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JOHN MENZIES PLC ANNUAL REPORT AND ACCOUNTS 2016

John Menzies plc

ANNUAL REPORT AND ACCOUNTS 2016

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WHO WE ARE

John Menzies plc is a time-critical logistics and support specialist. In 36 countries around the world our employees provide market-leading service to meet our customers' needs. Wherever you find a Menzies logo, you'll find people delivering around the clock, against the clock.

WHAT WE DO

Our Operating Divisions provide services to the international airline sector and, within the UK, to the print media, travel and parcel markets.

In every sphere of our operations, we trade in delivery: whether we are bringing parcels to retail, passengers to aircraft or cargo from one side of the world to the other, our core skills of scheduling, storage and transport management are the driving force behind our service offer.

HOW WE MANAGE

The Group is managed on a Divisional and a geographical basis. Our Distribution Division in the UK and Ireland operates as one segment. Our Aviation Division is managed primarily in three regional segments, with the Cargo Forwarding segment managed globally.

OUR GROWTH MARKETS

We are exposed to growth markets in both Divisions and are well-placed both to exploit the growth in air travel and to increase our share of the volume in the UK logistics market.

OUR PHILOSOPHY

We put our customers at the heart of everything we do, focusing on doing our work the right way, every day, to strengthen our partnerships with them.

TURNOVER*

£2,076.7m

(2015: £1,993.3m)

DIVIDEND PER SHARE

18.5p

(2015: 16.8p)

UNDERLYING PROFIT BEFORE TAX*

£49.7m

(2015: £38.2m)

OPERATING CASH FLOW*

£75.0m

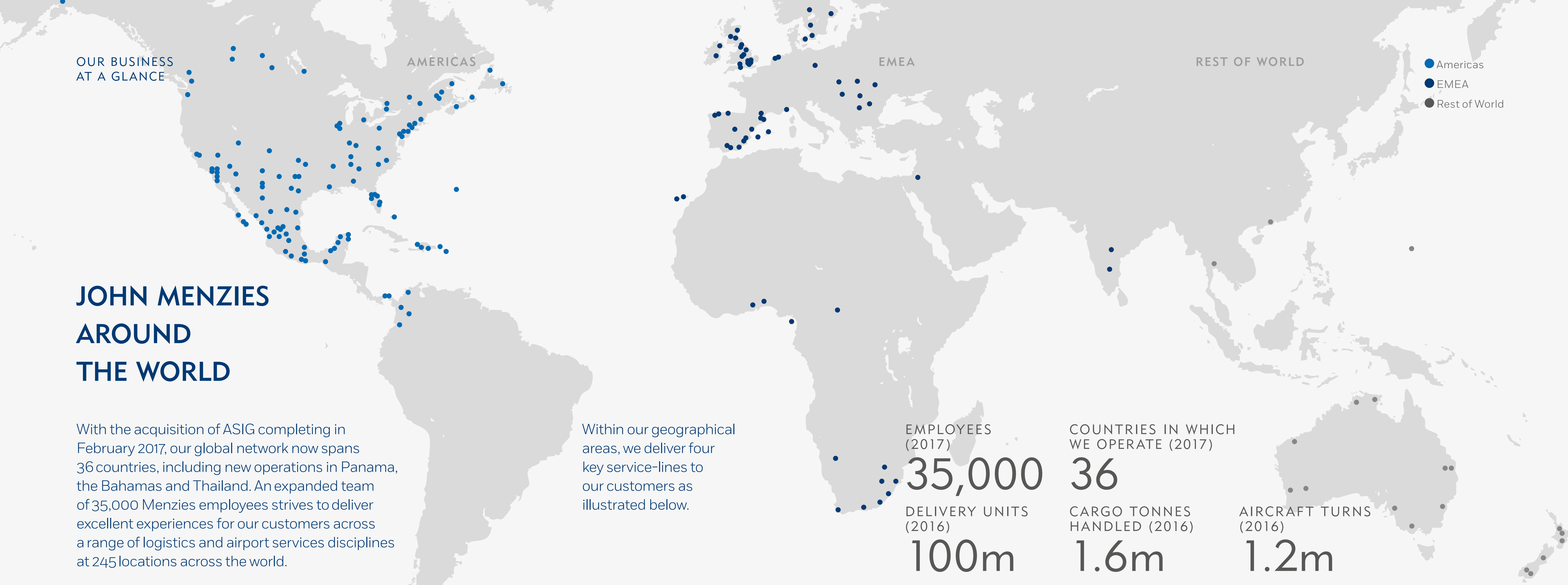
(2015: £64.8m)

PROFIT BEFORE TAX

£19.8m

(2015: £18.2m)

*As defined in Note 1 to the Financial Statements.



JOHN MENZIES AROUND THE WORLD

With the acquisition of ASIG completing in February 2017, our global network now spans 36 countries, including new operations in Panama, the Bahamas and Thailand. An expanded team of 35,000 Menzies employees strives to deliver excellent experiences for our customers across a range of logistics and airport services disciplines at 245 locations across the world.

Within our geographical areas, we deliver four key service-lines to our customers as illustrated below.

EMPLOYEES (2017)
35,000

COUNTRIES IN WHICH WE OPERATE (2017)
36

DELIVERY UNITS (2016)
100m

CARGO TONNES HANDLED (2016)
1.6m

AIRCRAFT TURNS (2016)
1.2m

GROUND HANDLING

Dedicated to providing market-leading service at 200 airports across the globe, this business supports millions of passengers each year from check-in to take-off, on behalf of our airline customers.

Pawel Bartoszek, Baggage Handler

EMPLOYEES
24,500

LOCATIONS
200

LOGISTICS

Providing final mile delivery for approximately 100 million delivery units each year and serving customers in the print media, retail, travel and parcel logistics sectors, this business operates one of the largest overnight logistics networks in the United Kingdom.

EMPLOYEES
3,400

LOCATIONS
36

CARGO HANDLING

At 34 stations around the world, this business works to move clients' perishable and high-value goods on and off aircraft in a tightly-timed fashion. The business also offers access to warehousing and trucking facilities which help convey consignments to the next step in the supply chain.

EMPLOYEES
3,100

LOCATIONS
34

FUELLING

Operating under the ASIG brand, our business supports airline customers by offering 'into-plane fuelling' services at 73 locations.

This business also manages 59 fuel farms.

EMPLOYEES
4,000

LOCATIONS
77

A STRONG YEAR

We are working hard to unlock the potential within the Group and your Board and I look forward to the future with great confidence.

Dr Dermot F. Smurfit
CHAIRMAN

I am pleased to report good progress across the Group as we continue to build on our strategic objectives in both Divisions. We have announced a strong set of results and believe we are back on track after a period of underperformance. Menzies Aviation completed the largest acquisition in the Group's history with the US$202m acquisition of ASIG in February 2017 and is extremely well-placed in growing markets, whilst Menzies Distribution continued to focus on delivering new volume through our existing markets. We now have a new Senior Management team in place all of whom, together with your Board, are working hard to unlock the significant potential that exists within the Group.

GROUP STRUCTURE

As I outlined in August of last year, we are undertaking a review of the Group structure to decide whether the current situation with two Operating Divisions that operate in distinctly different markets is the best way to create shareholder value. To help with the process we appointed Rothschild and they are working closely with Management as we review our options. In addition, at our request, the Trustee of the Group's defined benefit pension scheme, in consultation with the Company, is reviewing the structure of the scheme. The Trustee is being advised by Hymans Robertson and Grant Thornton and we have appointed Lincoln Pensions and PwC to advise us in this respect. This work continues as we evaluate the options that are open to us and I remain confident that I will be able to update shareholders on the outcome of this review at the time of our Interim Results in August.

BOARD CHANGES

During the year we have seen significant change within the Executive team. Forsyth Black became President & Managing Director at Menzies Aviation, after a successful spell leading our Distribution Division, and Giles Wilson assumed the role of Chief Financial Officer, following senior finance and operational roles within the Aviation Division. To complete the Executive team I asked John Geddes, previously Group Company Secretary, to join the Board as Corporate Affairs Director in November. Your Board and I are confident that we now have the correct leadership team in place to drive the Group forward.

In addition to the Board appointments, we also recruited Greg Michael to lead our Distribution Division. Greg has significant experience of the UK logistics market and he will bring his own expertise and drive to the Division as we continue to create new revenue streams away from print media.

In May of last year, Iain Napier intimated his intention to step down and he retired from the Board at our Annual General Meeting. Iain led the Board for seven years and I would like to thank him for his efforts. Dermot Jenkinson then assumed the role of interim Chairman and ran the process that led to my appointment in June. To complete the balance of Non-Executives and to implement the findings of our prior year Board evaluation, Paul Baines was appointed as a Non-Executive Director in June. Paul has extensive City experience and brings a new and welcome dynamic to the Board.

GOVERNANCE

As I will discuss later in this document, your Board remains committed to ensuring that we continue to operate within the robust corporate governance framework which is in place across our networks and which underpins our culture and values. Maintaining high governance standards is a priority of your Board and we believe it key to both the successful growth of the Group and the generation of sustainable shareholder value.

EMPLOYEES

Employees are at the heart of everything that we do. I would personally like to thank all of our 27,000 staff for their efforts in 2016. I am also particularly pleased to welcome 8,000 new employees who join the Menzies family following our acquisition of ASIG.

AN INTEGRATED APPROACH

Below we summarise the key elements that lead to the creation and protection of sustainable value. Our focused and integrated approach has already delivered tangible returns for our stakeholders.

Key Performance Indicators
We monitor a shortlist of critical metrics to ensure our performance achieves the required standards.

Read more on page 28

Our Vision
We are dedicated to beating the clock for the benefit of our customers: delivering services which are tailored to their needs, performed by experts and fitted seamlessly into the time-critical window for their businesses.

Resources, Relationships and Responsibilities
We recognise the impact our activities have on the environment, the communities in which we operate and the wider society around us – and operate accordingly.

Read more on page 34

Our Business Model
We employ our people and infrastructure, in line with a suite of key controls, to complete a pipeline of work secured by our contracts and thereby generate profit.

Read more on page 24

Risk Management
Risk and uncertainty have the potential to hinder our progress toward the Group's strategic objectives. We focus on mitigating those risks, to provide reasonable – although not absolute – assurance against material risks.

Read more on page 30

Our Strategy

Customer ethos | Emerging opportunities | Optimised investment | Diversified offer | Growth agenda

Read more on page 26

Your Board recognises the need to retain and develop our employee base. In this regard we have strengthened our Human Resources ("**HR**") function across the network with an enlarged team and a significant investment into HR systems, including a pre-employment on-boarding system to help us recruit and retain the right calibre of employees.

Staff turnover is one of the major challenges facing the Aviation services industry, particularly in the USA, and we are attempting to directly address this issue. In this regard, I have constituted a Human Resources Committee of the Board to review all HR developments and also our efforts to reduce staff turnover. The Terms of Reference for the Committee can be found on the Group website.

There is a great deal of work ahead for us but it is an incredibly exciting time to be part of our business and your Board and I look forward to the future with great confidence.

Dr Dermot F. Smurfit
Chairman
7 March 2017

A TRANSFORMATIONAL YEAR

GROUP UNDERLYING OPERATING PROFIT IN CONSTANT CURRENCY

+12%

OPERATING CASH FLOW UP 16% TO

£75.0m

AVIATION TURNOVER

+16%

(+7% IN CONSTANT CURRENCY)

Both Divisions have delivered strong results in the year and we are now well-placed for the next chapter of growth. Underlying operating profit improved 12% in constant currency and operating cash flow 16%.

Giles Wilson
CHIEF FINANCIAL OFFICER

INTRODUCTION

I am pleased to be reporting the 2016 financial performance results for John Menzies plc. It has been a transformational year for the Group which has made for a very exciting start to my new role as Chief Financial Officer. Our diverse portfolio of companies and operations offers excellent opportunities to any individual seeking a challenge in a dynamic, fast-paced environment and, in fact, prior to assuming my current position I worked in our Aviation Division for five years, during which time I had the opportunity to be involved in the establishment of our Dubai office.

Our Finance function, supported by a focused Group Finance team based in our Edinburgh Head Office, spans the world with dedicated finance professionals working in conjunction with our operational and commercial teams in 36 countries. I am proud to be part of the Menzies team, working alongside so many committed and passionate individuals, and I look forward to fully welcoming our ASIG colleagues into the Menzies family.

OUTLOOK

The Group has started the year well. The underlying Aviation business is continuing to trade positively with contract momentum continuing and a strong pipeline of opportunities. We have completed the acquisition of ASIG and are very excited about the opportunities ahead of us. Our integration plans are on track and we will look to take advantage of our extended footprint and product offering that exists as we look to further strengthen the Aviation business.

At Menzies Distribution the softer magazine volumes experienced in Q4 2016 have continued. Our focus remains on cost-savings and finding new volume through retail logistics where our national coverage provides us with previously unexploited opportunities and neutral consolidation in the parcel market where we will look to build scale during the year.

Overall the Board is confident with the Group's outlook for 2017 and will look to capitalise on opportunities in both Divisions.

GROUP PERFORMANCE REVIEW

Group performance in 2016 improved with profit before tax ahead of the prior year and underlying profit before tax up 30%, 17% in constant currency, as a result of the delivery against our clear and focused strategic objectives for both Operating Divisions. Good progress was made in Aviation where prior year operational issues were resolved and contract win momentum returned. In Distribution the business performed robustly, continuing to expand in the UK parcel market and within the retail logistics sector as we seek to add new volume to our network to replace the declines in print media.

The acquisition of ASIG, which announced in September 2016 and completed in February 2017, is transformational for the Aviation business and we are focussing our efforts on implementing our detailed integration programme to realise the significant synergy benefits that exist, and then look to take advantage of the exciting opportunities that the combined platform gives us.

Broomhall DaCosta and Bill Watson, Baggage Handlers

The Group's turnover was £2,076.7m (2015: £1,993.3m). Underlying profit before tax grew to £49.7m (2015: £38.2m) following a return to growth at our Aviation Division and favourable foreign exchange translation. Underlying earnings per share rose to 47.8p (2015 restated: 37.8p). Profit before tax was £19.8m (2015: £18.2m).

FINANCE COSTS

The net underlying finance charge in the year was £5.5m (2015: £6.7m). The lower level of costs reflects reduced levels of debt and pension interest.

EXCEPTIONAL AND OTHER ITEMS

Included in exceptional items were transaction-related costs of £8.8m largely relating to the acquisition of ASIG. Non-cash costs of £9.6m were incurred during the year relating to the impairment of goodwill and other fixed assets in the Netherlands cargo business following loss of earnings as a result of lower freighter volumes in Amsterdam flown by Martinair.

TAXATION AND EARNINGS PER SHARE

As a multinational business the Group is liable for taxation in multiple jurisdictions around the world. Our underlying tax charge for the year was £15.9m (2015: £12.2m), representing an effective underlying tax rate of 32% (2015: 32%).

Underlying earnings per share were 47.8p (2015 restated: 37.8p), directly impacted by the increase in profits. Basic earnings per share were 11.8p (2015 restated: 14.6p) additionally affected by non-recurring items.

GROUP CASH FLOW

	2016 £m	2015 £m
Underlying operating profit	55.2	44.9
Depreciation	22.3	21.0
Dividends from associates and joint ventures	6.6	6.5
Working capital	(5.8)	(2.2)
Net pension movement	0.1	(0.3)
Non-cash items	(3.4)	(5.1)
Operating cash flow	75.0	64.8
Net capital expenditure	(24.7)	(20.3)
Net interest paid	(3.8)	(5.1)
Regular tax paid	(10.3)	(7.7)
Non-recurring tax paid	(5.1)	–
Free cash flow	31.1	31.7
Equity and non-controlling interest dividends paid	(10.6)	(8.0)
Additional pension payment	(10.9)	(11.6)
Net acquisitions	(5.2)	(16.0)
Cash spend on exceptional items	(14.2)	(8.5)
Net proceeds from Rights Issue	72.9	–
Total movement	63.1	(12.4)
Opening net debt	(123.2)	(110.9)
Currency translation	(10.4)	0.1
Closing net debt	(70.5)	(123.2)

DEFINED BENEFIT PENSION SCHEME

As at 31 December 2016, the scheme showed a deficit of £71.0m (2015: £43.4m), an increase of £27.6m largely reflecting a decrease in the discount rate applied to the scheme liabilities. Following the Trustee's triennial actuarial valuation at 31 March 2015, the Trustee and the Company have agreed a long-term funding plan that results in additional annual contributions of £10.7m in the 2016/2017 pension year rising with the higher of inflation and the percentage change in annual shareholder dividends up to 2025, the latter only when exceeding 2013's level.

We are at an advanced stage of talks with the Trustee with regard to the structure of the Group's defined benefit pension scheme, the Menzies Pension Fund, and its liabilities and will provide an update in due course. On 28 February 2017 we informed the active members of the scheme, following an extensive consultation process, that the Group has taken the decision to close the Menzies Pension Fund to future accrual on 31 March 2017.

CASH FLOW AND INVESTMENT

Investments in the year included £5.2m for the acquisitions of Renaissance Aviation Limited in Bermuda, Thistle Couriers Limited and Edinburgh Arts and Entertainment Limited and the earn-out payment relating to the Fore Partnership. Operating cash flow was £75.0m (2015: £64.8m). Working capital management remains a key focus for the business. Free cash flow was £31.1m (2015: £31.7m). Net capital expenditure totalled £24.7m (2015: £20.3m).

TREASURY

The Group continues to operate on a strong financial footing. We benefit from a robust balance sheet built from strong operating cash flows across our Divisions. At the year end, net debt was £70.5m (2015: £123.2m), mostly reflecting the net proceeds from the Rights Issue.

Our net debt to EBITDA ratio was 0.8 times at 31 December 2016 (2015: 1.8 times) and interest cover was 13.0 times (2015: 8.8 times), well within our covenanted levels. We had £170.0m of committed facilities at the year end of which £68.7m were undrawn.

In September 2016 we entered into a new syndicated debt facility, comprising a US$250m term loan and a £150m rolling credit facility, which expires in June 2021. The new facility was drawn down to fund the acquisition of ASIG on 1 February 2017 and repay our existing facilities with the exception of £10.0m remaining on the RBS term loan.

We were very pleased by the take-up of the new syndicated facility which was oversubscribed. We have retained our previous banking group of Barclays, HSBC, KBC, Lloyds and RBS as well as welcoming BNP Paribas, SunTrust and Fifth Third into the syndication group. As a result, the Group's banking covenants are in a strong position with headroom to support future growth.

In February 2017 we entered into interest rate swaps to fix 50% of the US$250m term loan facility for the duration of the loan.

The majority of Menzies Aviation's stations are located outside the UK and operate in currencies other than sterling. The Group attempts to minimise the volatility of the limited transactional foreign exchange risk as far as possible by using foreign exchange forward contracts.

The translation of profits from overseas trading entities is not hedged and as a result the movement of exchange rates directly affects the Group's reported results. In the year the Group benefited from favourable movements against the prior year particularly against the US dollar, the Australian dollar, the euro and other European currencies.

GOING CONCERN

The Group's business activities are set out on pages 2 and 3 of this Annual Report and Accounts 2016 and the principal risks impacting these activities are set out on pages 32 and 33. The Group's financial position and cash flows are set out on pages 94 and 96 along with an analysis of its borrowings in Note 23 on page 134. As regards going concern, the Directors have considered market and gearing risks. Sensitivities to capital and liquidity risks are set out in Note 17 on pages 124 to 129 of this Annual Report and Accounts 2016.

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

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

VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code (September 2014), the Directors have assessed the prospects of the Group over a period of three years. The Directors believe this period to be appropriate because the average length of the Group's customer contracts is approximately three years and the Group's planning cycle covers a three year period.

As detailed on pages 30 to 33 of this Annual Report and Accounts 2016, the Board monitors and assesses the risks and uncertainties faced by the Group. This includes a consideration of the principal risks and material uncertainties facing the Group, including those that would threaten its business model, future performance or solvency. During 2016 this process included a detailed strategic review of both Aviation and Distribution and a detailed three year planning process.

For the purpose of assessing the Group's viability, the Directors focused their attention on the principal risks that are critical to the Group's success. These are risks concerned with changing consumer behaviour, increasing employee costs, contract renewals, contract tendering, global acts of terrorism, security breaches and adherence to standard operating procedures. Each risk and its impact and mitigation is set out on pages 32 and 33 of this Annual Report and Accounts 2016.

Other than in the event of a catastrophic large aircraft incident over a populated area, none of the plausible events in isolation or in combination would prevent the Group from continuing to operate and meet its liabilities as they fall due over the period of assessment of three years. In the case of such a catastrophic aircraft incident, the Group would seek to manage the timeframe in which any liabilities arose in order to continue in operation.

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

DIVIDEND

In line with the Group's plan to follow a progressive policy to increase dividends over time, the Board has proposed a final dividend of 13.1p per ordinary share which is payable on 3 July 2017 to all shareholders on the Company's Register of Members at 26 May 2017. The total paid and proposed dividend for the year is 18.5p per ordinary share (2015: 16.8p per ordinary share), up 10% from last year.

Giles Wilson
Chief Financial Officer
7 March 2017

BUSINESS PERFORMANCE REVIEW: MENZIES AVIATION

A RETURN TO GROWTH

A strong year with a return to growth and underlying operating profit increase in constant currency of 27%.

INTRODUCTION

My first year as President & Managing Director of Menzies Aviation has been a momentous and transformational one and we have achieved a lot in a very short space of time. We have successfully negotiated and completed the acquisition of ASIG, not only making Menzies the largest independent into-plane fueller in the world, but substantially growing our footprint across the Americas in particular. We have also set the groundwork for entry into the ground handling market in Oman and Germany and are working behind the scenes on entry into other markets. Quite apart from our growth in fuelling, our other complementary service business lines have been growing steadily.

In achieving what we have we had to ensure that the backbone of our business was strong and capable of coping with the level and pace of change. To that end, we have invested in systems, processes and people to support our transformation. As these roll out across the world, we will be setting a new benchmark in standardisation through processes and technology for our industry.

Additionally, to ensure we manage our business effectively a new Divisional Management structure is in place.

Forsyth Black
PRESIDENT & MANAGING DIRECTOR, MENZIES AVIATION

A new leadership level, Executive Vice President ("**EVP**"), has been introduced directly beneath me and three regional EVPs (Americas, EMEA and Rest of World) now report directly into me. Each EVP is responsible for all product lines within their region, ensuring direct accountability, and each works with central teams to ensure a joined-up approach is in place for commercial activities and also in relation to our cornerstones of safety, security and compliance.

BUSINESS REVIEW

2016 was a strong year with a return to growth. Underlying operating profit was significantly ahead of the prior year, up £11.1m at £34.2m, and up £6.2m on a constant currency basis. Turnover was up 16%; 7% on a constant currency basis. There was a strong delivery against our strategic objectives with new hub operations, further expansion of complementary services, a transformational acquisition and a deepening of customer relationships. This was underpinned by a material and recurring investment in infrastructure and people to promote standardisation across the business.

Ground handling volume continued to grow with a 5% increase during 2016 driven by contract wins in Europe and North America. Cargo handling volumes reduced in absolute terms during the year by 7% as a result of high prior year volume in North America, following the West Coast seaport strike, and the forecast reduction in volume by Martinair in Amsterdam; however this was offset by continued contract wins in Australia.

Our focus on commercial activities continued with 68 net contract wins during 2016, adding £45m of annualised revenue. Contract gains were well spread across the network. There were 106 contract renewals in the year securing some £81m of revenue.

In Oceania, where the contracting model can be different with cargo and ground handling typically awarded within a single contract, we won new contracts with Malaysia Airlines at three Australian airports and renewed Emirates for five years at two airports in New Zealand. Air Canada, a new customer, started up in Sydney and Melbourne.

Within the EMEA region, we successfully added a de-icing contract with Norwegian Air Shuttle at its hub in Oslo which bolts onto our existing seven year ground handling agreement that commenced in April 2015. Significantly, 16 contracts were gained at London Gatwick in December following the failure of a competitor. We are now the largest handler at Gatwick with over 30 customers. These wins with carriers such as Ryanair, Vueling Airlines, Icelandair and Thomas Cook Airlines, strengthen our UK position and demonstrate that contracts must be gained at sustainable rates to ensure a robust service can be delivered to our customers.

In the Americas, further progress was made with Frontier Airlines where we now handle its hub locations at Denver and Chicago that represent some 27,000 turnarounds per annum. The Chicago operations started in February 2017 and represented over 5,000 turnarounds. We also had significant wins in Los Angeles where Virgin America was a returning customer and a new contract with China Airlines was secured. This progress was tempered after Alaska Airlines made a strategic business decision to transition its ground service contract to its in-house provider, McGee Air Services, in Seattle effective from 2 May 2017. We remain a key business partner for Alaska Airlines in many important markets in both the USA and Mexico. We expect our relationship with Alaska to remain strong in the future, even more so with the recent acquisition of ASIG which is a major fuelling partner for Alaska. During our time in Seattle with Alaska we are proud that we made its hub one of the best performing in the USA.

In addition to the de-icing contract with Norwegian Air Shuttle, our drive to add margin accretive complementary services contracts, typically where we already operate, continued. Lounges were opened in Copenhagen, Windhoek and Queenstown. Line maintenance facilities were added in New Zealand and Bermuda.

The opening of a regional office in Dubai has been a success and was fundamental to the creation of our joint venture with Oman Air where we expect operations to start by the end of H1. Following on from this we will open a business development office

Andrea Petcu
Passenger Service Agent, Heathrow

in Kuala Lumpur, Malaysia, during the year to take advantage of the emerging opportunities in what is a fast-growing region with many expanding low-cost carriers.

We continue to focus on station profitability and all underperforming stations are scrutinised and turnaround plans put in place where appropriate. Within the UK our turnaround plans are delivering benefits. Prior year operational issues at London Gatwick and Heathrow are fixed. Loss-making contracts elsewhere in the UK are being re-priced or not renewed to ensure that as we progress we only contract at terms that generate sustainable returns. In Amsterdam, we continue to review our cargo handling options where we are facing falling volumes and high labour costs.

To ensure we can achieve market-leading positions we made significant investment in infrastructure during 2016. A recurring investment of £3.0m was made to enhance systems, processes and central support functions as we ensure that the platform that we run the business from is fit for purpose as we embark upon our next period of growth.

In February 2016 we acquired the business of Renaissance Aviation, the exclusive licence holder in Bermuda, for £2.5m. Operations are fully integrated and the business is performing well.

At Air Menzies International ("**AMI**"), our global cargo consolidation and forwarding business, performance was muted with earnings marginally behind the prior year on a constant currency basis in line with the generally subdued cargo market in the first half of the year.

ACQUISITION OF ASIG

On 16 September 2017 we announced the proposed acquisition of ASIG from BBA Aviation plc for US$202m. This is a truly transformational deal and strengthens our position as a leading player in the global aviation services market.

The deal has strong strategic and financial rationale and provides an enlarged growth platform in attractive growing markets. By putting both businesses together there is significant synergy potential and the deal will be materially earnings enhancing in the first full year. The transaction was completed on 1 February 2017 and detailed integration plans are now being implemented. ASIG's overall performance in 2016 was in line with the assumptions in our acquisition assessment.

ASIG adds some four million into-plane fuelling turnarounds together with the management of fuel farms at 59 locations and 100,000 ground handling turnarounds. ASIG has over 600 customers, many of whom are also Menzies customers, and we are excited by the opportunities that exist to broaden our product offering into our existing business and into new territories. The acquisition will add 60 new airports and spans seven countries.

An agreement was reached with the Competition and Markets Authority ("**CMA**") to hold the ASIG operations at Aberdeen airport separately in order to satisfy the requirements of the CMA to ultimately divest those operations and obtain UK merger clearance.

Forsyth Black
President & Managing Director,
Menzies Aviation
7 March 2017

FUELLING SERVICES

ASIG ACQUISITION CREATES WEALTH OF OPPORTUNITY

In September 2016 John Menzies plc announced the proposed acquisition of ASIG, an airport services business best known as a market leader in into-plane ("**ITP**") fuelling and fuel farm management ("**FFM**"), for US$202 million.

A MAJOR ADDITION TO OUR SERVICE PORTFOLIO

The acquisition of ASIG, which completed in February 2017, was a transformational deal for the Group. It creates one of the largest aviation services businesses in the world, substantially enhancing the Group's network to cover 209 locations in 34 countries, doubling the size of our existing North American operations and adding significant scale at major international gateways. In particular, the acquisition strengthens our service offering at major intercontinental gateways such as London Heathrow, San Francisco, Denver and Los Angeles.

The deal also significantly enhances Aviation's product offering, principally through entry into the fuelling services market – ASIG is a leader in ITP fuelling and FFM in the USA and the UK – and provides greater scale and diversification to Menzies Aviation's complementary services such as equipment maintenance and de-icing. Additionally, the acquisition will help strengthen our position with key customers through the provision of increased services in more locations, allowing existing customer relationships to be leveraged further to accelerate growth and new customer relationships to be built.

The strategic rationale for the acquisition was compelling and in strong alignment with all of our stated strategic priorities for Aviation, as set out on page 26 of this Annual Report and Accounts 2016.

Key numbers

8,000 employees
have joined us as part of the ASIG business.

60 airports
have been added to our network via ASIG's operational presence.

Over 4 million fuelling turns
were carried out by ASIG's ITP fuelling business in 2016.

Fuelled
ASIG teams pumped more than 10 billion gallons of fuel directly into aircraft in 2016.

Serviced
ASIG ground crew performed over 100,000 aircraft turns in 2016.

Locations
ASIG operates at 87 locations, including 27 with an overlapping Menzies presence.

"This is a truly transformational deal and I welcome all ASIG employees into the Menzies family.

ASIG brings exciting new product lines to the Group, giving us great opportunities to further strengthen our Aviation business."

Forsyth Black
President & Managing Director, Menzies Aviation

ASIG BY MENZIES AVIATION

"The efforts of our commercial and operational teams at Gatwick throughout this period were remarkable. With a successful cutover period behind us, our focus is on maintaining that standard and delivering a consistently excellent service to our customers."

Andy Lord
Executive Vice-President – EMEA, Menzies Aviation

Narendra Pankhania,
Pushback Driver

GROUND HANDLING

GATWICK SECURES 16 NEW CONTRACTS IN LATE 2016

Following the withdrawal of a competitor in the marketplace, our team successfully secured and implemented 16 new ground handling contracts for London Gatwick in the last quarter of 2016, adding over 18,000 turns annually to our volume at the airport.

Serviced
Our Gatwick team performed over 1,750 aircraft turns for new customers in the final quarter of 2016.

Peak period
With new customers included, our ground crews simultaneously handle between 20 to 30 at a time.

RISING TO THE CHALLENGE

Beginning in October 2016, our Gatwick station experienced one of the busiest commercial periods in our recent history: we secured 16 new airline agreements – including Ryanair, Vueling Airlines and Icelandair – over a three month period after a competitor withdrew from the market.

The challenge then fell to our operational team to deliver this new volume; 141 additional colleagues were recruited in order to meet demand.

By 1 December 2016, all of our new customers were being handled, generating peak periods during the day in which 20 to 30 aircraft were being serviced simultaneously.

Key numbers

141 employees
have been recruited by our Gatwick team to meet the surge in demand.

Over 18,000 aircraft turns
will be performed annually at Gatwick under the terms of these new contracts.

2 new customers
agreed their first partnerships with Menzies Aviation in the course of these negotiations.

GROUND HANDLING

NEW FRONTIER FOR SIMPLICITY

Our US ground handling subsidiary agreed a deal, beginning in September 2016, to handle the low-cost carrier Frontier Airlines at its base in Denver.

A SHOW OF CONFIDENCE IN OUR SERVICE

From 17 September 2016 Simplicity operatives began supporting 60 daily flights at Denver Airport for Frontier.

Our contract covers the provision of ramp handling, passenger, short tow and operational services.

It adds almost 22,500 aircraft turns to our annual volume at Denver Airport, equivalent to almost a quarter of Frontier's total turns – a major show of confidence in our capabilities.

It is resourced by a team of approximately 250 Simplicity employees, bringing our total station roster to over 650.

Key numbers

250 employees
have been recruited by our Denver team to resource this new contract.

22,500 aircraft turns
will be performed annually at Denver under the terms of the contract.

2.3 million passengers
are estimated to fly from Denver on Frontier aircraft annually.

Serviced
Our ground crew performed over 20,000 aircraft turns for Frontier across the Menzies network in 2016.

Passengers
An estimated 1.2 million passengers flew on Frontier aircraft handled by Simplicity in 2016.

Locations
Our business handles Frontier at 7 of our network locations.

"The speed with which our team at Denver established this operation and the service level they have delivered for Frontier are a tremendous credit to our business."

Terry Trainor
Senior Vice-President, US Operations, Menzies Aviation

ROBUST DELIVERY CONTINUES

Robust delivery continues with underlying operating profits broadly flat at £24.7m and diversification continues apace.

Greg Michael
MANAGING DIRECTOR,
MENZIES DISTRIBUTION

INTRODUCTION

I am absolutely delighted to be joining Menzies at this exciting time. I believe there are great opportunities available for our business to take advantage of. We have an experienced and dedicated workforce, our existing network puts us in a position of strength from which to grow and we hold a strong market position within the print media supply chain. Our challenge is to develop our offering into new areas in the wider UK logistics market. Opportunities exist to selectively expand, creating new volume to put through our existing network. I am very much looking forward to working with the team to continue building our Menzies' brand capabilities through the development of a strategic national network.

BUSINESS REVIEW

Distribution delivered a stable performance against the prior year as underlying operating profit remained broadly flat at £24.7m (2015: £25.1m). Trading benefited from strong football-related sticker sales and an excellent cost reduction performance which helped mitigate continued volume decline and increased cost pressure as a result of the introduction of the National Living Wage. Our strategy to diversify into new market segments, reducing our reliance on newspapers and magazines, continues to make progress with an acquisition within Menzies Parcels and new contracts delivered in the retail logistics sector.

Overall sales of newspapers and magazines were in line with Management expectations. Newspaper volumes were down 7.0% on a like for like basis although the sector continued to benefit from cover price appreciation such that sales value on a like for like basis was down 2.5%. Magazine volumes were down 9.5% on a like for like basis and 6.0% in value terms, albeit the decline was steeper in the last quarter. A new five year wholesale distribution agreement was secured with Northern & Shell during 2016 as well as new regional distribution contracts with Johnston Press in Portsmouth and Northern Ireland. These contracts further help the Division to plan positively for the future with long-term contracts in place. Planning has commenced for the negotiation of the publisher contracts in 2019 and 2020.

Cost savings during 2016 were £5.1m representing an excellent performance. This result was achieved through further productivity initiatives, automation within the branch network and the annualisation of the prior year network re-organisation.

The National Living Wage legislation commenced in 2016 and has had a significant impact on our cost base. In 2016 the cost was £1.8m. This will rise to an estimated £2.2m in 2017. During the year the majority of the increased cost was mitigated by additional cost-saving initiatives. Going forward we will continue to innovate and diversify to mitigate the increased cost.

