the United States.
- 7.2.3 Subject to certain limited exceptions, Provisional Allotment Letters or renunciations thereof sent from or post-marked in the United States will be deemed to be invalid and all persons acquiring New Ordinary Shares and wishing to hold such New Ordinary Shares in registered form must provide an address for registration of the New Ordinary Shares outside the United States.
- 7.2.4 Subject to certain limited exceptions, any person who acquires Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Provisional Allotment Letters, taking up their entitlement or accepting delivery of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares, that they are not, and that at the time of acquiring the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares they will not be, in the United States or acting on a non-discretionary basis for a person located within the United States and that they are not acquiring the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares in the United States or anywhere

the Company believes will result in the contravention of any applicable legal requirements in any jurisdiction.

- 7.2.5 Subject to certain limited exceptions, each such person further will be deemed to have declared, warranted and agreed that: it acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and are being distributed and offered outside the United States in reliance on Regulation S; it is acquiring the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares from the Company an “offshore transaction” as defined in and meeting the requirements of Regulation S; and the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have not been offered to it by Menzies by means of any “directed selling efforts” as defined in Regulation S.
- 7.2.6 Menzies, having first consulted with the Banks, reserves the right to treat as invalid any acceptance or purported acceptance of Rights issue Shares that appears to Menzies to have been executed in, despatched from or that provides an address for delivery of share certificates for New Ordinary Shares in the United States. Menzies will not be bound to allot (on a no provisional basis) or issue any Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may be transferred or renounced.
- 7.2.7 The provisions of paragraph 6 of this Part III will apply to any New Ordinary Shares not taken up. Accordingly, subject to certain exceptions, Qualifying Shareholders with registered addresses in the United States will be treated as holders who are not participating in the Rights Issue, and the Banks will endeavour to sell the New Ordinary Shares relating to such holders’ entitlements on such holders’ behalf.

### 7.3 Other overseas territories

- 7.3.1 Provisional Allotment Letters will be posted to Qualifying Non-CREST Shareholders (other than to, subject to certain limited exceptions, Qualifying Shareholders with registered addresses in the Excluded Territories) and Nil Paid Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders with registered addresses in any country other than the United States or any other Excluded Territory. No offer of or invitation to subscribe for New Ordinary Shares is being made by virtue of this document or the Provisional Allotment Letters into any of the Excluded Territories.
- 7.3.2 Qualifying Shareholders in jurisdictions other than the Excluded Territories may, subject to the laws of their relevant jurisdiction, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letters.
- 7.3.3 Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or New Ordinary Shares.
- 7.3.4 If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your appropriate professional adviser immediately.
- 7.3.5 EEA States
- In relation to the EEA States that have implemented the Prospectus Directive (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the “**Relevant Implementation Date**”), no New Ordinary Shares, Nil Paid Rights or Fully Paid Rights have been offered or will be offered pursuant to the Rights Issue to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights which has been approved by

the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights may be made to the public in that relevant member state at any time under the following exemptions under the Prospectus Directive, if they are implemented in that relevant member state:

7.3.5.1 to any legal entity which is a qualified investor, as defined in the Prospectus Directive;

7.3.5.2 to fewer than 100, or if the relevant member state has implemented the relevant provisions of the Directive 2010/73/EU, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such relevant member states; or

7.3.5.3 in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights shall result in a requirement for the publication by Menzies of a prospectus pursuant to Article 3 of the Prospectus Directive.

For this purpose, the expression “an offer of any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to the public” in relation to any New Ordinary Shares, Nil Paid Rights and Fully Paid Rights in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and any New Ordinary Shares, Nil Paid Rights and Fully Paid Rights to be offered so as to enable an investor to decide to acquire any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

#### **7.4 Representations and warranties relating to Shareholders**

##### **7.4.1 Qualifying Non-CREST Shareholders**

7.4.1.1 Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration represents and warrants to Menzies and the Banks that, except where proof has been provided to Menzies' satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirements in any jurisdiction:

- (a) such person is not accepting and/or renouncing the Provisional Allotment Letter from within any Excluded Territory;
- (b) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it;
- (c) such person is not acting on a non-discretionary basis for a person located within any Excluded Territory (except as agreed with Menzies) or any territory referred to in 7.4.1.1(b) above at the time the instruction to accept or renounce was given; and
- (d) such person is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into any Excluded Territory.

7.4.1.2 Menzies may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it:

- (a) appears to Menzies or the Banks to have been executed in or despatched from the United States or any other Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if they believe the same may violate any applicable legal or regulatory requirement;
- (b) provides an address in the United States or any other Excluded Territory for delivery of definitive share certificates for New Ordinary Shares (or any

jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates); or

- (c) purports to exclude the warranty required by this paragraph.

#### 7.4.2 Qualifying CREST Shareholders

7.4.2.1 A Qualifying CREST Shareholder who makes a valid acceptance in accordance with paragraph 5.2 of this Part III represents and warrants to Menzies and the Banks that, except where proof has been provided to Menzies' satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction:

- (a) he or she is not within any Excluded Territory;
- (b) he or she is not in any territory in which it is unlawful to make or accept an offer to acquire or subscribe for Nil Paid Rights, Fully Paid Rights or New Ordinary Shares;
- (c) he or she is not accepting on a non-discretionary basis for a person located within any Excluded Territory or any territory referred to in 7.4.2.1(b) above at any time the instruction to accept was given; and
- (d) he or she is not acquiring any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares into any Excluded Territory or into any territory referred to at 7.4.2.1(b) above.

7.4.2.2 The Company may, having first consulted with the Banks, treat as invalid any MTM instruction which (a) appears to Menzies to have been despatched from the United States or an Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or they or their agents believe may violate any applicable legal or regulatory requirement; or (b) purports to exclude the warranty required by this paragraph.

7.4.2.3 All Qualifying Shareholders will also be deemed to have agreed and acknowledged that:

- (a) the Banks: (i) are acting exclusively for the Company and no one else in connection with the Rights Issue and the listing of the New Ordinary Shares on the premium listing segment of the Official List; and (ii) will not be responsible to anyone other than the Company for providing the protections afforded to their clients for providing advice in connection with the Rights Issue, the listing of the New Ordinary Shares on the premium segment of the Official List or the contents of this document;
- (b) apart from the responsibilities and liabilities, if any, which may be imposed on the Banks by the FSMA, the regulatory regime established thereunder or otherwise under law: (i) each of the Banks do not have any responsibility or liability for the contents of this document; (ii) each of the Banks make no representation or warranty, express or implied, as to the contents of this document (including as to its accuracy, completeness or verification) or for any other statement made or purported to be made by or on behalf of any of them, by the Company or on its behalf or by any other person in connection with the Company, the New Ordinary Shares or the Rights Issue, and nothing in this document shall be relied upon as a promise or representation in this respect (whether as to the past or the future); and (iii) each of the Banks shall not have any liability whatsoever to such Qualifying Shareholders, whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement;
- (c) such Qualifying Shareholder has not relied on the Banks or any person affiliated with them in connection with any investigation as to the accuracy of any information contained in this document or their investment decision; and



- (d) such Qualifying Shareholder has relied only on the information contained in this document, and that no person has been authorised to give any information or to make any representation concerning the Group or the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Banks.

#### **7.5 Waiver**

The provisions of this paragraph 7 and of any other terms of the Rights Issue relating to all Qualifying Shareholders with registered addresses in any of the Excluded Territories may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company its absolute discretion. Subject to this, the provisions of this paragraph 7 supersede any terms of the Rights Issue inconsistent herewith. References in this paragraph 7 to Qualifying Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this paragraph 7 shall apply to them jointly and to each of them.

#### **7.6 Payment**

All payments must be made in the manner set out in paragraphs 4.4 and 5.2 of this Part III (as applicable).

### **8. WITHDRAWAL RIGHTS**

- 8.1 Persons who have the right to withdraw their acceptances under Section 87Q(4) of the FSMA after a supplementary prospectus (if any) has been published and who wish to exercise such right of withdrawal must do so by lodging a written notice of withdrawal (which shall not include a notice sent by facsimile), which must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, with the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE so as to be received no later than two Business Days after the date on which the supplementary prospectus was published, withdrawal being effective upon receipt of the written notice of withdrawal. Notice of withdrawal given by any other means or which is deposited with or received by the Registrar after the expiry of such period will not constitute a valid withdrawal.
- 8.2 Furthermore, the Company will not permit the exercise of withdrawal rights after payment by the relevant Shareholder of its subscription amount in full and the allotment of the New Ordinary Shares to such Shareholder becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisers.
- 8.3 Provisional allotments of entitlements to New Ordinary Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Ordinary Shares will be subject to the provisions of paragraph 6 above as if the entitlement had not been validly taken up.

### **9. STRUCTURE OF THE RIGHTS ISSUE**

The Rights Issue has been structured in a way that is expected to have the effect of providing the Company with the ability to realise distributable reserves approximately equal to the proceeds of the Rights Issue less the nominal value of the New Ordinary Shares issued by the Company.

Menzies and Numis have agreed to subscribe for ordinary shares in JerseyCo. Numis will apply the proceeds of the Rights Issue received from Qualifying Shareholders and renounees and from acquirers of New Ordinary Shares not taken up by Qualifying Shareholders and renounees under the Rights Issue (less any premium above the Issue Price) to subscribe for redeemable preference shares in JerseyCo.

Menzies will allot and issue the New Ordinary Shares to those persons entitled thereto in consideration for Numis transferring its holdings of ordinary shares and redeemable preference shares in JerseyCo to the Company. Accordingly, instead of receiving cash consideration for the issue of the New Ordinary Shares, the Company will (following completion of the Rights Issue)

own the entire issued share capital of JerseyCo, whose only asset will be the cash reserves representing an amount equal to the net proceeds of the Rights Issue. Menzies should be able to access those funds by redeeming the redeemable preference shares it holds in JerseyCo or, alternatively, during any interim period prior to redemption, by procuring that JerseyCo lends the amount to the Company. The ability to realise distributable reserves in the Company will facilitate servicing distributions to Shareholders made by the Company in future.

Accordingly, by taking up New Ordinary Shares under the Rights Issue and submitting a valid payment in respect thereof, a Qualifying Shareholder or the person taking up the Rights under the Rights Issue instructs the Receiving Agent (i) to the extent of a successful application under the Rights Issue, to apply such payment on behalf of Numis solely to subscribe for redeemable preference shares in JerseyCo and (ii) to the extent of an unsuccessful application under the Rights Issue, to return the relevant payment without interest to the applicant. Further details of the documents relating to this structure are set out in paragraph 17 of Part XII (Additional Information) of this document.

## **10. TIMES AND DATES**

10.1 Menzies shall, at its discretion and after consultation with its financial and legal advisers, be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document and in such circumstances shall notify the UKLA, via a Regulatory Information Service approved by the UKLA and, if appropriate, Qualifying Shareholders. However, Qualifying Shareholders may not receive any further written communication.

10.2 If a supplementary prospectus is issued by Menzies two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Rights Issue specified in this document, the latest date for acceptance under the Rights Issue shall be extended to the date that is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

## **11. TAXATION**

11.1 The information contained in Part III is intended as a general guide only to the current tax position in the United Kingdom and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances.

11.2 Certain statements regarding United Kingdom taxation in respect of the Rights Issue are set out in Part III of this document. Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Rights Issue, or who are subject to tax in any jurisdiction other than the United Kingdom should immediately consult a suitable professional adviser.

## **12. MENZIES SHARE SCHEMES**

The Board may, if it determines that it is appropriate, and subject to the necessary approvals, adjust the exercise price per Ordinary Share (if relevant) and the number of Ordinary Shares under outstanding options or awards granted under the Menzies Share Schemes, in accordance with the rules of each of the Menzies Share Schemes. Any adjustments will not be made until after the ex-rights date and will be subject to approval of HMRC and the Company's auditor, where required. Participants in the Menzies Share Schemes will be contacted separately with further information on how their options and awards may be affected by the Rights Issue.

## **13. DILUTION**

Qualifying Shareholders who do not take up their Nil Paid Rights in full will experience dilution of their shareholdings by 26.3 per cent. as a result of the Rights Issue. Those Qualifying Shareholders who take up the New Ordinary Shares provisionally allotted to them in full will, subject to the rounding down and sale of any fractions, retain the same proportionate voting and distribution rights as held by them at the close of business on the Record Date.

#### **14. GOVERNING LAW AND JURISDICTION**

This document (including the terms and conditions of the Rights Issue), the Provisional Allotment Letters and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, the laws of England and Wales. The New Ordinary Shares will be created and issued pursuant to the Articles and under the Companies Act. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter. By taking up New Ordinary Shares under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

#### **15. FURTHER INFORMATION**

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Non-CREST Shareholders and any other Qualifying Shareholders to whom Menzies has sent Provisional Allotment Letters, to the terms, conditions and other information printed on the accompanying Provisional Allotment Letter.

## PART IV – BUSINESS OVERVIEW OF MENZIES

### 1. INTRODUCTION AND HISTORY

Menzies is one of Scotland's largest companies, having been established in 1833 as a bookseller, stationer and printseller. The Company is a logistics and support specialist with two operating divisions, Menzies Aviation, the parent company of which is Menzies Aviation plc, and Menzies Distribution, the parent company of which is Menzies Distribution Limited, operating in distinct but related B2B sectors where success depends on providing an efficient, high quality, time-critical service to customers and partners.

The Company was admitted to the London Stock Exchange in 1962 and at that time consisted of retail and logistics businesses. The main retail activities were divested during the 1990s and the first steps into the aviation services market were also taken at this time. In 2000, the Group acquired Ogden Ground Services, an international aviation services business which transformed Menzies Aviation from a UK-focused cargo handler to a comprehensive-service, international aviation services business. Since then a drive to expand the Menzies Aviation services business has continued and subsequent growth has come through further acquisitions and organic growth.

For the financial year ended 31 December 2015, Menzies Aviation accounted for 37.6 per cent. of the Group's revenue adjusted to include the share of turnover from joint ventures; and 47.9 per cent. of the Group's underlying profit before central corporate costs.

For the six month period ended 30 June 2016, Menzies Aviation accounted for 39.6 per cent. of the Group's revenue adjusted to include the share of turnover from joint ventures; and 46.4 per cent. of the Group's underlying profit before central corporate costs.

### 2. GROUP OVERVIEW

#### 2.1 Menzies Aviation

Menzies Aviation is a leading global provider of passenger, ramp and cargo services, operating from 149 airports in 32 countries and is supported by a team of approximately 23,000 people. Menzies Aviation serves over 500 customers and handled approximately 1.2 million flights and 1.7 million tonnes of cargo in 2015. Key customers include easyJet, Cathay Pacific, IAG, Alaska Airlines, Qantas Group, Delta Air Lines, United Airlines, Etihad and Singapore Airlines. It also owns AMI, the world's only trade-only global airfreight and express wholesaler.

#### Ground Handling

Operating at 149 airports, Menzies Aviation is a comprehensive service provider within the ground handling market. Services include check-in, ticketing, baggage handling, aircraft despatch, aircraft loading and unloading, aircraft servicing including pushback, de-icing and cleaning. Turnover for the financial year ended 31 December 2015 was £490.0 million, up £19.4 million on the previous year, and underlying operating profit before corporate costs was £4.1 million following a £6.0 million adverse impact predominantly as a result of operational and contractual issues in the UK and in particular at London Gatwick, which have now been fully resolved. Performance throughout the rest of the world was strong, underpinned with new airline hub wins in Scandinavia and North America.

Menzies Aviation handled approximately 1.2 million flights in the financial year ended 31 December 2015, up 5.0 per cent. on a like-for-like basis compared to the financial year ended 31 December 2014. Over 500,000 turnarounds were in the Americas where the year-on-year increase of 20.0 per cent. reflected new hub contracts won late in the 2014 financial year as well as continued organic expansion. The Group's relationship with United Airlines was expanded in the financial year ended 31 December 2015 with the award of new base operations in Lubbock, Cincinnati, Tucson and Wichita. These wins followed on from the success of the airline's United Express hub operation in Denver. In the six months ended 30 June 2016, Menzies Aviation signed a memorandum of understanding with Oman Air to form a joint venture to handle the airline's ground handling services at Muscat International Airport, Salalah International Airport and various other airports in Oman, including their hub operation in Muscat. Since then, Menzies Aviation has won a contract to provide approximately 22,000 annual turnarounds for Frontier Airlines at their key hub in Denver.

## **Cargo Handling**

Menzies Aviation operates cargo handling facilities at 33 stations around the world. Often these operations work in conjunction with ground handling operations to provide a “one stop shop” for airlines’ ground handling and cargo requirements. The business works to move clients’ cargo, including perishable and high-value goods on and off aircraft in a timely fashion. The business offers import/export documentation services, build and breakdown of cargo together with warehousing and trucking products.

In the financial year ended 31 December 2015, turnover for the cargo handling segment of Menzies Aviation amounted to £146.8 million, a slight decrease on the previous year reflecting the closure of some facilities during the 2014 financial year. The Group’s recent focus on delivering services in markets where sensible returns can be generated continues. Whilst the portfolio is performing well, the Board continues to review the Group’s operations at certain locations where the market dynamics are less favourable.

Overall, Menzies Aviation handled 1.7 million tonnes of cargo, an increase of approximately 3.0 per cent. on the previous year.

Within the air cargo handling market, the Board is seeing a move by international carriers to develop more global relationships. Menzies Aviation’s position as a global player that consistently drives innovation in systems and safety ensures it is well-placed to prosper from such initiatives. So far in 2016, Menzies Aviation has secured preferred handler status with Etihad Cargo after an extensive certification process and has also signed a global incentive agreement with Cathay Pacific Cargo, underpinning the future development of Menzies Aviation and Cathay Pacific’s global strategic relationship.

## **Cargo Forwarding**

AMI is the Group’s global cargo consolidation and forwarding company. During the 2015 financial year, the cargo forwarding segment continued to perform well with turnover of £112.5 million and operating profit of £4.3 million broadly in line with the 2014 financial year. The business has a strong presence in the UK, U.S., Australian, New Zealand and South African markets and is actively developing its footprint elsewhere, most notably in Continental Europe and India. The rise of e-commerce trade lanes is an area where AMI is concentrating commercial effort with quite some success.

## **Menzies Distribution**

Menzies Distribution is a leading provider of added value distribution and marketing services to the newspaper and magazine supply chain in the UK (with approximately 45.0 per cent. of the newspaper and magazine wholesale distribution market in the UK by volume). The division employs approximately 3,500 people at 43 sites throughout the UK and handles approximately 4.3 million newspapers and 1.4 million magazines (covering some 3,000 magazine titles) each day, with deliveries to around 25,000 customers.

Whilst Menzies Distribution’s traditional customers originate in the print media supply chain and remain core to the business, the Group has diversified its operations in recent years to serve the fast growing e-commerce fulfilment sector, acting as a neutral consolidator for the UK’s major parcel networks and a collection service for e-retail exporters. These evolving portfolios and capabilities place it in a strong position to benefit from the growth in the e-commerce market.

During the 2015 financial year, Menzies Distribution performed well with underlying operating profit before corporate costs increasing to £25.1 million on turnover of £1,244.0 million. The trading performance benefitted from a continued focus on cost savings, which helped mitigate the continuing decline in print media revenue.

### **3. MARKETS**

#### **3.1 Menzies Aviation – Ground Handling**

Service providers range from in-house organisations operated by airlines or airport authorities to outsourced providers such as Menzies Aviation. Ground handlers undertake the essential processes required to ‘turn’ aircraft, an industry term that covers conveying passengers from planes after arrival; offloading luggage and cargo; performing supporting tasks such as cleaning or servicing water and lavatory tanks; reloading new baggage, cargo and checking in passengers;

as well as towing or pushing the planes into a position from which they can taxi out the runway for their next flight to begin. These fundamental activities must be carried out against tight deadlines and to exacting safety standards. Critical support services, such as the operation of check-in desks, ticket and transfer desks, as well as manning of gates and passenger lounges, are also provided by ground handling businesses, including Menzies Aviation.

The market continues to grow and develop, driven by the increasing numbers of aircraft entering service to satisfy growing passenger demand. According to Boeing's Current Market Outlook 2016 – 2035, the global airplane fleet will more than double from 22,510 airplanes to 45,240 airplanes by 2035 (57.0 per cent. of which will be new, not replacement, airplanes) and 71.0 per cent. of this increase will be in single aisle aircrafts in line with air passenger demands. In 2015, approximately 33.0 million turns were carried out globally, of which an estimated 7.1 million were outsourced by the airlines. By 2020, there are expected to be approximately 46.0 million aircraft turns. Independent ground handlers' position in the market is strengthening as many airlines choose to outsource their ground operations, following the initial opening up of this market to independent handlers by airport deregulation. A combination of general growth in the air passenger market, expected to be 4.8 per cent. per annum according to Boeing's Current Market Outlook 2016-2035; particular growth amongst low-cost carriers, for whom outsourced ground handling is central to their business model; and a general trend towards increased outsourcing amongst full-service airlines is likely to continue over the medium to long term.

This rise in aircraft numbers and aircraft movements will have a positive effect on ground handling and fuelling markets. The Directors believe that Menzies Aviation is well placed to benefit from these market dynamics as it is already a market leading handler for low cost carriers with success in handling large volume hubs and bases for narrow body aircraft, such as easyJet at Gatwick and WestJet Airlines in Toronto. In addition, by outsourcing their ground handling, independent operators can often deliver a significant cost decrease to their airline customers. Independent handlers, such as Menzies Aviation, can focus more on workforce cost effectiveness, have some cost advantages over the incumbent airline operators, and are able to streamline their services by making their operations less critical and less complex. Whilst airlines were historically reluctant to outsource large hub operations due to the perceived risk to the health and safety, efficiency and quality profile of their flagship airports, they have in recent times re-focussed on their core business as complexity at airports has increased and outsourcing is on the rise.

Operating in an airport environment brings with it related security and control issues, including certification, training and security vetting. These issues, combined with substantial insurance cover levels and ISAGO (International Air Transport Association ("IATA") Safety Audit programme for Ground Operations) standards and reputation, can be a barrier for potential new entrants into the industry. Menzies Aviation is the holder of the ISAGO certification on a corporate basis and specifically at 20 airports across the world with more to be added where it's appropriate to the local market

Providing outstanding customer service is paramount to the success of the ground handling business, in addition to a relentless focus on achieving best in class safety and security.

### **3.2 Menzies Aviation – Cargo Handling**

The air cargo market is driven by demand to deliver high value, time sensitive cargo across the globe. Companies choose to fly high value items where delivery within a tight time frame is worth the additional cost of air transportation over land or sea transportation. Less than 1.0 per cent. of international trade by volume, but 35.0 per cent. by value, travels by air. Approximately 51.3 million metric tonnes of cargo are transported annually by air around the world. There is significant market concentration around the world's emerging markets, with nearly 50.0 per cent. of the cargo tonnes passing through the Middle East and South East Asia.

According to Boeing's Current Market Outlook 2016-2035, air cargo traffic is forecast to grow 4.2 per cent. annually over the next two decades. Cargo handling requires significant investment in infrastructure and equipment which, when coupled with the necessity of approval by the appropriate regional regulator, creates a substantial barrier to entry. In the case of a business such as Menzies Aviation, which has a widespread, existing station network in place to support ground handling activity, offering a cargo handling service from those stations is an attractive way of maximising return on existing investment and growing an additional revenue stream.

### 3.3 **Menzies Distribution – Print Media**

The UK print media supply chain is structured around the production of newspapers and consumer magazines by publishers who then deliver the products to wholesalers, such as Menzies Distribution, for consolidation and distribution to retail outlets. This process is highly time-sensitive given the short shelf-life of news products. Wholesalers operate long-term contracts with both the publishers of newspapers and consumer magazines and each individual retailer who sells the final printed copy. This specialist intermediary role places significant demands on the news and magazine wholesalers which, along with significant investment in network coverage, vehicle fleet, automation and IT are significant barriers to entry in the specialist market.

The print media sector is estimated to be worth approximately £2.6 billion per annum, split roughly between two-thirds news products and one-third magazines, and it has been in structural decline for decades as consumers have increasingly switched to other forms of media. Consequently, the market has consolidated over recent years to the position where today there are only two main distribution providers covering the UK market. Menzies Distribution's investment in technology and the scale of its transportation network is designed to ensure it can provide the time-critical service which the industry requires.

Reduction of the wholesalers' fixed and variable cost bases is constant within the industry. By concentrating on quality of service, process efficiency and economies of scale, wholesalers can maximise profitability in the face of declining sales. Consolidation of existing networks and maximisation of assets such as automated packing lines are crucial to protecting earnings. Both the high levels of investment required (in an appropriate depot network and transport fleet) and the exclusivity of publisher distribution contracts (which are negotiated in a five year cycle) present high barriers to entry for potential competitors.

### 3.4 **Menzies Distribution – UK Parcel Market**

The UK parcel delivery market has undergone significant change in the last decade, moving from a behind the scenes industry to a consumer-led business where the major carriers are household brands. This change can largely be attributed to the growth of internet shopping, particularly on mobile devices. Relentless demand for improved and faster service at reduced costs, backed by rapid volume growth, has challenged the traditional parcel carrier market. Parcel carriers have responded with impressive investment in infrastructure, innovation in the delivery offer and focus on consumer engagement.

The key parcel carriers have now realised that working with partner businesses in their most challenging areas will help them perform more robustly and maintain their competitiveness. Neutral consolidation services, such as those provided by Menzies Distribution's parcel offering in the North and West of Scotland, provide an opportunity to solve the carriers' collective challenges in servicing hard to reach and high cost to serve areas. Through its integrated logistics network, Menzies Distribution is able to offer customers a complete end-to-end solution from storage of their products to delivery thereof to the end customer. Using its already existing network of depots, which are becoming less utilised due to the decline in newspaper and magazines, and its existing distribution network, the Directors believe that Menzies Distribution is able to accommodate the expected growth in the parcel and e-commerce fulfilment markets, thereby mitigating the decline in volumes of newspapers and magazines. The Menzies offering has been well received because it meets certain key criteria, such as: (i) it is supported by an established, cost-effective network; (ii) it has the required specialty in time-critical delivery; and (iii) it is perceived as neutral, rather than competing or affiliated with any of the major carriers. The challenge of replicating these conditions acts as a barrier to entry for other consolidators. The parcel market in the UK is worth approximately £9.2 billion per year (according to IBISWorld UK) and is growing at over 5.0 per cent. per year.

## 4. **GROUP STRATEGY**

### 4.1 **Menzies' Strategy**

In 2015, the Group launched its strategy to optimise returns on existing investments whilst opening pathways to new growth. Both Menzies Aviation and Menzies Distribution are well-placed to take advantage of market opportunities.

The Board, led by the Chairman, intends to review the structure of the Group with a view to maximising shareholder value. This will include looking at whether the Group's two operating

businesses are best placed to prosper while they are part of one Group. The situation is complex, particularly with regard to the Group's pension schemes. The Board has already engaged with specialist advisers and the pension trustees and work is underway to structure the pension scheme in such a way as to give the Board the maximum amount of flexibility in the future. The Board expects this work to take up to twelve months and it will update shareholders when appropriate.

The key elements of the Group's overall strategy comprise:

- I. **Customer Ethos** - the Board believes that by dedicating the Group to the ideal of partnership with its customers, building ever deeper and better informed relationships, it contributes to the most productive service experience for the customers and the greatest chance of long-term prosperity for its divisions.
- II. **Emerging Opportunities** – understanding the shape of the future is a vital quality in delivering long-term earnings for the Group. By keeping a close watch on the market sectors and geographies with greatest potential for development, the Group expects to maximise the change of participating in the growth areas of the future.
- III. **Optimised Investment** - the Board strives to invest as wisely as possible across the full suite of the Group's operations, ensuring that resources are directed to areas that yield the greatest return, allowing the Group to extract the greatest possible value from each investment.
- IV. **Diversified Offer** – recognise the inherent strength of a diversified offering, which opens the door both to generating more revenues from the Group's existing customers and the acquisition of entirely new customer groups.
- V. **Growth Agenda** – The Group is well positioned in two growth markets and ensuring that it is able to take advantage of the opportunities which these markets present is a central priority for the Board. The Group aims to generate a strong cash flow which materially enhances its ability to invest in the future of its businesses.

#### 4.2 Menzies Aviation's Strategy

Menzies Aviation is a key international player with a strong reputation in both services and safety. The Group intends to take advantage of and promote these credentials to win contracts at existing and new airports and to strengthen existing customer relationships. Menzies Aviation concentrates on airlines and airports where location and product line density can be achieved to ensure it delivers sustainable margins to Shareholders.

The Board will also seek to expand the Group acquisitively, where the market dynamics are strong and acquisitions are earnings-enhancing. The Board is currently considering a pipeline of minor acquisitions that present further growth investment opportunities. The strategic priorities for Menzies Aviation are as follows:

- I. **Focus on Key Customers (Customer Ethos)** – Menzies Aviation focusses on key customers in order to nurture and deepen the relationships, while understanding their needs and outlook in as much detail as possible. This focus allows Menzies Aviation to design and deliver services tailored to deliver value to its customers. By consistently and innovatively supporting customers' success, Menzies Aviation will enhance the value and lifespan of these partnerships.
- II. **Expand Emerging Markets (Emerging Opportunities)** – Menzies Aviation invests both time and expertise in those regions which promise to yield rapid air traffic expansion over the coming decades, such as Africa, the Middle East and Asia, so that it is best placed to benefit from this positive expansion trend.
- III. **Re-focus Geographical Investment (Optimised Investment)** - The Board takes a disciplined approach to assessing the impacts of the Group's spending, prioritising those markets with the highest growth potential and drawing its resources away from areas which do not perform strongly.
- IV. **Accelerate Complementary Services (Diversified Offer)** - The Group has dedicated resources within Menzies Aviation used to develop new ancillary service offerings and their roll-out at key locations across its global network. It is through this programme by which the Board aims to deepen customer relationships and improve overall margins at that location.



- V. **Pursue Hubs and Bases (Growth Agenda)** – The Board believes that the outsourcing of ground handling duties at dense, strategically important locations by major airlines presents one of the biggest opportunities to grow Menzies Aviation’s earnings and to channel its investments appropriately.

The Proposed Acquisition is aligned to the strategy for Menzies Aviation, meeting four of the five strategic priorities discussed above. The overall Group strategy, as set out above and as adapted to Menzies Aviation, is not expected to change following Completion and is therefore intended to apply to the Enlarged Group.

#### 4.3 Menzies Distribution Strategy

In the context of the new overall strategy for the Group, Menzies Distribution also implemented a new strategy during the 2015 financial year to ensure that the gradual declines within the print media sector are offset by new business streams and, in particular, as part of the growing e-commerce fulfilment market.

Like Menzies Aviation, the Group’s overall strategy has been translated into five key elements for Menzies Distribution:

- I. **Grow Business to Customer (“B2C”) business through neutral consolidation (Emerging opportunities)** – The acquisition of AJG Parcels Limited in 2015 was Menzies’ first move into the fast-growing, UK parcel market. Growth dynamics are strong and the Board believes that there are real opportunities to utilise the Group’s existing property and vehicle asset base to play a collaborative role, working with national carriers as a neutral consolidator and delivering final-mile services in rural and difficult to reach markets. The Board has analysed the marketplace and identified the addressable market for this aspect of Menzies Distribution, which Beveridge Associates Limited estimates to be worth approximately 700.0 million parcels per annum with a compound annual base growth rate of 8.2 per cent. over the years 2014 to 2020.
- II. **Expand Menzies Response** – Menzies Response was created out of the Orbital Marketing Services Group Limited, which was acquired in late 2012. The Response segment operates effectively in the strongly growing e-commerce fulfilment market. The existing facility in Rushden is at 90.0 per cent. capacity and the Board intends to utilise other existing property assets as this business is developed primarily through organic growth by adding new retail customers. Almost half of the current customers are from the charity, health & beauty and travel sectors and significant opportunities exist as the fulfilment market grows.
- III. **Focus on key customers (Customer ethos)** – Traditionally, Menzies Distribution has concentrated on key relationships with publishers and retailers and it will continue to do so within its print media businesses. With the Group’s new strategic direction, however, Menzies Distribution will also focus on a new and more varied customer base, which will include retailers to whom it can provide product fulfilment services and national parcel carriers with whom it will seek to collaborate. In this regard, Menzies Distribution has been growing its business development resources and will look to deepen partnerships across its entire customer base.
- IV. **Continued focus on cost and network optimisation (Optimised investment)** – The Group’s rationalisation programmes have been successful in recent years. The recent opening in Wakefield of Menzies Distribution’s second super hub facility, following Maidstone, enabled the Group to downsize its facilities in Preston, Chester, Sheffield and York to spoke branches and close its Leeds branch. The Newbridge facility was also downsized to a spoke following the transfer of magazine packing operations to Linwood. Menzies Distribution intends to utilise its property and vehicle asset base to sustain growth from the parcel and fulfilment markets, while simultaneously optimising its super hubs to serve the print media market.

- V. **Sustain cash generation (Growth agenda)** – Menzies Distribution is a strong generator of cash for the Group and the Board anticipates that this will continue to be the case. The Board intends to replace falling print media volume with new volume from the UK parcel and e-commerce fulfilment markets. Menzies Distribution's future success depends on expanding into new markets to mitigate print media declines and the Board is confident that this new strategic direction can drive sustainable growth in the future.

## 5. GROUP STRENGTHS

As a business with a clear strategy and a focus on its goals, the Group is well-placed to exploit opportunities in the markets in which it operates. The Board believes that by continuing to focus on customer service, process innovation and investment in growth, and with the right products in sustainable markets, the Group is well-placed to prosper. These factors will be applied to the enlarged Menzies Aviation services business following Completion.

### 5.1 Significant structural growth opportunity for Menzies Aviation

Menzies Aviation, and in particular ground handling (65.4 per cent. of Menzies Aviation revenue in the financial year ending 31 December 2015), is benefitting from significant increases in airline capacity driving long-term industry growth. Over the next 20 years, passenger traffic is forecast to grow by 4.8 per cent. per annum and air cargo traffic by 4.2 per cent. per annum (Boeing Current Market Outlook 2016-2035). Furthermore, the ground handling industry remains highly fragmented as evidenced by the fact that Menzies is one of the largest ground handlers globally, yet it has only approximately 3.0 per cent. market share, and is therefore well placed to take market share as the industry matures, both organically and through selective acquisitions. Both of these factors are driving structural industry growth, as airlines outsource to ground handlers such as Menzies to reduce costs and increase reliability and flexibility.

### 5.2 Diversification opportunity for Menzies Distribution

Whilst the landscape of the print media and UK parcel market has altered in recent years, Menzies Distribution is well-placed to take advantage of the opportunities afforded by working in both sectors. Its current operational and information technology network, alongside a strong property and vehicle asset base, gives the business substantial presence and capacity to grow in daylight hours. By offering neutral consolidation solutions in existing territories, the business can increase asset utilisation and provide a compelling proposition to parcel carrier networks. Menzies Distribution also intends to use this neutral consolidation offering to build customer relationships in new territories.

### 5.3 Robust cash generation

The Group's businesses have a service focus and operate with a naturally flexible cost base, making the businesses highly cash generative and therefore inherently well suited to deal with market cyclicality. Menzies Distribution generates significant free cash flow, with capital expenditure below depreciation – given long term revenue trends in the print media supply chain, a reduction of the wholesalers' fixed and variable cost bases is constant within the industry. Furthermore, Menzies Aviation typically leases (rather than owns) equipment, which supports the self-funded and scalable nature of the business model, allowing for substantial cash generation as the business grows.

### 5.4 Common focus

The business is actively managed by a deeply operationally experienced and motivated management team with a defined group-wide focus, as demonstrated by the Group's philosophy of delivering a tailored service to meet customers' every need.

## 6. EMPLOYEES

	Six months ended	Financial year ended 31 December		
	30 June 2016	2015	2014	2013
<b>By geographical location</b>				
<i>UK</i> .....	8,401	8,262	8,682	9,208
<i>Other</i> .....	18,143	16,893	15,761	13,862
<b>By division</b>				
<i>Aviation</i> .....	23,010	21,737	20,916	18,966
<i>Distribution</i> .....	3,493	3,387	3,500	4,081
<i>Corporate</i> .....	41	31	27	23
<b>Total</b> .....	<b>26,544</b>	<b>25,155</b>	<b>24,443</b>	<b>23,070</b>

## 7. CURRENT TRENDS AND PROSPECTS

The Board continues to be confident in the outlook for the Group for the 2016 financial year. Ground handling across the network is doing well, new contracts and ventures are being secured and the Group is benefitting from foreign exchange tailwinds. The pipeline of opportunities is strong.

Group turnover for the six months ended 30 June 2016 was £1,002.2 million (six months ended 30 June 2015: £1,001.4 million). Underlying profit before tax rose to £18.1 million (six months ended 30 June 2015: £17.0 million) as a result of the favourable foreign exchange rates and an improvement in profitability in the Aviation division. The increase in underlying profit before tax had a consequential impact on underlying earnings per share which rose 8.5 per cent. to 20.4 pence (six months ended 30 June 2015: 18.8 pence). Profit before tax was £3.0 million (six months ended 30 June 2015: £5.8 million), with the reduction reflecting the impact of £10.0 million of exceptional costs (six months ended 30 June 2015: £6.2 million).

On a constant currency basis, Group turnover was down 0.6 per cent. to £995.3 million (six months ended 30 June 2015: £1,001.4 million) with underlying operating profit £0.2 million higher at £20.4 million (six months ended 30 June 2015: £20.2 million).

Menzies Aviation is performing well and continues to make progress in the formation of a joint venture in Oman with operations aimed to start later in 2016.

Menzies Distribution has benefitted from an increased volume of football related sticker sales but continues to work to mitigate volume declines and increased costs relating to the new UK national living wage legislation. Parcels and trucking operations are gaining traction with opportunities to further utilise vehicle and property assets during daylight hours.

Martinair, a subsidiary of KLM/Air France, continues to reduce its freighter volumes that pass through the Amsterdam airport where it is a key customer to Menzies Aviation. This resulted in a non-cash cost of £7.2 million relating to the impairment of assets in the six months ended 30 June 2016. The Board expects that the reductions in freighter volumes will increase further in 2017 and this will therefore continue to impact the returns of Menzies Aviation at Amsterdam Airport. The Board is considering its options on mitigating this loss of earnings.

## PART V – BUSINESS OVERVIEW OF ASIG

### 1. INTRODUCTION AND HISTORY

ASIG is an aviation services provider and a leading independent fuelling services provider, providing ground, fuel and airport facility services to airlines, airports, oil companies and industry partners in the commercial aviation sector. It delivers comprehensive service solutions including ITP fuelling, FFM, ground handling, aircraft technical support services, facilities equipment maintenance and de-icing at 88 airports across seven countries in North America, Central America, Europe and Asia (with a presence in seven of the top ten global airports by 2014 flight activity). ASIG is currently ultimately owned by BBA, and is run as a standalone division with its president reporting to the ASIG president of Flight Support and being part of the ASIG Flight Support management team reporting directly to the BBA board.

ASIG was established in 1947 and is headquartered in Orlando, Florida with an experienced management team and in depth expertise across many disciplines. The business directly employs over 8,000 people globally, servicing over 600 customers (with longstanding relationships with the largest of those), including American Airlines, IAG, Delta Air Lines, Shell and United Airlines. In 2015, ASIG fuelled over 4.0 million flights, transporting and pumping more than 10.0 billion gallons of fuel whilst its ground handling operations serviced over 100,000 flights and events (including cleaning events).

ASIG provides commercial aviation fuel and ground handling services primarily in the United States, the UK and Canada. In 2015, the United States accounted for 64.0 per cent. of ASIG's total revenue. In 2015, the UK accounted for 26.9 per cent. of ASIG's total revenue.

ASIG has grown organically and by acquisition through focusing on key new and existing high-traffic airports. Recent acquisitions include:

- In 2014, ASIG acquired Skytanking USA, Inc., thereby consolidating its position as one of the largest independent ITP fuelling services providers and one of the largest independent fuel farm managers in North America. This transaction added six locations, with presence strengthened in eight other locations, more than 800 pieces of fuelling related assets and a new customer, the U.S. military, for which it conducts fuel farm maintenance at 58 installations. ASIG's market share increased at certain key high-traffic locations. Under the terms of a parallel agreement, ASIG divested four of its airport fuel operations in Europe to Skytanking Holding GmbH.
- In 2012, ASIG purchased the assets of PLH and Dryden, thereby establishing ASIG as a player with scale in Canada. With this acquisition, ASIG expanded into fuel (ITP fuelling and FFM) and ground handling services at 16 new Canadian airports, including Vancouver, Calgary and Edmonton (three of the five busiest airports in Canada by 2014 flight activity). The acquisition afforded ASIG the opportunity to leverage its position and win substantial new business at Toronto's Pearson International Airport.

### 2. THE BUSINESS

ASIG provides a diverse range of commercial aviation services including: (i) fuel services (ITP fuelling, FFM and other operations); and (ii) ground handling services (above-wing and below-wing), as set out in more detail below.

#### 2.1 Fuel services

ASIG's commercial aviation fuel services are characterised by the storage of fuel in tanks at an airport fuel farm, which is subsequently transported and pumped into the aircraft (ITP fuelling) by ASIG. ASIG provides management and operation services ("**M&O Services**") at 54 locations across North America, Panama and the UK, and owns and manages a further five fuel farms. ASIG also has other relatively minor operations in retail fuel, logistics and ground service equipment ("**GSE**") fuelling and maintenance.

ASIG has a suite of commercial aviation fuel services infrastructure (consisting of over 10,000 pieces of equipment), including systems to help manage and support the fuel receipt and storage at fuel farms and ITP fuelling into aircrafts. This includes a large fleet of hydrant carts/trucks, fuel storage tanks and trucks, filtration, pumps and fuel dispensing equipment.

ASIG US's fuel services are offered to customers at 67 airport locations with more than a third located in central hubs, which see significant flight and passenger traffic. ASIG US is one of the largest independent ITP fuelling services provider in North America, operating at 57 airports, fuelling more than 3.5 million flights and handling over 9.0 billion gallons of fuel in 2015. The Directors believe that it is also the sole source provider of ITP fuelling services at more than a quarter of its locations, including three of the ten busiest airports in North America (by flight activity), providing scale, stable operations and increased financial visibility. In addition, ASIG US is one of the largest independent fuel farm operators in North America, operating 52 fuel farms at 51 locations in North America. It owns fuel farm infrastructure at five locations in the United States, with the remainder being managed by ASIG US and owned by airports or airline consortia where ASIG's revenue is typically derived from a management fee. The Directors believe that it is the sole fuel farm manager in many of the airports in which it operates. In addition, ASIG US performs fuel facility maintenance for the U.S. military across 58 installations. It also has other fuel operations (such as retail fuel, logistics and GSE fuelling and maintenance) at 50 locations.

ASIG UK's fuel services are offered to customers at eleven locations in the UK, with almost half of these located in central hubs, which see significant flight activity and passenger traffic. ASIG UK is one of the largest independent providers of fuel services in the UK, providing ITP fuelling at eleven locations and management services at eight locations. Despite the increasing fuel efficiency of airplanes, the ITP fuelling market is expected to grow due to the increase in numbers of airplanes and the retrenching outside of the US of oil companies to refineries. In 2015, its ITP fuelling services business fuelled approximately half a million flights, transporting and pumping more than 1.5 billion gallons of fuel. The Directors believe that it is the sole provider of these services at more than a quarter of its locations, providing scale, stable operations and increased financial visibility. ASIG UK also manages hydrant operations at London's Gatwick airport. ASIG UK also offers ITP fuelling services at Bangkok's Suvarnabhumi Airport, one of the busiest airports in the world.

Oil companies outside of the United States have recently retrenched to refineries in order to concentrate better on their core operations and assets which opened up the industry for airline services companies to enter the ITP and FFM markets. The provision of fuelling services generally result in higher margins than the more traditional ground handling services. The barriers to entry into both ITP and FFM markets are understood by management to be high due to the specialised nature of these services, the high insurance premiums payable on the required environmental insurances and the difficulty in obtaining the necessary airport and environmental licences and permits.

ASIG does not own fuel inventory at any time as part of its ITP and FFM operations, as the fuel inventory is generally owned by oil companies or ASIG's airline customers. As a result, except for its own fuel consumption overhead cost, oil price fluctuations have no direct impact on ASIG's revenue, profit or working capital and its fuel retail business (which is not a major part of its business).

## 2.2 **Ground handling services**

ASIG's commercial aviation ground handling operations are categorised as "*above-wing*" or "*below-wing*" services. Above-wing services are geared towards passenger services (check-in, lounge and lavatory/janitorial services). Below-wing services include services such as cargo and baggage handling, ramp handling, aircraft de-icing, cargo services and tower co-ordination.

ASIG has a well-developed ground handling platform to help deliver an efficient, quality service to customers. At each airport location, ASIG has a dedicated team who use a wide variety of equipment including baggage tugs and carts, wide-body cargo loaders, belt-loaders and pushback tractors. For cabin cleaning services it utilises various cleaning agents including disinfectants, grease cleaners, carpet cleaners and vinyl/glass cleaning solutions. Hi-lift trucks are utilised to transport these supplies used for aircraft cleaning. For its de-icing services, ASIG utilises vehicle-mounted glycol pumps/heaters which spray glycol fluid over the aircraft.

ASIG US is an independent provider of ground handling services across 37 strategic locations. The business generally serves major international carriers such as Lufthansa and Air Canada.

ASIG UK provides ground handling services across three locations in the UK, servicing more than 50,000 flights and events in 2015 (including cleaning events). ASIG UK's primary ground handling operations are based in London Heathrow, where it also operates the world's first multi-airline check in for Star Alliance, and it generates revenues from long standing customers such as Emirates and SAS.

### **3. KEY STRENGTHS**

#### **3.1 A market leading commercial aviation services provider**

ASIG is a leading independent commercial aviation services provider, with significant presence in North America and the UK. ASIG has significant scale and enjoys strong positions at its respective operations. It is a leading independent commercial aviation fuel services provider both in North America and the UK.

#### **3.2 One of the largest independent ITP fuelling and FFM providers in North America and the UK**

ASIG manages a network of ITP fuelling and fuel farm operations predominantly in North America and the UK. In 2015, ASIG's fuel operations fuelled over 4.0 million commercial flights, transporting and pumping more than 10.0 billion gallons of fuel.

ASIG provides ITP fuelling services at 73 airports. The Directors believe that it is the sole provider of these services at a quarter of its locations providing scale, stable operations and increased financial visibility. ASIG has a large footprint of total ITP fuelling services in the United States.

ASIG operates 60 fuel farms at 59 airports. The Directors believe that it is the sole fuel farm manager in many of these locations and generates stable revenues.

The Board believes that ASIG's market leadership, technical expertise, safety and performance track record, coupled with its historical investment, is a significant attraction for its customers.

#### **3.3 Strategically located in key high-traffic airports**

ASIG provides its services at 88 locations, predominantly in North America and the UK, and has significant exposure in key high-traffic airports with substantial passenger volumes and a high concentration of airlines. Almost half of all locations in which ASIG operates are key hub airports. By flight activity, ASIG has operations at eight of the ten busiest airports in the U.S. and the UK and four of the five busiest airports in Canada.

#### **3.4 Diversified mix of activities**

ASIG offers a suite of services to commercial airlines, airports, military, industry partners and fuel companies ranging from ITP fuelling, FFM and maintenance, retail fuel, logistics, GSE fuelling and maintenance, ramp and baggage handling, passenger services, operations, cabin cleaning, aircraft de-icing and cargo services. There are few competitors providing a similar spectrum of commercial aviation services to their customers.

#### **3.5 Strong and loyal customer base with longstanding relationships**

ASIG has longstanding relationships with its largest customers, including American Airlines, IAG, Delta Air Lines, ExxonMobil, Shell, Southwest Airlines and United Airlines. Other than the loss of two significant customer contracts over the last two years due to pricing not meeting ASIG's profitability models or due to being for services outside of its core service offering, ASIG has generally been able to retain and grow its business with its long term customers as a result of the high quality of its services, its technical ability and its scale.

In the United States, ASIG has increased the number of U.S. ITP fuelling contracts it serves for American Air Lines, Delta Air Lines, Southwest and United Airlines significantly since 2012.

In the UK, IAG, ExxonMobil and Shell are ASIG UK's largest fuel customers and have been in business with ASIG for more than ten years. These customers have gradually turned to ASIG to take over fuel services as new opportunities have arisen. More than 95.0 per cent. of ASIG's fuel revenues are on evergreen or long-term contracts, most of which have been recently renewed and run until at least 2020.

ASIG's relationship with Air Canada, which initially began in the United States, has expanded over the years into a global relationship across multiple regions (United States, Canada and EMEA). Today, Air Canada is one of ASIG's largest ground handling customers in the UK and ASIG was recently awarded Air Canada's ITP fuelling contract at Toronto's Pearson International Airport.

ASIG's focus on maintaining and growing ongoing relationships with existing and new customers is core to its strategy and business practice.

### 3.6 Fuel services and ground handling exhibit lower cyclicality

ASIG's activities are generally less cyclical than the airline industry due to the following factors:

- ASIG's services, while perceived as non-core by its customers, are in fact critical and non-discretionary to airline operations. These activities are less cyclical than changes in passenger volumes as ASIG's revenues are more correlated to airline flight activity, which is less volatile than passenger volumes. Airlines are also running at higher capacity (load factors) today with limited scope to further increase, so that any increase in passenger numbers is expected to be met with an increased number of airplanes.
- As the majority of ASIG's cost base are payroll expenses or variable costs, it has the operational flexibility to scale up or down as necessary depending on market demand. Furthermore, as there is generally a lag between declines in passenger volume and route closures, ASIG generally has more time to react in the likelihood of airlines closing routes.
- Oil prices have no direct impact on ASIG ITP fuelling and FFM revenues as ASIG does not own any fuel inventories within the fuel farms.
- At key airports like London Heathrow, which already operates at full capacity, the flight activity is effectively level-loaded throughout any given year.

### 3.7 Focused strategy with scope for attractive growth opportunities and significant synergies realisation

ASIG's growth in key high traffic airports has been through both new business wins and strategic mergers and acquisitions.

ASIG also looks to improve profitability of existing operations through a disciplined, constant review of its portfolio and the implementation of cost improvement initiatives.

The Directors believe that the ASIG management has been successful in growing the scale and profitability of the business through these initiatives and continues to be focused on maintaining and growing its market leadership.

The Directors believe that ASIG is well-positioned to benefit from attractive growth opportunities through this approach and continued focus on having a large presence in key locations. The Directors believe that ASIG's strategic locations and scale of operations when combined with Menzies Aviation will result in substantial synergies through the combination and consolidation of networks. Additionally, there is an attractive opportunity for the Enlarged Group to expand its ITP fuelling offering. The expectation is that this should drive long-term profit growth in the future.