We continue to progress our diversification strategy, creating new volume in growing markets to offset falling volume within print media. During 2016 our retail logistics offering signed its first national deal. A contract award by WHSmith sees Menzies Distribution operate from three of its retail distribution centres utilising our own network and 80 vehicles of varying size to deliver stock to all 1,200 WHSmith retail outlets across the UK. During the year a new distribution centre was opened in Exeter which enables us to provide a truly national service and we hope to leverage new contracts following the success with WHSmith.

Menzies Parcels had another busy year making a further acquisition, Thistle Couriers, based in Aberdeen. Thistle Couriers delivers approximately 1,000 overnight parcels per day in the Aberdeen area, further extending the service area of Menzies Parcels within Scotland. The acquisition is synergistic with our existing parcels business and property portfolio.

Our retail consultancy business, the Fore Partnership, had a good year, renewing a category management contract with Marks & Spencer and securing the supply and category management of news into all Aldi stores in the UK.


Kevin Finlayson
Parcels Warehouse Operative, Inverness

Performance at Menzies Response remained behind expectations due to contracts lost and operational issues. Plans are in place to resolve these issues to turn the business around and these measures will be implemented during the first half of 2017.

During the second half of 2016 we acquired Edinburgh Arts and Entertainment Limited, an Edinburgh-based leaflet distribution business that will bolt onto our existing Take One Media business. By combining the two businesses we now have a near national offering and are well-placed to tender for new contracts on a national basis across the tourism sector.

In advance of the contract renewal process with publishers that concludes in 2019-2020 work has commenced to scenario plan the various options that exist.

Looking ahead, the proliferation of internet shopping continues at pace and the UK logistics market is forecasting very positive growth projections as a result. Menzies Distribution is in a strong position to grow into this market. We have an existing network that operates predominantly during the night to facilitate the distribution of print media and we will utilise this asset base during daylight hours. There are many opportunities within the parcels market and we will continue to investigate how we can use our existing sophisticated returns technology within the wider logistics market. To ensure we are able to offer the standards required within the national parcel carrier market we are investing in new technologies to ensure our IT offering meets the demands of the market. Following the opening of a new distribution centre in Exeter during the year we are now able to offer a UK-wide solution to the UK logistics market and will look to build on our recent contract wins and ensure commercially that the market is aware that Menzies Distribution is an emerging player in the market.

Greg Michael
Managing Director,
Menzies Distribution
7 March 2017

"Our experience of working with Menzies Distribution to-date has been excellent… we had a strong desire to extend this quality of service and flexible approach to the rest of the UK, which was a major factor in choosing Menzies."

David McKinlay
Supply Chain Director, WHSmith

Dean Gorman, Delivery Driver

LOGISTICS

RETAIL LOGISTICS OFFERING GOES NATIONAL

WHSmith selected Menzies Distribution as its logistics partner for UK store distribution, trusting our team and our network to control deliveries to over 1,200 stores nationwide.

Retail locations
Menzies Distribution delivered to 1,200 WHSmith locations in 2016.

Pallets delivered
Our business delivered 110,000 pallets to WHSmith outlets in 2016.

A GROWING PARTNERSHIP

The partnership was secured following a competitive tender process and extended Menzies Distribution's previous relationship with WHSmith, which had seen us provide the same services in the North of England and Scotland.

Under this new partnership Menzies Distribution operates from WHSmith's three existing distribution centres in Birmingham, Swindon and Dunstable, whilst also delivering to WHSmith's stores from our own network of depots.

To resource the contract, we have added almost 80 vehicles and welcomed 65 new employees to our business.

Key numbers

65 employees
joined our business to service this contract.

1,000 daily pallet drops
on average are carried out by Menzies' vehicles to WHSmith stores.

220,000 pallets
will be delivered annually under the term of this contract.

OUR MARKETS

Whilst our Aviation and Distribution Divisions operate in distinct markets, they are related by a common theme: the importance of service excellence, delivered within a time-critical window.

CARGO HANDLING MARKET

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 window is worth the additional cost of air transportation over land or sea. Less than 1% of international trade by volume, but 35% by value, travels by air.

Over 50m 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% 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% annually over the next two decades.

The market in 2016 suffered both in comparison to 2015, when air cargo received a one-off boost from port

strikes in North America, and through a manufacturing slowdown in late 2015 which meant a slow start to the year, although volumes later recovered.

As cargo handling and digital technology proliferate, we expect the market to become more competitive. Nonetheless, cargo handling requires significant investment in infrastructure and equipment which, coupled with the necessity of approval by the appropriate regional regulator, creates a substantial barrier to entry.

AIRCRAFT FUELLING MARKET (FROM 1 FEBRUARY 2017)

The aircraft fuelling market is comprised of two parts: into-plane ("**ITP**") fuelling and airport fuel storage. The ITP market provides aircraft refuelling services for airline customers on behalf of oil companies which have sold jet fuel to those airline customers; the fuel storage market provides on-airport jet fuel storage for airlines and fuel suppliers.

In North America, airline customers usually outsource these services to oil companies or service providers such as ASIG/Menzies Aviation either individually or through consortia. In Europe, the model differs in that oil companies maintain a stronger presence, retaining partial ownership of ITP agents or sub-contracting ITP and storage services to companies such as ASIG/Menzies Aviation, whilst retaining ownership of physical assets.

Prior to departure, ITP agents deliver the requested amount of jet fuel into a designated aircraft, in accordance with the specifications of both the airline and manufacturer.

Fuel storage providers focus on ensuring that clean jet fuel is received, stored and distributed in and out of their facility. They are also

responsible for the maintenance and operation of jet fuel storage facilities and accounting of customer fuel balances.

Both types of provider must focus on delivering jet fuel in the safest, most efficient manner whilst adhering to government, industry and customer standards.

When operating at an airport these markets have the same security, control, certification, training and vetting issues as ground handling. In addition, they require an increased focus on environmental issues due to the handling of petroleum-based products. Large initial investments in equipment and, particularly, in infrastructure at each station, substantial insurance cover levels and the need to adhere to exacting government and industry standards create significant barriers for potential new entrants into the market.

GROUND HANDLING MARKET

The ground handling market serves the logistical needs of airline customers across the world. Service providers range from in-house organisations maintained by airlines 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 recharging of on-board batteries; reloading new baggage, cargo and passengers; and towing or pushing the planes into a position from which they can take off again. Critical support services, such as the operation of check-in desks, gates and passenger lounges, are also provided by ground handling businesses, including Menzies Aviation.

In 2016 approximately 33 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 million aircraft turns, of which around 9.9 million will be outsourced.

There was notable consolidation during 2016, with the handler Aviator largely exiting the UK market. This event triggered a substantial movement of contracts to the other established handlers. Menzies Aviation's own recent acquisition of ASIG continues this consolidating trend.

A combination of general growth in the air passenger market, expected to be 4.8% 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 expected to maintain the pressure to outsource operations over the medium to long-term.

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

PRINT MEDIA SUPPLY CHAIN

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 intermediary role places far greater demands on the wholesalers than a traditional 'niche' delivery role would and has required significant investment in network coverage, transportation efficiencies and IT to keep pace with the demands of the industry.

The print media sector is estimated to be worth around £2.6bn per annum, split roughly two-thirds news and one-third magazines, and it has been in structural decline for decades as consumers have increasingly switched to other forms of media.

The impact of digital content has escalated in 2016: while UK advertising spend as a whole rose 4.4% in the year, newspaper and magazine advertising revenues declined (according to The Advertising Association/WARC Expenditure Report, Q3 2016). Furthermore, digital readers generate less revenue for publishers: in a report by Deloitte LLP entitled 'UK News Media: an engine of original news content and democracy', the value of a digital reader is estimated at £15 per annum compared with a traditional print media reader at c.£124 per annum. Consequently, publishers have incentives both to refocus on their print products and to seek the most cost-effective route to market for those products.

By concentrating on quality of service, process efficiency and economies

of scale, wholesalers can provide that cost-effective delivery and maximise profitability in the face of declining sales.

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 five year cycles – present high barriers to entry for potential competitors.

HOW WE DELIVER VALUE: BUSINESS MODEL

John Menzies plc provides support services in fast-moving, time-critical markets. We believe that the passion of our people, and their commitment to delivering great customer experiences, are crucial to delivering shareholder value – and this belief informs our entire approach to doing business.

OUR STRATEGY

Our strategy aims to optimise our returns on existing investments, whilst opening pathways to new growth.

Read more on page 26

Customer ethos
Our customers will favour partners who most closely understand and support their businesses, so we focus on deepening our relationships with them.

Emerging opportunities
Our markets do not stand still so we pay close attention to their respective landscapes in order to capitalise on opportunities as they arise.

Optimised investment
Deploying our resources in the areas of greatest opportunity, and pressing them to deliver the best possible return, are crucial to the creation of shareholder value.

Diversified offer
A diverse service offering opens the door to a greater share of each customer's spending and potentially to entirely new customer constituencies.

Growth agenda
Investing the outputs of a strongly cash-generative business into new opportunities drives the Group's future growth.

WHAT WE DO

Our two core Operating Divisions aim to deliver market-leading service to customers under time-critical conditions.

Wherever you find a Menzies logo, you'll find people delivering around the clock, against the clock.

KEY ACTIVITIES

The value we deliver to our shareholders ultimately emerges from the key activities in which we specialise.

Ground handling
A set of critical support services which support the businesses of our airline customers, including the handling of passengers and baggage and the towing of planes.

Cargo handling
The movement of perishable/high-value goods on and off aircraft, alongside the warehousing and transportation of these goods on behalf of our airline customers.

Fuelling
The process of fuelling directly into aircraft and managing the fuel farm infrastructure which supports this service.

Logistics
The picking, packing, cross-docking and delivery of 100 million packages annually for the UK's print media, travel and parcel sectors.

HOW WE DO IT

Working within a detailed corporate governance framework, underpinned by a robust technical platform, and following standard operating procedures which establish efficient practices in safe, secure environments, our people operate to the highest standards of service delivery.

KEY CONTROLS

We manage our key resources in line with measured standards on safety, security and service, established operating processes and governance policies.

Safety
Our detailed standards, driven by our expert safety teams, provide clear frameworks for safe operations across the Group.

Service
Driven by a business-wide focus on key accounts, we target and monitor the service performance of all our operations.

Process design
Our central teams develop and enforce standard protocols across all our activities, ensuring that we consistently work 'the Menzies way'. Additionally, we have made significant investment in infrastructure to build a leading position to scale business through enhanced systems, processes and people.

OUR RESOURCES

Each of our business streams delivers for our customers by utilising the skills of our team and the capabilities of our infrastructure.

People
We have a workforce of over 35,000 highly trained employees who drive our productivity.

Locations
Our established infrastructure gives us the reach to serve customers from more than 245 locations on 6 continents.

Contracts
Agreements which typically run for three to five years provide our businesses with a secure pipeline of activity.

Transport network
Our dedicated fleet of delivery vehicles drives around 130,000 miles each day, operating within exceptionally tight deadlines.

DELIVERING VALUE

Employees
We offer varied careers in dynamic environments, keeping our employees engaged and delivering results.

Customers
We work in partnership with our customers to ensure our service offering is the correct one to help them meet their own business challenges.

Shareholders
We maintain clear oversight of our businesses, making certain that our business decisions generate real value for our shareholders.

PROTECTING AND MEASURING VALUE

Governance
A clear structure of corporate guidelines upholds our standards, ensuring that we operate effectively and in compliance with regulation.

Read more on page 46

KPIs
We monitor a shortlist of critical metrics to ensure that our performance achieves the standards required by our customers.

Read more on page 28

Risks
We maintain a register of key risks to our businesses which we work to mitigate through our strategic plans and operational processes.

Read more on page 30

ONE STRATEGIC VISION ACROSS THE BUSINESS

Whilst our Operating Divisions are distinct, they are united by the need to deliver daily service excellence within precise and challenging time limits.

This shared central purpose is reflected in our common strategic priorities, which provide a broad vision of the Group's path to success and translate into Divisional approaches consistent with our core thinking.

AVIATION PRIORITIES

Our strategic approach has five consistent facets across both of our Operating Divisions.

DISTRIBUTION PRIORITIES

STRATEGIC PROGRESS

During the last 12 months, both Divisions have executed the clearly defined strategic plans detailed in our Annual Report and Accounts 2015.

In Distribution we have continued our drive to replace falling print media volumes with new product volume, drawn from the wider UK logistics market.

This programme has successfully delivered new contracts for store delivery with multiple retailers, notably WHSmith, and within the parcel market where we have made a further acquisition, Thistle Couriers Limited, to add scale.

In Aviation progress was made against all five strands of our strategy. Most significant was the US$202m acquisition of ASIG, which will help us grow in new markets, widen our product and customer density, and provide considerable scale from which we can continue to expand.

In the year ahead, both Divisions will continue to progress their plans and deliver against their common strategic priorities.

Customer ethos

Both our Divisions believe in a proactive partnership approach to customer relations and, over the past two years, have actively sought to develop strong commercial functions. In Distribution such an approach is vital as we start to diversify beyond our traditional clients and build relations with a new customer base. In Aviation a focus on global key accounts and a co-ordinated approach have paid dividends and helped to grow our relationships with key customers across multiple regions.

Central to our customer ethos is ensuring we understand the needs and requirements of our customers and consistently delivering the level of service expected. Attention to detail and provision of high-quality services deliver success for our customers and further strengthen our relationships with them.

Emerging opportunities

To continue to prosper we must constantly look to the future. Both our Divisions operate in fast-moving, dynamic markets and by closely monitoring advancements we can ensure that our strategy is both fit for purpose and aligned to new growth areas.

In Distribution we are constantly analysing the opportunities within the UK logistics market. This approach will allow the Division to identify the emerging opportunities in this rapidly expanding sector; to map its unique footprint and vehicle assets against their requirements; and to concentrate our efforts on those which best dovetail with our resources and expertise.

Similarly, in Aviation we collect commercial intelligence which assists in our prioritisation of opportunity; for example, tracking analysis of aircraft orders to identify those regions with the strongest growth potential or increasing our familiarity with emerging economies in which outsourcing may not be prevalent. This principle was a driving force behind the opening of our Dubai office in 2016 and our current proposals for an office in Kuala Lumpur, Malaysia.

Optimised investment

All businesses must invest wisely. Operating in growing markets presents us with many opportunities and we must therefore ensure we select only those where the returns on our investments are optimised. Such an approach involves assessing market dynamics, labour availability and the general economic conditions which exist, all of which can influence our potential returns.

Within Distribution we must consistently enhance our investment in our branch network to ensure the optimum structure is in place in the face of declining print media volume. In Aviation the acquisition of ASIG in February 2017 is a clear example of identifying an optimal investment target – and in so doing securing a new business which will help us deliver against each of our five strategic pillars in successive years.

Diversified offer

The Group has long recognised the value of a diversified offering; it was this rationale which led to the creation of our Aviation Division. Today we consider active efforts to diversify to be a fundamental part of our strategic approach.

Within Distribution this principle is particularly important given the need to replace declining print media volumes with new volume from additional customers, and is addressed through diversification into the wider UK logistics market. Our growing footprint in both retail logistics and in the UK parcel market as a neutral consolidator are the primary avenues by which we will deliver this new volume.

Within Aviation our focus is on broadening our product offering at existing locations, utilising our existing infrastructure to deliver new services and increase margins. The addition of activities such as de-icing, lounges and line maintenance to our product range at various stations is an example of this principle in action.

Growth agenda

Whether prevailing market conditions are good, fair or challenging, a business must identify a pathway to growth in order to ensure future prosperity. We believe that a successful growth agenda requires both a robust business model and access to emerging markets. Both our Operating Divisions satisfy these prerequisites and are well-placed to take advantage of our market standing as we look to the future.

Within Distribution our route to growth is through forging partnerships with new customers, which, when allied to our traditional contracts, produce sufficient volume to sustain and expand our network.

In Aviation our recent acquisition of ASIG neatly demonstrates our growth pathway: take part in the consolidation of the airline services market; expand our product portfolio; and ensure that as major new opportunities emerge, our scale and capability make us a natural candidate to seize them.

HOW WE MEASURE OUR DELIVERY

We measure and track our performance against a set of key performance indicators (“**KPIs**”) relevant to our core activities. A diverse range of statistics has been selected to ensure that a balanced view of our operations and their success can be formed.

↑ Improvement on last year
↓ Decline against last year

OPERATIONAL DELIVERY

Ensuring excellence
We seek to operate safely and securely, maintaining a consistently high quality of service and skilled workforce. Our operational KPIs track the extent to which we have met this goal.

SAFETY AND SECURITY

Employee injuries per 100 full-time equivalents

0.12 ↑

2015: 0.28
2014: 0.15

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

Aircraft damage per 1,000 turns

0.02 ↑

2015: 0.06
2014: 0.05

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

PEOPLE AND INTEGRITY

Employee turnover

48.7% ↓

2015: 44.2%
2014: 49.7%

Why we measure this
We strive to employ the right people with the right skills. We train and develop our staff and therefore monitor employee turnover as a key determinant in the investment we make in them. Regional and seasonal variations exist as we operate in many different countries and this KPI is measured on a station-by-station basis.

EFFICIENCY PROCESSES AND CONTROLS

Employee hours per turn – Aviation

29.2hrs ↓

2015: 27.6hrs
2014: 28.8hrs

Why we measure this
Narrow-bodied aircraft account for over 85% of all aircraft turns within Aviation – and the average number of employee hours invested to perform each one is a critical measure of how efficiently we operate.

CUSTOMER SERVICE

On-time performance – Distribution

95.4% ↓

2015: 96.5%
2014: 97.1%

Why we measure this
This measurement allows us to measure retail delivery times and is a KPI within publisher contracts. It is also essential that we ensure product is with retailers on time in order that sales are not missed.

MEASURING OUR GROWTH DRIVERS AND DELIVERING FUTURE VALUE

Delivering profitable growth
We aim to consistently grow the scale and profitability of our Operating Divisions. These metrics give the clearest visibility of our success in this area.

Aircraft turns

1,246,114 turns ↑

2015: 1,190,370 turns
2014: 1,100,789 turns

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

Aviation turnover growth

7% ↑

2015: 6%
2014: 9%

Why we measure this
We are committed to growing our Aviation Division. Revenue growth within the Division is therefore a key metric.

Operating margin – Aviation

3.9% ↑

2015: 3.1%
2014: 4.1%

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

Contract renewal rate – Aviation

86.2% ↑

2015: 79.1%
2014: 72.6%

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

Total shareholder return (“TSR”) v FTSE250 over 3 years

-17% ↑

2015: -82%
2014: -50%

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

STRATEGIC REPORT
GOVERNANCE REPORTS
FINANCIAL STATEMENTS
SHAREHOLDER INFORMATION

EFFECTIVE RISK MANAGEMENT IS KEY TO OUR SUCCESS

The importance of identifying and actively managing the financial and non-financial risks that the Group faces is at the heart of what we do. An effective risk management programme helps protect our assets and promote the interests of our stakeholders.

OUR APPROACH TO RISK

With both our Aviation and Distribution Divisions operating in fast-moving and dynamic industries, the identification and mitigation of risk is vitally important. Accordingly, the Board places great importance on our risk programmes and the systems of internal control which are in place, receiving regular updates through the Audit Committee. The Risk function sits centrally within Group to allow it to operate independently of both Operating Divisions and, since its creation in 2015, it has raised the profile and awareness of Group risk programmes internally and served to change cultural attitudes towards risk-profiling. Through our risk programmes we look to support the delivery of our business objectives whilst protecting the interests of all stakeholders. The existence of a strong risk culture within the internal decision-making process enhances the quality of decision-making and safeguards our assets.

Within both Divisions we have an '8 Pillar' audit programme which allows tailored audits of our operations. The programme itself and the results of these audits help drive standardisation across the Group – they promote increased transparency, high standards and quality service whilst also ensuring that our operations are compliant with both our internal policies, procedures and processes and applicable laws and regulatory requirements. The 8 Pillar programme is kept under constant review and is linked to our Risk Register process to ensure that all business risks are reflected, assessed and audited.

Our employees are accountable for working to established standards and for identifying and escalating risks so that they can be appropriately managed. We are committed to market-leading safety programmes and through our M.O.R.S.E. (Menzies Operating Responsibly, Safely and Effectively) system we log all safety incidents, including 'near misses', to ensure the root cause of each and every incident is investigated and lessons learned and communicated throughout the businesses.

PRINCIPAL RISKS AND UNCERTAINTIES

Our risk profile is subject to rigorous and ongoing review, with the results of internal audits and operational incidents being used by our central Risk team to compile our Risk Registers. The Risk Registers are assessed on a six-monthly basis by the Audit Committee and risks are reviewed objectively during each review. Our risk profile therefore continues to evolve. Indeed, it is expected that our Risk team will be heavily involved in the successful integration of ASIG into the Group which, in itself, introduces a new risk profile.

The table on pages 32 and 33 of this Annual Report and Accounts 2016 details the principal risks and uncertainties which faced the Group at the end of 2016 and which continue to do so. These risks, and the wider Risk Registers, were subject to detailed review by the Board and, whilst they do not comprise all of the risks faced by the Group, they represent those that the Board considers are most significant.

In accordance with the provisions of the UK Corporate Governance Code (September 2014), the Board takes into consideration the principal risks in the context of determining whether to adopt the going concern basis of accounting and in assessing the prospects of the Company for the purpose of preparing the Viability Statement. The Going Concern and Viability Statements can be found on page 9 of the Strategic Report contained within this Annual Report and Accounts 2016.

PROGRESS DURING 2016

The approach of being a risk-led organisation continued to be embedded throughout 2016. The central Risk team, comprising Health & Safety, Security, Insurance, Audit and Compliance, maintained a high-profile presence throughout the Group and ensured that the risk appetite of the Group was sustained.

In Aviation the implementation of a risk radar aimed at assisting regional business leaders to predict and manage risk has been launched and, whilst the model continues to evolve, its existence alone is helping to promote better informed decision-making.

Presentations of the work undertaken by the Risk team and future plans have been provided to the Board which wholeheartedly endorses and encourages the activities of the team. In a business where health, safety and security are vital, the Risk function will continue to develop and influence as we continue to grow.

RISK MANAGEMENT FRAMEWORK

- **1st line of defence** Control, design and implementation
- **2nd line of defence** Oversight
- **3rd line of defence** Independent assurance

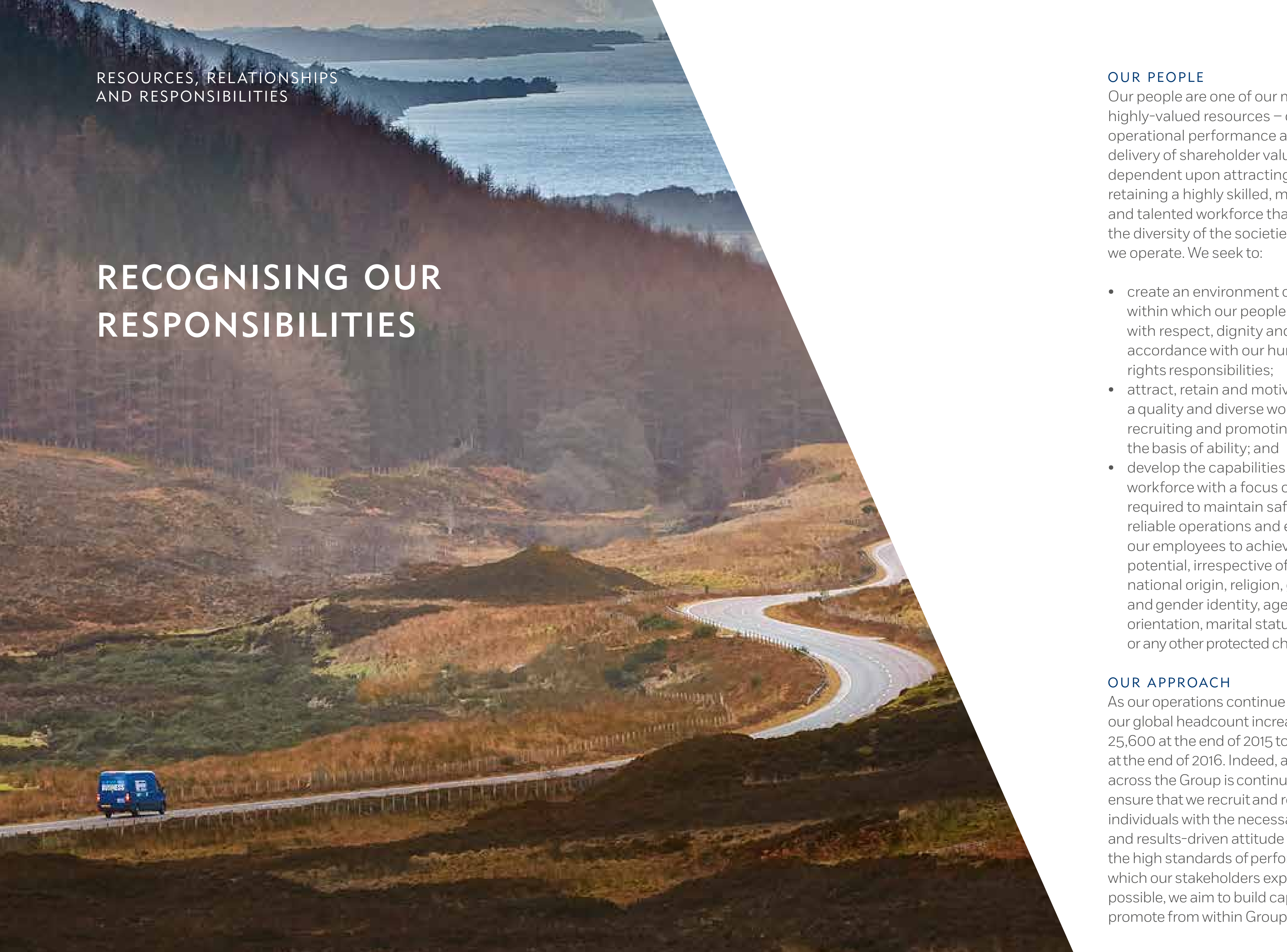
APPROACHES TO RISK

PRINCIPAL RISKS AND UNCERTAINTIES

Risk and uncertainty have the potential to hinder progress toward the Group's strategic objectives. We focus on mitigating those risks, to provide reasonable – although not absolute – assurance against material risks.

The table below profiles those risks and uncertainties that the Board believes most significant, together with the activity that we undertake to mitigate them.

RISK AND DESCRIPTION	IMPACT	MITIGATING FACTORS
PRICE OPTIMISATION IN CONTRACT RENEWALS/CONTRACT TENDERING/COMPETITIVE PRESSURE		
Failure to negotiate existing contracts at acceptable rates or to successfully win new contracts on terms that achieve the Group's internal rate of return and risk profile threshold criteria.	Inability to renegotiate and retain key material contracts at rates that provide acceptable returns could significantly impact Group earnings.	Our Commercial teams plan ahead to ensure readiness for all upcoming contract renewals and new business tenders. The Group operates a Menzies Commercial Appraisal Committee that meets monthly to review all pricing and contractual terms before bids are submitted for new/repeat business. In addition, we constantly strive to innovate within our operations to ensure our operational model operates with an optimum cost base.
INCREASED LABOUR COSTS		
Our businesses rely on our people. Wage inflation is prominent in many of the territories in which we operate. There are a number of initiatives within the UK and other countries to improve wages which could impact our businesses.	An inability to pass on statutory increases to our customers could materially impact profitability e.g. the UK's National Living Wage.	Contracts with customers increasingly contain clauses which specify statutory wage increases. We also continue to evolve our operating model to optimise our cost base. Additionally, resource management tools are being rolled-out in our Aviation Division to ensure roster outputs meet applicable regulations and customer demands whilst also providing better productivity.
EMPLOYEE TRAINING		
The risk that employees are not trained or re-trained to mandated levels to adequately undertake standard operating procedures.	Inadequate delivery of training and recurrent training results in the risk of employee injury, poor productivity, poor customer service and the likelihood of a vehicle or aircraft damage incident.	A focus on training through increased resource and training delivery specialists together with an increase in standard e-learning packages across the Group, allowing efficient delivery of training and ease of record-keeping. We now also include training compliance as part of the monthly self-certification process. Training is also one of the key pillars in our '8 Pillar' audit programme.
SUCCESSION PLANNING		
As the Group expands it is important that sufficiently trained and skilled staff are available to fill positions created by our expanding businesses both at supervisory and managerial levels. We must ensure sufficient developmental programmes are in place to develop our people. We rely on having the right people with the right skills in the right place at the right time. Without effective succession plans the Group risks not having sufficient individuals to fill the key roles which are required to ensure our businesses run smoothly.	The operational and leadership impact of failing to have sufficient people, or a stream of trained, qualified individuals identified as potential future business leaders, could result in increased costs, lack of efficiency and a failure to deliver on any (or all) of the key strategic objectives of the Group. Our brand loyalty could be impacted and a competitive disadvantage could arise if we were unable to retain internal candidates to occupy key roles as they become available or we lose individuals with the requisite in-depth knowledge and expertise due to a lack of internal career opportunities.	Succession plans across the Group exist and the Board annually reviews such plans for Senior Management and Executive Directors. In 2017 a new Board committee was constituted, the Human Resources Committee, tasked at looking at all aspects of our HR offering. Structured development programmes are in place aimed at identifying and developing key employees while salaries and benefits are benchmarked to ensure they remain competitive with market standards.
GLOBAL ACT OF TERRORISM		
The risk that a global terrorism event could materially affect the airline industry and the number of aircraft flights is significantly reduced for a period of time.	A global act of terrorism could lead to a significant loss in revenue as flights would be grounded and air cargo would not be transported.	Ground handling cost base is flexible and could be flexed to assist in mitigating the expected financial impact.
SECURITY BREACH		
The risk that a serious security breach or incident occurs that is directly attributable to the actions of one of our employees or the failure of related processes or training.	The impact of a serious security-related incident could affect the Group's reputation, operational and, ultimately, financial performance.	The Group works closely with airport authorities. Rigorous checking and vetting of all employees takes place. Central support is provided to all stations via the Group Security team, utilising the M.O.R.S.E. intranet-based safety and security monitoring system which provides consistent and regular reporting. A dedicated Group Security Officer continues to increase standards across the Group and raise awareness.
ADHERENCE TO STANDARD OPERATING PROCEDURES		
Within Aviation the adherence to internal standard operating procedures and airline regulations is vital to ensure the Division delivers its business objectives and operates safely and securely at all times.	Failure to adhere to standard operating procedures can endanger employees and lead to poor operational performance; it could result in a rise in aircraft damage and personal injury incidents. In addition, the reputation of the Group would suffer. A poor safety record could produce increased operating costs, including punitive and compensatory charges and increased insurance rates, and ultimately lead to the loss of customer contracts.	Independent audit programmes exist to ensure applicable operating procedures are being adhered to and all audit scores are reviewed by the senior leadership team. A dedicated Operational Excellence team helps drive standardisation across the network whilst significant investment in infrastructure and systems has aided the drive for compliance and standardisation. Tailored training packages exist and all employees undertake full and rigorous training. Safety and security are the number one priority at every station and are never compromised. Industry-leading safety systems are utilised. Our internal M.O.R.S.E. system is at the heart of all our operations.
ROBUST IT SYSTEMS		
Sophisticated IT systems are at the core of all our businesses, driving efficiency. System downtime could lead to severe operational issues and delays to customers. External vulnerability to attack is a growing worldwide issue which could result in erroneous information entering our processing systems or commercial data being accessed without permission.	A serious IT outage for a limited period of time could have an operational, financial and reputational impact.	During 2016 our IT infrastructure was outsourced to SunGard, thereby increasing the robustness and reliability of our hardware. New plans to mitigate cyber-attacks have been put in place through our Project Watertight initiative. Disaster recovery plans exist and are reviewed periodically.
STAFF TURNOVER		
High staff turnover leads to low experience and skill levels to cover required shifts. This could leave our Operating Divisions without sufficient skilled employees to deliver our business objectives.	Consistently high staff turnover could result in both a reduction in service levels and a loss of customer contracts. Additionally, a high number of inexperienced staff could lead to an increase in safety-related incidents.	The Board has a particular focus on staff turnover and reviews the position at each Board meeting. New initiatives aimed at reducing turnover are in place and in the Americas region, for example, a dedicated function exists to address this issue. Investment in onboarding HR systems, which vet employees to ensure suitability for the role, exist and are gaining traction. At Group level, the Human Resources Committee will give detailed consideration to staff turnover and determine what can be done to make an impact in this area.
INTEGRATION OF ACQUISITION		
The risks associated with the integration of a large-scale acquisition: people, systems and equipment require to be well-managed and failure to do so could impact the services provided to customers, result in a failure to achieve targeted synergies and ultimately decrease staff morale.	Failure to successfully integrate a scale acquisition could lead to a reduction in anticipated returns, synergy benefits could be missed and reputational damage to the Group could arise.	Detailed integration plans are put in place for every acquisition, irrespective of size. Milestones are set and independently checked. Dedicated resources are required to ensure that sufficient time is given to each element of integration and the achievement of all targets.



RECOGNISING OUR RESPONSIBILITIES

Conducting our operations responsibly is central to the culture of our business. The Group's framework of policies and guidelines sets clear standards to ensure that our business activities remain ethical, responsible and sound.

Our Corporate Social Responsibility Report is published on our website and this details the CSR practices, strategies and policies which we have in place across our Operating Divisions.

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that John Menzies plc has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series.

Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

OUR PEOPLE

Our people are one of our most highly-valued resources – our operational performance and the delivery of shareholder value are dependent upon attracting and retaining a highly skilled, motivated and talented workforce that reflects the diversity of the societies in which we operate. We seek to:

- create an environment of inclusion within which our people are treated with respect, dignity and in accordance with our human rights responsibilities;
- attract, retain and motivate a quality and diverse workforce, recruiting and promoting on the basis of ability; and
- develop the capabilities of our workforce with a focus on the skills required to maintain safe and reliable operations and encourage our employees to achieve their full potential, irrespective of ethnicity, national origin, religion, gender and gender identity, age, sexual orientation, marital status, disability, or any other protected characteristic.

OUR APPROACH

As our operations continue to expand, our global headcount increased from 25,600 at the end of 2015 to 28,100 at the end of 2016. Indeed, a key focus across the Group is continuing to ensure that we recruit and retain individuals with the necessary skills and results-driven attitude to deliver the high standards of performance which our stakeholders expect. Where possible, we aim to build capability and promote from within Group talent pools, complementing this with selective external recruitment as and when required.

We provide a broad range of development opportunities for our people, from on-the-job learning through to online and classroom-based courses to ensure we promote and maintain best-in-class standards, motivate our employees and support the requirements of our businesses. Additionally, we regularly review and monitor the pay and benefits offered to our employees, benchmarking against competitors where appropriate. National Living Wage is applied as required and working hours are determined in accordance with applicable laws. Our Human Resources team plays an integral role and our commitment to our people is evidenced by the strengthening of this function in 2016 through the recruitment of specialist capability in the areas of Rewards, Learning and HR systems.