## 4. EMPLOYEES

	Six months	Financial year ended 31 December		
	ended 30 June 2016	2015	2014	2013
<b>By geographical location</b>				
<i>US</i>	5,235	5,477	6,330	6,283
<i>EMEA</i>	1,922	1,924	2,266	1,567
<i>Canada</i>	968	914	742	784
<b>Total</b>	<b>8,125</b>	<b>8,315</b>	<b>9,338</b>	<b>8,634</b>

## 5. CURRENT TRENDS AND PROSPECTS

On an underlying basis, ASIG continued to deliver good operational improvement in the six months ended 30 June 2016, with profit increasing as a result of the continuing operational improvements – new business wins, successful new contract and new location start-ups, cost savings and the benefit of the Panama acquisition – offset by adverse de-icing activity in an unusually warm first quarter in North America. The profit improvement also benefitted from a suspension of depreciation during quarter two, the required accounting treatment whilst the asset is held for sale.

## PART VI – OPERATING AND FINANCIAL REVIEW OF MENZIES

*Investors should read the discussion below in conjunction with the Group's unaudited consolidated interim financial statements for the six months ended 30 June 2016 and for the audited consolidated financial statements for the financial years ended 31 December 2015, 2014 and 2013, the auditor's reports contained in the Annual Report 2015, Annual Report 2014 and Annual Report 2013 and the other information incorporated by reference into this document and should not rely solely on key and summarised information. Ernst & Young LLP has issued unqualified audit opinions in respect of the financial statements for the Company for each of the financial years 31 December 2015, 2014 and 2013.*

*Some of the information in the review set forth before and elsewhere in this document and in the information incorporated by reference into this document includes forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document including under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements".*

### 1. OVERVIEW

Menzies is one of Scotland's largest companies, having been established in 1833 as a bookseller, stationer and printseller. The Company is a logistics and support specialist with two operating divisions, Menzies Aviation, the parent company of which is Menzies Aviation plc, and Menzies Distribution, the parent company of which is Menzies Distribution Limited, operating in distinct but related B2B sectors where success depends on providing an efficient, high quality, time-critical service to customers and partners.

Menzies Aviation is a leading global provider of passenger, ramp and cargo services, operating from 149 airports in 32 countries and is supported by a team of approximately 23,000 people. Menzies Aviation serves over 500 customers and handled approximately 1.2 million flights and 1.7 million tonnes of cargo in 2015. Key customers include easyJet, Cathay Pacific, IAG, Alaska Airlines, Qantas Group, Delta Air Lines, United Airlines, Etihad and Singapore Airlines. It also owns AMI, the world's only trade-only global airfreight and express wholesaler.

Menzies Distribution is a leading provider of added value distribution and marketing services to the newspaper and magazine supply chain in the UK (with approximately 45.0 per cent. of the newspaper and magazine wholesale distribution market in the UK by volume). The division employs approximately 3,500 people at 43 sites throughout the UK and handles approximately 4.3 million newspapers and 1.4 million magazines (covering some 3,000 magazine titles) each day, with deliveries to around 25,000 customers.

For the financial year ended 31 December 2015, Menzies Aviation accounted for 37.6 per cent. of the Group's turnover and 47.9 per cent. of the Group's underlying operating profit before central corporate costs.

For the six month period ended 30 June 2016, Menzies Aviation accounted for 39.6 per cent. of the Group's turnover and 46.4 per cent. of the Group's underlying operating profit before central corporate costs.

### 2. KEY FACTORS AFFECTING MENZIES' FINANCIAL RESULTS

Menzies' results have been affected, and are expected to be affected in the future, by a variety of factors including the following:

#### 2.1 Commercial aviation movements and airline outsourcing of services

As a ground handling service provider, Menzies operates in many airports around the world. The primary growth driver for this market is the frequency of commercial aircraft movements which, in turn, drives demand for Menzies' on-airport services. The 2016 FAA forecast anticipates U.S. carrier combined domestic and international passenger growth to average 2.2 per cent. per year over the next two decades (source: FAA 2016 to 2036 Aerospace Forecast). Airbus and Boeing's global market forecasts predict air traffic will double in the next 20 years, requiring twice the current aircraft fleet size by 2035. The strain such expansion will place on capital leads the Board to believe that airlines will remain favourable towards outsourcing many of their non-core service needs such as ground handling.



## **2.2 Cargo and freight volumes**

As a cargo handling business, Menzies Aviation provides services including storage, assembly and loading of shipments onto aircraft. Air Menzies International is a neutral air-freight wholesaler working with airlines and integrators allowing customers to benefit from its buying power, ability to consolidate multiple shipments and latest airline spot rates. The primary growth drivers for this market are cargo and freight volumes.

IATA expects air cargo volumes to experience growth averaging 4.0 per cent. for the remainder of the decade. Emerging markets and regions are expected to deliver the fastest growth, led by the Middle East and Africa. With cargo handling operations around the world, including in Africa, Menzies Aviation is well placed to respond to and benefit from growth in the market.

## **2.3 Changing customer behaviour**

Menzies Distribution's core business relies on the demand for paper-based print media. Changing customer behaviour means individuals are adapting the way they consume media, resulting in reduced demand for newspapers and magazines, replaced by an increase in digital media. Menzies Distribution anticipates a continued decline in top line sales.

In order to mitigate such decline in the core business, Menzies Distribution has invested in complementary logistical businesses including Orbital Marketing Services Group, specialising in e-commerce fulfilment, and parcel businesses AJG Parcels, Oban Express and Thistle Couriers. These acquisitions allow Menzies Distribution to utilise existing assets whilst establishing a niche in a market that is growing in response to the shift to online retailing.

## **2.4 Outcome of tender process for gaining new and renewing existing contracts**

As with other ground handling and cargo service providers, the Group's revenues are based on contracts with varying terms including those with a fixed time period, typically 3 to 5 years. In any one year, a selection of contracts are retendered and awarded on the basis of price and quality of service. There is no presumption that contracts will always be renewed which means that organic revenues will fluctuate as the portfolio of contracts changes over time and impact the financial results.

## **2.5 Effect of acquisitions and other inorganic growth opportunities**

There are significant growth opportunities for the Group via strategic acquisitions and other inorganic growth in the markets in which it operates. The comparison of financial results year-on-year can be meaningfully affected by acquisitions and other inorganic growth.

## **2.6 Geographic concentration and foreign exchange fluctuation**

The Group's operations and many of its customers in the aviation segment are outside of the UK. In 2015 and 2014, 28.2 per cent. and 26.9 per cent. of the Group's revenues were generated outside of the UK, respectively. As the Group reports in pounds sterling, it is subject to currency fluctuations from the translation of revenues and expenses and of assets and liabilities of its foreign operations using a functional currency other than pounds sterling. Movements in foreign exchange rates have had an impact on the Group's results of operations because movements in foreign exchange rates are outside the Group's control.

## **2.7 Cost base management**

The Group's financial results are directly affected by the extent to which it manages its costs, particularly with the changing contract portfolio. The initial period of a new contract may require upfront expenditure to cover start-up operational costs. This expense can impact the underlying financial results.

The Group has in the past undertaken restructuring programmes and also closed operating aviation bases and distribution branches, the restructuring of contracts or staff and the exit from certain activities.

## **2.8 Cash flow**

Cash flow within the Group varies between divisions.

Menzies Distribution makes daily sales to a ranging customer base from small independent newsagents to multinational grocers and as a result cash is received throughout the month based on differing customer credit terms.

Menzies Aviation's payment terms are primarily on a monthly basis with main cash receipts towards the end of each calendar month.

Regular cash flow forecasts are performed by the Group's operating businesses. These forecasts are reviewed by Menzies' central treasury function in order for the Group's cash and debt balances to be effectively managed.

### 3. BASIS OF PREPARATION

The Group's unaudited interim consolidated financial statements for the six month periods ended 30 June 2016 and 2015 and the audited consolidated financial statements for the financial years ended 31 December 2015, 2014 and 2013 have been prepared under the historical cost convention and in accordance with IFRS, and the Companies Act 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.

### 4. FINANCIAL RESULTS

The following table presents the Group's Income Statement for the unaudited six month period ended 30 June 2016 and 2015, and the audited financial years ended 31 December 2015, 2014 and 2013.

	Six months ended 30 June (unaudited)		Financial year ended 31 December (audited)		
	2016 £m	2015 £m	2015 £m	2014 £m	2013 £m
Revenue .....	956.0	954.1	1,899.2	1,902.9	1,905.4
Net operating costs.....	(953.1)	(948.3)	(1,880.4)	(1,877.4)	(1,860.0)
Operating profit .....	2.9	5.8	18.8	25.5	45.4
Share of post-tax results of joint ventures and associates ..	3.5	3.6	7.0	7.6	4.9
Operating profit after joint ventures and associates.....	6.4	9.4	25.8	33.1	50.3
Finance income.....	0.3	0.5	0.8	0.7	0.7
Finance charges .....	(2.8)	(3.1)	(6.5)	(6.4)	(6.5)
Other finance charges – pensions .....	(0.9)	(1.0)	(1.9)	(1.7)	(2.4)
Profit before tax.....	3.0	5.8	18.2	25.7	42.1
Taxation.....	(4.7)	(2.8)	(8.3)	(11.7)	(11.7)
Profit for the period .....	(1.7)	3.0	9.9	14.0	30.4

The Income Statement above includes exceptional and other items which are considered non-underlying items for the Group, these are shown below. The total non-underlying items before tax are explained in further detail in section 6:

	<b>Non-underlying items</b>				
	<b>Six months ended 30 June (unaudited)</b>		<b>Financial year ended 31 December (audited)</b>		
	<b>2016 £m</b>	<b>2015 £m</b>	<b>2015 £m</b>	<b>2014 £m</b>	<b>2013 £m</b>
Revenue .....	—	—	—	—	—
Net operating costs.....	(13.9)	(9.9)	(17.6)	(16.4)	(7.3)
Operating profit .....	(13.9)	(9.9)	(17.6)	(16.4)	(7.3)
Share of post-tax results of joint ventures and associates ..	(0.8)	(0.9)	(1.5)	(1.5)	(2.5)
Operating profit after joint ventures and associates.....	(14.7)	(10.8)	(19.1)	(17.9)	(9.8)
Finance income.....	—	—	—	—	—
Finance charges .....	(0.4)	(0.4)	(0.9)	(1.0)	(1.2)
Other finance charges – pensions .....	—	—	—	—	—
Profit before tax.....	(15.1)	(11.2)	(20.0)	(18.9)	(11.0)
Taxation.....	1.1	2.6	3.9	2.7	1.6
Profit for the period .....	<u>(14.0)</u>	<u>(8.6)</u>	<u>(16.1)</u>	<u>(16.2)</u>	<u>(9.4)</u>

Adjusting the Income Statement to remove the effect of non-underlying items results in the following:

	<b>Income Statement before non-underlying items</b>				
	<b>Six months ended 30 June (unaudited)</b>		<b>Financial year ended 31 December (audited)</b>		
	<b>2016 £m</b>	<b>2015 £m</b>	<b>2015 £m</b>	<b>2014 £m</b>	<b>2013 £m</b>
Revenue .....	956.0	954.1	1,899.2	1,902.9	1,905.4
Net operating costs.....	(939.2)	(938.4)	(1,862.8)	(1,861.0)	(1,852.7)
Underlying operating profit....	16.8	15.7	36.4	41.9	52.7
Share of post-tax results of joint ventures and associates ..	4.3	4.5	8.5	9.1	7.4
Underlying operating profit after joint ventures and associates .....	21.1	20.2	44.9	51.0	60.1
Finance income.....	0.3	0.5	0.8	0.7	0.7
Finance charges .....	(2.4)	(2.7)	(5.6)	(5.4)	(5.3)
Other finance charges – pensions .....	(0.9)	(1.0)	(1.9)	(1.7)	(2.4)
Underlying profit before tax...	18.1	17.0	38.2	44.6	53.1
Taxation.....	(5.8)	(5.4)	(12.2)	(14.4)	(13.3)
Underlying profit for the period.....	<u>12.3</u>	<u>11.6</u>	<u>26.0</u>	<u>30.2</u>	<u>39.8</u>

Turnover is calculated as:

	Six months ended 30 June (unaudited)		Financial year ended 31 December (audited)		
	2016 £m	2015 £m	2015 £m	2014 £m	2013 £m
Revenue .....	956.0	954.1	1,899.2	1,902.9	1,905.4
Joint ventures and associates..	46.2	47.3	94.1	97.0	94.9
Turnover .....	1,002.2	1,001.4	1,993.3	1,999.9	2,000.3

Underlying earnings per share is calculated as:

	Six months ended 30 June (unaudited)		Financial year ended 31 December (audited)		
	2016 £m	2015 £m	2015 £m	2014 £m	2013 £m
Underlying profit for the year	12.3	11.6	26.0	30.2	39.8
Less non-controlling interests.	0.2	(0.1)	0.2	(0.1)	—
Underlying earnings.....	12.5	11.5	26.2	30.1	39.8
Weighted average number of ordinary shares in issue (million) .....	61.3	61.3	61.3	61.2	60.6
Underlying earnings per ordinary share (p)	20.4	18.8	42.7	49.2	65.6

#### 4.1 Six Months Ended 30 June 2016 Compared to Six Months Ended 30 June 2015

##### 4.1.1 Overview

The Group's revenue for the six months ended 30 June 2016 was £956.0 million (six months ended 30 June 2015: £954.1 million).

Underlying profit before tax rose by 6.5 per cent. to £18.1 million in the six months ended 30 June 2016 compared to the same period in 2015 (£17.0 million) as a result of the favourable impact on earnings of the weakening sterling and an improvement in profitability in the Aviation division. The increase in underlying profit before tax had a consequential impact on underlying earnings per share which rose to 20.4 pence (six months ended June 2015: 18.8 pence).

On a constant currency basis, Group turnover was down 0.6 per cent. with constant currency underlying operating profit £0.2 million higher at £20.4 million in the six months ended 30 June 2016 (six months ended 2015: £20.2 million).

##### 4.1.2 Finance cost

The net underlying finance charge in the period was £3.0 million (six months ended June 2015: £3.2 million). Costs reflect lower pension interest charges.

##### 4.1.3 Taxation and Earnings per share

In the six months ended 30 June 2016, underlying tax charge was £5.8 million (six months ended June 2015: £5.4 million) representing an effective underlying tax rate of 32.0 per cent. (six months ended June 2015: 31.8 per cent.). Tax related to non-underlying items totalled £1.1 million (six months ended June 2015: £2.6 million).

Underlying earnings per share were 20.4 pence (six months ended June 2015: 18.8 pence), benefitting from the improvement in underlying profits. Earnings per share were (2.4) pence (six months ended June 2015: 4.7 pence), reflecting the impact of non-recurring items.

## 4.2 Financial Year Ended 31 December 2015 Compared to Financial Year Ended 31 December 2014

### 4.2.1 Overview

The Group's revenue for the financial year ended 31 December 2015 was £1,899.2 million (2014: £1,902.9 million) largely in line with the preceding year.

Underlying profit before tax fell 14.3 per cent. to £38.2 million for the financial year ended 31 December 2015 (2014: £44.6 million) largely as a result of the decline in profitability in Aviation due to operational issues at London Gatwick and 2014 contract losses. The decline in underlying profit before tax had a consequential impact on underlying earnings per share which decreased to 42.7 pence (2014: 49.2 pence). Profit before tax was £18.2 million (2014: £25.7 million).

On a constant currency basis, Group turnover was up 1.5 per cent. with constant currency underlying operating profit £5.0 million lower at £46.0 million in the financial year ended 31 December 2015 (2014: £51.0 million).

### 4.2.2 Finance Cost

The net underlying finance charge in the financial year ended 31 December 2015 was £6.7 million (2014: £6.4 million). The level of cost reflects similar year on year levels of debt and effective rates of interest.

### 4.2.3 Taxation and Earnings per Share

In the financial year ended 31 December 2015, underlying tax charge was £12.2 million (2014: £14.4 million), representing an effective underlying tax rate of 31.9 per cent. (2014: 32.3 per cent.). Tax related to non-underlying items totalled £3.9 million (2014: £2.7 million).

Underlying earnings per share were 42.7 pence (2014: 49.2 pence), directly impacted by the reduction in profit. Earnings per share were 16.5 pence (2014: 22.7 pence) additionally affected by non-recurring items.

## 4.3 Financial Year Ended 31 December 2014 Compared to Financial Year Ended 31 December 2013

### 4.3.1 Overview

The Group's revenue in the financial year ended 31 December 2014 was £1,902.9 million (2013: £1,905.4 million) largely in line with the preceding year. Underlying profit before tax fell to £44.6 million (2013: £53.1 million) largely as a result of the decline in profitability in Menzies Aviation and the adverse impact of currency of £3.5 million, at the level of underlying operating profit before corporate costs. Profit before tax was £25.7 million (2013: £42.1 million).

### 4.3.2 Finance Cost

The net underlying finance charge in the financial year ended 31 December 2014 was £6.4 million (2013: £7.0 million). The reduction largely reflected the impact of lower interest rates on the Group's DB Scheme liabilities.

### 4.3.3 Taxation and Earnings per Share

The Group's underlying tax charge for the financial year ended 31 December 2014 was £14.4 million (2013: £13.3 million). Tax paid totalled £8.2 million (2013: £10.1 million). The underlying tax rate was higher at 32.3 per cent. (2013: 25.0 per cent.), reflecting the rising proportion of profits in higher tax rate jurisdictions.

The decline in underlying profit before tax and an increased effective global tax rate had a consequential impact on underlying earnings per share which decreased to 49.2 pence for the financial year ended 31 December 2014 (2013: 65.6 pence).

## 5. FINANCIAL RESULTS BY DIVISION

The information presented to the Board for the purpose of resource allocation and assessment of segment performance is focused on the performance of each division as a whole but also contains performance information on a number of operating segments within Menzies Aviation. The Board assesses the performance on the operating segments based on a measure of adjusted segment result before exceptional items and intangible amortisation. Net finance income and expenditure is not allocated to segments as this activity is managed by the central treasury function.

The following table presents the Group's underlying unaudited financial results for the six month period ended 30 June 2016:

	<b>Revenue (unaudited) £m</b>	<b>Pre- exceptional operating profit/(loss) (unaudited) £m</b>
<b>Distribution</b> .....	605.6	12.0
<b>Aviation</b>		
Ground handling.....	271.5	2.8
Cargo handling .....	72.7	6.0
Cargo forwarding.....	52.4	1.6
	<u>396.6</u>	<u>10.4</u>
Corporate.....	—	(1.3)
	<u>1,002.2</u>	<u>21.1</u>
Joint ventures and associates .....	(46.2)	—
	<u>956.0</u>	<u>21.1</u>

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

	<b>Distribution (unaudited) £m</b>	<b>Aviation (unaudited) £m</b>	<b>Corporate (unaudited) £m</b>	<b>Group (unaudited) £m</b>
Operating profit/(loss).....	9.9	(3.1)	(3.9)	2.9
Share of post-tax results of joint ventures and associates .....	0.8	2.7	—	3.5
Operating profit/(loss) after joint ventures and associates .....	10.7	(0.4)	(3.9)	6.4
Net finance expense .....				(3.4)
Profit before taxation.....				<u>3.0</u>
Analysed as:				
Pre-exceptional operating profit/(loss) .....	12.0	10.4	(1.3)	21.1
Rationalisation and acquisition related items	0.3	(0.5)	(2.6)	(2.8)
Net impairment loss .....	—	(7.2)	—	(7.2)
Contract amortisation.....	(1.4)	(2.5)	—	(3.9)
Share of interest on joint ventures and associates.....	—	0.3	—	0.3
Share of tax on joint ventures and associates	(0.2)	(0.9)	—	(1.1)
Operating profit/(loss) after joint ventures and associates .....	<u>10.7</u>	<u>(0.4)</u>	<u>(3.9)</u>	<u>6.4</u>

The following table presents the Group's underlying unaudited financial results for the six month period ended 30 June 2015:

	<b>Revenue (unaudited) £m</b>	<b>Pre- exceptional operating profit/(loss) (unaudited) £m</b>
<b>Distribution</b> .....	630.6	12.2
<b>Aviation</b>		
Ground handling.....	240.9	0.8
Cargo handling .....	72.5	6.9
Cargo forwarding.....	57.4	1.7
	<u>370.8</u>	<u>9.4</u>
Corporate.....	—	(1.4)
	<u>1,001.4</u>	<u>20.2</u>
Joint ventures and associates .....	(47.3)	—
Total.....	<u><u>954.1</u></u>	<u><u>20.2</u></u>

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

	<b>Distribution (unaudited) £m</b>	<b>Aviation (unaudited) £m</b>	<b>Corporate (unaudited) £m</b>	<b>Group (unaudited) £m</b>
Operating profit/(loss).....	10.1	(1.5)	(2.8)	5.8
Share of post-tax results of joint ventures and associates .....	<u>0.7</u>	<u>2.9</u>	<u>—</u>	<u>3.6</u>
Operating profit/(loss) after joint ventures and associates .....	10.8	1.4	(2.8)	9.4
Net finance expense .....				(3.6)
Profit before taxation.....				<u>5.8</u>
Analysed as:				
Pre-exceptional operating profit/(loss) .....	12.2	9.4	(1.4)	20.2
Rationalisation and acquisition related items	(0.1)	—	(1.4)	(1.5)
Net impairment loss .....	—	(4.7)	—	(4.7)
Contract amortisation.....	(1.1)	(2.6)	—	(3.7)
Share of interest on joint ventures and associates.....	—	0.3	—	0.3
Share of tax on joint ventures and associates	<u>(0.2)</u>	<u>(1.0)</u>	<u>—</u>	<u>(1.2)</u>
Operating profit/(loss) after joint ventures and associates .....	<u><u>10.8</u></u>	<u><u>1.4</u></u>	<u><u>(2.8)</u></u>	<u><u>9.4</u></u>

The following table presents the Group's underlying audited financial results for the financial year ended 31 December 2015:

	<b>Revenue (audited) £m</b>	<b>Pre- exceptional operating profit/(loss) (audited) £m</b>
<b>Distribution</b> .....	1,244.0	25.1
<b>Aviation</b>		
Ground handling.....	490.0	4.1
Cargo handling .....	146.8	14.7
Cargo forwarding.....	112.5	4.3
	<u>749.3</u>	<u>23.1</u>
Corporate.....	—	(3.3)
	<u>1,993.3</u>	<u>44.9</u>
Joint ventures and associates .....	(94.1)	—
	<u>1,899.2</u>	<u>44.9</u>

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

	<b>Distribution (audited) £m</b>	<b>Aviation (audited) £m</b>	<b>Corporate (audited) £m</b>	<b>Group (audited) £m</b>
Operating profit/(loss).....	16.8	7.0	(5.0)	18.8
Share of post-tax results of joint ventures and associates .....	1.6	5.4	—	7.0
Operating profit/(loss) after joint ventures and associates .....	18.4	12.4	(5.0)	25.8
Net finance expense .....				(7.6)
Profit before taxation.....				<u>18.2</u>
Analysed as:				
Pre-exceptional operating profit/(loss) .....	25.1	23.1	(3.3)	44.9
Rationalisation and acquisition related items	(3.9)	(0.2)	(1.7)	(5.8)
Net impairment loss .....	—	(4.7)	—	(4.7)
Contract amortisation.....	(2.5)	(4.6)	—	(7.1)
Share of interest on joint ventures and associates.....	—	0.7	—	0.7
Share of tax on joint ventures and associates	(0.3)	(1.9)	—	(2.2)
Operating profit/(loss) after joint ventures and associates .....	<u>18.4</u>	<u>12.4</u>	<u>(5.0)</u>	<u>25.8</u>



The following table presents the Group's underlying audited financial results for the financial year ended 31 December 2014:

	<b>Revenue (audited) £m</b>	<b>Pre- exceptional operating profit/(loss) (audited) £m</b>
<b>Distribution</b> .....	1,261.3	24.0
<b>Aviation</b>		
Ground handling.....	470.6	12.0
Cargo handling .....	149.4	13.8
Cargo forwarding.....	118.6	4.4
	<u>738.6</u>	<u>30.2</u>
Corporate.....	—	(3.2)
	<u>1,999.9</u>	<u>51.0</u>
Joint ventures and associates .....	(97.0)	—
	<u>1,902.9</u>	<u>51.0</u>

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

	<b>Distribution (audited) £m</b>	<b>Aviation (audited) £m</b>	<b>Corporate (audited) £m</b>	<b>Group (audited) £m</b>
Operating profit/(loss).....	14.5	14.2	(3.2)	25.5
Share of post-tax results of joint ventures and associates .....	1.5	6.1	—	7.6
Operating profit/(loss) after joint ventures and associates .....	16.0	20.3	(3.2)	33.1
Net finance expense .....				(7.4)
Profit before taxation.....				<u>25.7</u>
Analysed as:				
Pre-exceptional operating profit/(loss) .....	24.0	30.2	(3.2)	51.0
Rationalisation and acquisition related items	(6.0)	—	—	(6.0)
Net impairment loss .....	—	(3.2)	—	(3.2)
Contract amortisation.....	(1.6)	(5.6)	—	(7.2)
Share of interest on joint ventures and associates.....	—	0.5	—	0.5
Share of tax on joint ventures and associates	(0.4)	(1.6)	—	(2.0)
Operating profit/(loss) after joint ventures and associates .....	<u>16.0</u>	<u>20.3</u>	<u>(3.2)</u>	<u>33.1</u>

The following table presents the Group's underlying audited financial results for the financial year ended 31 December 2013:

	<b>Revenue (audited) £m</b>	<b>Pre- exceptional operating profit/(loss) (audited) £m</b>
<b>Distribution</b> .....	1,277.5	24.3
<b>Aviation</b>		
Ground handling.....	454.0	21.9
Cargo handling .....	149.8	11.7
Cargo forwarding.....	119.0	4.2
	<u>722.8</u>	<u>37.8</u>
Corporate.....	—	(2.0)
	<u>2,000.3</u>	<u>60.1</u>
Joint ventures and associates .....	(94.9)	—
	<u>1,905.4</u>	<u>60.1</u>

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

	<b>Distribution (audited) £m</b>	<b>Aviation (audited) £m</b>	<b>Corporate (audited) £m</b>	<b>Group (audited) £m</b>
Operating profit/(loss).....	21.2	26.3	(2.1)	45.4
Share of post-tax results of joint ventures and associates .....	1.1	3.8	—	4.9
	<u>22.3</u>	<u>30.1</u>	<u>(2.1)</u>	<u>50.3</u>
Operating profit/(loss) after joint ventures and associates .....				(8.2)
Net finance expense .....				<u>42.1</u>
Profit before taxation.....				<u>42.1</u>
Analysed as:				
Pre-exceptional operating profit/(loss).....	24.3	37.8	(2.0)	60.1
Rationalisation and acquisition related items	—	(0.6)	(0.1)	(0.7)
Net impairment loss .....	—	(1.4)	—	(1.4)
Contract amortisation.....	(1.7)	(4.9)	—	(6.6)
Share of interest on joint ventures and associates.....	—	0.5	—	0.5
Share of tax on joint ventures and associates	(0.3)	(1.3)	—	(1.6)
	<u>22.3</u>	<u>30.1</u>	<u>(2.1)</u>	<u>50.3</u>
Operating profit/(loss) after joint ventures and associates .....				<u>50.3</u>

## 5.1 Menzies Aviation

### *Six Months Ended 30 June 2016 Compared to Six Months Ended 30 June 2015*

In the six months ended 30 June 2016, growth in Menzies Aviation was underpinned by higher ground handling volumes in Continental Europe and the return to profitable operating performance at London Gatwick. In the period, flight movements handled were up 4.0 per cent. on a like-for-like basis. The most significant growth driver was the annualised impact of the 2015 contract wins with Norwegian Air Shuttle in Oslo and Copenhagen and with United Airlines in Cincinnati, Wichita, Tucson and Lubbock.

### ***Financial Year Ended 31 December 2015 Compared to Financial Year Ended 31 December 2014***

In the financial year ended 31 December 2015, Menzies Aviation's growth was underpinned by strong cargo volumes and the positive effect of ground handling wins in North America and Scandinavia since the fourth quarter of 2014. Constant currency turnover was up 6.0 per cent. to £782.9 million, while constant currency underlying operating profit before corporate costs was £6.0 million lower at £24.2 million reflecting the operational issues at London Gatwick and 2014 contract losses in South Africa.

### ***Financial Year Ended 31 December 2014 Compared to Financial Year Ended 31 December 2013***

In the financial year ended 31 December 2014, Menzies Aviation won ground handling contracts in the United States and cargo handling benefitted from increased tonnage through existing locations and new contract wins in Australia and Canada. Increased costs at London Heathrow were incurred to protect service levels during disruption while the airport closed a terminal and carriers were relocated. The change of terminal, coupled with a new market entrant and competitive contract negotiations caused some contract churn and margin erosion. Overall Menzies Aviation was net winners of 60 contracts.

Start-up costs to support new contracts were expensed, and were £1.9 million higher than the prior year, on a constant currency basis. At constant currency, underlying operating profit before corporate costs was £33.7 million (2013: £37.8 million) reflecting both the investment in new contract wins and the impact of operational challenges.

#### **5.1.1 Aviation – ground handling**

##### ***Six Months Ended 30 June 2016 Compared to Six Months Ended 30 June 2015***

In the six months ended 30 June 2016, there were 43 ground handling contract gains. Significant wins included a de-icing contract with Norwegian Air Shuttle in Oslo, ground handling services for Virgin America at Los Angeles and a five year contract with British Airways, Vueling and Iberia at Copenhagen covering ground handling, lounge and de-icing.

##### ***Financial Year Ended 31 December 2015 Compared to Financial Year Ended 31 December 2014***

In the financial year ended 31 December 2015, the ground handling business continued to expand outside the UK. Overall the business handled 1.2 million flight movements in 2015, up 5.0 per cent. on a like-for-like basis. Over 500,000 turnarounds were in the Americas where the year-on-year increase was 20.0 per cent., reflecting the new hub contracts won in late 2014 and continued organic expansion.

Net ground handling contract wins totalled 53. The largest gain was Norwegian Air Shuttle's hub in Oslo and its major base in Copenhagen starting in April 2015. The relationship with United Airlines in the United States was expanded in the year with the award of four new base operations. Key renewals during 2015 included Singapore Airlines across four locations in Oceania and the Star Alliance airlines and Qantas at London Heathrow.

In the UK, significant issues were encountered at London Gatwick where increased labour costs, incurred in order to maintain contractual service levels, was the principal factor for the £6.0 million of lost earnings at the level of Aviation constant currency underlying operating profit before corporate costs. The contractual position has now been resolved and operations fully stabilised.

##### ***Financial Year Ended 31 December 2014 Compared to Financial Year Ended 31 December 2013***

In the financial year ended 31 December 2014, ground handling turns were up 15.0 per cent. reflecting the full year effect of prior year acquisitions in Australia and Colombia, together with new hub operations. Contract wins for U.S. business resulted in agreements to handle more than 160,000 turns annually in Detroit and Denver.

In November 2014, the Group acquired 60.0 per cent. of the share capital of PlaneBiz 2015 Limited, a New Zealand based aviation company, in order to strengthen its position in ground and cargo handling.

### 5.1.2 Aviation – cargo handling and forwarding

#### *Six Months Ended 30 June 2016 Compared to Six Months Ended 30 June 2015*

The cargo business handled over 750,000 tonnes of cargo in the period, a like-for-like decline of 2.0 per cent., affected by a challenging start to the year and non-recurrence of volumes experienced in North America in the six months ended 30 June 2015 due to West Coast seaport strikes.

A total of 12 new cargo contracts were won in the period, the largest of which was with AirBridge Cargo at Malmo, and Air Canada in Sydney, Melbourne, Brisbane and Prague.

Margin in AMI, the global cargo consolidation and forwarding company, continues to benefit from the move towards international e-commerce traffic from the more traditional airfreight wholesale model.

#### *Financial Year Ended 31 December 2015 Compared to Financial Year Ended 31 December 2014*

In the financial year ended 31 December 2015, the cargo business grew year on year with an improved margin as a result of the impact of contracts secured in late 2014 with KLM/Air France in Canada and the results of the U.S. locations with Los Angeles in particular having good growth. Overall Menzies Aviation handled some 1.7 million tonnes of cargo, an increase of approximately 3.0 per cent. on the previous year.

Menzies Aviation won eight cargo handling contracts and renewed a further 28 contracts. The largest contract renewal was with Thai Airways across five locations in Australia and New Zealand. Additionally, Thai Airways renewed their contract at London Heathrow until 2018. The Oceania region extended its cargo foothold with the gain of Virgin Australia's domestic cargo and freighter handling business.

#### *Financial Year Ended 31 December 2014 Compared to Financial Year Ended 31 December 2013*

In the financial year ended 31 December 2014, cargo handling tonnes were up 10.0 per cent. with growth from existing customers in Continental Europe, contract wins in Australia and new operations at four locations in Canada.

### 5.2 Menzies Distribution

#### *Six Months Ended 30 June 2016 Compared to Six Months Ended 30 June 2015*

Menzies Distribution underlying operating profit before corporate costs decreased marginally in the period to £12.0 million (six months ended 30 June 2015: £12.2 million). This trading performance benefitted from strong sticker sales, boosted by the European football championships, which largely offset core media declines.

Sales of newspapers during the period were down 3.7 per cent. on a like-for-like basis. Sales declines of 4.7 per cent. were experienced across magazine categories on a like-for-like basis.

The trucking business expanded during the period winning a three year national distribution services contract for WHSmith. This is a key contract win and represents the first national distribution contract for Menzies Distribution.

The new UK national living wage legislation commenced in April 2016 with an estimated additional cost in 2016, an increase which will be substantially mitigated by a series of improvement initiatives.

Menzies Distribution also acquired Thistle Couriers Limited, an Aberdeen based parcel carrier adding delivery volume in the North East of the UK to its neutral consolidation network.

#### *Financial Year Ended 31 December 2015 Compared to Financial Year Ended 31 December 2014*

In the financial year ended 31 December 2015, Menzies Distribution's underlying operating profit before corporate costs increased to £25.1 million (2014: £24.0 million). The trading performance benefitted from cost savings which offset the impact of football world cup stickers in the previous year and the decline in print media revenue. The network rationalisation programme was completed supporting future cost saving plans.

Sales of newspapers during the period were 3.0 per cent. down on an absolute and a like-for-like basis, benefiting from cover price increases and contract wins leading to the introduction of newspapers and magazines to new retailers. Sales declines of 4.0 per cent. across magazine categories on an absolute and a like-for-like basis were an improvement on 2014 helped by price increases, new launches, tie-ins to movies and one-off national events.

Expansion into the UK parcel market, primarily as a neutral consolidator, continued with the acquisition of AJG Parcels Limited and Oban Express Parcel Service Limited. The trucking business expanded during the year with new contracts, utilising existing property and vehicle assets during daylight hours.

#### **Financial Year Ended 31 December 2014 Compared to Financial Year Ended 31 December 2013**

In the financial year ended 31 December 2014, overall sales of newspapers and magazines were down 3.0 per cent. on an absolute and like-for-like basis. Newspaper sales value on a like-for-like basis was down 1.0 per cent. with magazines down 5.9 per cent. The football world cup boosted sales of stickers in the year.

As part of the UK distribution network rationalisation programme, the number of main hubs reduced from ten to eight and a magazine super-hub in Maidstone was created. The travel brochure distribution business of Orbital Marketing Services Group Limited, acquired in late 2012, was largely integrated into the core distribution network.

Newsprint and magazine declines were offset by a number of actions maintaining 2013 underlying operating profit levels into 2014 at £24.0 million (2013: £24.3 million). The result was boosted by the results of the recently-acquired Orbital Marketing Services business and ancillary sales related to the football world cup. Cost saving initiatives delivered £3.4 million in the year, as the division continued to rationalise its branch network.

## **6. NON-UNDERLYING ITEMS**

In this Part VI, the Group presents its results of operations on an underlying basis, before non-recurring exceptional items, impairment charges associated with goodwill, joint venture assets and other intangibles, and contract amortisation and the Group's share of interest and tax on joint ventures and associates.

The following table presents non-underlying charges for the six months ended 30 June 2016 and 2015 and the audited financial years ended 31 December 2015, 2014 and 2013:

	Notes	Six months ended 30 June (unaudited)		Financial year ended 31 December (audited)		
		2016 £m	2015 £m	2015 £m	2014 £m	2013 £m
Rationalisation costs.....	(i)	—	0.5	3.5	3.7	—
Acquisition related earn-out adjustment.....	(ii)	(0.3)	(0.5)	0.2	2.3	—
Acquisition and transaction related costs	(iii)	3.1	0.1	0.4	—	0.7
Management restructure and strategic review .....	(iv)	—	1.4	1.7	—	—
Share of interest on joint ventures and associates..	(v)	(0.3)	(0.3)	(0.7)	(0.5)	(0.5)
Finance charges .....	(v)	0.4	0.4	0.9	1.0	1.2
Contract amortisation....	(vi)	3.9	3.7	7.1	7.2	6.6
Net impairment loss.....	(vii)	7.2	4.7	4.7	3.2	—
Joint venture goodwill impairment.....	(viii)	—	—	—	—	1.4
Share of tax on joint ventures and associates..		1.1	1.2	2.2	2.0	1.6
<b>Total exceptional items before tax .....</b>		<b>15.1</b>	<b>11.2</b>	<b>20.0</b>	<b>18.9</b>	<b>11.0</b>

For additional information on non-underlying items, see note 5 to Menzies audited consolidated financial statements for the financial years ended 31 December 2015, 2014 and 2013, incorporated by reference herein.

- (i) Costs of rationalising excess capacity in the Distribution business comprised redundancy costs of £1.2 million in the full year 2015 and £1.8 million in 2014; property costs in £0.1 million in 2015 and £1.1 million in 2014; and other related restructuring costs of £0.5 million in the first six months of 2015, £2.0 million in the full year 2015 and £0.8 million in 2014. Restructuring costs of £0.2 million were incurred in the Aviation segment in Spain in the full year 2015.

- (ii) Acquisition related earn-out adjustments relate to the differences in estimation of the contingent consideration relating to the acquisitions of Fore Partnership settled in March 2016 and Orbital Marketing Services Group settled in March 2015.
- (iii) In the six months ended 30 June 2016 acquisition and transaction related costs were incurred on the acquisition of Thistle Couriers Limited and Renaissance Aviation Limited in Bermuda, on various transactions not completed at the period end and on failed transactions during the period. The costs in the full year 2015 relate to the acquisition of AJG Parcels Limited and Oban Express Parcel Service Limited. The costs in 2013 relate to the acquisition of Top Attractions Limited, Desacol S.A. in Colombia, Skystar Airport Services in Australia and New Zealand and Moose Aviation Services AB in Sweden.
- (iv) Management restructure and strategic review costs in 2015 comprised redundancy and advisory costs.
- (v) Finance charges include the share of interest from JVs and associates and the unwind discount relating to discounted deferred consideration payable and onerous lease provisions.
- (vi) Contract amortisation is the charge to write off intangible assets arising on the acquisition of businesses.
- (vii) Net impairment losses comprise £7.2 million impairment of assets in the Netherlands cargo business in June 2016 reflecting reduction in volumes with key cargo customers at Amsterdam; £4.7 million impairment of assets following the loss of ground handling licences in Spain in June 2015; and £3.2 million net impairment of assets following loss of business in Colombia during 2014.
- (viii) Joint venture goodwill impairment relates to the write down of the licence at Menzies Macau Airport Services Limited.

## 7. BALANCE SHEET

	Six months ended 30 June	Financial year ended 31 December		
	2016 (unaudited) £m	2015 (audited) £m	2014 (audited) £m	2013 (audited) £m
Non-current assets.....	266.2	261.3	276.0	276.6
Current assets .....	286.0	251.3	234.2	235.7
Current liabilities .....	(326.0)	(237.9)	(233.9)	(263.7)
Net current (liabilities)/assets.....	(40.0)	13.4	0.3	(28.0)
Total assets less current liabilities.....	226.2	274.7	276.3	248.6
Non-current liabilities.....	(154.1)	(203.5)	(206.6)	(152.3)
Net assets.....	72.1	71.2	69.7	96.3

### *Six Month Period Ended 30 June 2016 Compared to Six Month Period Ended 30 June 2015*

Total net assets at 30 June 2016 were £72.1 million, as compared to £77.9 million as at 30 June 2015, and included intangible assets of £104.3 million (as compared to £110.2 million as at 30 June 2015), of which £49.0 million (as compared to £50.9 million as at 30 June 2015) related to goodwill and £45.8 million (as compared to £48.1 million as at 30 June 2015) related to contract rights. Movements in goodwill included an impairment of £7.2 million following the reduction in volumes with key cargo customers at the Netherlands cargo business in Amsterdam, and additional £0.3 million from the Thistle Couriers Limited acquisition by Menzies Distribution. Acquisitions of Thistle Couriers Limited and Renaissance Aviation Limited added £0.6 million and £1.9 million respectively of contract-based intangibles.

### *Financial Year Ended 31 December 2015 Compared to Financial Year Ended 31 December 2014*

Total net assets at 31 December 2015 were £71.2 million, as compared to £69.7 million as at 31 December 2014, and included intangible assets of £108.3 million (as compared to £116.1 million as at 31 December 2014), of which £52.3 million (as compared to £48.6 million as at 31 December 2014) related to goodwill and £45.5 million (as compared to £55.9 million as at 31 December 2014) related to contract rights. The increase in goodwill and intangible assets during the 2014 financial year resulted primarily from the acquisitions of AJG Parcels Limited and Oban Express Parcel Service Limited. Contract-based intangibles were impaired by £4.0 million as following the loss of licences in Menzies Aviation in Spain.

### ***Financial Year Ended 31 December 2014 Compared to Financial Year Ended 31 December 2013***

Total net assets at 31 December 2014 were £69.7 million, as compared to £96.3 million as at 31 December 2013, and included intangible assets of £116.1 million (as compared to £126.8 million as at 31 December 2013), of which £48.6 million (as compared to £47.5 million as at 31 December 2013) related to goodwill and £55.9 million (as compared to £66.9 million as at 31 December 2013) related to contract rights. The increase in goodwill and during the 2013 financial year resulted primarily from the acquisition of PlaneBiz 2015 Limited. Contract-based intangibles were impaired by £3.6 million resulting in an overall reduction in intangible assets following the reduction in expectation of profitability of the Colombian business in Menzies Aviation.

## **8. PENSIONS**

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

The financial statements reflect the pension scheme deficits calculated in accordance with IAS 19. The new pensions accounting standard came into force for the Group for the financial year ended December 2013 and the 2012 figures, as comparatives, were restated.

As at 30 June 2016 the DB Scheme showed a deficit of £52.7 million (six months ended 30 June 2015: £40.1 million), an increase of £12.6 million driven by lower corporate bond yields which have resulted in the discount rate reducing from 4.0 per cent. at 30 June 2015 (4.0 per cent. at 31 December 2015) to 3.2 per cent. partly offset by continued additional cash payments.

As at 31 December 2015, the DB Scheme showed a deficit of £43.4 million (2014: £59.0 million) a decrease of £15.6 million, largely reflecting ongoing employer contributions and an increase in the discount rate applied to the DB Scheme liabilities. The Trustee's latest triennial actuarial valuation was completed at 31 March 2015 and the Trustee and the Company have agreed a long-term funding plan which results in additional annual contributions.

As at 31 December 2014, the DB Scheme showed a deficit of £59.0 million (2013: £45.8 million) an increase of £13.2 million largely reflecting a reduction in the discount rate applied to the DB Scheme liabilities, partly offset by increased returns on assets and ongoing increased employer contributions.

The market value of the DB Scheme's assets at 31 December 2015 was £312.4 million (2014: £312.9 million, 2013: £282.0 million) and the net present value of the liabilities was £355.8 million (2014: £371.9 million, 2013: £327.8 million).

Note 4 to the financial statements included in the Annual Report 2015, which is incorporated by reference in this document as described in Part XIII of this document, includes a sensitivity analysis that highlights the effect of changes to the key assumptions behind the valuation to the pension schemes. A net pension charge of £13.8 million was reported in the Income Statement for the 2015 financial year (2014: £14.6 million, 2013: £14.1 million) in accordance with IAS 19, this charge covers both the DB and DC Schemes.

## **9. LIQUIDITY AND CAPITAL RESOURCES**

### **9.1 Treasury Facilities and Policies**

#### ***Six Months Ended 30 June 2016 Compared to Six Months Ended 30 June 2015***

At 30 June 2016 net debt was £126.6 million (30 June 2015: £120.8 million), reflecting a higher opening position and an adverse currency impact, improved by lower acquisition spend.

At 30 June 2016, undrawn committed bank facilities were £55.5 million.

#### ***Financial Year Ended 31 December 2015 Compared to Financial Year Ended 31 December 2014***

As at 31 December 2015, net debt was £123.2 million (2014: £110.9 million), reflecting £16.8 million spend on acquisitions.

In January 2017, £65.0 million of existing committed banking facilities are due to expire, reducing available bank facilities from £215.0 million to £150.0 million in that month. The remaining facilities expire between September 2017 and March 2020. The Group's facilities by bank and their expiry dates are detailed below:

	<b>31 Dec 2015 £m</b>	<b>Maturity</b>
Barclays.....	20.0	Dec 2018
Barclays.....	15.0	Dec 2017
Barclays.....	20.0	Jan 2017
Barclays.....	20.0	May 2018
HSBC.....	55.0	Jan 2018
KBC.....	20.0	Sep 2017
Lloyds.....	20.0	Jan 2017
RBS.....	35.0	Jan 2017
RBS term loan amortising.....	12.7	Mar 2020
	217.7	
	217.7	

In January 2016, £10.0 million of the £20.0 million Lloyds facility expiring in January 2017 was extended to January 2018.

As a result of the funds raised under the Acquisition Facilities Agreement, all the above loans, with the exception of the RBS 2014 Facility, will be repaid in advance of their stated maturity dates and replaced with new facilities. The RBS 2014 facility is an amortising loan and repayments have been made since 31 December 2015 reducing the balance due under it to £11.4 million (as at 30 June 2016). Please see paragraph 15.4 of Part XII for more detail on the RBS term loan.

***Financial Year Ended 31 December 2014 Compared to Financial Year Ended 31 December 2013***

At 31 December 2014, net debt was £110.9 million (2013: £103.5 million).

***Treasury Policies***

The Group updates trading forecasts covering a forward 18 month period on a monthly basis to ensure that the Group remains capable of operating within its committed banking facilities and related banking covenants.



## 9.2 Cash Flows

The following table presents the Group's cash flows for the six months ended 30 June 2016 and 2015, the financial years ended 31 December 2015, 2014 and 2013:

	Six months ended 30 June (unaudited)		Financial year ended 31 December (audited)		
	2016 £m	2015 £m	2015 £m	2014 £m	2013 £m
Net cash flow from operating activities .....	12.7	7.4	23.1	37.1	34.7
Net cash flow used in investing activities .....	(9.7)	(19.0)	(26.8)	(25.9)	(26.7)
Net cash flow from/(used in) financing activities .....	6.0	14.2	6.9	(11.4)	(6.9)
Net increase/(decrease) in cash and cash equivalents .....	9.0	2.6	3.2	(0.2)	1.1
Effects of exchange rate movements .....	3.0	(1.7)	(1.5)	(0.9)	(1.6)
Opening net cash and cash equivalents .....	33.9	32.2	32.2	33.3	33.8
Closing net cash and cash equivalents .....	45.9	33.1	33.9	32.2	33.3

Reconciliation from underlying profit to operating cash flow and free cash flow:

	Six months ended 30 June (unaudited)		Financial year ended 31 December (audited)		
	2016 £m	2015 £m	2015 £m	2014 £m	2013 £m
Underlying operating profit....	21.1	20.2	44.9	51.0	60.1
Depreciation .....	10.6	11.5	21.0	20.2	19.4
Dividends from associates and joint ventures .....	1.8	2.0	6.5	6.4	4.4
Working capital .....	(0.3)	(4.3)	(2.2)	2.0	(13.0)
Net pension movement .....	0.2	0.2	(0.3)	(0.6)	0.7
Non-cash items .....	(2.4)	(3.2)	(5.1)	(5.0)	(3.3)
Operating cash flow .....	31.0	26.4	64.8	74.0	68.3
Net capital expenditure .....	(6.9)	(8.7)	(20.3)	(30.1)	(20.9)
Net interest paid .....	(2.4)	(2.2)	(5.1)	(5.7)	(4.7)
Tax paid.....	(5.3)	(3.9)	(7.7)	(8.2)	(10.1)
Free cash flow.....	16.4	11.6	31.7	30.0	32.6

In the six months ended 30 June 2016, operating cash flow was £31.0 million (six months to 30 June 2015: £26.4 million). Free cash flow at £16.4 million was £4.8 million higher than the six months ended 30 June 2015. Investments in the period included initial investment of £3.4 million for the acquisitions of Renaissance Aviation Limited in Bermuda and Thistle Couriers Limited.

In the financial year ended 31 December 2015, operating cash flow was £64.8 million (2014: £74.0 million). Free cash flow at £31.7 million was £1.7 million higher than 2014. Net capital expenditure totalled £20.3 million (2014: £30.1 million).

In the financial year ended 31 December 2014, operating cash flow was £74.0 million (2013: £68.3 million). Free cash flow at £30.0 million was £2.6 million lower than 2013, primarily due to higher capital expenditure to support new contract wins.

In the financial year ended 31 December 2013, operating cash flow was £68.3 million and a free cash flow of £32.6 million. Net capital expenditure was £20.9 million.

## 10. CAPITALISATION AND INDEBTEDNESS

The following table sets out the interest-bearing loans and borrowings and shareholders' equity of the Group as at 30 June 2016, and has been extracted without material adjustment from the Group's unaudited interim financial statements as at 30 June 2016, which are incorporated by reference into this document.

	<b>30 June 2016 (unaudited) £m</b>
Total current debt	
Secured.....	2.8
Unguaranteed/unsecured.....	65.7
	<u>68.5</u>
Non-current debt (excluding current portion of long-term debt)	
Secured.....	8.6
Unguaranteed/unsecured.....	85.9
	<u>94.5</u>
Shareholders' equity	
Share capital.....	34.2
Other reserves.....	12.9
	<u>210.1</u>

The following table sets out net indebtedness of the Group as at 30 June 2016, and has been extracted without material adjustment from the Group's unaudited interim financial statements as at 30 June 2016, which are incorporated by reference into this document.

	<b>30 June 2016 (unaudited) £m</b>
Cash.....	46.2
Cash equivalent (bank overdrafts).....	(0.3)
Liquidity.....	<u>45.9</u>
Current bank debt.....	(67.8)
Other current financial debt.....	(10.2)
Current financial debt.....	<u>(78.0)</u>
Non-current bank debt.....	(93.1)
Preference shares issued.....	(1.4)
Non-current financial indebtedness.....	<u>(94.5)</u>
Net financial indebtedness.....	<u><u>(126.6)</u></u>

Other than trade receivables and payables, there were no financial assets or liabilities excluded from the above analysis. No financial assets or liabilities were held or issued for trading purposes. There is no indirect or contingent indebtedness, owed by Menzies, excluded from the above analysis.

## **11. CRITICAL ACCOUNTING POLICIES**

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

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

The Group's significant accounting policies are more fully described in note 1 of the financial statements included in the Annual Report 2015, which is incorporated by reference in this document as described in Part XIII of this document.