GENDER DIVERSITY (DEC. 2016)

EMPLOYEES

19,302
MALE

8,779
FEMALE

DECISION-MAKERS

273
MALE

85
FEMALE

BOARD OF DIRECTORS

8
MALE

1
FEMALE

DIVERSITY AND INCLUSION

As a global organisation, we aim for a workforce which is representative of the societies in which we operate. We seek to create an environment of inclusion and acceptance. Policies and procedures for recruitment, promotion, training and reward promote equality of opportunity regardless of background and personal circumstances. Our recruitment process facilitates inclusion and adjustments are made to accommodate those with additional needs, including disabilities, where necessary. Where existing employees become disabled, our policy is to provide continued employment and training wherever possible.

Full consideration is given to equality legislation and an analysis of pay and benefits relative to the gender split of our employees will be reported on in accordance with recent legislative developments at the relevant time.


Pawel Bartoszek and Philip Zigah, Baggage Handlers

EMPLOYEE ENGAGEMENT

Our Managers hold regular team and one-to-one meetings with their staff, complemented by formal processes in certain jurisdictions. We seek to maintain constructive relationships with labour unions across our Group and we have an active Employee Forum in our Distribution Division where employees may voice their opinions about future activities and proposals within the Division. Employee Forum representatives are elected by their peers and receive training to build and develop the necessary skillset required to represent their colleagues and present their views on significant issues.

2016 HIGHLIGHTS

- 2016 saw the introduction and worldwide roll-out of our new recruitment and applicant tracking tool across the Group, supporting efficient recruitment processes for colleagues and candidates.
- A new learning management system has been developed to hold all training material and accurately record and report on training performance, enabling the delivery of training courses and content through e-learning directly to our employees.
- Following significant discussion in 2016 around succession planning and staff retention rates, a Human Resources Committee was constituted by the Board at the beginning of 2017. This Committee will have overall responsibility for key policy decisions relating to employees and governance of the Group's people management processes. Principal areas of focus will include human resources structure and standardisation, recruitment and succession planning and addressing staff retention rates.

OUR SOCIAL CONTRIBUTION

John Menzies plc recognises that as a socially responsible company we must give careful consideration to the impact which our operations may have on the communities in which we operate. We remain cognisant of our obligation to do what we can to positively influence our community relations and we endeavour to enhance community life wherever and whenever possible. Our community investment remains founded upon three fundamental objectives:

- to build relationships within the communities in which we operate;
- to make charitable contributions that reflect our shared company-community values; and
- to invest in local people and industries.

OUR APPROACH

John Menzies plc is a multigenerational business with successive generations of the Menzies family having served as both leaders and, ultimately, custodians of the Company as they sought to preserve and successfully grow it for passing on to future generations. Accordingly, we are acutely aware of the connection between those who have helped build the environment in which we work and those who will inherit what is left behind.

Stemming from this overarching theme of the relationship between generations, a theme selected to reflect the story of the Menzies business itself, our charitable giving is centred around organisations that assist and empower the generations that preceded us and invest in the wellbeing and opportunities of the generations that will succeed us.

Guided by this, the Board of John Menzies plc provides an annual budget for our Charities Fund. The funds available through this are allocated to charities, nominated on a regional basis, which reflect these values and which are also relevant to the regions and communities in which we work. All donations must adhere to our Ethics Policy and satisfy the following selection criteria:

- efficiency: we aim to be involved with charities which are 'lean' enough for our donation to make an impact and not be absorbed in administrative costs;
- integrity: we aim to make donations on a 'needs' rather than 'taste' basis; and
- effectiveness: we support charities that have specific aims and can demonstrate how our contribution will benefit their cause.

In addition to the Charities Fund, employees are actively encouraged to support charitable causes through attendance at charitable events and via the John Maxwell Menzies Community Fund. Under this Fund individual cash awards of up to £350 per employee or £700 per team of employees can be made to those undertaking a charitable or community project.

2016 HIGHLIGHTS

During 2016 the Company donated £80,000 out of which:

- £25,000 was committed to organisations focused on assisting and empowering the generations which preceded us by enabling their independence, addressing their social needs and/or providing health or end-of-life care; and
- £44,000 was committed to bodies supporting and investing in the generations which will follow us by promoting the wellbeing of children and tackling the issues which undermine their life chances.

INVESTING IN FUTURE GENERATIONS

Menzies Distribution enjoys a close working relationship with the ARCHIE Foundation.

In October 2016 a Menzies delivery van packed full of over £2,000 worth of toys and games arrived at the Royal Aberdeen Children's Hospital before being unloaded and carried into a ward by a team of ARCHIE and Menzies volunteers.

The toys donated were specifically selected for hospital use, being easy to keep clean and sterilise to prevent the spread of infections.

The ARCHIE Foundation is the official charity of the Royal Aberdeen Children's Hospital, Tayside Children's Hospital and the Highland Children's Unit. Menzies has a long-standing relationship with the Foundation, having provided free delivery services to it since 2013.

Ewan Ferguson, Menzies Parcels, shops for toys to be donated to the ARCHIE foundation

To learn more about this initiative, visit https://vimeo.com/189281874

ASSISTING THE OLDER GENERATIONS

Amongst the organisations which the Group has supported, perhaps the most innovative is Playlist for Life, a music and dementia charity focused on ensuring that every person living with dementia has access to a playlist of 'personally meaningful music' ("**PMM**") as a gateway to a better life.

Music is neurologically special: such is the power of the stimulus that monitoring evidence shows that the brain of a person listening to music becomes active in many different areas. Indeed, there is growing evidence that PMM can amplify these effects for people living with dementia, bringing them great happiness and helping them reconnect with their identities whilst improving their awareness and enhancing their ability to understand.

To learn more, visit Playlist for Life's website at: www.playlistforlife.org.uk.

OUR ENVIRONMENTAL IMPACT

With a global network spanning 36 countries, we endeavour to protect the environments in which we operate and, to the extent possible, seek to integrate environmental sustainability into our businesses. During 2016 the Group made a number of key acquisitions in both the Aviation and Distribution Divisions and we recognise that, in such expansion, we must remain cognisant of our responsibilities and ensure that our environmental management processes adapt and evolve accordingly. Our practices and procedures seek to address the growth of our operations in a variety of ways, including through the use of energy efficient technology, investment in systems for data collection and analysis and a commitment to monitoring and auditing our environmental data.

Within this area we strive to:

- foster and advance energy efficient practices throughout our Aviation and Distribution networks;
- identify, assess and manage environmental risks; and
- comply with all applicable legislative and regulatory requirements.

OUR APPROACH

During 2016 the Group invested in 'Carbon Tracker' software to consolidate each Division's carbon data into a cloud-based system. The anticipated outcome of this project is that our approach to monitoring environmental information will be further standardised and the data collection process simplified across our global network. The system, which is scheduled to be implemented during 2017, will be constructed to analyse the volume of carbon consumed on a regional basis, thus allowing tailored carbon reduction programmes to be implemented.

GREENHOUSE GAS EMISSIONS REPORTING

Under the Climate Change Act 2008 and the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (the "**Regulations**"), we are mandated to disclose the greenhouse gas ("**GHG**") emissions for which we are responsible. Specifically, we are required to report, in the form of tonnes of carbon dioxide equivalent ("**CO_2e**"), on all material emissions of the six gases covered by the Kyoto Protocol generated from both direct sources and purchased electricity, heat, steam and cooling.

To ensure we achieve the transparency required and deliver effective emissions management, we must implement and utilise robust and accepted methods. Accordingly, whilst the Regulations provide no prescribed methodology, we collate our GHG data on a quarterly basis and calculate our carbon footprint annually using the latest Defra (Department for Environment, Food and Rural Affairs) emissions factors.

The period covered for the purposes of this GHG Emissions Reporting section is 1 January 2016 to 31 December 2016 and our calculations are for Scope 1 and Scope 2 emissions i.e.:

- buildings-related energy such as natural gas (Scope 1) and electricity (Scope 2); and
- vehicle and equipment fuel consumption (Scope 1).

Carbon Footprint Ltd ("**Carbon Footprint**") continues to provide independent external verification of our data and was engaged by us to certify that our 2016 data-sets were satisfactory, methodologies appropriate and conversion metrics/calculations sound. As before, and with Carbon Footprint's assistance, we continue our endeavours to improve our data accuracy and report on a global basis.

Carbon Footprint has validated our submissions and confirmed that for 2016 our emissions factors, methodology and GHG calculations are robust. Going forward it is our intention to use a Carbon Tracker tool (as referred to above) which will provide a means for data entry to be delegated to team members across the business, thus engaging them on a regular (monthly) basis in energy and carbon management. This has the benefit of both standardising reporting across the business and raising awareness of our commitment to reducing our carbon footprint.

This Emissions Reporting section is incorporated into the Directors' Report contained on pages 79 to 83 of this Annual Report and Accounts 2016.

We also participate in the following UK Government-led carbon and energy management programmes, further details of which are provided below:

- the Energy Savings Opportunity Scheme ("**ESOS**"), which runs in four year cycles; and
- the Carbon Reduction Commitment Energy Efficiency Scheme (the "**CRC Scheme**"), which is due to be phased-out in the next two years.

ESOS

ESOS is a mandatory energy assessment scheme which has been in force since July 2014 and requires larger companies and non-public sector organisations in the UK to, inter alia, undertake energy saving assessments and identify where energy savings can be made. Whilst the future of ESOS in its current form is uncertain, Carbon Footprint was appointed our Lead Assessor and previously carried-out an ESOS-compliant energy audit for the relevant period, i.e. 1 January 2014 to 31 December 2014, to ensure we fulfilled our legislative obligations.

As detailed in our Annual Report and Accounts 2015, Menzies Distribution remains the holder of its fourth consecutive Carbon Trust Standard award in recognition of the sustained reduction in the Division's carbon footprint. The Division will be applying for re-certification during 2017 and in doing so intends to highlight a number of improvements that were actioned throughout 2016 including:

- an initiative to reduce mileage through the use of double deck trailers;
- enforcing energy saving lighting at all hubs, spokes and offices throughout Distribution; and
- the employment of a dedicated route efficiency specialist to reduce the number of miles driven across the Distribution network.

While Distribution accounts for the largest part of the Group's usage of carbon producing fuels in the UK, Aviation is also focused on reducing the carbon emissions arising from the tonnes and turns handled at each station in the Division.

2016 HIGHLIGHTS

- Investment in and development of a new Carbon Tracker system to provide improved monitoring and data collection of the Group's carbon footprint.
- As part of an IT transformation exercise, consolidation of four separate data centres into one facility using cloud computing services, thus significantly reducing our power consumption through the use of more power efficient technologies.
- Significant savings of 97,022 kWh were made by Air Menzies International ("**AMI**") during 2016, due principally to re-location to a new energy efficient office building in Sydney, Australia.

As previously disclosed, Carbon Footprint identified a number of opportunities amounting to over 20% of total energy (including buildings and direct transport-related energy). In order to help achieve this, we are implementing an ongoing programme of energy management, consisting of detailed baselining and monthly analysis of sites and identifying opportunities for reducing carbon and associated costs, including site surveys, training and improved communications. Such initiatives will not only enable us to reduce our overall carbon footprint but will also form part of our strategy for ESOS Phase 2 compliance (2019) if required.

CRC SCHEME

The CRC Scheme, effective from April 2010, is an obligatory emissions trading scheme which has the stated objective of improving energy efficiency and reducing carbon dioxide emissions in large public and private sector organisations. Under the terms of the Scheme we are required to report annually on our UK operations' energy usage, a disclosure which continues to be of assistance from a GHG reporting perspective.

Measure	2016 Global tonnes of CO_2e			2015 Global tonnes of CO_2e	2016 UK tonnes of CO_2e			2015 UK tonnes of CO_2e
	Group Total	Aviation Division	Distribution Division	Total	UK Total	Aviation Division	Distribution Division	Total
Combustion of fossil fuels	63,841	40,722	23,119	61,719	30,864	7,745	23,119	27,179
Electricity purchased for own use	21,080	16,057	5,023	19,553	6,443	1,420	5,023	7,469
Total	84,921	56,779	28,142	81,272	37,307	9,165	28,142	34,648
Intensity ratios (tonnes of CO_2e)								
Per £000 turnover		0.065	0.023			0.059	0.023	
Per aircraft turnaround	0.068	0.046		0.068	0.124	0.031		0.035
Per £000 turnover total	0.041			0.041	0.027			0.025

Due to reductions made in gas consumption across Distribution we are pleased to report that our latest CRC Annual Report (2015-2016 CRC) totalled 8,960 tonnes, which is the lowest CRC data submission we have reported to-date.

Whilst the CRC Scheme is scheduled to be abolished at the end of Phase 2 (2014-2019), our workplans in this regard continue to remain underway and we will submit our annual compliance report to the CRC Registry by 31 July 2017.

CARBON TRUST

The Group is proud of Menzies Distribution's status as a Carbon Trust Standard holder for eight consecutive years.

The Standard recognises the Division's commitment to measure, manage and reduce its carbon footprint.

HEALTH, SAFETY AND SECURITY

The management of health, safety and security risks is embedded within our culture and in the way in which we conduct our day-to-day operations. Stringent risk management practices are vital to both employee welfare and the success of the Group: operating as we do in time-critical environments, incidents can result in both increased costs and disruption for our businesses and customers. We consistently review our health, safety and security procedures and training and seek to develop work processes and protocols aimed at minimising the likelihood of accidents occurring. We promote the attitude that good health, safety and security practices are not the responsibility of any one individual or department – it should be a collective effort with every employee assuming responsibility for ensuring a safe and secure working environment.

As a risk-led organisation we seek to:

- guarantee the health, safety and security of all our employees;
- establish policies, procedures and processes for identifying, managing and minimising risk-related accidents and incidents; and
- drive standardisation and transparency in this area to ensure the requisite compliance.

WE HAVE A TOTAL OF 22 ISAGO REGISTERED GROUND HANDLING STATIONS

22

Yogesh Parekh, Head of Internal Audit (Operations)

OUR APPROACH

As detailed on page 30 of this Annual Report and Accounts 2016, effective risk management is key to our success, protecting our assets and promoting the interests of our stakeholders, and further details of our progress in this area can be found on these pages.

Driven by our '8 Pillar' audit programme, applicable to both Divisions, our businesses place a premium on transparency, high standards and quality service. Additionally, our SMART (Standard Menzies Audit Reporting Tool) operational inspection tool allows users across the Group to submit a basic audit of activities which they observe and serves to encourage the continued adoption of risk-conscious behaviour in our day-to-day performance.

2016 HIGHLIGHTS

- The SMART tool continues to play a significant role in our Safety Management System for both Divisions. In 2016 there were 286,581 inspections conducted via the mobile application: 1 every 3 minutes in ground handling, 1 every 60 minutes in cargo handling and 1 every 72 minutes in Distribution centres.
- A total of 37 audits were completed for ground handling and cargo handling in 2016 with an overall increase is compliance standards – ground handling improved by 5% and cargo handling by 3%.
- In Aviation a total of 22 stations have now achieved IATA/ISAGO registration, an international safety audit program recognised by our customers, airport regulators and by the Aviation industry itself.

WHAT IS M.O.R.S.E.?

The M.O.R.S.E (Menzies Operating Responsibly, Safely and Effectively) safety programme is the Group's Safety Management System and is a key mechanism in our health, safety and security strategy. The system promotes a risk-conscious culture throughout the Group where safety and security are a top priority in all our operations.

Communication and awareness of our standard operating procedures are essential to the success of the M.O.R.S.E. system and we therefore circulate regular updates in this regard, underpinned with a strong compliance message.

OPERATING WITH INTEGRITY

The Group is dedicated to operating fairly, honestly and in compliance with all applicable laws and ethical standards. Wherever we operate in the world we believe that we must foster a culture in which integrity and responsible and ethical values are at the very core of all our activities and decision-making processes.

Our fundamental principles are that we must:

- uphold the highest standards of integrity in all our operations; and
- conduct our activities within the parameters of all applicable legislative, regulatory and ethical requirements.

OUR APPROACH

Our Ethics Policy applies to all Group-operated businesses and details the key principles and values which we consider represent the foundation of sound and fair business practices. Built upon this foundation, our Compliance programme reflects these beliefs and translates them into everyday scenarios with the objective of providing clear guidance to those who represent the Group and ensure they act ethically and with integrity in their dealings with third parties.

SUPPLY CHAIN

Both our Aviation and Distribution Divisions rely on long-term, working relationships with our customers, suppliers and business partners. We are committed to ensuring that we work with third parties to deliver the highest standards throughout our service supply chain, upholding not only the best-in-class service which our customers have come to expect but also the values to which we are committed.

Our ability to be a safe and responsible operator depends, in part, on the capability and performance of those who assist us to carry out our operations. We therefore engage with third parties on areas such as health and safety, operational performance, and ethics: we seek to work with organisations which share our commitment to ethical and safe working practices; we aim to have suitable provisions incorporated within third party contracts; and we expect and encourage our employees and contractors to behave in a manner which is consistent with our Ethics Policy.

In accordance with the requirements of the Modern Slavery Act 2015 and at the relevant time, we will detail on our website the steps we are taking to ensure that slavery and human trafficking are not taking place in any of our supply chains or in any part of our business. We are reviewing our current policies, practices and training in light of this new legislation to ensure they are adequate.

WHISTLEBLOWING, ANTI-BRIBERY AND CORRUPTION

We have a responsibility to our employees, our shareholders and the countries and communities in which we do business to be ethical and lawful in all our dealings. Any Group representative, whether employee, contractor or otherwise, is expected to conduct themselves ethically and with integrity, impartiality and honesty. We consider it essential that our Group policies regarding fraud, bribery and corruption be clearly understood by all who represent us.

Our zero tolerance position in relation to bribery and corruption is supported by Group policies and procedures which include the conduct of risk assessments, the inclusion of appropriate clauses in third party contracts and staff training. In relation to the latter, we provide training to those employees for whom we believe it is most relevant, depending on, for example, the nature or location of their role. We seek to develop a culture where inappropriate behaviour at all levels is challenged.

The Group's Security team worked with whistleblowing hotline experts, Expolink, to implement a single platform across the Group's global network. The outcome of this was that a new whistleblowing programme was implemented globally in 2016 to encourage employees to report genuine concerns about malpractice, illegal acts or failures, without fear of reprisal, victimisation or risk to job security. We identify and correct areas of non-conformance and take disciplinary action where appropriate.

The Strategic Report on pages 2 to 41 of this Annual Report and Accounts 2016 has been approved by the Board of Directors in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

John Geddes
Group Company Secretary
7 March 2017

EFFECTIVE GOVERNANCE

We remain committed to ensuring that strong governance measures are in place throughout our operations and we seek to establish that the highest standards are firmly embedded within our everyday practices.

Dr Dermot F. Smurfit
CHAIRMAN

DEAR SHAREHOLDER,

On behalf of the Board of John Menzies plc I would like to introduce our Corporate Governance Report for the financial year ended 31 December 2016.

During my period as Chairman it has become obvious to me that a strong governance framework is in place within Menzies and I am pleased to confirm that promoting and maintaining high standards of corporate governance continue to be a priority for us. We remain committed to ensuring that rigorous governance measures are at the core of our operations and recognise that an effective governance system is essential if we are to continue to deliver the Group's strategy and at the same time ensure that enhanced and sustainable shareholder returns are achieved. Indeed good corporate governance is fundamental not only to the success of the Group itself but also to us, the Board, properly discharging our stewardship responsibilities.

In accordance with the Financial Conduct Authority's Listing Rules we are required to report on how we have complied with the main principles of the UK Corporate Governance Code (September 2014) (the "**Code**") which we fully endorse. It is the view of the Board that we have complied with all relevant provisions of the Code for the financial year ended 31 December 2016 and continue to do so.

BOARD STRUCTURE

A key priority during 2016 was the issue of Board succession and, following Jeremy Stafford's resignation and a review of our Board structure and the landscapes in which we operate, Forsyth Black was appointed President & Managing Director of Menzies Aviation in January 2016. Thereafter, Giles Wilson became Chief Financial Officer in June 2016, following Paula Bell's resignation, and the Executive team was further strengthened by the appointment of John Geddes, Group Company Secretary, to the Board in November 2016 as Corporate Affairs Director. The balance of the Board must meet the changing needs of our businesses and these appointments are regarded as pivotal in the effective implementation of the Group's strategy.

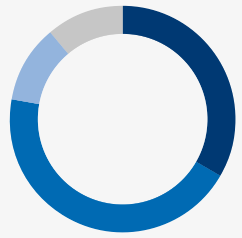
The Nomination Committee continues to ensure that the Board is refreshed and strengthened when required. Indeed, following a process to identify suitable independent Non-Executive Directors, we were delighted to announce the appointment of Paul Baines to the Board in June 2016, his extensive City experience adding a further dimension to the Board's skillsets. Additionally, I assumed the position of Chairman in July 2016 following Iain Napier's resignation after leading the Board for seven years.

As we continue with the execution of our strategy it is imperative that our Board contains the appropriate balance of skills, experience, independence and knowledge to succeed. Whilst I am satisfied that it does so at this time, this will be kept under continual review. Further, whilst we recognise the importance of diversity across our business we will continue to recruit on the basis of merit and ability rather than on a quota-driven basis.

CONCLUSION

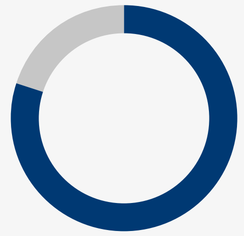
The reports which follow detail how we applied the principles of good governance during the 2016 financial year. Whilst I consider that our Board is ably equipped to drive forward the Group's strategy and address any challenges which arise, this must be done within the appropriate governance, regulatory and legislative parameters. Going forward, we will continue to enhance and refine our governance policies and processes to ensure that the highest standards are embedded within our everyday practices and operations.

Dr Dermot F. Smurfit
Chairman
7 March 2017



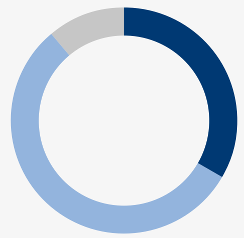
COMPOSITION OF THE BOARD

Executive Director	3
Independent Non-Executive Director	4
Non-Independent Non-Executive Director	1
Chairman	1



LENGTH OF TENURE (NON-EXECUTIVE DIRECTORS)

0–3 years	4
4–6 years	0
7–9 years	0
More than 9 years	1



BOARD BY GENDER

Executive Male	3
Executive Female	0
Non-Executive Male	5
Non-Executive Female	1

BOARD OF DIRECTORS

DR DERMOT F. SMURFIT

CHAIRMAN

Dermot became Chairman of the Company in July 2016. He was Chairman of Powerflute Oyj until December 2014 and joint Deputy Chairman of Jefferson Smurfit Group PLC, a leading packaging group, from 1994 to 2003 and its worldwide Director of Sales and Marketing from 1997 until 2003. Prior to this he held a number of other senior positions within the Group.

Dermot is the current Chairman of ML Capital Group. He is a former Chairman of Anker PLC and Peach Holdings PLC, both AIM-listed companies, and of the World Containerboard Organisation and FEFCO, the European Federation of Corrugated Board Manufacturers. Dermot was previously Chairman of Eurolink Motorway Services Limited, a toll road operator for one of the largest single toll roads in Ireland, a Director of both ACE Limited, a major worldwide insurance company, and Aon BV, a major insurance broking business, and CEO/Director of the TMG Group, an Irish engineering group. He was a Non-Executive Director of Timber Capital Limited and The Forest Company Limited until recently.

OTHER APPOINTMENTS
Chairman of ML Capital Group

GILES WILSON

EXECUTIVE DIRECTOR:
CHIEF FINANCIAL OFFICER

Giles was appointed Chief Financial Officer of John Menzies plc with effect from 1 June 2016. Giles has worked with the Group since 2011 in a variety of senior roles, including Finance Director of Menzies Aviation. Previously he was based in Dubai as Senior Vice-President of the Group's African, Middle East and Indian operations. A chartered accountant, he was formerly Finance Director of Commercial Estates Group and prior to that held senior finance positions at Gallaher Group PLC, including Finance Director UK.

OTHER APPOINTMENTS
Director of various Group companies

FORSYTH BLACK

EXECUTIVE DIRECTOR:
PRESIDENT & MANAGING DIRECTOR OF MENZIES AVIATION

Forsyth is President & Managing Director of Menzies Aviation and was appointed to the Board in January 2016. He has been with the Group for 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 oversaw a successful 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.

OTHER APPOINTMENTS
Director of various Group companies

JOHN GEDDES

EXECUTIVE DIRECTOR:
CORPORATE AFFAIRS DIRECTOR &
GROUP COMPANY SECRETARY

John was appointed to the Board in November 2016 as Corporate Affairs Director, having first joined the Group in 1997. Prior to this appointment John held the position of Group Company Secretary, a role which he assumed in 2006 and which he retains. John has an extensive knowledge of both Operating Divisions and spent two years working within the Aviation Division. Within his role, John supports the Board and his Executive colleagues and is responsible for key areas such as Governance, Risk and Investor Relations.

As a Chartered Secretary John's career has included Company Secretariat posts at both Bank of Scotland plc and Guinness plc. He is a board member of the Airport Services Association, an industry body for the world's major ground handling service providers and suppliers, and is a member of IATA's Ground Handling Group.

DERMOT JENKINSON

NON-EXECUTIVE DIRECTOR

Dermot was appointed to the Board in 1986 and held various Executive responsibilities before assuming a Non-Executive role within the Company in 1999. He was appointed Interim Chairman of the Group on 20 May 2016 and remained in this position 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. Thereafter, in 2013, he founded Ascensos Limited, a follow-on to beCogent. Dermot's contribution to the Board stems from the breadth of knowledge gained from both his experiences within the Company and a wide range of Executive Management roles.

OTHER APPOINTMENTS
Executive Chairman of Ascensos Limited
Vice-Chairman of the Scottish Friendly Assurance Society
Director of various private companies

PAUL BAINES

NON-EXECUTIVE DIRECTOR

Paul was appointed to the Board as a Non-Executive Director in June 2016. Since 2013 he has held senior advisory roles with both Vermilion, a leading China-based investment banking firm, and Smith Square Partners, a 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. He was thereafter appointed Chief Executive of Hawkpoint in 2003 and Executive Chairman from 2009 until 2013. He was a director of Collins Stewart Hawkpoint plc from 2006 until 2012.

GEOFF EATON

NON-EXECUTIVE DIRECTOR

Geoff was appointed to the Board as a Non-Executive Director in June 2015. Geoff has had an extensive Executive career which includes the positions of Chief Operating Officer of Premier Foods plc and Chief Executive Officer of Uniq plc. He has considerable business-to-business experience in both Europe and the United States and is currently Chairman of both New England Seafood International Limited and Butcher's Pet Care Limited. Geoff is a chartered accountant.

OTHER APPOINTMENTS
Chairman of New England Seafood International Limited
Chairman of Butcher's Pet Care Limited

DAVID GARMAN

NON-EXECUTIVE DIRECTOR &
SENIOR INDEPENDENT DIRECTOR

David was appointed to the Board as a Non-Executive Director in June 2015. He has a broad range of industrial experience and was previously Chief Executive of TDG plc (now TDG Limited), a European contract logistics and supply chain management business, an Executive Director of Associated British Foods plc and held a variety of management roles at United Biscuits. David is currently a Non-Executive Director of Troy Income & Growth Trust plc and a director of several private companies. He has held Non-Executive directorships at St Modwen Properties PLC, Kewill Limited, Victoria PLC and Phoenix IT Group PLC within the last five years.

OTHER APPOINTMENTS
Non-Executive Director of Troy Income & Growth Trust plc
Director of various private companies

SILLA MAIZEY

NON-EXECUTIVE DIRECTOR

Silla was appointed to the Board as a Non-Executive Director in May 2014 having enjoyed an Executive career at British Airways where she worked in a number of different functions. Most recently, Silla served as Managing Director of London Gatwick and was previously involved in Finance, Procurement, Corporate Responsibility and Customer Services. Silla is Chair of NHS Business Services Authority and was recently appointed a Non-Executive Director of Network Rail Limited. She is also a Non-Executive Director of the Crown Commercial Service, a Government Executive agency responsible for centralised procurement for government departments and the wider public sector. Silla is a qualified accountant.

OTHER APPOINTMENTS
Chair of NHS Business Services Authority
Non-Executive Director of the Crown Commercial Service
Non-Executive Director of Network Rail Limited

CORPORATE GOVERNANCE STATEMENT

The Board remains committed to the principles of good corporate governance as it continues to advance the Group's strategy. The Financial Reporting Council's UK Corporate Governance Code (September 2014) (the "**Code**") is an integral part of our values and we continue to follow the good practice which it recommends. The Board considers that the Company has been compliant with the provisions set out in the Code throughout 2016. The Code is publicly available on www.frc.org.uk.

The Board believes that the Annual Report and Accounts 2016 are, when taken as a whole, fair, balanced and understandable, providing shareholders with the requisite information to assess the Company's performance, business model and strategy.

CODE PRINCIPLES

A summary of the Company's key corporate governance practices is as follows:

LEADERSHIP

RESPONSIBILITIES OF THE BOARD

The principal responsibility of the Board is to ensure the Company's long-term success by collectively directing the Company's affairs within the parameters of the Company's internal control framework whilst identifying and managing the interests of its internal and external stakeholders. In seeking to ensure the prosperity of the Company, the Board assumes responsibility for the overall strategy of the Group whilst considering and approving, if considered appropriate, potential acquisitions and disposals, financial statements and major non-recurring projects and capital expenditure. In addition to consideration of significant operational and financial matters, the Board also addresses corporate governance and social responsibility issues together with challenges arising in areas as diverse as health and safety, employment and the environment. In effecting their responsibilities as members of the Board, the Directors remain cognisant of their statutory obligation to act in a manner which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole.

To ensure the effective discharge of its responsibilities, the Board gathers on a regular basis and during 2016 met 12 times (as set out on page 47 of this Annual Report and Accounts 2016). It has a formal schedule of matters specifically reserved for its consideration, as set out in the Group's Corporate Governance Manual, and is made up of nine Directors comprising:

- the Chairman;
- three Executive Directors;
- four independent Non-Executive Directors; and
- one non-independent Non-Executive Director.

Biographies for each of these Directors can be found on pages 44 and 45 of this Annual Report and Accounts 2016.

Following Jeremy Stafford's resignation in January 2016, the Board structure was reviewed: Forsyth Black was appointed President & Managing Director of Menzies Aviation and an Executive Director of the Company whilst Mark Cassie, the Operations Director of Menzies Distribution, and Paul McCourt, the Finance Director of Menzies Distribution, both served as Interim Managing Director of the Division during 2016 (preceding the permanent appointment of Greg Michael in January 2017). The Managing/Interim Managing Directors (as appropriate) of both Divisions worked alongside the previous Chief Financial Officer, Paula Bell, until Giles Wilson's appointment in June 2016 from which point they liaised closely with him.

Additionally, John Geddes, Group Company Secretary since 2006, was appointed to the Board in November 2016 as Corporate Affairs Director.

ROLE OF BOARD MEMBERS

Chairman

After eight years on the Board and in line with the reduction of his other plc responsibilities, Iain Napier informed the Company of his wish to retire and stepped down as Chairman following the Company's annual general meeting ("**AGM**") in May 2016. Dermot Jenkinson, a Non-Executive Director, assumed the role of Interim Chairman and ran the process to appoint a permanent successor. On 25 July 2016 Dr Dermot F. Smurfit was appointed the new Chairman of the Company with Dermot Jenkinson continuing on the Board as a Non-Executive Director.

The Chairman performs a non-Executive role which is clearly defined and which is distinct from other Board positions. His function is to lead the Board in strategic discussions and, in accordance with the Code, to ensure that accurate, clear and timely information is available to all Directors. The Chairman is available to the Executive Directors to discuss any concerns or issues which may arise and seeks to ensure that risk and long-term shareholder value remain a key focus for the Executive Directors. In conducting Board meetings, the Chairman is aware that sufficient time needs to be available for the discussion of agenda items (with particular reference to strategic issues), whilst fostering an atmosphere which encourages active participation by and discussion between all Executive and Non-Executive Directors.

Non-Executive Directors

Non-Executive Directors are appointed for an initial term of three years and, in accordance with the Code, are required to challenge constructively both the performance of Management and the information presented to them whilst contributing to the strategic development of the Group. They are expected to satisfy themselves on the integrity of financial information and be comfortable that the Group's systems of internal financial controls and risk management are rigorous and robust.

One new Non-Executive Director, Paul Baines, was appointed during 2016 as it was considered that his extensive City experience would add an additional dimension to the skillset of the Board with particular reference to its strategy and risk profile.

David Garman has been Senior Independent Director since his appointment in August 2015. David is expected to make himself available to the Company's shareholders, and other stakeholders where required, should any issues or concerns arise and where discussions with the Chairman and/or the Executive Directors are not considered appropriate.

Executive Directors

The role of the Executive Directors is to develop and implement the overall Group strategy, which has been agreed by the Board, on a daily basis. They are expected to report regularly to the Board on any issues which arise within the Group and present their proposed resolutions when problems occur.

Each Executive Director has clearly defined duties and responsibilities which, having been agreed by the Board, are regularly reviewed with the Chairman.

As noted above, Forsyth Black was appointed President & Managing Director of Menzies Aviation and an Executive Director of the Company in January 2016, whilst Giles Wilson assumed the position of Chief Financial Officer and John Geddes the role of Corporate Affairs Director in June 2016 and November 2016 respectively.

Board Committees

The Board also delegates specific responsibilities to the Board Committees detailed in the table below. These Committees have defined Terms of Reference and information of an appropriate quality is issued to them in a timely manner to assist in the performance of their duties. It is the Board's policy that all independent Non-Executive Directors should contribute to the membership of its Committees.

BOARD AND COMMITTEE MEETINGS AND ATTENDANCE IN 2016

	Appointed/resigned	Board	Audit Committee	Remuneration Committee	Nomination Committee
Meetings		12[1]	3	3	5
D Smurfit	July 2016	6/6	–	–	–
F Black	January 2016	12/12	–	–	–
G Wilson	June 2016	8/8	–	–	–
J Geddes	November 2016	1/1	–	–	–
D Jenkinson	–	10/12	–	–	–
S Maizey	–	10/12	3/3	3/3	5/5
D Garman	–	12/12	3/3	3/3	5/5
G Eaton	–	12/12	3/3	3/3	5/5
P Baines	June 2016	7/8	2/2	2/2	2/2
Former Directors					
I Napier	May 2016	4/4	–	–	2/2
P Bell	May 2016	4/4	–	–	–
J Stafford	January 2016	–	–	–	–

Note:
1. Additionally, four meetings occurred in 2016 at which a duly appointed committee of the Board of Directors was present.

Our Board Committees comprise solely independent Non-Executive Directors, with all Committees having four members. The Chairs of the Audit and Remuneration Committees are chosen from Directors who are considered independent under the terms of the Code, whilst the Chairman of the Nomination Committee is the Senior Independent Director.

In January 2017, an additional Board Committee was constituted called the Human Resources Committee. This is chaired by Silla Maizey, a Non-Executive Director, and comprises four members. The purpose of the Committee is to assist the Board in fulfilling its obligations with regard to all HR issues and to ensure that adequate and effective policies and processes are in place throughout the Group, making recommendations to Executive Management as and when required. Key areas of focus of the Committee will include HR structure and standardisation, recruitment and succession planning and addressing staff retention rates. We are a people business and we recognise that we must continue to invest in this highly-valued resource. The constitution of the Human Resources Committee will assist us in this commitment and will guide our approach in dealing with staff turnover.