### **11.1 Joint ventures and associates**

Judgement is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure budgets for the joint arrangement, as required by the joint venture agreements applicable to the entity's joint arrangements.

### **11.2 Intangible assets**

On the acquisition of a business it is necessary to attribute fair values to any intangible assets acquired, provided they meet the criteria to be recognised. The fair values of these intangible assets are dependent on estimates of attributable future revenues, margins and cash flows, as well as appropriate discount rates. In addition, the allocation of useful lives to acquired intangible assets requires the application of judgement based on available information and management expectations at the time of recognition. See note 11 of the financial statements included in the Annual Report 2015 for further details.

### **11.3 Impairment**

Impairment testing is carried out on any assets that show indications of impairment and annually on goodwill and intangibles that are not subject to amortisation. This testing involves exercising management judgement about future cash flows and other events which are by their nature uncertain. See note 11 of the financial statements included in the Annual Report 2015 for further details.

### **11.4 Retirement benefits**

The assumptions underlying the calculation of retirement benefits are important and based on independent advice. Changes in these assumptions could have a material impact on the measurement of the Group's retirement benefit obligation. See note 4 of the financial statements included in the Annual Report 2015 for further details.

### **11.5 Income taxes**

The Group is subject to income tax in numerous jurisdictions and significant judgement is required in determining the provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for tax based on estimates of the taxes that are likely to become due.

Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made. See notes 8 and 14 of the financial statements included in the Annual Report 2015 for further details.

The Group has in place a limited number of intragroup finance arrangements that are subject to enquiry by the relevant tax authority. The Group does not recognise potential benefits from such arrangements to its effective tax rate until the agreement of the relevant tax authority is considered reasonably certain and therefore an appropriate provision is held until that point.

#### **11.6 Provisions**

The Group exercises judgement in determining whether provisions are required in relation to onerous property leases. Judgement is necessary in assessing the likelihood of whether or not an alternative use can be found for these properties or a suitable tenant can be found in order to cover the cost of the lease. This likelihood will vary depending on the size, location and type of property.

#### **11.7 Revenue recognition**

Judgment must be exercised to ensure that revenue is recognised in accordance with contractual terms.

## PART VII – OPERATING AND FINANCIAL REVIEW OF ASIG

*You should read the information below in conjunction with Part VIII of this document, the combined historical financial information of ASIG, and you should not rely solely on key and summarised information. Ernst & Young LLP has issued an accountant's report as set out in Part B of Part VIII of this Document in respect of the combined historical financial information for ASIG for the years ended 31 December 2015, 2014 and 2013.*

*Some of the information in the review set forth below and elsewhere in this document includes forward-looking statements that involve risks and uncertainties. ASIG's actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, including under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements".*

### 1. OVERVIEW

ASIG is an aviation services provider and a leading independent fuelling services provider, providing ground, fuel and airport facility services to airlines, airports, oil companies and industry partners in the commercial aviation sector. It delivers comprehensive service solutions including ITP fuelling, FFM, ground handling, aircraft technical support services, facilities equipment maintenance and de-icing at 88 airports across seven countries in North America, Central America, Europe and Asia (with a presence in seven of the top ten global airports by 2014 flight activity). ASIG is currently owned by BBA, and is run as a standalone division with its president reporting to the ASIG president of Flight Support and being part of the ASIG Flight Support management team reporting directly to the BBA board.

ASIG was established in 1947 and is headquartered in Orlando, Florida with an experienced management team and in depth expertise across many disciplines. The business directly employs over 8,000 people globally, servicing over 600 customers (with longstanding relationships with the largest of those), including American Airlines, IAG, Delta Air Lines, Shell and United Airlines. In 2015, ASIG fuelled over 4.0 million flights, transporting and pumping more than 10.0 billion gallons of fuel whilst its ground handling operations serviced over 100,000 flights and events (including cleaning events).

### 2. KEY FACTORS AFFECTING ASIG FINANCIAL RESULTS

ASIG's results have been affected, and are expected to be affected in the future, by a variety of factors including the following:

#### 2.1 Commercial aviation movements and airline outsourcing of services

As a commercial aviation service business, ASIG provides fuelling, ground handling and technical services to commercial operators and airports around the world. The primary growth driver for this market is the frequency of commercial aircraft movements which, in turn, drives demand for ASIG's on-airport services. The 2016 FAA forecast anticipates U.S. carrier combined domestic and international passenger growth to average 2.2 per cent. per year over the next two decades (source: FAA 2016 to 2036 Aerospace Forecast). Airbus and Boeing's global market forecasts predict air traffic will double in the next 20 years, requiring twice the current aircraft fleet size by 2035. The strain such expansion will place on capital leads ASIG to believe that airlines will remain favourable towards outsourcing many of their non-core service needs such as ground handling and ITP fuelling.

#### 2.2 Outcome of tender process for gaining new and renewing existing contracts

As with other ground handling service providers, ASIG's revenues are based on contracts with varying terms including those with a fixed time period. In any one year, a selection of contracts are retendered and awarded on the basis of price and quality of service. There is no presumption that contracts will always be renewed which means that organic revenues will fluctuate as the portfolio of contracts changes over time and impact the financial results.

#### 2.3 Effect of acquisitions and other inorganic growth opportunities

There are significant growth opportunities in ASIG for strategic acquisitions and other inorganic growth in the generally fragmented markets in which it operates. The comparison of financial results year-on-year can be meaningfully affected by acquisitions and other inorganic growth.

## 2.4 Geographic concentration and foreign exchange fluctuations

ASIG's operation and many of its customers are in North America, particularly in the United States. ASIG has 71 locations, including 33 hubs in North America, which accounts for over 80.0 per cent. of total ASIG locations. In 2015 and 2014, 64.0 per cent. and 68.0 per cent. of ASIG's revenues were generated in the United States, respectively. As ASIG reports in U.S. dollars, it is subject to currency fluctuations from the translation of revenues and expenses and of assets and liabilities of its foreign operations using a functional currency other than the U.S. dollar, mainly sterling and the Canadian dollar. Movements in foreign exchange rates have had an impact on ASIG's results of operations because movements in foreign exchange rates are outside ASIG's control.

## 2.5 Cost base management

ASIG's financial results are directly affected by the extent to which it manages its costs, particularly with the changing contract portfolio. The initial period of a new contract may require upfront expenditure to cover start-up operational costs. This expense can impact the underlying financial results.

ASIG has in the past undertaken restructuring programmes involving the closure of operating bases, the restructuring of contracts or staff and the exit from certain activities.

Central cost recharges by BBA cannot be influenced by ASIG. Menzies anticipates that the services provide in the past by BBA can be replicated at a reduced cost going forward as part of the Menzies group as discussed further in Part I section 4.

## 2.6 Cash flow

ASIG's ability to contribute cash to the wider group will depend in part upon market conditions, and unfavourable conditions could increase costs beyond those anticipated. Such costs could have a material adverse impact on cash flows or its results of operations or both.

All financing is managed by BBA and therefore the group as a whole bears the risk of any material adverse effect on the financial condition and results of operations of ASIG.

# 3. FINANCIAL RESULTS FOR THREE YEARS ENDED 31 DECEMBER 2015

## 3.1 Financial Results

	Financial year ended 31 December (audited)		
	2015 \$m	2014 \$m	2013 \$m
Revenue .....	415.8	451.9	402.6
Net operating costs excluding BBA central cost allocations	(402.5)	(433.2)	(383.8)
Operating profit before BBA central cost allocations and joint ventures and associates .....	13.3	18.7	18.8
BBA central cost allocations .....	(20.3)	(19.3)	(14.7)
Share of profit of joint ventures and associates .....	0.2	1.1	0.8
Operating (loss)/profit after joint ventures and associates .	(6.8)	0.5	4.9
Analysed as:			
Underlying operating (loss)/profit.....	(4.1)	4.4	12.2
Contract amortisation.....	(2.4)	(1.8)	(2.0)
Non-underlying items .....	(0.3)	(2.1)	(5.3)
Operating (loss)/profit after joint ventures and associates .	(6.8)	0.5	4.9
Finance income .....	2.3	3.9	4.1
Finance charges .....	(3.4)	(3.9)	(2.9)
(Loss)/profit before tax .....	(7.9)	0.5	6.1

Net operating costs excluding BBA central cost allocations comprise:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Employment costs.....	263.3	279.3	248.0
Other operating costs.....	125.0	136.7	116.5
Intangible asset amortisation.....	2.5	2.1	2.5
Depreciation.....	11.4	13.0	11.5
Exceptional items.....	0.3	2.1	5.3
	<u>402.5</u>	<u>433.2</u>	<u>383.8</u>

### 3.1.1 Financial year ended 31 December 2015 compared to financial year ended 31 December 2014

ASIG's revenue decreased by 8.0 per cent. to \$415.8 million (2014: \$451.9 million). The revenue decline reflected net contract losses, principally the losses of the ground handling contract with Terminal One Group Association ("TOGA") at John F. Kennedy International Airport, New York and a hotel to airport baggage handling contract with Disney Magical Express, Orlando ("DME"). The year-on-year impact on operating profit of the net contract losses was \$15.5 million. This was offset by increased operating profit from annualisation of new business, general improved performance, and lower payroll costs and fixed overhead in the U.S. combined with lower payroll costs in EMEA.

In July 2015, ASIG acquired its joint venture partner's stake in ASIG Panama SA at Tocumen International Airport, Panama. This purchase resulted in a non-cash tax-free gain of \$2.5 million partly offset by a \$0.4 million loss on re-measurement of fair value of associate.

### 3.1.2 Financial year ended 31 December 2014 compared to financial year ended 31 December 2013

ASIG's revenue increased by 12.2 per cent. to \$451.9 million (2013: \$402.6 million) reflecting the impact of the start-up of operations at London Heathrow's newly opened Terminal 2 and the acquisition of Skytanking USA, Inc. in the United States. The acquisition in April 2014 extended ASIG's position in the military fuel farm maintenance market.

ASIG's operating performance in 2014 was adversely impacted by start-up and operational costs associated with the new operations at London Heathrow and increased cost allocations from the parent group, partly offset by the contribution from the Skytanking USA, Inc. acquisition.

## 3.2 Revenue

Revenue analysed by line of business was as follows:

	<b>Financial year ended</b>		
	<b>31 December</b>		
	<b>(audited)</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Ground services, excluding fuel services.....	199.2	244.2	210.1
Into plane fuelling.....	178.8	159.2	143.1
Other fuel services.....	37.8	48.5	49.4
	<u>415.8</u>	<u>451.9</u>	<u>402.6</u>

Ground services, excluding fuel services includes passenger and cargo handling, de-icing and technical services. Other fuel services include management of fuel farms and sundry sales.

Revenue in 2015 fell by 8.0 per cent. from 2014 with key movements in ground handling services, excluding fuel services (18.4 per cent. decrease) and other fuel services (22.1 per cent. decrease). \$41.1 million of the \$45.0 million decline in ground handling is attributed to lost TOGA and DME contracts. Base closures impacted total revenue adversely by \$8.0 million.

The impact of foreign exchange movements in 2015 compared to 2014 was \$12.9 million adverse as both the pound sterling (\$8.4 million) and Canadian dollar (\$4.5 million) weakened.

Revenue in 2014 rose 12.2 per cent. from 2013 with key movements in ground services, excluding fuel services (16.2 per cent. increase) and ITP fuelling (11.2 per cent. increase). Other fuel services declined 1.8 per cent. The increase in ground handling was due to new services at Terminal 2 Heathrow, London and at Manchester, contributing \$27.2 million combined, whilst ITP fuelling benefitted from the Skytanking acquisition (\$23.2 million).

The net impact of foreign exchange movements in 2014 compared to 2013 was \$4.5 million favourable as a result of the combination of a stronger pound sterling (\$5.8 million) and a weaker Canadian dollar (-\$1.3 million).

### 3.3 Underlying earnings

In order to understand the ongoing trading of the operation of ASIG, the following table reconciles underlying operating profit adding back BBA central cost allocations to calculate underlying operating profit before BBA central cost allocations then adjusting for depreciation, and software amortisation to show acquired underlying EBITDA before BBA central cost allocations. The information is presented for each of the financial years ended 31 December:

	<b>Financial year ended 31 December (audited)</b>		
	<b>2015 \$m</b>	<b>2014 \$m</b>	<b>2013 \$m</b>
Operating (loss)/profit after joint ventures and associates .	(6.8)	0.5	4.9
Add back: Contract amortisation.....	2.4	1.8	2.0
Non-underlying items .....	0.3	2.1	5.3
Underlying operating (loss)/profit.....	(4.1)	4.4	12.2
Add back: BBA central cost allocations.....	20.3	19.3	14.7
Underlying operating profit before BBA central cost allocations .....	16.2	23.7	26.9
Depreciation.....	11.4	13.0	11.5
Computer software amortisation .....	0.1	0.3	0.5
Underlying EBITDA before BBA central cost allocations	<u>27.7</u>	<u>37.0</u>	<u>38.9</u>

ASIG was recharged selling, general and administrative expenses from BBA for certain shared services of \$20.3 million, \$19.3 million and \$14.7 million for the years ended 31 December 2015, 2014 and 2013, respectively, through central cost allocations. Historically, the centralised functions have included executive senior management, finance, accounting, internal audit, shared services, information technology, tax, treasury, legal, human resources and payroll, regulatory, health safety and environment, insurance, facilities, and strategy and development. BBA believes that these recharges reasonably reflect the utilisation of services provided and benefits received, however, these amounts are not necessarily representative of the amounts that would have been incurred had ASIG operated during this period as a separate entity, nor are they necessarily representative of the amounts expected to be incurred to provide these functions to ASIG in future. As set out in Part I of this document, the Board estimates that the cost to Menzies of providing these services to ASIG post-Proposed Acquisition will be £5.5 million per annum.

Underlying operating profit for the three years ended 31 December 2015 has been impacted by a number of lost contracts and the closure of operating bases. The TOGA and DME lost contracts and operating base closures contributed EBITDA of \$0.3 million in the financial year ended 31 December 2015, \$15.8 million in the financial year end 31 December 2014 and \$14.2 million in the financial year ended 31 December 2013.



### 3.4 Non-underlying earnings

In this Part VII, ASIG presents underlying profit, which excludes material income and charges considered to be one-off or non-recurring in nature, such as acquisition transaction costs. Underlying profit also excludes the amortisation of intangible assets arising from business combinations.

The following table presents non-underlying items for the years ended 31 December 2015, 2014 and 2013.

Exceptional items charged/(credited) in operating profit are:

	Notes	Financial year ended 31 December (audited)		
		2015 \$m	2014 \$m	2013 \$m
Bargain gain on acquisition of a subsidiary .....	(i)	(2.5)	—	—
Loss on re-measurement of fair value of associate .....	(i)	0.4	—	—
Litigation settlements provision .....	(ii)	2.4	—	—
Acquisition costs .....	(iii)	—	1.5	1.4
Restructuring and contract termination costs...	(iv)	—	0.8	3.9
Gain on disposal of a joint venture .....	(v)	—	(0.2)	—
		<u>0.3</u>	<u>2.1</u>	<u>5.3</u>

- (i) In 2015, the ASIG Group acquired control and 100.0 per cent. of the shareholding of ASIG Panama, SA. As part of the transaction process, the carrying value of the equity accounted investment was re-measured to fair value (\$0.5 million) resulting in a loss of \$0.4 million. An exceptional bargain gain of \$2.5 million was recognised being the difference between the fair value of the 100.0 per cent. assets acquired (\$3.2 million) less the fair value of the equity accounted investment (\$0.5 million) and cash consideration (\$0.2 million). The gain arose as the transaction was not made on an arm's length basis in an open market.
- (ii) The \$2.4 million litigation settlements provision relates to the expected cost associated with certain historical employee claims where, based on events since 31 December 2015, settlement now appears more likely than not. Whilst these costs relate to employees of the ASIG Group, and are therefore included in the Historical Financial Information, the claims will ultimately be settled by BBA through an indemnity under the terms of the Acquisition Agreement.
- (iii) Acquisition costs relating to Skytanking USA, Inc. in 2014 were \$1.4 million. In 2013, costs of \$0.8 million were incurred relating to the acquisition of substantially all of the assets of Fernley Heathrow Limited. Failed acquisition costs of \$0.1 million and \$0.6 million were incurred in 2014 and 2013 respectively.
- (iv) Restructuring and contract termination costs of \$0.8 million were incurred in 2014 relating to a U.S. management restructure (pay continuance, bonus and relocation) and a rationalisation exercise to close operations at JFK Terminal 1. In 2013 \$3.9 million was incurred relating to a U.S. management restructure (pay continuance, bonus and relocation).
- (v) Gain on disposal relates to the disposal of a 50.0 per cent. share of joint venture operations in April 2014.

#### 4. CASHFLOW

The following table presents ASIG's cash flows for the financial years ended 31 December 2015, 2014 and 2013:

	<b>Financial year ended 31 December (audited)</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Net cash flow from operating activities.....	10.4	3.2	30.4
Net cash flow from/(used in) investing activities.....	5.4	(30.5)	(13.1)
Net cash flow (used in)/from financing activities.....	(8.4)	24.8	(11.8)
Increase/(decrease) in net cash and cash equivalents.....	7.4	(2.5)	5.5
Effects of exchange rate movements.....	(0.4)	(0.6)	0.2
Opening net cash and cash equivalents .....	7.8	10.9	5.2
Closing net cash and cash equivalents.....	14.8	7.8	10.9

The increase in net cash and cash equivalents in 2015 of \$7.4 million was largely driven by the reduction in cash used in investing activities, where proceeds from sale of property, plant and equipment of \$12.0 million partly offset lower than prior year spend on property, plant and equipment (\$7.5 million).

The decrease in cash and cash equivalents in 2014 of \$2.5 million, resulted from an increased spend on property, plant and equipment of \$16.8 million compared to other years (2015: \$7.5 million, 2013: \$11.9 million) and \$18.5 million of acquisition expenditure, primarily relating to the acquisition of Skytanking USA, Inc.

The increase in cash and cash equivalents in 2013 of \$5.5 million is primarily due to increased operating profit after joint ventures and associates of \$4.9 million compared to 2014 (profit: \$0.5 million) and 2015 (loss: \$6.8 million). Also included is spend of \$11.9 million of spend on property, plant and equipment, and \$3.2 million on acquisition expenditure primarily relating to Fernley Heathrow Limited.

**PART VIII – HISTORICAL FINANCIAL INFORMATION OF ASIG**

**PART A – HISTORICAL FINANCIAL INFORMATION OF ASIG**

**Combined Income Statement  
for the Years Ended 31 December**

	Notes	2015 \$m	2014 \$m	2013 \$m
Revenue .....	3	415.8	451.9	402.6
Net operating costs excluding BBA Aviation plc central cost allocations .....	4	(402.5)	(433.2)	(383.8)
Operating profit before BBA Aviation plc central cost allocations and joint ventures and associates		13.3	18.7	18.8
BBA Aviation plc central cost allocations .....	4	(20.3)	(19.3)	(14.7)
Share of profit of joint ventures and associates....		0.2	1.1	0.8
Operating (loss)/profit after joint ventures and associates .....		(6.8)	0.5	4.9
Analysed as:				
Underlying operating (loss)/profit .....		(4.1)	4.4	12.2
Bargain gain on acquisition of subsidiary.....	6	2.5	—	—
Loss on re-measurement of fair value of associate	6	(0.4)	—	—
Litigation settlements provision .....	6	(2.4)	—	—
Acquisition costs.....	6	—	(1.5)	(1.4)
Restructuring and contract termination costs.....	6	—	(0.8)	(3.9)
Gain on disposal of joint venture .....	6	—	0.2	—
Contract amortisation .....	6	(2.4)	(1.8)	(2.0)
Operating (loss)/profit after joint ventures and associates .....		(6.8)	0.5	4.9
Finance income.....	7	2.3	3.9	4.1
Finance charges .....	7	(3.4)	(3.9)	(2.9)
(Loss)/profit before tax .....		(7.9)	0.5	6.1
Taxation.....	8	2.9	(2.3)	(3.3)
(Loss)/profit for year .....		(5.0)	(1.8)	2.8
Attributable to equity shareholders.....		(4.6)	(1.3)	3.4
Attributable to non-controlling interests.....		(0.4)	(0.5)	(0.6)
		(5.0)	(1.8)	2.8

**Combined Statement of Comprehensive Income for  
the Years Ended 31 December**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
(Loss)/profit for the year .....	(5.0)	(1.8)	2.8
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/profit on translation of foreign operations.....	(4.1)	10.1	21.7
Other comprehensive (loss)/income for the year (net of tax).....	(4.1)	10.1	21.7
Total comprehensive (loss)/income for the year.....	(9.1)	8.3	24.5
Attributable to equity shareholders.....	(9.3)	8.8	24.8
Attributable to non-controlling interests.....	0.2	(0.5)	(0.3)
	(9.1)	8.3	24.5

**Combined Balance Sheet  
as at 31 December**

	Notes	2015 \$m	2014 \$m	2013 \$m
<b>Assets</b>				
Non-current assets				
Intangible assets.....	9	192.4	197.1	188.2
Property, plant and equipment.....	10	59.1	63.8	58.1
Investments accounted for using the equity method.....	11	—	1.3	0.8
Deferred tax assets .....	12	0.9	0.8	0.5
		252.4	263.0	247.6
Current assets				
Inventories .....		3.6	4.6	4.6
Trade and other receivables .....	13	97.5	101.9	77.1
Cash and cash equivalents.....	15	15.7	11.1	13.3
		116.8	117.6	95.0
<b>Liabilities</b>				
Current liabilities				
Borrowings .....	15	(0.9)	(3.3)	(2.8)
Borrowings from BBA Aviation plc group.....	15	(94.1)	(98.3)	(24.1)
Trade and other payables.....	14	(72.7)	(84.0)	(64.0)
Current income tax liabilities .....	8	—	(0.4)	(0.3)
Provisions .....	18	—	(1.0)	—
		(167.7)	(187.0)	(91.2)
Net current (liabilities)/assets .....		(50.9)	(69.4)	3.8
Total assets less current liabilities .....		201.5	193.6	251.4
Non-current liabilities				
Borrowings .....	15	(0.3)	(0.4)	(0.4)
Borrowings from BBA Aviation plc group.....	15	(6.3)	—	(76.0)
Other payables.....	14	(18.0)	(8.2)	(13.4)
Deferred tax liabilities .....	12	(28.2)	(29.6)	(29.3)
Provisions .....	18	(3.1)	(0.1)	(0.1)
		(55.9)	(38.3)	(119.2)
Net assets.....		145.6	155.3	132.2
<b>Net invested capital</b>				
Owner's invested capital.....		151.3	161.2	137.6
Non-controlling interests.....		(5.7)	(5.9)	(5.4)
Total invested capital .....		145.6	155.3	132.2

**Combined Statement of Changes in Invested Capital for  
the Years Ended 31 December**

	<b>Owners' invested capital \$m</b>	<b>Non- controlling interests \$m</b>	<b>Total invested capital \$m</b>
At 1 January 2015 .....	161.2	(5.9)	155.3
Loss for the year.....	(4.6)	(0.4)	(5.0)
Currency translation.....	(4.7)	0.6	(4.1)
Total comprehensive (loss)/income for the year.....	(9.3)	0.2	(9.1)
Transactions with owners:			
Net transfers to owners .....	(0.6)	—	(0.6)
At 31 December 2015 .....	<u>151.3</u>	<u>(5.7)</u>	<u>145.6</u>

	<b>Owners' invested capital \$m</b>	<b>Non- controlling interests \$m</b>	<b>Total invested capital \$m</b>
At 1 January 2014 .....	137.6	(5.4)	132.2
Loss for the year.....	(1.3)	(0.5)	(1.8)
Currency translation.....	10.1	—	10.1
Total comprehensive income/(loss) for the year.....	8.8	(0.5)	8.3
Transactions with owners:			
Net Transfers from owners.....	14.8	—	14.8
At 31 December 2014 .....	<u>161.2</u>	<u>(5.9)</u>	<u>155.3</u>

	<b>Owners' invested capital \$m</b>	<b>Non- controlling interests \$m</b>	<b>Total invested capital \$m</b>
At 1 January 2013 .....	100.1	(5.1)	95.0
Profit/(loss) for the year.....	3.4	(0.6)	2.8
Currency translation.....	21.4	0.3	21.7
Total comprehensive income/(loss) for the year.....	24.8	(0.3)	24.5
Transactions with owners:			
Net transfers from owners.....	12.7	—	12.7
At 31 December 2013 .....	<u>137.6</u>	<u>(5.4)</u>	<u>132.2</u>

**Combined Statement of Cash Flows  
for the years ended 31 December**

	Notes	2015 \$m	2014 \$m	2013 \$m
<b>Cash flows from operating activities</b>				
Cash generated from operations .....	19	10.4	1.9	27.8
Interest received .....		2.3	3.9	4.3
Interest paid.....		(1.8)	(2.2)	(1.3)
Tax paid.....		(0.5)	(0.4)	(0.4)
Net cash flow from operating activities.....		<u>10.4</u>	<u>3.2</u>	<u>30.4</u>
<b>Cash flows from investing activities</b>				
Acquisitions .....	21	(0.2)	(18.5)	(3.2)
Cash acquired with subsidiaries .....	21	1.1	2.9	—
Proceeds from disposal of joint ventures .....		—	0.9	—
Purchase of property, plant and equipment.....		(7.5)	(16.8)	(11.9)
Proceeds from sale of property, plant and equipment .....		12.0	1.0	0.8
Dividends received from equity accounted investments .....		—	—	1.2
Net cash flow from/(used in) investing activities...		<u>5.4</u>	<u>(30.5)</u>	<u>(13.1)</u>
<b>Cash flows from financing activities</b>				
Net transactions with BBA Aviation plc through invested capital .....		(16.5)	20.6	(11.4)
Proceeds from BBA Aviation plc loans .....		8.1	4.2	—
Repayment of BBA Aviation plc loans.....		—	—	(0.4)
Net cash flow (used in)/from financing activities ..		<u>(8.4)</u>	<u>24.8</u>	<u>(11.8)</u>
Increase/(decrease) in net cash and cash equivalents .....		<u>7.4</u>	<u>(2.5)</u>	<u>5.5</u>
Effects of exchange rate movements .....		(0.4)	(0.6)	0.2
Opening net cash and cash equivalents.....		7.8	10.9	5.2
Closing net cash and cash equivalents .....	20	<u><u>14.8</u></u>	<u><u>7.8</u></u>	<u><u>10.9</u></u>

## 1. GENERAL INFORMATION

The principal activity of the ASIG Group (as defined below) is that of aircraft handling and fuelling. The ASIG Group operates in the commercial aviation market. It is a global provider of ground, fuel and airport facility services to airlines, airports, oil companies and industry partners, delivering flexible and comprehensive service solutions including ground handling, refuelling and fuel farm management, aircraft technical support services and de-icing.

## 2. ACCOUNTING POLICIES

### 2.1 Basis of preparation

The ASIG Group's combined historical financial information (the "HFI") has been presented on a stand-alone basis and has been carved out from the consolidated financial statements of BBA Aviation plc ("BBA") by applying the principles underlying the consolidation procedures of IFRS 10 "Consolidated Financial Statements" as of and for each of the three years ended 31 December 2015, 2014 and 2013. The ASIG Group comprises ASIG Holdings Limited, ASIG Manchester Limited, ASIG Limited, ASIG Ground Handling Limited, ASIG Ground Handling Canada Limited, ASIG Canada Limited, ASIG (Thailand) Company Limited (52.9 per cent.), Aircraft Service International Group Holding (Thailand) Limited (49.9 per cent.), ASIG Tanking (Thailand) Limited (40.0 per cent.), ASIG Holdings (Barbados) Limited, ASIG Panama, SA, ASIG Ground Handling Panama, SA, ASIG Holdings Corp, Aircraft Service International Group, Inc., Aircraft Service International Inc. and ASIG Nassau Fuelling Service Limited (the "ASIG Group").

The financial information for the three years ended 31 December 2015, 2014 and 2013 has been prepared specifically for the purpose of this Circular and Prospectus in accordance with the UK Listing Rules and in accordance with this basis of preparation. The accounting policies applied to the HFI are consistent with the accounting policies adopted in Menzies' latest published annual accounts. The combined HFI of the ASIG Group may not be indicative of its future performance and does not necessarily reflect what the results of operations, financial position and cash flows would have been had the ASIG Group operated as a stand-alone group during the periods under review.

The combined HFI is presented in U.S. dollars, which is the ASIG Group's presentation currency.

The HFI contained in Part VIII of this document does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act.

In addition, the HFI has been prepared on a going concern basis. The directors have a reasonable expectation that the ASIG Group has adequate resources to continue in operational existence for the foreseeable future.

This basis of preparation describes how the HFI has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and IFRIC interpretations ("IFRS"), except as described below. The HFI has been prepared on a historical cost basis.

IFRSs as adopted by the EU do not provide for the preparation of combined financial information, and accordingly in preparing the combined financial information certain accounting conventions commonly used for the preparation of HFI for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in material departures from IFRSs as adopted by the EU and these are explained below. In other respects, IFRSs as adopted by the EU have been applied and the financial information relating to the ASIG Group has been prepared in a form that is consistent with the accounting policies adopted in Menzies' latest annual accounts.

- The separate legal entities that constitute the ASIG Group did not have a common parent company other than their ultimate parent, BBA, during the three years presented in this financial information. The combined financial information, which has been prepared



specifically for the purpose of this Circular and Prospectus, is therefore prepared on a basis that combines the historical results, assets and liabilities of the ASIG Group by applying the principles underlying the consolidation procedures of IFRS 10.

The following summarises the accounting and other principles applied in preparing the combined financial information:

- The net assets of the ASIG Group are represented by the cumulative investment of BBA in the ASIG Group (“**Invested Capital**”) and no analysis of this amount into components of equity is presented.
- All intra-ASIG Group balances, transactions, income and expenses and profits and losses have been eliminated on combination.
- Transactions between the ASIG Group and BBA and related entities have been included in this combined HFI and are considered to be effectively settled for cash in the combined HFI at the time the transaction is recorded. The total net effect of the settlement of these intercompany transactions is reflected in the combined statements of cash flows as a financing activity and in the combined statements of financial position as Invested Capital.
- The ASIG Group was recharged selling, general and administrative expenses from BBA for certain shared services of \$20.3 million, \$19.3 million and \$14.7 million for the years ended 31 December 2015, 2014 and 2013, respectively. Historically, the centralised functions have included executive senior management, finance, accounting, internal audit, shared services, information technology, tax, treasury, legal, human resources and payroll, employee incentive plans, regulatory, health safety and environment, insurance, facilities, and strategy and development. However, these amounts are not necessarily representative of the amounts that would have been incurred by the ASIG Group as a separate entity.
- Cash and cash equivalents in the combined Balance Sheets comprise the cash and cash equivalents of the ASIG Group, held locally and specifically in relation to the operations of the ASIG Group. Historically, BBA has performed cash management functions on behalf of the ASIG Group. BBA manages certain cash pooling activities among the ASIG Group’s operating units, including the arrangement of borrowings from and loans to related parties and the transfer of cash balances to BBA. None of BBA’s cash and cash equivalents has been allocated to the ASIG Group in the combined Balance Sheets. Transfers to and from BBA are recorded as adjustments to Invested Capital.
- The provision for income taxes is calculated as if the ASIG Group completed separate tax returns apart from BBA.

## 2.2 **New accounting standards and amendments affecting the Group**

Standards and amendments to standards that have been issued but are not effective for 2015 and have not been early adopted are:

Amendments to IAS 27: Equity Method in Separate Financial Statements – effective date 1 January 2016

Amendments to IAS 1: Disclosure Initiative – effective date 1 January 2016

IFRS 9 Financial Instruments\* – effective date 1 January 2018

IFRS 15 Revenue from Contracts with Customers\* – effective date 1 January 2018

Annual Improvements to IFRSs – 2012 to 2014 cycle – effective date 1 January 2016

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture\* – effective date 1 January 2016

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation – effective date 1 January 2016

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations – effective date 1 January 2016

IFRS 16 Leases\* – effective date 1 January 2019

Amendment to IAS 7: Disclosure Initiative\* – effective date 1 January 2017

Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses\* – effective date 1 January 2017

Clarifications to IFRS 15 Revenue from Contracts with Customers\* – effective date 1 January 2018

IFRS 2 – Classification and Measurement of Share Based Payment Transactions\* – effective date 1 January 2018

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

The above standards and amendments will be adopted in accordance with their effective dates and have not been adopted in this historical financial information.

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

### 2.3 Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and services provided, stated net of sales taxes. For ramp, passenger, into plane fuelling and other aviation related services, revenue is calculated either as cost of sales plus a fixed rate or as a fixed rate per aircraft serviced. Revenue related to fuel farm management services is recorded on a net basis equal to a fixed management fee as contractually agreed upon with customers. All costs related to fuel farm management services are passed through the entity from the vendor to the customer.

Ramp, passenger, into plane fuelling, fuel farm management and other aviation related services income is recognised at the time the service is provided in accordance with the terms of the relevant contract. Revenue excludes sales taxes.

Some customers are billed in advance for the provision of aviation services. Such amounts have been recorded as deferred income until the service is provided.

### 2.4 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:

- Land – not depreciated
- Freehold properties – over maximum 40 years
- Leasehold properties – shorter of useful life or lease term
- Plant and equipment – over the estimated life of the asset up to 20 years

### 2.5 Inventories

Inventories, being goods for resale and consumables, are stated at the lower of purchase cost and net realisable value. Cost is primarily calculated using the first-in first-out method. Provision is made for slow-moving or obsolete inventory as appropriate.

### 2.6 Pensions

With regard to defined contribution schemes, the Income Statement charge represents contributions made.

### 2.7 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 Statement of Comprehensive Income respectively.

## 2.8 Intangible assets

### *Goodwill*

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

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

### *Contracts*

Contracts are stated at cost less accumulated amortisation and impairment. The fair value attributable to contracts at the point of acquisition is determined by discounting the expected future cash flows to be generated from the asset at the relevant risk-adjusted weighted average cost of capital for the ASIG Group. This amount is included in intangible assets as contracts. Separate values are not attributed to internally-generated customer relationships. Amortisation is provided for on a straight-line basis over the useful life of the asset, up to ten years.

### *Computer software*

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

## 2.9 Leases

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

Assets acquired under finance leases are capitalised in the Balance Sheet at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is recorded in the Balance Sheet as a finance lease obligation. The lease payments are apportioned between finance charges to the Income Statement and a reduction of the lease obligations.

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

## 2.10 Trade receivables

If there is objective evidence that the ASIG 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.

## 2.11 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.

## 2.12 Foreign currencies

Items included in the HFI are measured using the currency of the primary economic environment in which the ASIG Group operates (the functional currency). The combined HFI is presented in U.S. dollars, which is the ASIG Group's presentation currency. Foreign currency assets and liabilities of the ASIG Group are translated at the rates of exchange ruling at the Balance Sheet date. The trading results of subsidiaries, joint ventures and associates with a functional currency other than the U.S. dollars 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 subsidiaries, joint ventures and associates with a functional currency other than the U.S. dollars, and of applicable foreign currency loans, are dealt with as adjustments to reserves. All other exchange differences are dealt with in the Income Statement.

## 2.13 Provisions

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

## 2.14 Joint ventures and associates

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

An associate is an entity over which the ASIG Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

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

The Income Statement reflects the ASIG Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the ASIG Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the ASIG Group recognises its share of any changes, when applicable, in the Combined Statement of Changes in Invested Capital. Unrealised gains and losses resulting from transactions between the combined ASIG Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the ASIG Group's share of profit or loss of an associate and a joint venture is shown on the face of the Income Statement outside operating profit and represents profit or loss after tax and non-controlling interests in the associate or joint venture.

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

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

## 2.15 Estimates and judgements

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

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

### *Intangible assets*

On the acquisition of a business it is necessary to attribute fair values to any intangible assets acquired, provided they meet the criteria to be recognised. The fair values of these intangible assets are dependent on estimates of attributable future revenues, margins and cash flows, as well as appropriate discount rates. In addition, the allocation of useful lives to acquired intangible assets requires the application of judgement based on available information and management expectations at the time of recognition. See note 9 of this Part VIII for further details.

### *Impairment*

Impairment testing is carried out on any assets that show indications of impairment and annually on goodwill and intangibles that are not subject to amortisation. This testing involves exercising management judgement about future cash flows and other events which are by their nature uncertain. See note 9 of this Part VIII for further details.

### *Income taxes*

The ASIG Group is subject to income tax in numerous jurisdictions and significant judgement is required in determining the provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain. The ASIG Group recognises provisions for tax based on estimates of the taxes that are likely to become due.

Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made. See notes 8 and 12 of this Part VIII for further details.

## 2.16 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 ASIG Group's financial performance. These exclude certain elements of intangible asset impairment and amortisation, which are also presented separately in the Income Statement.

Transactions which may give rise to exceptional items include restructuring of business activities (in terms of rationalisation costs and onerous lease provisions), gains or losses on the disposal of businesses and acquisition transaction and other related costs including changes in deferred consideration.

## 2.17 Financial risk factors

The ASIG Group is exposed to financial risks: liquidity risk, interest rate fluctuations, foreign exchange exposures and credit risk. See note 15 for further details.

## 2.18 Definitions and non-GAAP measures used by management

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

**Underlying operating profit** adjusts for non-recurring exceptional items and contract amortisation to provide an appreciation of the impact of those items on operating profit.

### 3. SEGMENTAL ANALYSIS

#### Reportable segments

As it is anticipated that the ASIG Group will form part of the Ground Handling segment within Menzies, one reportable segment is disclosed.

#### Geographic information

The revenue and non-current assets by geographical area were:

	Revenue			Non-current assets <sup>1</sup>		
	2015 \$m	2014 \$m	2013 \$m	2015 \$m	2014 \$m	2013 \$m
USA.....	266.0	307.4	289.6	197.4	204.0	194.1
UK.....	111.8	118.2	88.0	31.9	37.8	30.7
Rest of World...	38.0	26.3	25.0	22.2	20.4	22.3
	<u>415.8</u>	<u>451.9</u>	<u>402.6</u>	<u>251.5</u>	<u>262.2</u>	<u>247.1</u>

<sup>1</sup> Excluding deferred tax assets

### 4. NET OPERATING COSTS

	2015 \$m	2014 \$m	2013 \$m
Employment costs.....	263.3	279.3	248.0
Other operating costs.....	125.0	136.7	116.5
Intangible asset amortisation.....	2.5	2.1	2.5
Depreciation.....	11.4	13.0	11.5
Exceptional items.....	0.3	2.1	5.3
Net operating costs before central cost allocations.....	<u>402.5</u>	<u>433.2</u>	<u>383.8</u>
Central cost allocations by BBA Aviation plc.....	20.3	19.3	14.7
	<u>422.8</u>	<u>452.5</u>	<u>398.5</u>

Other operating costs include:

	2015 \$m	2014 \$m	2013 \$m
Operating lease charge.....	24.4	22.8	21.0
Profit on disposal of property, plant and equipment.....	(0.9)	(0.2)	(0.3)
Currency translation gain.....	(0.1)	(0.1)	—
	<u>23.4</u>	<u>22.5</u>	<u>20.7</u>

## 5. EMPLOYEES

Employee related costs are:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Wages and salaries.....	241.4	255.0	227.1
Social security costs .....	19.0	21.2	18.7
Pension charge .....	2.9	3.1	2.2
	<u>263.3</u>	<u>279.3</u>	<u>248.0</u>

The information presented above excludes exceptional employment costs which are set out in note 6.

## 6. EXCEPTIONAL AND OTHER ITEMS

Exceptional items included in operating profit are:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Bargain gain on acquisition of a subsidiary .....	(2.5)	—	—
Loss on re-measurement of fair value of associate .....	0.4	—	—
Litigation settlements provision.....	2.4	—	—
Acquisition costs.....	—	1.5	1.4
Restructuring and contract termination costs .....	—	0.8	3.9
Gain on disposal of a joint venture.....	—	(0.2)	—
	<u>0.3</u>	<u>2.1</u>	<u>5.3</u>

- In 2015, the ASIG Group acquired control and 100.0 per cent. of the shareholding of ASIG Panama, SA. As part of the transaction process, the carrying value of the equity accounted investment was re-measured to fair value (\$0.5 million) resulting in a loss of \$0.4 million. An exceptional bargain gain of \$2.5 million was recognised being the difference between the fair value of the 100.0 per cent. assets acquired (\$3.2 million) less the fair value of the equity accounted investment (\$0.5 million) and cash consideration (\$0.2 million). The gain arose as the transaction was not made on an arm's length basis in an open market.
- The \$2.4 million litigation settlements provision relates to the expected cost associated with certain historical employee claims, where based on events since 31 December 2015 settlement now appears more likely than not.

Whilst these costs relate to employees of the ASIG Group, and are therefore included in the Historical Financial Information, the claims will ultimately be settled by BBA through an indemnity under the terms of the Acquisition Agreement.

- Acquisition costs relating to Skytanking USA, Inc. in 2014 were \$1.4 million. In 2013 costs of \$0.8 million were incurred relating to the acquisition of substantially all of the assets of Fernley Heathrow Limited. Failed acquisition costs of \$0.1 million and \$0.6 million were incurred in 2014 and 2013 respectively.
- Restructuring and contract termination costs of \$0.8 million were incurred in 2014 relating to a U.S. management restructure (pay continuance, bonus and relocation) and a rationalisation exercise to close operations at JFK Terminal 1. In 2013 \$3.9 million was incurred relating to a U.S. management restructure (pay continuance, bonus and relocation).
- Gain on disposal relates to the disposal of a 50.0 per cent. share of joint venture operations in April 2014.

Intangible assets amortisation included in operating profit are:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Amortisation of contract intangible assets capitalised on acquisition.....	2.4	1.8	2.0
	<u>2.4</u>	<u>1.8</u>	<u>2.0</u>

## 7. FINANCE INCOME AND CHARGES

	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Finance income			
Bank deposits.....	0.2	0.3	0.2
Interest income from cash pooling activities .....	2.1	3.6	3.9
	<u>2.3</u>	<u>3.9</u>	<u>4.1</u>
Finance charges			
Bank loans, overdrafts and other .....	(0.4)	(0.1)	(0.1)
Interest charge on loans from BBA Aviation plc.....	(3.0)	(3.8)	(2.8)
	<u>(3.4)</u>	<u>(3.9)</u>	<u>(2.9)</u>
Net finance (charge)/income .....	<u>(1.1)</u>	<u>—</u>	<u>1.2</u>

## 8. INCOME TAX

### Analysis of tax charge in Income Statement

	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Current tax			
UK corporation tax on profits for the year .....	—	0.4	0.6
Overseas tax.....	(0.4)	2.9	4.0
	<u>(0.4)</u>	<u>3.3</u>	<u>4.6</u>
Deferred tax			
Origination and reversal of temporary timing differences..	(2.5)	(1.3)	(1.4)
Impact of UK rate change.....	—	0.1	—
Tax effects of adjustments to property, plant and equipment .....	—	0.2	0.1
	<u>(2.5)</u>	<u>(1.0)</u>	<u>(1.3)</u>
Tax on profit on ordinary activities .....	<u>(2.9)</u>	<u>2.3</u>	<u>3.3</u>



The reconciliation between the tax (credit)/charge and product of accounting (loss)/profit multiplied by the UK tax rate is:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
(Loss)/profit before tax .....	(7.9)	0.5	6.1
(Loss)/profit before tax multiplied by standard rate of corporation tax in the UK of 20.25% (2015), 21.50% (2014), 23.25% (2013).....	(1.6)	0.1	1.4
(Lower)/higher tax on overseas earnings .....	(0.8)	1.4	1.3
Non-deductible expenses.....	0.2	0.5	0.3
Tax exempt income.....	(0.6)	—	—
Bargain gain on acquisition of a subsidiary .....	(0.4)	—	—
Unrecognised tax losses .....	0.3	0.2	0.2
Impact of rate change on deferred tax .....	—	0.1	—
Depreciation on non-qualifying assets.....	—	—	0.1
	<u>(2.9)</u>	<u>2.3</u>	<u>3.3</u>
The effective tax rates are:.....	<u>36.7%</u>	<u>460.0%</u>	<u>54.1%</u>

The main rate of UK corporation tax was reduced from 21.0 per cent. to 20.0 per cent. from 1 April 2015.

The Finance Act (No 2) 2015, which was substantively enacted on 26 October 2015, includes legislation reducing the main rate of corporation tax from 20.0 per cent. to 18.0 per cent. This decrease is to be phased in with a reduction to 19.0 per cent. effective from 1 April 2017 and a reduction to 18.0 per cent. effective from 1 April 2020.

The tax effect of the exceptional items is a net credit of \$1.0 million (2014: net credit of \$1.0 million, 2013: net credit of \$2.0 million).

## 9. INTANGIBLE ASSETS

	<b>Goodwill</b>	<b>Contracts</b>	<b>Computer software</b>	<b>Total</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Cost				
At 31 December 2014 .....	189.2	16.0	2.4	207.6
Acquisitions (note 21).....	—	1.5	—	1.5
Disposals.....	—	—	(0.8)	(0.8)
Currency translation.....	(3.3)	(1.0)	—	(4.3)
At 31 December 2015 .....	<u>185.9</u>	<u>16.5</u>	<u>1.6</u>	<u>204.0</u>
Accumulated amortisation				
At 31 December 2014 .....	—	8.4	2.1	10.5
Amortisation charge .....	—	2.4	0.1	2.5
Disposals.....	—	—	(0.7)	(0.7)
Currency translation.....	—	(0.7)	—	(0.7)
At 31 December 2015 .....	<u>—</u>	<u>10.1</u>	<u>1.5</u>	<u>11.6</u>
Net book value				
At 31 December 2015 .....	<u>185.9</u>	<u>6.4</u>	<u>0.1</u>	<u>192.4</u>

	<b>Goodwill \$m</b>	<b>Contracts \$m</b>	<b>Computer software \$m</b>	<b>Total \$m</b>
Cost				
At 31 December 2013 .....	183.9	10.9	2.2	197.0
Acquisitions (note 21).....	7.8	5.9	—	13.7
Additions .....	—	—	0.2	0.2
Currency translation.....	(2.5)	(0.8)	—	(3.3)
At 31 December 2014 .....	<u>189.2</u>	<u>16.0</u>	<u>2.4</u>	<u>207.6</u>
Accumulated amortisation				
At 31 December 2013 .....	—	7.0	1.8	8.8
Amortisation charge .....	—	1.8	0.3	2.1
Currency translation.....	—	(0.4)	—	(0.4)
At 31 December 2014 .....	<u>—</u>	<u>8.4</u>	<u>2.1</u>	<u>10.5</u>
Net book value				
At 31 December 2014 .....	<u><u>189.2</u></u>	<u><u>7.6</u></u>	<u><u>0.3</u></u>	<u><u>197.1</u></u>

	<b>Goodwill \$m</b>	<b>Contracts \$m</b>	<b>Computer software \$m</b>	<b>Total \$m</b>
Cost				
At 31 December 2012 .....	184.2	11.0	2.2	197.4
Acquisitions (note 21).....	0.3	—	—	0.3
Currency translation.....	(0.6)	(0.1)	—	(0.7)
At 31 December 2013 .....	<u>183.9</u>	<u>10.9</u>	<u>2.2</u>	<u>197.0</u>
Accumulated amortisation				
At 31 December 2012 .....	—	4.8	1.3	6.1
Amortisation charge .....	—	2.0	0.5	2.5
Currency translation.....	—	0.2	—	0.2
At 31 December 2013 .....	<u>—</u>	<u>7.0</u>	<u>1.8</u>	<u>8.8</u>
Net book value				
At 31 December 2013 .....	<u><u>183.9</u></u>	<u><u>3.9</u></u>	<u><u>0.4</u></u>	<u><u>188.2</u></u>

Goodwill acquired through business combinations has been allocated at acquisition to CGUs that are expected to benefit from the business combination. The carrying amount of the goodwill has been allocated to the operating units as per the table below.

	<b>2015 \$m</b>	<b>2014 \$m</b>	<b>2013 \$m</b>
ASIG Group.....	<u><u>185.9</u></u>	<u><u>189.2</u></u>	<u><u>183.9</u></u>

The ASIG Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The ASIG Group has determined the recoverable amount of the ASIG Group CGU from value-in-use calculations. The value-in-use calculations are based on cash flow forecasts derived from the most recent budgets and detailed financial projections for the next three years, as approved by management of the ASIG Group. Cash

flows for a further two years beyond the three years are extrapolated using estimated growth rates with a terminal growth rate after five years. The resultant cash flows are discounted using a pre-tax discount rate appropriate for the ASIG Group CGU.

### **Key assumptions**

The key assumptions for the value-in-use calculations are as follows.

#### *Sales volumes, selling prices and cost increases over the three years covered by management's detailed plans*

Sales volumes are based on industry forecasts and management estimates for the ASIG Group's business, including forecasts for Business & General Aviation flying hours and U.S. military spending. Selling prices and cost increases are based on past experience and management expectations of future changes in the market.

#### *Growth rates used for the periods beyond those covered by management's detailed plans*

Growth rates are derived from management's estimates, which take into account the long-term nature of the industry in which the CGU operates and external industry forecasts of long-term growth in the aerospace and defence sectors, the maturity of the platforms supplied by the CGU and the technological content of the CGU's products. For the purpose of impairment testing, a growth rate of 15.0 per cent. has applied to earnings before interest, taxation, depreciation and amortisation ("EBITDA") for the period 2016 to 2020. Beyond this period, an estimated growth rate of 2.2 per cent. (2014: 2.2 per cent. and 2013: 2.7 per cent.) has been used, which reflects forecast long-term U.S. GDP growth.

#### *Discount rates applied to future cash flows*

The ASIG Group's pre-tax weighted average cost of capital ("WACC") has been used as the foundation for determining the discount rates to be applied. The WACC has then been adjusted to reflect risks specific to the CGU not already reflected in the future cash flows for that CGU. The discount rate used was 8.4 per cent. (2014: 9.5 per cent. and 2013: 12.1 per cent.).

#### *Sensitivity analysis*

Management has concluded that a reasonably possible change in the key assumptions used in the impairment model could result in an impairment charge for the ASIG Group. The recoverable amount of the ASIG Group CGU at 31 December 2015, calculated based on value in use, exceeds its carrying value of \$261.5 million by \$63.2 million. The two assumptions to which the value in use calculation is most sensitive are the discount rate and the average annual growth rate in EBITDA. Sensitivity analysis with regard to these assumptions shows that the discount rate of 8.4 per cent. would need to increase by 150 basis points or the average annual growth rate in EBITDA across 2016 to 2020 of 15.0 per cent. would need to fall by 3.9 per cent. before any impairment would be triggered.