Additionally, the Board has delegated operational and strategic implementation matters to the Company's Executive Committee which comprises the Executive Directors, the Managing Director of Menzies Distribution and other Senior Executives as required.

EFFECTIVENESS

COMPOSITION OF THE BOARD

The Board recognises that, in accordance with the Code, it, together with its Committees, must have the appropriate balance of skills, knowledge of the Company and expertise to ensure it can effectively discharge its duties and responsibilities. All Directors are expected to act in a way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole whilst exercising their judgement independently from the influences of others. Whilst the Board considers the current balance between Executive and Non-Executive Directors is appropriate, it reviews its composition annually and pays particular regard to the length of tenure of each Director to ensure there are identified candidates when it is considered the Board needs to be refreshed.

During 2016 a recruitment process was undertaken following the procedure outlined on page 52 of this Annual Report and Accounts 2016 which, as indicated above, led to the appointment of Paul Baines as a Non-Executive Director in June 2016. This appointment, together with the aforementioned appointments of Forsyth Black, Giles Wilson, Dr Dermot F. Smurfit and John Geddes are viewed as further strengthening the Board and assisting in the support and development of the Company's strategic outlook.

INDEPENDENCE

The Chairman, Dr Dermot F. Smurfit, was considered to satisfy the independence criteria set out in the Code upon his appointment whilst four of the Non-Executive Directors are considered independent (Silla Maizey, Geoff Eaton, David Garman and Paul Baines). Having been on the Board since 1985, initially as an Executive Director and latterly as a Non-Executive Director, Dermot Jenkinson is not considered independent under the Code. Dermot is, however, regarded as contributing effectively to the Board by providing a breadth of experience and depth of knowledge of the Company due to his time in office, allied to his background in business and general management.

Throughout 2016 and since the end of the financial year ending 31 December 2012, all of the Directors on each of the Board Committees have been independent in compliance with the Code.

SUCCESSION PLANNING AND BOARD RECRUITMENT

The Board is aware that it is essential to have a suitable succession plan in place in the event Board members either move on or retire and, accordingly, reviews its succession plans on an annual basis. The Board also reviews the composition of each of the Board Committees to ensure a suitable rotation of Directors occurs.

With regard to the replacement of any Executive Director, the Board has tasked the Nomination Committee with both reviewing potential internal candidates and nominating suitable external candidates as and when such a position arises. Additionally, each of the Business Leadership teams has a responsibility to ensure that talented individuals within the Group are nurtured and given every opportunity to develop their skills, such that they might progress their career within the organisation.

To ensure a smooth transition of Chairmanship when required, the Nomination Committee continues to have responsibility for ensuring that there is a suitable candidate on the Board or, alternatively, that a suitable candidate is identified externally. When necessary, the Nomination Committee will also engage with external recruitment agencies to identify suitable candidates for both Executive and Non-Executive positions.

NOMINATION PROCESS

As detailed above, the Nomination Committee is tasked with identifying and nominating candidates to the Board when a position is identified. It operates under formal and transparent Terms of Reference and further details of its activities can be found on pages 51 and 52 of this Annual Report and Accounts 2016. The Nomination Committee regularly reviews the structure, size and composition (including the skills, knowledge and experience) required of the Board as against its current position and makes recommendations to the Board taking into account:

- the results of any Board evaluation process;
- the total number of Directors;
- the balance of Executive and Non-Executive Directors and the independent quota of the latter; and
- the need to ensure appropriate collective knowledge and experience, the length of service of the Directors and diversity factors (including, but not limited to, skills mix, regional and industry experience and gender).

DIVERSITY

The Board fully supports diversity and recognises the benefits which diverse viewpoints can bring to key decision-making processes. The Board is committed to developing and encouraging both members of the Board and all Group employees to achieve their full potential, irrespective of gender, race or sexuality. The Board is aware of the benefits which derive from a diverse board when considering any future appointments. Notwithstanding this, the Board does not believe that setting a quota is the most appropriate means by which to achieve a balanced Board and all appointments will be made on merit against objective criteria.

INDUCTION

Upon appointment Directors participate in a structured induction programme to provide familiarity with the business of the Group. The programme is tailored to the individual needs of each new Director and its objective is to ensure that any new Director receives a focused and appropriate induction which will assist them in fulfilling their role both on the Board and on any Board Committee to which they are appointed. Additionally, each new Director spends time with the Executive team to understand the strategic goals and objectives of the Group and discussions will take place around current issues affecting the Group and in respect of operational items.

Thereafter a new Director will meet with the Management teams in the businesses and in the Group's Head Office and will undertake various site visits to understand how the Divisions operate and how the various parts of the Group interact. A new Director will also participate in structured meetings with the Chairman and Non-Executive Directors to ensure they are familiar with the Board, its structures and the operating responsibilities associated with the position to which they have been appointed. Following the site visits and meetings, the new Director will then have the opportunity to discuss whether they have any further training requirements with the Group Company Secretary and whether they would like to arrange any meetings with the Company's major shareholders. This programme was followed for all Directors who were appointed to the Board during 2016, modified as appropriate for those who had previously been in the employment of the Group and tailored to suit individual expertise and experience.

TRAINING AND DEVELOPMENT

The Board believes that regularly updating the knowledge and skills of the Board is vital to its proper and effective functioning and to the attainment of the Company's objectives. The Group Company Secretary is responsible for ensuring that regular updates are provided to the Board in respect of regulatory, legislative and governance changes, applicable reporting requirements and relevant market practices. The annual Board evaluation process is used to identify any training requirements and/or areas of weakness and the Group Company Secretary subsequently works with the Chairman to ensure the requisite training is provided, on either a Board or an individual basis.

The Board is committed to developing talent throughout the Group and advocates that appropriate training, support and development opportunities are afforded to those employees identified as displaying potential (as and when considered appropriate).

INFORMATION AND SUPPORT

All Directors, including Non-Executive Directors, have access to independent professional advice at the Company's expense where they consider it necessary to discharge their responsibilities as Directors of the Company. This advice is arranged via the Group Company Secretary who must make himself available to all Directors to provide advice and assistance where required. Additionally, the Board Committees are supported by external professional advisers who provide additional information/support and undertake work on behalf of the relevant Committee independent of the Company's Management structure. The Group Company Secretary is responsible to each Committee for ensuring that sufficient resources are available to enable it to fully and effectively perform its duties together with ensuring compliance with Board procedures and the Group's Corporate Governance Manual. Directors are also encouraged to visit operations and to undertake such activities and training as is appropriate or may be required or desirable for them to competently undertake their duties.

Board papers are circulated one week prior to all Board meetings to ensure that Directors have sufficient time to familiarise themselves with the items for discussion. The Company uses electronic packs to ensure quick and secure communication of papers to each Director. As part of the annual Board evaluation process, Directors are asked to confirm whether they are happy with the quality and range of papers provided to them and whether they consider they are presented with sufficient contextual information upon which to base their decisions.

BOARD PERFORMANCE EVALUATION

The Board is supportive of the principles and provisions of the Code in respect of Board performance evaluation and its policy is to conduct rigorous internal evaluations of its own performance and that of its Committees and individual Directors on an annual basis. External consultants are used to refresh the process usually every three years with the last evaluation being undertaken by an independent external consultant in the final quarter of 2014.

During 2016 the review was conducted by the Senior Independent Director, David Garman. Each Director completed a detailed questionnaire and the collated results were reviewed collectively by the Board. In addition, David Garman conducted one-to-one interviews with each Director to discuss their responses and any personal views they held. The findings detailed a number of areas that required greater focus going forward. The Group's HR capabilities and the ability to tackle staff turnover were highlighted together with a need for an enhanced customer and competitor focus; a requirement to manage operational key performance indicators closely; and a desire to streamline Board papers to ensure significant information is clearly communicated. Overall, however, the review concluded that the Board functions effectively.

ELECTION AND RE-ELECTION OF DIRECTORS

In accordance with the provisions of the Code, all incumbent Directors are subject to annual re-election by the Company's shareholders. All other Directors are subject to election by shareholders at the first AGM following their appointment and annual re-election thereafter.

ACCOUNTABILITY

RISK AND ASSURANCE

A key function of the Board is to provide assurance that the internal controls and operation of the Group are sufficient and effective. During 2016 the Board regularly reviewed the processes whereby risks are identified, evaluated and managed. The Group's internal audit programme and risk management processes were also reviewed and updated and the Board continues to keep the effectiveness of the Group's system of internal control and risk management under continued review.

Further details of our risk management strategy can be found on pages 30 and 31 of this Annual Report and Accounts 2016.

RELATIONS WITH SHAREHOLDERS

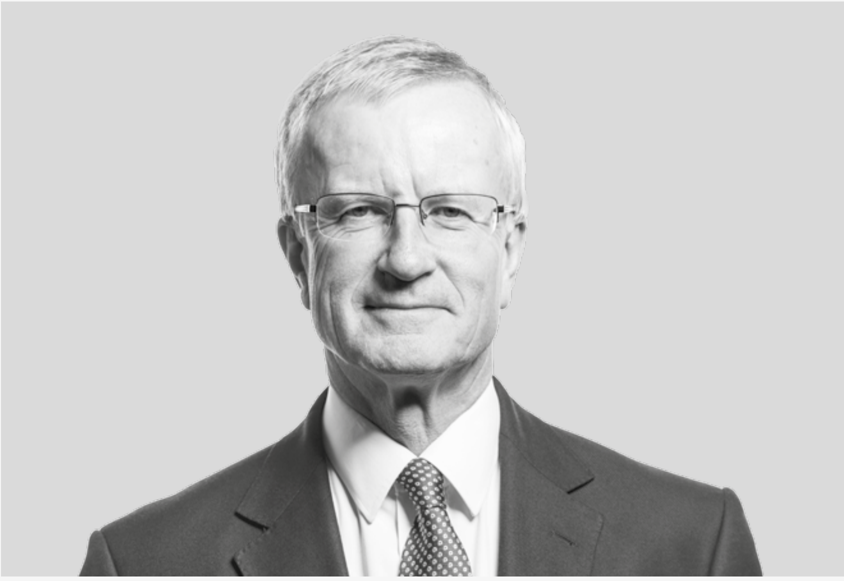
DIALOGUE

The Board has responsibility for communicating with the Company's shareholders and has developed a comprehensive programme to ensure that effective communication with shareholders, analysts and the financial press is maintained throughout each financial year. Through its annual and interim reports, results and other announcements and the dissemination of information via the Company's website, the Board seeks to present its strategy and performance in an objective and balanced manner.

Shareholders are invited to ask questions during the forthcoming AGM and also to meet with the Directors after the formal business of the AGM has concluded. The Chair of each of the Board Committees will be available to answer questions from any shareholder at the AGM. Full details of proxy votes cast on each resolution will be released via a London Stock Exchange announcement and will also be made available on the Company's website as soon as reasonably practicable following the AGM.

Directors are, at any time, able to request additional meetings with major shareholders and any such meetings will be arranged via the Group Company Secretary. At each Board meeting the Board receives an update report both on these meetings and on analyst meetings and/or analyst reports. The Chairman and Senior Independent Director are also available for the Company's shareholders to contact at any time.

NOMINATION COMMITTEE REPORT



David Garman
NOMINATION COMMITTEE CHAIRMAN

COMMITTEE MEMBERS

Name	Position
D Garman[1]	Chairman
S Maizey	Member
G Eaton	Member
P Baines[2]	Member
I Napier[1]	Past Chairman

Notes:
1. Iain Napier stepped down as Chairman of the Nomination Committee when he resigned as Chairman of the Company on 20 May 2016. David Garman assumed the position of Chairman at this time.
2. Paul Baines was appointed to the Nomination Committee upon his appointment as a Non-Executive Director on 1 June 2016.

NOMINATION COMMITTEE

The Terms of Reference of the Nomination Committee, a copy of which is available on the Company's website, are closely modelled on those set out in the UK Corporate Governance Code (September 2014) (the "**Code**"). The principal responsibility of the Nomination Committee is to ensure that, collectively and at any given time, the members of the Board possess the necessary balance of knowledge, skills and experience to support and develop the strategy of the Company. In seeking to achieve this, the Nomination Committee will recommend new Board appointments as and when considered appropriate and will ensure that appropriate succession planning procedures are in place. In accordance with our Terms of Reference, I, as the Chairman of the Nomination Committee, report our conclusions to the Board and it is the Board as a whole which is responsible for making new appointments upon our recommendation.

COMPOSITION

The Nomination Committee is chaired by me, David Garman, the Senior Independent Director, and comprises solely independent Non-Executive Directors. During 2016 Iain Napier resigned as Chairman of the Company and thus stood down as Chairman of the Nomination Committee. The Group Company Secretary continues to act as Secretary to the Nomination Committee pursuant to its Terms of Reference and it remains the case that Executive Directors may, by invitation, attend Nomination Committee meetings to discuss specific agenda items.

ROLE AND RESPONSIBILITIES

As noted above, the Nomination Committee operates under formal and transparent Terms of Reference and is essentially tasked with identifying and recommending candidates to the Board when a position is identified or becomes available.

The Nomination Committee's main duties, as set out in its Terms of Reference, are as follows:

- Evaluate: to evaluate, before making a recommendation to the Board, the balance of skills,

knowledge and experience on the Board and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.
- Succession plan: to ensure that appropriate plans are in place at all times for orderly succession of Board members, taking into account the challenges and opportunities facing the Group and what skills and expertise may therefore be required on the Board in the future.
- Review leadership and structure: to review annually: (i) the structure, size and composition (including the skills, knowledge and experience) of the Board and its Committees and make recommendations to the Board with regard to any changes; and (ii) the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

Further details on these items can be found on, and are incorporated by reference into this Nomination Committee Report, on pages 48 to 50 of this Annual Report and Accounts 2016.

MAIN ACTIVITIES IN 2016

During 2016 the Nomination Committee met on five occasions. Meeting attendance is set out on the table on page 47 of this Annual Report and Accounts 2016.

The Nomination Committee gives full consideration to succession planning for Directors, both Non-Executive and Executive, and other Senior Executives of the Company in the course of its work, taking into account the challenges and opportunities facing the Company and determining what skills and expertise will thus be required on the Board in the future. Indeed, a principal focus of the Nomination Committee during 2016 was to review succession plans for both the Board and, more generally, for senior business leaders within the Group whilst also liaising with the Remuneration Committee in relation to any service contract and remuneration package being offered to a proposed Executive Director or Managing Director of the Group.

Before any appointment is made by the Board, the Nomination Committee evaluates the balance of skills, knowledge and experience currently on the Board and, in light of this evaluation, prepares a detailed description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Nomination Committee shall:

- use open advertising or the services of independent external advisers to facilitate the search;
- consider candidates from a wide range of backgrounds;
- ensure recruitment is undertaken in accordance with the Group's equal opportunities policies; and
- consider candidates on merit and against objective criteria, ensuring that potential appointees have sufficient time available to devote to the position.

A number of Senior Management changes took place within the Group in 2016 and the Nomination Committee played a significant role during this period of transition. Indeed, a fundamental priority of the Nomination Committee was the appointment of replacements for the Chief Executive Officer, Jeremy Stafford, and the Chief Financial Officer, Paula Bell, who left the Company in January 2016 and July 2016 respectively (although the latter resigned from the Board in May 2016). The Committee led the process which resulted in the internal appointments of Forsyth Black as President & Managing Director of Menzies Aviation in January 2016 and Giles Wilson as Chief Financial Officer in June 2016.

The Nomination Committee was also involved in the process which led to the appointment of Dr Dermot F. Smurfit as the new Chairman of the Company.

These appointments, together with the appointment of John Geddes as Corporate Affairs Director in November 2016, are viewed as both further strengthening the Group's senior leadership team and ensuring that individuals of the appropriate calibre are in place to lead the Group and drive forward its strategic objectives.

Additionally, and as highlighted in the Annual Report and Accounts 2015, the Nomination Committee continued to monitor the leadership requirements of both our Divisions and the structure of the Board during 2016. This led to the Nomination Committee appointing independent recruitment consultant Korn Ferry, which has no other connection with the Company, to assist in identifying suitable candidates for specific roles before undertaking a rigorous interview and reference process. The outcome of this process was the appointment of Paul Baines, as a Non-Executive Director, and Greg Michael, as Managing Director of Menzies Distribution, in June 2016 and January 2017 respectively. In undertaking this recruitment, the Nomination Committee used the appointment process outlined in the Corporate Governance Statement on pages 48 and 49 of this Annual Report and Accounts 2016. The balance of skills, knowledge and experience of the Board was evaluated and the Nomination Committee developed the requisite appointment specifications.

OBJECTIVES FOR 2017

It is the Nomination Committee's intention to continue to oversee the composition and structure of the Board, ensuring that the Group is at all times structured to successfully deliver its strategy and to compete effectively in the marketplaces within which it operates. During 2017 the Nomination Committee will also continue to closely monitor the structure, membership and succession plans of its Committees and, more generally, the leadership requirements of our businesses, making recommendations to the Board where considered appropriate. Additionally and in accordance with the Nomination Committee's Terms of Reference, I will liaise with the Chairman of the Remuneration Committee in relation to the service contract and remuneration package to be offered to any proposed Executive Director or Managing Director.

On behalf of the Board

David Garman
Nomination Committee Chairman
7 March 2017

AUDIT COMMITTEE REPORT

Silla Maizey
AUDIT COMMITTEE CHAIRMAN

BOARD MEMBERS

Name	Position
S Maizey	Chairman
D Garman	Member
G Eaton	Member
P Baines[1]	Member

Note:
1. Paul Baines was appointed to the Audit Committee upon his appointment as a Non-Executive Director on 1 June 2016.

AUDIT COMMITTEE

The Audit Committee provides effective oversight and governance over the financial integrity of the Group's financial reporting to ensure that the interests of the Company's shareholders are protected at all times. It assesses the quality of the internal and external audit processes and ensures that the risks which our businesses face are being effectively managed.

It is vitally important that we operate a culture where the very best controls environment exists throughout our global operations. Accordingly, the Audit Committee not only continually reviews and updates our activities in line with new legislation but also against the context of the evolving nature of our operating businesses.

All of the members of the Audit Committee are Non-Executive Directors and during 2016 the Committee continued to be chaired by me, Silla Maizey. Other members comprised Geoff Eaton, a chartered accountant, David Garman and Paul Baines, who was appointed to the Audit Committee on 1 June 2016 following his appointment as a Non-Executive Director. I will step down as Chairman of the Audit Committee at the forthcoming annual general meeting in May 2017, having been appointed Chairman of the Company's newly created Human Resources Committee, and Paul Baines will assume my position.

The composition of the Audit Committee meets with the requirements of the UK Corporate Governance Code (September 2014) (the "**Code**") but, in line with good practice, membership is reviewed annually.

ROLE AND RESPONSIBILITIES

The Audit Committee assists the Board in the execution of its responsibilities in respect of corporate governance and internal control and has adopted Terms of Reference modelled on those set out in the Code. During 2016 the Group's Chief Financial Officer, Group Company Secretary and certain senior Financial Executives, together with representatives from the internal and external audit teams, attended each meeting of the Audit Committee. It is a requirement that at least one Audit Committee member has suitable financial experience and both myself, Silla Maizey, and Geoff Eaton are accountants, qualified and chartered respectively, and have been identified as meeting this requirement.

A copy of the Audit Committee's Terms of Reference is available on the Company's website.

The Audit Committee has delegated authority from the Board for ensuring adherence to the Code provisions and related guidance.

RESPONSIBILITIES

The responsibilities of the Audit Committee include:

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

The Audit Committee also exists to safeguard the interests of the Company's shareholders and thus seeks to ensure the integrity of the published financial statements through their rigorous review and a full and effective audit process being undertaken by the Company each financial year. This external audit process is currently undertaken by Ernst & Young LLP ("EY").

REVIEW OF AUDIT COMMITTEE MEETINGS

As scheduled, the Audit Committee met three times during 2016. Meeting attendance is set out in the table on page 47 of this Annual Report and Accounts 2016.

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

During each financial year the Audit Committee Chairman generally follows a formal agenda structure for each of the meetings which are planned. The agenda is reviewed at the start of each year by the Committee Chairman and the Group Company Secretary and they consider the inclusion of any items over and above the standard items which the Audit Committee may wish to review.

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

The Audit Committee has the authority to seek any information it requires from any employee of the Company and believes it has received sufficient, reliable information from Management to enable it to fulfil its responsibilities during 2016. The Audit Committee can take such independent professional advice as it considers necessary.

MAIN ACTIVITIES IN 2016

- The Audit Committee formally reviewed and recommended the Company's Annual Report and Accounts 2015 (including the Statements on Internal Control and the work of the Audit Committee) and associated business review together with the Interim Results announcement made by the Company. This aspect of its work focused on key accounting policies, estimates and judgements, including significant or unusual transactions or changes to these. In doing so the Audit Committee reviewed the reports of Management and the controls assurance (internal audit) provider and took into account the views of the external auditor.
- The Audit Committee reviewed the work of Management which involved assessing key risks at Group and Divisional level according to their significance, likelihood and impact, as well as the Group's exposure to and management of these risks. The Risk Register and evaluation of risk constantly evolve and the Audit Committee was satisfied that Management had appropriate risk management strategies and systems in place to address the Group's key business risks, such strategies and systems having been in place throughout 2016 and up to the date of approval of this document.
- The Audit Committee reviewed and adopted an updated internal audit plan, increasing the level of audits at both the operational and controls level.
- The Audit Committee also reviewed the objectivity and independence of the external auditor.
- The Audit Committee reviewed the process undertaken by Management to support and allow the Directors to make the Group's Viability Statement. The Committee considered and provided input into the determination of the period over which viability should be assessed; which of the Group's principal risks and combinations thereof should be modelled to assess the impact on the Group's liquidity and solvency; and reviewed the results of Management's scenario modelling and the reverse stress testing of these models.
- The Audit Committee reviewed increased automation within the Aviation Division to ensure key deliverables were achieved.
  In addition to its standard agenda, the Audit Committee welcomed presentations from both Divisions on key areas of focus. The Audit Committee is keen to continue to be kept updated on key risk areas of safety, security and financial control and ad hoc presentations will continue to take place during 2017.

The primary areas of judgement considered by the Audit Committee in relation to the financial statements contained within this Annual Report and Accounts 2016 and how these were addressed are as follows:

GOODWILL AND INTANGIBLE ASSETS

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

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

PENSION ACCOUNTING

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

EXCEPTIONAL AND OTHER ITEMS

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

REVENUE RECOGNITION

The Audit Committee has reviewed the work completed by Management in the year to ensure that the Group has appropriately recognised revenues in accordance with its contractual obligations during the period, paying attention to expected returns. The Audit Committee was satisfied with the approach and judgements taken.

TAXATION

Provisioning for current and deferred tax liabilities and assets requires the exercising of judgement. The Audit Committee addressed this through the receipt of a range of reports from Management and a separate Tax Committee has been established to deal with such requests (see further detail below). The Audit Committee challenged the appropriateness of Management's views, including the extent to which these are supported by appropriate external advice. In particular, the Committee challenged Management's calculations of provisions for items under discussion with authorities and of the deferred tax assets and liabilities.

PROVISIONS

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

EXTERNAL GROUP AUDIT

EY is the appointed external auditor to the Group, having been appointed in 2009 following a tender process. Whilst James Nisbet became lead audit partner during 2015 due to Annie Graham, the previous lead audit partner, being on maternity leave, Annie re-assumed this position during 2016. There are no contractual obligations in place which restrict the Audit Committee in its choice of external audit provider.

It is vitally important that the Audit Committee considers that its appointed external auditor conducts a full and effective audit and, accordingly, its performance is subject to annual review. In undertaking this review the Chairman of the Audit Committee seeks the opinion of fellow Committee members, the Chief Financial Officer and the views of certain members of Senior Management who have been exposed to/had input into the audit process. The Audit Committee reviews and approves both the Company's audit plan and the findings of the external auditor in respect of its audit of the Company's financial statements, carefully monitoring these to ensure completeness, accuracy, clarity and integrity.

In seeking to ensure the external auditor's effectiveness, the Audit Committee keeps its objectivity and independence under review together with the nature and extent of the non-audit services which it provides. Historically these non-audit services have included dealing with the Group's tax affairs as it was considered its knowledge of the Group's business processes and controls made it best-placed to undertake this work in the most cost-effective manner. However, a change in the applicable EU regulations regarding non-audit fees has meant that from 1 January 2017 there is a restriction on the work that an external auditor can perform for a listed company in relation to non-audit services. During 2016 the Company undertook a detailed review of the audit and tax services provided to it which resulted in PricewaterhouseCoopers LLP being appointed as the Group's tax advisers from 1 July 2017.

In 2016, as in previous years, the non-audit work undertaken on the Group's behalf by EY was not handled by the EY external audit partner but managed separately from the audit workstream.

During 2016, audit fees paid to EY amounted to £1.0m and non-audit fees amounted to £3.3m. Non-audit fees included £1.9m in connection with the work as Reporting Accountant on the prospectus and circular relating to the acquisition of ASIG and the associated Rights Issue. The Audit Committee regularly reviews the remuneration received by the external auditor for audit services, audit-related services and non-audit work to ensure a balance of objectivity, value for money and compliance with statutory duties is maintained. The outcome of these reviews in 2016 was that performance of the relevant non-audit work (excluding the tax services referenced above) by EY continued to be the most cost-effective way of conducting the Group's businesses and that no conflict of interest existed between the provision of such audit and non-audit services. Additionally, such reviews enabled the Audit Committee to confirm that the Company continued to receive an efficient, effective and independent audit service from EY.

All non-audit work is put out to tender and non-audit fees paid to EY are approved by the Chief Financial Officer, who reports any significant payments or awards of work to the Audit Committee.

With regard to work as Reporting Accountant, the Audit Committee was satisfied that EY was the most appropriate and cost-effective provider of this service and therefore such appointment was in the best interests of the Group. In order to ensure auditor independence was maintained, the Reporting Accountant work was led by a partner and senior teams independent of the audit team. The Audit Committee believes that the level and scope of these non-audit services do not impair the objectivity of the external auditor.

Following a review held at the conclusion of the 2016 audit the Audit Committee was satisfied that EY continued to provide an effective audit and remained independent and objective.

INTERNAL CONTROL AND RISK MANAGEMENT

A key factor in the Group's approach to internal control is the recognition of the need for risk awareness and the ownership of risk management by Executives at all levels. The Group operates an Executive Committee which convenes six times per annum to review the risk programmes and internal audit outcomes and ensure that all required actions are implemented. All risk and compliance programmes are also reviewed quarterly by Divisional senior leadership teams. Additionally, a Statement of Group Policies and Procedures (the "**Statement**") sets out the responsibilities of the Executive Committee, including authority levels, reporting disciplines and responsibility for risk management and internal control.

From January 2017, each Operating Division has had a Senior Management Committee which meets quarterly and reports directly into the Executive Committee. These Committees have a standard agenda to review, inter alia, audit, compliance, HR and safety and security issues. The Operating Divisions have also adopted Corporate Governance Manuals which detail the requisite controls in implementing the policies and procedures set out in the Statement. Certain activities, including Treasury, Taxation, Insurance, Pensions and Legal, are controlled centrally with reports reviewed by the Board as appropriate.

During 2016 the Risk Register process evolved further. Risks are now categorised into 14 areas with key identified risks, both financial and non-financial (the latter including environmental, social and governance risks), reviewed by the Board as well as the Executive Committee on an ongoing basis. A formal six-monthly review of risks and controls takes place, supported by the Group's controls assurance provider. The Executive Committee also reviews each Division's performance, strategy and risk management. Annual compliance statements on internal control are certified by each Division and, where appropriate, the Group Finance function. Details of the key risks identified through this exercise are included on pages 32 and 33 of this Annual Report and Accounts 2016.

A Treasury Review Committee meets monthly to review the adequacy of the Group's facilities against potential utilisation and commitments and to monitor and manage the Group's exposure to interest rate and currency movements. Additionally, a Tax Committee meets quarterly to assess the impact of any tax changes which may affect the Group in any of the jurisdictions in which it operates.

Further details on how the Board manages business risks are shown on pages 30 and 31 of this Annual Report and Accounts 2016.

INTERNAL AUDIT

The Audit Committee reviewed the Group's internal control structure and approved the scope of work and fees for external controls assurance providers.

Due to the complexity of the Group's business and the international nature of the Aviation business, the Audit Committee has decided that the internal audit function is best served by using a mixture of external providers and internal staff. As a result the function is delivered by a combination of Deloitte LLP ("**Deloitte**"), given its global spread and resources, other external operational providers as required and operational teams. The work undertaken by Deloitte primarily focuses on financial controls and business management with operational branch and station audits undertaken by external advisers and internal staff.

In accordance with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (September 2014), the Directors are responsible for the Group's system of internal control which covers financial, operational and compliance controls together with risk management. The system has been in place throughout 2016 and up until the date of this Annual Report and Accounts 2016, except that it did not apply to the Group's material joint ventures.

Findings from the internal audit programme (on financial and key non-financial risks) and areas identified for improvement are reviewed by the Audit Committee and prioritised for action by Management. The Audit Committee reviews follow-up reports from Management to ensure that any weaknesses identified in internal audit reports submitted to it are fully addressed and improved procedures adopted.

The use of a standard accounting manual by Finance teams throughout the Group ensures that transactions and balances are recognised and measured in accordance with prescribed accounting policies and that information is appropriately reviewed and reconciled as part of the reporting process. Further, the use of a standard reporting tool by all entities in the Group ensures that information is gathered and presented in a consistent manner which facilitates the production of the consolidated financial statements.

Whilst no system can provide absolute guarantee and protection against material loss, the system is designed to give the Directors reasonable assurance that problems can be identified promptly and remedial action taken as appropriate. The Directors, through the Board's review of risk and the work of the Audit Committee, have reviewed the effectiveness of the system of internal control for the accounting period under review and consider that it accords with guidance.

On behalf of the Board

Silla Maizey
Audit Committee Chairman
7 March 2017

REMUNERATION COMMITTEE REPORT

Geoff Eaton
REMUNERATION COMMITTEE CHAIRMAN

COMMITTEE MEMBERS

Name	Position
G Eaton	Chairman
S Maizey	Member
D Garman	Member
P Baines[1]	Member

Note:
1. Paul Baines was appointed to the Remuneration Committee upon his appointment as a Non-Executive Director on 1 June 2016.

STATEMENT BY GEOFF EATON, REMUNERATION COMMITTEE CHAIRMAN

On behalf of the Board, I am pleased to introduce the Company's Remuneration Report for the financial year ended 31 December 2016. This Report details the Remuneration Policy for the Company's Executive and Non-Executive Directors and provides details of their remuneration for 2016.

Having been appointed in September 2015 I have now completed my first full year as Chairman of the Company's Remuneration Committee and, during my tenure to-date, I have been keen to ensure that our Executive remuneration is fair, balanced and reflective of the general markets and environments in which we operate.

The Remuneration Policy which the Company adopted following shareholder approval at its annual general meeting ("**AGM**") in May 2014 is designed to both reflect the strategic objectives of the Company and to drive long-term shareholder value. Whilst we continued to operate within this Remuneration Policy during 2016, a revised Remuneration Policy (the "**New Policy**") will be put forward for shareholder approval at the forthcoming AGM to ensure we remain compliant with the applicable reporting regime. Shareholders will have a binding vote on the resolution to approve the New Policy.

As you will see in the Policy section of this Remuneration Committee Report, the New Policy remains largely unchanged from the current Remuneration Policy. However, we have looked at the Remuneration Policy afresh, particularly in the context of the Company's current position, strategy and performance ambitions. We have a new Executive Management team which the Remuneration Committee is keen to align with the Company's performance, whilst ensuring that the overall package is balanced and reasonable in the context of a FTSE SmallCap company. The key changes which are reflected in the New Policy are as follows:

- The Share Matching Plan ("**SMP**") will be discontinued after the 2017 awards. This will simplify the remuneration package and reduce the overall headline incentive opportunity available. There is no change to the Long-Term Incentive Plan ("**LTIP**") award maximum, which will continue at 100% of salary.
- Alignment with shareholders will be strengthened through an additional 12 month holding period for future LTIP awards. The holding period will normally continue post an Executive leaving.
- The Remuneration Committee considered that the current shareholding guidelines of 200% of salary are excessive for a company of John Menzies' size and disproportionate to the level of long-term share incentive being offered. The shareholding guidelines will therefore be reduced to 100% of salary. The Remuneration Committee believes that this level of shareholding, together with the new holding period requirement, will create a strong, but proportionate, alignment with shareholders.
- It is proposed that Executive Directors will enter into new service contracts which provide for a 12 month notice period for both the Executive and the Company (as opposed to the current six month period).

I hope that shareholders will agree that overall we have taken a balanced approach to Executive remuneration. We have reduced maximum incentives and introduced holding periods, but have also reviewed shareholding guidelines and contracts and set these at what we consider to be reasonable for a company of our size.

BOARD CHANGES

Having completed seven years as Chairman of the Company, Iain Napier stepped down from the Board following the Company's AGM in May 2016. Thereafter Dr Dermot F. Smurfit was appointed as the new Chairman in July 2016.

The Remuneration Committee determined that it would be appropriate for part of the Chairman's fee to be delivered as a fixed number of shares. This portion of his fee arrangement was approved by the Company's shareholders at the general meeting convened on 11 October 2016. Dr Smurfit was awarded 20,000 ordinary shares in the Company on 17 November 2016 and, subject to his continuation in office, the same number of ordinary shares will be part of his fee arrangement in 2017 and 2018.

As detailed in the Annual Report and Accounts 2015, Jeremy Stafford resigned his position as Chief Executive Officer and Director of the Company in January 2016. As previously disclosed (and in accordance with section 430(2B) of the Companies Act 2006), following discussions between Mr Stafford and the Company, Mr Stafford received a payment of £65,200 (gross) for loss of office. He also received a maximum contribution of £4,000 plus VAT towards legal fees incurred in connection with his leaving. No other remuneration payment or any payment for loss of office has been made to Mr Stafford.

His unvested LTIP and SMP awards lapsed in January 2016.

Additionally, Paula Bell resigned from the Board in May 2016. She did not receive any payments in relation to her resignation and her unvested LTIP and SMP awards lapsed in May 2016.

Following a review of the Management structure, Forsyth Black was appointed President & Managing Director of Menzies Aviation and an Executive Director of the Company in January 2016. Giles Wilson was appointed Chief Financial Officer in June 2016 following Paula Bell's resignation. John Geddes, the Group Company Secretary, was appointed to the Board in the position of Corporate Affairs Director in November 2016 and Paul Baines was appointed as a Non-Executive Director with effect from 1 June 2016.

The packages of all new Board members are in line with the Company's Remuneration Policy (and the New Policy).

LTIP

As disclosed in the Company's Annual Report and Accounts 2015, 2016 awards to Executive Directors under the updated rules of the Company's LTIP were based on Total Shareholder Return as this was considered the most appropriate target for rewarding delivery of long-term shareholder value. 2017 LTIP awards will be made on a similar basis.

However as we progress with our strategy, the Remuneration Committee will review whether to reintroduce a financial measure, such as long-term growth, into the LTIP.

REMUNERATION OUTCOMES

The Remuneration Committee has reviewed 2017 base salary levels for Executive Directors. On appointment to the Board, Forsyth Black's salary was set initially at a lower level to allow for increases as he developed in the role. Against that background the Remuneration Committee determined that it was appropriate for his salary to be increased from £300,000 to £350,000 from 1 January 2017. Additionally, Giles Wilson's salary will be increased from £300,000 to £325,000 with effect from 1 May 2017, an increase which also reflects his progress in the role since his appointment. John Geddes' salary was reviewed when he was appointed to the Board in November 2016.

The 2014 LTIP and Bonus Co-Investment Plan awards were assessed by the Remuneration Committee based on performance to 31 December 2016. The Remuneration Committee determined that the relevant performance measures were not met and such awards will lapse following the Company's final results announcement on 8 March 2017. Further details are provided on pages 71 and 72 of this Annual Report and Accounts 2016.

Geoff Eaton
Remuneration Committee Chairman
7 March 2017

DIRECTORS' REMUNERATION POLICY

DIRECTORS' REMUNERATION: PRINCIPLES

The current Remuneration Policy, which is available at www.johnmenziesplc.com, was approved by the Company's shareholders at its annual general meeting ("**AGM**") on 16 May 2014. However, in compliance with section 439A of the Companies Act 2006 (the "**2006 Act**"), the following Remuneration Policy (the "**New Policy**") is being put forward for shareholder approval at the Company's 2017 AGM. The New Policy contained here will be subject to a binding vote and will take effect immediately upon receipt of such approval from the Company's shareholders. The Company's Remuneration Policy has been developed to ensure that the Company is well placed to attract, retain and motivate Directors with the ability and experience necessary to run the Company successfully, whilst also aligning Executive remuneration with the financial returns of its shareholders. The clawback and malus policy remains as included in the Company's Annual Report and Accounts 2015 and the only material differences between the current Remuneration Policy and the New Policy are, as set out on page 59 of this Annual Report and Accounts 2016, as follows:

- We are removing the Bonus Co-investment Plan ("**BCIP**")/Share Matching Plan ("**SMP**") following 2017. This results in a reduction in the headline total opportunity.
- The current Remuneration Policy provides for a shareholding target of 200% for Executive Directors but this is reduced to 100% under the New Policy.
- All new awards made under the Company's Long-Term Incentive Plan ("**LTIP**") will have a 12 month retention period attached post-vesting.
- The service contracts for the Executive Directors provide for a six month notice period for both the Executive and the Company (with the exception of Forsyth Black who may terminate his appointment upon giving not less than 12 months' notice). It is proposed that the Executive Directors enter into new service contracts which provide for a 12 month notice period for both the Executive and the Company.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
1. BASIC SALARY Attract and retain high performing individuals, reflecting market value of role and Executive's skills and experience.	Normally reviewed annually. Salaries for 2017 will be: • F Black: £350,000 • G Wilson: £325,000 • J Geddes: £250,000 The Remuneration Committee takes into consideration a number of factors when setting salaries including (but not limited to): • the size and scope of an individual's responsibilities; • an individual's skills, experience and performance; • typical salary levels for comparable roles at appropriate comparator companies; • pay and conditions elsewhere in the Company; and • inflation in the relevant market.	There is no maximum opportunity. Salary increases will normally be in line with the average increase awarded in the wider employee population. Higher increases may be made in certain circumstances and at the Remuneration Committee's discretion. For example, this may include (but is not limited to): • increase in the scope and/or responsibility of an individual's role; • development of an individual within the role; • corporate events such as a significant acquisition or Group restructuring which impacts the scope of a role; and • where it is considered necessary for the retention of an Executive or to reflect significant changes in market practice.	None, although individual and Group performance are factors taken into account when setting salaries.
2. ANNUAL BONUS Incentivise delivery of Group and individual objectives and enhance performance.	The annual bonus is paid in cash and shares, based on the Remuneration Committee's assessment of performance during the financial year in question.	Maximum annual award is 100% of salary.	All measures and targets are reviewed annually and set at the start of each financial year. The measures will include relevant Group and/or Divisional financial measures and may include performance against Key Results Areas ("**KRAs**") or other strategic measures as appropriate. At least 70% of the bonus will be based on financial measures.
DEFERRED BONUS IN SHARES Encourages a longer-term focus which is aligned to shareholders and discourages inappropriate risk-taking.	20% of any award is paid in deferred shares with such shares having dividend entitlements. The Remuneration Committee may claw back bonus awards for a period of three years after the end of the relevant bonus year in the event of the misstatement of accounts that materially increased the amount of bonus paid or misconduct by an employee which has or could have led to their employment being summarily terminated. The Remuneration Committee may increase the level of deferral at any time.		

STRATEGIC REPORT
GOVERNANCE REPORTS
FINANCIAL STATEMENTS
SHAREHOLDER INFORMATION

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
BCIP/SMP The BCIP/SMP will be discontinued from 1 January 2018.	Directors can voluntarily invest up to 40% of any cash bonus awarded, after deduction of tax, to acquire contributory shares. It is the amount of the gross bonus invested which determines the number of qualifying shares. Matching shares are awarded based on the number of qualifying shares. Vesting of shares is dependent on the attainment of performance criteria. Matching shares usually vest over three years. Matching awards may incorporate the value of dividends over the relevant performance period.	Directors can voluntarily invest up to 40% (on a gross basis) of any cash bonus received. Investments are matched at a maximum of 1:1 with shares that vest dependent on performance. The maximum opportunity is 32% of salary for the award in 2017. No SMP award will be granted following the 2017 awards.	Performance criteria are reviewed and set at the start of each award period. Matching awards will vest based on Group Earnings Per Share ("**EPS**") performance. No more than 25% of an award vests on the attainment of threshold target.
3. LTIP To incentivise value creation over the medium and long-term. To reward the execution of the Group's strategy. To encourage longer-term thinking and planning. To align the interests of shareholders and Directors.	Awards under the LTIP may be in the form of a conditional right to acquire shares or an option to acquire shares. Vesting of shares is dependent on the attainment of performance criteria over a period of at least three years. After vesting all shares must be held for a further 12 month period.	Maximum annual grant value is 100% of salary.	Performance criteria are reviewed and set at the start of each award period, using one or more of relative Total Shareholder Return ("**TSR**"), Group EPS performance, Return on Capital Employed or any other Group financial and/or Divisional performance measures. No more than 25% of an award vests on the attainment of threshold target.
4. PENSION To provide market levels of pension provision.	Directors can participate in the Menzies Money Purchase Pension Scheme or cash equivalent. F Black and J Geddes participate in a defined benefit pension scheme. The scheme closed to new entrants in 2007. The defined benefit pension plans are operated by the trustees of the Menzies Pension Fund. These arrangements were agreed prior to 27 June 2012.	Under the Menzies Money Purchase Pension Scheme Directors may receive a pension contribution of up to 20% of salary. The Remuneration Committee may determine that Executive Directors receive a cash supplement of up to 20% of salary in lieu of pension. The defined benefit pension scheme provides pension of up to two-thirds of pensionable earnings or the 'scheme earnings cap' if lower. Participating Directors receive a payment of 20% of the difference between the cap and their current salary.	None.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
5. BENEFITS To provide market levels of benefits provision.	Executive Directors receive benefits which typically may include, but are not limited to, private health insurance, life assurance, ill-health insurance protection and a company car allowance. Other benefits may be operated through salary sacrifice. The Remuneration Committee may introduce or remove benefits offered to individuals where it considers it appropriate to do so. Where Executive Directors are required to relocate, the Remuneration Committee may, if considered appropriate, offer additional relocation or expatriate benefits.	As the cost of providing other benefits, including health insurance and life assurance, may vary from year to year, it is not considered practical to define a maximum level for these or any other benefits. The level of any relocation benefits, allowances and expenses will depend on the specific circumstances. There is no overall maximum level of benefits.	None.
COMPANY SHARESAVE SCHEME This provides the Company's UK employees with an interest in the performance of its shares.	Accumulated savings may be used to exercise an option to acquire ordinary shares of £0.25 each in the Company ("**Ordinary Shares**"). The option price of such Ordinary Shares may be discounted by up to the HMRC-approved level (currently 20%).	Monthly contributions of up to the HMRC-approved limit over a three or five year period.	None.
SHAREHOLDING GUIDELINES To align the Executive Directors with the long-term interests of shareholders.	Shareholding guidelines for Executive Directors are 100% of salary (built up over time).		

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
CHAIRMAN AND NON-EXECUTIVE DIRECTORS' FEES To attract Non-Executive Directors of sufficient skills and experience to fulfil the role.	The fees for Non-Executive Directors comprise a basic payment plus additional payments for being Chairman of a Committee, a Committee member or for being the Senior Independent Director. Differential fee levels may be paid for Non-Executive Directors depending on the skills, experience, nationality, and responsibilities of an individual or additional time commitments for the role. The Chairman receives a fee for services to the Company. A portion of Chairman and Non-Executive Directors' fees may be delivered as Company shares. Non-Executive Directors' fees are reviewed periodically by the Board with reference to external benchmarking.		

Notes:

1. Annual bonus
   The annual bonus performance measures have been chosen to provide an appropriate balance between incentivising Executive Directors to meet financial targets for the year and to deliver the Group's KRAs. This balance allows the Remuneration Committee to effectively reward performance against the key elements of the Group's strategy.
   Threshold and stretch targets are derived from a review of the historical and projected performance of the Group and its peers, together with an analysis of analysts' expectations.
2. LTIP
   The ultimate goal of the Company is to provide long-term sustainable returns to shareholders. The performance measures are intended to align Executive remuneration with this goal. In particular (for 2017):
   Relative TSR – Total shareholder return relative to a relevant peer group is currently considered to be the best measure of the Company's ultimate delivery of value to shareholders. The Remuneration Committee considers that this promotes alignment between Executive Director reward and shareholders' financial returns. Targets are set with reference to wider market practice and are positioned at a level which the Remuneration Committee considers represent stretching performance.
3. Differences in remuneration policy for Directors and other employees
   Remuneration arrangements throughout the Group are based on the principle that reward should be set at competitive levels to support the delivery of the Group's strategy and also attract, retain and motivate individuals who have the necessary skills for each role. Pay differs for employees of different seniority and for those operating in different parts of the world. For example, in accordance with market practice and shareholder expectations, the remuneration arrangements for Executive Directors place a significant emphasis on long-term performance related pay compared to other employees. The Company also operates an HMRC-approved Sharesave Scheme, in which all employees (including Executive Directors) are eligible to participate and which aims to promote a sense of ownership amongst staff.

The LTIP and the SMP will be operated in accordance with the rules of the respective plans as approved by shareholders. Awards may be adjusted in accordance with the rules approved by shareholders. For example, LTIP and SMP awards may be adjusted in the event of any variation of the Company's share capital. The Remuneration Committee may recommend to the Board that it amends the targets applicable to LTIP or SMP awards if an event occurs which causes the Remuneration Committee to reasonably consider that, having due regard to the interests of shareholders, the performance targets should be varied to ensure a fair measure of performance or a more effective incentive for participants.

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

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

1. CLAWBACK AND MALUS

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

- Cash and deferred bonuses may be clawed back for a period of three years after the end of the relevant bonus year in the event of the misstatement of accounts that materially increased the amount of bonus paid or misconduct by an employee which has or could have led to their employment being summarily terminated.
- Matching deferred bonus awards and LTIP awards may be clawed back after vesting where the Company is required to restate its accounts to a material extent; the Board becomes aware of any material wrongdoing on the part of an employee which would have entitled the Company to terminate the employee's employment; or any other reason the Remuneration Committee includes in the relevant terms at the time an award is made. The clawback period will be set by the Remuneration Committee.

2. RECRUITMENT POLICY

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

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

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

Normally the maximum variable remuneration (excluding buyouts) would be in line with the Directors' Remuneration Policy table above. The Remuneration Committee retains the flexibility to determine that for the first year of appointment any annual bonus award will be subject to such conditions as it may determine. Against that background, where the potential exists that a new Executive Director could have different roles and responsibilities to those currently appointed, such responsibilities may require to be reflected in that Executive Director's remuneration arrangements. Taking this into account the Remuneration Committee may, for the first year, make an additional performance-related incentive award of up to 50% of salary. The form of any award would be determined at the relevant time.

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

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

3. SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

The Executive Directors have service contracts with the Company as detailed below. The Company's practice on notice periods has been that they should be for a period of six months for both the Executive and the Company. The Remuneration Committee has determined that, having due regard to prevailing market conditions and practice among companies of comparable size, and subject to the New Policy being approved by the Company's shareholders, the service contracts of Executive Directors should contain a 12 month notice period for both the Executive and the Company.

Executive Director	Date of service contract	Notice period
F Black	13/01/2016	Terminable on 26 weeks' notice[1]
G Wilson	15/04/2016	Terminable on 26 weeks' notice
J Geddes	23/11/2016	Terminable on 26 weeks' notice

Note:
1. Forsyth Black may terminate his appointment upon the giving of not less than 52 weeks' notice.

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

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

4. PAYMENTS TO OUTGOING DIRECTORS

Executive Directors will be entitled to receive their basic salary and contractual benefits for any notice period. The Company may, in its absolute discretion, elect to terminate an Executive Director's employment by making a payment in lieu of notice of the individual's salary for that period. The Remuneration Committee may structure any such payments in such a way as it deems appropriate, taking into account the circumstances of departure. Any payments of compensation will be subject to negotiation and, the Remuneration Policy includes consideration of appropriate mitigation, including phasing of payments.

In the event of a Director's departure, any outstanding share awards will be treated in accordance with the rules of the relevant share plan. The following principles apply for the treatment of remuneration elements following loss of office of a Director:

Annual bonus	There is no automatic entitlement to annual bonus. Taking into account the circumstances of leaving, the Remuneration Committee may award a bonus in respect of performance in the relevant financial year with appropriate consideration of time pro-rating.
Deferred bonus shares	Deferred bonus shares are required to be transferred back to the Company (or the Director to pay the market value of such shares to the Company) in circumstances of resignation or dismissal. In other circumstances the deferred bonus shares would normally be retained by the Director.
BCIP/SMP	If a Director ceases office or employment with the Company any unvested awards will lapse unless the individual is a good leaver. Good leavers are those participants who leave by reason of death, injury, ill-health, disability, retirement, redundancy, the transfer of the individual's employing company or business out of the Group or such other circumstances as the Remuneration Committee may determine. This discretion will not be exercised where the individual is dismissed for misconduct. For good leavers, awards will vest subject to the Remuneration Committee's assessment of the extent to which the performance targets have been met and, unless the Remuneration Committee determines otherwise, time pro-rating by reference to the proportion of the performance period elapsed. Under the BCIP and upon death, the matching ratio will be 1:1 unless the Remuneration Committee determines that it should apply a lower ratio taking into account the particular circumstances, the time elapsed in the performance period and the extent to which the performance targets are likely to be achieved. Under the SMP and upon death, time pro-rating by reference to the proportion of the performance period elapsed will apply unless the Remuneration Committee determines that it would be fairer to apply a substantially higher or lower matching ratio taking into account the particular circumstances, the time elapsed in the performance period and the extent to which the performance targets are likely to be achieved.
LTIP	If a Director ceases office or employment with the Company any unvested awards will lapse unless the individual is a good leaver. Good leavers are those participants who leave by reason of injury, disability, retirement (with the agreement of the employing company), redundancy, the transfer of the individual's employing company or business out of the Group or such other circumstances as the Remuneration Committee may determine. This discretion will not be exercised where the individual is dismissed for misconduct. Awards will vest no earlier than the normal vesting date subject to performance to the end of the relevant performance period and time pro-rating. The Remuneration Committee may determine the extent to which the additional holding period will continue to apply post leaving. If the participant dies, awards will normally vest as soon as practical on a time-apportioned basis and subject to the Remuneration Committee's assessment of the likelihood that the performance conditions will be met in the ordinary course of events.
Pension	The Director will be eligible to receive the standard contribution to the defined contribution pension plan, or cash equivalent, during the notice period.
Company Sharesave Scheme	Leavers will be treated in accordance with the rules of the approved Scheme.
Benefits	The Company may make a contribution towards reasonable legal fees incurred in relation to any agreement to cease employment.
Buyout awards and additional recruitment awards	The Remuneration Committee should determine the leaving terms for any such award at the time of grant.

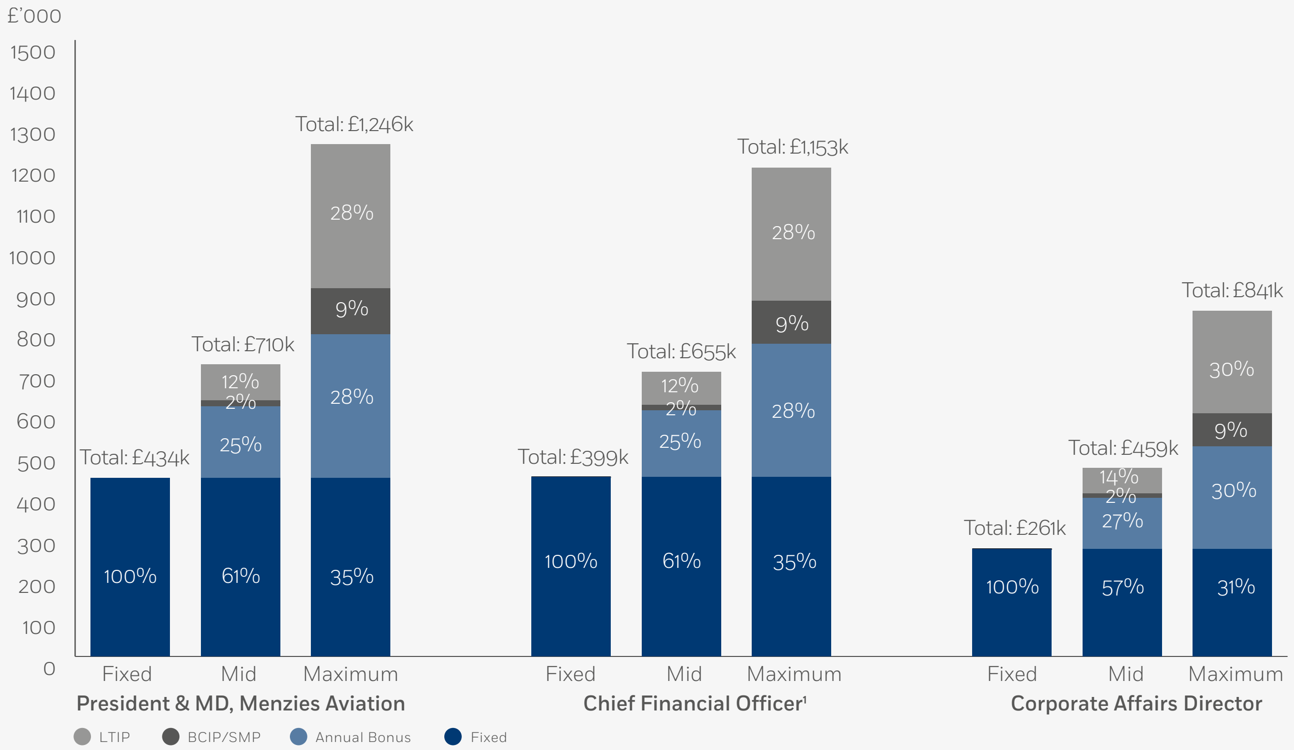
The Remuneration Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise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

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

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

5. ILLUSTRATIONS OF REMUNERATION POLICY

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



Component	'Fixed'	'Mid'	'Maximum'
Base salary	Base salary for 2017		
Pension	Defined benefit – single figure value for 2016 Defined contribution/cash supplement – value for 2017		
Benefits	Taxable value of annual benefits provided in 2016		
Annual bonus (cash and deferred shares)	0% of salary	50% of salary	100% of salary
BCIP/SMP	0% of salary	25% vesting of 1:1 match	100% vesting of 1:1 match on deferral of 40% of 'Maximum' bonus
LTIP	0% vesting	25% vesting	100% vesting

Notes:
1. Benefits exclude one-off relocation costs provided in 2016.
2. The values for the BCIP/SMP and the LTIP exclude share price growth following grant or the value of any dividend equivalent payments.

6. CONSIDERATION OF EMPLOYEE CONDITIONS ELSEWHERE IN THE GROUP

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

The Group employs 35,000 people in 245 locations globally and the Remuneration Committee therefore did not believe it practical or reasonable to consult employees on the Remuneration Policy for Executive Directors during 2016. The Remuneration Committee took into account employee conditions across the Group when determining the New Policy.

7. CONSIDERATION OF SHAREHOLDER VIEWS

The Remuneration Committee reviews shareholder feedback on Executive remuneration matters as well as developments in investor body guidelines, and has taken these into account in formulating Executive remuneration policies.

ANNUAL REPORT ON REMUNERATION

TOTAL REMUNERATION RECEIVED FOR THE YEAR ENDED 31 DECEMBER 2016

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

Jeremy Stafford resigned from the Board on 13 January 2016 whilst Paula Bell and Iain Napier stepped down following the Company's annual general meeting ("**AGM**") on 20 May 2016.

Forsyth Black was appointed to the Board on 13 January 2016, both Giles Wilson and Paul Baines were appointed with effect from 1 June 2016, Dr Dermot F. Smurfit became Chairman on 25 July 2016 and John Geddes was appointed to the Board with effect from 23 November 2016.

The table below and items 1 to 8 are subject to audit by the Company's auditor.

	Base salary/fee £'000		Taxable benefits[1] £'000		Annual bonus £'000		Bonus Co-investment Plan £'000		Long-term Incentive Plan £'000		Total long-term incentives £'000		Pension £'000		Total remuneration £'000	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Executive Directors																
F Black[2]	289	–	14	–	275	–	–	–	–	–	–	–	70	–	648	–
G Wilson[2]	175	–	46	–	175	–	–	–	–	–	–	–	35	–	431	–
J Geddes[2]	27	–	2	–	26	–	–	–	–	–	–	–	9	–	64	–
Non-Executive Directors																
D Smurfit[2,3]	173	–	–	–	–	–	–	–	–	–	–	–	–	–	173	–
D Jenkinson[4]	69	40	–	–	–	–	–	–	–	–	–	–	–	–	69	40
S Maizey	46	45	–	–	–	–	–	–	–	–	–	–	–	–	46	45
D Garman	49	27	–	–	–	–	–	–	–	–	–	–	–	–	49	27
G Eaton	46	26	–	–	–	–	–	–	–	–	–	–	–	–	46	26
P Baines[2]	25	–	–	–	–	–	–	–	–	–	–	–	–	–	25	–
Former Directors																
J Stafford[5,6]	33	400	1	13	–	–	–	–	–	–	–	–	7	80	41	493
P Bell[5]	188	319	9	15	–	–	–	–	–	–	–	–	36	64	233	398
I Napier[5]	78	188	–	–	–	–	–	–	–	–	–	–	–	–	78	188

Notes:
1. Benefits offered to Executive Directors include a car allowance and health insurance. Giles Wilson's benefits for 2016 include £37,000 for relocation costs in relation to his appointment to the Board and the Company has agreed to meet some further expenditure in 2017 in relation to his relocation. Details of the pension arrangements for each of the Directors are included on page 75 of this Annual Report and Accounts 2016.
2. Relevant remuneration reflects the individual appointment dates of each of Forsyth Black (13 January 2016), Giles Wilson (1 June 2016), John Geddes (23 November 2016), Dr Dermot F. Smurfit (25 July 2016) and Paul Baines (1 June 2016) to the Board.
3. Part of the Company's fee arrangement with Dr Smurfit for his services in his first year as Chairman was a cash fee satisfied by way of issue of up to 20,000 ordinary shares of £0.25 each in the Company ("**Ordinary Shares**"). Therefore, in accordance with the resolutions approved by the Company's shareholders at the general meeting convened on 11 October 2016, the Company transferred 20,000 Ordinary Shares out of Treasury to Dr Smurfit on 17 November 2016 at a price of 490.8483 pence per Ordinary Share. For the avoidance of doubt, the value of these Ordinary Shares is included in the fee figure for Dr Smurfit.
4. The figure of £69,000 reflects the pro-rated increase of Dermot Jenkinson's fee from £40,000 to £188,000 during the period in which he held the office of Interim Chairman.
5. Relevant remuneration reflects the individual leaving dates of each of Jeremy Stafford (13 January 2016), Paula Bell (29 July 2016) and Iain Napier (20 May 2016).
6. A payment of £65,200 (gross) was also made to Jeremy Stafford for loss of office together with a contribution of £4,000 plus VAT towards legal fees incurred in connection with the foregoing. No other remuneration payment or any payment for loss of office of the type specified in section 430(2B) of the Companies Act 2006 was made to him.

1. BASE SALARY

Salaries of Executive Directors and other Company staff are reviewed annually. The current salaries for Executive Directors are set out below and are usually updated annually on 1 May.

On appointment to the Board, Forsyth Black's salary was set initially at a lower level to allow for increases as he developed in the role. Against that background the Remuneration Committee determined that it was appropriate for his salary to be increased from £300,000 to £350,000 from 1 January 2017. Additionally, Giles Wilson's salary will be increased from £300,000 to £325,000 from 1 May 2017.

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

	2015 salary	2016 salary	2017 salary	Percentage increase for 2017
F Black[1]	–	£300,000	£350,000	16.7%
G Wilson[2]	–	£300,000	£325,000	8.3%
J Geddes[3]	–	£250,000	£250,000	0%

Notes:
1. Forsyth Black was appointed President & Managing Director of Menzies Aviation on 13 January 2016.
2. Giles Wilson was appointed Chief Financial Officer of the Company on 1 June 2016.
3. John Geddes was appointed Corporate Affairs Director on 23 November 2016.

2. NON-EXECUTIVE DIRECTORS' AND CHAIRMAN'S FEES

For 2016 the fees policy for Non-Executive Directors was as follows:

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

Directors receive one fee either for Committee Chairmanship or Committee membership, irrespective of the number of Committees on which they serve. The fees paid to Non-Executive Directors in respect of each of the positions detailed above are reviewed annually. They were reviewed in March 2017 and it was agreed that no changes would be made in 2017.

The Chairman's fees comprise a cash fee of £150,000 per annum plus 20,000 Ordinary Shares per annum. The portion of fees delivered as Ordinary Shares will also apply in 2017 and 2018. This fee arrangement was approved by shareholders at the Company's general meeting convened on 11 October 2016.

3. ANNUAL BONUS SCHEME

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

2016 BONUS AWARDS

For 2016 bonuses were calculated as follows:

Name	Measure	Threshold target	Stretch target	Performance achieved	Weighting (% of salary)	Overall achieved	Cash value of award £'000[4]
F Black	Group Underlying Profit before Tax[2]	£38.9m	£42.9m	£44.3m	70%	100%	£275
	Group Cash Conversion	98%	102%	117%	10%	100%	
	KRAs[3]	–	–	–	20%	76%	
G Wilson[1]	Group Underlying Profit before Tax[2]	£38.9m	£42.9m	£44.3m	70%	100%	£175
	Group Cash Conversion	98%	102%	117%	10%	100%	
	KRAs[3]	–	–	–	20%	100%	
J Geddes	Group Underlying Profit before Tax[2]	£38.9m	£42.9m	£44.3m	70%	100%	£26
	Group Cash Conversion	98%	102%	117%	10%	100%	
	KRAs[3]	–	–	–	20%	88%	

Notes:
1. The targets for Giles Wilson relate to the period from 1 June 2016, when he assumed the role of Chief Financial Officer, and make up 7/12ths of his award.
2. Calculated in accordance with the Bonus Scheme Rules.
3. The specific KRA targets are considered to be commercially sensitive and it is not considered appropriate to disclose them.
4. 20% of all bonus awards are deferred in the Company's shares for a three year period to December 2019.
5. Neither Jeremy Stafford nor Paula Bell received any bonus payment in 2016 having resigned from the Board on 13 January 2016 and 20 May 2016 respectively.

OPERATION OF POLICY FOR 2017 BONUS AWARDS

The performance measures used for 2017 annual bonus awards will not contain a Group Cash Conversion element and will comprise Group Underlying Profit before Tax (80%) and KRAs (20%). Performance targets will be disclosed retrospectively where considered appropriate as the Board considers that the disclosure of prospective targets is not appropriate due to their commercial sensitivity.

4. BONUS CO-INVESTMENT PLAN ("**BCIP**")/SHARE MATCHING PLAN ("**SMP**")

Under the BCIP and, from 2016 onwards, under the SMP, Executive Directors are invited to invest up to 40% of any annual cash bonus into the BCIP/SMP (as appropriate). As previously indicated, however, it is intended to withdraw the SMP from 1 January 2018.

2014 BCIP AWARDS

Awards made under the BCIP in March 2014 were on a 1:1 matching basis. 25% of the matching shares on these awards were due to be paid if the threshold target (EPS growth exceeds the Retail Price Index ("**RPI**") by 0%) was achieved, rising on a straight-line basis to 100% paid at or above stretch target (EPS growth exceeds the RPI by 3%+). Any dividends accrued on shares which vest are paid in cash upon vesting.

The performance period for awards made in 2014 ended on 31 December 2016. The per annum growth in EPS for the Company over the performance period of the award was below the threshold level and accordingly the awards will lapse.

2015 BCIP AWARDS

For BCIP awards made in March 2015 performance measures and targets were set as follows:

Measurement	Threshold target (25% vesting)	Stretch target (100% vesting)
EPS v Consumer Price Index ("**CPI**")	EPS growth equals CPI growth	EPS growth exceeds CPI growth by 3%

2016 SMP AWARDS

As detailed in the Annual Report and Accounts 2015, the performance measures and targets for awards made under the SMP in March 2016 were as follows:

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

Details of awards made under the SMP in 2016 are shown in the table headed 'Scheme interests awarded during 2016' on page 74 of this Annual Report and Accounts 2016.

The same performance measures and targets will be used for awards made under the SMP in 2017.

The performance criteria are set at threshold and stretch level. At threshold, 25% of a BCIP/SMP award will vest, increasing on a straight-line basis to 100% for stretch or greater achievement.

Outstanding BCIP/SMP awards are as follows:

Name	31 December 2015	Granted during 2016	Market price of award	Vested during 2016	Lapsed during 2016	Gain/(loss) £'000	31 December 2016	Performance period
F Black[1]	–	2,385	478.0p	–	–	–	2,385	1/1/2016-31/12/2018
G Wilson[1]	3,513[3]	–	646.5p	–	–	–	3,513	1/1/2014-31/12/2016
	–	2,757	478.0p	–	–	–	2,757	1/1/2016-31/12/2018
J Geddes[1]	436[3]	–	646.5p	–	–	–	436	1/1/2014-31/12/2016
Former Directors								
J Stafford[2]	3,959	–	375.8p	–	3,959	–	–	1/1/2015-31/12/2017
P Bell[2]	2,841	–	646.5p	–	2,841	–	–	1/1/2014-31/12/2016
	9,509	–	652.0p	–	9,509	–	–	1/1/2015-31/12/2017

Notes:
1. The award figures detailed for each of the current Executive Directors have been adjusted to reflect the re-calculated amount following the Rights Issue undertaken by the Company in 2016.
2. All outstanding awards for each of Jeremy Stafford and Paula Bell lapsed upon their resignation from the Board in January 2016 and May 2016 respectively.
3. As the performance criteria have not been achieved, this award shall lapse following the Company's final results announcement on 8 March 2017.

5. LONG-TERM INCENTIVE PLAN ("**LTIP**")

Under the Company's LTIP all awards are subject to a three year performance period with appropriate targets.

The Company's LTIP targets are designed to align the interests of the Executive Directors with those of the Company's shareholders and to promote a long-term interest in the success of the Group.

The performance criteria are set at threshold and stretch level. At threshold, 25% of a LTIP award will vest, increasing on a straight-line basis to 100% for stretch or greater achievement.

2014 LTIP AWARDS

LTIP awards made to Executive Directors during the financial year ending 31 December 2014 are detailed below. As the performance criteria have not been achieved, these awards shall lapse following the Company's final results announcement on 8 March 2017.

	Shares granted[1]	Criteria	Threshold target	Stretch target	Attainment	Weighting	Shares vesting	Performance period
G Wilson[1]	22,460	Menzies Aviation underlying operating profit	£43.4m	£50.0m	0%	75%	–	1/1/2014-31/12/2016
		TSR v FTSE250	TSR = FTSE250 median	TSR > FTSE250 median + 30%	0%	25%		
F Black[1]	10,392	Menzies Aviation underlying operating profit	£43.4m	£50.0m	0%	75%	–	1/1/2014-31/12/2016
		TSR v FTSE250	TSR = FTSE250 median	TSR > FTSE250 median + 30%	0%	25%		
J Geddes[1]	19,391	John Menzies plc underlying profit before tax	£62.9m	£71.7m	0%	50%	–	1/1/2014-31/12/2016
		TSR v FTSE250	TSR = FTSE250 median	TSR > FTSE250 median + 30%	0%	50%		
Former Directors								
J Stafford[2]	52,631	John Menzies plc underlying operating profit	£62.9m	£71.7m	–	50%	–	1/1/2014-31/12/2016
		TSR v FTSE250	TSR = FTSE250 median	TSR > FTSE250 median + 30%		50%		
P Bell[2]	40,817	John Menzies plc underlying operating profit	£62.9m	£71.7m	–	50%	–	1/1/2014-31/12/2016
		TSR v FTSE250	TSR = FTSE250 median	TSR > FTSE250 median + 30%		50%		

Notes:
1. The award figures detailed for each of the current Executive Directors have been adjusted to reflect the re-calculated amount following the Rights Issue undertaken by the Company in 2016.
2. All outstanding awards for each of Jeremy Stafford and Paula Bell lapsed upon their resignation from the Board in January 2016 and May 2016 respectively.

2016 LTIP AWARDS

As disclosed in the Annual Report and Accounts 2015, performance measures and targets for the LTIP awards made in March 2016 were as follows:

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

Details of the LTIP awards made in March 2016 are shown in the table headed 'Scheme interests awarded during 2016' on page 74 of this Annual Report and Accounts 2016.