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>Land &amp; buildings \$m</b>	<b>Fixtures &amp; equipment \$m</b>	<b>Total \$m</b>
<b>Cost</b>			
At 31 December 2014 .....	35.1	159.6	194.7
Acquisitions (note 21) .....	8.7	2.9	11.6
Additions .....	2.5	5.3	7.8
Disposals .....	(14.9)	(21.4)	(36.3)
Currency translation .....	(0.4)	(2.6)	(3.0)
At 31 December 2015 .....	<u>31.0</u>	<u>143.8</u>	<u>174.8</u>
<b>Depreciation</b>			
At 31 December 2014 .....	26.1	104.8	130.9
Charge for the year .....	1.7	9.7	11.4
Disposals .....	(8.3)	(17.0)	(25.3)
Currency translation .....	(0.3)	(1.0)	(1.3)
At 31 December 2015 .....	<u>19.2</u>	<u>96.5</u>	<u>115.7</u>
<b>Net book value</b>			
At 31 December 2015 .....	<u><u>11.8</u></u>	<u><u>47.3</u></u>	<u><u>59.1</u></u>
	<b>Land &amp; buildings \$m</b>	<b>Fixtures &amp; equipment \$m</b>	<b>Total \$m</b>
<b>Cost</b>			
At 31 December 2013 .....	34.1	151.0	185.1
Acquisitions (note 21) .....	—	4.7	4.7
Additions .....	3.0	14.1	17.1
Disposals .....	(1.8)	(8.1)	(9.9)
Currency translation .....	(0.2)	(2.1)	(2.3)
At 31 December 2014 .....	<u>35.1</u>	<u>159.6</u>	<u>194.7</u>
<b>Depreciation</b>			
At 31 December 2013 .....	26.0	101.0	127.0
Charge for the year .....	1.9	11.1	13.0
Disposals .....	(1.7)	(6.4)	(8.1)
Currency translation .....	(0.1)	(0.9)	(1.0)
At 31 December 2014 .....	<u>26.1</u>	<u>104.8</u>	<u>130.9</u>
<b>Net book value</b>			
At 31 December 2014 .....	<u><u>9.0</u></u>	<u><u>54.8</u></u>	<u><u>63.8</u></u>

	<b>Land &amp; buildings \$m</b>	<b>Fixtures &amp; equipment \$m</b>	<b>Total \$m</b>
Cost			
At 31 December 2012 .....	32.9	144.6	177.5
Acquisitions (note 21).....	—	2.3	2.3
Additions .....	0.7	11.2	11.9
Disposals.....	(0.4)	(7.5)	(7.9)
Currency translation .....	0.9	0.4	1.3
	<u>34.1</u>	<u>151.0</u>	<u>185.1</u>
At 31 December 2013 .....			
Depreciation			
At 31 December 2012 .....	23.7	97.7	121.4
Charge for the year.....	1.8	9.7	11.5
Disposals.....	(0.4)	(6.8)	(7.2)
Currency translation .....	0.9	0.4	1.3
	<u>26.0</u>	<u>101.0</u>	<u>127.0</u>
At 31 December 2013 .....			
Net book value			
At 31 December 2013 .....	<u>8.1</u>	<u>50.0</u>	<u>58.1</u>

## 11. INVESTMENTS

Joint ventures and associates were equity accounted until 30 June 2015. On 1 July 2015 the ASIG Group acquired control and 100.0 per cent. of the share capital in ASIG Panama, S.A. by acquiring the remaining 80.0 per cent. of the share capital for a consideration of \$0.2 million. On 15 April 2014 the ASIG Group sold its 50.0 per cent. share of a joint venture operation with Skytanking in Europe for \$0.9 million.

## 12. DEFERRED TAX

	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Deferred tax assets			
Tax losses.....	0.4	0.1	—
Other temporary differences.....	2.5	2.1	2.0
	<u>2.9</u>	<u>2.2</u>	<u>2.0</u>
Deferred tax liabilities			
Accelerated capital allowances.....	(3.0)	(4.1)	(5.0)
Intangible assets.....	(27.2)	(26.9)	(25.8)
	<u>(30.2)</u>	<u>(31.0)</u>	<u>(30.8)</u>
Recognised in the Balance Sheet			
Deferred tax asset.....	0.9	0.8	0.5
Deferred tax liability.....	(28.2)	(29.6)	(29.3)
	<u>(27.3)</u>	<u>(28.8)</u>	<u>(28.8)</u>
Movement in net deferred tax assets in the year			
Income Statement – accelerated capital allowances.....	1.1	1.9	1.7
Income Statement – intangible assets.....	(1.4)	(1.1)	(1.2)
Income Statement – tax losses.....	1.4	1.1	—
Income Statement – other temporary differences.....	1.5	(0.9)	0.9
Invested capital – tax losses.....	(1.1)	(1.0)	—
	<u>1.5</u>	<u>—</u>	<u>1.4</u>

## 13. TRADE AND OTHER RECEIVABLES

	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Trade receivables.....	59.2	68.5	52.7
Less: provisions for doubtful debts.....	(0.4)	(1.0)	(0.3)
Net trade receivables.....	<u>58.8</u>	<u>67.5</u>	<u>52.4</u>
Other receivables.....	31.9	21.9	19.1
Prepayments.....	6.8	12.5	5.6
	<u>97.5</u>	<u>101.9</u>	<u>77.1</u>

## Ageing of net trade receivables

	Neither past due nor impaired \$m	Past due but not impaired			Total \$m
		31 – 60 days \$m	61 - 90 days \$m	Over 90 days \$m	
2015 .....	44.8	14.0	—	—	58.8
2014 .....	58.7	7.0	1.8	—	67.5
2013 .....	49.2	2.6	0.6	—	52.4

## Provision for doubtful debts

	2015 \$m	2014 \$m	2013 \$m
At 1 January .....	1.0	0.3	1.0
Amounts provided .....	—	1.3	—
Amounts released .....	(0.6)	—	(0.2)
Amounts utilised .....	—	(0.6)	(0.5)
At 31 December .....	0.4	1.0	0.3

## Ageing of impaired receivables

	2015 \$m	2014 \$m	2013 \$m
0 to 30 days .....	—	—	—
31 to 60 days .....	—	0.1	0.1
61 to 90 days .....	0.1	0.3	0.2
Over 90 days .....	0.3	0.6	—
	0.4	1.0	0.3

The other classes within trade and other receivables do not include impaired assets. Senior management considers that the carrying value of trade and other receivables approximates to fair value.

Other receivables includes re-billables passed through expenses and restricted cash related to the fuel farm management services.

Restricted cash represents funding received from customers and held in a fiduciary capacity to be used on behalf of customers and will be used to satisfy fuel farm management expenses within the coming year, and is thus classified as a current asset.

#### 14. TRADE AND OTHER PAYABLES

	2015 \$m	2014 \$m	2013 \$m
<b>Due within one year</b>			
Trade payables.....	41.3	38.9	33.1
Accruals and deferred income .....	27.2	40.1	27.1
Other payables.....	0.7	—	—
Other taxes and social security .....	3.5	5.0	3.8
	<u>72.7</u>	<u>84.0</u>	<u>64.0</u>
<b>Due after one year</b>			
Fuel farm payable.....	16.8	7.1	12.2
Customer deposits.....	1.2	1.1	1.2
	<u>18.0</u>	<u>8.2</u>	<u>13.4</u>

Accruals and deferred income includes fuel farm liabilities of \$5.4 million, \$18.8 million and \$5.5 million as at 31 December 2015, 2014 and 2013 respectively.

The ASIG Group considers that the carrying value of trade and other payables approximates to fair value.

#### 15. FINANCIAL INSTRUMENTS

##### Interest bearing loans and borrowings

	<b>Maturity</b>	2015 \$m	2014 \$m	2013 \$m
Bank overdrafts.....	On demand	0.9	3.3	2.4
Finance leases.....	2014	—	—	0.4
Other loans.....	On demand	0.3	0.4	0.4
Loans from BBA Aviation plc.....	Various to 31 December 2020	100.4	98.3	100.1
		<u>101.6</u>	<u>102.0</u>	<u>103.3</u>
Current .....		95.0	101.6	26.9
Non-current.....		6.6	0.4	76.4
		<u>101.6</u>	<u>102.0</u>	<u>103.3</u>

##### Net debt

	2015 \$m	2014 \$m	2013 \$m
Interest bearing loans and borrowings .....	101.6	102.0	103.3
Less: cash in bank and in hand.....	(15.7)	(11.1)	(13.3)
	<u>85.9</u>	<u>90.9</u>	<u>90.0</u>



The book and fair values were:

	2015		2014		2013	
	Book value \$m	Fair value \$m	Book value \$m	Fair value \$m	Book value \$m	Fair value \$m
Loans from BBA						
Aviation.....	100.4	100.9	98.3	98.5	100.1	102.4
Other loans.....	0.3	0.3	0.4	0.4	0.4	0.4
Finance leases.....	—	—	—	—	0.4	0.4
Bank overdrafts.....	0.9	0.9	3.3	3.3	2.4	2.4
Total finance liabilities .....	101.6	102.1	102.0	102.2	103.3	105.6
Less: cash at bank, cash in hand .....	(15.7)	(15.7)	(11.1)	(11.1)	(13.3)	(13.3)
Net debt .....	85.9	86.4	90.9	91.1	90.0	92.3

Other than trade receivables and payables, there are no financial assets or liabilities excluded from the above analysis. No financial assets or liabilities were held or issued for trading purposes.

#### BBA Aviation plc loan balances

	Interest rate	Maturity	2015 \$m	2014 \$m	2013 \$m
BBA Aviation plc loan no. 1 .....	3m GBP LIBOR +3.0%	3 Feb 2015 still in place	71.9	73.6	76.0
BBA Aviation plc loan no. 2 .....	3m CAD offered rate +2.5%	On demand	11.1	13.3	14.5
BBA Aviation plc loan no. 3 .....	3m USD LIBOR +2%	31 Dec 2020	6.3	—	—
BBA Aviation plc loan no. 4 .....	10.2% p.a.	On demand	11.1	11.4	9.6
			100.4	98.3	100.1

#### Trade and other receivables/payables

Trade and other receivables and trade and other payables carrying values of \$97.5 million (2014: \$101.9 million, 2013: \$77.1 million) and \$90.7 million (2014: \$92.2 million, 2013: \$77.4 million) respectively, in respect of the ASIG Group are assumed to approximate to their fair values due to their short-term nature.

## Sensitivity and risk information

### Foreign currency sensitivity

If the U.S. dollar had weakened/strengthened by 10.0 per cent. on currencies that have a material impact on the ASIG Group profit before tax, with all other variables held constant, the effect would have been:

	Change in rate	Effect on profit before tax 2015 \$m	Effect on profit before tax 2014 \$m	Effect on profit before tax 2013 \$m
Pound sterling.....	+10%	0.6	0.7	0.1
Pound sterling.....	-10%	(0.7)	(0.8)	(0.1)
Canadian dollar.....	+10%	0.1	(0.1)	(0.1)
Canadian dollar.....	-10%	(0.1)	0.2	0.2

### Capital and liquidity risk

Capital and liquidity risk management for the ASIG Group is performed at the BBA group level. BBA manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt to equity balance.

	Due under 1 year \$m	Due between 1 and 2 years \$m	Due between 2 and 5 years \$m	Due over 5 years \$m
Financial year ended 31 December 2015				
Interest-bearing loans and borrowings.....	99.7	0.1	7.0	—
Trade and other payables excluding accruals and deferred income, and other taxes and social security costs.....	42.0	18.0	—	—
	<u>141.7</u>	<u>18.1</u>	<u>7.0</u>	<u>—</u>

	Due under 1 year \$m	Due between 1 and 2 years \$m	Due between 2 and 5 years \$m	Due over 5 years \$m
Financial year ended 31 December 2014				
Interest-bearing loans and borrowings.....	105.9	0.7	0.4	—
Trade and other payables excluding accruals and deferred income, and other taxes and social security costs.....	38.9	8.2	—	—
	<u>144.8</u>	<u>8.9</u>	<u>0.4</u>	<u>—</u>

	<b>Due under 1 year \$m</b>	<b>Due between 1 and 2 years \$m</b>	<b>Due between 2 and 5 years \$m</b>	<b>Due over 5 years \$m</b>
Financial year ended 31 December 2013				
Interest-bearing loans and borrowings .....	31.2	78.6	0.7	—
Trade and other payables excluding accruals and deferred income, and other taxes and social security costs.....	33.1	13.4	—	—
	<u>64.3</u>	<u>92.0</u>	<u>0.7</u>	<u>—</u>

#### *Credit risk*

Exposure to credit risk at 31 December was:

	<b>2015 \$m</b>	<b>2014 \$m</b>	<b>2013 \$m</b>
Cash at bank and in hand .....	15.7	11.1	13.3
Net trade receivables.....	58.8	67.5	52.4
	<u>74.5</u>	<u>78.6</u>	<u>65.7</u>

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. As part of the ASIG Group's operations, cash management and risk management activities, the ASIG Group is exposed to counterparty risk arising on the financial assets held by the ASIG Group.

#### *Treasury-related credit risk*

Credit risk management of the ASIG Group is mainly exercised and monitored at the BBA group level.

#### *Commercial-related credit risk*

The ASIG Group's exposure to commercial-related credit risk is primarily attributable to its trade receivables and the amounts presented in the Balance Sheet are net of allowances for doubtful receivables. Sales to customers are settled by a number of different ways including cash, credit cards, cheques and electronic payment methods. A customer or potential customer is assessed on a case-by-case basis to determine whether credit terms will be provided. The ASIG Group does not expect any significant losses of receivables that have not been provided for, as shown in note 13 on this HFI.

## **16. OPERATING LEASE COMMITMENTS**

Future aggregate minimum lease payments under non-cancellable operating leases:

	<b>2015 \$m</b>	<b>2014 \$m</b>	<b>2013 \$m</b>
Within one year .....	10.3	12.3	11.5
Between one and five years.....	27.3	18.9	18.4
After five years.....	9.3	8.6	4.9
	<u>46.9</u>	<u>39.8</u>	<u>34.8</u>

Operating lease payments represent amounts payable by the ASIG Group for certain of its office properties, plant and equipment. Leases are negotiated for an average term of five years for office properties, nine years for plant and warehouses and four years for equipment. Rentals are generally fixed or adjusted based on inflation.

## 17. CAPITAL COMMITMENTS

	2015 \$m	2014 \$m	2013 \$m
Contracted but not provided – property, plant and equipment .....	17.2	9.0	8.2

## 18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	2015 \$m	2014 \$m	2013 \$m
At 1 January .....	1.1	0.1	0.1
Provided during year .....	3.0	1.0	—
Utilised during year .....	(1.0)	—	—
At 31 December .....	3.1	1.1	0.1
Current.....	—	1.0	—
Non-current .....	3.1	0.1	0.1
	3.1	1.1	0.1

In 2015 a litigation settlement provisions of \$2.4 million was recognised relating to the expected cost associated with certain historical employee claims where, based on events since 31 December 2015, settlement now appears more likely than not.

Whilst these costs relate to employees of the ASIG Group, and are therefore included in the Historical Financial Information, the claims will ultimately be settled by BBA through an indemnity under the terms of the Acquisition Agreement.

In 2014 a provision of \$1.0 million was recognised relating to a management reorganisation in the U.S. This provision was fully utilised in 2015. An environmental provision of \$0.1 million was not utilised in 2013 or 2014 and was subsequently increased to \$0.7 million in 2015.

There were no other contingent liabilities at 31 December 2015, 2014 and 2013.

## 19. CASH GENERATED FROM OPERATIONS

	2015 \$m	2014 \$m	2013 \$m
Operating (loss)/profit after joint ventures and associates	(6.8)	0.5	4.9
Share of profit of joint ventures and associates .....	(0.2)	(1.1)	(0.8)
Depreciation.....	11.4	13.0	11.5
Amortisation of intangible assets .....	2.5	2.1	2.5
Profit on sale of property, plant and equipment.....	(0.9)	(0.2)	(0.3)
Profit on disposal of joint venture.....	—	(0.2)	—
Bargain gain on acquisition of subsidiary .....	(2.5)	—	—
Re-measurement loss .....	0.4	—	—
Litigation settlements provision.....	2.4	—	—
Other .....	(1.4)	1.2	1.5
Increase in inventories .....	(1.0)	—	(0.1)
Decrease/(increase) in receivables .....	4.4	(24.8)	7.9
Increase in payables and provisions .....	2.1	11.4	0.7
	10.4	1.9	27.8

## 20. CHANGES IN NET BORROWINGS

	31 December 2014 \$m	Cash flows \$m	Subsidiaries acquired \$m	Currency translation \$m	31 December 2015 \$m
Cash in bank and in hand.....	11.1	3.9	1.1	(0.4)	15.7
Bank overdraft.....	(3.3)	2.4	—	—	(0.9)
Net cash and cash equivalents .....	7.8	6.3	1.1	(0.4)	14.8
Debt due less than one year .....	(98.3)	(1.9)	—	6.1	(94.1)
Debt due after one year .....	(0.4)	(6.2)	—	—	(6.6)
Net debt.....	<u>(90.9)</u>	<u>(1.8)</u>	<u>1.1</u>	<u>5.7</u>	<u>(85.9)</u>
	31 December 2013 \$m	Cash flows \$m	Subsidiaries acquired \$m	Currency translation \$m	31 December 2014 \$m
Cash in bank and in hand.....	13.3	(4.5)	2.9	(0.6)	11.1
Bank overdraft.....	(2.4)	(0.9)	—	—	(3.3)
Net cash and cash equivalents .....	10.9	(5.4)	2.9	(0.6)	7.8
Finance leases .....	(0.4)	0.4	—	—	—
Debt due less than one year .....	(24.1)	(80.2)	—	6.0	(98.3)
Debt due after one year .....	(76.4)	76.0	—	—	(0.4)
Net debt.....	<u>(90.0)</u>	<u>(9.2)</u>	<u>2.9</u>	<u>5.4</u>	<u>(90.9)</u>
	31 December 2012 \$m	Cash flows \$m	Subsidiaries acquired \$m	Currency translation \$m	31 December 2013 \$m
Cash in bank and in hand.....	5.2	7.9	—	0.2	13.3
Bank overdraft.....	—	(2.4)	—	—	(2.4)
Net cash and cash equivalents .....	5.2	5.5	—	0.2	10.9
Finance leases .....	(0.9)	0.5	—	—	(0.4)
Debt due less than one year .....	(1.9)	(22.2)	—	—	(24.1)
Debt due after one year .....	(99.7)	22.6	—	0.7	(76.4)
Net debt.....	<u>(97.3)</u>	<u>6.4</u>	<u>—</u>	<u>0.9</u>	<u>(90.0)</u>

## 21. ACQUISITIONS

On 1 July 2015, the ASIG Group acquired control and 100.0 per cent. of the shareholding of ASIG Panama, SA. As part of the transaction process, the carrying value of the equity accounted investment was re-measured to fair value (\$0.5 million) resulting in a loss of \$0.4 million. An exceptional bargain gain of \$2.5 million was recognised being the difference

between the fair value of the value of the 100.0 per cent. assets acquired (\$3.2 million) less the fair value of the equity accounted investment (\$0.5 million) and cash consideration (\$0.2 million). The gain arose as the transaction was not made on an arm's length basis in an open market.

On 15 April 2014 the ASIG Group acquired the assets of Skytanking USA, Inc. an aviation fuel handling business providing services to airlines, airports and oil companies, for a cash consideration of \$18.5 million.

On 21 June 2013 the ASIG Group acquired substantially all the assets of Fernley Heathrow Limited, an aircraft cabin cleaning, de-icing and aircraft services business based at London Heathrow and London Gatwick for a consideration of \$3.2 million.

Name Acquisition year	ASIG Panama, SA 2015 \$m	Skytanking USA, Inc. 2014 \$m	Fernley Heathrow Limited 2013 \$m
Purchase consideration			
Cash payable .....	0.2	18.5	3.2
Fair value of existing shareholding .....	0.5	—	—
Total purchase consideration .....	0.7	18.5	3.2
Less: fair value of net assets acquired .....	(3.2)	(10.7)	(2.9)
	2.5	7.8	0.3
Bargain purchase gain .....	(2.5)	—	—
Goodwill .....	—	7.8	0.3

Goodwill recognised for Skytanking USA, Inc. and Fernley Heathrow Limited was attributable to anticipated future operating synergies and the expansion of the Group's business.

The full amount of goodwill is expected to be deductible for tax purposes.

The fair value of assets and liabilities arising from the acquisitions are:

Name Acquisition year	ASIG Panama, SA 2015 \$m	Skytanking USA, Inc. 2014 \$m	Fernley Heathrow Limited 2013 \$m
Non-current assets			
Intangible assets .....	1.5	5.9	—
Property, plant and equipment .....	11.6	4.7	2.3
Current assets .....	2.6	0.1	0.8
Cash .....	1.1	2.9	—
Current liabilities .....	(6.7)	(2.9)	(0.2)
Debt .....	(6.9)	—	—
Net assets acquired at fair value .....	3.2	10.7	2.9

Current assets acquired with ASIG Panama, SA, Skytanking USA, Inc. and Fernley Heathrow Limited include \$2.6 million, \$ nil and \$0.1 million of trade receivables at fair value respectively, the gross amount acquired.

In the post-acquisition period in 2015, the Panama acquisition contributed \$9.7 million and \$3.5 million to revenue and operating profit respectively. If the acquisition had occurred at the start of the year then revenue and operating profit contributed would have been \$18.1 million and \$7.8 million respectively.

In the post-acquisition period in 2014, the Skytanking acquisition contributed \$17.5 million and \$1.9 million to revenue and operating profit respectively. If the acquisition had occurred at the start of the year then revenue and operating profit contributed would have been \$24.6 million and \$2.7 million respectively.

In the post-acquisition period in 2013, the Fernley acquisition contributed \$3.6 million and \$0.0 million to revenue and operating profit respectively. If the acquisition had occurred at the start of the year then revenue and operating profit contributed would have been \$8.0 million and \$0.1 million respectively.

No acquisition costs were incurred in 2015. In 2014, acquisition costs relating to Skytanking USA, Inc. were \$1.4 million. In 2013 costs of \$0.8 million were incurred relating to the acquisition of substantially all of the assets of Fernley Heathrow Limited.

## 22. RELATED PARTY TRANSACTIONS

During the year the ASIG Group transacted with related parties in the BBA group in the normal course of business. The transactions and balances between the entities within the ASIG Group are eliminated in this combined historical financial information. Details of these transactions are:

	2015 \$m	2014 \$m	2013 \$m
Transactions with related parties:			
Rent paid to related parties.....	1.3	1.0	0.9
Costs recovered from related parties.....	0.9	0.7	0.6
Sales to related parties.....	2.1	2.3	2.2
Interest payable to related parties.....	3.0	3.8	2.8
Interest receivable from related parties.....	2.1	3.6	3.9
Balances:			
Amounts owed to related parties and disclosed in loans ...	(100.4)	98.3	(100.1)
Amounts owed to related parties and disclosed in invested capital.....	(109.3)	(113.2)	(98.2)
Amounts owed by related parties and disclosed in invested capital.....	34.7	288.5	283.5
	<u>34.7</u>	<u>288.5</u>	<u>283.5</u>
Transactions with ultimate parent:			
BBA Aviation plc central cost allocations.....	20.3	19.3	14.7
	<u>20.3</u>	<u>19.3</u>	<u>14.7</u>

Key management personnel include individuals who are Executive Directors of the ASIG Group and those having authority and responsibility for planning, directing and controlling activities of the operating division. Remuneration of key management personnel is as follows:

	2015 \$m	2014 \$m	2013 \$m
Short-term employee benefits.....	2.3	2.1	1.7
Post-employment pension and medical benefits.....	0.2	0.2	0.2
Termination payments.....	—	—	—
Share-based payments.....	0.3	0.1	0.1
	<u>2.8</u>	<u>2.4</u>	<u>2.0</u>

## 23. POST-BALANCE SHEET EVENTS

BBA announced in March 2016 that following significant inbound interest management were assessing value maximising options for BBA's investment in the ASIG Group business. At the beginning of April 2016, BBA's management committed to a plan to sell substantially all of the ASIG Group and as such at that point the relevant assets and liabilities were classified as held for sale. As a major line of BBA's business the ASIG Group operations were classified as a discontinued operation in the BBA June 2016 Interim Results. As a result, a \$128.9 million exceptional write-down was recognised.

On 16 September 2016, Menzies plc announced the Proposed Acquisition of the entire issued share capital of the ASIG Group for total consideration of \$202.0 million. ASIG Group is an aviation services provider and a leading independent fuelling services provider, providing ground, fuel and airport facility services to airlines, airports, oil companies and industry partners in the commercial aviation sector.



## **PART B – ACCOUNTANT’S REPORT ON THE ASIG FINANCIAL INFORMATION**

The Directors  
John Menzies plc  
2 Lochside Avenue  
Edinburgh  
EH12 9DJ

16 September 2016

Dear Sirs

### **ASIG**

We report on the financial information set out in Part A of Part VIII for the years ended 31 December 2013, 2014 and 2015 (the “**ASIG Financial Information**”). This financial information has been prepared for inclusion in the class 1 circular relating to the acquisition of ASIG dated 16 September 2016 of John Menzies plc on the basis of the accounting policies set out in note 2 to the ASIG Financial Information. This report is required by Listing Rule 13.5.21 and is given for the purpose of complying with that rule and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided and which we may have to ordinary shareholders as a result of the inclusion of this report in the combined prospectus and class 1 circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) 809/2004 and Listing Rule 13.4.1R (6), consenting to its inclusion in the prospectus and class 1 circular respectively.

### **Responsibilities**

The Directors of John Menzies plc are responsible for preparing the financial information on the basis of preparation set out in note 2 to the ASIG Financial Information and in a form that is consistent with the accounting policies adopted in John Menzies plc’s latest annual accounts.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion, the ASIG Financial Information gives, for the purposes of the class 1 circular dated 16 September 2016, a true and fair view of the state of affairs of ASIG as at the dates stated and of its results, cash flows and changes in invested capital for the periods then ended in accordance with the basis of preparation as set out in note 2 to the ASIG Financial Information.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information

contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) 809/2004.

Yours faithfully

Ernst & Young LLP

## **PART IX – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

### **SECTION A-UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The unaudited *pro forma* financial information of the Enlarged Group in this Part IX has been prepared to illustrate the effect of the Rights Issue, the acquisition debt facilities, and the Proposed Acquisition of ASIG on: (i) the net assets of Menzies as at 31 December 2015 as if each of the Rights Issue, acquisition debt facilities and Proposed Acquisition had occurred on 31 December 2015; and (ii) the effect on the consolidated Income Statement of Menzies for the financial year ended 31 December 2015 as if each of the Rights Issue, the acquisition debt facilities and the Proposed Acquisition had taken place on 1 January 2015.

The unaudited *pro forma* financial information has been prepared on the basis set out in the notes below and in accordance with the accounting policies adopted by Menzies for the financial year ended 31 December 2015. The unaudited *pro forma* financial information, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent Menzies' actual financial position or results.

The unaudited *pro forma* financial information does not constitute financial statements within the meaning of section 434 of the Companies Act.

Investors should read the whole of this document and not rely solely on the unaudited financial information in this Part IX. Ernst & Young LLP's report on this unaudited *pro forma* financial information is set out in Section B of this Part IX.

In addition to the matters noted above, the unaudited *pro forma* financial information does not reflect the effect of anticipated synergies and efficiencies associated with the Proposed Acquisition.

## Unaudited Pro Forma Net Assets Statement at 31 December 2015

	Adjustments				Unaudited pro forma total
	Group at 31 December 2015	ASIG at 31 December 2015	Rights Issue and acquisition debt facilities	Proposed Acquisition	
	£m Note 1	£m Note 2	£m Note 3	£m Note 4	
<b>Non-current assets</b>					
Intangible assets .....	108.3	130.5	—	(17.8)	221.0
Property, plant and equipment .....	114.4	40.1	—	—	154.5
Investments accounted for using the equity method .....	26.4	—	—	—	26.4
Deferred tax assets .....	12.2	0.6	—	—	12.8
	<b>261.3</b>	<b>171.2</b>	<b>—</b>	<b>(17.8)</b>	<b>414.7</b>
<b>Current assets</b>					
Inventories .....	14.7	2.4	—	—	17.1
Trade and other receivables .	201.9	66.2	(0.6)	—	267.5
Derivative financial assets ....	0.6	—	—	—	0.6
Cash and cash equivalents ...	34.1	10.7	159.0	(159.0)	44.8
	<b>251.3</b>	<b>79.3</b>	<b>158.4</b>	<b>(159.0)</b>	<b>330.0</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Borrowings .....	(3.4)	(64.5)	—	63.8	(4.1)
Derivative financial liabilities	(2.3)	—	—	—	(2.3)
Trade and other payables.....	(217.3)	(49.3)	—	—	(266.6)
Current income tax liabilities	(10.0)	—	—	—	(10.0)
Provisions .....	(4.9)	—	—	—	(4.9)
	<b>(237.9)</b>	<b>(113.8)</b>	<b>—</b>	<b>63.8</b>	<b>(287.9)</b>
<b>Net current assets/(liabilities)</b>	<b>13.4</b>	<b>(34.5)</b>	<b>158.4</b>	<b>(95.2)</b>	<b>42.1</b>
<b>Total assets less current liabilities.....</b>	<b>274.7</b>	<b>136.7</b>	<b>158.4</b>	<b>(113.0)</b>	<b>456.8</b>
<b>Non-current liabilities</b>					
Borrowings .....	(152.2)	(4.5)	(85.7)	4.3	(238.1)
Other payables.....	(3.5)	(12.2)	—	—	(15.7)
Deferred tax liabilities .....	(1.5)	(19.1)	—	—	(20.6)
Provisions .....	(2.9)	(2.1)	—	—	(5.0)
Retirement benefit obligation	(43.4)	—	—	—	(43.4)
<b>Non-current liabilities.....</b>	<b>(203.5)</b>	<b>(37.9)</b>	<b>(85.7)</b>	<b>4.3</b>	<b>(322.8)</b>
<b>Net assets.....</b>	<b>71.2</b>	<b>98.8</b>	<b>72.7</b>	<b>(108.7)</b>	<b>134.0</b>

Notes:

- (1) The net assets of Menzies have been extracted without material adjustment from the consolidated financial statements of Menzies for the financial year ended 31 December 2015, which are incorporated by reference into this document and are available for inspection as detailed in Part XIII of this document.
- (2) The net assets of ASIG have been extracted without material adjustment from the combined consolidated historical financial information of ASIG for the financial year ended 31 December 2015, which is included in Part VIII of this document. The following historical exchange rate, as at 31 December 2015, has been used to translate ASIG's net assets from U.S. dollars to pounds sterling: US\$1.4739 /£1.

- (3) The net proceeds of the Rights Issue of £73.3 million are calculated on the basis that the Company issues 21,922,403 New Ordinary Shares at a price of 343p per New Ordinary Share, net of estimated expenses in connection with the Rights Issue of approximately £1.9 million, which have been accounted for as a deduction to equity. The net proceeds of the Rights Issue will be used to fund the Proposed Acquisition.

The net proceeds of the acquisition debt facilities are expected to be £226.5 million, after debt transaction costs of £6.3 million, which have been offset against the gross borrowing amount (£232.8 million) within non-current borrowings. The gross borrowing amount comprises a \$250.0 million (£189.4 million) term loan to be drawn down under the terms of the Acquisition Facilities Agreement and £43.4 million of revolving credit facilities to be drawn down also under the terms of the Acquisition Facilities Agreement.

Of the £226.5 million net proceeds from the acquisition debt facilities, £79.7 million will be used to fund the Proposed Acquisition, £6.0 million used to pay transaction costs associated with the Proposed Acquisition, and a further £140.8 million used to repay existing Group borrowings.

The adjustment to cash includes the net proceeds of the Rights Issue (£73.3 million) and the acquisition debt facilities (£226.5 million), less the repayment of the existing Group borrowings (£140.8 million).

The adjustment to non-current borrowings includes the net proceeds of the acquisition debt facilities (£226.5 million), less the repayment of the existing Group borrowings (£140.8 million).

As a consequence of the repayment of the existing Group borrowings, the remaining unamortised debt transaction costs of £0.6 million associated with these borrowings, within other receivables, has been derecognised.

- (4) The unaudited *pro forma* financial information has been prepared on the basis that the acquisition of ASIG will be treated as a business combination in accordance with IFRS 3 Business Combinations. The *pro forma* financial information does not reflect the impact of any fair value adjustments to the acquired assets and liabilities of ASIG. The fair value measurement of these items will only be performed subsequent to completion of the acquisition. For the purposes of the *pro forma* statement of net assets, the excess of the purchase consideration over the carrying amount of the net assets acquired has been attributed to intangible assets.

	<u>£m</u>	<u>£m</u>
Consideration paid (i) .....		153.0
Less carrying value of net assets acquired as at 31 December 2015		
ASIG net assets .....	98.8	
Borrowings not acquired .....	68.1	
Non-controlling interest in ASIG subsidiaries .....	3.9	
Less: intangible assets derecognised .....	(130.5)	
	<u>          </u>	
Pro forma net assets acquired .....		40.3
		<u>          </u>
Intangibles assets on acquisition .....		112.7
		<u>          </u>
Adjustment to intangible assets (before fair value adjustments to assets and liabilities) .....		(17.8)
		<u>          </u>

- (i) The total consideration is calculated as the headline cash consideration of \$202.0 million translated to pounds sterling at the prevailing exchange rate at 14 September 2016, the latest practicable date prior to publication of this document: US\$1.3202/£1.

The adjustment to cash includes deductions for the headline cash consideration (£153.0 million) and a deduction for transaction costs associated with the Proposed Acquisition (£6.0 million).

The adjustments to current and non-current borrowings, totalling £68.1 million, are the result of borrowings not acquired following settlement prior to the Proposed Acquisition.

- (5) No adjustment has been made to reflect the financial results of either Menzies or ASIG since 31 December 2015.

## Unaudited Pro Forma Income Statement for the financial year ended 31 December 2015

	Adjustments				Unaudited pro forma total
	Menzies Group for the year ended 31 December 2015	ASIG for the year ended 31 December 2015	Rights Issue and acquisition debt facilities	Proposed Acquisition	
	£m Note 6	£m Note 7	£m Note 8	£m Note 9	£m Note 10 Note 11
Revenue .....	1,899.2	272.0	—	—	2,171.2
Net operating costs excluding BBA Aviation plc central cost allocations .....	(1,880.4)	(263.3)	—	(6.0)	(2,149.7)
Operating profit before BBA Aviation plc central cost allocations and joint ventures and associates .....	18.8	8.7	—	(6.0)	21.5
BBA Aviation plc central cost allocations .....	—	(13.3)	—	—	(13.3)
Share of profit of joint ventures and associates.....	7.0	0.1	—	—	7.1
Operating profit/(loss) after joint ventures and associates Analysed as:	25.8	(4.5)	—	(6.0)	15.3
Underlying operating profit/ (loss) .....	44.9	(2.6)	—	—	42.3
Rationalisation & acquisition costs .....	(5.8)	—	—	(6.0)	(11.8)
Impairment charges .....	(4.7)	—	—	—	(4.7)
Contract amortisation .....	(7.1)	(1.6)	—	—	(8.7)
Bargain gain on subsidiary...	—	1.6	—	—	1.6
Litigation settlements provision.....	—	(1.6)	—	—	(1.6)
Loss on re-measurement of fair value of associate.....	—	(0.3)	—	—	(0.3)
Share of interest on joint ventures & associates.....	0.7	—	—	—	0.7
Share of tax on joint ventures & associates .....	(2.2)	—	—	—	(2.2)
Operating profit/(loss) after joint ventures and associates	25.8	(4.5)	—	(6.0)	15.3
Finance income .....	0.8	1.5	—	—	2.3
Finance charges .....	(6.5)	(2.2)	(3.4)	—	(12.1)
Other finance charges – pensions .....	(1.9)	—	—	—	(1.9)
Profit/(loss) before tax .....	18.2	(5.2)	(3.4)	(6.0)	3.6
Taxation .....	(8.3)	1.9	0.9	—	(5.5)
Profit/(loss) for year .....	9.9	(3.3)	(2.5)	(6.0)	(1.9)

(6) The results of Menzies have been extracted without material adjustment from the consolidated financial statements of Menzies for the financial year ended 31 December 2015, which are incorporated by reference into this document and are available for inspection as detailed in Part XIII of this document.

- (7) The results of ASIG have been extracted without material adjustment from the combined consolidated historical financial information of ASIG for the financial year ended 31 December 2015, which is included in Part VIII of this document. The following historical exchange rate, the average rate for the financial year ended 31 December 2015, has been used to translate ASIG's results from U.S. dollars to pounds sterling: US\$1.5289 /£1.
- (8) The adjustment to finance charges of £3.4 million comprises £5.0 million relating to the incremental finance costs and amortisation of capitalised transaction costs as a result of the new acquisition debt facilities as if these bank facilities were in place from 1 January 2015 and £0.6 million relates to the expensing of finance costs relating to the Group's existing bank facilities which are being replaced as part of the acquisition debt facilities. These amounts are offset by an adjustment of £2.2 million, relating to the historical finance charge incurred by ASIG in the period, as this charge was incurred on borrowings from ASIG's former parent, BBA Aviation plc, which are to be settled prior to the Proposed Acquisition and therefore future finance charges on these borrowings will not be incurred.  
An adjustment to taxation of £0.9 million has been recognised as a result of the increased finance charge, and is based upon the effective taxation rate applicable to Menzies in the period.
- (9) The adjustment reflects the transaction costs associated with the Proposed Acquisition (£6.0 million).  
No adjustment has been made for future integration costs or synergies arising from the Proposed Acquisition.
- (10) With the exception of consolidating the future trading results of ASIG into the Group and the incremental increase in finance charges and decrease in taxation as a result of the acquisition debt facilities, the aforementioned adjustments to the Income Statement are not expected to have a continuing impact on Menzies.
- (11) No adjustment has been made to reflect the financial results of either Menzies or ASIG since 31 December 2015.

## SECTION B-ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors  
John Menzies plc  
2 Lochside Avenue  
Edinburgh  
EH12 9DJ

16 September 2016

Dear Sirs

### **ASIG**

We report on the *pro forma* financial information (the “**Pro Forma Financial Information**”) set out in Part A of Part IX of the combined prospectus and class 1 circular (the “**Document**”) dated 16 September 2016, which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the acquisition of ASIG Holdings Limited and ASIG Holdings Corp, the rights issue and the acquisition debt facilities might have affected the financial information presented on the basis of the accounting policies adopted by John Menzies plc in preparing the financial statements for the period ended 31 December 2015. This report is required by item 7 of Annex II of Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) No 809/2004 and Listing Rule 13.4.1R (6), consenting to its inclusion in the Document.

### **Responsibilities**

It is the responsibility of the directors of John Menzies plc to prepare the Pro Forma Financial Information in accordance with item items 1 to 6 of Annex II of Commission Regulation (EC) No 809/2004.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the Commission Regulation (EC) No 809/2004, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of John Menzies plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of John Menzies plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.



**Opinion**

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of John Menzies plc.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) No 809/2004.

Yours faithfully

Ernst & Young LLP

## PART X – TAXATION

### 1. GENERAL

The following paragraphs do not constitute tax advice and are intended as a general guide only to current United Kingdom tax law and HMRC published practice as at the date of this document either of which is subject to change at any time (possibly with retrospective effect). They relate only to certain limited aspects of the United Kingdom taxation treatment of the holders of Ordinary Shares and apply only to Shareholders who own their Shares legally and beneficially as an investment (and the Ordinary Shares are not held through a new individual savings account or a self-invested personal pension) and who are resident (and, in the case of individuals only, domiciled) in the United Kingdom for tax purposes (except where the position of a non-UK resident Shareholder is expressly referred to). Certain categories of Shareholders, such as traders, broker-dealers, insurance companies and collective investment schemes, and Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment, may be subject to special rules and this summary does not apply to such Shareholders. Any person who is in any doubt about his own tax position, or is subject to taxation in a jurisdiction other than the United Kingdom, should consult an appropriate independent professional adviser.

### 2. TAXATION OF CHARGEABLE GAINS

For the purposes of UK taxation of chargeable gains, the issue of New Ordinary Shares by the Company to Qualifying Shareholders who take up their rights under the Rights Issue should constitute a reorganisation of the Company's share capital. On that basis, a Qualifying Shareholder should not be treated as making a disposal of any part of his existing holding to the extent the Qualifying Shareholder takes up his entitlement to acquire New Ordinary Shares under the Rights Issue. No liability to UK taxation on chargeable gains should therefore arise in respect of the Rights Issue for a Qualifying Shareholder who takes up his full entitlement to New Ordinary Shares. For the purposes of the taxation of chargeable gains, if a Qualifying Shareholder takes up all or any of his rights to the New Ordinary Shares, his existing holding and his New Ordinary Shares should be treated as the same asset, acquired at the time he acquired his existing holding. The amount of subscription money paid for the New Ordinary Shares will be added to the base cost of his existing holding when computing any gain or loss on any subsequent disposal of shares.

In the case of a Qualifying Shareholder within the charge to corporation tax, in calculating the chargeable gain or allowable loss arising on a subsequent disposal of New Ordinary Shares indexation allowance will apply to the amount paid for the New Ordinary Shares only from, generally, the date the subscription monies for the New Ordinary Shares were payable. In the case of Qualifying Shareholders not within the charge to corporation tax, indexation allowance is not available.

A subsequent disposal of New Ordinary Shares by a Qualifying Shareholder may, depending on the Qualifying Shareholder's circumstances, and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. If a Qualifying Shareholder sells or otherwise disposes of all or some of his rights to subscribe for the New Ordinary Shares or allows or is deemed to allow all or any part of his rights to subscribe for New Ordinary Shares to lapse and receives a cash payment in respect of them, the proceeds will be treated as a capital distribution to that Qualifying Shareholder by the Company, he shall be treated as if he had disposed of a part of his existing holding and he may, depending on his circumstances, incur a liability to taxation on any chargeable gains. However, if the proceeds resulting from a lapse or disposal of rights to subscribe for New Ordinary Shares are "small" as compared with the market value (on the date of lapse or disposal) of that Qualifying Shareholder's existing holding, such a Qualifying Shareholder should not generally be treated as making a disposal for the purposes of the taxation of chargeable gains. The proceeds will instead reduce the base cost of the relevant existing holding to compute any chargeable gain or allowable loss on a subsequent disposal. This treatment will not apply where such proceeds are greater than the base cost of the existing holding.

The current practice of HMRC is to treat proceeds as "small" where either (i) the proceeds of the disposal or lapse of rights do not exceed five per cent. of the market value (at the date of the disposal or lapse) of the existing holding in respect of which the rights arose or (ii) the amount of the proceeds is £3,000 or less, regardless of whether the 5.0 per cent. test is satisfied.

### **3. TAXATION OF DIVIDENDS**

The Company is not required to withhold tax at source from dividend payments it makes.

Subject to the Finance Bill 2016 receiving Royal Assent in its current form, the taxation of dividends for UK resident individual Shareholders has changed. The previous dividend tax credit system has been abolished and replaced with a new tax-free dividend allowance of £5,000 per annum with effect from 6 April 2016. The new rates of tax on dividend income above the tax-free allowance are 7.5 per cent. on dividend income within the basic rate band, 32.5 per cent. on dividend income within the higher rate band and 38.1 per cent. on dividend income within the additional rate band (for the 2016-2017 tax year). Dividend income that is within the tax-free allowance counts towards an individual's basic or higher rate limits and is treated as the top slice of an individual's income.

A corporate Shareholder (within the charge to UK corporation tax) which is a 'small company' for the purposes of the UK taxation of dividends legislation will not generally be subject to UK corporation tax on dividends from the Company.

Other corporate Shareholders (within the charge to UK corporation tax) will not be subject to tax on dividends from the Company provided the dividends fall within an exempt class and certain conditions are met. In general, dividends received by corporate Shareholders will fall within an exempt class. Examples of dividends that fall within exempt classes include dividends paid on shares that are non-redeemable ordinary shares, and dividends paid to a person holding less than 10.0 per cent. of the issued share capital of the Company (or any class of that share capital in respect of which the distribution is made).

The exemptions are not comprehensive and are subject to anti-avoidance rules. If the conditions for exemption are not, or cease to be, satisfied, or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from the Company. Corporation tax is charged on dividends at the rate applicable to that company.

A Shareholder who is not resident in the UK for tax purposes will not generally be subject to UK tax on dividend receipts. A Shareholder resident outside the UK may be subject to foreign taxation on any dividends received under local law. Subject to the Finance Bill 2016 receiving Royal Assent in its current form, from 6 April 2016 non-UK resident Shareholders are treated as having paid tax on their dividend income at the dividend ordinary rate of 7.5 per cent. but this income tax will not be repayable. A Shareholder who is not resident in the UK (for tax purposes) should consult his own tax adviser concerning his tax liability on dividends received, his entitlement to reclaim any part of any tax credit and, if he is so entitled, the procedure for doing so.

### **4. STAMP DUTY AND STAMP DUTY RESERVE TAX ("SDRT")**

The following statements are intended as a general and non-exhaustive guide to the current UK stamp duty and SDRT position and apply regardless of whether or not a Qualifying Shareholder is resident or ordinarily resident in the UK.

#### **4.1 Issue of New Ordinary Shares and issue or crediting of rights to New Ordinary Shares**

No stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters, split Provisional Allotment Letters or definitive share certificates, on the crediting of Nil Paid Rights or Fully Paid Rights to accounts in CREST, or on the issue in uncertificated form of New Ordinary Shares.

Where New Ordinary Shares represented by such documents or rights are registered in the name of the Qualifying Shareholder entitled to such shares, or where New Ordinary Shares are credited in uncertificated form to CREST, no liability to stamp duty or SDRT will generally arise.

Following the decision of the Court of Justice of the European Union in HSBC Holdings and Vidacos Nominees (Case C-569/07) and the First-tier Tax Tribunal decision in HSBC Holdings and The Bank of New York Mellon, HMRC has confirmed that 1.5 per cent. SDRT is no longer payable when New Ordinary Shares are issued into a clearance service or depositary receipt service.

#### **4.2 Purchase of rights to New Ordinary Shares**

Persons who purchase (or are treated as purchasing) rights to New Ordinary Shares represented by Provisional Allotment Letters (whether nil paid or fully paid), or Nil Paid Rights or Fully Paid Rights held in CREST, on or before the latest time for registration of renunciation, will not generally be liable to pay stamp duty. However, such a purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent. of the actual consideration paid. Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account to HMRC for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. In other cases, the purchaser of the rights to the New Ordinary Shares represented by the Provisional Allotment Letters is liable to pay the SDRT and must account for it to HMRC. Any SDRT arising on the transfer of Nil Paid Rights or Fully Paid Rights held in CREST should be collected and accounted for to HMRC by CREST.

No stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters or split Provisional Allotment Letters, whether by the original holders or their renounees.

#### **4.3 Subsequent dealings in New Ordinary Shares**

Except in relation to depositary receipt systems and clearance services (to which the special rules outlined below apply), any subsequent dealings in New Ordinary Shares will be subject to stamp duty or SDRT in the normal way. Subject to an exemption for certain low value transactions, the transfer on sale of New Ordinary Shares effected outside CREST will generally be liable to UK stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration payable (rounded up to the nearest multiple of £5) or, if an unconditional agreement to transfer the New Ordinary Shares is not completed by a duly stamped transfer, or where the transfer is effected in CREST, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable.

Where New Ordinary Shares are transferred (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or an agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration given or, in certain circumstances, the value of the New Ordinary Shares. There is an exception from the 1.5 per cent. charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HMRC. In these circumstances, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer will arise on any transfer of New Ordinary Shares into such clearance and on subsequent agreements to transfer such shares within such service. Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service, which does arise will strictly be accountable by the clearance service or depositary receipt system operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt system.

## PART XI – KEY TRANSACTION TERMS

### 1. INTRODUCTION

The Acquisition Agreement was entered into on 16 September 2016 between the Buyers and the Sellers (together, the “Parties”). In accordance with the provisions of the Acquisition Agreement and subject to the satisfaction or the waiver of the conditions set forth therein, the Buyers have agreed to acquire all the issued and outstanding shares of capital stock of the Target Companies from the Sellers.

### 2. CONSIDERATION

The total consideration to be paid by the Buyers for all the equity interests in the Target Companies is the base consideration of \$202.0 million. The base consideration is payable in cash at Completion and is subject to the following dollar-for-dollar adjustments:

- (a) an adjustment for the amount of the Target Companies’ intercompany receivables and payables as at Completion;
- (b) a customary working capital adjustment based off an agreed amount of target working capital as at Completion; and
- (c) an adjustment for the amount of the Target Companies’ funded indebtedness and debt-like items as at Completion.

### 3. CONDITIONS TO COMPLETION

Under the terms of the Acquisition Agreement, Completion is conditional upon:

- (a) the accuracy (to certain agreed levels of materiality) of each Party’s representations and warranties under the Acquisition Agreement (i) at signing, (ii) at Completion, and (iii) in the period between signing and Completion;
- (b) the compliance in all material respects by the Buyers and the Sellers with their respective covenants;
- (c) no governmental order being in force restricting or prohibiting Completion and no action having been commenced by a governmental authority that seeks an injunction or other order that would restrain, prohibit or have the effect of making illegal the transactions contemplated by the Acquisition Agreement;
- (d) the Resolutions approving the Proposed Acquisition being passed at the General Meeting;
- (e) the applicable waiting periods under HSR having expired or been terminated;
- (f) CFIUS shall not have decided to pursue any action with respect to the the Proposed Acquisition;
- (g) confirmation having been received from the Competition and Markets Authority in the United Kingdom that the transactions contemplated by the Acquisition Agreement will be cleared in phase 1;
- (h) the Proposed Acquisition having been approved pursuant to the Investment Canada Act;
- (i) the absence of a material adverse effect on the ASIG Group;
- (j) the Reorganisation (as detailed in paragraph 12 below) having been completed by the Sellers (save in respect of the transfer of the Santa Ana and Huntsville assets);
- (k) the Acquisition Facilities Agreement not having been terminated;
- (l) Menzies having received gross proceeds from the Rights Issue of not less than £75,000,000;
- (m) the Parties having delivered to each other copies of their respective constitutional documents and corporate approvals for the transaction;
- (n) the Buyers having received original stock certificates in relation to the stock of the Target Companies;
- (o) the entry into of certain subcontract and operating rights agreements between certain members of the ASIG Group and certain affiliates of the Sellers, for the purposes of ensuring the ASIG Group is appropriately authorised to carry on its current activities at each of (i) Chicago O’Hare International Airport, Chicago, Illinois (ii) Bradley International Airport, Windsor Locks, Connecticut (iii) General Mitchell Airport,

Milwaukee County, Wisconsin, and (iv) Baltimore/Washington International Airport, Maryland, independently of the Sellers (and their affiliates) with effect from Completion; and

- (p) the entry into the documents comprising the Transitional Services Agreement and the Facilities Services Agreement by the relevant parties thereto.

#### **4. TERMINATION RIGHTS**

The Buyers and the Sellers may terminate the Acquisition Agreement prior to Completion by mutual written consent, or written notice to the other, in the event that:

- (a) Completion has not occurred by 31 May 2017;
- (b) the Board adversely modifies or withdraws its recommendation of the Proposed Acquisition, the General Meeting shall not have taken place by 30 November 2016 or the Shareholders fail to approve the Proposed Acquisition at the General Meeting; or
- (c) any Party is in breach of any provision of the Acquisition Agreement, which breach has not been remedied by the offending Party (to the reasonable satisfaction of the other parties) within 15 days of the offending Party receiving notice of its breach, such that certain conditions to Completion cannot be fulfilled.