OPERATION OF POLICY FOR 2017 AWARDS

The performance measures for LTIP awards made in 2017 will be as follows:

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

Outstanding LTIP awards as at 31 December 2016 are shown below:

Name	31 December 2015	Granted during 2016	Market price of award	Vested during 2016	Lapsed during 2016	Gain/(loss) £'000	31 December 2016	Performance period
F Black[1]	10,392[3]	–	654p	–	–	–	10,392	1/1/2014-31/12/2016
	44,098	–	385p	–	–	–	44,098	1/1/2015-31/12/2017
	–	76,736	443p	–	–	–	76,736	1/1/2016-31/12/2018
G Wilson[1]	22,460[3]	–	654p	–	–	–	22,460	1/1/2014-31/12/2016
	43,227	–	385p	–	–	–	43,227	1/1/2015-31/12/2017
	–	37,610	443p	–	–	–	37,610	1/1/2016-31/12/2018
J Geddes[1]	19,391[3]	–	654p	–	–	–	19,391	1/1/2014-31/12/2016
	33,928	–	385p	–	–	–	33,928	1/1/2015-31/12/2017
	–	33,571	443p	–	–	–	33,571	1/1/2016-31/12/2018
Former Directors								
J Stafford[2]	52,631	–	570p	–	52,631	–	–	1/1/2014-31/12/2016
	103,896	–	385p	–	103,896	–	–	1/1/2015-31/12/2017
P Bell[2]	40,817	–	654p	–	40,817	–	–	1/1/2014-31/12/2016
	82,935	–	385p	–	82,935	–	–	1/1/2015-31/12/2017
	–	72,159	443p	–	72,159	–	–	1/1/2016-31/12/2018

Notes:
1. The award figures detailed for each of the current Executive Directors have been adjusted to reflect the Rights Issue undertaken by the Company in 2016.
2. All outstanding awards for each of Jeremy Stafford and Paula Bell lapsed upon their resignation from the Board in January 2016 and May 2016 respectively.
3. As the performance criteria have not been achieved, this award shall lapse following the Company's final results announcement on 8 March 2017.

6. SCHEME INTERESTS AWARDED DURING 2016

	Type of interest	Basis on which award made	Maximum number of shares awarded	Share price on date of grant of option	Face value of shares (£)	Percentage vesting at threshold	Performance period end
F Black[1]	LTIP[3] – conditional shares	100% of salary	76,736	£4.43	£339,940	25%	31/12/2018
	SMP[3] – conditional shares	1:1 matched on deferred bonus	2,385	£4.78	£11,400	25%	31/12/2018
	Save As You Earn[4]	n/a	704	£4.80	£3,379	n/a	31/11/2019
G Wilson[1]	LTIP[3] – conditional shares	75% of salary	37,610	£4.43	£166,612	25%	31/12/2018
	SMP[3] – conditional shares	1:1 matched on deferred bonus	2,757	£4.78	£13,178	25%	31/12/2018
	Save As You Earn[4]	n/a	704	£4.80	£3,379	n/a	31/11/2019
J Geddes[1]	LTIP[3] – conditional shares	75% of salary	33,571	£4.43	£148,720	25%	31/12/2018
	Save As You Earn[4]	n/a	356	£4.80	£1,709	n/a	31/11/2019
Former Directors							
P Bell[2]	LTIP[3] – conditional shares	100% of salary	72,159	£4.43	£319,664	25%	31/12/2018

Notes:
1. The award figures detailed for each of the current Executive Directors have been adjusted to reflect the Rights Issue undertaken by the Company in 2016.
2. All outstanding awards for Paula Bell lapsed upon her resignation from the Board in May 2016.
3. The exercise price for shares granted under the SMP and LTIP is zero.
4. The exercise price for shares granted under the Save As You Earn scheme is the share price at the date of grant discounted by 20%.

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

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

7. TOTAL PENSION ENTITLEMENTS

SCHEME BENEFITS/CASH PAYMENTS IN LIEU OF PENSION CONTRIBUTIONS

Forsyth Black is a member of the Menzies Pension Fund and accrues 1/60th of his pensionable salary (subject to the scheme earnings cap) for each year of pensionable service.

Giles Wilson was a member of the Menzies Money Purchase Pension Scheme which provides Company contributions equivalent to 20% of salary (subject to the scheme earnings cap). Due to annual and lifetime allowance purposes, he opted out of the Scheme with effect from 31 March 2016 and now receives a cash payment equivalent to 20% of his salary in lieu of pension contribution.

John Geddes is a member of the Menzies Pension Fund and accrues 1/30th of his pensionable salary (subject to the scheme earnings cap) for each year of pensionable service.

Where the scheme earnings cap applies, Forsyth Black and John Geddes receive a cash payment equivalent to 20% of their salary above the cap.

Neither Paula Bell nor Jeremy Stafford participated in the Menzies Pension Fund whilst Executive Directors. They were entitled to join the Menzies Money Purchase Pension Scheme or elect to receive an equivalent cash payment. Both received cash payments equivalent to 20% of their salary in lieu of any pension contribution, pro-rated to reflect their respective periods in office in 2016.

UNFUNDED ARRANGEMENT

The total of the transfer values for unfunded pension entitlements, held on the Company's Balance Sheet at 31 December 2016 for former Directors, calculated on an IAS 19 basis, totalled £1,829,597 (2015: £1,529,597), from which annual pensions of £59,438 were paid to former Directors (2015: £63,815).

8. DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS

Executive Directors have been expected to build a shareholding in the Company of 200% of salary but this will reduce to 100% under the New Policy (if approved). Executive Directors are given a period of time to build their shareholding.

The following table shows Directors' shareholdings and share interests as at 31 December 2016 together with share options exercised during 2016:

	Number of shares owned (including deferred shares)	Unvested conditional shares subject to performance conditions (LTIP and BCIP/SMP awards)	Unvested options over shares subject to savings contracts (SAYE)	Vested options exercised during 2016	Unvested conditional shares not subject to performance conditions
D Smurfit	425,000	–	–	–	–
F Black	10,829	161,907	2,203	–	–
G Wilson	24,406	124,082	704	–	13,780
J Geddes	15,880	101,841	1,041	–	13,780
D Jenkinson – Beneficial	67,857	–	–	–	–
– Non-beneficial	995,000	–	–	–	–
S Maizey	2,035	–	–	–	–
D Garman	13,571	–	–	–	–
G Eaton	4,000	–	–	–	–
P Baines	–	–	–	–	–
Former Directors					
I Napier	–	–	–	–	–
P Bell	–	–	–	–	–
J Stafford	15,573	–	–	–	–

LEGACY AWARDS

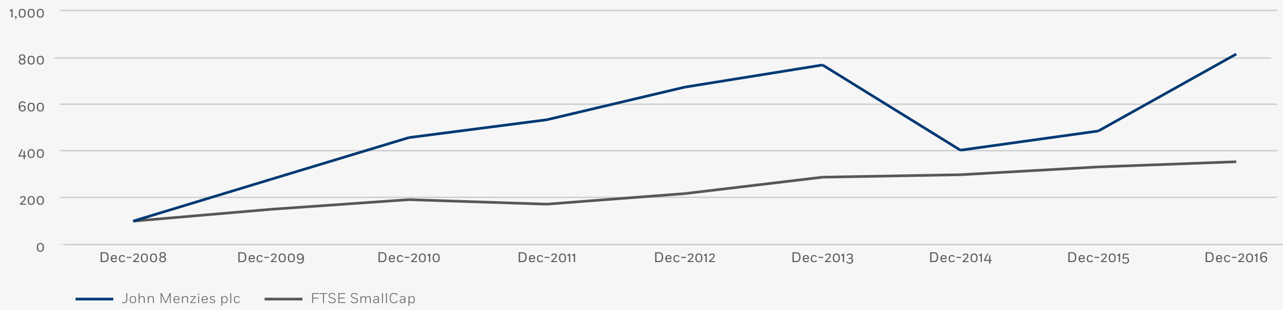
The share interests table above includes the following outstanding awards for current Executive Directors (granted prior to their appointment to the Board) as at 31 December 2016:

Name	31 December 2015	Initial value of award	Vested during 2016[2]	Lapsed during 2016	Gain/(loss) £'000	31 December 2016	Retention period
F Black[1]	–	£124,250	–	–	–	28,296	1/7/2015-30/6/2018[2]
G Wilson[1]	–	£75,000	–	–	–	13,780	19/8/2014-19/8/2017[3]
	–	£63,740	–	–	–	14,515	1/7/2015-30/6/2018[2]
J Geddes[1]	–	£75,000	–	–	–	13,780	19/8/2014-19/8/2017[3]
	–	£63,740	–	–	–	14,515	1/7/2015-30/6/2018[2]

Notes:
1. The award figures detailed for each of the current Executive Directors have been adjusted to reflect the re-calculated amount following the Rights Issue undertaken by the Company in 2016.
2. Unvested conditional shares subject to performance conditions (EPS growth of 3% per annum).
3. Unvested conditional shares subject to continued employment.

9. EIGHT YEAR HISTORICAL TSR PERFORMANCE AND EXECUTIVE DIRECTOR PAY

The following graph compares the Company's TSR for the eight years to December 2016 with the equivalent performance of the FTSE SmallCap Index. Whilst previously the FTSE250 Index was considered the most appropriate comparative Index, after careful consideration the Remuneration Committee decided that from 2016 onwards it would be more appropriate to benchmark the Company against the FTSE SmallCap Index.



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

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

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

10. PERCENTAGE CHANGE IN REMUNERATION

The Regulations also require companies to show the annual change in base salary, benefits and annual bonus for any director undertaking the role of CEO during the financial year in question, in this case regarded as being Forsyth Black, together with the average change for all Group employees. Whilst the table below details this information, given the geographical spread of the Group's operations and taking into account the different rates of wage inflation which exist, the average for Group employees for comparison with Forsyth Black is based on the total UK employee base.

	Base salary (% change)	Benefits (% change)	Annual bonus (% change)
CEO	-25%	+7%	n/a[1]
Average for Group employees	+2%	0%	-43%

Note:
1. Percentage change in remuneration for the role of CEO is based on Jeremy Stafford's 2015 remuneration and Forsyth Black's 2016 remuneration. Jeremy Stafford did not receive a bonus for 2015 and therefore the percentage change in annual bonus cannot be calculated for 2016.

11. RELATIVE IMPORTANCE OF SPEND ON PAY

The total Group spend on employee remuneration during 2016 and the immediately preceding financial year is reflected in the following table:

	2015	2016
Group employee remuneration costs	£506.7m	£582.1m
Dividend distribution	£8.0m	£10.6m
Share buyback	£0m	£0m

12. THE REMUNERATION COMMITTEE

During 2016 the following Non-Executive Directors were members of the Remuneration Committee:

Name	Position	Attendance
G Eaton	Chairman	3/3
D Garman	Member	3/3
S Maizey	Member	3/3
P Baines (appointed June 2016)	Member	2/2

ADVISERS TO THE REMUNERATION COMMITTEE

During 2016 the Remuneration Committee was advised by remuneration consultants from Deloitte LLP. Total fees in relation to Executive remuneration consulting were £38,025. Deloitte also provided advice in relation to controls assurance.

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

In addition, legal advice was sought by the Remuneration Committee from Maclay Murray & Spens LLP, the Company's solicitors, where considered appropriate.

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

13. REMUNERATION RESOLUTIONS

The table below provides the results of the Directors' Remuneration Report 2015 resolution and the Directors' Remuneration Policy 2013 resolution which were tabled at the Company's AGM in May 2016 and May 2014 respectively:

Resolution	Votes for	Percentage	Votes against	Percentage	Votes total	Votes withheld
Directors' Remuneration Report 2015	46,397,914	92.88%	3,557,734	7.12%	49,955,648	37,136
Directors' Remuneration Policy 2013	36,476,336	99.67%	78,488	0.21%	36,599,865	45,041

An advisory resolution to approve this Remuneration Report will be tabled at the forthcoming AGM, together with a binding resolution to approve the Directors' Remuneration Policy as set out on pages 60 to 68 of this Annual Report and Accounts 2016. The Chairman of the Remuneration Committee will be available to answer questions from the Company's shareholders on this Remuneration Report.

14. EXTERNAL APPOINTMENTS

The Board recognises the benefits to the individual and to the Company of involvement by Executive Directors as Non-Executive Directors on the boards of other companies. Prior to accepting an invitation to become a Non-Executive Director of another company, an Executive Director must receive approval from the Chairman of the Company. This approval will not be denied where the Chairman is confident that the appointment in question will not interfere with the Director's ability to perform their duties for the Company or provide a conflict of interest. Executive Directors are entitled to retain any fees received under such appointments.

On behalf of the Board

Geoff Eaton
Remuneration Committee Chairman
7 March 2017

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

DIRECTORS

All of the Directors who served during 2016 are shown in the table below. Biographies of those Directors who were in office at the end of 2016 are included on pages 44 and 45 of this Annual Report and Accounts 2016 and all of these Directors held office throughout 2016 with the exception of Forsyth Black, who was appointed to the Board on 13 January 2016; Giles Wilson and Paul Baines, who were both appointed as Directors on 1 June 2016; the Company's Chairman, Dr Dermot F. Smurfit, who was appointed to the Board on 25 July 2016; and John Geddes, who was appointed Corporate Affairs Director on 23 November 2016. After eight years on the Board Iain Napier stood down from his position as Chairman of the Company following the Company's annual general meeting ("**AGM**") on 20 May 2016. Jeremy Stafford and Paula Bell also resigned from the Board on 13 January 2016 and 20 May 2016 respectively.

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

Name	Position	Appointed/resigned		31 December 2016	31 December 2015
D Smurfit	Chairman	Appointed July 2016	Beneficial	425,000	n/a
G Wilson	Chief Financial Officer	Appointed June 2016	Beneficial	24,406	n/a
F Black	President & Managing Director of Menzies Aviation	Appointed January 2016	Beneficial	10,829	n/a
J Geddes	Corporate Affairs Director & Group Company Secretary	Appointed November 2016	Beneficial	15,880	n/a
D Jenkinson	Non-Executive Director	Appointed December 1985	Beneficial	748,857	1,801,443
			Non-beneficial	314,000	2,432,860
S Maizey	Non-Executive Director	Appointed May 2014	Beneficial	2,035	1,500
D Garman	Non-Executive Director	Appointed June 2015	Beneficial	13,571	10,000
G Eaton	Non-Executive Director	Appointed June 2015	Beneficial	4,000	–
P Baines	Non-Executive Director	Appointed June 2016	–	–	n/a
Former Directors					
I Napier	Chairman	Resigned May 2016	Beneficial	n/a	15,360
P Bell	Chief Financial Officer	Resigned May 2016	Beneficial	n/a	17,519
J Stafford	Chief Executive Officer	Resigned January 2016	Beneficial	n/a	19,920

There have been no subsequent changes to these interests as at 7 March 2017.

No Director had any material interest in any contract, other than a service contract as set out on page 66 of this Annual Report and Accounts 2016.

SUBSTANTIAL SHAREHOLDINGS

In addition to the Directors' interests set out above, the Company had been notified of the following interests of 3% or more in its Ordinary Shares as at 31 December 2016 and 7 March 2017:

Name	Number of Ordinary Shares as at 7 March 2017	Percentage of issued Ordinary Shares	Number of Ordinary Shares as at 31 December 2016	Percentage of issued Ordinary Shares
Kabouter Management LLC	10,000,767	11.95%	10,008,237	11.96%
Shareholder Value Management AG	8,513,117	10.21%	8,513,117	10.21%
Lakestreet Capital Partners AG	7,124,421	8.55%	7,124,421	8.55%
D.C. Thomson & Company Limited	5,163,058	6.20%	5,163,058	6.20%
Premier Asset Management	3,778,571	4.53%	3,778,571	4.53%

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

In accordance with the 2006 Act and the Company's Articles of Association (the "**Articles**"), the Company has arranged qualifying third party indemnities against financial exposure which the Directors may incur in the course of their professional duties for the Company. Equivalent qualifying third party indemnities were, and remain, in force for the benefit of those Directors who stood down from the Board during 2016. In addition to these indemnities, the Company places Directors' and Officers' liability insurance cover for each Director.

DIVIDENDS

The Directors recommend the payment of a final dividend of 13.1p per Ordinary Share (2015: 11.8p), payable on 3 July 2017 to shareholders on the Company's Register of Members as at the close of business on 26 May 2017. The shares will be quoted as ex-dividend on 25 May 2017. This final dividend, together with the interim dividend of 5.4p per Ordinary Share (2015: 5.0p) paid on 18 November 2016, makes a total dividend of 18.5p per Ordinary Share for the 2016 financial year.

POLITICAL DONATIONS

In accordance with its policy, the Group did not give money for political purposes nor did it make any donations to political organisations or independent candidates or incur any political expenditure during 2016.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, are detailed in Note 17 to the Accounts contained in this Annual Report and Accounts 2016, which information is incorporated by reference into this Directors' Report.

EXPOSURE TO RISK

The risk exposure of the Group, including the exposure to price risk, credit risk, liquidity risk and cash flow risk, is included in Note 17 to the Accounts contained in this Annual Report and Accounts 2016, which information is incorporated by reference into this Directors' Report.

FINANCIAL INSTRUMENTS

Details of the use of financial instruments and financial risk management are included in Note 17 to the Accounts contained in this Annual Report and Accounts 2016, which details are incorporated by reference into this Directors' Report.

EMPLOYEE INVOLVEMENT

Details of how the Company involves its employees in its business are contained in the Strategic Report section of this Annual Report and Accounts 2016 (pages 2 to 41), which details are incorporated by reference into this Directors' Report.

POST BALANCE SHEET EVENTS

ACQUISITION OF ASIG

On 1 February 2017 the Group announced the completion of the acquisition of 100% of the share capital of (and voting rights in) ASIG Holdings Ltd and ASIG Holdings Corp for US$202m. Further details are set out in Note 28 to the Accounts contained in this Annual Report and Accounts 2016.

DEFINED BENEFIT PENSION SCHEME

On 28 February 2017 the Company informed the active members of the Company's defined benefit pension scheme, the Menzies Pension Fund, that it will ask the Trustee to amend the Fund Rules to close the Fund to future accrual on 31 March 2017.

OUTLOOK

An indication of the likely future developments in the business of the Company (and its subsidiaries) is included in the Strategic Report section of this Annual Report and Accounts 2016 (pages 2 to 41), which details are incorporated by reference into this Directors' Report.

RESEARCH

The Company is not actively involved in research activities.

GEOGRAPHICAL SPREAD

The Company operates in 36 countries worldwide and details of this geographical spread can be found on pages 2 and 3 of this Annual Report and Accounts 2016, which details are incorporated by reference into this Directors' Report.

EMPLOYMENT POLICIES

Policies regarding the hiring, continuing employment and training, career development and promotion opportunities, for all employees both in the UK and worldwide, together with reports on employee involvement and representation, are contained in the Resources, Relationships and Responsibilities section of this Annual Report and Accounts 2016 (pages 34 to 41), which details are incorporated by reference into this Directors' Report.

At the end of 2016 the split of male to female employees in the Group was:

Name	Male	Female
Directors	8	1
Decision-makers	273	85
All employees	19,302	8,779

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Group does not operate a standard code in respect of payments to suppliers. Each operating business is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted, including the terms of payment. It is Group policy that payments to suppliers are made in accordance with the agreed terms provided that the supplier has performed in accordance with all relevant terms and conditions. At the end of 2016 the amount owed to trade creditors by the Group's Head Office was equivalent to 33.9 days (2015: 32.4 days) of purchases from suppliers.

AUDIT INFORMATION

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

SHARE CAPITAL AND STRUCTURE

The Company has two classes of shares: the Ordinary Shares of £0.25 each and preference shares of £1.00 each (the "**Preference Shares**"). As at 31 December 2016 the Company had an issued share capital comprising 1,394,587 Preference Shares and 83,636,895 Ordinary Shares. Of these 83,636,895 Ordinary Shares, 310,338 were held as treasury shares. During 2016 the Company did not purchase any Ordinary Shares to be held in Treasury. Whilst it is the Company's general policy that shares held in Treasury will be used for the satisfaction of share plan awards, the Company transferred 20,000 Ordinary Shares out of Treasury to Dr Dermot F. Smurfit on 17 November 2016 at a price of 490.8483p per Ordinary Share. This transfer was to reflect the fact that part of the Chairman's fee arrangement for his services would be a cash fee to be satisfied by way of issue of Ordinary Shares, as approved by the Company's shareholders at its general meeting on 11 October 2016 (the "**2016 GM**").

During 2016 the Company did not purchase any of its own shares for cancellation.

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

ARTICLES OF ASSOCIATION

TRANSFER OF SHARES

There are no restrictions on the transfer of shares in the Company other than as contained in the Articles. Subject to the Articles, the Admission and Disclosure Standards of the London Stock Exchange and any requirements of the FCA, the Directors may refuse to register a transfer of a certificated share which is not fully paid provided that this power will not be exercised so as to disturb the market in the Company's shares.

VOTING RIGHTS

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

The holders of the Preference Shares shall have no right to receive notice of or attend or vote at any general meeting of the Company unless either:

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

The Company is not aware of any arrangement by which, with the Company's co-operation, financial rights carried by its shares are held by persons other than the holders of its Ordinary Shares or Preference Shares. The Company is not aware of any agreement between holders of its shares which may result in restrictions on the transfer of its shares or on voting rights attaching thereto.

ALLOTMENT AND ISSUE OF SHARES

The Directors are, by shareholder resolutions passed at the 2016 AGM and then subsequently at the 2016 GM, authorised to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company, up to an aggregate nominal amount of £13,938,423 of which any amount in excess of £8,796,495 may only be applied to fully pre-emptive rights issues. Such authority and power will expire at the Company's forthcoming AGM unless previously revoked, varied or renewed. It is proposed that such authority and power be renewed by shareholder resolutions at this AGM but without prejudice to the exercise of any such authority and power prior to the date of such resolutions. Accordingly, shareholders will be asked to grant an authority to allot relevant securities: (i) up to a nominal amount of £6,970,709; and (ii) up to a nominal amount of £13,941,418 (after deducting from such limit any relevant securities allotted under (i)), in connection with an offer of a rights issue, such authority to apply until the conclusion of the AGM to be held in 2018 or, if earlier, on 30 June 2018. A special resolution will also be proposed to confer power upon the Directors to make non pre-emptive issues for cash in connection with rights issues and otherwise up to a nominal amount of £1,045,606.

PURCHASE OF OWN SHARES

The Company is, by shareholder resolution passed at the 2016 AGM, authorised to purchase up to 6,170,313 of its Ordinary Shares at a maximum price which is equal to the higher of:

(i) an amount equal to 105% of the average of the middle market quotations for such Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the date of conclusion of the contract for any such purchase; and
(ii) the amount stipulated by Article 5(1) of the EU Buy-Back and Stabilisation Regulation 2003 (being the higher of the price of the last independent trade and the highest current independent bid for an Ordinary Share on the trading venues where the market purchases by the Company will be carried out) and at a minimum price of £0.25 per Ordinary Share.

The Company is also, by shareholder resolution passed at the 2016 AGM, authorised to purchase up to 1,394,587 of its Preference Shares at a maximum price which is equal to the higher of:

(i) an amount equal to 110% of the average of the middle market quotations for such Preference Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the date of conclusion of the contract for any such purchase; and
(ii) the amount stipulated by Article 5(1) of the EU Buy-Back and Stabilisation Regulation 2003 (being the higher of the price of the last independent trade and the highest current independent bid for a Preference Share on the trading venues where the market purchases by the Company will be carried out) and at a minimum price of £1.00 per Preference Share.

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

APPOINTMENT OF DIRECTORS

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

An appropriate induction is provided by the Company to all new Directors and ongoing training is supplied as and when it may be required, with documentation on the Company and its activities distributed to Directors on a regular basis. A Director is not required to hold shares in the capital of the Company.

RETIREMENT OF DIRECTORS

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

DIRECTORS' POWERS

The business of the Company shall be managed by the Board which may exercise all the powers of the Company, whether relating to the management of its business or otherwise, subject to any restrictions contained in the Articles which detail the specific powers of the Directors. Copies of the Articles may be obtained from the Group Company Secretary or from the Company's website at www.johnmenziesplc.com.

The Articles can only be amended by a special resolution of the Company's shareholders in general meeting.

SIGNIFICANT AGREEMENTS – CHANGE OF CONTROL

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

EMISSIONS REPORTING

The information required to be included in this Directors' Report pursuant to the 2013 Regulations in respect of greenhouse gas emissions is included in the Resources, Relationships and Responsibilities section of this Annual Report and Accounts 2016 on pages 38 and 39, which information is incorporated by reference into this Directors' Report.

ANNUAL GENERAL MEETING

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

Approved and issued by the Board of Directors on 7 March 2017.

John Geddes
Company Secretary
7 March 2017

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Company's Annual Report, Remuneration Report and its financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare such financial statements for each financial year. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company. The Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards ("**IFRSs**") as adopted by the European Union.

In preparing those financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors believe that the Annual Report and Accounts 2016, when taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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

DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE GUIDANCE AND TRANSPARENCY RULES

Each of the Directors confirms that to the best of their knowledge and belief:

- the financial statements, prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities, financial position and profit of the Group as a whole; and
- the Strategic Report contained in the Annual Report and Accounts 2016 includes a fair review of the development and performance of the business and the position of the Group as a whole, together with a description of the principal risks and uncertainties that they face.

NOTICE OF ANNUAL GENERAL MEETING

This document is important and requires your immediate attention. If you are in any doubt about what action you should take you are recommended to consult your independent financial adviser authorised under the Financial Services and Markets Act 2000 or, if outside the UK, another appropriately authorised financial adviser. If you have sold or transferred all of your ordinary shares in John Menzies plc, you should forward this document, together with accompanying documents, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of John Menzies plc (the "**Company**") will be held in the Waldorf Astoria Edinburgh – The Caledonian, Princes Street, Edinburgh, EH1 2AB on Friday 12 May 2017 at 2:00pm (the "**Meeting**") to transact the following business:

ORDINARY RESOLUTIONS

To consider and, if thought fit, pass Resolutions 1-16, each of which will be proposed as an ordinary resolution:

1. REPORT AND ACCOUNTS

To receive the Annual Accounts of the Company for the financial year ended 31 December 2016, the Strategic Report and the Reports of the Directors and Auditor thereon.

2. REMUNERATION REPORT

To approve the Report on Directors' Remuneration (excluding the Directors' Remuneration Policy) as set out in the Annual Report and Accounts for the financial year ended 31 December 2016.

3. REMUNERATION POLICY

To approve the Directors' Remuneration Policy as set out in the Annual Report and Accounts for the financial year ended 31 December 2016.

4. DIVIDEND

To declare a final dividend of 13.1 pence per ordinary share in the Company for the financial year ended 31 December 2016.

5-13. ELECTION AND RE-ELECTION OF DIRECTORS

5. To elect Dermot Smurfit as a director of the Company.
6. To elect Giles Wilson as a director of the Company.
7. To elect Paul Baines as a director of the Company.
8. To elect John Geddes as a director of the Company.
9. To re-elect Forsyth Black as a director of the Company.
10. To re-elect Geoff Eaton as a director of the Company.
11. To re-elect Silla Maizey as a director of the Company.
12. To re-elect Dermot Jenkinson as a director of the Company.
13. To re-elect David Garman as a director of the Company.

14. RE-APPOINTMENT OF AUDITOR

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

15. REMUNERATION OF AUDITOR

To authorise the directors of the Company to fix the remuneration of the Company's auditor.

16. AUTHORITY TO ALLOT SHARES

That the directors of the Company (the "**Directors**") be and are hereby generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (the "**2006 Act**"), to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company, such rights and shares together being "relevant securities":

(a) otherwise than pursuant to paragraph (b) below, up to an aggregate nominal amount of £6,970,709 (such amount to be reduced by the aggregate nominal amount of any equity securities (as defined by section 560 of the 2006 Act) allotted under paragraph (b) below in excess of £6,970,709); and

(b) comprising equity securities up to an aggregate nominal amount of £13,941,418 (such amount to be reduced by the nominal amount of any relevant securities allotted under paragraph (a) above) in connection with an offer by way of a rights issue to: (i) holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings; and (ii) holders of equity securities in the capital of the Company as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates, legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts or any other matter;

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

and provided that (unless previously renewed, varied or revoked) this authority shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, the close of business on 30 June 2018 save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for and to the exclusion of all unexercised existing authorities previously granted to the Directors under the 2006 Act but without prejudice to any allotment of shares or grants of rights already made, offered or agreed to be made pursuant to such authorities.

SPECIAL RESOLUTIONS

To consider, and if thought fit, pass Resolutions 17 – 20, each of which will be proposed as a special resolution:

17. AUTHORITY TO DISAPPLY PRE-EMPTION RIGHTS

That, subject to the passing of Resolution 16 in the Notice of Annual General Meeting of the Company dated 24 March 2017 (the "**Section 551 Resolution**"), the directors of the Company (the "**Directors**") be and are hereby empowered pursuant to section 570 and section 573 of the Companies Act 2006 (the "**2006 Act**") to exercise all powers of the Company to allot equity securities (within the meaning of sections 560(1)–(3) of the 2006 Act) wholly for cash pursuant to the authority conferred by the Section 551 Resolution and/or by way of a sale of treasury shares as if section 561(1) of the 2006 Act did not apply to any such allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with an offer or issue of equity securities (but, in the case of an allotment pursuant to the authority granted under paragraph (b) of the Section 551 Resolution, such power shall be limited to the allotment of equity securities in connection with a rights issue only) to: (i) the holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings; and (ii) the holders of equity securities in the capital of the Company as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates, legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts or any other matter; and

(b) the allotment pursuant to the authority granted by paragraph (a) of the Section 551 Resolution (otherwise than pursuant to paragraph (a) of this Resolution 17) to any person or persons of equity securities up to an aggregate nominal amount of £1,045,606, representing approximately 5% of the issued ordinary share capital of the Company as at 24 March 2017;

and provided that (unless previously renewed, varied or revoked) this power shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, at the close of business on 30 June 2018 save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired. This power is in substitution for and to the exclusion of all unexercised existing powers previously granted to the Directors under sections 570 and 573 of the 2006 Act but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such powers.

The Board confirms that, in accordance with the Pre-Emption Group's Statement of Principles ("**PEG Principles**"), it does not intend to issue shares for cash representing more than 7.5% of the Company's issued ordinary share capital in any rolling three year period to those who are not existing shareholders without prior consultation with shareholders.

18. PURCHASE OF OWN ORDINARY SHARES BY THE COMPANY

That the Company be and is hereby authorised pursuant to section 701 of the Companies Act 2006 (the "**2006 Act**") to make market purchases (within the meaning of section 693(4) of the 2006 Act) of its own ordinary shares of 25p each ("**Ordinary Shares**"), on such terms and in such manner as the directors of the Company may from time to time determine, provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 8,364,852, representing approximately 10% of the issued ordinary share capital of the Company as at 24 March 2017;

(b) the maximum price which may be paid for each such Ordinary Share under this authority shall be the higher of:

(i) an amount equal to 105% of the average of the middle market quotations for any such Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the date of conclusion of the contract for any such purchase; and

(ii) the amount stipulated by Article 5(1) of the EU Buy-back and Stabilisation Regulation 2003 (being the higher of the price of the last independent trade and the highest current independent bid for an Ordinary Share on the trading venues where the market purchases by the Company pursuant to the authority conferred by this Resolution 18 will be carried out), and the minimum price which may be paid for any such Ordinary Share is 25p, in each case exclusive of the expenses of purchase (if any) payable by the Company; and

(c) the authority hereby conferred shall expire (unless previously renewed, varied or revoked) at the conclusion of the next Annual General Meeting of the Company or, if earlier, the close of business on 30 June 2018 except in relation to the purchase of Ordinary Shares for which a contract was concluded before the authority expired and which might or will be executed wholly or partly after its expiration and the Company may make such a purchase in pursuance of such contract as if the authority hereby conferred had not expired.

19. PURCHASE OF OWN PREFERENCE SHARES BY THE COMPANY

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

(a) the maximum number of Preference Shares hereby authorised to be purchased is 1,394,587, representing 100% of the issued Preference Share capital of the Company as at 24 March 2017;

(b) the maximum price which may be paid for each such Preference Share under this authority shall be the higher of:

(i) an amount equal to 110% of the average of the middle market quotations for any such Preference Share as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the date of conclusion of the contract for any such purchase; and

(ii) the amount stipulated by Article 5(1) of the EU Buy-back and Stabilisation Regulation 2003 (being the higher of the price of the last independent trade and the highest current independent bid for a Preference Share on the trading venues where the market purchases by the Company pursuant to the authority conferred by this Resolution 19 will be carried out), and the minimum price which may be paid for any such Preference Share is £1, in each case exclusive of the expenses of purchase (if any) payable by the Company; and

(c) the authority hereby conferred shall expire (unless previously renewed, varied or revoked) at the conclusion of the next Annual General Meeting of the Company or, if earlier, the close of business on 30 June 2018, except in relation to the purchase of Preference Shares for which a contract was concluded before the authority expired and which might or will be executed wholly or partly after its expiration and the Company may make such a purchase in pursuance of such contract as if the authority hereby conferred had not expired.

20. LENGTH OF NOTICE OF MEETING

That a general meeting of the Company, other than an annual general meeting, may be called on not less than fourteen clear days' notice.

By order of the Board of Directors

John Geddes
Company Secretary
24 March 2017

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

EXPLANATORY NOTES

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

RESOLUTIONS 2 AND 3: REMUNERATION REPORT AND POLICY

In accordance with the provisions of the Companies Act 2006 (the "**2006 Act**"), the Company's Report on Directors' Remuneration (excluding the Directors' Remuneration Policy) will be put to an annual shareholder vote by ordinary resolution. This vote is advisory in nature and is in respect of the overall remuneration package which is in place for directors of the Company (the "**Directors**") – it is not specific to individual levels of remuneration nor is the entitlement of a Director to remuneration conditional on the vote being passed.

The Directors' Remuneration Policy is, however, subject to a binding shareholder vote by ordinary resolution at least every three years. As this was last approved at the Company's annual general meeting ("**AGM**") in May 2014, the Company is seeking shareholder approval in respect of the proposed new Directors' Remuneration Policy, which sets out the Company's forward-looking policy on Directors' remuneration, at the forthcoming AGM. Further details of the proposed new Directors' Remuneration Policy are set out on pages 60 to 68 of the Annual Report and Accounts 2016. If approved by shareholders, it will take immediate binding effect and, as is currently the case, the Company will be unable to make a remuneration payment to a current or prospective Director or a payment for loss of office to a current or past Director, unless such payment is consistent with the Policy or has been approved by a resolution of the Company's shareholders.

RESOLUTIONS 5–13: ELECTION AND RE-ELECTION OF DIRECTORS

Biographical details of the Directors to be elected or re-elected, as is the case, at this year's AGM can be found on pages 44 and 45 of the Annual Report and Accounts 2016. Dermot Smurfit, Giles Wilson, Paul Baines and John Geddes, having been appointed as Directors since last year's AGM, will stand for election in accordance with the Company's Articles of Association and, in accordance with the principles of good governance set out in the UK Corporate Governance Code, all other Directors who will continue following the AGM will seek re-election.

In proposing the election or re-election, as is the case, of the Directors, the Chairman has confirmed that, following rigorous internal performance evaluations (described on pages 49 and 50 of the Annual Report and Accounts 2016), each individual continues to make an effective and valuable contribution to the Board and demonstrates commitment to their role.

RESOLUTIONS 16 AND 17: AUTHORITY TO ALLOT SHARES AND DISAPPLY PRE-EMPTION RIGHTS

The Investment Management Association's Share Capital Management Guidelines (the "**IMA Guidelines**") and the PEG Principles permit, and regard as routine, an authority to allot up to two-thirds of a company's existing issued share capital. They provide that any amount in excess of one-third of a company's issued share capital should only be applied to fully pre-emptive rights issues.