#### **5. PRE-COMPLETION UNDERTAKINGS OF THE SELLER**

Pursuant to the Acquisition Agreement, among other undertakings, the Sellers have agreed to use commercially reasonable efforts to operate the business of the Target Companies in the ordinary course and substantially in accordance with past practice, which includes, but is not limited to, restrictions on: amending the constitution of the Target Companies; modifying or terminating existing material contracts or entering into certain new material contracts; making material disposals or acquisitions; altering the employment arrangements of certain employees of the Target Company group; and borrowing or incurring certain indebtedness.

#### **6. PRE-COMPLETION UNDERTAKINGS OF THE BUYER**

Pursuant to the Acquisition Agreement, among other undertakings, the Buyers have agreed to use its reasonable best efforts to obtain the necessary debt and equity financing under the Acquisition Facilities Agreement and the Underwriting Agreement, respectively.

#### **7. PRE-COMPLETION UNDERTAKINGS OF THE BUYERS AND SELLERS**

Pursuant to the Acquisition Agreement, among other undertakings, the Buyers and the Sellers agreed to use their reasonable best efforts to seek the approval of the Competition and Markets Authority in the United Kingdom for the Proposed Acquisition, subject to certain limitations.

#### **8. SELLER WARRANTIES**

The Acquisition Agreement contains warranties (which are customary for an acquisition of the size and nature of the Acquisition and are at certain agreed levels of materiality), given by the Sellers, and which are limited under the Acquisition Agreement, as to, *inter alia*:

- (a) the due incorporation and valid existence of the Sellers, the Target Companies and the subsidiaries of the Target Companies;
- (b) the due authorisation of the Sellers to execute the Acquisition Agreement;
- (c) the record and beneficial holding of all the equity interests in the Target Companies, which will be transferred free of all encumbrances;
- (d) the fair presentation of certain financial statements;
- (e) tax;
- (f) real property;
- (g) intellectual property and information technology;
- (h) material contracts;
- (i) litigation and compliance with applicable laws;
- (j) employee and benefits matters;

- (k) the obtaining of and compliance with applicable licenses;
- (l) environmental matters;
- (m) no brokers acting in connection with the Proposed Acquisition;
- (n) transactions with affiliates; and
- (o) sufficiency of assets.

## 9. BUYER WARRANTIES

The Acquisition Agreement contains warranties (which are customary for an acquisition of the size and nature of the Proposed Acquisition and are at certain agreed levels of materiality) given by the Buyers, and which are limited under the Acquisition Agreement, as to, *inter alia*:

- (a) the due incorporation and valid existence of the Buyers;
- (b) the due authorisation of the Buyers to execute the Acquisition Agreement;
- (c) Menzies' entry into and validity of the Acquisition Facilities Agreement; and
- (d) Menzies' entry into and validity of the Underwriting Agreement.

## 10. INDEMNIFICATION

Pursuant to the Acquisition Agreement, after Completion, each of the Buyers and Sellers has agreed to indemnify the others for certain damages arising from breaches of representations and warranties and breaches of such other party's covenants. Subject to certain agreed exceptions, the aggregate financial liability of the Sellers for any breach of the representations and warranties given by the Sellers under the Acquisition Agreement is capped at \$25,250,000 (save in the case of certain specified exceptions, including any breach of any warranty regarding the title of the Sellers to the shares in the Target Companies). A tax indemnity, relating to tax liability of the Target Companies arising prior to Completion has also been given by the Sellers. In addition the Sellers have also agreed to provide specific indemnification to the Buyers in respect of certain areas of potential liability arising from the operation of the business of the Target Companies prior to Completion, including workers compensation claims, aviation liability claims, certain ongoing employment class actions, the Allied litigation claim and environmental claims. In addition the Sellers have agreed to indemnify the Buyers in respect of any loss arising from the execution of the Reorganisation and losses arising as a result of the participation of certain members of the ASIG Group in defined benefit pension schemes operated by or on behalf of BBA and/or certain of its affiliates.

## 11. RESTRICTIVE COVENANT

The Acquisition Agreement includes certain post-Completion restrictions on the Sellers and their affiliates, including a non-compete provision (preventing the operation of a business that competes with the ASIG Group in any of the US, Canada, the United Kingdom, Thailand and any of the other territories that the ASIG Group currently operates in) which applies for a period of 36 months following the date of Completion.

## 12. REORGANISATION

The Sellers are proposing to undertake a reorganisation in the period between the signing of the Acquisition Agreement and the Completion Date, in order to (i) move certain assets into the ASIG Group that, whilst they undertake activities that are directly relevant to the ASIG Group, are held elsewhere within the BBA corporate group; and (ii) remove certain assets from the ASIG Group that are relevant to other business units of BBA (the "**Reorganisation**"). The Reorganisation principally involves the movement of certain operating assets located at each of John Wayne Airport, Santa Ana, California (the "**Santa Ana Assets**") and Huntsville International Airport, Alabama (the "**Huntsville Assets**") into the ASIG Group, and the removal from the ASIG Group of certain operating assets located at each of Tacoma Airport Seattle, Tocumen International Airport, Panama and Honolulu International Airport, Hawaii, as well as the removal of two corporate entities (BBA Aviation ASIG Europe Limited and Signature Flight Support Panama SA) from the ASIG Group.

In circumstances where all elements of the Reorganisation have been completed other than the transfer to the ASIG Group of the Santa Ana Assets and the Huntsville Assets the condition to Completion in the Acquisition Agreement relating to the Reorganisation will have been deemed

to be satisfied. Should Completion occur without either the Santa Ana Assets and/or the Huntsville Assets having been transferred into the ASIG Group then for a period of 12 months following Completion the Sellers shall use reasonable best efforts to continue to attempt to transfer the Santa Ana Assets and/or the Huntsville Assets (as applicable) into the ASIG Group and shall operate such assets for the benefit of the ASIG Group in the intervening period. If by the date falling 12 months following Completion (i) the Santa Ana Assets have not been transferred to a member of the ASIG Group and (ii) the ASIG Group does not hold the required permits and licences to allow it to conduct the business comprised of the Santa Ana Assets, then any of the Santa Ana Assets that have been transferred to the Buyers shall be transferred back to the Sellers and the Buyers shall be repaid an amount equal to \$2,780,000 by the Sellers. If by the date falling 12 months following Completion (i) the Huntsville Assets have not been transferred to a member of the ASIG Group and (ii) the ASIG Group does not hold the required permits and licences to allow it to conduct the business comprised of the Huntsville Assets, then any of the Huntsville Assets that have been transferred to the Buyers shall be transferred back to the Sellers and the Buyers shall be repaid an amount equal to \$2,780,000 by the Sellers.



## PART XII – ADDITIONAL INFORMATION

### 1. RESPONSIBILITY

The Company and the Directors, whose names appear in paragraph 6 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

### 2. INCORPORATION AND REGISTERED OFFICE

The Company was incorporated and registered in Scotland on 9 March 1960, with registered number SC034970, as a company limited by shares under the Companies Act 1948 to 1986 and with the name John Menzies (Holdings) Limited. The Company was re-registered as a public limited company, named John Menzies (Holdings) plc, on 8 March 1982. The Company's name was subsequently changed to John Menzies plc on 30 June 1982.

The Company is domiciled in the United Kingdom and its registered and head office is at 2 Lochside Avenue, Edinburgh Park, Edinburgh, Scotland, EH12 9DJ. The Company's main telephone number is +44 (0) 131 225 8555.

The principal legislation under which the Company operates is the Companies Act.

### 3. SHARE CAPITAL

#### 3.1 Share capital

On 14 September 2016 (being the latest practicable date prior to the date of this document), the issued and fully paid share capital of the Company was as follows:

<b>Class of share</b>	<b>Issued and fully paid shares</b>	<b>Amount (£)</b>
Preference Shares	1,394,587	1,394,587
Ordinary Shares	61,382,731	15,345,683

#### 3.2 Issued share capital immediately following completion of the Rights Issue

The issued and fully paid share capital of the Company following completion of the Rights Issue and the issue of the New Ordinary Shares will be as follows:

<b>Class of share</b>	<b>Issued and fully paid shares<sup>(1)</sup></b>	<b>Amount (£)<sup>(1)</sup></b>
Preference Shares	1,394,587	1,394,587
Ordinary Shares	83,305,134	20,826,284

(1) The number of Ordinary Shares in issue immediately following the completion of the Rights Issue assumes that no options are exercised or Ordinary Shares otherwise issued pursuant to the Menzies Share Schemes between the date of this document and Admission.

The Existing Ordinary Shares currently in issue are, and the New Ordinary Shares will be on issue, registered and capable of being held in uncertificated form in CREST. For shares to be held in certificated form share certificates will be sent to the registered member by first class post. The Ordinary Shares have a nominal value of 25 pence per share. There are 330,338 Ordinary Shares held in treasury.

#### 3.3 History of share capital

On 1 January 2013, being the first day covered by the financial statements incorporated by reference into this document, the Company had 61,163,585 Ordinary Shares of 25 pence each and 1,394,587 Preference Shares of £1.00 each in issue and fully paid.

Since that date the following changes have been made to the authorised and issued share capital of the Company:

- (a) during the period from 1 January 2013 to 31 December 2013, a total of 459,751 Ordinary Shares were issued, increasing the number of issued Ordinary Shares to 61,623,336;
- (b) during the period from 1 January 2014 to 31 December 2014, a total of 39,230 Ordinary Shares were issued, increasing the number of issued Ordinary Shares to 61,662,566; and
- (c) during the period from 1 January 2015 to 31 December 2015, a total of 40,567 Ordinary Shares were issued, increasing the number of issued Ordinary Shares to 61,703,133.

#### **4. PRINCIPAL INVESTMENTS**

A description of Menzies' principal investments for the financial year ended 31 December 2015 is given on page 139 of the Annual Report 2015 (which is incorporated into this document by reference). A description of Menzies' principal investments for the financial year ended 31 December 2014 is given on page 123 of the Annual Report 2014 (which is incorporated into this document by reference). A description of Menzies' principal investments for the financial year ended 31 December 2013 is given on page 112 of the Annual Report 2013 (which is incorporated into this document by reference).

Menzies has made no further principal investments between 31 December 2015 and 14 September 2016 (being the latest practicable date prior to the publication of this document).

#### **5. ARTICLES OF ASSOCIATION, MANDATORY TAKEOVER BIDS, SQUEEZE-OUT AND SELL-OUT RULES**

##### **5.1 Summary of the articles**

The following is a summary of the Articles, which are available for inspection as set out in paragraph 26 of this Part XII. The Articles, which were adopted by special resolution on 21 May 2010, contain, *inter alia*, provisions to the following effect:

(a) *Objects*

The objects for which the Company is established, are to carry on business as a distribution, transport and logistical services company.

(b) *Share rights*

Subject to statute, and without prejudice to any rights attached to any existing shares or class of shares, a share in the Company may be issued with such rights or restrictions as the Company may by ordinary resolution decide. A share may be issued on the terms that it is to be, or has an option that the Company or the shareholder may exercise to be, redeemed on such terms and conditions and in such a manner as the board decides.

(c) *Voting rights*

Subject to any special rights or restrictions as to voting attached to any shares (including the Preference Shares, on a vote on a resolution on a show of hands each member who (being an individual) is present in person at any meeting of the Company and entitled to vote has one vote, each duly authorised representative of a body corporate (which is a member) who is present has the same voting rights as the body corporate would be entitled to, each proxy present who has been properly appointed by one or more members who is entitled to vote has one vote, and each proxy present who has been appointed by more than one member entitled to vote and has received instructions to vote both in favour of and against the resolution has one vote for and one vote against that resolution. On a vote on a resolution on a poll, each member who (being an individual) is present in person or by proxy or (being a body corporate) is present by one or more duly authorised representatives or by proxy has one vote for each share held by him or it. In the case of joint holders of a share, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the share.

(d) *Restrictions on voting*

Unless the board decide otherwise, a member shall not be entitled to attend, vote or speak at any general meeting of the Company (including a separate meeting of the holders of shares of a particular class), either in person or by proxy, in respect of any share held by him unless all calls and other sums presently payable by him in respect of that share have been paid.

Subject to the requirements of the FCA and the Admission and Disclosure Standards of the London Stock Exchange, any member, or any other person appearing to be interested in any shares of the Company, who has been duly served with a notice in writing under section 793 of the Companies Act and is in default at the end of the time specified in such notice by not supplying to the Company the information thereby required, then at any time thereafter the board may, for such period as the default continues, impose restrictions upon the relevant shares. The restrictions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company in respect of the relevant shares and additionally, in the case of a shareholding representing at least one quarter of a per cent. by nominal value of any class of shares of the Company then in issue, the withholding of payment of any dividends on, and the restriction of transfers of, the relevant shares. The restrictions will continue until not more than seven days after the information required by such notice is supplied to the Company or the Company has received notice that the shares in question have been transferred. Section 793 of the Companies Act provides a public company with the statutory means to ascertain the persons who are, or have within the last three years been, interested in its relevant share capital and the nature of such interests.

(e) *Dividends and other distributions*

Subject to statute, the Company may, by ordinary resolution, declare final dividends, but no dividend shall exceed the amount recommended by the board. Subject to statute, the board may: (i) declare and/or pay fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the dates prescribed for the payment thereof; (ii) provide, in such manner and on such terms as they may think fit, for the payment of any dividends (whether fixed or calculated by reference to or in accordance with the specified procedure or mechanism) on any class of shares carrying rights to such dividend on the dates prescribed for payment of the same (whether such dates are fixed or to be determined in accordance with the specified procedure or mechanism); and (iii) from time to time pay interim dividends on the shares of any class of such amounts, on such dates and in respect of such periods as they may think fit, provided that, if shares of a class carry a right to a preferential dividend and such dividend is in arrears, no interim dividend shall be paid on any shares having deferred or non-preferred rights unless and until such preferential dividend is no longer in arrears. If the Directors act in good faith, they shall not incur any liability to the holders of any shares for any loss they may suffer by the lawful payment of any fixed or interim dividend.

Except as otherwise provided by the rights attached to any shares or the terms of issue thereof, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid in proportion to the amounts paid on the shares during any part or parts of the period in respect of which the dividend is paid.

All unclaimed dividend, interest or other moneys payable on or in respect of a share may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. Any dividend which has remained unclaimed for a period of 12 years from the due date shall be forfeited and shall revert to the Company.

If, in respect of any dividend or other moneys payable on or in respect of a share, on any one occasion: (i) a cheque or warrant is returned undelivered or left uncashed; or (ii) a transfer made by a bank or other funds transfer system is not accepted, and reasonable enquiries have still to establish another address or account of the person entitled to the payment, the Company shall not be obliged to send or transfer a dividend or other moneys payable on or in respect of that share to that person until he notifies the Company of an address or account to be used for that purpose. If the cheque or warrant is returned undelivered or left uncashed or the transfer is not accepted on two

consecutive occasions, the Company may exercise its power without making any such enquiries. Subject to the Articles, the Company shall recommence sending cheques, warrants or other financial instruments in respect of the dividends or other moneys payable in respect of those shares if the holder or person entitled by transmission claims the arrears of any dividend or other moneys payable and does not instruct the Company to pay future dividends or other moneys payable in some other way.

The Company may, on the recommendation of the directors, by ordinary resolution, direct payment of a dividend in whole or in part by the distribution of specific assets (and, in particular, of paid up shares or debentures of any other body corporate), or partly in one way and partly in another or others, and the directors shall give effect to such resolution.

(f) *Variation of rights*

Subject to statute, the rights attached to any class of share may be varied in such manner as may be provided by those rights or, in the absence of any such provision, with the written consent of the holders of three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

Unless otherwise expressly provided by the rights attached to any class of shares, those rights shall be deemed not to be varied by the creation, allotment or issue of further shares, the purchase or redemption by the Company of any of its own shares, the transfer or sale by the Company of any shares it may hold as treasury shares or the board resolving that a class of shares shall become, or the operator of the relevant system permitting such class of shares to be, a participating security.

(g) *Transfer of shares*

Subject to the Articles, a member of the Company may transfer all or any of his certificated shares by an instrument of transfer of a share in any usual form or in any other form which the board may approve and shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. Subject to the Articles, shares in the Company may be held in uncertificated form and title to the shares transferred in accordance with the CREST Regulations and the rules of any relevant system. The transferor shall be deemed to remain the holder of the shares (whether in certificated or uncertificated form) until the name of the transferee is entered in the register of members of the Company in respect thereof.

No fee shall be charged by the Company for the registration of any instrument of transfer or the renunciation of a renounceable letter of allotment or instruction or other document relating to or affecting the title to any share or otherwise for making any other entry in the register of members of the Company.

Subject to the Articles, the Admission and Disclosure Standards and the requirements of the FCA, the board may refuse to register the transfer of a share (provided that such refusal does not disturb the market in the shares):

- (i) in relation to shares in certificated form, which is not fully paid or on which the Company has a lien;
- (ii) in relation to shares in certificated form or the renunciation of a renounceable letter of allotment, unless the instrument of transfer: (a) is duly stamped (if required) and delivered for registration to the registrar's office or such other place as the board may specify and is accompanied by the certificate for the share to which it relates and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer; (b) is in respect of only one class of share; and (c) is in favour of a single transferee or is in favour of not more than four transferees jointly;
- (iii) in relation to shares in uncertificated form or any renounceable right of allotment of a share which is a participating security held in uncertificated form in accordance with the CREST Regulations, if such a transfer is in favour of more than four persons jointly or in any other circumstance permitted by the CREST Regulations.

(h) *Alteration of share capital*

Subject to statute and if so authorised by ordinary resolution, the Company may, from time to time: (i) consolidate, or consolidate and divide, all or any of its share capital into shares of a larger nominal amount than its existing shares; and (ii) sub-divide its shares, or any of them, (whether or not following a consolidation) into shares of a smaller nominal amount than its existing shares and the resolution may determine that, as between the shares resulting from such sub-division, any of them may, as compared with the others, have any such preferred, deferred or other rights, or be subject to any such restrictions, as the Company has power to attach to new shares.

(i) *Forfeiture*

If a member fails to pay in full any call or instalment of a call on or before the due date for payment thereof, the directors may at any time thereafter give to him not less than 14 clear days' notice in writing requiring payment of the amount unpaid, together with any interest which may have accrued thereon and any costs, charges and expenses incurred by the Company by reason of such non-payment.

(j) *Return of capital*

In the event of a return of capital and assets on a winding-up of the Company: (i) holders of Preference Shares shall have a right to repayment, in priority to any payment to holders of any other class of shares, of the whole amount paid up or credited as paid-up thereon, together with a premium of £0.05 per share and a sum equal to any arrears or deficiency of said fixed dividend payable on the Preference Shares; and (ii) any surplus shall be applied in repaying to the holders of Ordinary Shares the amounts paid up or credited as paid up on such shares.

(k) *General meetings*

The Company must hold an annual general meeting, for which at least 21 clear days' notice must be given. Any meeting other than the annual general meeting shall be referred to as a general meeting. The board may also call a general meeting of the Company whenever they think fit on at least 14 clear days' notice. For the purpose of appointing a director, two or more members may call a general meeting. Notice of a general meeting must be sent to every member of the Company, every director and the Company's auditors. It must state the time and date and the place of the meeting and the general nature of the business to be dealt with at the meeting. A notice calling an annual general meeting must state that the meeting is an annual general meeting. No business shall be transacted at a general meeting unless the requisite quorum of two qualifying persons entitled to vote is present when the meeting proceeds to business.

The holders of the Preference Shares shall have no right to receive notice of or attend or vote at any general meeting of the Company unless either: (i) at the date of the notice convening the meeting the dividend payable on such Preference Shares or a part thereof is 6 months or more in arrears; or (ii) the business of the meeting includes the consideration of a resolution for reducing the capital of or winding-up the Company or for altering the objects of the Company as stated in its Articles or for the sale of the undertaking of the Company or any substantial part thereof or any resolution altering or abrogating any of the special rights or privileges attaching to the Preference Shares, in which circumstances the holders of the Preference Shares shall have the right to vote on any such resolution.

The directors may resolve to enable persons entitled to attend a general meeting to do so by attendance and participation (concurrently with the proceedings at the principal meeting place) at any satellite meeting place anywhere in the world and the members present in person or by proxy at satellite meeting places shall be counted in the quorum for and be entitled to speak and vote at the general meeting in question, and that meeting shall be duly constituted and its proceedings valid provided that the chairman of the general meeting is satisfied that adequate facilities are available throughout the general meeting to ensure that members attending at each of the meeting places are able to: (i) communicate to all other persons attending the meeting, during the meeting, any information or opinions which they have on the business of the meeting; and (ii) vote, during the meeting, on any resolution on which they are entitled to vote which is put to

the vote at the meeting and that their votes can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

A resolution put to the vote at any general meeting shall be decided on a show of hands unless a poll is duly demanded. A poll may be demanded: (i) in advance of the general meeting where the resolution is to be put to the vote; (ii) at the general meeting before, or on the declaration of the result of, a show of hands on that resolution; or (iii) on the withdrawal of any other demand for a poll. A poll may be demanded by: (i) the chairman of the meeting; (ii) any five members present and entitled to vote on the resolution; (iii) a member or members present and entitled to vote on the resolution holding not less than one tenth of the total voting rights of all the members being entitled to vote on the resolution; or (iv) a member or members present and holding paid up shares which in aggregate are not less than one tenth of the paid up share capital of the Company conferring that right.

(I) *Directors*

(i) Number of directors

Unless otherwise determined by ordinary resolution of the Company, the number of directors (other than alternate directors) shall not be less than two.

(ii) Directors' shareholding qualification

A director need not be a member of the Company.

(iii) Appointment of directors

The board may appoint any person to be a director, but so that the number of directors shall not exceed any maximum number fixed by the Articles. Any person so appointed by the board shall hold office only until the conclusion of the next following annual general meeting. The Company may by ordinary resolution appoint a person who is willing to act and is permitted by law to do so to be a director

(iv) Retirement of directors

At each annual general meeting of the Company, the following directors shall retire and shall be eligible for reappointment: (i) any director appointed by the board since the conclusion of the last annual general meeting; and (ii) any director who was not appointed or re-appointed at one of the preceding two annual general meetings.

The retirement of a director shall not have effect until the conclusion of the meeting at which he is retiring, except where a resolution is passed to appoint some other person in the place of the retiring director (other than with effect from a time later than the conclusion of the meeting) or a resolution for his reappointment is put to the meeting and lost (in either which case the retirement shall take effect from the passing of the relevant resolution). Accordingly, a retiring director who is re-appointed will continue in office without a break.

(v) Removal of directors

The Company may by ordinary resolution of which special notice has been given, remove a director before the expiration of his period of office.

A director may also be removed from office by giving him notice to that effect signed by all of the other directors.

(vi) Vacation of office

The office of a director shall be vacated if: (i) he becomes prohibited by law from acting as a director, or shall cease to be a director by virtue of any provision of statute; (ii) not being a director holding executive office for a fixed period, he resigns by notice in writing to the Company or tendered at a meeting of the directors or if by notice in writing to the Company or tendered at a meeting of the directors he offers to resign and the directors resolve to accept such offer; (iii) having been appointed for a fixed term, the term expires; (iv) he

has a bankruptcy order made against him or settles or makes any arrangement or composition with his creditors generally or applies to the court for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act; (v) he becomes incapable by reason of illness or injury of managing and administering his property and affairs and the directors resolve that his office be vacated; (vi) he and his alternate (if any) are absent from meetings of the Directors for the greater of six consecutive months and six consecutive meetings without the consent of the directors and the directors resolve that his office be vacated; (vii) having retired pursuant to Article 89, he is not re-appointed as a director; or (viii) he is removed from office as a director by notice in writing sent to him at his last known address signed by all his co-directors, but so that if he holds an appointment to an executive office which thereby automatically determines such removal shall be deemed to be an act of the Company and shall have effect without prejudice to any claim for damages for breach of any contract of service between him and the Company or otherwise.

(vii) Proceedings of the Board

Subject to the Articles, the directors may meet together and regulate their proceedings as they think fit. At any time any director may, and the Secretary at the request of a director shall, call a meeting of the directors by giving notice (which need not be in writing) to each director of the proposed date and time of the meeting and where it is to take place. A director may waive his entitlement to notice of any meeting either prospectively or retrospectively.

The quorum necessary for the transaction of the business of the directors may be fixed from time to time by the directors and unless so fixed at any other number shall be two. A person attending a board meeting as an alternate director may only count in the quorum if his appointing director is not present.

Questions arising at any meeting of the directors shall be determined by a majority of votes and, subject to the Articles, each director present shall have one vote. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote unless, in accordance with the Articles, the chairman of the meeting is not permitted to vote on the resolution concerned.

Where, the number of directors falls below the required minimum, the continuing directors or the sole continuing director may act notwithstanding any vacancies but, if and so long as the number of directors is reduced below the required minimum, the continuing directors or director may act only for the purpose of appointing directors or of calling a general meeting to do so.

(viii) Remuneration of directors

The ordinary remuneration of the directors (other than any director who holds any executive office) shall from time to time be determined by ordinary resolution of the Company. Such remuneration shall be deemed to accrue from day to day and shall be divisible among the directors in such proportion and manner as the directors may determine.

Any director who holds any executive office or employment with the Company or any associated company, or who serves on any committee of the directors, or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid such remuneration or benefits by way of salary, commission, participation in profits or otherwise, in addition to or in substitution for his ordinary remuneration as a director, as the directors or any committee of the Company authorised by the directors may determine.

(ix) Directors' interests

Pursuant to statute, the directors may authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a director to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. Neither

the director in question nor any other interested director shall vote on (or, if he does vote, his vote shall not be counted), or be counted in the quorum at a meeting in relation to, any resolution of the directors concerning any such authorisation.

Where a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and the matter constituting or giving rise to such conflict or potential conflict has been authorised by the directors or is otherwise permitted under the Articles, subject to the terms on which any authorisation has been given: (i) the director in question need not disclose to or use for the benefit of the Company any information relating to the relevant matter which he obtains or has obtained otherwise than as a director or employee of the Company and in respect of which he owes a duty of confidentiality to a person other than the Company; (ii) the director in question shall not (unless it is otherwise agreed) be liable to account to the Company for any profit, remuneration or other benefits realised or receivable by him in consequence of the relevant matter and no contract, transaction or arrangement relating thereto shall be liable to be avoided on the grounds of his conflict of interests; (iii) the director in question need not consider board papers, nor participate in discussion of the directors, relating to the relevant matter; and (iv) any director may act in any way authorised by any guidance for dealing with conflicts of interest issued by the directors from time to time.

Subject to certain limited exceptions set out in the Articles, a director shall not vote, nor be counted in the quorum at a meeting, in respect of any resolution concerning his own appointment or the termination of his own appointment, or in relation to any resolution relating to any transaction or arrangement with the Company in which he has an interest which may reasonably be regarded as likely to give rise to a conflict of interest.

(x) Borrowing powers

Subject to statute and the Articles, the directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property, assets and uncalled capital or any part thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The directors shall take all necessary steps (including the exercise of all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries) for procuring that the aggregate amount at any one time outstanding in respect of monies borrowed by the Group (and after deducting therefrom an amount equal to all cash deposits and the balance in funds on each account of every member of the Group with banks) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed the higher of: (i) £300.0 million; and (ii) a sum equal to three times the Adjusted Total of Capital and Reserves (as defined below).

For these purposes, "Adjusted Total of Capital and Reserves" means the aggregate of: (i) the amount for the time being paid up or credited as paid up on the issued share capital of the Company; (ii) the amounts standing to the credit or debit of the reserves (including without limitation the share premium account, revaluation reserve, capital reserve, unallocated general reserve, pension reserve, capital redemption reserve and any credit or debit balance on the consolidated profit and loss account) of the Group; and (iii) the aggregate amounts of any unsecured loans which are subordinated to creditors of the Group, all as shown in the latest audited consolidated Balance Sheet of the Group but after: (a) making such adjustments as may be appropriate in respect of any variation in the issued and paid up capital, the share premium account, capital reserve, general reserve and capital redemption reserve of the Group resulting from any change in the issued and paid up share capital of the Company and since the date of the latest audited consolidated balance sheet of the Group; and (b) adding back any provision for future or deferred taxation.



(m) *Communications*

Subject to statute, the Articles and the requirements of the UK Listing Authority, the Company may give any notice or send or supply any other document (including a share certificate) or information to any member: (i) by delivering it to him personally; (ii) by leaving it at, or sending it by post in a prepaid envelope addressed to such member at, his registered address or address for service in the United Kingdom; or (iii) by sending it by electronic means to an address for the time being notified to the Company by the member (generally or specifically) for that purpose.

Subject to statute, the Articles and the requirements of the UK Listing Authority, the Company may give any notice or send or supply any other document or information to any member by making it available on a website, where: (i) that member has agreed (generally or specifically) that the document or information may be sent or supplied to him in that manner or that member is deemed to have so agreed in accordance with statute and in either case has not revoked that agreement; and (ii) that member is notified of: (a) the fact that the document or information has been made available on the website; (b) the address of the website; and (c) the place on the website where the document or information may be accessed and how it may be accessed.

## 5.2 **Mandatory takeover bids, squeeze-out and sell-out rules**

### 5.2.1 **Mandatory bid**

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of shares would increase the aggregate holding of the acquirer and its concert parties to shares carrying 30.0 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of The Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the shares by the acquirer or its concert parties during the 12 months prior to the announcement of the offer. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30.0 and 50.0 per cent. of the voting rights in the Company if the effect of such acquisition would increase that person's percentage of the voting rights.

### 5.2.2 **Squeeze-out**

Under the Companies Act, if an offeror would acquire or contract to acquire 90.0 per cent. of the shares to which the offer relates within four months of making its offer, it could then compulsorily acquire the remaining 10.0 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

### 5.2.3 **Sell-out**

The Companies Act would also give minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who makes a takeover offer. If a takeover offer relates to all the shares and, at any time before the end of the period within which the offer could be accepted, the offeror holds or agrees to acquire not less than 90.0 per cent. of the shares to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer could by a written communication to the offeror require it to acquire those shares.

The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his/her right, the offeree is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

There have been no public takeover bids by third parties in respect of the share capital of the Company in the last or current financial year.

## 6. BOARD

6.1 The members of the Board are listed below:

<b>Name</b>	<b>Position</b>
Dr Dermot Smurfit	Chairman
Giles Wilson	Chief Financial Officer
Forsyth Black	President & Managing Director, Menzies Aviation
Dermot Jenkinson	Non-Executive Director
Paul Baines	Non-Executive Director
Geoffrey Eaton	Non-Executive Director
David Garman	Non-Executive Director
Drusilla Maizey	Non-Executive Director

The Group Company Secretary is John Geddes and the business address of each of the Directors is at the Company's registered address at 2 Lochside Avenue, Edinburgh Park, Edinburgh, Scotland, Scotland EH12 9DJ.

Summary biographical details of each of the members of the Board are set out below. There is no family relationship between any of the members of the Board.

### 6.1.1 Dermot Smurfit

Dermot was appointed Chairman of Menzies in July 2016. Dermot led the consortium of investors which acquired Savon Sellereal in January 2005 and he was appointed a director of Powerflute plc in 2004 and Chairman in 2006. Dermot was the joint Deputy Chairman of Jefferson Smurfit Group plc, a leading packaging group, from 1994 to 2003 and was its Director of Sales and Marketing worldwide from 1997 to 2003. Prior to this Dermot held a number of other senior positions with the Jefferson Smurfit Group. Dermot is a former Chairman of the World Containerboard Organisation and of FEFCO which represents the interests of European corrugated board manufacturers. He recently resigned as Chairman of Eurolink Motorway Services Ltd and was in the past a director of Ace Ltd, a major worldwide insurance company, Aon BV, a major insurance broking business and CEO/Director of TMG Group Ltd, an engineering group in Ireland. Dermot is also the current Chairman of ML Capital and a non-executive director of Timber Capital Ltd and the Forest Company Ltd.

### 6.1.2 Giles Wilson

Giles was appointed Chief Financial Officer with effect from 1 June 2016. Giles has worked with the Group for five years in a variety of senior roles including Finance Director of Menzies Aviation. Most recently he has been based in Dubai as Senior Vice President of our Middle East, India and African regions. Prior to joining the Group in 2011, Giles held the position of Finance Director UK at Gallaher Group PLC. Thereafter he was appointed Finance Director of Commercial Estates Group from 2006 until 2011.

### 6.1.3 Forsyth Black

Forsyth is President and Managing Director of Menzies Aviation and was appointed to the Board in January 2016. He has been with the Group for almost 16 years, during which time he has occupied predominantly senior aviation roles. Forsyth served as Senior Vice-President of Africa, the Middle East and India and latterly was Managing Director of Menzies Distribution. In this role he achieved a strong performance, overseeing a network rationalisation programme together with entry into the growing e-commerce logistics market. Forsyth has a strong track record in commercial, managerial and business development roles, having previously led the inception and development of Menzies Aviation in India and Africa.

### 6.1.4 Dermot Jenkinson

Dermot was appointed to the Board in 1986 and held various executive responsibilities before assuming a non-executive role within the Company in 1999. Dermot was appointed Interim Chairman of the Company on 20 May 2016 until 25 July 2016. Dermot was Executive Chairman of beCogent, a contact centre and related consultancy business, until 2010 when the business was sold to Teleperformance SA. He founded

Ascensos Limited, a follow-on to beCogent, in 2013. Dermot's contribution to the Board stems from the breadth of knowledge gained from both his experiences within the Company and through a wide range of executive management roles.

#### 6.1.5 Paul Baines

Paul was appointed a Non-Executive Director in June 2016. Since 2013 he has held senior advisory roles with Vermilion, a leading China-based investment banking firm which provides advisory services in China, the US, Europe and other Asian markets, and with Smith Square Partners, an UK based independent corporate advisory firm. Prior to joining Hawkpoint Partners in 2000, Paul held the position of Chief Executive (Corporate Finance Division) of Charterhouse Bank. Thereafter he was appointed Chief Executive of Hawkpoint in 2003 and Executive Chairman in 2009 until 2013. He was a director of Collins Stewart Hawkpoint plc from 2006 to 2012.

#### 6.1.6 Geoffrey Eaton

Geoffrey was appointed as a Non-Executive Director of the Company in June 2015. Geoffrey has had an extensive executive career including the positions of Chief Operating Officer at Premier Foods plc and Chief Executive Officer at Uniq plc. He has extensive business to business experience in both Europe and the United States. Geoffrey is currently Chairman of New England Seafood International Limited. Geoffrey is a chartered accountant.

#### 6.1.7 David Garman

David was appointed as a Non-Executive Director of the Company in June 2015. He has a broad range of industrial experience including the position of Chief Executive at TDG plc (now TDG Limited), a European contract logistics and supply chain management business, prior to which he was an Executive Director with Associated British Foods and United Biscuits. David is non-executive director of Troy Income & Growth Trust plc and director of several private companies. He has held non-executive directorships at St Modwen Properties plc, Kewill plc, Victoria plc and Phoenix IT plc within the last five years.

#### 6.1.8 Drusilla Maizey

Drusilla was appointed as a Non-Executive Director of the Company in May 2014 having enjoyed an executive career at British Airways where she worked in a number of different functions. Most recently, Drusilla served as Managing Director of London Gatwick but previously was involved in Finance, Procurement, Corporate Responsibility and Customer Services. Drusilla is also Chair of NHS Business Services Authority. In September 2015 Drusilla was appointed Non-Executive Director of the Crown Commercial Service, a Government Executive agency responsible for centralised procurement for government departments and the wider public sector. Drusilla is a qualified accountant.

#### 6.1.9 John Geddes

John is a Chartered Secretary who was appointed Group Company Secretary in 2006. He first joined the Group in 1997 and held various senior positions within it prior to his current appointment. Within his role, John is also responsible for the Group Risk and Insurance functions. John's career includes Company Secretariat posts at both Bank of Scotland plc and Guinness plc. John is a board member of the Airport Services Association, an industry body which brings together the world's major ground handling service providers and suppliers.

6.2 Set out below are the directorships and partnerships held by the members of the Board (other than, where applicable, directorships held in subsidiaries of the Company) in the five years prior to the date of this document:

Name	Position	Company/ Partnership	Position
			still held? Y/N
Dr Dermot Smurfit	Chairman	ML Capital Group	Y
	Non-Executive Director	Forest Company Ltd	Y
	Non-Executive Director	Timber Capital Ltd	Y

<b>Name</b>	<b>Position</b>	<b>Company/ Partnership</b>	<b>Position still held? Y/N</b>
	Chairman	Powerflute Oyj	Y
	Chairman	Eurolink Motorway Services Ltd	N
	Director	Cosmo Specialty Fibres	N
Giles Wilson	Director	Homefield Developments Limited	N
	Director	Brockham Park Residents Management Company Limited	N
Dermot Jenkinson	Director	Renewable Resources Investments Limited	N
	Director	Ascensos Limited	Y
	Director	Sunlaws Development Company Limited	Y
	Director	Merse Properties Limited	Y
	Director	Kames Dairies Limited	Y
	Director	Merse & Company Limited	Y
	Director	Renewable Resources (Energy Solutions) Limited	N
	Director	Transcom SA	N
Paul Baines	Director	Servia Limited	Y
	Director	Canaccord Genuity Hawkpoint Limited	N
	Director	Canaccord Genuity Hawkpoint Holdings Limited	N
	Director	Collins Stewart Hawkpoint plc	N
	Director	Hawkpoint Partners SA	N
Geoffrey Eaton	Director	New England Seafood International Limited	Y
	Director	Premier Foods Group Limited	N
	Director	Premier Foods Group Services Limited	N
	Chief Operating Officer	Premier Foods plc	N
	Director	Premier Foods (Holdings) Limited	N
	Director	Uniq Limited	N
	Director	Uniq (Holdings) Limited	N
	Director	Greencore Food To Go Limited	N
	Chairman	Butcher's Pet Care Limited	Y
David Garman	Non-Executive Director	Troy Income & Growth Trust Plc	Y
	Director	Onyx Logistics Limited	Y
	Director	Oakwood Contracting Services Limited	Y
	Director	Oakwood Residential Developments (Snitterfield) Limited	Y
	Director	Oakwood Consulting And Coaching Limited	Y
	Director	Oakwood Residential Developments (Welford) Limited	Y
	Director	Oakwood Residential Developments (Stratford) Limited	Y
	Director	Oakwood Residential Developments Limited	Y
	Director	Club 7 Limited	N
	Director	The Oakwood Partnership Limited	Y
	Director	The Lodge (Packhorse Road) Management Company Limited	Y
	Director	Newco Options 2 Limited	N
	Director	Options Autism (4) Limited	N
	Director	Family Options Limited	N
	Director	Options Autism (3) Limited	N
	Director	Options Group Holdings Limited	N
	Director	Options Autism (2) Limited	N
	Director	Options Autism (6) Limited	N
	Director	Options Autism (1.2) Limited	N
	Director	Options Central Services Limited	N
	Director	Options BESD (1) Limited	N
	Director	Options Autism (1) Limited	N
	Director	Options Autism (1.1) Limited	N
	Director	Young Options Limited	N

<b>Name</b>	<b>Position</b>	<b>Company/ Partnership</b>	<b>Position still held? Y/N</b>
	Director	Options Autism (5) Limited	N
	Director	Daisy IT Group Limited	N
	Director	MRBL Limited	N
	Director	Deritend Industries Limited	N
	Director	JLA Equityco Limited	N
	Non-Executive Director	St. Modwen Properties plc	N
	Non-Executive Director	Victoria P.L.C.	N
	Director	Kewill Limited	N
Drusilla Maizey	Director	Saffron Solutions Limited	Y
	Director	British Airways Pension Trustee (No. 2) Limited	N
	Chairman and Non-Executive Director	NHS Business Services Authority	Y
	Non-Executive Director	Crown Commercial Service	Y
	Chairman	Chartered Institute of Purchasing and Supply, Disciplinary Committee	Y

6.3 Save as disclosed herein, as at the date of this document, none of the members of the Board has at any time within the past five years:

6.3.1 save as disclosed in paragraphs 6.1 and 6.2 above, been a director or partner of any companies or partnerships;

6.3.2 had any convictions in relation to fraudulent offences (whether spent or unspent);

6.3.3 been adjudged bankrupt or entered into any individual voluntary arrangements;

6.3.4 been a director of any company at the time of or within a 12-month period preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with such company's creditors generally or with any class of creditors of such company;

6.3.5 been partner of any partnership at the time of or within a 12-month period preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;

6.3.6 had his assets the subject of any receivership;

6.3.7 been partner of any partnership at the time of or within a 12-month period preceding any assets thereof being the subject of a receivership;

6.3.8 been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or

6.3.9 ever been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company.

6.4 Save for their capacities as persons legally and beneficially interested in Ordinary Shares, there are:

6.4.1 no potential conflicts of interest between any duties to the Company of the members of the Board and their private interests and/or other duties; and

6.4.2 no arrangements or understandings with major Shareholders, members, suppliers or others, pursuant to which any Director was selected.

#### **Qualifications to Board's Confirmations**

In relation to the Board confirmation in paragraph 6.3.4, Dermot Jenkinson was a director of Renewable Resources (Energy Solutions) Limited from 1 November 2011 until 29 January 2014. In March 2014, Renewable Resources (Energy Solutions) Limited was sold in a pre-pack administration to an independent company. Dermot Jenkinson no longer has any involvement with Renewable Resources (Energy Solutions) Limited.

## 6.5 The Corporate Governance Code

The Corporate Governance Code recommends that at least half the members of the board of directors (excluding the Chairman) of a public limited company should be independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

Currently, the Board is comprised of eight members, consisting of the Chairman, two Executive Directors and five Non-Executive Directors, all of whom are independent with the exception of Dermot Jenkinson.

The Board is responsible for the strategy, effective control and management of the Group. There is a formal schedule of matters specifically reserved for Board approval, which includes the determination of the Group's overall strategy, the approval of financial statements, dividends, significant accounting policies, annual operating plans, financial matters, major capital expenditure and any litigation of a material nature. The Non-Executive Directors challenge management proposals where appropriate and monitor management performance and reporting throughout the year.

The Board is firmly committed to high standards of corporate governance. The Company complies with all the provisions of the Corporate Governance Code set out in section 1 of Corporate Governance Code and for which the Board is accountable to shareholders.

The Board has established Audit, Remuneration and Nomination Committees which operate within defined terms of reference, which are available on request.

## 6.6 Audit Committee

The Audit Committee assists the Board in the execution of its responsibilities for corporate governance and internal control, including reviewing the Company's financial results announcements and financial statements, ensuring compliance with applicable accounting standards and reviewing the appropriateness of accounting policies and practices in place, reviewing the Company's internal financial controls and the effectiveness of the internal audit function and overseeing all aspects of the relationship with the external auditors, including their appointment, the audit process, the supply of non-audit services and monitoring their effectiveness and independence. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. All of the members of the Audit Committee are Non-Executive Directors and the Committee is chaired by Drusilla Maizey, a qualified accountant. Other members comprise Geoffrey Eaton, a chartered accountant, David Garman and Paul Baines. Drusilla Maizey and Geoffrey Eaton are the individuals who the Board consider to have recent and relevant experience. The Company therefore considers that it complies with the Corporate Governance Code recommendations regarding the composition of the Audit Committee.

## 6.7 Nomination Committee

The Nomination Committee assist the Board in discharging its responsibilities relating to the composition of the Board. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience of the Board, reviewing the size, structure and composition of the Board and its committees and the leadership needs of the Company and ensuring that appropriate plans are in place for the orderly succession of Board members, and will make appropriate recommendations to the Board on such matters. All of the members of the Nomination Committee are Non-Executive Directors and the Committee is chaired by David Garman. Other members comprise Drusilla Maizey, David Garman, Geoffrey Eaton and Paul Baines. The Company therefore considers that it complies with the Corporate Governance Code recommendations regarding the composition of the Nomination Committee.

## 6.8 Remuneration Committee

The Remuneration Committee is primarily responsible for determining and agreeing the framework and policy for the remuneration of the Board and other members of the senior management team. The membership of the Remuneration Committee of the Company comprises four members, all of whom are Non-Executive Directors and the Committee is chaired by Geoffrey Eaton. Other members comprise Drusilla Maizey, David Garman and Paul Baines. The Company therefore considers that it complies with the Corporate Governance Code recommendations regarding the composition of the Remuneration Committee.

## 7. MEMBERS OF THE BOARD INTERESTS

7.1 The direct or indirect interests of the members of the Board, and their respective connected persons, in the share capital of the Company on 14 September 2016 (being the latest practicable date prior to the date of this document) and as they are expected to be immediately following the Rights Issue (assuming: (i) full take-up by the members of the Board of their entitlements under the Rights Issue (but no further subscription of Ordinary Shares by them under the Rights Issue); and (ii) that no options under the Menzies Share Schemes are exercised between the date of this document and Admission becoming effective) are as follows:

Name	Ordinary Shares held at 14 September 2016		Ordinary Shares held immediately following the Rights Issue	
	No.	%	No.	%
(to nearest 0.1%)				
<b>Board members</b>				
Dr Dermot Smurfit <sup>(1)</sup>	0.00	0.00	0.00	0.00
Giles Wilson <sup>(2)</sup>	17,984	0.03	24,406	0.03
Dermot Jenkinson <sup>(3)</sup>	1,723,926	2.81	2,339,613	2.81
Paul Baines	0.00	0.00	0.00	0.00
Geoffrey Eaton	0.00	0.00	0.00	0.00
David Garman	10,000	0.02	13,571	0.02
Drusilla Maizey	1,500	0.00	2,035	0.00
Forsyth Black	7,974	0.01	10,821	0.01

Notes:

- (1) Dr Dermot Smurfit intends to purchase such number of Nil Paid Rights in ordinary market trading and subsequently take up his resulting rights to New Ordinary Shares from such Nil Paid Rights so that he will own such number of Ordinary Shares as represent an aggregate value of £2.0 million in the market. The Company's Remuneration Committee has also agreed, subject to Shareholder approval, to award Dr Dermot Smurfit up to 20,000 Ordinary Shares for his first year of service, with that same number of shares being awarded on the second and third anniversary of the initial award.
- (2) Includes 11,926 Ordinary Shares held by a member of Giles Wilson's family.
- (3) Includes 1,673,926 Ordinary Shares held by a member of Dermot Jenkinson's family.

7.2 Certain members of the Board also have interests in Ordinary Shares as a result of having been granted awards under the LTIP. No exercise price is applicable to these LTIP awards. Details of these awards as at 14 September 2016 (being the latest practicable date prior to the date of this document) are:

Board members	Description	Awards outstanding as at 14 September 2016
Giles Wilson	2014 LTIP conditional shares	19,844
	2015 LTIP conditional shares	38,192
	2016 LTIP conditional shares	33,229
Forsyth Black	2014 LTIP conditional shares	9,182
	2015 LTIP conditional shares	38,961
	2016 LTIP conditional shares	67,797

Certain members of the Board also have interests in Ordinary Shares under the Menzies Share Schemes (other than the LTIP). Details of these interests as at 14 September 2016 (being the latest practicable date prior to the date of this document) are:

<b>Board members</b>	<b>Description</b>	<b>Performance Measures</b>	<b>Awards outstanding as at 14 September 2016</b>	<b>Price payable (pence per Ordinary Share)</b>	<b>Vesting Date/End of Performance Period</b>
Giles Wilson	2014 Bonus Co-Investment Plan <sup>(1)</sup> conditional shares	Yes	3,104	Nil	December 2016
	2016 SMP conditional shares	Yes	2,436	Nil	December 2018
	2014 BSP conditional shares	No	1,418	Nil	December 2016
	2016 BSP conditional shares	No	849	Nil	December 2018
	2014 Retention award	No	12,175	Nil	August 2017
	2015 Retention award	Yes	12,825	Nil	June 2018
Forsyth Black	2016 SMP conditional shares	Yes	2,108	Nil	December 2018
	2014 BSP conditional shares	No	905	Nil	December 2016
	2015 BSP conditional shares	No	3,291	Nil	December 2017
	2016 BSP conditional shares	No	2,661	Nil	December 2018
	2015 Retention award	Yes	25,000	Nil	June 2018
	SAYE options	No	647	495	December 2017
	SAYE options	No	678	350	December 2018

Notes:

(1) The Bonus Co-Investment Plan has been replaced by the SMP for awards made in 2016 and onwards.

- 7.3 Other than as disclosed in this paragraph 7 or paragraph 11 of this Part XII, there are no other persons to whom any capital of any member of the Group is under option or agreed conditionally or unconditionally to be put under option.
- 7.4 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.
- 7.5 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the members of the Board.
- 7.6 Save as set out in this Part XII, it is not expected that any Director will have any interest in the share or loan capital of the Company following the Rights Issue and there is no person to whom any capital of any member of the Group is under option or agreed unconditionally to be put under option.

## 8. INTERESTS OF MAJOR SHAREHOLDERS

Insofar as Menzies had been notified under the Disclosure Guidance, the name of each person who, directly or indirectly, has an interest in 3.0 per cent. or more of Menzies' issued share capital, and the amount of such person's interest, as at 14 September 2016 (being the latest practicable date prior to the date of this document) are as follows:

<b>Name</b>	<b>Ordinary Shares</b>	
	<b>No.</b>	<b>%</b>
Kabouter Management LLC	7,450,612	12.14
Lakestreet Capital Partners AG	5,250,983	8.55
D.C. Thomson & Company Limited	4,618,711	7.52
Shareholder Value Management AG	4,322,484	7.04
Premier Fund Managers Limited	2,525,666	4.11
Cynthia Harrison <sup>(1)</sup>	2,103,620	3.43
WM Thomson	1,884,000	3.07

Notes:

(1) As at 14 September 2016 (being the latest practicable date prior to the date of this document), the wider Menzies family together hold 11,229,563 or 18.29 per cent. of the Company's issued share capital in total, but these shareholdings are not required to be aggregated in accordance with the Disclosure Guidance.



So far as the Company is aware, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government or any other natural or legal person, severally or jointly.

None of the major Shareholders referred to above have different voting rights from other Shareholders.

So far as the Company is aware, immediately following the Rights Issue, the interests of those persons set out above with an interest in 3.0 per cent. or more of the Company's issued share capital (assuming: (i) full take-up by such persons of their full entitlements under the Rights Issue; and (ii) that no options under the Menzies Share Schemes are exercised between the date of this document and Admission) will be as follows:

Name	Ordinary Shares	
	No.	%
Kabouter Management LLC	10,111,544	12.14
Lakestreet Capital Partners AG	7,126,334	8.55
D.C. Thomson & Company Limited	6,268,250	7.52
Shareholder Value Management AG	5,866,228	7.04
Premier Fund Managers Limited	3,427,689	4.11
Cynthia Harrison	2,854,912	3.43
WM Thomson	2,556,857	3.07

## 9. SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT OF DIRECTORS

9.1 Details of the Executive Directors' service agreements are set out below:

Name	Position	Annual salary	Date of service agreement	Commencement of appointment	Expiry date of service agreement
Giles Wilson	Chief Financial Officer	£300,000	15 April 2016 <sup>(1)</sup>	1 June 2016	N/A
Forsyth Black	President and Managing Director of Menzies Aviation	£300,000	13 January 2016 <sup>(2)</sup>	13 January 2016	N/A

Notes:

(1) Giles Wilson joined the Company as an employee on 11 April 2011, but was appointed to the Board with an effective date of 1 June 2016.

(2) Forsyth Black joined the Company as an employee on 1 August 2000, but was appointed to the Board with an effective date of 13 January 2016.

9.2 In addition to the base salaries referred to in paragraph 9.1 above, the Executive Directors are entitled to participate in the Company's BSP and LTIP.

9.3 The Executive Directors are also entitled to participate in the Company's HMRC approved SAYE.

9.4 Each Executive Director may elect to receive a cash allowance through the Company's company car scheme, payable monthly with his salary and subject to deductions for tax and national insurance.

9.5 Each of the Executive Directors' appointments are terminable by the Company on six months' notice and with earlier termination for cause. In the event of early termination by the Company, other than for cause, the relevant Executive Director will, subject to a duty to mitigate his loss, be entitled to a payment in lieu of notice, comprising: (i) the Executive Director's basic salary; (ii) an amount equal to the pension contributions that would have been paid into a pension on the Executive Director's behalf, payable into a pension scheme designated by the Executive Director, or where the Executive Director is in receipt of a pension allowance, the amount of that pension allowance; and (iii) 4.0 per cent. of the Executive Director's basic salary in respect of all other benefits, in each case, in respect of any remaining period of notice. Employee share option scheme and other LTIP payments are not included in this payment and are dealt with in accordance with the rules of the applicable scheme. There are no other provisions for compensation payable on early termination of the Executive Directors' service agreements.

9.6 Forsyth Black may terminate his appointment upon the giving of not less than 12 months' notice. Giles Wilson may terminate his appointment upon the giving of not less than six months' notice.

- 9.7 Each Executive Director has acknowledged that, due to the nature of his role and particular responsibilities arising as a result of such duties, he has access to confidential information and has agreed to certain restrictive covenants after termination in order to protect this confidential information.
- 9.8 The Company provides the Executive Directors with access to the Company's personal pension scheme (or payment of an equivalent pension allowance), life assurance scheme and long-term disability scheme. Each Executive Director is also entitled to participate in the Company's private medical insurance cover.
- 9.9 Details of the Non-Executive Directors are set out below:

<u>Name</u>	<u>Basic fee</u>	<u>Committee membership fee</u>	<u>Committee chairperson fee</u>	<u>Senior Independent Director fee</u>	<u>Total</u>	<u>Date of appointment</u>
Dr Dermot Smurfit <sup>(1)</sup>	£150,000	—	—	—	£150,000	25 July 2016
Dermot Jenkinson <sup>(2)</sup>	£40,000	—	—	—	£40,000	30 April 1999
David Garman	£40,000	£2,500	—	£6,000	£48,500	1 June 2015
Geoffrey Eaton	£40,000	—	£6,000	—	£46,000	1 June 2015
Paul Baines	£40,000 (plus VAT)	£2,500 (plus VAT)	—	—	£42,500 (plus VAT)	1 June 2016
Drusilla Maizey	£40,000	—	£6,000	—	£46,000	19 May 2014

Notes:

- (1) The Company's Remuneration Committee has also agreed, subject to shareholders approval, to award Dr Dermot Smurfit up to 20,000 Ordinary Shares for his first year of service, with that same number of shares being awarded on the second and third anniversary of the initial award.
- (2) Dermot Jenkinson was appointed to the Board in 1986 and held various executive responsibilities before assuming a non-executive role within the Company in 1999. He acted as Interim Chairman from 20 May 2016 until 25 July 2016.
- 9.10 The annual fee of each Non-Executive Director is subject to annual review. David Garman is entitled to an additional fee of £2,500, and Paul Baines is entitled to an additional fee of £2,500 plus VAT, for membership of a committee. Geoffrey Eaton, Drusilla Maizey and David Garman are each entitled to an additional fee of £6,000 for chairing of a committee. See paragraphs 6.6 to 6.8 (inclusive) of this Part XII for further information on membership of the Board's committees.
- 9.11 Each Non-Executive Director is entitled to all reasonable expenses incurred in the performance of their duties. Non-Executive Directors are not entitled to participate in the Menzies Share Schemes.
- 9.12 Save for Dr Dermot Smurfit and Dermot Jenkinson, each Non-Executive Director is:
- 9.12.1 appointed pursuant to an appointment letter, the terms of which recognise that their appointments are subject to the Articles and their service is at the discretion of the Shareholders; and
- 9.12.2 appointed for an initial term of three years (subject to re-election at the annual general meeting) and thereafter his or her appointment is terminable on one month's written notice by either the Company or the relevant Non-Executive Director.
- 9.13 Dr Dermot Smurfit has been appointed for an initial term of three years, which may thereafter be extended by agreement between the Company and Dr Dermot Smurfit. His appointment is terminable at any time on three months' notice by either the Company or Dr Dermot Smurfit. As described in paragraph 10 of Part I of this document, it is proposed that, subject to approval of the Company's shareholders, the Company shall award Dr Dermot Smurfit up to 60,000 Ordinary Shares in the Company over the next three years, where such arrangement shall be a cash fee to be satisfied by way of shares.
- 9.14 Iain Napier was Chairman of the Board at the financial year end of the Company on 31 December 2015 and continued in his position until he resigned on 20 May 2016, on which date Dermot Jenkinson assumed the role of Interim Chairman. Dermot Jenkinson continued in this role until Dr Dermot Smurfit was appointed Chairman on 25 July 2016.
- 9.15 The appointment of Dermot Jenkinson can be terminated at any time in accordance with the Articles or applicable law.

## 10. BOARD MEMBERS' REMUNERATION

10.1 Under the terms of their service contracts, letters of appointments and applicable cash incentive plans, in the year ended 31 December 2015 the aggregate remuneration and benefits paid to the Directors who served during 1 January 2015 to 31 December 2015, consisting of nine individuals, was £1,282,000.

10.2 Details of remuneration for the Directors for the financial year ended 31 December 2015 are as follows:

	Base salary and fees £	Benefits £	Annual bonus £	LTIP £	Pension contribution £	Total emoluments £
<b>Executive Directors</b>						
Paula Bell	319,000	15,000	—	—	64,000	398,000
Jeremy Stafford	400,000	13,000	—	—	80,000	493,000
	719,000	28,000	—	—	144,000	891,000
<b>Non-Executive Directors</b>						
Iain Napier	188,000	—	—	—	—	188,000
Dermot Jenkinson	40,000	—	—	—	—	40,000
David Garman	27,000	—	—	—	—	27,000
Geoffrey Eaton	26,000	—	—	—	—	26,000
Drusilla Maizey	45,000	—	—	—	—	45,000
Ian Harley	20,000	—	—	—	—	20,000
Octavia Morley	45,000	—	—	—	—	45,000
	391,000	—	—	—	—	391,000
<b>Total</b>	<b>1,110,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,282,000</b>

Notes:

- (1) Jeremy Stafford resigned from the Board on 13 January 2016.
- (2) Paula Bell stepped down from the Board on 20 May 2016.
- (3) Ian Harley retired from the Board on 15 May 2015.
- (4) Octavia Morley retired from the Board on 18 December 2015.
- (5) Paul Baines was appointed a Non-Executive Director of the Company on 1 June 2016 (and as such his remuneration is not included in the above table and figures for the financial year ended 31 December 2015).
- (6) Dr Dermot Smurfit was appointed Chairman of the Company on 25 July 2016 (and as such his remuneration is not included in the above table and figures for the financial year ended 31 December 2015).
- (7) Giles Wilson was appointed Chief Financial Officer in June 2016 (and as such his remuneration is not included in the above table and figures for the financial year ended 31 December 2015).
- (8) Forsyth Black was appointed to the Board in January 2016 (and as such his remuneration is not included in the above table and figures for the financial year ended 31 December 2015).

## 11. MENZIES SHARE SCHEMES

### 11.1 SAYE

Menzies operates a Save As You Earn Scheme (“**SAYE**”) known as the Savings Related Stock Option Scheme.

#### *Outline*

The SAYE allows for the grant of options over Ordinary Shares, such Ordinary Shares to be acquired with the proceeds of HMRC approved savings contracts entered into by participating employees in the United Kingdom.

#### *Eligibility*

Any qualifying employee (including an executive director) of Menzies or any participating member of the Group and has earnings from employment which are general earnings for the purpose of the Income Tax (Earnings and Pensions) Act 2003 (or any other employee or director who the Board otherwise approves) is eligible to participate in the SAYE.

#### *Grant of awards*

Menzies may invite eligible employees to apply for the grant of options under the SAYE.

The invitation specifies the acquisition price, whether the applicable savings contract is a three-year or five year contract, the date by which applications must be received and the minimum and maximum monthly contribution the employee may make. Historically, seven year savings contracts were also permitted.

No consideration is payable in respect of the grant of an option. Options are granted no later than 30 days after the determination of the market value of the Ordinary Shares to be subject to the option (or within 42 days where applications are scaled down, as referred to below). The acquisition price may not be less than the greater of 80.0 per cent. of the market value of an Ordinary Share and their nominal value.

#### *Individual limit*

The number of Ordinary Shares over which a SAYE option may be exercised may not exceed the number of Ordinary Shares which may be purchased with the sum obtained by way of repayment under the relevant savings contract, excluding the repayment of any monthly contribution the due date for payment of which falls more than one month after the date on which repayment is made.

#### *Vesting and exercise*

Options will generally be exercisable upon the maturity of the three year or five year savings contract. Options may be exercised by the participant with the proceeds of the related savings contract. Menzies then issues or transfers or causes to be issued or transferred to the participant the relevant Ordinary Shares within 28 days.

#### *Cessation of employment*

Options under the SAYE will generally lapse on cessation of employment unless the participant has died or left employment by reason of (*inter alia*) injury, disability, redundancy or retirement or the business in which the option holder is employed being transferred out of the Group, in which case the option will generally lapse at the end of a six-month period.

#### *Corporate events*

In the event of a change of control of Menzies, any option under the SAYE may be exercised within six months of the change of control or, if applicable, the date upon which a scheme of arrangement is sanctioned by the court. Alternatively, options under the SAYE may be released and replacement options granted on substantially the same terms. In the event of the winding up of Menzies, any option may be exercised within six months of the passing of the resolution effecting the winding up.

#### *Variation of capital*

In the event of any variation in the share capital of Menzies, the Board may adjust the acquisition price of or number of Ordinary Shares subject to an option in such manner as shall be fair and reasonable (as confirmed by Menzies' auditors) provided that the acquisition price payable on subscription for new Ordinary Shares is not less than the nominal value of an Ordinary Share (unless the shortfall can be paid up by capitalising reserves) and the aggregate amount payable on the exercise of an option in full is not increased.

#### *Satisfaction of awards*

Options under the SAYE may be satisfied by the issue or transfer of fully paid Ordinary Shares.

#### *Overall limit*

Menzies may not grant SAYE options in excess of the limit placed by the Board on the number of Ordinary Shares to be made available during each invitation period. If the Board receive valid applications for options over an aggregate number of Ordinary Shares in excess of the limit, they may reduce participants' monthly contributions *pro rata* and/or use such other method of scaling down as may be acceptable to HM Revenue & Customs.

The maximum number of Ordinary Shares which may be allocated for subscription under the SAYE each year, when added to the number of Ordinary Shares issuable under options granted under the SAYE, shall not exceed the limit on the number of Ordinary Shares over which Shareholders agree to disapply their statutory pre-emption rights for the time being. Ordinary Shares which are already in issue when placed under option and Ordinary Shares comprised in any option which has lapsed or been released without being exercised are disregarded.

### *Alterations to the SAYE*

The Board may change the SAYE in any respect, except that:

- (a) the prior agreement of Shareholders is required to make amendments (except specified minor amendments) which would be to the advantage of participants; and
- (b) the prior consent of participants holding 75.0 per cent. of the shares Ordinary Shares under option (or of 75.0 per cent. of option holders attending a meeting held for the purposes of approving the relevant amendment) is required to any alteration which would have the effect of prejudicially affecting their subsisting rights. Notice of alterations must be given by notice in writing to affected participants.

The Board may terminate the scheme at any time but options granted prior to such termination continue to be valid and exercisable.

### *General*

SAYE options and awards are not transferable or assignable.

### *Rights attaching to underlying Ordinary Shares*

Save for any rights determined by reference to a date preceding the date on which the participant is entered on Menzies' register of members, the Ordinary Shares to be issued shall rank *pari passu* with other shares of the same class in issue at the date of allotment and carry all rights attaching thereto at that date.

## **11.2 2015 Long Term Incentive Plan ("LTIP")**

### *Outline*

The LTIP allows for the grant of conditional awards to acquire, or options over, Ordinary Shares, subject in each case to performance targets which must, in normal circumstances, be met before the award vests.

### *Eligibility*

Any directors and employees of the Group who are obliged by the terms of their contract of employment to devote substantially the whole of their working time to the business of the Group may be selected by the Board to participate in the LTIP.

### *Grant of awards*

Awards may only be granted within the six week period following:

- (a) the announcement of Menzies' results; or
- (b) the lifting of a restriction that covered the period in paragraph (a) above; or
- (c) any time when the Remuneration Committee determines that there are exceptional circumstances justifying an award.

No payment is required for the grant of an award under the LTIP.

The Remuneration Committee may at its discretion include a provision in the documentation for an award that allows for the full or partial clawback of the award after it is provided to an employee if:

- (a) Menzies is required to restate its accounts to a material extent;
- (b) the Board becomes aware of any material wrongdoing on the part of the employee that would have entitled Menzies to terminate the employee's employment; or
- (c) the Remuneration Committee includes any other relevant terms for clawback at the time the award is made.

### *Individual limit*

An employee may not receive awards in any financial year over Ordinary Shares having a total market value of over 200.0 per cent. of his annual base salary.

### *Vesting and exercise*

Awards will generally vest at the end of any applicable performance period subject to the Remuneration Committee determining fulfilment of the relevant performance target. Participants must give notice of exercise of option awards, while conditional awards will be released to the participant automatically.

#### *Performance conditions*

Any award under the LTIP will be subject to the satisfaction of performance conditions. These will determine the proportion of the award that will vest at the end of the performance period. The performance period will be determined by the Remuneration Committee but will normally be three consecutive financial years. The Board may amend the performance targets if necessary to ensure that the performance measure is fair or that the performance targets provide an effective incentive. This does not permit the general waiver by the Board of performance targets on cessation of employment or office holding by any participant or in connection with a change of control or winding up.

#### *Cessation of employment*

Unvested awards will lapse on the date on which a participant's employment ends unless the participant leaves employment in permitted circumstances including without limitation retirement, ill-health, injury, disability, death and redundancy or if the Board so determines, in which case the unvested award will vest subject to fulfilment of the performance targets. The number of Ordinary Shares in respect of which the award can vest will be reduced *pro rata* to reflect the proportion of the performance period that has expired by the time the participant's employment ceased. Save in the case of death (where the number of Ordinary Shares that vest will be estimated by the Remuneration Committee), awards will continue to vest on their usual vesting date. Awards cannot vest while a participant's employment is suspended on the grounds of suspected gross misconduct.

#### *Corporate events*

In the event of a change of control, the Board may (on the recommendation of the Remuneration Committee) allot or procure the transfer of such number of Ordinary Shares as it deems appropriate taking into account the proportion of the performance period that has elapsed and the extent that any performance targets have been satisfied. Options lapse on a change of control unless the Board determines otherwise.

Alternatively, arrangements may be entered into for participants to exchange their awards for equivalent awards over shares in the acquiring company. Broadly, that exchange can occur within six months of the change of control.

In the event that notice is given to shareholders of a resolution to approve the reconstruction, amalgamation or demerger of Menzies or any member of the Group, the Board may make such provision for the release and rollover, variation or early vesting of LTIP awards as it considers appropriate. The consent of the Remuneration Committee is required. All awards lapse on the commencement of a winding up of Menzies.

#### *Variation of capital*

In the event of any variation of the issued Ordinary Share capital of Menzies by way of capitalisation or rights issue, or any subdivision, consolidation, reduction or other variation of such share capital, the Board may, by giving notice in writing to a participant, make such adjustment as it considers appropriate to the number of Ordinary Shares which are subject to an award provided that except in the case of a capitalisation issue, any such adjustment is confirmed in writing by the auditors to be in their opinion fair and reasonable.

#### *Satisfaction of awards*

LTIP awards may be satisfied by the transfer of Ordinary Shares (or by issuing new Ordinary Shares or treasury shares).

No Ordinary Shares shall be transferred to a participant while his employment is suspended on grounds of gross misconduct or where any statutory, regulatory or other legal provision restricts Menzies from dealing in shares.

Within six weeks of vesting of a conditional award, or of exercise of an option award, Menzies will pay an amount equal to the total dividends that would have accrued in the performance period on the same number of Ordinary Shares as was vested (or in respect of which the option was exercised, as the case may be).

#### *Overall limit*

Menzies may not grant awards in excess of the following limits:

- (a) when aggregated with Ordinary Shares allocated in respect of awards or options under any Menzies employee share plan in the previous ten year period, 10.0 per cent. of the issued Ordinary Shares; and
- (b) when aggregated with Ordinary Shares allocated in respect of awards or options under the LTIP and any discretionary executive share option scheme in the previous ten year period, 5.0 per cent. of the issued Ordinary Shares.

Grants to be satisfied by a new issue of Ordinary Shares or Menzies treasury shares count towards the limits. Grants to be satisfied by the transfer of existing Ordinary Shares other than treasury shares will not count towards the limit.

#### *Alterations to the LTIP*

The Board may (with the consent of the Remuneration Committee) change the LTIP in any respect. The approval of Shareholders will ordinarily be required to alter certain specified rules including rules relating to eligibility, individual and plan limits and variations of capital, when such alterations are to the material advantage of participants.

The Remuneration Committee may adjust the terms of the LTIP in such manner as they see fit to take account of the laws of overseas territories as they apply to participants or the Group.

#### *General*

LTIP awards are not transferable, except on death, and shall lapse immediately on a participant's bankruptcy. LTIP awards are not pensionable.

#### *Participants' rights*

LTIP awards will not confer any shareholder rights until awards have vested or options have been exercised and the participants have received the underlying Ordinary Shares.

#### *Rights attaching to underlying Ordinary Shares*

Any new Ordinary Shares issued under the plan must rank equally in all respects with other Ordinary Shares then in issue except for rights which attach to shares by reference to a record date prior to the date of allotment or issue.

### **11.3 The Bonus Share Plan 2015 ("BSP")**

#### *Outline*

The BSP allows for the grant of restricted awards over Ordinary Shares in satisfaction of a portion of a participant's annual bonus (the result being that the relevant part of the bonus is effectively deferred). In general terms, the participant receives Ordinary Shares in Menzies which may be made subject to a condition such that they only vest if the participant remains employed until the last day of the second financial period of Menzies which commences after the date the Ordinary Shares were acquired ("**Restricted Period**").

#### *Eligibility*

Any employee (including an executive director) of the Group.

#### *Grant of awards*

The Remuneration Committee may generally grant awards under the BSP at any time. The Remuneration Committee will, in the relevant invitation letter, specify the amount of bonus that the employee may use to invest in Ordinary Shares under the BSP.

#### *Individual limit*

An award will be over such number of Ordinary Shares as may be purchased with the amount of bonus that has been determined by the Remuneration Committee to be allowed to be invested in the BSP.

#### *Vesting*

An award will vest on the later of the expiry of the Restricted Period (where imposed) and any other date specified in the relevant invitation letter.

#### *Performance conditions*

Awards are not subject to any performance conditions.

#### *Cessation of employment*

Where a Restricted Period has been imposed, unvested awards will become vested on the date on which a participant's employment ends in permitted circumstances including without limitation retirement, death, injury, ill-health, disability and redundancy. If the participant's employment ends in other circumstances, unvested awards will vest only to the extent the Remuneration Committee determines within six months of the cessation date. To the extent no determination is made (or a determination is made that some or all of the award will not vest), the relevant Ordinary Shares will remain unvested and be subject to forfeiture.

Any vested Ordinary Shares will immediately become unrestricted.

#### *Corporate events*

In the event of a change of control or winding up of Menzies, all awards will vest early and cease to be subject to restrictions. In the event of an internal reorganisation, Ordinary Shares that are the subject of unvested awards may be exchanged for shares in the acquiring entity and remain subject to equivalent restrictions and forfeiture provisions.

#### *Variation of capital*

In the event of any variation in the share capital of Menzies by way of capitalisation or rights issue, or any subdivision, consolidation, reduction or other variation of such share capital the number of Ordinary Shares subject to an award may be adjusted in such manner as the Remuneration Committee determine to be fair and reasonable.

#### *Alterations to the BSP*

The Remuneration Committee may change the BSP in any respect. No amendment may be made which would adversely affect participants unless the written consent of participants holding 75.0 per cent. of award shares is obtained or unless a resolution is passed by not less than 75.0 per cent. of participants attending and voting at a meeting.

#### *General*

Ordinary Shares forming part of unvested BSP awards are not transferable during the Restricted Period, except on death. Any such transfer results in forfeiture of the relevant Ordinary Shares.

#### *Participants' rights*

Participants are entitled to any dividends on Ordinary Shares that are the subject of BSP awards and can also exercise associated voting rights.

### **11.4 2015 Share Matching Plan ("SMP")**

#### *Outline*

The SMP allows participants to use the proceeds of cash bonus payments to acquire "contributory shares" on the terms of the SMP. To the extent performance targets are met (such that the award vests) and the participant has retained their contributory shares in the SMP, the participant will be awarded up to three matching shares for each contributory share held. The number of matching shares due to the participant is calculated by reference to the "matching ratios" that have been applied to the particular award by the Remuneration Committee (the level of matching ratio that ultimately applies being determined by reference to the performance targets that have been met).

#### *Eligibility*

Any employees of the Group who are obliged by the terms of their contract to devote substantially the whole of their working time to the business of the Group may be selected by the Board to participate in the SMP, provided that they have participated in a relevant bonus plan.

#### *Grant of awards*

The Remuneration Committee may invite participants to participate in the SMP in respect of a particular bonus not later than six days prior to the payment of the bonus amount. The invitation shall specify the maximum percentage of the bonus payment that may be invested in the SMP as well as applicable performance criteria and matching share ratios.



No payment is required for the grant of an award under the SMP but the employee has to use part of their cash bonus to invest in contributory shares which will then have the ability to be matched.

The Remuneration Committee may at its discretion include a provision in SMP documentation that allows for the full or partial clawback of shares to which the award relates after it is provided to an employee if:

- (a) Menzies is required to restate its accounts to a material extent;
- (b) the Board becomes aware of any material wrongdoing on the part of the employee that would have entitled Menzies to terminate the employee's employment; or
- (c) the Remuneration Committee includes any other relevant terms for clawback at the time the award is made.

#### *Individual limit*

The number of shares invested by the employee in the SMP will be determined by reference to the net amount invested by him out of his cash bonus for the relevant year. The Remuneration Committee determines the maximum percentage of the cash bonus that can be invested.

To the extent an award under the SMP vests, employees will be entitled to a maximum of three Ordinary Shares for every contributory share invested using funds generated from the cash bonus.

#### *Vesting*

SMP awards will usually vest at the end of any applicable performance period subject to the Remuneration Committee determining fulfilment of the relevant performance conditions. When an award vests, a participant becomes entitled to receive a number of matching shares (calculated as a ratio of the number of shares the individual has contributed to the SMP award – the maximum ratio being 3 matching shares to every share contributed).

#### *Performance conditions*

Any award under the SMP will be subject to the satisfaction of performance conditions. These will determine the proportion of the award that will vest at the end of the performance period. The performance period will be determined by the Remuneration Committee but will normally be three consecutive financial years. The Board may, upon the recommendation of the Remuneration Committee, amend the performance targets where the Remuneration Committee has confirmed that an event has occurred in consequence of which an amendment is required to ensure the performance criteria are a fair measure of performance or will afford a more effective incentive. Substantive amendments resulting from policy changes or modifications of the SMP rules will require Shareholder approval. The Board is not permitted to generally waive performance targets on cessation of employment or office holding by any participant, in the event of a change of control or on a winding up.

#### *Cessation of employment*

Unvested awards will lapse on the date on which a participant's employment ends unless the participant leaves employment in permitted circumstances including without limitation retirement, ill-health, injury, disability, death, redundancy, the participant's employing business being transferred out of the Group or other circumstances determined by the Remuneration Committee. In those circumstances, the award will vest over the maximum number of matching shares that the participant could have acquired but reduced *pro rata* to reflect the proportion of the performance period that has expired. The Remuneration Committee may increase or decrease the entitlement of the participant to matching shares having regard to the performance of Menzies for the period. In the event of the participant's death, a similar calculation of vesting shall be performed, save that the Remuneration Committee may determine it is fairer to apply a substantially higher or lower ratio when calculating the number of matching shares. In making that determination, they may take account of factors such as the time elapsed in the performance period and the extent to which the performance targets are likely to be achieved.

### *Corporate events*

In the event of a change of control or liquidation of Menzies, all unvested awards will vest early over the maximum number of matching shares that the participant could have acquired but reduced *pro rata* to reflect the proportion of the performance period that has expired. The Remuneration Committee may increase or decrease the entitlement of the participant to matching shares having regard to the performance of Menzies for the period.

### *Variation of capital*

In the event of any variation of Menzies' share capital, the Remuneration Committee shall adjust the matching shares in such manner as it decides appropriate or shall take such other action (including allowing participants to contribute further shares into the SMP) as it considers fair and reasonable provided that, except in the case of a capitalisation issue, any such adjustment is confirmed to be fair and reasonable in the opinion of the auditors.

### *Satisfaction of awards*

Matching shares due pursuant to awards under the SMP may be satisfied by the transfer of existing Ordinary Shares or by issuing new Ordinary Shares or treasury shares.

Within six weeks of transfer of matching shares to a participant, Menzies will pay an amount equal to the total dividends that would have accrued in the performance period on the matching shares (or in respect of such shorter period by reference to which the award vested, as the case may be).

### *Overall limit*

If the Remuneration Committee determines that new shares are to be issued to satisfy awards under the SMP, the number of shares which may be issued pursuant to the SMP shall not:

- (a) when aggregated with the number of shares which has previously been so issued or in respect of which rights to subscribe for shares have previously been granted and are still outstanding under the plan and any other employees' share scheme in the last ten years, exceed 10.0 per cent. of the issued Ordinary Share capital of Menzies; and
- (b) when aggregated with the number of shares which have previously been issued or in respect of which rights to subscribe for shares have previously been granted by Menzies and are still outstanding pursuant to the SMP and any discretionary executive share option scheme in the last ten years, exceed 5.0 per cent. of the Ordinary Share capital of Menzies.

### *Alterations to the SMP*

The Board (with the consent of any employee benefit trustee, where relevant) may modify or vary the SMP rules. The approval of Shareholders will be required in respect of alterations that are to the advantage of participants (unless they are minor amendments to benefit the administration of the SMP or to obtain or maintain favourable tax, exchange control or regulatory treatment). Amendments that adversely affect any subsisting rights of participants cannot be made without either the consent of the affected participants or a majority of them.

The Remuneration Committee may adjust the terms of the SMP in such manner as they consider necessary or desirable to take account of the laws of overseas territories but the adjusted terms must not overall be more favourable than the provisions that apply to participants based in other jurisdictions.

The Board may terminate the SMP scheme at any time but awards granted prior to such termination continue to be valid.

### *General*

In the event that a participant seeks to transfer or assign any of the shares contributed by the participant to the SMP prior to the vesting date of the relevant award, any right to receive matching shares under the SMP is lost. Rights to receive matching shares will also be lost in the event of the participant becoming bankrupt. Awards under the SMP are not pensionable.

### *Participants' rights*

SMP awards will not confer any Shareholder rights in respect of matching shares prior to the vesting date of the relevant award.

## 11.5 2015 Notional Incentive Plan (“NIP”)

### *Outline*

The NIP allows for the grant of conditional awards of, or options to receive, a cash payment calculated by reference to the value of Ordinary Shares, subject in each case to performance targets which must, in normal circumstances, be met before the award vests. Awards are granted over “notional shares”.

### *Eligibility*

Any directors and employees of the Group who are obliged by the terms of their contract of employment to devote substantially the whole of their working time to the business of the Group may be selected by the Board to participate in the NIP.

### *Grant of awards*

Awards may only be granted within the six week period following:

- (a) the announcement of Menzies’ results; or
- (b) the lifting of a restriction that covered the period in paragraph (a) above; or
- (c) any time when the Remuneration Committee determines that there are exceptional circumstances justifying the grant of an award.

No payment is required for the grant of an award under the NIP.

The Remuneration Committee may at its discretion include a provision for an award that allows for the full or partial clawback of the award after it is provided to an employee if:

- (a) Menzies is required to restate its accounts to a material extent;
- (b) the Board becomes aware of any material wrongdoing on the part of the employee that would have entitled Menzies to terminate the employee’s employment; or
- (c) the Remuneration Committee includes any other relevant terms for clawback at the time the award is made.

### *Individual limit*

The maximum number of notional shares over which an award may be made to an employee under the NIP in a year shall equate to the number of Ordinary Shares that could be purchased with an amount not exceeding 200.0 per cent. of the employee’s annual base salary (on the basis of the middle market closing price for the dealing day preceding the award date).

### *Vesting and exercise*

Awards will generally vest over notional shares at the end of any applicable performance period subject to the Remuneration Committee determining fulfilment of the relevant performance target. Conditional awards will be released automatically. Options have exercise periods, during which they are required to be exercised if a participant is to benefit from the award.

On release or exercise of the NIP award, a participant will be entitled to a cash payment of an amount equal to the market value of such number of Ordinary Shares as equates to the number of notional shares the NIP award vested over. That market value is determined as at the date immediately prior to the making of the cash payment. Any cash payment due on the exercise of an option may be reduced by a notional exercise price (determined by the Remuneration Committee on grant), although that price may be reduced or waived by the Remuneration Committee prior to exercise.

### *Performance conditions*

Any award under the NIP will be subject to the satisfaction of performance conditions. These will determine the proportion of the Award that will vest at the end of the performance period. The performance period will be determined by the Remuneration Committee but will normally be three consecutive financial years. The Board may amend the performance targets if necessary to ensure that the performance measure is fair or that the performance targets provide an effective incentive. This does not permit the general waiver by the Board of performance targets on cessation of employment or office holding by any participant or in connection with a change of control or winding up.

### *Cessation of employment*

Unvested awards will lapse on the date on which a participant's employment ends unless the participant leaves employment in permitted circumstances including without limitation retirement, ill-health, injury, disability, death and redundancy or if the Board so determines, in which case the unvested award will vest subject to fulfilment of the performance targets. The number of shares in respect of which the award can vest will be reduced *pro rata* to reflect the proportion of the performance period that has expired by the time the participant's employment ceased. Save in the case of death (where the number of shares that vest will be estimated by the Remuneration Committee), awards will continue to vest on their usual vesting date. Awards cannot vest while a participant's employment is suspended on the grounds of suspected gross misconduct.

### *Corporate events*

In the event of a change of control, the Board may (on the recommendation of the Remuneration Committee) procure that a cash payment is made to participants in respect of such number of notional shares as it deems appropriate taking into account the proportion of the performance period that has elapsed and the extent that any performance targets have been satisfied. Options lapse on a change of control unless the Board determines otherwise.

Alternatively, arrangements may be entered into for participants to exchange their awards for equivalent awards over notional shares in the acquiring company. Broadly, that exchange can occur within six months of the change of control.

In the event that notice is given to shareholders of a resolution to approve the reconstruction, amalgamation or demerger of Menzies or any member of its group, the Board may make such provision for the release and rollover, variation or early vesting of NIP awards as it considers appropriate. The consent of the Remuneration Committee is required. All awards lapse on the commencement of a winding up of Menzies.

### *Variation of capital*

In the event of any variation of the issued Ordinary Share capital of Menzies by way of capitalisation or rights issue, or any subdivision, consolidation, reduction or other variation of such share capital, the Board may, by giving notice in writing to a participant, make such adjustment as it considers appropriate to the number of notional shares which are subject to an award provided that except in the case of a capitalisation issue, any such adjustment is confirmed in writing by the auditors to be in their opinion fair and reasonable.

### *Satisfaction of awards*

NIP awards are satisfied by payment of a cash sum to participants.

No payment will be made to a participant while his employment is suspended on grounds of gross misconduct or where any statutory, regulatory or other legal provision restricts dealing in Ordinary Shares. Options that have vested cannot be exercised unless exercise is not restricted by regulation, legal provisions or similar (in which event the exercise period is extended).

### *Alterations to the NIP*

The Board may (with the consent of the Remuneration Committee) change the NIP in any respect. The approval of Shareholders will ordinarily be required to alter certain specified rules including rules relating to eligibility, individual limits and variations of capital, when such alterations are to the material advantage of participants.

The Remuneration Committee may adjust the terms of the NIP in such manner as they see fit to take account of the laws of overseas territories but the adjusted terms must not overall be more favourable than the provisions that apply to participants based in other jurisdictions.

### *General*

NIP awards are not transferable, except on death, and shall lapse immediately on a participant's bankruptcy. NIP awards are not pensionable.

### *Participants' rights*

NIP awards do not confer any shareholder rights. They also do not confer any rights to a cash payment until awards have vested and conditional awards have been released or options exercised.

## 11.6 Retention Award Arrangements

In 2014 and 2015, the Company implemented retention award arrangements (“**Retention Award Arrangements**”) for certain members of the senior management team.

Under the Retention Award Arrangements, the Remuneration Committee has granted awards (“**Awards**”) to certain Directors and senior managers pursuant to which, subject to vesting, they may acquire Ordinary Shares or a cash sum calculated by reference to the value, at the time of vesting, of a number of Ordinary Shares.

Awards have been granted and are outstanding in respect of a total of 125,000 Ordinary Shares.

Vesting generally occurs three years after the date of grant. In the case of the Awards made in 2015, vesting is subject to achievement of a performance condition which requires that over the period from 1 January 2015 to 31 December 2017, the compound annual growth in the Group’s earnings per share is greater than 3.0 per cent.

Unvested awards will lapse on the date on which a participant’s employment with the Group ceases, unless the reason for cessation is a reason other than resignation or dismissal, and the participant is classed as a “good leaver”. In such circumstances, the leaver’s Award will vest on a *pro rata* basis on the date of termination of employment.

In the event of a change of control of the Company, or the demerger of the Company or any member of the Group, Awards granted in 2015 will be subject to the same provisions as apply to the LTIP (as to which, see paragraph 11.2 of this Part XII).

## 12. SUBSIDIARIES AND CORPORATE STRUCTURE

Menzies acts as the holding company of the Group. The following table contains details of Menzies’ significant subsidiaries:

<u>Company name</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Percentage ownership (direct and indirect) (%)</u>
Menzies Distribution Limited	Logistics services	England & Wales	100
Menzies Aviation (UK) Limited	Ground and cargo handling services	England & Wales	100
Menzies Aviation plc	Service activities incidental to air transportation	England and Wales	100

## 13. PROPERTY, PLANT AND EQUIPMENT

The Group has facilities at a wide variety of locations globally, a number of which are either owned as freehold or occupied under long-term lease agreements. Menzies has its registered office based at 2 Lochside Avenue, Edinburgh Park, Edinburgh, Scotland EH12 9DJ, which is owned as freehold.

Details of the hub depots which are fundamental to the business operations of Menzies Distribution are set out in the table below.

<u>Address</u>	<u>Size (square feet approx.)</u>	<u>Tenure</u>	<u>Expiry of term</u>
Unit A, Telford Way, Wakefield 41 Industrial Estate, Wakefield WF2 0XW	108,414	Leasehold	23 June 2025
Block C, Larkfield Trading Estate, Aylesford ME20 6SW	53,433	Leasehold	28 September 2024
East Avenue, Paisley, PA1 2FD	50,600	Leasehold <sup>(1)</sup>	22 April 2030
Mill Stream Way, Central Business Park, Swansea Vale, Swansea, SA7 0AG	29,687	Leasehold <sup>(1)</sup>	22 April 2030

(1) This property is owned by Menzies as freehold and leased back to Menzies Distribution.

As far as the Directors are aware, there are no material encumbrances on the Company or its property, plant and equipment.

As far as the Directors are aware, there are currently no known environmental issues which will materially affect the utilisation of the Group’s properties.

## 14. PENSION SCHEMES

### 14.1 *Defined Contribution Schemes*

Certain Group subsidiaries participate in various defined contribution retirement benefit schemes, some of which operate overseas. Menzies offers a money purchase pension scheme (“**DC Scheme**”), which is open to all eligible employees over 16 and under 65.

Contribution rates for eligible employees are 2.5 per cent. of pensionable salary for employees, with Menzies contributing 5.0 per cent. of pensionable salary. Executive management receive an enhanced contribution rate of 4.0 per cent. employee contribution matched with 10.0 per cent. Menzies contribution. Senior executives and main Board Directors receive a further enhanced contribution rate of 5.0 per cent. employee contribution matched with a 20.0 per cent. Menzies contribution.

The DC Scheme also offers an increase in the standard Menzies life cover for all active members (i.e. 3 times pensionable salary for eligible employees, four times for executive management, senior executives and main Board Directors).

### 14.2 *Defined Benefit Scheme*

Menzies operates a defined benefit pension scheme in the UK (“**DB Scheme**”).

The DB Scheme’s assets are held in a separate trustee administered fund to meet long-term pension liabilities to past and present employees. The trustee of the DB Scheme is required to act in the best interests of the DB Scheme’s beneficiaries.

The DB Scheme exposes the Group to actuarial risks such as longevity risk, interest rate risk and market (investment) risk. As at 30 June 2016, the DB Scheme disclosed a defined benefit deficit of £52.7 million when measured on an IAS 19 valuation.

Following the most recent valuation completed at 31 March 2015, Menzies has agreed a multi-year programme to clear the deficit under the statutory funding requirements, with deficit reduction payments of £10.7 million, in the year to 31 March 2016, with the amount rising annually up until the year ending 31 March 2025 with the higher of inflation and the percentage change in dividends paid to Menzies’ Shareholders, the latter only when the annual dividend exceeds the level of those paid in the year ending 31 December 2013. Additional contributions are required to fund benefits for current employee members.

## 15. BANKING FACILITIES

### 15.1 *Acquisition Facilities Agreement*

On 16 September 2016, Menzies, as borrower and guarantor, together with certain members of the Group, as guarantors, entered into a new facility agreement with Barclays and HSBC (each acting as lenders, bookrunners, underwriters and mandated lead arrangers) and Barclays (acting as agent) (“**Acquisition Facilities Agreement**”), under which Barclays and HSBC agreed to provide to Menzies a term loan facility of US\$250,000,000 (“**Term Facility**”) and a revolving credit facility of £150,000,000 (“**RCF**”) and together with the Term Facility, the “**New Facilities**”). The Acquisition Facilities Agreement is governed by English law.

#### *Purpose*

The New Facilities have been provided to Menzies to: (i) finance the Proposed Acquisition and associated costs; (ii) refinance existing financial indebtedness of the Group and, following Completion, the Enlarged Group; and (iii) in relation to the RCF only, to use for the general corporate purposes of the Group and, following Completion, the Enlarged Group.

The Acquisition Facilities Agreement is conditional on *inter alia*: (i) the Rights Issue raising a minimum amount of £75.0 million; and (ii) the Acquisition Agreement having been signed and having become unconditional.

#### *Interest Rate and Fees*

The interest rate payable on the New Facilities for each interest period is the aggregate of LIBOR (or, in relation to any loan in euro, EURIBOR) plus an agreed margin ranging from 1.5 per cent. to 3.0 per cent. above LIBOR (or, in relation to a loan in euro, EURIBOR) dependent on the leverage of the Group.

Default interest is chargeable as is customary if any amount due under the finance documents is unpaid. Interest periods will be one, three or six months, unless a different period is otherwise agreed. Interest will be payable in arrears on the last day of each interest period or, if the agreed interest period is longer than six months, on the last day of each six month interval after the first day of that interest period.

Menzies is liable for certain fees under the Acquisition Facilities Agreement; such as a commitment fee and an underwriting fee.

#### *Certain Funds Period*

The Acquisition Facilities Agreement has a 'Certain Funds Period' that runs from the signing of the Acquisition Facilities Agreement until the agreed End Date under the Acquisition Agreement. During the certain funds period, the lenders under the Acquisition Facilities Agreement shall, subject to the satisfaction of certain conditions precedent, and in the absence of any major default, breach of any major representation, illegality or change in control or sale, provide the funds contemplated by the Term Facility.

#### *Repayment and voluntary cancellation*

Menzies must repay loans under the Term Facility in specified amounts at certain anniversaries of initial utilisation of the Term Facility, with any other principal amounts outstanding under the Term Facility payable on 4 June 2021. Menzies must repay loans under the RCF on the last day of the relevant interest period and on the termination date applicable to the RCF, 4 June 2021.

It is intended that \$250.0 million will be drawn down under the Term Facility and a required proportion of a £150.0 million RCF to: (i) finance the Proposed Acquisition and associated costs; (ii) refinance existing financial indebtedness of the Group and, following Completion, the Enlarged Group; and (iii) in relation to the RCF only, to use for the general corporate purposes of the Group and, following Completion, the Enlarged Group.

Standard mandatory prepayment provisions are applicable to the Acquisition Facilities Agreement (including a mandatory prepayment event on a change of control of Menzies, if any persons or group of persons acting in concert gains control of Menzies and upon the disposal or transfer of any shares in ASIG UK and ASIG US by any member of the Group (and, after Completion, the Enlarged Group)). Voluntary prepayments may be made upon five Business Days' notice to the agent, in certain minimum amounts in respect of the Term Facility and the RCF and in each case subject to break costs if the prepayment does not take place on the last day of an interest period).

Menzies may cancel the New Facilities in whole (subject to a commitment fee) or any part (subject to a requirement for a minimum amount to be cancelled) upon five Business Days' notice.

The New Facilities shall be cancelled if any of the following occur: (i) Menzies notifies the agent that it has withdrawn or terminated its offer for the shares of ASIG UK and ASIG US or that such offer has been rejected or terminated by the Sellers; (ii) the shares of ASIG UK and ASIG US are acquired by a third party; or (iii) the first utilisation date of the Term Facility has not occurred on or before the End Date under the Acquisition Agreement.

#### *Guarantee and indemnity*

Amongst other things, the guarantors (i) undertake to, where Menzies does pay any amount due under or in connection with any finance document, pay such amount on demand; and (ii) agree to indemnify the finance parties under the Acquisition Facilities Agreement immediately on demand against any cost, loss or liability if any obligation guaranteed by a guarantor becomes unenforceable, invalid or illegal.

#### *Covenants, Warranties and Representations*

The Acquisition Facilities Agreement contains representations, financial covenants and undertakings that are customary. The representations and warranties are given by Menzies and the guarantors, a number of which will be repeated on the date of each Utilisation Request, the first day of each Interest Period, each Utilisation Date and the Syndication Date (as such terms are defined in the Acquisition Facilities Agreement). Additional borrowers and additional guarantors are also required to make certain representations upon accession to the Acquisition Facilities Agreement.

The Acquisition Facilities Agreement requires Menzies and the guarantors to comply (and, in respect of Menzies, to ensure the compliance of Material Subsidiaries of Menzies (as defined therein), members of the Group and/or the Group, as applicable) with a number of customary undertakings (including certain restrictions on disposals, mergers, joint ventures, acquisitions that are class 1 transactions under the Listing Rules, as applicable (with the exception of the Proposed Acquisition), granting of security (including guarantees) and change of business).

Financial covenants include the requirement for Menzies to maintain:

- Interest Cover, being the ratio of EBITDA to Net Finance Charges (each as defined under the Acquisition Facilities Agreement), at not less than 3.00:1 at any time; and
- Leverage, being the ratio of Total Net Debt to EBITDA (each as defined in the Acquisition Facilities Agreement), of not more than 3.25:1, with a mechanism to reduce this to 3.00:1 from 31 March 2018.

#### *Events of Default*

The Acquisition Facilities Agreement contains events of default that are in the main customary for facilities of this type. Upon the occurrence of an event of default which is not remedied or waived, the lenders will not be obliged to fund further loans and may cancel the commitment under the New Facilities and declare all outstanding payments under the finance documents to be due and payable and any loans payable on demand. The ability of the lenders under the Acquisition Facilities Agreement to cancel the facilities during the certain funds period and a clean-up period (which lasts for 120 days after the first utilisation date of the Term Facility) is limited.

#### 15.2 **Barclays 2015 Revolving Facility Agreement**

Menzies, as original borrower, the guarantors, and Barclays, as lender, entered into a multicurrency revolving facility agreement dated 15 May 2015 (as amended by an amendment agreement dated 18 December 2015) (“**Barclays 2015 Facility**”), under which Barclays agreed to provide Menzies with a multicurrency revolving facility agreement denominated in sterling in an aggregate amount of £20,000,000 (“**Barclays 2015 Facility**”). The Barclays 2015 Facility Agreement is governed by English law.

#### *Purpose*

The Barclays 2015 Facility has been provided to Menzies to apply towards general corporate purposes and working capital requirements.

#### *Interest Rate and Fees*

The interest rate payable on the Barclays 2015 Facility for each interest period is the aggregate of LIBOR (or, in relation to any loan in euro, EURIBOR) plus a fixed margin. Default interest is chargeable as is customary if any amount due under the finance documents is unpaid. Interest periods will be one, two, three or six months, unless a different period is otherwise agreed by Menzies and Barclays. Interest will be payable in arrears on the last day of each interest period or, if the agreed interest period is longer than six months, on the last day of each six month interval after the first day of that interest period.

A commitment fee is payable in respect of any amounts under the Barclays 2015 Facility that are available, undrawn and not cancelled. This is payable quarterly in arrears (up to the availability period) and on the last day of the availability period. If the Barclays 2015 Facility is cancelled in full, the commitment fee is payable on the cancelled amount of the commitment at the time cancellation is effective.

#### *Repayment and cancellation*

Menzies must repay loans under the Barclays 2015 Facility on the last day of the interest period of the relevant loan. The Barclays 2015 Facility will terminate on 15 May 2018.

Standard mandatory prepayment provisions are applicable to the Barclays 2015 Facility Agreement (including a mandatory prepayment event on a change of control of Menzies). Voluntary prepayments may be made upon five Business Days’ notice, in a minimum amount of £1,000,000.

Menzies may cancel any part of the available facility (in a minimum amount of £1,000,000) or the whole of the available facility (subject to an accrued commitment fee) upon five Business Days’ notice.



#### *Guarantee and indemnity*

The guarantors provide a standard joint and several continuing guarantee of the punctual performance by Menzies of its obligations under the finance documents. Each guarantor also (i) undertakes to, where Menzies does pay any amount due under or in connection with any finance document, pay such amount on demand; and (ii) agrees to indemnify Barclays immediately on demand against any cost, loss or liability if any obligation guaranteed by a guarantor becomes unenforceable, invalid or illegal.

The Barclays 2015 Facility is unsecured.

#### *Covenants, Warranties and Representations*

The Barclays 2015 Facility Agreement contains representations, financial covenants and undertakings that are customary for debt facilities involving a publicly listed company. The representations and warranties were given by Menzies and the guarantors, a number of which will be repeated on the date of each utilisation request and on the first day of each interest period. Additional borrowers and additional guarantors are also required to make certain representations upon accession to the Barclays 2015 Facility Agreement.

The Barclays 2015 Facility Agreement requires Menzies and the guarantors to comply (and, in respect of Menzies, to ensure the compliance of material subsidiaries of Menzies, members of the Group and/or the Group) with a number of customary undertakings (including certain restrictions on disposals, mergers, joint ventures, acquisitions that are class 1 transactions under the Listing Rules, granting of security (including guarantees) and change of business.)

Financial covenants include the requirement for Menzies to maintain:

- Interest Cover, being the ratio of Consolidated Profit to Net Interest Payable (each as defined under the Barclays 2015 Facility Agreement) (and excluding dividends on preference shares), at not less than 3:1 at any time; and
- Debt Cover, being the ratio of Borrowings of the Group (net of cash balances held by the Group and excluding derivatives) to EBITDA (each as defined under the Barclays 2015 Facility Agreement), of not more than 3:1 for any relevant period.

#### *Events of Default*

The Barclays 2015 Facility Agreement contains events of default that are customary for facilities of this type. Upon the occurrence of an event of default which is not remedied or waived, Barclays will not be obliged to fund further loans and may cancel the Barclays 2015 Facility and declare all outstanding payments to be due and payable.

### **15.3 Barclays December 2015 Revolving Facilities Agreement**

Menzies, as original borrower, the guarantors, and Barclays, as lender, entered into a multicurrency revolving facility agreement dated 18 December 2015 (“**Barclays Facilities Agreement**”) under which Barclays agreed to provide Menzies with a multicurrency revolving facility denominated in sterling in an aggregate amount of £20,000,000 (“**Facility A**”) and a multicurrency revolving facility denominated in sterling in an aggregate amount of £15,000,000 (“**Facility B**”, together the “**Barclays Facilities**”). The Barclays Facilities Agreement is governed by English law.

#### *Purpose*

The Barclays Facilities have been provided to Menzies for the general corporate purposes and working capital requirements of the Group.

#### *Interest Rate and Fees*

The interest rate payable on the Barclays Facilities for each interest period is the aggregate of LIBOR (or, in relation to any loan in euro, EURIBOR) plus a fixed margin. Default interest is chargeable as is customary if any amount due under the finance documents is unpaid. Interest periods will be one, two, three or six months, unless a different period is otherwise agreed by Menzies and Barclays. Interest will be payable in arrears on the last day of each interest period or, if the agreed interest period is longer than six months, on the last day of each six month interval after the first day of that interest period.

A commitment fee is payable in respect of any amounts under the Barclays Facilities that are available, undrawn and not cancelled. This is payable quarterly in arrears (up to the availability period) and on the last day of the availability period. If the Barclays Facilities are cancelled in full, the commitment fee is payable on the cancelled amount of the commitment at the time cancellation is effective.

#### *Repayment and cancellation*

Menzies must repay loans under the Barclays Facilities on the last day of the interest period of the relevant loan. The termination date of the Barclays Facilities is: (i) in relation to Facility A, 18 December 2018; and (ii) in relation to Facility B, 18 December 2017 (unless extended to 18 December 2018 pursuant to the terms of the Barclays Facilities Agreement).

Standard mandatory prepayment provisions are applicable to the Barclays Facilities Agreement (including a mandatory prepayment event on a change of control of Menzies). Voluntary prepayments may be made upon five Business Days' notice, in a minimum amount of £1,000,000, subject to break costs if the prepayment does not take place on the last day of an interest period.

Menzies may cancel any part of the available facility (in a minimum amount of £1,000,000) or the whole of the available facility (subject to a commitment fee) upon five business days' notice.

#### *Guarantee and indemnity*

The guarantors provide a standard joint and several continuing guarantee of the punctual performance by Menzies of its obligations under the finance documents. Each guarantor also (i) undertakes to, where Menzies does pay any amount due under or in connection with any finance document, pay such amount on demand; and (ii) agrees to indemnify Barclays immediately on demand against any cost, loss or liability if any obligation guaranteed by a guarantor becomes unenforceable, invalid or illegal.