At the Company's AGM in May 2016, the Directors were given authority to allot shares in the capital of the Company up to an aggregate nominal amount of £10,283,856, representing approximately two-thirds of the Company's issued ordinary share capital as at 1 April 2016. At a general meeting of the Company held on 11 October 2016, the Directors were given an additional specific authority to allot shares in the capital of the Company in connection with a rights issue up to an aggregate nominal amount of £3,654,567. To the extent not previously utilised, these authorities are due to expire at the end of this year's AGM.

It is considered appropriate that the Directors again be granted authority to allot shares in the capital of the Company up to a maximum nominal amount of £13,941,418, which amount represents approximately two-thirds of the Company's issued ordinary share capital as at 24 March 2017 and thus complies with the IMA Guidelines and PEG Principles. Accordingly, 27,882,836 ordinary shares of £0.25 each (the "**Ordinary Shares**"), representing approximately one-third of the Company's issued ordinary share capital, may be allotted pursuant to a fully pre-emptive rights issue.

The authority sought by Resolution 16 will last until the conclusion of the next AGM of the Company or, if earlier, the close of business on 30 June 2018. The Directors have no present intention of exercising this authority, although they have confirmed that should the power authorised in Resolution 16 be utilised then all Directors would stand for re-election at the next AGM (as they currently do in accordance with the principles of good governance).

As at 24 March 2017, the Company held 310,338 of its Ordinary Shares in Treasury.

Resolution 17 will, if passed, give the Directors power, pursuant to the authority to allot granted under Resolution 16, to allot equity securities (as defined in sections 560(1)–(3) of the 2006 Act) or sell treasury shares for cash on a non pre-emptive basis without first offering them to existing shareholders of the Company in proportion to their existing shareholdings in limited circumstances. This power will permit the Directors to allot equity securities:

(a) in relation to a pre-emptive rights issue only, up to a maximum nominal amount of £13,941,418 (representing approximately two-thirds of the issued ordinary share capital of the Company as at 24 March 2017); and

(b) in any other case, up to a maximum nominal value of £1,045,606, representing approximately 5% of the issued ordinary share capital of the Company as at 24 March 2017 (the latest practicable date prior to publication of this Notice of AGM), otherwise than in connection with an offer to existing shareholders of the Company.

The Directors have no present intention of exercising this power. Were the Board to exercise this power, it confirms that it will make disclosures in the announcement regarding the issue, and in the subsequent annual report, such as those contemplated in the Pre-Emption Group Guidance issued in May 2016. The power, if granted, will expire at the conclusion of the next AGM of the Company or, if earlier, the close of business on 30 June 2018.

RESOLUTIONS 18 AND 19: AUTHORITY TO BUY-BACK SHARES

These special resolutions give the Company authority to make market purchases of its Ordinary Shares and 9% cumulative preference shares (the "**Preference Shares**") in the market, as permitted by the 2006 Act. The authorities set the minimum and maximum prices and limit the number of Ordinary Shares that can be purchased to 8,364,852 (representing approximately 10% of the issued Ordinary Shares as at 24 March 2017) and the number of Preference Shares to 1,394,587 (representing 100% of the issued Preference Shares as at 24 March 2017).

The authorities, if granted, will expire at the conclusion of the next AGM of the Company or, if earlier, the close of business on 30 June 2018. The Directors have no present intention of exercising the authority to purchase the Preference Shares but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The authority would only be exercised if the Directors believed that to do so would result in an increase in earnings per share and would be in the interests of the Company's shareholders generally.

As at 24 March 2017, the Company held 310,338 Ordinary Shares in Treasury. The Company may make purchases of its Ordinary Shares, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. No voting rights attach to Ordinary Shares whilst held in Treasury nor are dividends payable on them. The authority sought under Resolution 18 will only be exercised if the Directors believe that to do so would result in an increase in earnings per share and would be in the interests of the Company's shareholders generally.

Any purchase of Ordinary Shares would be by means of market purchase through the London Stock Exchange.

RESOLUTION 20: LENGTH OF NOTICE OF MEETING

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

Resolution 20 is therefore proposed as a special resolution which would be effective until the Company's next AGM when it would be intended to propose that the approval be renewed.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

RECOMMENDATION

The Directors consider that all these Resolutions are in the best interests of the Company and its shareholders as a whole and are most likely to promote the success of the Company. Accordingly, they unanimously recommend that you vote in favour of all the proposed Resolutions.

NOTES TO THE NOTICE OF AGM

1. Information about the AGM is available from the Company's website: www.johnmenziesplc.com.
2. As a shareholder, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a shareholder of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.
3. A Form of Proxy is enclosed. To be valid, your Form of Proxy and any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority should be sent to Computershare Investor Services ("**Computershare**") at The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to arrive no later than 48 hours before the commencement of the AGM. No amendments to, or submission or withdrawal of, any Form of Proxy shall be effective if lodged with Computershare less than 48 hours before the time appointed for the holding of the AGM or any adjourned meeting.
4. It is possible for you to submit your proxy votes online. Further information on this service can be found on your Form of Proxy or, if you receive communications electronically, voting information will be contained within your email broadcast.
5. If you appoint a proxy, this will not prevent you attending the AGM and voting in person if you wish to do so.
6. The right to vote at the AGM is determined by reference to the Company's Register of Members as at the close of business on Wednesday 10 May 2017 or, if the AGM is adjourned, at 5:00pm on the day two days prior to the adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any shareholder to attend and vote at the AGM.
7. As a shareholder, you have the right to put questions at the AGM relating to the business being dealt with at the AGM.
8. Any person to whom this notice is sent who is a person nominated under section 146 of the 2006 Act to enjoy information rights (a "**Nominated Person**") may, under an agreement between them and the shareholder by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
9. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 2, 3 and 4 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
10. As at 24 March 2017, the issued ordinary share capital of the Company comprised 83,648,528 Ordinary Shares and the Company held 310,338 of these Ordinary Shares in Treasury. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 24 March 2017 is 83,338,190.
11. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
12. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID 3RA50) so as to arrive no later than 48 hours before the commencement of the AGM or any adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the shareholder information message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
13. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
14. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
15. Under section 338 of the 2006 Act, shareholders may require the Company to give, to shareholders of the Company entitled to receive this Notice of AGM, notice of a resolution which may properly be moved and is intended to be moved at the AGM. Under section 338A of the 2006 Act, shareholders may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business.
16. It is possible that, pursuant to requests made by shareholders of the Company under section 527 of the 2006 Act, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM: or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the 2006 Act. The Company may not require the shareholder requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on a website under section 527 of the 2006 Act.
17. You may not use any electronic address provided either in this Notice of AGM or any related documents to communicate with the Company for any purpose other than as expressly stated.

DOCUMENTS

The following documents will be available for inspection during usual business hours on any day (except Saturday, Sunday and Bank Holidays) from the date of sending this Notice of AGM up to and including the date of the AGM at the registered office of the Company and at the offices of the Company's solicitors, Maclay Murray & Spens LLP, at One London Wall, London EC2Y 5AB:

(a) copies of the Directors' service contracts with the Company; and

(b) the terms of appointment of the Non-Executive Directors of the Company.

On the date of the AGM, these documents will be available for inspection at the venue of the AGM from 12 noon until the conclusion of the AGM.

GENERAL INFORMATION

INTERNET
The Company operates a website which can be found at www.johnmenziesplc.com. This site is regularly updated to provide you with information about the Company and its Operating Divisions. In particular, all of the Company's press releases and announcements can be found on this site together with copies of its Annual Reports and Accounts.

JOHN MENZIES INVESTOR RELATIONS APP
The Company has an Investor Relations App for iPhone and iPad users. The App provides users with the Company's latest share price, regulatory and business news, annual/interim reports and presentations. The App can be downloaded via the Company's website or by visiting your App store.

SHARE REGISTER AND SHAREHOLDER ENQUIRIES
Any enquiry concerning your shareholding should be directed to the Company's Registrar, Computershare Investor Services PLC ("**Computershare**"), and should clearly state your name, address and Shareholder Reference Number ("**SRN**"). The contact details are as follows:

Telephone:
+44 (0) 370 703 6303

Web:
www.investorcentre.co.uk

Email:
www.investorcentre.co.uk/contactus

Write:
The John Menzies plc Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ

Computershare should be notified promptly in writing of any change in a shareholder's address. Computershare's online Investor Centre also enables you to view your shareholding and update your address and payment instructions online. You can register at www.investorcentre.co.uk. In order to register, you will need your SRN which you can find on your share certificate or dividend confirmation.

SHARE PRICE
The current price of the Company's ordinary shares of £0.25 each (the "**Ordinary Shares**") can be viewed on the Company's website at www.johnmenziesplc.com.

TELEPHONE SHARE DEALING SERVICE
A share dealing service has been arranged with Stocktrade which provides a simple way of buying or selling shares in the Company. To use this service you should call the following telephone number and quote reference "John Menzies plc dial and deal":

Telephone:
+44 (0) 131 240 0414

CHARGES
Commission for the above share dealing service will be at a rate of 1% and will be subject to a minimum fee of £25. Additionally, UK share purchases will be subject to a 0.5% stamp duty charge whilst a levy of £1.00 will be imposed by the Panel for Takeovers and Mergers for single trades in excess of £10,000.

SETTLEMENT
You will be required to pay for any shares purchased by debit card at the time of the transaction. You must therefore ensure that you have sufficient cleared funds available in your debit card account to pay for the shares in full.

SHAREGIFT
If you have only a small number of shares which would cost more for you to sell than they are worth, you may wish to consider donating them to the charity ShareGift (Registered Charity No. 1052686) which specialises in accepting such shares as donations. There are no implications for UK Capital Gains Tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. If you wish to do this the details are as follows:

Telephone:
+44 (0) 20 7930 3737

Web:
www.sharegift.org

Email:
help@sharegift.org

ANALYSIS OF SHAREHOLDINGS
at 31 December 2016

Shareholding (Ordinary Shares)	Number of shareholders	Percentage of shareholders	Total number of Ordinary Shares held	Percentage of Ordinary Shares held
1-1,000	2,962	80.25	682,608	0.82
1,001-5,000	464	12.57	946,504	1.13
5,001-10,000	67	1.82	476,571	0.57
10,001-100,000	117	3.17	4,117,191	4.92
Over 100,000	81	2.19	77,414,021	92.56
Total	3,691	100	83,636,895	100.00

PAYMENT OF DIVIDENDS
It is in the interests of both the Company and its shareholders for dividends to be paid directly into bank or building society accounts. Any shareholder who wishes to receive dividends in this way should contact Computershare to obtain a dividend mandate form.

9% CUMULATIVE PREFERENCE SHARES
Dividends will be paid on 1 April 2017 and 2 October 2017.

ORDINARY SHARES
A final dividend of 13.1p per Ordinary Share was proposed by the Directors on 8 March 2017 and, subject to shareholder approval, will be paid on 3 July 2017 to shareholders on the Company's Register of Members as at close of business on 26 May 2017.

Any interim dividends for the financial year ended 31 December 2017 will be paid on 17 November 2017 to shareholders on the Company's Register of Members as at close of business on 20 October 2017.

INVESTOR RELATIONS
For any Investor Relations enquiries, please contact us by one of the following means:

Telephone:
+44 (0) 131 225 8555

Web:
www.johnmenziesplc.com

Email:
investor.relations@johnmenziesplc.com

Write:
John Menzies plc, 2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ, marked for the attention of Emma Wadsworth

PRINCIPAL ADVISERS
AUDITOR
Ernst & Young LLP
G1, 5 George Square
Glasgow G2 1DY

CORPORATE ADVISERS
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Row
London EC4M 7LT

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

PRINCIPAL BUSINESS ADDRESSES
JOHN MENZIES PLC
2 Lochside Avenue
Edinburgh Park
Edinburgh EH12 9DJ
Telephone: +44 (0) 131 225 8555
Email: info@johnmenziesplc.com

MENZIES DISTRIBUTION
2 Lochside Avenue
Edinburgh Park
Edinburgh EH12 9DJ
Telephone: +44 (0) 131 467 8070

MENZIES AVIATION
2 World Business Centre Heathrow
Newall Road
London Heathrow Airport
Hounslow TW6 2SF
Telephone: +44 (0) 20 8750 6000

GENERAL INFORMATION CONTINUED

CORPORATE CALENDAR
(PROVISIONAL DATES)

8 March 2017	Preliminary announcement of Annual Results
28 March 2017	Annual Report and Accounts and Notice of AGM released
1 April 2017	Payment of dividend on Preference Shares
12 May 2017	AGM
26 May 2017	Record date for final dividend on Ordinary Shares
3 July 2017	Payment of final dividend on Ordinary Shares
15 August 2017	Announcement of Interim Results
2 October 2017	Payment of dividend on Preference Shares
20 October 2017	Record date for interim dividend on Ordinary Shares
17 November 2017	Payment of interim dividend on Ordinary Shares

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN MENZIES PLC

OUR OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- John Menzies plc's Group financial statements and parent company financial statements (the **"financial statements"**) give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('**IFRSs**') as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

WHAT WE HAVE AUDITED

John Menzies plc's financial statements comprise:

Group	Parent company
• Group Balance Sheet as at 31 December 2016 • Group Income Statement for the year then ended • Group Statement of Comprehensive Income for the year then ended • Group Statement of Changes in Equity as at 31 December 2016 • Group Statement of Cash Flows for the year then ended • Related Notes 1 to 28 to the accounts	• Company Balance Sheet as at 31 December 2016 • Company Statement of Changes in Equity as at 31 December 2016 • Company Statement of Cash Flows for the year then ended • Related Notes 1 to 28 to the accounts

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

OVERVIEW OF OUR AUDIT APPROACH

Risks of material misstatement	• Assessment of the carrying value of goodwill and intangible assets with indefinite life. • Assessment of the valuation of defined benefit pension scheme assets and liabilities. • Risk of misstatement due to management override, fraud and error specifically around revenue recognition.
Audit scope	• We performed an audit of the complete financial information of four components and audit procedures on specific balances for a further 30 components. • The components where we performed full or specific audit procedures accounted for 76% of adjusted profit before tax ("**PBT**") and 89% of revenue.
Materiality	• Overall Group materiality of £2m which represents 5% of adjusted PBT.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN MENZIES PLC CONTINUED

OUR ASSESSMENT OF RISK OF MATERIAL MISSTATEMENT

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
Assessment of the carrying value of goodwill and intangible assets with indefinite life (£104.0m, 2015: £108.3m) Refer to the Audit Committee Report (page 55); accounting policies (page 97); and Note 11 of the consolidated financial statements (page 116). We focused on this area because the assessment of the carrying value of these assets is inherently subjective due to the judgement involved in estimating future cash flows and in calculating the discount rate to apply to these cash flows.	We obtained management's impairment assessment and examined the calculation methodology and sources for key assumptions. We corroborated the key assumptions, being the cash flows, growth assumptions and discount rates supported by our valuations specialists. We performed sensitivity analysis over significant assumptions used in the models to ascertain the point at which an impairment would be triggered and considered the likelihood of such a change. We read the disclosure in the financial statements in respect of management's impairment testing to confirm these are consistent with the conclusions of our audit work and meet the disclosure requirements of the relevant accounting standards.	We have concluded that the goodwill and intangible assets with indefinite life balances are materially correct.
Assessment of the valuation of defined benefit pension scheme assets and liabilities (£71.0m, 2015: £43.4m) Refer to the Audit Committee Report (page 55); accounting policies (page 97); and Note 4 of the consolidated financial statements (page 108). We focused on this area because the Group is exposed to significant pension fund movements, over which it has limited control as the quantum of a surplus/deficit depends on the successful investment policy as well as the selection of underlying assumptions. Significant judgement is required to determine the assumptions for future salary and pension increases, discount rate, inflation, investment returns and member longevity, resulting in the risk that liabilities are misstated.	We reviewed the scheme rules to ensure our understanding is current. We tested the input data used by the actuary to company records. We evaluated the key actuarial assumptions with the assistance of our specialists to determine if these were within an acceptable range. We verified a sample of assets for existence through third party confirmations and for valuation using market valuations where available or other supporting evidence. We read the disclosure in the financial statements in respect of pensions to consider whether these are consistent with the conclusions of our audit work and meet the disclosure requirements of the relevant accounting standards.	We have concluded that the pension liability is materially correct and that management's judgements in relation to underlying actuarial assumptions were appropriate.

Risk	Our response to the risk	What we concluded to the Audit Committee
Risk of misstatement due to management override, fraud and error specifically around revenue recognition Refer to the Audit Committee Report (page 55); accounting policies (page 97); and Note 2 of the consolidated financial statements (page 104). There continues to be pressure on the Group to meet expectations and targets. Management reward and incentive schemes based on achieving profit targets may also place pressure to manipulate revenue recognition. Sales arrangements are generally straightforward requiring minimal judgement to be exercised. We focused on the application of contractual rates within Aviation recognising the ongoing contract churn in this area and the level of returns in the Distribution business due to the level of judgement being applied. These risks include the potential for management to intentionally misstate revenue recognised. We also focused on the risk of management override of controls through the processing of material revenue journals.	We tested controls over revenue recognition. At 'full scope components' we employed data analysis techniques to correlate sales through to cash receipts. At both full and 'specific scope components' we performed detailed testing of a sample of sales and accrued income to ensure that revenue had been appropriately recognised in line with the underlying contract terms. We specifically focused on the revenue recognised on new Aviation contracts. We tested the level of returns of newspapers and magazines and assessed the impact of expected post balance sheet returns on revenues recognised in the year. We performed cut-off testing around the period end. Other audit procedures specifically designed to address the risk of management override of controls include journal entry testing, applying particular focus to individually unusual and/or material revenue journals. These procedures were supplemented with analytical review procedures and enquiry of management.	We concluded that revenue recognised in the year is materially correct on the basis of procedures performed both at Group and by component audit teams.

In the prior year, our report included a risk of material misstatement in relation to risk that items are inconsistently (or inappropriately) classified as 'exceptional and other items'. In the current year we have concluded that the risk of misclassification has diminished due to the nature of items now being classified as exceptional and other items.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN MENZIES PLC CONTINUED

THE SCOPE OF OUR AUDIT

TAILORING THE SCOPE

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

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 104 (2015: 101) reporting components of the Group, excluding the parent entity, we selected 35 (2015: 34) components covering entities within the UK, USA, Australia, Netherlands, Spain, Czech Republic, South Africa, Dominican Republic, India and Macau, which represent the principal business units within the Group.

Of the 35 components selected, we performed an audit of the complete financial information of four (2015: four) components (full scope components) which were selected based on their size or risk characteristics. For the remaining 31 (2015: 30) components (specific scope components), we performed audit procedures on specific accounts within each component that we considered had the potential for the greatest impact on the significant accounts in the Group financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures were:

	Components		Percentage of PBT		Percentage of revenue	
	2016 Number	2015 Number	2016 %	2015 %	2016 %	2015 %
Full scope	4	4	90	66	65	68
Specific scope	31	30	41	63	24	22
	35	34	131	129	89	90
Parent and consolidation adjustments			(55)	(55)	–	–
Overall coverage			76	74	89	90

Percentage of PBT is calculated against the adjusted PBT measure used to calculate materiality.

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

The Group audit risk in relation to the carrying value of goodwill and intangible assets with indefinite life and the valuation of defined benefit pension scheme assets and liabilities was subject to audit procedures by the primary team on the entire amount. The Group risk of misstatement due to management override, fraud and error specifically around revenue recognition was subject to audit procedures at each of the full and specific scope components with revenue.

Of the remaining 69 (2015: 67) components that together represent 24% (2015: 26%) of the Group's adjusted PBT, none is individually greater than 5% of the Group's adjusted PBT. For these components, we performed other procedures, including analytical review, intercompany eliminations and obtaining audit evidence to respond to any potential risks of material misstatement to the Group financial statements.

CHANGES FROM THE PRIOR YEAR

To ensure sufficient coverage and to add a degree of unpredictability to the audit, one component was raised from specific to full scope and one lowered from full to specific scope, one component was raised from residual to specific scope and one component was reduced from specific to residual scope.

INVOLVEMENT WITH COMPONENT TEAMS

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the four full scope components, audit procedures were performed on two of these directly by the primary audit team and two by a component audit team. Of the 31 (2015: 30) specific scope components, audit procedures were performed on 16 (2015: 16) of these directly by the primary audit team. For the 15 (2015: 14) specific scope components, where the work was performed by component auditors, we determined the involvement that we, as the primary team, needed to have with each component team to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

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

OUR APPLICATION OF MATERIALITY

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

MATERIALITY

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £2.0m (2015: £1.5m), which is 5% of adjusted PBT (2015: 5%) of £39.8m (2015: £28.9m) being reported PBT of £19.8m (2015: £18.2m) adjusted for exceptional items and net impairment losses of £20.1m (2015: £10.7m). We believe that adjusted PBT provides us with a consistent measure of underlying year on year performance as it excludes the impact of non-recurring items.

PERFORMANCE MATERIALITY

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2015: 75%) of our planning materiality, namely £1.5m (2015: £1.1m). We have set performance materiality at this percentage due to historical experience with the Company demonstrating an effective control environment and low history of misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.1m to £1.1m (2015: £0.2m to £0.9m).

REPORTING THRESHOLD

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £100,000 (2015: £100,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 84, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing ("**ISAs**") (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN MENZIES PLC CONTINUED

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- based on the work undertaken in the course of the audit:
  - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
  - the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements;

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' Statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the Annual Report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	We are required to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit. • a Corporate Governance Statement has not been prepared by the Company	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • the Directors' Statement in relation to going concern, set out on page 9 and longer-term viability, set out on page 9; and • the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

STATEMENT ON THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE ENTITY

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated; • the Directors' Statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and • the Directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their Statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Annie Graham (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
7 March 2017

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

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016 (YEAR ENDED 31 DECEMBER 2015)

	Notes	Before exceptional and other items £m	Exceptional and other items £m	2016 £m	Before exceptional and other items £m	Exceptional and other items £m	2015 £m
Revenue	2	1,981.6	–	1,981.6	1,899.2	–	1,899.2
Net operating costs	3	(1,935.2)	(26.3)	(1,961.5)	(1,862.8)	(17.6)	(1,880.4)
Operating profit		46.4	(26.3)	20.1	36.4	(17.6)	18.8
Share of post-tax results of joint ventures and associates		8.8	(1.3)	7.5	8.5	(1.5)	7.0
Operating profit after joint ventures and associates	2	55.2	(27.6)	27.6	44.9	(19.1)	25.8
Analysed as:							
Underlying operating profit[i]		55.2	–	55.2	44.9	–	44.9
Non-recurring items – transaction related items and rationalisation	5	–	(8.8)	(8.8)	–	(5.8)	(5.8)
Non-recurring items – impairment charges	5	–	(9.6)	(9.6)	–	(4.7)	(4.7)
Contract amortisation	5	–	(7.9)	(7.9)	–	(7.1)	(7.1)
Share of interest on joint ventures and associates		–	0.6	0.6	–	0.7	0.7
Share of tax on joint ventures and associates		–	(1.9)	(1.9)	–	(2.2)	(2.2)
Operating profit after joint ventures and associates		55.2	(27.6)	27.6	44.9	(19.1)	25.8
Finance income	7	0.7	–	0.7	0.8	–	0.8
Finance charges	7	(4.6)	(2.3)	(6.9)	(5.6)	(0.9)	(6.5)
Other finance charge – pensions	4	(1.6)	–	(1.6)	(1.9)	–	(1.9)
Profit before taxation		49.7	(29.9)	19.8	38.2	(20.0)	18.2
Taxation	8	(15.9)	4.1	(11.8)	(12.2)	3.9	(8.3)
Profit for the year		33.8	(25.8)	8.0	26.0	(16.1)	9.9
Attributable to equity shareholders		34.3	(25.8)	8.5	26.2	(16.1)	10.1
Attributable to non-controlling interests		(0.5)	–	(0.5)	(0.2)	–	(0.2)
		33.8	(25.8)	8.0	26.0	(16.1)	9.9
Earnings per ordinary share[ii]	10						
Basic		47.8p	(35.9)p	11.8p	37.8p	(23.2)p	14.6p
Diluted		47.7p	(35.9)p	11.8p	37.8p	(23.2)p	14.6p

Notes:
(i) Underlying operating profit adjusts 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 to provide an appreciation of the impact of those items on operating profit.
(ii) The 2015 EPS figures have been restated to adjust for the impact of the October 2016 Rights Issue as set out in Note 10.

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016 (YEAR ENDED 31 DECEMBER 2015)

	Notes	2016 £m	2015 £m
Profit for the year		8.0	9.9
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit pensions	4	(36.8)	5.6
Actuarial loss on unfunded pension arrangements		(0.3)	–
Income tax effect on pension arrangements		7.4	(1.1)
Impact of UK rate change on deferred tax on pension arrangements		(1.6)	(0.9)
Items that may be reclassified subsequently to profit or loss:			
Movement on cash flow hedges	23	–	(0.1)
Movement on net investment hedges	23	(15.2)	(1.5)
Income tax effect on net investment hedges		3.0	0.3
Exchange gain/(loss) on translation of foreign operations		33.1	(3.9)
Income tax effect of exchange gain/loss on foreign operations		(4.0)	0.6
Other comprehensive loss for the year (net of tax)		(14.4)	(1.0)
Total comprehensive (loss)/income for the year		(6.4)	8.9
Attributable to equity shareholders		(5.8)	8.9
Attributable to non-controlling interests		(0.6)	–
		(6.4)	8.9

GROUP AND COMPANY BALANCE SHEETS

AS AT 31 DECEMBER 2016 (31 DECEMBER 2015)

	Notes	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
ASSETS					
Non-current assets					
Intangible assets	11	104.0	108.3	–	–
Property, plant and equipment	12	127.3	114.4	23.9	24.4
Investments accounted using the equity method	13	30.9	26.4	–	–
Investments in subsidiaries	13	–	–	292.6	291.0
Deferred tax assets	14	24.2	12.2	10.1	2.8
		286.4	261.3	326.6	318.2
Current assets					
Inventories		16.0	14.7	–	–
Trade and other receivables	15	243.6	201.9	345.4	288.1
Derivative financial assets	17	0.4	0.6	0.4	0.6
Cash and cash equivalents		38.9	34.1	1.0	0.8
		298.9	251.3	346.8	289.5
LIABILITIES					
Current liabilities					
Borrowings	17	(39.0)	(3.4)	(38.5)	(2.9)
Derivative financial liabilities	17	(6.1)	(2.3)	(6.1)	(2.3)
Trade and other payables	16	(249.9)	(217.3)	(317.1)	(310.3)
Current income tax liabilities		(11.3)	(10.0)	–	–
Provisions	20	(4.2)	(4.9)	–	–
		(310.5)	(237.9)	(361.7)	(315.5)
Net current (liabilities)/assets		(11.6)	13.4	(14.9)	(26.0)
Total assets less current liabilities		274.8	274.7	311.7	292.2
Non-current liabilities					
Borrowings	17	(64.7)	(152.2)	(64.7)	(152.2)
Other payables	16	(4.0)	(3.5)	(4.9)	(5.0)
Deferred tax liabilities	14	(2.8)	(1.5)	–	–
Provisions	20	(4.0)	(2.9)	(1.1)	–
Retirement benefit obligation	4	(71.0)	(43.4)	(71.0)	(43.4)
		(146.5)	(203.5)	(141.7)	(200.6)
Net assets		128.3	71.2	170.0	91.6
Shareholders' equity					
Ordinary shares	21	20.9	15.4	20.9	15.4
Share premium account		20.5	20.4	20.5	20.4
Treasury shares		(1.6)	(1.8)	(1.6)	(1.8)
Other reserves		(4.6)	(21.6)	(0.9)	(0.9)
Merger relief reserve	21	67.3	–	67.3	–
Retained earnings(i)		3.2	35.6	42.2	36.9
Capital redemption reserve		21.6	21.6	21.6	21.6
Total shareholders' equity		127.3	69.6	170.0	91.6
Non-controlling interest in equity		1.0	1.6	–	–
Total equity		128.3	71.2	170.0	91.6

Note:
(i) The Group's profit after tax for the year was £8.0m (2015: £9.9m). The Company's profit after tax for the year was £46.5m (2015: £19.1m).

The accounts were approved by the Board of Directors on 7 March 2017 and signed on its behalf by:

Dr Dermot F. Smurfit
Chairman

Giles Wilson
Chief Financial Officer

Company No. SC34970

GROUP AND COMPANY STATEMENTS OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2016 (31 DECEMBER 2015)

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Translation and hedge reserves £m	Merger relief reserve £m	Retained earnings £m	Capital redemption reserve £m	Total shareholders' equity £m	Non-controlling equity £m	Total equity £m
Group										
At 31 December 2015	15.4	20.4	(1.8)	(21.6)	–	35.6	21.6	69.6	1.6	71.2
Profit/(loss) for the year	–	–	–	–	–	8.5	–	8.5	(0.5)	8.0
Other comprehensive income/(loss)	–	–	–	17.0	–	(31.3)	–	(14.3)	(0.1)	(14.4)
Total comprehensive income/(loss)	–	–	–	17.0	–	(22.8)	–	(5.8)	(0.6)	(6.4)
New share capital issued	5.5	0.1	–	–	69.7	–	–	75.3	–	75.3
Rights Issue costs	–	–	–	–	(2.4)	–	–	(2.4)	–	(2.4)
Share-based payments	–	–	–	–	–	0.8	–	0.8	–	0.8
Income tax effect of share-based payments	–	–	–	–	–	0.3	–	0.3	–	0.3
Dividends paid	–	–	–	–	–	(10.6)	–	(10.6)	–	(10.6)
Disposal of own shares	–	–	0.2	–	–	(0.1)	–	0.1	–	0.1
At 31 December 2016	20.9	20.5	(1.6)	(4.6)	67.3	3.2	21.6	127.3	1.0	128.3
At 31 December 2014	15.4	20.3	(2.0)	(16.8)	–	29.5	21.6	68.0	1.7	69.7
Profit/(loss) for the year	–	–	–	–	–	10.1	–	10.1	(0.2)	9.9
Other comprehensive (loss)/income	–	–	–	(4.8)	–	3.6	–	(1.2)	0.2	(1.0)
Total comprehensive (loss)/income	–	–	–	(4.8)	–	13.7	–	8.9	–	8.9
New share capital issued	–	0.1	–	–	–	–	–	0.1	–	0.1
Share-based payments	–	–	–	–	–	0.5	–	0.5	–	0.5
Dividends paid	–	–	–	–	–	(8.0)	–	(8.0)	(0.1)	(8.1)
Repurchase of own shares	–	–	(0.1)	–	–	–	–	(0.1)	–	(0.1)
Disposal of own shares	–	–	0.3	–	–	(0.1)	–	0.2	–	0.2
At 31 December 2015	15.4	20.4	(1.8)	(21.6)	–	35.6	21.6	69.6	1.6	71.2
Company										
At 31 December 2015	15.4	20.4	(1.8)	(0.9)	–	36.9	21.6	91.6	–	91.6
Profit for the year	–	–	–	–	–	46.5	–	46.5	–	46.5
Other comprehensive loss	–	–	–	–	–	(31.3)	–	(31.3)	–	(31.3)
Total comprehensive income	–	–	–	–	–	15.2	–	15.2	–	15.2
New share capital issued	5.5	0.1	–	–	69.7	–	–	75.3	–	75.3
Rights Issue costs	–	–	–	–	(2.4)	–	–	(2.4)	–	(2.4)
Share-based payments	–	–	–	–	–	0.8	–	0.8	–	0.8
Dividends paid	–	–	–	–	–	(10.6)	–	(10.6)	–	(10.6)
Disposal of own shares	–	–	0.2	–	–	(0.1)	–	0.1	–	0.1
At 31 December 2016	20.9	20.5	(1.6)	(0.9)	67.3	42.2	21.6	170.0	–	170.0
At 31 December 2014	15.4	20.3	(2.0)	(0.8)	–	21.8	21.6	76.3	–	76.3
Profit for the year	–	–	–	–	–	19.1	–	19.1	–	19.1
Other comprehensive (loss)/income	–	–	–	(0.1)	–	3.6	–	3.5	–	3.5
Total comprehensive (loss)/income	–	–	–	(0.1)	–	22.7	–	22.6	–	22.6
New share capital issued	–	0.1	–	–	–	–	–	0.1	–	0.1
Share-based payments	–	–	–	–	–	0.5	–	0.5	–	0.5
Dividends paid	–	–	–	–	–	(8.0)	–	(8.0)	–	(8.0)
Repurchase of own shares	–	–	(0.1)	–	–	–	–	(0.1)	–	(0.1)
Disposal of own shares	–	–	0.3	–	–	(0.1)	–	0.2	–	0.2
At 31 December 2015	15.4	20.4	(1.8)	(0.9)	–	36.9	21.6	91.6	–	91.6

GROUP AND COMPANY STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016 (YEAR ENDED 31 DECEMBER 2015)

		Group		Company	
	Notes	2016 £m	2015 £m	2016 £m	2015 £m
Cash flows from operating activities					
Cash generated from operations	22	46.1	35.9	(15.8)	(15.6)
Interest received		0.7	0.8	–	–
Interest paid		(7.7)	(5.9)	(7.2)	(4.6)
Tax (paid)/received		(15.4)	(7.7)	(3.7)	0.6
Net cash flow from/(used in) operating activities		23.7	23.1	(26.7)	(19.6)
Cash flows from investing activities					
Acquisitions	25	(4.7)	(15.1)	–	–
Cash acquired with subsidiaries	25	0.3	1.3	–	–
Investment in associate		(0.4)	–	–	–
Loan repayment by associate		0.3	–	–	–
Redemption of joint venture preference shares		–	0.8	–	–
Purchase of property, plant and equipment		(24.5)	(22.2)	–	–
Intangible asset additions		(2.6)	(2.6)	–	–
Proceeds from sale of property, plant and equipment		2.4	4.5	–	–
Dividends received from equity accounted investments		6.6	6.5	–	–
Net cash flow used in investing activities		(22.6)	(26.8)	–	–
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		72.9	0.1	72.9	0.1
Purchase of own shares		–	(0.1)	–	(0.1)
Repayment of borrowings		(64.0)	(0.4)	(63.4)	–
Proceeds from borrowings		–	15.3	–	15.3
Dividends paid to ordinary shareholders	9	(10.6)	(8.0)	(10.6)	(8.0)
Net amounts repaid by subsidiaries		–	–	28.0	12.1
Net cash flow (used in)/from financing activities		(1.7)	6.9	26.9	19.4
(Decrease)/increase in net cash and cash equivalents		(0.6)	3.2	0.2	(0.2)
Effects of exchange rate movements		4.8	(1.5)	–	–
Opening net cash and cash equivalents		33.9	32.2	0.8	1.0
Closing net cash and cash equivalents(i)	23	38.1	33.9	1.0	0.8

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

NOTES TO THE ACCOUNTS

The consolidated accounts of the Group for the year ended 31 December 2016 were approved and authorised for issue in accordance with a resolution of the Directors on 7 March 2017. John Menzies plc, a public company with registered number SC34970 and registered address of 2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ, is a limited company incorporated in Scotland and listed on the London Stock Exchange.