The Barclays Facilities are unsecured.

#### *Covenants, Warranties and Representations*

The Barclays Facilities Agreement contains representations, financial covenants and undertakings that are customary for debt facilities involving a publicly listed company. The representations and warranties were given by Menzies and the guarantors, a number of which will be repeated on the date of each utilisation request and on the first day of each interest period. Additional borrowers and additional guarantors are also required to make certain representations upon accession to the Barclays Facilities Agreement.

The Barclays Facilities Agreement requires Menzies and the guarantors to comply (and, in respect of Menzies, to ensure the compliance of material subsidiaries of Menzies and/or members of the Group) with a number of customary undertakings (including certain restrictions on disposals, mergers, joint ventures, acquisitions that are class 1 transactions under the Listing Rules, granting of security (including guarantees) and change of business).

Financial covenants include the requirement for Menzies to maintain:

- Interest Cover, being the ratio of Consolidated Profit to Net Interest Payable (each as defined under the Barclays Facilities Agreement) (and excluding dividends on preference shares), at not less than 3:1 at any time; and
- Debt Cover, being the ratio of Borrowings of the Group (net of cash balances held by the Group and excluding derivatives) to EBITDA (each as defined under the Barclays Facilities Agreement), of not more than 3:1 for any relevant period.

#### *Events of Default*

The Barclays Facilities Agreement contains events of default that are customary for facilities of this type. Upon the occurrence of an event of default which is not remedied or waived, Barclays will not be obliged to fund further loans and may cancel the Barclays Facilities and declare all outstanding payments to be due and payable.

#### **15.4 RBS 2014 Revolving Facility Agreement**

Menzies, as borrower, the guarantors, and The Royal Bank of Scotland plc (“RBS”), as lender, entered into a multicurrency revolving facility agreement dated 23 January 2014 (as amended by an amendment agreement dated 25 August 2015) (“RBS 2014 Facility Agreement”), under which

RBS agreed to provide Menzies with a multicurrency revolving facility agreement denominated in sterling in an aggregate amount of £35,000,000 (“**RBS 2014 Facility**”). The RBS 2014 Facility Agreement is governed by English law.

#### *Purpose*

The RBS 2014 Facility was provided to Menzies for general corporate purposes and to apply towards Menzies’ working capital requirements.

#### *Interest Rate and Fees*

The interest rate payable on the RBS 2014 Facility for each interest period is the aggregate of LIBOR (or, in relation to any loan in euro, EURIBOR) plus a fixed margin. Default interest is chargeable as is customary if any amount due under the finance documents is unpaid. Interest periods will be one, three or six months, unless a different period is otherwise agreed by Menzies and RBS. Interest will be payable in arrears on the last day of each interest period or, if the agreed interest period is longer than six months, on the last day of each six month interval after the first day of that interest period.

A commitment fee is payable in respect of any amounts under the RBS 2014 Facility that are available, undrawn and not cancelled. This is payable quarterly in arrears (up to the availability period) and on the last day of the availability period. If the RBS 2014 Facility is cancelled in full, the commitment fee is payable on the cancelled amount of the commitment at the time cancellation is effective.

#### *Repayment and cancellation*

Menzies must repay loans under the RBS 2014 Facility on the last day of the interest period of the relevant loan, with the final repayment on the termination date of the RBS 2014 Facility on 23 January 2017 if any loans are outstanding at that time.

Standard mandatory prepayment provisions are applicable to the RBS 2014 Facility Agreement (including a mandatory prepayment event on a change of control of Menzies). Voluntary prepayments may be made upon two Business Days’ notice, in a certain minimum amount.

Menzies may cancel any part of the available facility (in a certain minimum amount) or the whole of the available facility (subject to an accrued commitment fee) upon seven Business Days’ notice.

#### *Guarantee and indemnity*

The guarantors provide a standard joint and several continuing guarantee of the punctual performance by Menzies of its obligations under the finance documents. Each guarantor also (i) undertakes to, where Menzies does pay any amount due under or in connection with any finance document, pay such amount on demand; and (ii) agrees to indemnify RBS immediately on demand against any cost, loss or liability if any obligation guaranteed by a guarantor becomes unenforceable, invalid or illegal.

The RBS 2014 Facility is unsecured.

#### *Covenants, Warranties and Representations*

The RBS 2014 Facility Agreement contains representations, financial covenants and undertakings that are customary for debt facilities involving a publicly listed company. The representations and warranties were given by Menzies and the guarantors, a number of which will be repeated by Menzies on the date of each utilisation request and on the first day of each interest period. An additional guarantor is also required to make certain representations upon its accession to the RBS 2014 Facility Agreement.

The undertakings include restrictions on Menzies and the guarantors in relation to mergers and joint ventures (such undertakings also given by Menzies in respect of its material subsidiaries), acquisitions that are class 1 transactions under the Listing Rules, disposals, change of business and granting of security (including guarantees).

Financial covenants include the requirement for Menzies to maintain:

- Interest Cover, being the ratio of Consolidated Profit to Net Interest Payable (each as defined under the RBS 2014 Facility Agreement) (and excluding dividends on preference shares), at not less than 3:1 at any time; and
- Debt Cover, being the ratio of Borrowings of the Group (net of any cash balances held by the Group and excluding derivatives) to EBITDA (each as defined under the RBS 2014 Facility Agreement), of not more than 3:1 for any relevant period.

#### *Events of Default*

The RBS 2014 Facility Agreement contains events of default that are customary for facilities of this type. Upon the occurrence of an event of default which is not remedied or waived, RBS will not be obliged to fund further loans and may cancel the RBS 2014 Facility and declare all outstanding payments to be due and payable.

### 15.5 *Barclays 2014 Revolving Facility Agreement*

Menzies, as original borrower, the guarantors, and Barclays Bank PLC (“**Barclays**”), as lender, entered into a multicurrency revolving facility agreement dated 23 January 2014 (as amended by an amendment agreement dated 15 May 2015 and further amended by an amendment agreement dated 18 December 2015) (“**Barclays 2014 Facility Agreement**”), under which Barclays agreed to provide Menzies with a multicurrency revolving facility agreement denominated in sterling in an aggregate amount of £20,000,000 (“**Barclays 2014 Facility**”). The Barclays 2014 Facility Agreement is governed by English law.

#### *Purpose*

The Barclays 2014 Facility has been provided to Menzies to apply towards general corporate purposes and working capital requirements.

#### *Interest Rate and Fees*

The interest rate payable on each loan under the Barclays 2014 Facility for each interest period is the aggregate of LIBOR (or, in relation to any loan in euro, EURIBOR) plus a fixed margin. Default interest is chargeable as is customary if any amount due under the finance documents is unpaid. Interest periods will be one, two, three or six months, unless a different period is otherwise agreed by Menzies and Barclays. Interest will be payable in arrears on the last day of each interest period or, if the agreed interest period is longer than six months, on the last day of each six month interval after the first day of that interest period.

A commitment fee is payable in respect of any amounts under the Barclays 2014 Facility that are available, undrawn and not cancelled. This is payable quarterly in arrears (up to the availability period) and on the last day of the availability period. If the Barclays 2014 Facility is cancelled in full, the commitment fee is payable on the cancelled amount of the commitment at the time cancellation is effective.

#### *Repayment and cancellation*

Menzies must repay loans under the Barclays 2014 Facility on the last day of the interest period of the relevant loan. The Barclays 2014 Facility will be terminated on 23 January 2017.

Standard mandatory prepayment provisions are applicable to the Barclays 2014 Facility Agreement (including a mandatory prepayment event on a change of control of Menzies). Voluntary prepayments may be made upon five Business Days’ notice, in a certain minimum amount.

Menzies may cancel any part of the available facility (in a certain minimum amount) or the whole of the available facility (subject to an accrued commitment fee) upon five Business Days’ notice.

#### *Guarantee and indemnity*

The guarantors provide a standard joint and several continuing guarantee of the punctual performance by Menzies of its obligations under the finance documents. Each guarantor also (i) undertakes to, where Menzies does pay any amount due under or in connection with any finance document, pay such amount on demand; and (ii) agrees to indemnify Barclays immediately on demand against any cost, loss or liability if any obligation guaranteed by a guarantor becomes unenforceable, invalid or illegal.

The Barclays 2014 Facility is unsecured.

#### *Covenants, Warranties and Representations*

The agreement contains representations, financial covenants, and undertakings that are customary for debt facilities involving a publicly listed company. The representations and warranties were given by Menzies and the guarantors, a number of which will be repeated on the date of each utilisation request and on the first day of each interest period. Additional borrowers and additional guarantors are also required to make certain representations upon accession to the agreement.

The Barclays 2014 Facility requires Menzies and the guarantors to comply (and, in respect of Menzies, to ensure the compliance of material subsidiaries of Menzies, members of the Group and/or the Group) with a number of customary undertakings (including certain restrictions on disposals, mergers, joint ventures, acquisitions that are class 1 transactions under the Listing Rules, granting of security (including guarantees) and change of business).

Financial covenants include the requirement for Menzies to maintain:

- Interest Cover, being the ratio of Consolidated Profit to Net Interest Payable (each as defined under the Barclays 2014 Facility Agreement) (and excluding dividends on preference shares), at not less than 3:1 at any time; and
- Debt Cover, being the ratio of the Borrowings of the Group (net of any cash balances held by Group and excluding derivatives to EBITDA (each as defined under the Barclays 2014 Facility Agreement), of not more than 3:1 for any relevant period.

#### *Events of Default*

The Barclays 2014 Facility Agreement contains events of default that are customary for facilities of this type. Upon the occurrence of an event of default which is not remedied or waived, Barclays will not be obliged to fund further loans and may cancel the Barclays 2014 Facility and declare all outstanding payments to be due and payable.

### 15.6 *The HSBC Facility Agreement*

Menzies, as borrower, the guarantors, and HSBC Bank plc (“**HSBC**”) as lender, entered into a multicurrency revolving facility agreement dated 23 January 2014 (as amended by an amendment agreement dated 28 August 2015) (“**HSBC Facility Agreement**”), under which HSBC has agreed to provide Menzies with a multicurrency revolving loan facility denominated in sterling in an aggregate amount of £55,000,000 (“**HSBC Facility**”). The HSBC Facility Agreement is governed by English law.

#### *Purpose*

The HSBC Facility is to be applied for general corporate purposes and towards Menzies’ working capital requirements.

#### *Interest Rate and Fees*

The interest rate payable on the HSBC Facility for each interest period is LIBOR or EURIBOR (if the loan is to be made in euro) plus a margin. The margin for the HSBC Facility is subject to a margin ratchet calculated by reference to the ratio of Net Borrowings of the Group to EBITDA (each as defined in the HSBC Facility Agreement). Default interest is chargeable as is customary if amounts are unpaid under the finance documents. Interest periods will be one, three or six months, unless a different period is otherwise agreed by HSBC and Menzies. Interest will be payable in arrears at the end of each interest period or at the end of each six month period where the agreed interest period is longer than six months. A commitment fee is payable quarterly in arrears on all available undrawn commitments and is calculated at a fixed percentage of the applicable margin.

#### *Repayment and cancellation*

Menzies must repay the loans under the HSBC Facility at the end of each interest period, with the final repayment on the termination date of the HSBC Facility on 23 January 2018 if any amounts are outstanding at that time.

Standard mandatory prepayment provisions are applicable to the HSBC Facility (including a mandatory prepayment event on a change of control of Menzies). Voluntary prepayments may be made upon two Business Days' notice, in a minimum amount of £2,500,000 (and an integral multiple of £500,000), subject to break costs if the prepayment does not take place on the last day of an interest period.

Menzies may cancel any part of the available facility (in a minimum amount of £2,500,000 and an integral multiple of £500,000) or the whole of the available facility (subject to any accrued commitment fee) upon seven Business Days' notice.

#### *Guarantee and Indemnity*

The guarantors provide a standard joint and several continuing guarantee of the punctual performance by Menzies of its obligations under the finance documents. Each guarantor also (i) undertakes to, where Menzies does pay any amount due under or in connection with any finance document, pay such amount on demand; and (ii) agrees to indemnify HSBC immediately on demand against any cost, loss or liability if any obligation guaranteed by a guarantor becomes unenforceable, invalid or illegal.

The HSBC Facility is unsecured.

#### *Covenants, Warranties and Representations*

Certain customary representations and warranties were given by Menzies and the guarantors in the HSBC Facility Agreement, a number of which will be deemed repeated on the date of each utilisation request and on the first day of each interest period, and upon the accession of an additional guarantor to the HSBC Facility Agreement.

In addition, the HSBC Facility Agreement requires Menzies and the guarantors to comply, and to ensure the compliance of other subsidiaries of Menzies, with a number of customary undertakings (including compliance with financial covenant ratios and certain restrictions on disposals, mergers, joint ventures and the granting of security).

Financial covenants include the requirement for Menzies to maintain:

- Interest Cover, being the ratio of Consolidated Profit to Net Interest Payable (each as defined under the HSBC Facility Agreement) (and excluding dividends on preference shares), at not less than 3:1 at any time; and
- Debt Cover, being the ratio of Borrowings of the Group (net of any cash balances held by the Group and excluding derivatives) to EBITDA (each as defined under the HSBC Facility Agreement), of not more than 3:1 for any relevant period.

#### *Events of Default*

The HSBC Facility Agreement contains events of default that are customary for facilities of this type. Upon the occurrence of an event of default which is not remedied (if capable of remedy) or waived, HSBC will not be obliged to fund further loans and may cancel the HSBC Facility and declare all outstanding payments to be immediately due and payable.

### **15.7 The Lloyds Facilities Agreement**

Menzies as borrower, the guarantors, and Lloyds Bank plc ("**Lloyds**") as lender, entered into a facilities agreement dated 23 January 2014 (as amended by an amendment agreement dated 1 September 2015) ("**Lloyds Facilities Agreement**"), under which Lloyds has agreed to provide Menzies with a sterling term loan facility in a maximum aggregate amount of £10,000,000 ("**Lloyds Facility A**") and a multicurrency revolving loan facility in an aggregate amount of £10,000,000 ("**Lloyds Facility B**") (together the "**Lloyds Facilities**"). The Lloyds Facilities Agreement is governed by English law.

#### *Purpose*

The Lloyds Facilities are to be applied for refinancing of existing debt under a previous facilities agreement dated 25 February 2011 and for general corporate purposes.

#### *Interest Rate and Fees*

The interest rate payable on the Lloyds Facilities for each interest period is LIBOR plus a margin. The margin for the Lloyds Facilities is subject to a margin ratchet calculated by reference to the ratio of Net Borrowings of the Group to Consolidated Profit (each as defined in the Lloyds Facilities Agreement). Default interest is chargeable as is customary if amounts are

unpaid under the finance documents. Interest periods will be one, three or six months, unless a different period is otherwise agreed by Lloyds and Menzies. Interest will be payable in arrears at the end of each interest period or at quarterly intervals where the interest period exceeds three months. A commitment fee is payable quarterly in arrears in respect of the Lloyds Facility B on all available undrawn commitments under the Lloyds Facility B and is calculated at a fixed percentage of the applicable margin.

#### *Repayment and cancellation*

Menzies must repay all outstanding amounts due under the Lloyds Facility A on expiry of the Lloyds Facility A on 23 January 2017.

Menzies must repay the amount due on each Lloyds Facility B loan on the last day of each interest period, and repay all outstanding Lloyds Facility B loans on expiry of the Lloyds Facility B on 23 January 2018.

Standard mandatory prepayment provisions are applicable to the Lloyds Facilities (including a mandatory prepayment event on a change of control of Menzies). Voluntary prepayments may be made upon at least five Business Days' notice, in a minimum amount of £100,000 (excluding accrued interest), subject to break costs if the prepayment does not take place on the last day of an interest period.

Menzies may cancel any part of the available Facility A and/or Facility B (in a minimum amount of £100,000) or the whole of the available Facility A and/or Facility B (subject to a commitment fee) upon five Business Days' notice.

#### *Guarantee and Indemnity*

The guarantors provide a standard joint and several continuing guarantee of the punctual performance by Menzies of its obligations under the finance documents. Each guarantor also (i) undertakes to, where Menzies does pay any amount due under or in connection with any finance document, pay such amount on demand; and (ii) agrees to indemnify Lloyds immediately on demand against any cost, loss or liability if any obligation guaranteed by a guarantor becomes unenforceable, invalid or illegal.

The Lloyds Facilities are unsecured.

#### *Covenants, Warranties and Representations*

Certain customary representations and warranties were given by Menzies and the guarantors in the Lloyds Facilities Agreement, a number of which will be deemed repeated on the date of each utilisation request, the date of each subsequent drawdown and on each interest payment date.

In addition, the Lloyds Facilities Agreement requires Menzies to comply with a number of customary undertakings (including certain restrictions on disposals, borrowings, change of business and the granting of security (including guarantees)).

Financial covenants include the requirement for Menzies to maintain:

- Interest Cover, being the ratio of Consolidated Profit to Net Interest Payable (each as defined under the Lloyds Facility Agreement) (and excluding dividends on preference shares), at not less than 3:1 for any relevant period; and
- Debt Cover, being the ratio of Borrowings of the Group (net of cash balances held by the Group and excluding derivatives) to EBITDA (each as defined under the Lloyds Facility Agreement), of not more than 3:1 for any relevant period.

#### *Events of Default*

The Lloyds Facilities Agreement contains events of default that are customary for facilities of this type. Upon the occurrence of an event of default which is not remedied (if capable of remedy) or waived, Lloyds will not be obliged to fund further loans and may cancel the Lloyds Facilities and declare all outstanding payments to be immediately due and payable.

### 15.8 *The KBC Facility Agreement*

Menzies, as borrower, the guarantors, and KBC Bank NV ("KBC") as lender, entered into a committed multi-currency revolving credit facility agreement dated 25 September 2012 (as amended by an amendment letter dated 3 June 2014 and an amendment agreement dated 2 September 2015) ("**KBC Facility Agreement**"), under which KBC has agreed to provide

Menzies with a multicurrency revolving loan facility denominated in sterling in an aggregate amount of £20,000,000 (“**KBC Facility**”). The KBC Facility Agreement is governed by English law.

#### *Purpose*

The KBC Facility is to be applied for general corporate purposes, working capital requirements and repayment of existing facilities.

#### *Interest Rate and Fees*

The interest rate payable on the KBC Facility for each interest period is LIBOR or EURIBOR (if the loan is to be made in euro) plus a margin and mandatory costs (if applicable). Default interest is chargeable as is customary if amounts are unpaid under the finance documents. Interest periods will be one, three or six months, unless a different period is otherwise agreed by the lender and Menzies. Interest will be payable in arrears at the end of each interest period or at the end of each quarter where the agreed interest period is longer than three months.

A commitment fee is payable quarterly in arrears on all available undrawn and uncanceled commitments.

#### *Repayment and cancellation*

Menzies must repay the loans under the KBC Facility at the end of each interest period, with final repayment of any amounts outstanding on the final maturity date of the KBC Facility on 25 September 2017, if any amounts are outstanding at that time.

In respect of any loans in a currency other than the base currency, KBC may, in its discretion, make a recalculation of such loan as to its equivalent in the base currency and, to the extent that the total of all loans exceed the total facility amount, require Menzies to prepay any such excess.

Voluntary prepayments may be made by Menzies upon two Business Days’ notice, subject to break costs if the prepayment does not take place on the last day of an interest period.

#### *Guarantee and Indemnity*

The guarantors provide a standard joint and several continuing guarantee of the punctual performance by Menzies of its obligations under the finance documents. Each guarantor also (i) undertakes to, where Menzies does pay any amount due under or in connection with the KBC Facility Agreement, pay such amount on demand; and (ii) agrees to indemnify KBC immediately on demand against any cost, loss or liability if any obligation guaranteed by a guarantor becomes unenforceable, invalid or illegal.

The KBC Facility is unsecured.

#### *Covenants, Warranties and Representations*

Certain customary representations and warranties were given by Menzies and the guarantors in the KBC Facility Agreement, a number of which will be deemed repeated on the date of each utilisation request and the date of each utilisation of the KBC Facility.

In addition, the KBC Facility Agreement requires Menzies and the guarantors to comply with a number of customary undertakings (including restrictions on disposals, joint ventures and the granting of security (including guarantees)).

Financial covenants include the requirement for Menzies to maintain:

- Interest Cover, being the ratio of Consolidated Profit to Net Interest Payable (each as defined under the KBC Facility Agreement) (and excluding dividends on preference shares), at not less than 3:1 for any relevant period; and
- Debt Cover, being the ratio of Borrowings of the Group (net of cash balances held by the Group and excluding derivatives) to EBITDA (each as defined under the KBC Facility Agreement), of not more than 3:1 for any relevant period.

#### *Events of Default*

The KBC Facility Agreement contains events of default that are customary for facilities of this type. Upon the occurrence of an event of default which is not remedied (if capable of remedy) or waived, KBC will not be obliged to fund further loans and may cancel the KBC Facility and declare all outstanding payments to be immediately due and payable.



### 15.9 *The Société Générale Sale and Purchase Transaction*

Menzies has entered into a sale and purchase transaction relating to: (1) its shareholding in Princes Street General Partner Limited (“**Princes Company**”); (2) its partnership interest in Princes Street Limited Partnership (“**Princes Partnership**”); and (3) interests in rental income (as landlord) in respect of 12 properties leased by Menzies Distribution (as tenant) (“**Rent Receivables**”), pursuant to the following agreements:

- a sale and purchase agreement dated 7 July 2004, between Menzies, as vendor, and Société Générale S.A. (“**Société Générale**”), as purchaser, pursuant to which Menzies agreed to (1) sell its shares in Princes Company; (2) transfer its partnership interest in Princes Partnership; and (3) assign its interests in the Rent Receivables, to Société Générale for a total consideration (“**Consideration**”) of £34,648,146 (“**Rent Receivables SPA**”); and
- a facility agreement dated 7 July 2004, between Société Générale, as borrower, and RBS, as lender, under which RBS agreed to provide Société Générale with an amortising sterling term loan facility (“**Société Générale Facility**”) in an amount of £35,000,000 (“**Société Générale Facility Agreement**”), for the purpose of payment by Société Générale of the Consideration to Menzies.

#### *Term, Repayment and Interest*

The Rent Receivables SPA is for a term of 16 years, expiring on 24 April 2020. The Société Générale Facility is to be repaid quarterly in accordance with the repayment schedule set out therein, with a final repayment date under the Société Générale Facility Agreement of 25 March 2020. Payment of the Rent Receivables by Menzies Distribution to Société Générale are scheduled to coincide with and be applied towards repayment by Société Générale of the Société Générale Facility.

Menzies must pay interest to Société Générale or the Princes Partnership (as the case may be) on any payment due by Menzies or Menzies Distribution which has not been paid by the due date at a rate of either 2.0 per cent. or 2.5 per cent. (depending on the nature of the payment due).

#### *Undertakings by Menzies*

Menzies undertakes under the Rent Receivables SPA that, *inter alia*, in the event that the net present value of Rent Receivables due and payable or to become due and payable to Société Générale under the Rent Receivables SPA is less than the aggregate of the principal outstanding and interest accrued on the Société Générale Facility and due to RBS by Société Générale under the Société Générale Facility Agreement, Menzies shall pay to Société Générale the shortfall on demand, within three Business Days. Menzies further undertakes not to make any material variation of any lease in place with Menzies Distribution in respect of the relevant properties.

#### *Guarantee and Indemnity*

Menzies provides an unconditional and irrevocable guarantee to Société Générale of the full, due and punctual payment of rent owed by Menzies Distribution under the leases. In the event that any sum may not be recovered from Menzies Distribution by reason of any invalidity or enforceability of a lease, Menzies agrees to indemnify Société Générale immediately on demand, against any cost, loss or liability arising from such invalidity or unenforceability. Menzies further agrees to pay interest (accruing daily) to Société Générale, on any payment due from Menzies or Menzies Distribution.

Menzies further agrees to indemnify Société Générale against all claims, damages, losses, outgoing and liabilities arising from a breach of the Transaction Warranties (as defined in the Rent Receivables SPA), which relate to the Rental Receivables, or Menzies being a party to any third party commitment.

#### *Events of Default*

Failure by Menzies to pay any Rent Receivables due to Société Générale is an event of default under the Rent Receivables SPA to the extent not remedied in full within 5 Business Days after receipt of notice.

Failure of Menzies to maintain the following financial cover is also an event of default under the Rent Receivables SPA:

- Interest Cover, being the ratio of Consolidated Profit to Net Interest Payable (each as defined under the Rent Receivables SPA), at not less than 3:1 when tested bi-annually at Menzies' half-year period end; and
- Debt Cover, being the ratio of Net Debt to Consolidated Profit (each as defined under the Rent Receivables SPA), of not more than 3.5:1 when tested bi-annually at Menzies' half-year period end.

Upon the occurrence of an event of default, Société Générale (or RBS as security assignee under the Société Générale Facility Agreement) may serve a notice on Menzies, requiring Menzies to procure that Menzies Distribution pays all Rent Receivables payable in respect of the leases for the remainder of the duration of the Rent Receivables SPA, with such payment to be applied by Société Générale towards repayment of all amounts outstanding under the Société Générale Facility.

## **16. AUDITOR**

The auditor of Menzies is Ernst & Young LLP, who is registered to perform audit work by the Institute of Chartered Accountants in England and Wales, and whose registered office is 1 More London Place, London SE1 2AF, United Kingdom.

## **17. MENZIES MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group within the two years immediately preceding the date of this document and are, or may be, material or have been entered into at any time by the Company or any member of the Group and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this document:

### **17.1 *Underwriting agreement***

On 16 September 2016, the Company, Numis and Shore Capital entered into Underwriting Agreement pursuant to which Numis was appointed to act as sponsor to the Company in connection with the application for Admission and pursuant to which the Banks have severally agreed, subject to certain conditions, to use reasonable endeavours to procure subscribers for the New Ordinary Shares to the extent not taken up by Qualifying Shareholders under the Rights Issue, failing which the Banks severally agree to subscribe themselves (in the agreed proportion) for such New Ordinary Shares, in each case at the Issue Price.

In consideration of their services under the Underwriting Agreement, and subject to their obligations under the Underwriting Agreement having become unconditional and the Underwriting Agreement not being terminated, the Company has agreed to pay to the Banks an aggregate commission of 2.5 per cent. of the value of the New Ordinary Shares at the Issue Price. The Banks shall pay sub-underwriting commissions to sub-underwriters (to the extent that sub-underwriters are or have been procured) out of the commissions received by them.

In addition to the commissions set out above (and whether or not the obligations of the Banks become unconditional in all respects or the Underwriting Agreement is terminated), the Company shall pay (or reimburse where appropriate) all reasonable and properly incurred costs, fees and expenses of, and in connection with the Underwriting Agreement, the Rights Issue, the General Meeting, the allotment, issue, registration and delivery of the Nil Paid Rights or the New Ordinary Shares, the crediting of Nil Paid Rights to any stock account in CREST or the registration of New Ordinary Shares and the fees and expenses of its professional advisers, advertising and printing costs, distribution costs of all documents and the Banks' legal fees and other out of pocket expenses all accountancy and other professional fees and all stamp duty and SDRT (if any) and other similar duties and taxes.

The Company has given certain customary representations and warranties to the Banks as to the accuracy of the information contained in this document and other relevant documents, and in relation to other matters relating to the Group, the Company and ASIG and their respective

businesses. In addition, the Company has given customary indemnities to the Bank and certain warranties and indemnities given by the Company in the Underwriting Agreement are unlimited as to time and amount.

The obligations of the Banks under the Underwriting Agreement are subject to certain conditions including, *inter alia*:

- the passing without amendment (which, in the good faith opinion of either Bank, is material in the context of the Rights Issue and/or Admission) of the Rights Issue Resolution at the General Meeting on 11 October 2016 (or such later date as the Company and the Banks may agree) and such Rights Issue Resolution remaining in force;
- save to the extent not material (in the good faith opinion of both Banks) in the context of the Company, the Group, the Enlarged Group, ASIG UK, ASIG US, the Proposed Acquisition or the Rights Issue, none of the warranties being untrue, inaccurate or misleading as at the date of the Underwriting Agreement or at any time between the date of the Underwriting Agreement and Admission (by reference to the facts and circumstances from time to time subsisting);
- save for the Acquisition Agreement terminating or becoming incapable of completing due to the non-satisfaction of the condition therein relating to the approval of the Proposed Acquisition by Shareholders, the Acquisition Agreement having been entered into and not having been varied, modified, supplemented in any respect (other than in accordance with the terms of the Acquisition Agreement) which is in the good faith opinion of either Bank material in the context of the Rights Issue, the Proposed Acquisition and/or Admission, or terminated and not having lapsed;
- the Acquisition Facilities Agreement being entered into by the parties thereto and having, and continuing to have, full force and effect and not having been varied, modified, supplemented in any respect which is in the good faith opinion of either Bank material in the context of the Rights Issue, the Proposed Acquisition and/or Admission, or having been terminated or having lapsed;
- the Company having complied with and not being in, in any respect which, in the good faith opinion of the Banks, is material in the context of the Group, the Rights Issue, Admission and/or the Proposed Acquisition, breach, at any time prior to Admission, of any of its obligations under the Underwriting Agreement, and which fail to be performed or satisfied prior to Admission and the Company having complied with those of its obligations under the Listing Rules and the Prospectus Rules which fail to be performed or satisfied prior to Admission; and
- Admission becoming effective at 8.00 am on 12 October 2016 or such later time and date (being not later than 8.00 am on 17 October 2016) as the Company and the Banks may agree.

The Rights Issue will proceed if Shareholders approve the Rights Issue but do not approve the Proposed Acquisition.

If any of the conditions of the Underwriting Agreement are not satisfied (or waived by the Banks) or have become incapable of being satisfied by the required time and/or date, the obligations of the Banks under the Underwriting Agreement shall cease and determine. Additionally, the Banks may, prior to Admission, terminate the Underwriting Agreement in certain circumstances, such as the occurrence of a force majeure event.

The Company has agreed that between the date hereof and the period of 90 days from the commencement of dealing of the New Ordinary Shares on the London Stock Exchange, fully paid, it will not, without prior written consent of the Banks (such consent not to be unreasonably withheld or delayed): (a) directly or indirectly, issue, allot, offer, pledge, sell, contract to sell, lend, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, deposit into any depository receipt facility or otherwise transfer or dispose of any Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares or file any registration statement under the Securities Act with respect to any of the foregoing (or publicly announce the same); or (b) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Ordinary Shares. The

foregoing restriction shall not apply to (i) the New Ordinary Shares issued or to be issued under the Rights Issue, (ii) any Ordinary Shares issued or to be issued by the Company upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof and disclosed in this document, or (iii) any Ordinary Shares issued or to be issued or options to subscribe for or acquire Ordinary Shares granted pursuant to existing employee benefit plans of the Company disclosed in this document.

### 17.2 *Subscription and Transfer Agreement*

In connection with the Rights Issue, the Company, Numis and JerseyCo have entered into two agreements, each dated 16 September 2016, in relation to the subscription and transfer of ordinary shares and redeemable preference shares in JerseyCo.

Under the terms of these agreements:

- (i) the Company and Numis will acquire ordinary shares in JerseyCo and enter into certain put and call options in respect of the ordinary shares in JerseyCo subscribed for by Numis that are exercisable if the Rights Issue does not proceed;
- (ii) Numis will apply monies received from Qualifying Shareholders and renounees and from acquirers of New Ordinary Shares not taken up by Qualifying Shareholders and renounees under the Rights Issue, and held by the Receiving Agent until Admission, to subscribe for redeemable preference shares in JerseyCo to an aggregate value equal to such monies, after deduction of the amount of certain commissions and expenses together with any relevant amounts in respect of New Ordinary Shares acquired by the Banks for which the Banks have procured places pursuant to the Underwriting Agreement (after deducting relevant commissions and expenses); and
- (iii) the Company will allot and issue the New Ordinary Shares to those persons entitled thereto in consideration of Numis transferring their holdings of redeemable preference shares and ordinary shares in JerseyCo to the Company.

Accordingly, instead of receiving cash as consideration for the issue of the New Ordinary Shares, at the conclusion of the Rights Issue, the Company will own the entire issued ordinary share capital and entire redeemable preference share capital of JerseyCo whose only assets will be its cash reserves, which will represent an amount equal to the proceeds of the Rights Issue. The Company will be able to use this amount (including to pay the costs and expenses of the Rights Issue) on redemption of the redeemable preference shares it will hold in JerseyCo and, during any interim period prior to redemption, by procuring that JerseyCo lends the amount to the Company (or one of the Company's subsidiaries).

Qualifying Shareholders are not party to these arrangements and so will not acquire any direct right against Numis pursuant to these arrangements. The Company will be responsible for enforcing the obligations of Numis and JerseyCo thereunder.

### 17.3 *The Transitional Services Agreement*

The Buyers will enter into one or more transitional services agreements with the Sellers for the provision of certain transitional services (including certain human resources, IT, finance, shared business centre and use of corporate facilities services) ("**Transitional Services**") whilst ASIG is being integrated into the Group ("**Transitional Services Agreement**"). Heads of terms for the Transitional Services Agreement (which include a high-level overview of the Transitional Services to be provided) ("**TSA Heads**") will form part of the Acquisition Agreement and entry into a full agreed-form Transitional Services Agreement is a condition to Completion.

Under the TSA Heads, it is proposed that the Transitional Services Agreement will document the following positions:

- the Sellers shall provide the Transitional Services from Completion for an initial period of six months which may be extended for an additional period of up to 6 months (other than for certain specified Transitional Services which will be provided for a shorter period of time) unless otherwise agreed by the parties;
- the Sellers shall provide the Transitional Services (other than certain human resources/payroll-related services) free of charge for the first six months but a fee shall be payable for the Transitional Services following that initial six month period. The Buyers will pay the Sellers a fee for providing certain human resource payroll-related services during the term of the Transitional Services Agreement;

- the Buyers may terminate any of the Transitional Services with written notice;
- the Sellers must provide the Transitional Services at the general level of quality as that provided in the 12 month period prior to Completion and in substantially the same manner as they generally perform services for their own business and use commercially reasonable efforts to provide the services on a timely basis;
- the Sellers and Buyers will comply with the terms of a “*Transition Plan*” which will be designed to assist the Buyers and ASIG migrate off the Transitional Services;
- more detailed service specifications will be agreed between the Sellers and the Buyers between signing of the Acquisition Agreement and the Completion Date; and
- the Sellers shall provide the Buyers with certain “*Reverse TSA Services*” in respect of certain payroll-services for an initial period of six months and shall do so free of charge.

#### 17.4 *The Facilities Services Agreement*

The Company will enter into one or more facilities services agreements and related documents for the sites where the facilities are located for the provision of facilities-related services (including, but not limited to, ground support relating to equipment maintenance and fuelling, deicing, ad hoc ground handling, cleaning services, and ITP fuelling) (“**Facilities Services**”) by certain ASIG Group companies to the Sellers (or, for John Wayne Airport, Orange County, by the Seller to the relevant ASIG Group Company) after Completion of the Proposed Acquisition (“**Facilities Services Agreement**”). Heads of terms for the Facilities Services Agreement (“**FSA Heads**”) will form part of the Acquisition Agreement and entry into the full agreed-form Facilities Services Agreement is a condition to Completion. The FSA Heads set out key commercial terms relating to the Facilities Services to be provided such as the terms during which the Facilities Services will be made available (including each party’s rights to terminate and the possibility of extension), the pricing, price variation mechanism, payment terms, conditions for use of the facilities, governing law of the Facilities Services Agreement and jurisdiction for dispute settlement.

The FSA Heads list the locations of the facilities and outline the types of Facilities Services to be provided, but the details of each service and other terms are to be set out in the various Facilities Services Agreements which the parties plan to negotiate and agree after signing of the Acquisition Agreement and before Completion.

The types of facilities and services to be provided are different for each airport. All facilities where the Facilities Services will be provided are located at U.S. or UK airports.

#### 17.5 *A J G Parcels Sale and Purchase Agreement*

Menzies Distribution (as buyer), Adrian James Gray, Fraser James Maclean and Johnston Carmichael (Scotland) Limited (acting as trustee for Adrian Gray First Family Discretionary Trust and Adrian Gray Second Family Discretionary Trust) (together the “**AJG Sellers**”) entered into a sale and purchase agreement on 8 June 2015 relating to the disposal by the AJG Sellers of A J G Parcels Limited (“**AJG**”) (“**AJG Parcels SPA**”). The AJG Parcels SPA is governed by the laws of Scotland.

Pursuant to the terms of the AJG Parcels SPA, Menzies Distribution acquired the entire issued share capital of AJG for an initial payment of £5,000,000, and up to £750,000 deferred payment (such deferred payment paid or to be paid in three equal instalments on 31 May 2016, 31 May 2017 and 31 May 2018 respectively).

Adrian James Gray and Fraser James Maclean (“**AJG Warrantors**”) gave commercial warranties to Menzies Distribution of a type customary for a transaction of this nature.

Under the AJG Parcels SPA, the AJG Warrantors also agreed to indemnify Menzies Distribution or AJG in full and on demand for all losses, costs, fees claims, settlement, damages and other liabilities for such claims made against AJG by City Link Limited (in administration), the presence of hazardous substances and waste at one of the properties leased by AJG and a settlement agreement with a former employee of AJG. The AJG Warrantors also gave a similar indemnity in relation to parcel collection and delivery planning, organisation and tracking software, with the AJG Warrantors’ liability under such indemnity not to exceed £5,000,000.

### 17.6 *Oban Express Sale and Purchase Agreement*

Menzies Distribution (as buyer) and Caroline Ann Owens, Clinton Walker Owens, Lorraine Parrott, Raymond Louis Donald Parrott, Craig Andrew Somerville, Louise Somerville (together the “**Oban Express Sellers**”), Oban Express Parcel Service Limited (“**Oban Express**”) and The Partnership of Oban Express Parcel Services (“**Oban Express Partnership**”) entered into a sale and purchase agreement on 26 November 2015 relating to the disposal by the Oban Express Sellers of Oban Express (“**Oban Express SPA**”). The Oban Express SPA is governed by the laws of Scotland.

Pursuant to the terms of the Oban Express SPA, Menzies Distribution acquired the entire issued share capital of Oban Express for £1.00 cash consideration. Menzies Distribution also agreed to procure that Oban Express make the following payments: (i) £496,313, immediately after completion, to the relevant bank under certain finance documents and £56,581 to the relevant bank under certain finance leases; and (ii) when required, £108,788 to HM Revenue & Customs in respect of corporation tax.

The Oban Express Sellers gave commercial warranties to Menzies Distribution of a type customary for a transaction of this nature. These included warranties in relation to their ability to sell the shares of Oban Express, the business of Oban Express, accounting and financial matters, material contracts of Oban Express, property, employees and pensions, insurance, intellectual property matters, litigation, taxation and environmental matters. Under the Oban Express SPA, the Oban Express Sellers also agreed to indemnify Menzies Distribution or Oban Express in full and on demand for all losses, costs, fees claims, settlement, damages and other liabilities suffered as a result of or in connection with a business transfer agreement entered made between Oban Express and Oban Express Partnership and a credit agreement under which Oban Express is a potential guarantor.

Menzies Distribution also agreed to indemnify Clinton Walker Owens, Lorraine Parrott and Louise Somerville (as guarantors in relation to a guarantee given in connection with a lease in Glasgow to which Oban Express is party) against all losses, costs, fees, claims, damages, demands, expenses and other liabilities suffered or incurred if the landlord under the Glasgow lease calls upon such guarantors to perform any of the guaranteed obligations under such guarantee.

### 17.7 *Thistle Couriers Sale and Purchase Agreement*

Menzies Distribution (as buyer), and Anabela de Assuncao Videira Ferguson and Ewan Archibald Ferguson (together the “**Thistle Sellers**”) and Thistle Couriers Limited (“**Thistle**”) entered into a sale and purchase agreement on 9 February 2016 relating to the disposal by the Thistle Sellers of Thistle (“**Thistle SPA**”). The Thistle SPA is governed by the laws of Scotland.

Pursuant to the terms of the Thistle SPA, Menzies Distribution acquired the entire issued share capital of Thistle for the following consideration: (i) an initial payment of £1,100,000; (ii) a deferred payment of £300,000 (such deferred payment to be paid on 9 February 2017); and (iii) up to £7,083 in respect of any taxation repayments received by Thistle from HM Revenue & Customs in respect of loans made to the Sellers from Thistle.

The Thistle Sellers gave commercial warranties to Menzies Distribution of a type customary for a transaction of this nature. These included warranties in relation to their ability to sell the shares of Thistle, the business of Thistle, accounting and financial matters, material contracts of Thistle, property, employees and pensions, insurance, intellectual property matters, litigation, taxation and environmental matters. Under the Thistle SPA, the Thistle Sellers also agreed to indemnify Menzies Distribution in full and on demand for all losses, costs, fees claims, settlement, damages and other liabilities suffered as a result of or in connection with an undisclosed employees and certain claims of current employees and former employees.

The Thistle Sellers’ liability for all claims (other than title and capacity claims) under the Thistle SPA will expire on 9 August 2017. Claims under the tax warranties may still be made until 9 February 2023, and liability under the Thistle SPA for claims for breach of certain basic warranties relating to title and capacity and claims that arise or are delayed as a result of fraud will survive indefinitely. The Thistle Sellers’ liability in respect of all claims (other than title and capacity warranty claims) is subject to de minimis and maximum threshold claims limits of £2,500 and £20,000 respectively, and there is a cap of £1,500,000.

### 17.8 *Rydlings and Orbital Share Purchase Agreement*

Menzies Distribution (as buyer) and Paul Markland, Barry Peter Tipping, Philippa Anne Harris, Andre John Leonard Kleinman, Stephen Paul Martin, David Kenn Campbell and Nicholas John Williams (together “**Rydlings Shareholders**”), and BP Direct Mail Company Limited (“**BPDM**” and together with the Rydlings Shareholders, the “**Rydlings-Orbital Sellers**”) entered into a share purchase agreement on 27 November 2012 relating to the disposal by the Rydlings-Orbital Sellers of Rydlings Limited (“**Rydlings**”) and Orbital Marketing Services Group Limited (“**Orbital**”) (“**Rydlings-Orbital SPA**”). The Rydlings-Orbital SPA is governed by English law.

Pursuant to the terms of the Rydlings-Orbital SPA, Menzies Distribution acquired the (i) entire issued share capital of Rydlings (the legal and beneficial owner of 49.0 per cent. of the issued share capital of Orbital) and 51.0 per cent. of the issued share capital of Orbital, for the following consideration: (i) in respect of the Rydlings Shareholders, an initial payment of £2,517,691 and a deferred payment of £9,900,000; and (ii) in respect of BPDM, an initial payment of £6,325,864 and a deferred payment of £1,000,000.

The Rydlings-Orbital Sellers gave commercial warranties to Menzies Distribution of a type customary for a transaction of this nature. These included warranties in relation to their ability to sell the shares of Rydlings or Orbital (as the case may be) and limited warranties in respect of Rydlings in relation to its shares, taxation, litigation and accounting. The Rydlings-Orbital Sellers also gave warranties in respect of Orbital and its subsidiaries, including warranties in relation to the shares of Orbital and its subsidiaries, insurance, material contracts, litigation, assets, intellectual property matters, employment and pensions, property, accounting and financial matters, taxation and environmental matters, and ‘effective date warranties’ relating to restrictions on Orbital and its subsidiaries between the effective date of 31 October 2012 and completion. Under the Rydlings-Orbital SPA, the Rydlings-Orbital Sellers also gave several indemnities in relation to employment-related claims, environmental claims and asbestos-related claims.

The Rydlings-Orbital Sellers’ liability for claims and indemnity claims (excluding environmental indemnity claims) under the Rydlings-Orbital SPA expired on 27 November 2014. Claims may still be made: (i) in respect of the tax warranties or the tax covenant, until 27 November 2019; and (ii) in respect of the environmental warranties and the environmental indemnities, until 27 November 2020. Claims for breach of certain basic warranties as a result of fraud will survive indefinitely. The Rydlings-Orbital Sellers’ liability under these warranties (with the exception of the effective date warranties and the warranties given by Rydlings Shareholders only) is subject to de minimis and maximum threshold claims limits of £50,000 and £150,000 respectively, with the maximum aggregate liability for environmental indemnity claims not to exceed £2,000,000 and maximum aggregate liability overall not to exceed the purchase price.

### 17.9 *The Planebiz Joint Venture*

Menzies Aviation (New Zealand) Limited (“**Aviation New Zealand**”) and Skystar Airport Services NZ PTY Limited (“**Skystar**”), both wholly-owned subsidiaries of Menzies, entered into a joint venture transaction with Planebiz Limited, relating to the merger of the parties’ respective New Zealand business operations in Wellington and the South Island, into a newly incorporated joint venture company, Planebiz 2015 Limited (“**JVCo**”), pursuant to:

- a joint venture shareholders’ agreement in respect of JVCo, dated 17 November 2014, among Aviation New Zealand, Skystar and Planebiz Limited (together the “**JVCo Shareholders**”), as shareholders, and JVCo, as company (“**Planebiz Shareholders’ Agreement**”);
- asset sale and purchase agreements, each dated 17 November 2014, among each of the JVCo Shareholders, as vendors, and JVCo, as purchaser, under which the JVCo Shareholders agreed to sell the assets set out therein, to be used for the purposes of the merged business, in consideration for shares in JVCo;
- a management and technical services agreement, dated 17 November 2014, between Aviation New Zealand, as service provider, and JVCo, as service recipient, pursuant to which Aviation New Zealand agreed to provide certain management and support services to JVCo; and

- a licence agreement, dated 17 November 2014, between Aviation New Zealand, as licensor and JVCo, as licensee, pursuant to which Aviation New Zealand licenses to JVCo, *inter alia*, use of the Menzies brand for the purposes of operating the joint venture business,

(together the “**Planebiz 2015 JV Documents**”).

Aviation New Zealand holds 20.0 per cent., Skystar holds 40.0 per cent. and Planebiz holds 40.0 per cent. of the shares in JVCo. The Planebiz 2015 JV Documents are governed by the laws of New Zealand.

#### *Shareholders’ Agreement*

Each JVCo Shareholder has the right to appoint (and remove and reappoint from time to time) a number of directors equal to or less than its representative number from time to time, being: (i) none for a shareholding less than 10.0 per cent.; (ii) one for a shareholding from 10.0 per cent. to less than 25.0 per cent.; (iii) two for a shareholding of between 25.0 per cent. to less than 41.0 per cent. and (iv) three for a shareholding of 41.0 per cent. or more.

Pursuant to the terms of the Planebiz Shareholders’ Agreement, certain reserved matters require the unanimous consent of the JVCo Shareholders, including, in respect of JVCo, the issuance of new shares, any amendment to its constitution and any decision to carry on business in any location in the North Island of New Zealand (other than Wellington). In addition, in respect of transfers of shares in JVCo to third parties, a JVCo Shareholder may only transfer its shares to a member of its Group (as defined in the Planebiz Shareholders’ Agreement), provided that such group member enters into a shareholders’ agreement with the other JVCo Shareholders.

The Planebiz Shareholders’ Agreement contains a put option, exercisable by Planebiz, pursuant to which, for a two year period between 17 November 2017 and 17 November 2019, Planebiz may require Aviation New Zealand to purchase from Planebiz, up to 30.0 per cent. of its shares in JVCo, provided that Aviation New Zealand will only be required to buy from Planebiz, up to 15.0 per cent. of the shares in JVCo in each year of the put option period. The purchase price for such shares will be equal to the shareholding percentage being sold, multiplied by 5.5 times average EBITDA (as defined therein) for the past three full financial years, subject to a total purchase price cap of NZ\$15.0 million.

The Planebiz Shareholders’ Agreement also contains a call option, exercisable by Aviation New Zealand, pursuant to which, for a period of 60 consecutive Business Days from 18 November 2019 (the day following expiry of the put option), Aviation New Zealand may require Planebiz to transfer to it all shares in JVCo which it still holds. The purchase price for such shares will be equal to the shareholding percentage being sold, multiplied by 5.5 times average EBITDA (as defined therein) for the past three full financial years, subject to a total purchase price cap of NZ\$15.0 million.

The Planebiz Shareholders’ Agreement contains provisions that are customary for agreements of this type, including provisions in relation to resolving a deadlock, the granting of security over shares, the issuance of new shares, shareholder loans and restrictive covenants. Dividends are paid by way of a biannual dividend of 100.0 per cent. of the profits of JVCo, and, upon the liquidation of JVCo, the surplus assets of JVCo are to be distributed to the shareholders in proportion to their relevant shareholdings.

The Planebiz Shareholders’ Agreement will terminate when Aviation New Zealand is the only shareholder of JVCo or when it ceases to be a shareholder of JVCo, or if an application, order or resolution is made in relation to the liquidation or dissolution of JVCo.

#### 17.10 *The Hamilton Shareholders’ Agreement*

Aviation New Zealand, Glenn Vaughan Mackenzie (“**Mackenzie**”) and David Robert Stewart (“**Stewart**”), as shareholders (together the “**Hamilton Shareholders**”) and Hamilton Aero Maintenance Limited, as company (“**Hamilton**”) entered into a shareholders’ agreement in respect of Hamilton dated 4 April 2016 (“**Hamilton Shareholders’ Agreement**”) (and on which date Aviation New Zealand acquired 10,000 ordinary shares in Hamilton for the aggregate consideration of NZ\$700,000). Aviation New Zealand holds 20.0 per cent., and Mackenzie and Stewart each hold 40.0 per cent. of the shares in Hamilton. The Hamilton Shareholders’ Agreement is governed by the laws of New Zealand.



Each Hamilton Shareholder has the right to appoint (and remove and reappoint from time to time) one director. Any other director may be appointed or removed by an ordinary resolution of the shareholders. A maximum of four directors may be appointed to the board and each director is entitled to one vote.

Pursuant to the terms of the Hamilton Shareholders' Agreement, certain reserved matters require the unanimous consent of the shareholders, including, in respect of Hamilton, the issuance of new shares, any amendment to its constitution, the borrowing or raising of NZ\$50,000 and the granting of security (including guarantees and indemnities). In addition, the Hamilton Shareholders may only transfer their shares to a member of their Group (as defined in the Hamilton Shareholders' Agreement) or to a family trust or family-owned company (subject to certain provisos) with the prior written consent of the other shareholders and upon the fulfilment of other conditions, including procuring that the transferee enters into a shareholders' agreement with the continuing shareholders.

However, from 4 April 2018 (the second anniversary of the date of the Hamilton Shareholders' Agreement), a shareholder may transfer all of his or its shares (or, with the consent of the continuing shareholders, some of his or its shares) to a third party in accordance with its terms. Such shares must first be offered to the continuing shareholders in proportion to their relevant shareholdings.

In addition, after this date, Mackenzie and Stewart may also jointly request that Aviation New Zealand purchase all of the shares that are held by each of Mackenzie and Stewart, although Aviation New Zealand is under no obligation to purchase such shares. If Aviation New Zealand does not wish to proceed with the buy-out or the Hamilton Shareholders fail to agree terms, Mackenzie and Stewart may jointly transfer all of their shares to any third party. If Aviation New Zealand proceeds with the purchase of such shares, the Hamilton Shareholders' Agreement contains non-binding provisions for determining the purchase price (which is, the percentage of the shareholding being sold multiplied by six times EBITDA (as defined therein)). In addition, in the event of Aviation New Zealand purchasing all the shares held by each of Mackenzie and Stewart, Aviation New Zealand must then purchase 50.0 per cent. of the shares in a joint venture company, Hamilton Aero Avionics Limited (a company in which Hamilton currently holds 50.0 per cent. of the shares), on the same terms from the relevant shareholder of Hamilton Aero Avionics.

The Hamilton Shareholders' Agreement also contains provisions that are customary for agreements of this type, including provisions in relation to resolving a deadlock, the granting of security over shares, the issuance of new shares, shareholder loans, and restrictive covenants. Dividends are paid, and, upon the liquidation of Hamilton, the surplus assets of Hamilton are to be distributed to the shareholders in proportion to their relevant shareholdings.

The Hamilton Shareholders' Agreement will terminate when Aviation New Zealand is the only shareholder of Hamilton or when it ceases to be a shareholder of Hamilton, or if an application, order or resolution is made in relation to the liquidation or dissolution of Hamilton.

#### **17.11 Renaissance Agreement and Plan of Amalgamation**

Menzies Aviation Bermuda Limited ("**Menzies Aviation Bermuda**") and Renaissance Aviation Limited ("**Renaissance Aviation Bermuda**"), as the amalgamating companies, and Menzies Aviation and East End Group Limited ("**East End**"), as shareholders of the amalgamating companies, entered into an agreement and plan of amalgamation on 16 November 2016, relating to the amalgamation of Menzies Aviation Bermuda and Renaissance Aviation Bermuda ("**Amalgamation Agreement**"). The Amalgamation Agreement is governed by the laws of Bermuda.

Pursuant to the terms of the Amalgamation Agreement, all 100 issued and outstanding shares of Menzies Aviation Bermuda, held by Menzies Aviation, were converted into 100 shares in the amalgamated company. All issued and outstanding shares of Renaissance Aviation Bermuda, held by East End, were cancelled and not converted into shares in the amalgamated company. In consideration for this cancellation, Menzies Aviation agreed to pay to East End a total consideration of \$3.5 million, in the following payments: (i) \$3.25 million on completion; and (ii) \$0.25 million on the first anniversary of completion.

Renaissance Aviation Bermuda and East End gave commercial warranties to Menzies Aviation Bermuda of a type customary for a transaction of this nature. These included warranties in relation to the shares of Renaissance Aviation Bermuda, the business of Renaissance Aviation Bermuda, accounting and financial matters, material contracts of Renaissance Aviation Bermuda, property, employees and pensions, insurance, intellectual property matters, litigation, taxation and environmental matters. Under the Amalgamation Agreement, East End also agreed to indemnify Menzies Aviation Bermuda and Renaissance Aviation Bermuda against all losses, liabilities, damages, costs and expenses which Menzies Aviation Bermuda suffers as a result of, *inter alia*: (i) any legal proceedings of which Renaissance Aviation Bermuda had notice of prior to completion; (ii) any insurance deductibles on claims relating to losses of Renaissance Aviation Bermuda on or prior to completion; (iii) any liability of Renaissance Aviation Bermuda to pay any third party any amounts in relation to the acquisition of any business, enterprise or corporation prior to completion; and (iv) any tax liabilities arising from a breach of the tax warranties therein.

East End's liability for all claims for breach of warranty or indemnity, is subject to a de minimis claim amount of: (i) in respect of insurance deductibles, all such claims amounting to at least \$50,000; and (ii) in respect of all other claims, each single claim amounting to at least \$25,000, or the aggregate of all claims amounting to at least \$50,000. East End's liability is capped at an aggregate liability amount, not to exceed the consideration actually received by it in respect of the amalgamation.

Claims under the warranties must be made within two years of the completion date, save for claims in respect of insurance deductibles, which must be made within one year of the completion date, being 8 February 2017.

## 18. ASIG MATERIAL CONTRACTS

### 18.1 *Fernley Heathrow Transaction*

ASIG Limited (as buyer) ("**ASIG Limited**") and Fernley (Heathrow) Limited ("**Fernley**") entered into a sale agreement on 9 April 2013 relating to the disposal by Fernley of all of the assets used in connection with the cabin cleaning and de-icing business of Fernley (the "**Fernley Business**") ("**Fernley Agreement**"). The Fernley Business operated a cabin cleaning service from London Heathrow Airport and a de-icing and aircraft washing service from London Heathrow Airport and London Gatwick Airport.

The Fernley Agreement provides for a number of on-going rights and obligations, such as warranties and indemnities that primarily relate to Fernley's liabilities in relation to the operation of the Fernley Business prior to the transfer date, including performance of contracts, liabilities for transferring employees (and other employees of Fernley), and liabilities in respect of leasehold properties.

Pursuant to the terms of the Fernley Agreement, ASIG Limited has given uncapped and unlimited in time indemnities to Fernley in respect of loss and liability relating to: (i) the performance of the obligations under the contracts from the Transfer Date (as defined in the Fernley Agreement); (ii) transferring employees from the transfer date; (iii) the occupation of the leasehold property from the transfer date without the landlord's consent; and (iv) the operation of the Fernley Business from the transfer date.

### 18.2 *SAS Individual Holdings AB Sale Agreement*

ASIG Limited (as buyer), SAS AB (as seller) and SAS Individual Holdings AB ("**SAS IH**") entered into a sale agreement on 10 June 2010 relating to the purchase by ASIG Limited of all of the issued share capital of SAS IH ("**SAS Agreement**").

Pursuant to the terms of the SAS Agreement, SAS AB's liability (as seller) under the tax warranties extend until the sixth anniversary of the end of SAS IH's accounting period for 2010 (i.e. 31 December 2016).

The ability for ASIG Limited to make any other warranty claim (aside from a tax warranty claim) expired on the date two years following completion (i.e. June 2012).

### 18.3 *Skytanking Agreements*

#### *Asset Purchase Agreement*

Aircraft Service International, Inc. (“**Skytanking Buyer**”), Skytanking USA, Inc. (“**Skytanking**”) and Skytanking Holding GmbH (“**Stockholder**”) entered into an asset purchase agreement (“**Skytanking Agreement**”) dated 17 February 2014 (as amended on 15 April 2014), relating to the purchase by the Skytanking Buyer of all assets/properties of Skytanking related to the business of Skytanking, being commercial aviation fuelling services, including maintenance and inspections, ground services fuelling, fuel tank farm services and ancillary maintenance and inspections), in exchange for assuming the Assumed Liabilities (as defined in the Skytanking Agreement) and \$18,500,000.

The Skytanking Agreement provides for a number of ongoing rights and obligations, including warranties and indemnities for environmental and other liabilities.

The Skytanking Buyer has given certain indemnities to Skytanking, requiring it to defend and indemnify against (1) any breach or non-fulfilment of any covenant or agreement made by the Skytanking Buyer under the Skytanking Agreement; (2) any inaccuracy in, misrepresentation of, or breach of certain representations and warranties of the Skytanking Buyer; or (3) the assumed liabilities which include *inter alia* obligations arising out of the ownership of the purchased assets or operation of the business after the closing.

#### *Austrian Share Purchase Agreement*

In a related transaction, certain assets in Austria were also sold by ASIG UK to Skytanking Holding GmbH (“**Austrian Buyer**”). ASIG UK, the Austrian Buyer and ASIG Limited entered into a share purchase agreement dated 17 February 2014 (and which completed on 2 May 2014) (“**Austrian Agreement**”), pursuant to which ASIG UK sold the entire issued share capital in Aircraft Service International Group Austria GmbH (“**ASIG Austria**”) to the Austrian Buyer for the total consideration of €487,466. ASIG UK also provided a guarantee in respect of certain obligations of ASIG Austria.

The Austrian Agreement provides for a number of ongoing rights and obligations as follows:

- ASIG UK provided extensive guarantees, including that ASIG Austria owns all required permits to operate its business and has performed all obligations under such permits; and
- ASIG UK also agreed to indemnify the Austrian Buyer for any existing environmental breach.

ASIG Limited issued an absolute suretyship (*selbstschuldnerische Bürgschaft*) for the proper fulfilment of all obligations of ASIG UK.

#### *German Local Share Sale and Transfer Agreement*

In a related transaction, certain assets in Germany were also sold by ASIG Germany GmbH (“**German Seller**”) to Skytanking Holding GmbH (“**German Buyer**”). The German Seller, German Buyer and ASIG UK entered into a local sale and transfer agreement dated 17 February 2014 (and which completed on 2 May 2014) (“**German Agreement**”). Under the German Agreement, a partnership interest in Skytanking ASIG GmbH & Co. KG (“**Skytanking Partnership**”) with a capital contribution in the amount of €2,500 (representing 50.0 per cent. of the limited liability capital) and one share in the general partner Skytanking ASIG Verwaltungsgesellschaft mbH (“**Skytanking GP**”) (representing 50.0 per cent. of the entire issued share capital) was transferred from the German Seller to the German Buyer for a total consideration of €886,093.59.

The German Agreement provides for a number of ongoing rights and obligations, including extensive warranties and guarantees.

ASIG Limited acted as guarantor and issued absolute suretyship (*selbstschuldnerische Bürgschaft*) for the proper fulfilment of all obligations of the German Seller.

### 18.4 *Dryden and PLH Transaction*

ASIG Canada, ASIG GH Canada, Aircraft Service International Inc. (together with ASIG Canada and ASIG GH Canada, the “**PLH Purchasers**”), ASIG Limited, Dryden Air Services Inc. (“**Dryden**”), PLH Aviation Services Inc. (“**PLH**”), PLH Aviation Services Corp. (“**PLH-US**”), PLH Aviation Services (YVR) Inc. (“**PLH-YVR**”), and together with Dryden, PLH, PLH-US, the “**PLH Companies**”) and Icarus Resources Inc. (“**Icarus**”) entered into an asset

purchase agreement dated 6 August 2012 (“**PLH Agreement**”) relating to the purchase by the Purchasers of all of the assets of the PLH Companies. At the time of the transaction, Icarus was the parent company (directly or indirectly) to each of the PLH Companies.

The PLH Purchasers have the benefit of an indemnity from Icarus and the PLH Companies (and to the extent these parties are unable to satisfy the indemnification, certain shareholder parties are jointly and severally liable) for losses and liabilities relating to: (i) breach or inaccuracy representations and warranties of the PLH Companies; (ii) breach of covenant, agreement or undertaking of the PLH Companies; (iii) events that occurred prior to the closing date; (iv) and Retained Liabilities (as defined in the PLH Agreement). The indemnity is subject to a variety of caps and the shareholder parties liability is capped at 100.0 per cent. of the purchase price.

The PLH Purchasers and ASIG Limited have given an indemnity to Icarus in respect of liabilities and losses related to: (i) breach or inaccuracy of representations and warranties of the PLH Purchasers; (ii) breach of covenant, agreement or undertaking of the PLH Purchasers; and (iii) Assumed Liabilities (as defined in the PLH Agreement). The indemnity by ASIG Limited is limited by the requirement that the PLH Purchasers are unwilling or unable to satisfy the claim and that notice of a claim is given within six months following the closing date. Pursuant to the terms of the PLH Agreement, all covenants of all parties survive without limitation and, in the case of the PLH Purchasers, these covenants include tax and employment matters.

## **19. RELATED PARTY TRANSACTIONS**

Other than as disclosed in the financial information incorporated by reference into this document for the years ended 31 December 2013, 2014 and 2015, as well as the Interim Results for the six months ended 30 June 2016, there are no related party transactions by Menzies or members of the Group that were entered into during the years ended 31 December 2013, 2014 and 2015 or the six months ended 30 June 2016. There have been no additional related party transactions by any of Menzies or members of the Group that were entered into during the period between 30 June 2016 and 14 September 2016 (being the latest practicable date prior to the publication of this document).

In particular, further detail regarding related party transactions can be found on pages 126-127, 138 and 133 of the Annual Report 2013, the Annual Report 2014 and the Annual Report 2015, respectively. Additional detail can be found on page 29 of the Interim Results 2016.

## **20. LITIGATION AND ARBITRATION PROCEEDINGS**

### **20.1 Menzies**

Save as disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) covering at least the 12 months preceding the date of this document which may have, or have had, a significant effect on the Company’s and/or Group’s financial position or profitability.

#### **20.1.1 *The Jimenez Proceedings***

20.1.1.1 An employment claim is currently being pursued against Menzies in relation to a seven day overtime premium to be paid to employees in California working overnight shifts (“**Jimenez Proceedings**”). The plaintiffs to the claim moved for class certification on 9 March 2016, and have raised claims in relation to wage statements and paystubs, which they believe are missing required information such as the inclusive dates of their pay period.

20.1.1.2 The Court heard the plaintiffs’ argument on the motion on 13 April 2016 and issued a short statement granting the motion on 4 May 2016 requiring the parties to proceed with class discovery. Menzies is still awaiting a detailed order from the Court explaining the rationale behind this motion.

#### **20.1.2 *The Personal Injury Proceedings***

20.1.2.1 Menzies is currently facing two personal injury claims regarding a claim for mesothelioma and a claim for an injury suffered at work whilst operating a forklift truck (“**Personal Injury Proceedings**”).

20.1.2.2 The first claim is being pursued against Menzies by a former employee alleging asbestos exposure resulting in the contraction of mesothelioma. The employee claims to have been exposed to asbestos during the period from 1975 to 1984 whilst employed as store manager in Dundee. The value of the claim is estimated to be approximately £500,000. Court proceedings have been raised and a trial date has been set for September 2016.

20.1.2.3 The second claim has been brought by a Menzies employee who claims that whilst moving a machine using a forklift truck, the machine fell off the forks of the truck onto him, causing serious injuries. Menzies is defending the claim and shall be proposing contributory negligence by the employee, claiming he contributed to the incident by his own negligence. The investigations are ongoing and the outcome of the claim is undetermined at present.

### 20.1.3 *The Negligence Proceedings*

20.1.3.1 One of Menzies' subsidiaries is currently facing a damages claim by Associated Newspapers Limited ("ANL") in relation to a balloon promotional event ("**Negligence Proceedings**"). The promotional event involved Jones, Yarrell & Co Limited (an indirectly held subsidiary of Menzies) ("**Defendant**") and ANL's client who was dissatisfied with the running of the event and had therefore refused to pay ANL for their services. Prior to the promotional event taking place, the Defendant had raised concerns regarding the logistics of the event, and the claim has arisen largely due to failures on the day of the promotional event as a result of logistical issues.

20.1.3.2 ANL alleges that the Defendant in question was negligent and failed to deliver its services in accordance with the terms of the contract, and that ANL has therefore suffered a loss of approximately £350,000.

20.1.3.3 The Defendant is heavily disputing this claim, alleging that the loss suffered by ANL was not as a result of the Defendant's negligence, nor is the Defendant liable for any of the losses suffered by ANL.

20.1.3.4 The dispute is currently ongoing with the last correspondence being exchanged on 12 July 2016 with the likely event of moving towards alternative dispute resolution.

### 20.1.4 *Potential services claim*

Legal proceedings in relation to the provision of services by one of the Group's subsidiaries for a total of approximately £960,000 have been threatened, but no official claim has been served on the relevant subsidiary or the Company. It is not accepted at this preliminary stage that this claim has any merit and the Group intends to defend this claim.

## 20.2 ASIG

Save as disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) covering at least the 12 months preceding the date of this document which may have, or have had, a significant effect on ASIG's and/or ASIG Group's financial position or profitability.

### 20.2.1 *Existing Wage and Hour Class Action Litigation*

There are currently four active employee wage and hour class actions against the ASIG Group. The actions are briefly set out below:

20.2.1.1 The *Canlas/St. Domingo* case alleges failure to provide meal periods and rest breaks to California based employees. Defence counsel has filed a notice of removal to federal court under the Class Action Fairness Act, which means that the class size is over 100 employees and that the amount in controversy exceeds \$5.0 million in the aggregate of all class members' claims.

20.2.1.2 The *Perry* case alleges various wage and hour violations, including failure to provide meal periods and rest breaks to California based employees. Defence counsel has filed a notice of removal to federal court under the Class Action Fairness Act.

20.2.1.3 The *Benitez and Acosta* case alleges failure to provide pay checks drawn on California based banks and improper “rounding” procedures in timekeeping. Defence counsel has filed a motion for summary judgment on the overtime claims only.

20.2.1.4 The *Ahmed* case alleges failure to provide minimum wages in accordance with Seattle Living Wage Ordinance.

#### 20.2.2 **Employee Litigation – Ibrahim Tohow v. ASI, Inc.**

There are currently three employee litigation cases against the ASIG Group. The cases are briefly set out below:

20.2.2.1 The *Ibrahim Tohow* case is an ongoing racial and religious discrimination case in Washington state, set for bench trial in December 2016.

20.2.2.2 The *Angel Veliz* case is an ongoing litigation matter involving claims of sex discrimination, sex harassment, sexual identity discrimination, national origin discrimination and other claims regarding termination of former employee.

20.2.2.3 The *Franco* case is an ongoing litigation matter involving claims of wrongful termination and disability discrimination by former California employee.

#### 20.3 **Tortious Litigation – Allied Aviation LLC v ASIG Holdings Corporation, Inc.**

20.3.1 Allied Aviation LLC (“**Allied**”) commenced legal proceedings against ASIG Holdings Corporation, Inc. (“**ASIG Holdings**”) in January 2012. Court papers filed by Allied allege that ASIG Holdings was guilty of tortious interference and conspiracy in connection with a tender process for the award of certain contracts for services (including fuelling) at Tocumen Airport, Panama. In addition, Allied claims that this involved bribery of government officials and members of the board of Tocumen Airport and that this resulted in the contracts being awarded to ASIG Holdings as opposed to the subsidiary of Allied that had been the incumbent previously.

20.3.2 The most recent judgment was entered into in April 2016 in Orange County, Florida in favour of ASIG US, dismissing Allied’s claim. Allied are appealing the judgment, which ASIG Holdings intend to defend.

## 21. **WORKING CAPITAL**

21.1 The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Group, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of publication of this document.

21.2 The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Enlarged Group, the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least the next 12 months from the date of publication of this document.

## 22. MARKET QUOTATIONS

The Ordinary Shares are listed on the premium listing segment of the Official List. The closing middle market quotations for the Ordinary Shares as derived from the Daily Official List of the London Stock Exchange for the first dealing day in each of the six months before the date of this document and on 14 September 2016 (the last practicable date prior to the publication of this document) are as follows:

	<b>Price per Ordinary Share (pence)</b>
April 2016.....	478
May 2016.....	508
June 2016.....	520.5
July 2016.....	555
August 2016.....	590
September 2016.....	600
15 September 2016.....	592

## 23. DIVIDENDS

The following table sets out the dividend per Ordinary Share paid by Menzies in respect of each of the years ended:

	<b>2015 (pence)</b>	<b>2014 (pence)</b>	<b>2013 (pence)</b>
Final dividend per Ordinary Share	11.80	8.10	18.80
Interim dividend per Ordinary Share	5.00	8.10	7.70
Total dividend per Ordinary Share	<u>16.80</u>	<u>16.20</u>	<u>26.50</u>

The following table sets out the dividend per Preference Share paid by Menzies in respect of each of the years ended:

	<b>2015 (pence)</b>	<b>2014 (pence)</b>	<b>2013 (pence)</b>
First dividend per Preference Share	4.5	4.5	4.5
Second dividend per Preference Share	4.5	4.5	4.5
Total dividend per Preference Share	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>

## 24. NO SIGNIFICANT CHANGE

24.1 There has been no significant change in the financial or trading position of the Group since 30 June 2016, being the date to which the latest unaudited consolidated financial statements for the Group incorporated by reference into this document, as set out in Part XIII of this document, were prepared.

24.2 There has been no significant change in the financial or trading position of ASIG since 31 December 2015, being the date to which the latest audited combined historical financial information of ASIG, as set out in Part A of Part VIII of this document, has been prepared.

## 25. CONSENTS

25.1 Numis, which is authorised and regulated by the FCA in the United Kingdom, has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of references to its name in the form and context in which they appear.

- 25.2 Shore Capital, which is authorised and regulated by the FCA in the United Kingdom, has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of references to its name in the form and context in which they appear.
- 25.3 Ernst & Young LLP has given, and has not withdrawn, its consent to the inclusion of its reports in Section B of Part VIII (*Historical Financial Information of ASIG*) and Section B of Part IX (*Unaudited pro forma* financial information of the Enlarged Group) of this document, in the form and context in which they appear and has authorised the contents of those reports for the purposes of Prospectus Rule 5.5.3R(2)(f).

## **26. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents:

- (a) the Articles;
- (b) the Annual Report 2013, the Annual Report 2014 and the Annual Report 2015;
- (c) the historical financial information of ASIG set out in section A of Part VIII of this document and the related report of Ernst & Young LLP set out in section B of Part VIII of this document;
- (d) the unaudited interim results for the Group for the six months ended 30 June 2016 and 30 June 2015;
- (e) the unaudited *pro forma* financial information of the Enlarged Group set out in section A of Part IX of this document and the related report of Ernst & Young LLP set out in section B of Part IX of this document;
- (f) the consent letters referred to in paragraph 25 above;
- (g) the Acquisition Agreement; and
- (h) this document,

are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period from the date of publication of this document until Admission at: the registered office of Menzies, 2 Lochside Avenue, Edinburgh Park, Edinburgh, EH12 9DJ; and the offices of DLA Piper UK LLP, 3 Noble Street, London, EC2V 7EE.



## PART XIII – INFORMATION INCORPORATED BY REFERENCE

This document should be read and construed in conjunction with the following documents which have been previously published and filed with the FCA and which shall be deemed to be incorporated into, and form part of, this document.

To the extent that any document or information incorporated by reference or attached to this document itself incorporated any information by reference, either expressly or impliedly, such information will not form part of this document for the purposes of the Prospectus Rules, except where such information or documents are stated within this document as specifically being incorporated by reference or where this document is specifically defined as including such information.

Any statement contained in a document which is deemed to be incorporated by reference into this document shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained in this document (or in a later document which is incorporated by reference into this document) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

The table below lists the various sections of certain documents which are incorporated by reference into this document in compliance with Prospectus Rule 2.4.1. The parts of these documents that are not incorporated by reference are either not relevant for investors or are covered elsewhere in this document. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this document.

Reference Document	Information incorporated by reference into this document Reference Document	Page number(s) in reference document
<b>For the financial year ended 31 December 2013</b>		
Annual Report 2013	2013 Highlights	1
Annual Report 2013	Financial Review	19 to 21
Annual Report 2013	Independent Auditor's Report	80 to 82
Annual Report 2013	Group Income Statement	83
Annual Report 2013	Group and Company Statement of Comprehensive Income	84
Annual Report 2013	Group and Company Balance Sheets	85
Annual Report 2013	Group and Company Statement of Changes in Equity	86 to 87
Annual Report 2013	Group and Company Statement of Cash Flows	88
Annual Report 2013	Notes to the Accounts	89 to 127
Annual Report 2013	Five Year Summary	128
<b>For the six months ended 30 June 2014</b>		
Interim Results 2014	Financial Highlights	1 to 2
Interim Results 2014	Business Overview	3
Interim Results 2014	Independent Review Report to Menzies	6
Interim Results 2014	Group Income Statement (unaudited)	7 to 8
Interim Results 2014	Group Statement of Comprehensive Income (unaudited)	9
Interim Results 2014	Group Balance Sheet (unaudited)	10 to 11
Interim Results 2014	Group Statement of Changes in Equity (unaudited)	12
Interim Results 2014	Group Statement of Cash Flows (unaudited)	13
Interim Results 2014	Notes to the Interim Accounts	14 to 25
<b>For the financial year ended 31 December 2014</b>		
Annual Report 2014	2014 Highlights	—
Annual Report 2014	Financial Review	30 to 32
Annual Report 2014	Independent Auditor's Report	92 to 94
Annual Report 2014	Group Income Statement	95
Annual Report 2014	Group and Company Statement of Comprehensive Income	96
Annual Report 2014	Group and Company Balance Sheets	97
Annual Report 2014	Group and Company Statement of Changes in Equity	98 to 99
Annual Report 2014	Group and Company Statement of Cash Flows	100
Annual Report 2014	Notes to the Accounts	101 to 138

<b>Reference Document</b>	<b>Information incorporated by reference into this document Reference Document</b>	<b>Page number(s) in reference document</b>
Annual Report 2014	Five Year Summary	139
<b>For the six months ended 30 June 2015</b>		
Interim Results 2015	Financial Summary	2 to 3
Interim Results 2015	Business Overview	3 to 5
Interim Results 2015	Independent Review Report to Menzies	9
Interim Results 2015	Group Income Statement (unaudited)	10 to 11
Interim Results 2015	Group Statement of Comprehensive Income (unaudited)	12
Interim Results 2015	Group Balance Sheet (unaudited)	13
Interim Results 2015	Group Statement of Changes in Equity (unaudited)	14
Interim Results 2015	Group Statement of Cash Flows (unaudited)	15
Interim Results 2015	Notes to the Interim Accounts	16 to 27
<b>For the financial year ended 31 December 2015</b>		
Annual Report 2015	2015 Highlights	—
Annual Report 2015	Financial Review	32 to 35
Annual Report 2015	Independent Auditor's Report	82 to 88
Annual Report 2015	Group Income Statement	89
Annual Report 2015	Group and Company Statement of Comprehensive Income	90
Annual Report 2015	Group and Company Balance Sheets	91
Annual Report 2015	Group and Company Statement of Changes in Equity	92 to 93
Annual Report 2015	Group and Company Statement of Cash Flows	94
Annual Report 2015	Notes to the Accounts	95 to 133
Annual Report 2015	Five Year Summary	134
<b>For the six months ended 30 June 2016</b>		
Interim Results 2016	Financial Summary	2
Interim Results 2016	Overview	2 to 9
Interim Results 2016	Independent Review Report to Menzies	10
Interim Results 2016	Group Income Statement (unaudited)	11 to 12
Interim Results 2016	Group Statement of Comprehensive Income (unaudited)	13
Interim Results 2016	Group Balance Sheet (unaudited)	14
Interim Results 2016	Group Statement of Changes in Equity (unaudited)	15
Interim Results 2016	Group Statement of Cash Flows (unaudited)	16
Interim Results 2016	Notes to the Interim Accounts	17 to 29

## PART XIV – DEFINITIONS

“**Acquisition Agreement**” means the stock purchase agreement amongst the Buyers and the Sellers dated 16 September 2016, in relation to the Proposed Acquisition of ASIG UK and ASIG US and as further described in Part XI of this document;

“**Acquisition Facilities Agreement**” means the facilities agreement entered into between the Company and the Sellers dated 16 September 2016 to part-finance the Proposed Acquisition and as further described in paragraph 15.1 of Part XII of this document;

“**Acquisition Resolution**” means the ordinary resolution to be proposed at the General Meeting (and set out as resolution 1 in the Notice of General Meeting) to, *inter alia*, approve the Proposed Acquisition;

“**Admission**” means the admission of the New Ordinary Shares, nil paid, to:

- (a) the premium listing segment of the Official List; and
- (b) trading on the London Stock Exchange’s main market for listed securities;

“**AMI**” means Air Menzies International;

“**Annual Report 2013**” means the annual report and accounts prepared by the Company for the financial year ended 31 December 2013;

“**Annual Report 2014**” means the annual report and accounts prepared by the Company for the financial year ended 31 December 2014;

“**Annual Report 2015**” means the annual report and accounts prepared by the Company for the financial year ended 31 December 2015;

“**Articles**” or “**Articles of Association**” means the memorandum and the articles of association of the Company which are described in paragraph 5 of Part XII of this document;

“**ASIG**” means ASIG UK and ASIG US taken together;

“**ASIG Group**” means ASIG Holdings Limited, ASIG Manchester Limited, ASIG Limited, ASIG Ground Handling Limited, ASIG Ground Handling Canada Limited, ASIG Canada Limited, ASIG (Thailand) Company Limited, Aircraft Service International Group Holding (Thailand) Limited, ASIG Tanking (Thailand) Limited, ASIG Holdings (Barbados) Limited, ASIG Panama, SA, ASIG Ground Handling Panama, SA, ASIG Holdings Corp, Aircraft Service International Group, Inc., Aircraft Service International Inc. and ASIG Nassau Fuelling Service Limited;

“**ASIG UK**” means ASIG Holdings Ltd;

“**ASIG US**” means ASIG Holdings Corp;

“**Banks**” means Numis and Shore Capital;

“**BBA**” means BBA Aviation plc;

“**BSP**” means the 2015 Bonus Share Plan;

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in London;

“**Buyers**” means each of Menzies Aviation and Menzies US;

“**CCSS**” means the CREST Courier and Sorting Service established by Euroclear to facilitate, *inter alia*, the deposit and withdrawal of securities;

“**certificated**” or “**in certificated form**” means a share or other security which is not in uncertificated form (that is, not in CREST);

“**Chairman**” means the chairman of the Company;

“**Companies Act**” means the Companies Act 2006, as amended;

“**Company**” or “**Menzies**” means John Menzies plc, a public limited company incorporated under the laws of Scotland with registered number SCO34970;

“**Completion**” means the closing of the Proposed Acquisition pursuant to the Acquisition Agreement;

“**Completion Date**” means the date all conditions for Completion in respect of the Proposed Acquisition are satisfied but in any event no later than the End Date;

“**Computershare Dealing Facility**” means the share dealing service described in Part III of this document provided by the Receiving Agent, terms and conditions for which will accompany the Provisional Allotment Letter;

“**Corporate Governance Code**” means the UK Corporate Governance Code produced by the Financial Reporting Council;

“**CREST**” means the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades in listed securities in the United Kingdom, of which Euroclear is the operator (as defined in the CREST Regulations);

“**CREST Manual**” means the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure, CREST Glossary of Terms and CREST Terms and Conditions (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since);

“**CREST member**” means a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations);

“**CREST Regulations**” means the Uncertificated Securities Regulations 2001 (SI 2001/3755);

“**CREST sponsor**” means a CREST participant admitted to CREST as a CREST sponsor;

“**CREST sponsored member**” means a CREST member admitted to CREST as a sponsored member;

“**DB Scheme**” means the defined benefit pension scheme operated by the Company as described in paragraph 14.2 of Part XII of this document;

“**DC Scheme**” means the money purchase pension scheme operated by the Company as described in paragraph 14.1 of Part XII of this document;

“**Directors**” or “**Board**” means the Executive Directors and Non-Executive Directors of Menzies as at the date of this document;

“**Disclosure Guidance**” means the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority as amended from time to time;

“**DME**” means Disney Magical Express, Orlando;

“**EEA**” means the European Economic Area;

“**End Date**” means the end date as defined in the Acquisition Agreement, being 31 May 2017;

“**Enlarged Group**” means the Group following the Proposed Acquisition;

“**EU**” means the European Union;

“**Euroclear**” means Euroclear & Ireland Limited;

“**Excluded Territories**” means the Commonwealth of Australia, its territories and possessions, each province and territory of Canada, Japan, the Republic of South Africa and the United States of America and any other jurisdiction where the extension into or availability of the Rights Issue would breach any applicable law or regulation, and “**Excluded Territories**” means any one of them;

“**Excluded Shareholders**” means shareholders resident in an Excluded Territory;

“**Executive Directors**” means the executive directors of the Company as at the date of this document;

“**Existing Ordinary Shares**” means the Ordinary Shares in issue immediately preceding the issue of the New Ordinary Shares;

“**Ex-Rights Date**” means the date on which the Existing Ordinary Shares are marked “ex-rights” by the London Stock Exchange, 12 October 2016;

“**Facilities Services Agreement**” means one or more facilities services agreements, as described in paragraph 17.4 of Part XII of this document;

“**Financial Conduct Authority**” or “**FCA**” means the UK Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA;

“**Form of Proxy**” means the form of proxy enclosed with this document for use in connection with the General Meeting;

“**FSMA**” means the Financial Services and Markets Act 2000, as amended;

“**Fully Paid Rights**” means rights to acquire New Ordinary Shares, fully paid;

“**General Meeting**” means the general meeting of the Company to be held at the offices of DLA Piper Scotland LLP, Collins House, Rutland Square, Edinburgh, EH1 2AA at 11.00 am on 11 October 2016, notice of which is set out on pages 252 to 257 of this document;

“**Group**” means the Company and its subsidiary undertakings and, where the context requires, its associated undertakings, from time to time;

“**HMRC**” means HM Revenue & Customs;

“**IFRS**” means the International Financial Reporting Standards as adopted by the European Union and IFRIC interpretations;

“**Interim Dividend**” means the interim dividend of 5.4 pence declared by the Board on 16 August 2016 for the six months ended 30 June 2016 to be paid on 18 November 2016 to the Shareholders who are on the Company’s register on 7 October 2016;

“**ISIN**” means the International Securities Identification Number;

“**Issue Price**” means 343 pence per New Ordinary Share;

“**JerseyCo**” means Project Athena (Jersey) Limited;

“**Listing Rules**” means the listing rules of the Financial Conduct Authority;

“**LTIP**” means the 2015 Long Term Incentive Plan;

“**London Stock Exchange**” means the London Stock Exchange plc;

“**Menzies Aviation**” means the operating division of the Company delivering passengers, ramp and cargo services to airline operators, with parent company Menzies Aviation plc, a public limited company incorporated under the laws of England and Wales with registered number 02961404;

“**Menzies Distribution**” means the operating division of the Company delivering distribution and marketing services to the newspaper and magazine supply chain in the United Kingdom, with parent company Menzies Distribution Limited, a private limited company incorporated under the laws of England and Wales with registered number 01430241;

“**Menzies Share Schemes**” means the schemes or plans described in paragraph 11 of Part XII of this document;

“**Menzies U.S.**” means Menzies Aviation Inc., a Delaware Corporation;

“**Money Laundering Regulations**” means the Money Laundering Regulations 2007 (SI 2007/2157);

“**MTM Instruction**” means many to many instruction;

“**New Ordinary Shares**” means 21,922,403 new Ordinary Shares which the Company will allot and issue pursuant to the Rights Issue;

“**Nil Paid Rights**” means the rights to acquire New Ordinary Shares, nil paid;

“**NIP**” means the 2015 Notional Incentive Plan;

“**Non-Executive Directors**” means the non-executive directors of the Company as at the date of this document;

“**Notice of General Meeting**” means the notice of General Meeting set out in this document;

“**Numis**” means Numis Securities Limited;

“**Official List**” means the Official List of the FCA;

“**Ordinary Shares**” means the ordinary shares of 25 pence each in the capital of the Company having the rights set out in the Articles, as described in paragraph 5 of Part XII of this document;

“**Overseas Shareholders**” means the Qualifying Shareholders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions outside of the United Kingdom;

“**PD Regulation**” means the Commission Regulation (EC) No 809/2004;

“**Preference Shares**” means the nine per cent. cumulative preference shares of nominal value £1.00 each in the capital of Menzies, having the rights set out in the Articles, as described in paragraph 5 in Part XII of this document;

“**Proposed Acquisition**” means the acquisition of ASIG UK and ASIG US by the Buyers, pursuant to the Acquisition Agreement;

“**Prospectus**” or “**this document**” means the prospectus and class 1 circular issued by the Company in respect of the Rights Issue, together with any supplements or amendments thereto;

“**Prospectus Rules**” means the Prospectus Rules of the Financial Conduct Authority;

“**Provisional Allotment Letter**” means the provisional allotment letter to be issued to Qualifying Non-CREST Shareholders (other than certain Overseas Shareholders);

“**Qualifying CREST Shareholders**” means the Qualifying Shareholders holding Ordinary Shares in uncertificated form;

“**Qualifying Non-CREST Shareholders**” means the Qualifying Shareholders holding Ordinary Shares in certificated form;

“**Qualifying Shareholders**” means the Shareholders on the register of members of the Company at the Record Date;

“**Receiving Agent**” means Computershare Investor Services PLC;

“**Record Date**” means close of business on 10 October 2016 for the purposes of the Rights Issue;

“**Registrar**” means Computershare Investor Services PLC;

“**Regulation S**” means Regulation S under the Securities Act;

“**Reorganisation**” means the reorganisation of the ASIG Group as described in paragraph 12 of Part XI of this document;

“**Reporting Accountant**” means Ernst & Young LLP;

“**Resolutions**” means the resolutions to be proposed at the General Meeting in connection with the Proposed Acquisition and the Rights Issue, notice of which is set out on pages 252 to 257 of this document;

“**Retention Award Arrangements**” means the retention award arrangements implemented by the Company for certain members of the senior management team;

“**Return on Invested Capital**” is calculated as underlying operating profit divided by invested capital. Invested capital represents the purchase consideration, transaction costs associated with the Proposed Acquisition, one-off exceptional costs for integration and realisation of cost synergies less the net present value of the tax benefit under section 338(h)(10) Internal Revenue Code (U.S.);

“**Rights Issue**” means the offer by way of rights to Qualifying Shareholders to subscribe for New Ordinary Shares, on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter;

“**Rights Issue Resolution**” means the ordinary resolution to be proposed at the General Meeting (and set out as resolution 2 in the Notice of General Meeting) to approve the allotment of the Rights Issue Shares;

“**SAYE**” means the Save As You Earn Scheme;

“**SDRT**” means the Stamp Duty Reserve Tax;

“**Securities Act**” means the U.S. Securities Act of 1933, as amended;

“**SEDOL**” means the Stock Exchange Daily Official List;

“**Sellers**” means U.S. Seller and UK Seller;

“**Shareholders**” means the holders of Ordinary Shares;

“**Shore Capital**” means Shore Capital Stockbrokers Limited;

“**SMP**” means the 2015 Share Matching Plan;

“**Target Companies**” means each of ASIG Holdings Limited and ASIG Holdings Corp.;

“**TOGA**” means Terminal One Group Association;

“**Transitional Services Agreement**” means one or more transitional services agreements, as described in paragraph 17.3 of Part XII of this document;

“**UK**” or “**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland;

“**uncertificated**” or “**in uncertificated form**” means recorded on the register of members as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;

“**Underwriting Agreement**” means the underwriting agreement described in paragraph 17.1 of Part XII of this document;

“**United States**” or “**U.S.**” means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

“**\$**”, “**US\$**”, “**U.S. dollars**” or “**dollars**” means the lawful currency of the United States; and

“**£**”, “**sterling**”, “**pounds sterling**” or “**GBP**” means the lawful currency of the United Kingdom.

“**U.K. Seller**” means BBA Holdings Limited, a limited company incorporated under the law of England and Wales with registered number 00546693; and

“**U.S. Seller**” means BBA Aviation USA Inc., a Delaware Corporation.

## **PART XV – GLOSSARY**

<b>above-wing services</b>	services geared towards passenger services (such as check in, lounge and lavatory/janitorial services)
<b>B2B</b>	business to business
<b>below-wing services</b>	services such as cargo and baggage handling, ramp handling, cabin cleaning, aircraft de-icing, cargo services and tower coordination
<b>CGU</b>	cash-generating unit
<b>CMA</b>	UK Competition and Markets Authority
<b>FAA</b>	U.S. Federal Aviation Administration
<b>FFM</b>	fuel farm management
<b>fuel services</b>	ITP fuelling, FFM and other operations
<b>ground handling services</b>	above-wing services and below-wing services
<b>GSE</b>	ground service equipment
<b>HSR</b>	U.S. Hart-Scott-Rodino Improvements Act of 1976
<b>IATA</b>	International Air Transport Association
<b>ISAGO</b>	IATA Safety Audit programme for Ground Operations
<b>ITP fuelling</b>	into plane fuelling
<b>M&amp;O Services</b>	management and operation services
<b>WACC</b>	weighted average cost of capital



## NOTICE OF GENERAL MEETING

### John Menzies plc

*(incorporated and registered in Scotland with registered number SC034970)*

Notice is hereby given that a general meeting of John Menzies plc (“**Company**”) will be held at 11.00 am on 11 October 2016 at the offices of DLA Piper Scotland LLP, Collins House, Rutland Square, Edinburgh, EH1 2AA (“**General Meeting**”) for the purpose of considering and, if thought fit, passing the following Resolutions, of which the Resolutions numbered 1 to 4 (inclusive) shall be proposed as ordinary resolutions and the Resolutions numbered 5 to 6 (inclusive) shall be proposed as special resolutions:

#### ORDINARY RESOLUTIONS

1. That: (a) the proposed acquisition by the Company of ASIG Holdings Limited and ASIG Holdings Corp (the “**Proposed Acquisition**”), as described in the combined prospectus and circular to the shareholders of the Company dated 16 September 2016 and substantially on the terms and subject to the conditions set out in the acquisition agreement entered into in connection with the Proposed Acquisition, be, and is hereby, approved; and  
(b) the board of directors of the Company (“**Board**”) (or any duly constituted committee thereof) be and are hereby authorised to take all necessary or appropriate steps and to do all necessary or appropriate things to implement or complete, or to procure the implementation or completion of, the Proposed Acquisition and give effect thereto with such modifications, variations, revisions, waivers or amendments (not being modifications, variations, revisions, waivers or amendments of a material nature) as the Board (or any duly authorised committee thereof) may deem necessary, expedient or appropriate in connection with the Proposed Acquisition.
2. That, in addition to all existing authorities, the board of directors of the Company (“**Board**”) be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to a nominal amount of £5,481,850.75 pursuant to or in connection with the issue by way of rights of up to 21,927,403 new ordinary shares at a price of 343 pence per new ordinary share (“**Rights Issue**”) to (i) qualifying shareholders on the register of members of the Company at close of business on 10 October 2016 and (ii) holders of equity securities in the capital of the Company as required by the rights of those securities or as the Board otherwise considers necessary, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with treasury shares, record dates, legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts or any other matter, such authority to apply until the conclusion of the annual general meeting of the Company to be held in 2017 or on 30 June 2017, if earlier, but, in each case, so that the Company may, before such expiry, make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority given by this Resolution 2 has expired and the Board shall be entitled to allot such shares and to grant such rights pursuant to any such offer or agreement as if the authority conferred by this Resolution 2 had not expired.
3. That, subject to and conditional upon admission to the premium listing segment of the Official List and to trading on the London Stock Exchange plc’s main market for listed securities, respectively, of the new ordinary shares of 25 pence each to be issued by the Company in connection with the issue by way of rights of up to 21,927,403 new ordinary shares as authorised and approved pursuant to Resolution 2 of this Notice of General Meeting, and in addition to all existing authorities, the board of directors of the Company (“**Board**”) be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (“**Act**”) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company, such rights and shares together being “*relevant securities*”:

- (a) otherwise than pursuant to paragraph (b) below, up to an aggregate nominal amount of £1,827,283.50 (such amount to be reduced by the aggregate nominal amount of any equity securities (as defined by section 560 of the Act) allotted under paragraph (b) below in excess of £1,827,283.50; and
- (b) comprising equity securities up to an aggregate nominal amount of £3,654,567.00 (such amount to be reduced by the nominal amount of any relevant securities allotted under paragraph (a) above) in connection with an offer by way of a rights issue to: (i) holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings; and (ii) holders of equity securities in the capital of the Company as required by the rights of those securities or as the Board otherwise considers necessary, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates, legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts or any other matter,

such authority to apply until the conclusion of the annual general meeting of the Company to be held in 2017 or on 30 June 2017, if earlier, but, in each case, so that the Company may, before such expiry, make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority given by this Resolution 3 has expired and the Board shall be entitled to allot such shares and to grant such rights pursuant to any such offer or agreement as if the authority conferred by this Resolution 3 had not expired.

- 4. That, the award of ordinary shares in the Company to Dr Dermot Smurfit as part of his remuneration as a director of the Company on the terms described in the combined prospectus and circular to the shareholders of the Company dated 16 September 2016 be and is hereby approved for the purposes of section 226B of the Companies Act 2006 (“Act”) and the board of directors of the Company (“Board”) be authorised to do all such acts and things necessary to implement that award and in addition to all existing authorities, the Board be generally and unconditionally authorised in accordance with section 551 of the Act to exercise all powers of the Company to allot such shares in the Company and to grant such rights to subscribe for or convert any security into shares in the Company up to a nominal amount of £15,000 to Dr Dermot Smurfit, such authority to apply until the conclusion of the annual general meeting of the Company to be held in 2019 or 30 June 2019, if earlier, but, in each case, so that the Company may, before such expiry make offers and enter into agreements with Dr Dermot Smurfit which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority given by this Resolution 4 has expired and the Board shall be entitled to allot such shares and to grant such rights pursuant to any such offer or agreement as if the authority conferred by this Resolution 4 had not expired.

## SPECIAL RESOLUTIONS

- 5. That, subject to and conditional upon Resolutions 2 and 3 of this Notice of General Meeting (“Resolutions 2 and 3”) being duly passed, and in addition to all existing powers, the board of directors of the Company (“Board”) be given power pursuant to section 570 of the Companies Act 2006 (“Act”) to allot equity securities for cash pursuant to the authority conferred by Resolution 3, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:
  - (a) the allotment of equity securities in connection with an offer or issue of equity securities (but, in the case of an allotment pursuant to the authority granted under paragraph (b) of Resolutions 2 and 3, such power shall be limited to the allotment of equity securities in connection with a rights issue only) to: (i) the holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings; and (ii) the holders of equity securities in the capital of the Company as required by the rights of those securities or as the Board otherwise considers necessary, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates, or legal or practical problems

arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts or any other matter; and

- (b) the allotment pursuant to the authority granted by paragraph (a) of Resolutions 2 and 3 (otherwise than pursuant to paragraph (a) of this Resolution 5) to any person or persons of equity securities up to an aggregate nominal amount of £1,041,314.25, representing approximately 5.0 per cent. of the enlarged issued ordinary share capital of the Company following the issue by way of rights of 21,227,403 new ordinary shares,

such power to apply until the conclusion of the annual general meeting of the Company to be held in 2017 or on 30 June 2017, if earlier, but so that the Company may, before such expiry, make offers and enter into agreements which would, or might, require equity securities to be allotted after the power given by this Resolution 5 has expired and the Board shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred by this Resolution 5 had not expired.

6. That, subject to and conditional upon Resolution 4 in this Notice of General Meeting (“**Resolution 4**”) being duly passed, and in addition to all existing powers, the board of directors of the Company (“**Board**”) be given power pursuant to section 571 of the Companies Act 2006 (“**Act**”) to allot equity securities for cash pursuant to the authority conferred by Resolution 4, as if section 561(1) of the Act did not apply to any such allotment or sale, such power to be limited to the allotment or sale of equity securities pursuant to the authority granted by Resolution 4 up to a nominal amount of £15,000, such power to apply until the conclusion of the annual general meeting of the Company to be held in 2019 or on 30 June 2019, if earlier, but, in each case, so that the Company may, before such expiry make offers and enter into agreements with Dr Dermot Smurfit which would, or might, require equity securities to be allotted after the power given by this Resolution 6 has expired and the Board shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred by this Resolution 6 had not expired.

*By order of the board of directors of the Company*

John Geddes  
Company Secretary  
John Menzies plc  
16 September 2016

Registered office:  
2 Lochside Avenue  
Edinburgh Park  
Edinburgh Scotland  
EH12 9DJ

Registered number: SC034970  
[www.johnmenziesplc.com](http://www.johnmenziesplc.com)

#### **General Notes:**

##### **Proxy appointment**

1. A shareholder is entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder.
2. A form of proxy is enclosed. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the meeting in person.
3. To appoint a proxy, either (a) you must return the completed and signed form of proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY (“**Registrar**”) (using the enclosed prepaid envelope), or (b) the proxy appointment must be registered electronically on the website at

www.investorcentre.co.uk/eproxy, in each case so as to be received no later than 11.00 am on 7 October 2016. CREST members who wish to appoint a proxy through the CREST electronic proxy appointment services may do so. See notes 13 to 16 (inclusive) to below.

#### **Nominated persons**

4. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 (“**nominated persons**”). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

#### **Information about shares and voting**

5. At the meeting, votes will be taken by poll rather than on a show of hands. All votes cast at the meeting will be added to those that were validly lodged with the Registrar prior to the meeting.

To vote electronically, you will be asked to provide your Control Number, Shareholder Reference Number and PIN which are detailed on your proxy form.

6. Shareholders are entitled to attend and vote at general meetings of the Company. The total number of issued ordinary shares in the Company on 14 September 2016 (being the latest practicable date prior to the date of this document) is 61,382,731, carrying one vote each on a poll. Therefore, the total number of votes exercisable as at 14 September 2016 is 61,382,731. There are 330,338 shares held in treasury.

#### **Right to attend and vote**

7. Entitlement to attend and vote at the meeting, and the number of votes which may be cast at the meeting, will be determined by reference to the Company’s register of members at the close of business on 7 October 2016 or, if the meeting is adjourned, 48 hours (excluding non-business days) before the time fixed for the adjourned meeting (as the case may be). In each case, changes to the register of members after such time will be disregarded.
8. In the case of joint shareholders, where more than one of the joint shareholders purports to appoint a proxy, only the appointment submitted by the most senior shareholder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company’s register of members, the first-named being the most senior.
9. Shareholders may change their proxy instructions by submitting a new proxy appointment using the methods set out or referred to in these notes. The cut-off times for receipt of proxy appointments set out in these notes also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where a shareholder has appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form please contact the Company’s Registrar Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or telephone the Shareholder Helpline on 0370 703 6303.

If more than one valid proxy appointment is submitted, the appointment received last before the latest time for the receipt of proxies will take precedence.

10. In order to revoke a proxy instruction, a shareholder will need to inform the Company by sending a signed hard copy notice clearly stating its intention to revoke its proxy appointment by writing to the Company’s Registrar Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by no later than 11.00 am on 7 October 2016. If a shareholder attempts to revoke its proxy appointment but the revocation is received after the time specified then the original proxy appointment will remain valid.

Termination of proxy appointments made through CREST must be made in accordance with the procedures described in the CREST manual.

#### **Venue arrangements**

11. To facilitate entry to the meeting, shareholders are requested to bring with them the admission card which is attached to the proxy card.
12. Mobile phones may not be used at the meeting and cameras and recording equipment are not allowed in the meeting.

#### **CREST members**

13. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by following the procedures described in the CREST manual. The CREST manual can be found at [www.euroclear.com](http://www.euroclear.com). CREST personal members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
14. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (“**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications and must contain the information required for such instructions, as described in the CREST manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by the Company’s agent (ID number 3RA50) by no later than 11.00 am on 7 October 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the Company’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to a proxy appointed through CREST should be communicated to him by other means.
15. CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his/her CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
16. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

#### **Corporate representatives**

17. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder, provided that they do not do so in relation to the same shares.

#### **Questions**

18. Any shareholder attending the meeting has the right to put questions at the meeting relating to the business being dealt with at the meeting.

**Website information**

19. A copy of this notice and other information required by section 311A of the Companies Act 2006 can be found at [www.johnmenziesplc.com](http://www.johnmenziesplc.com).

**Use of electronic address**

20. Shareholders may not use any electronic address provided in either this notice of meeting or any related documents (including the enclosed form of proxy) to communicate with the Company for any purposes other than those expressly stated.