1. ACCOUNTING POLICIES

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

BASIS OF PREPARATION

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

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

NEW ACCOUNTING STANDARDS AND AMENDMENTS AFFECTING THE GROUP

There are no immediate changes to UK financial and corporate reporting requirements following the UK's decision to leave the European Union on 23 June 2016.

The European Markets and Securities Authority has issued 'Guidelines on Alternative Performance Measures' which are effective from 3 July 2016 and which have been followed in explaining the Group's use of non-GAAP measures in these financial statements. Several new accounting standards and amendments are applicable for the first time in 2016. However, they do not impact the annual consolidated financial statements of the Group.

- 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
- 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
- Improvements to IFRS 2012-2014 cycle – effective date 1 January 2016.

Standards and amendments to standards that have been issued but are not effective for 2016 and have not been early adopted are:

- 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
- IFRS 9 Financial Instruments* – effective date 1 January 2018
- IFRS 15 Revenue from Contracts with Customers* – effective date 1 January 2018
- IFRS 16 Leases* – effective date 1 January 2019
- IFRS 2 Classification and Measurement of Share-based Payment Transactions* – effective date 1 January 2018
- Improvements to IFRS 2014-2016 cycle* – effective date 1 January 2017
- IFRIC 22 Foreign Currency Transactions and Advanced Consideration* – effective date 1 January 2018

Note:
* 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 these financial statements.

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. Ahead of the adoption of IFRS 15 Revenue from Contracts with Customers on 1 January 2018, management is in the process of reviewing all material contracts to ensure compliance with the new standard. The review so far has indicated there are no material adjustments.

BASIS OF CONSOLIDATION

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

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

NOTES TO THE ACCOUNTS CONTINUED

1. ACCOUNTING POLICIES CONTINUED

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

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

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

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

JOINT VENTURES AND ASSOCIATES

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

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

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

The Income Statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the 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 Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the Income Statement outside operating profit and represents profit or loss after tax and non-controlling interests in the associate or joint venture.

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

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

Menzies Bobba Ground Handling Services Private Ltd is 51% owned, Menzies Aviation Bobba (Bangalore) Private Ltd and Hyderabad Menzies Air Cargo Private Ltd are 49% owned and Menzies Macau Airport Services Ltd is 29% owned. They are treated as joint ventures in the Group accounts because the parties to each of the ventures work together with equal powers to control the entities. Each venturer in the respective entity retains the power of veto, and overall key strategic, operational and financial decisions require the consent of all parties.

The financial statements of each associate or joint venture are prepared for the same reporting period as the Group. The Indian joint ventures have a statutory year end of 31 March. Worldwide Magazine Distribution Ltd has a statutory year end of 30 April. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

REVENUE

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

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

PROPERTY, PLANT AND EQUIPMENT

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

Freehold and long leasehold properties – over 50 years or the remaining lease term if shorter

Short leasehold properties – over the remaining lease term

Plant and equipment – over the estimated life of the asset between 3 and 20 years.

INVENTORIES

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

PENSIONS

For the defined benefit schemes, the operating and financing costs of pensions are charged to the Income Statement in the period in which they arise and are recognised separately. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, is recognised in the Statement of Comprehensive Income. Pension costs are assessed in accordance with the advice of qualified actuaries.

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

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.

INTANGIBLE ASSETS

Goodwill

Business combinations since 1 January 2010 have been and continue to be 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 arising on acquisitions before 26 December 2004 (the date of transition to IFRS) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

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

1. ACCOUNTING POLICIES CONTINUED

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

Contracts

The fair value attributed to contracts at the point of acquisition is determined by discounting the expected future cash flows to be generated from that asset at the relevant risk-adjusted weighted average cost of capital for the Group. This amount is included in intangible assets as contracts. Separate values are not attributed to internally generated customer relationships.

Contract amortisation is business-stream dependent. In the Distribution business, capitalised publisher contracts are not amortised due to the very long-term nature of the business. These contracts are tested annually for impairment using similar criteria to the goodwill test. In the Aviation business and core non-publisher contracts in the Distribution business, most contracts are amortised on a straight-line basis over ten years as this period is the minimum time-frame management considers when assessing businesses for acquisition. Certain other contracts are amortised over the remaining life of the contract.

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 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 seven years.

LEASES

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

Assets acquired under finance leases are capitalised in the Balance Sheet at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is recorded in the Balance Sheet as a finance lease obligation. The lease payments are apportioned between finance charges to the Income Statement and a reduction of the lease obligations.

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

TRADE RECEIVABLES

If there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of an invoice, a provision on the respective trade receivable is recognised. In such an instance the carrying value of the receivable is reduced with the amount of the loss recognised in the Income Statement.

CASH AND CASH EQUIVALENTS

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

FOREIGN CURRENCIES

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

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

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

Derivative contracts entered into by the Group are expected to continue to be highly effective until they expire. The effectiveness of these contracts is monitored during the year. As a result, all derivatives have been recorded using hedge accounting, which is explained below.

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

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

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

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

PROVISIONS

Provisions are recognised when the Group has a present 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.

SHARE CAPITAL

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

SHARE-BASED PAYMENTS

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

ESTIMATES AND JUDGEMENTS

The preparation of the consolidated accounts requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates will, by definition, seldom equal the related actual results, particularly 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 11 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 11 for further details.

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 for further details and sensitivities.

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 based on management's interpretation of country specific tax law and the likelihood of settlement. Management uses the services of a professional firm together with an in-house tax expert and historical experience when assessing tax risks. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made. See Notes 8 and 14 for further details.

1. ACCOUNTING POLICIES CONTINUED

The Group has in place a pension funding arrangement and has also claimed a reduced rate of tax in an overseas territory, based on the nature of its activities in that territory, both of which 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 obtained and therefore an appropriate provision is held until that point. Other uncertain tax provisions are held for potential tax authority challenge of our transfer pricing arrangements and for tax authority challenge against our interpretation of local tax legislation where application of that legislation is unclear. Whilst there is a range of potential outcomes for these uncertain tax positions, management's best estimate of how these provisions may move and impact the Group's Income Statement over the next 12 months is an increase in the tax liability of £1.3m to a decrease in the tax liability of £1.0m.

The Group has made an assessment of the use of tax losses in calculating its deferred tax asset and liability including losses in the United States of America that may be subject to section 382 restrictions should the ownership of the Company change significantly in the future.

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. See Note 20 for further details.

Revenue recognition

Judgement must be exercised to ensure that revenue is recognised in accordance with contractual terms, including in relation to the level of expected returns.

EXCEPTIONAL ITEMS

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

Transactions which may give rise to exceptional items include restructuring of business activities (in terms of rationalisation costs and onerous lease provisions), gains or losses on the disposal of businesses and acquisition transaction and other related costs including changes in deferred consideration.

DIVIDEND DISTRIBUTIONS

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

FINANCIAL RISK FACTORS

The Group is exposed to financial risks: liquidity risk, interest rate fluctuations, foreign exchange exposures and credit risk. See Note 17 for further details.

NON-GAAP MEASURES

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

Contract amortisation relates to intangible assets recognised on historic acquisitions and therefore since it is transaction related it is presented as a non-recurring cost in order to provide stakeholders and management with an appreciation for the underlying business performance.

The Group's share of post-tax profit relating to joint ventures and associates is included within operating profit. IAS 1 Presentation of Financial Statements does not prescribe where the investor's share of post-tax profit is presented in the Income Statement but management presents the results within operating profit after joint ventures and associates given the similarity of those operations to other wholly owned business operations.

Below we set out our definitions of non-GAAP measures and provide reconciliations to relevant GAAP measures.

Turnover

Turnover comprises revenue from subsidiaries and the Group's share of revenue from joint ventures and associates.

	2016 £m	2015 £m
Revenue	1,981.6	1,899.2
Share of revenue of joint ventures and associates	95.1	94.1
Turnover	2,076.7	1,993.3

UNDERLYING OPERATING PROFIT

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

UNDERLYING PROFIT BEFORE TAXATION

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

UNDERLYING EARNINGS PER SHARE

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

FREE CASH FLOW

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

	2016 £m	2015 £m
Cash generated from operations	46.1	35.9
Adjusted for:		
Net interest paid	(7.0)	(5.1)
Exceptional interest paid	3.2	–
Tax paid	(15.4)	(7.7)
Dividends received from equity accounted investments	6.6	6.5
Purchase of property, plant and equipment	(24.5)	(22.2)
Intangible asset additions	(2.6)	(2.6)
Proceeds from sale of property, plant and equipment	2.4	4.5
Special pension contribution	10.9	11.6
Exceptional cash spend	11.4	10.8
Free cash flow	31.1	31.7

UNDERLYING OPERATING CASH FLOW

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

	2016 £m	2015 £m
Free cash flow (as set out above)	31.1	31.7
Adjusted for:		
Purchase of property, plant and equipment	24.5	22.2
Intangible asset additions	2.6	2.6
Proceeds from sale of property, plant and equipment	(2.4)	(4.5)
Net interest paid excluding exceptional interest	3.8	5.1
Tax paid	15.4	7.7
Underlying operating cash flow	75.0	64.8

2. SEGMENT INFORMATION

For management purposes the Group is organised into two Operating Divisions: Aviation and Distribution. The two Divisions are organised and managed separately based upon their key markets. The Aviation Division provides cargo and passenger ground handling services across the world. The Distribution Division provides newspaper and magazine distribution services along with marketing and logistics services across the UK and Ireland.

The information presented to the Board for the purpose of resource allocation and assessment of segment performance is focused on the performance of each division as a whole but also contains performance information on a number of operating segments within the Aviation Division. The Board assesses the performance of the operating segments based on a measure of adjusted segment result before exceptional items, intangible amortisation and share of interest and tax on joint ventures and associates. Net finance income and expenditure is not allocated to segments as this activity is managed by the central treasury function.

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

BUSINESS SEGMENT INFORMATION

	Revenue		Underlying operating profit/(loss)	
	2016 £m	2015 £m	2016 £m	2015 £m
Aviation				
Americas	219.8	173.7	12.9	9.6
EMEA	391.2	350.7	6.0	(0.8)
Rest of World	139.6	112.4	10.9	10.0
Cargo Forwarding	117.5	112.5	4.4	4.3
	868.1	749.3	34.2	23.1
Distribution	1,208.6	1,244.0	24.7	25.1
Corporate	–	–	(3.7)	(3.3)
	2,076.7	1,993.3	55.2	44.9
Joint ventures and associates	(95.1)	(94.1)	–	–
	1,981.6	1,899.2	55.2	44.9

In anticipation of the ASIG acquisition on 1 February 2017, the Board has amended the structure of reporting to reflect a more geographic organisation rather than a line of business presentation. The Board believes that analysis of the Aviation performance on a geographical basis provides the user with the most relevant information and is consistent with the basis for internal management review. For comparative purposes in this Annual Report and Accounts the above information is also presented under the segmental basis utilised in previous years as set out below.

	Revenue		Underlying operating profit/(loss)	
	2016 £m	2015 £m	2016 £m	2015 £m
Aviation				
Ground Handling	591.5	490.0	13.0	4.1
Cargo Handling	159.1	146.8	16.8	14.7
Cargo Forwarding	117.5	112.5	4.4	4.3
	868.1	749.3	34.2	23.1
Distribution	1,208.6	1,244.0	24.7	25.1
Corporate	–	–	(3.7)	(3.3)
	2,076.7	1,993.3	55.2	44.9
Joint ventures and associates	(95.1)	(94.1)	–	–
	1,981.6	1,899.2	55.2	44.9

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

2016	Notes	Aviation £m	Distribution £m	Corporate £m	Group £m
Operating profit/(loss)		7.2	20.7	(7.8)	20.1
Share of post-tax results of joint ventures and associates		6.5	1.0	–	7.5
Operating profit/(loss) after joint ventures and associates		13.7	21.7	(7.8)	27.6
Net finance expense					(7.8)
Profit before taxation					19.8

Analysed as:					
Underlying operating profit/(loss)(i)		34.2	24.7	(3.7)	55.2
Transaction and restructure related items	5	(4.9)	0.2	(4.1)	(8.8)
Net impairment loss	5	(9.6)	–	–	(9.6)
Contract amortisation	11	(5.1)	(2.8)	–	(7.9)
Share of interest on joint ventures and associates		0.6	–	–	0.6
Share of tax on joint ventures and associates		(1.5)	(0.4)	–	(1.9)
Operating profit/(loss) after joint ventures and associates		13.7	21.7	(7.8)	27.6

2015	Notes	Aviation £m	Distribution £m	Corporate £m	Group £m
Operating profit/(loss)		7.0	16.8	(5.0)	18.8
Share of post-tax results of joint ventures and associates		5.4	1.6	–	7.0
Operating profit/(loss) after joint ventures and associates		12.4	18.4	(5.0)	25.8
Net finance expense					(7.6)
Profit before taxation					18.2

Analysed as:					
Underlying operating profit/(loss)(i)		23.1	25.1	(3.3)	44.9
Rationalisation and acquisition related items	5	(0.2)	(3.9)	(1.7)	(5.8)
Net impairment loss	5	(4.7)	–	–	(4.7)
Contract amortisation	11	(4.6)	(2.5)	–	(7.1)
Share of interest on joint ventures and associates		0.7	–	–	0.7
Share of tax on joint ventures and associates		(1.9)	(0.3)	–	(2.2)
Operating profit/(loss) after joint ventures and associates		12.4	18.4	(5.0)	25.8

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

2. SEGMENT INFORMATION CONTINUED

2016	Aviation £m	Distribution £m	Corporate £m	Group £m
Segment assets	314.2	200.0	8.0	522.2
Unallocated assets				63.1
Total assets				585.3
Segment liabilities	(126.6)	(111.3)	(30.4)	(268.3)
Unallocated liabilities				(188.7)
Total liabilities				(457.0)
Segment net assets/(liabilities)	187.6	88.7	(22.4)	253.9
Unallocated net liabilities				(125.6)
Net assets				128.3

2015	Aviation £m	Distribution £m	Corporate £m	Group £m
Segment assets	264.8	199.7	1.9	466.4
Unallocated assets				46.2
Total assets				512.6
Segment liabilities	(93.6)	(116.7)	(20.6)	(230.9)
Unallocated liabilities				(210.5)
Total liabilities				(441.4)
Segment net assets/(liabilities)	171.2	83.0	(18.7)	235.5
Unallocated net liabilities				(164.3)
Net assets				71.2

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

2016	Aviation £m	Distribution £m	Corporate £m	Group £m
Capital expenditure – property, plant and equipment	23.1	2.7	0.3	26.1
Capital expenditure – intangible assets	1.8	0.8	–	2.6
Depreciation	17.3	4.3	0.7	22.3
Amortisation of intangible assets	5.9	5.2	–	11.1
Impairment of intangible assets	7.2	–	–	7.2
(Gain)/loss on disposal of property, plant and equipment	(0.3)	0.2	–	(0.1)

2015	Aviation £m	Distribution £m	Corporate £m	Group £m
Capital expenditure – property, plant and equipment	16.4	4.4	–	20.8
Capital expenditure – intangible assets	0.5	2.1	–	2.6
Depreciation	15.7	4.6	0.7	21.0
Amortisation of intangible assets	5.8	4.8	–	10.6
Impairment of intangible assets	4.0	–	–	4.0
(Gain)/loss on disposal of property, plant and equipment	(1.0)	0.4	–	(0.6)

GEOGRAPHIC INFORMATION

	Revenue		Non-current assets[i]	
	2016 £m	2015 restated £m	2016 £m	2015 restated £m
United Kingdom	1,331.9	1,363.1	102.5	110.2
United States of America	169.1	140.3	44.3	36.8
Others	480.6	395.8	115.4	102.1
	1,981.6	1,899.2	262.2	249.1

Note:
(i) Non-current assets exclude deferred tax assets.

3. NET OPERATING COSTS

	Notes	2016 £m	2015 £m
Goods for resale and other direct operating costs		1,086.1	1,110.8
Employment costs	4	582.1	506.7
Exceptional items	5	8.8	5.8
Net impairment loss	5	9.6	4.7
Intangible assets amortisation	11	11.1	10.6
Depreciation	12	22.3	21.0
Other operating charges		241.5	220.8
		1,961.5	1,880.4

Other operating charges include:

	2016 £m	2015 £m
Operating leases and hire charges – plant and equipment	32.1	27.5
Rent of properties	34.9	31.8
Gain on disposal of property, plant and equipment	(0.1)	(0.6)
Currency translation gain	(0.4)	–

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor at costs as detailed below.

	2016 £m	2015 £m
Audit of the Company and consolidated accounts	0.3	0.3
Audit of the Company's subsidiaries pursuant to legislation	0.7	0.7
Other assurance services relating to Class 1 circular	1.9	–
Tax compliance	0.4	0.5
Tax advisory	1.0	0.4

4. EMPLOYEES

	2016 £m	2015 £m
Wages and salaries	517.0	451.9
Share-based payments	0.7	0.5
Social security costs	46.6	40.5
	564.3	492.9
Pension charge	17.8	13.8
	582.1	506.7

For the Company, wages and salaries were £1.1m (2015: £1.4m), share-based payments were £0.1m (2015: £0.2m), social security costs were £0.1m (2015: £0.2m) and the pension charge was £0.1m (2015: £Nil) for eight employees (2015: eight).

4. EMPLOYEES CONTINUED

The average number of people employed by the Group during the year was:

	2016	2015
Aviation	23,677	21,737
Distribution	3,465	3,387
Corporate	34	31
	27,176	25,155

The above includes 18,786 people employed outside the UK (2015: 16,893).

PENSION SCHEMES

Defined contribution schemes

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.

	2016 £m	2015 £m
Defined contribution schemes pension charge	14.6	11.6

Defined benefit scheme

The principal Group-funded defined benefit scheme in the UK is the Menzies Pension Fund ("**the Fund**") to which employees contribute. The charge to the Income Statement is assessed in accordance with independent actuarial advice from PricewaterhouseCoopers LLP ("**the Actuary**") using the projected unit method.

The pension charge to operating profit in the Income Statement relating to the Fund is £3.2m (2015: £2.2m).

Fund financial assumptions and information

The Actuary undertook a valuation of the Fund as at 31 December 2016 (2015: 31 December 2015). In deriving the results the Actuary used the projected unit method and the following financial assumptions:

	2016 %	2015 %
Annual rate of increase in salaries	3.3	3.0
Annual rate of increase in pensions (prior to 1 May 2006)	3.7	3.5
Annual rate of increase in pensions (from 1 May 2006 to 1 June 2010)	2.2	2.1
Annual rate of increase in pensions (after 1 June 2010)	1.0	1.0
Annual price inflation	3.3	3.0
Discount rate	2.7	4.0

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

The average future life expectancy for a pensioner aged 65 on the balance sheet date is:

	2016 Years	2015 Years
Male	22.0	22.2
Female	23.5	23.7

The average future life expectancy at age 65 for a non-pensioner aged 40 on the balance sheet date is:

	2016 Years	2015 Years
Male	23.5	23.8
Female	24.8	25.0

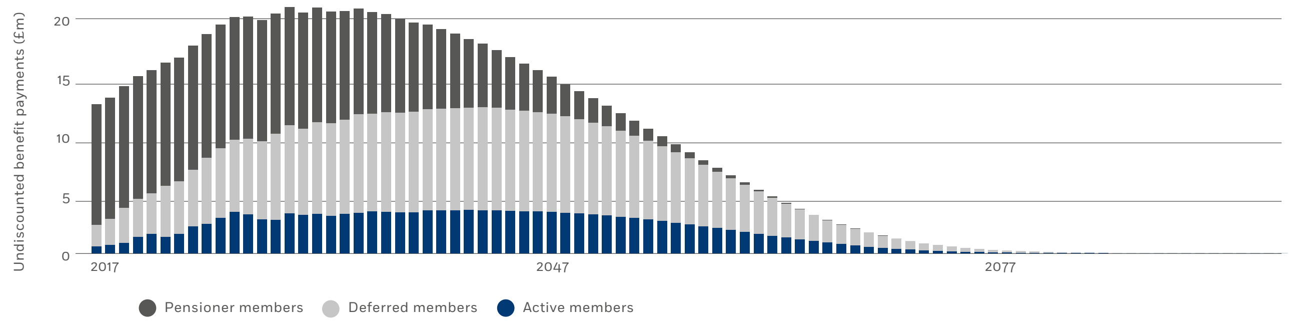
Further information regarding the membership of the Fund is:

	Number	Liability split	Average liability duration (years)
2016			
Active members	401	18%	22.8
Deferred members	3,200	37%	22.6
Pensioners	2,131	45%	13.0
	5,732	100%	18.3
2015			
Active members	445	16%	21.8
Deferred members	3,353	34%	21.0
Pensioners	2,138	50%	11.9
	5,936	100%	16.5

Overall weighted average liability duration is 18.3 years (2015: 16.5 years).

Future benefit payments

Estimated undiscounted benefit payments expected to be paid from the Fund over its life, derived from the data used in the triennial valuation of the Fund as at 31 March 2015 is shown on the following graph:



Fair value of fund assets and liabilities

	2016 Quoted £m	2016 Unquoted £m	2016 Total value at 31 December £m	2015 Quoted £m	2015 Unquoted £m	2015 Total value at 31 December £m
Equities	131.5	0.3	131.8	127.4	0.3	127.7
Bonds	92.0	–	92.0	130.8	–	130.8
Investment funds	6.3	–	6.3	1.8	4.0	5.8
Liability driven investment funds	–	77.2	77.2	–	–	–
Property	–	25.0	25.0	4.1	24.4	28.5
Annuity contracts	–	7.8	7.8	–	7.0	7.0
Cash	13.0	–	13.0	7.3	–	7.3
Other	3.4	12.4	15.8	3.0	2.3	5.3
Total value of assets	246.2	122.7	368.9	274.4	38.0	312.4
Defined benefit obligation			(439.9)			(355.8)
Recognised in Balance Sheet			(71.0)			(43.4)
Related deferred tax asset (Note 14)			12.1			7.8
Net pension liabilities			(58.9)			(35.6)

The Fund holds annuity contracts in respect of a number of members that provide cash flows to the Fund which exactly match the benefit payments to these members.

4. EMPLOYEES CONTINUED

Changes in assumptions compared with actuarial assumptions for the value of liabilities are:

	2016 £m	2015 £m
0.5% decrease in discount rate	481.0	386.5
One year increase in life expectancy	454.4	366.5
0.5% decrease in inflation	425.2	334.4
0.25% increase in pensions	449.4	362.8
0.5% decrease in salary increases(i)	439.9	355.8

Note:
(i) Active members' benefits, once accrued, revalue at the Consumer Price Index capped at 1% p.a. and so changes in the level of salary increase do not affect the past service liability value.

The sensitivities have been calculated using approximate methods taking into account the duration of the Fund's liabilities. In relation to sensitivities, the Company recognises actuarial gains and losses immediately through the re-measurement of the net defined benefit liability.

Pension expense

The components of pension expense are:

	2016 £m	2015 £m
Amounts charged/(credited) to operating profit		
Current service cost	1.9	2.0
Administrative costs	1.6	1.3
Effect of settlements	(0.3)	(1.1)
Total service cost	3.2	2.2
Amounts included in finance costs		
Interest cost on defined benefit obligation	13.9	13.4
Interest income on Fund assets	(12.3)	(11.5)
Net finance charge	1.6	1.9
Pension expense	4.8	4.1

The amounts recognised in the Statement of Comprehensive Income are:

	2016 £m	2015 £m
Returns on assets excluding net interest income	48.9	(4.9)
Changes in demographic assumptions	4.7	(11.2)
Changes in financial assumptions	(93.3)	17.1
Experience	2.9	4.6
Actuarial (loss)/gain	(36.8)	5.6

Changes in Fund assets and defined benefit obligation

The change in scheme assets during the year is:

	2016 £m	2015 £m
Fair value of assets at start of year	312.4	312.9
Interest income	12.3	11.5
Returns on assets excluding interest income	48.9	(4.9)
Company contributions	14.0	14.1
Employee contributions	0.7	0.7
Effect of settlements	(0.4)	(2.2)
Benefits and expenses paid	(19.0)	(19.7)
Fair value of assets at end of year	368.9	312.4

The return on scheme assets (including interest income) was a gain of £61.2m (2015: £6.6m).

The change in defined benefit obligation during the year is:

	2016 £m	2015 £m
Defined benefit obligation at start of year	355.8	371.9
Total service cost	3.5	3.3
Interest cost	13.9	13.4
Effect of settlements	(0.7)	(3.3)
Employee contributions	0.7	0.7
Benefits and expenses paid	(19.0)	(19.7)
Changes in demographic assumptions	(4.7)	11.2
Changes in financial assumptions	93.3	(17.1)
Experience	(2.9)	(4.6)
Defined benefit obligation at end of year	439.9	355.8

Benefits, regulatory framework and governance of the Fund

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

Risks

The nature of the Fund exposes the Company to the risk of paying unanticipated additional contributions to the Fund in times of adverse experience.

The most financially significant risks are likely to be: the risk that movements in the value of the Fund's liabilities are not met by corresponding movements in the value of the Fund's assets; lower than expected investment returns; members living for longer than expected and higher than expected actual inflation, pension and salary increase experience.

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

Asset-liability matching strategies

At the beginning of 2016 the Fund held a mixture of UK gilts. index-linked gilts and corporate bonds which provided a degree of liability hedging. During the year ended 31 December 2016, the Trustee took steps to increase the level of interest rate and inflation hedging of the Fund's liabilities.

In May 2016 the Trustee agreed to de-risk and increase hedging to approximately 30% of liabilities on a gilts basis across interest rates and inflation using leveraged liability driven investment ("**LDI**") funds. This was funded by reducing the Fund's UK equity allocation and moving a proportion of the Fund's index-linked gilts into the LDI funds.

Given the increase in interest rates towards the end of the year, the Trustee agreed to increase the Fund's interest rate hedging further to approximately 40% in December 2016 by moving investments from index-linked gilts into LDI funds. The Fund's inflation hedging remains around 30%.

The Trustee's current investment strategy, having consulted with the Company, is to invest the majority of the Fund's assets in a mix of equities and bonds, in order to strike a balance between maximising the returns on the Fund's assets and minimising the risks associated with lower than expected returns on the Fund's assets.

The Trustee has implemented a de-risking process such that the Fund's assets are gradually switched out of equities and into bonds as funding improves. This should lead to better matching of assets and liabilities as the Fund matures whilst at the same time locking in favourable asset performance. The Trustee is required to regularly review its investment strategy in light of the revised term and nature of the Fund's liabilities and will be next considering this as part of its 2018 valuation exercise. The current benchmark is to hold 70% in growth assets such as equities and 30% in bonds including index-linked and fixed-interest Government bonds and corporate bonds.

4. EMPLOYEES CONTINUED

Funding arrangements and funding policy that affect future contributions

The triennial valuation process in which the Trustee and the Company agree the long-term funding strategy has been concluded and a Schedule of Contributions dated 4 March 2016 has been agreed. The Schedule of Contributions sets out the additional contributions required to meet the funding shortfall between the value of the Fund's assets and liabilities. The additional contributions have been agreed as being nine annual contributions of £10.7m per annum rising with the higher of RPI or the annual percentage change in dividends and beginning in the year ended 31 March 2017 and continuing to the year ended 31 March 2025. The impact of changes in dividends would only apply when dividends paid are at least at the level of those paid in 2013.

In total, the Company expects to contribute around £14m to the Fund during the year to 31 December 2017.

The Company has considered the accounting treatment under IFRIC 14 of the current deficit and the impact of the minimum funding requirement committed by the Company to 2025. A review of the Fund Rules has confirmed that the Group has an unconditional right to a refund of a projected future surplus at some point in the future. There is no requirement for the Group to adjust the Balance Sheet to recognise the future agreed deficit recovery contributions.

Other information

Small settlements have occurred over the year. There have been no other Fund amendments or curtailments.

5. EXCEPTIONAL AND OTHER ITEMS

EXCEPTIONAL ITEMS INCLUDED IN OPERATING PROFIT

	2016 £m	2015 £m
Acquisition and other transaction related costs(i)	(9.1)	(0.4)
Acquisition related earn-out adjustment(ii)	0.3	(0.2)
Rationalisation costs(iii)	–	(3.5)
Management restructure and strategic review(iv)	–	(1.7)
	(8.8)	(5.8)

Notes:

(i) Acquisition and other transaction related costs relate to the Rights Issue process and acquisition of ASIG Holdings Ltd and ASIG Holdings Corp. on 1 February 2017 (acquisition costs £5.7m and integration costs £1.3m) in the Aviation Division as well as other smaller acquisitions including Renaissance Aviation Ltd in Aviation, and Thistle Couriers Ltd and Edinburgh Arts and Entertainment Ltd in the Distribution Division (£0.2m total). In addition, aborted Aviation transaction costs were £0.9m while restructure consultancy costs were £0.8m and other ongoing transaction costs were £0.2m. In the prior year the costs related largely to the acquisition of AJG Parcels Ltd in June 2015 and Oban Express Parcel Service Ltd in Distribution in November 2015.

(ii) Contingent consideration relating to the acquisition of Fore Partnership was settled for £1.3m being £0.3m lower than anticipated at 31 December 2015 in the Distribution Division. In the prior year, a charge was recognised relating to contingent consideration for Fore Partnership which was partly offset by a credit arising on settlement of the Orbital Marketing Services Group contingent consideration.

(iii) In the prior year, costs of £3.3m were incurred rationalising excess capacity in the Distribution Division, Restructuring costs of £0.2m were also incurred in the Aviation Division in Spain.

(iv) In the prior year, costs of £1.7m were incurred relating to redundancy and advisory costs relating to the work performed to reshape the senior management team and review the strategic direction of the Group's business in order to prioritise the opportunities for growth.

EXCEPTIONAL ITEMS INCLUDED IN FINANCE CHARGES

	2016 £m	2015 £m
Acquisition related financing costs(i)	(1.5)	–
Unwind discount costs(ii)	(0.2)	(0.2)

Notes:

(i) Relating to ticking fees and an amortisation of underwriting fees on the new financing facilities agreed in the period required to fund the acquisition of ASIG Holdings Ltd and ASIG Holdings Corp. on 1 February 2017.

(ii) Relating to deferred consideration and onerous lease provisions.

INTANGIBLE ASSETS AMORTISATION AND IMPAIRMENT INCLUDED IN OPERATING PROFIT

	2016 £m	2015 £m
Contract amortisation(i)	(7.9)	(7.1)
Net impairment loss(ii)	(9.6)	(4.7)

Notes:

(i) Contracts capitalised as intangible assets on the acquisition of businesses.

(ii) In the Aviation Division an impairment of goodwill of £7.2m and property, plant and equipment of £2.4m was triggered by the loss of volumes with key customers at the cargo operations in Amsterdam and the impact this has on the overall business. The recoverable amount of cash-generating unit is £Nil based on a value in use methodology utilising a pre-tax discount rate of 9% (2015: 9%). In the prior year, following the loss of licences in the Aviation Division in Spain an impairment charge of £4.7m was recognised representing a write-off of intangible assets of £4.0m and other associated assets of £0.7m.

The taxation effect of the exceptional items is a net credit of £2.2m (2015: net credit of £1.7m) in relation to tax deductions available for a proportion of the exceptional costs arising during the year.

6. DIRECTORS' EMOLUMENTS

Emoluments paid to the Directors of John Menzies plc are:

	2016 £m	2015 £m
Salary and fees	1.3	1.1
Bonus	0.5	–
Termination payments	0.1	–
Pension salary supplement	0.1	0.2
	2.0	1.3

Gains made on exercise of Long-Term Incentive Plan awards were £Nil (2015: £Nil).

Further details of the Directors' remuneration are disclosed in the Directors' Remuneration Report.

7. FINANCE COSTS (PRE-EXCEPTIONAL)

	2016 £m	2015 £m
Finance income		
Bank deposits	0.7	0.8
Finance charges		
Bank loans and overdrafts	(4.5)	(5.5)
Preference dividends	(0.1)	(0.1)
	(4.6)	(5.6)
Net finance costs	(3.9)	(4.8)

8. TAXATION

TAX CHARGE IN INCOME STATEMENT

	2016 £m	2015 £m
Current tax		
UK corporation tax on profits for the year	1.0	0.1
Overseas tax	11.4	8.9
Adjustments to prior years' liabilities	(0.1)	0.1
	12.3	9.1
Deferred tax		
Origination and reversal of temporary differences	(1.5)	(2.6)
Adjustments to prior years' liabilities	(0.6)	(0.2)
	(2.1)	(2.8)
Retirement benefit obligation	1.6	2.0
	(0.5)	(0.8)
Tax on profit on ordinary activities	11.8	8.3

TAX RELATED TO ITEMS CHARGED/(CREDITED) OUTSIDE INCOME STATEMENT

	2016 £m	2015 £m
Deferred tax on actuarial (loss)/gain on retirement benefit obligation	(7.4)	1.1
Deferred tax impact of UK rate change on pension arrangements	1.6	0.9
Deferred tax on share-based payments	(0.3)	–
Current tax on net exchange adjustments	0.4	(0.9)
Deferred tax on net exchange adjustments	0.6	–
	(5.1)	1.1

8. TAXATION CONTINUED

EFFECTIVE TAX RATE

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

	2016 £m	2015 £m
Profit before tax	19.8	18.2
Profit before tax multiplied by standard rate of corporation tax in the UK of 20.0% (2015: 20.25%)	4.0	3.7
Non-deductible expenses including intangible amortisation	3.5	3.1
Depreciation on non-qualifying assets	0.3	0.4
Unrelieved overseas losses	1.5	1.5
Deferred tax assets written off	1.5	0.1
Deferred tax asset recognised on overseas losses carried forward	(1.6)	(2.0)
Deferred tax liability recognised on undistributed reserves of overseas subsidiaries	1.1	1.2
Exceptional items	1.8	0.4
Utilisation of previously unrecognised losses	(0.9)	(0.3)
Higher tax rates on overseas earnings	2.8	1.9
Share of joint venture and associate post-tax result included in profit before tax	(1.5)	(1.6)
Adjustments to prior years' liabilities	(0.7)	(0.1)
At the effective corporation tax rate of 59.6% (2015: 45.6%)	11.8	8.3

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. As the reductions in the main rate of corporation tax were substantively enacted at the balance sheet date, and reduce the tax rate applying when temporary differences reverse on or after 1 January 2017, it could have the effect of reducing the UK deferred tax assets and liabilities depending upon the timing of the reversal of the temporary differences. As most of the temporary differences reversing on or after 1 January 2017 relate to the UK pension deficit which has arisen predominantly due to actuarial gains/losses taken to other comprehensive income, the reduction in the deferred tax asset has been debited to other comprehensive income and therefore has not had an effect on the effective tax rate or on profit for the year.

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

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

	Losses		
	2016 £m	2015 £m	Expiry
Colombia	3.5	2.6	Carry forward indefinitely
Germany	20.8	17.8	Carry forward indefinitely
Namibia	0.4	–	Carry forward indefinitely
Netherlands	4.4	3.6	Carry forward for 4 years
Norway	14.7	11.9	Carry forward indefinitely
South Africa	8.1	5.1	Carry forward indefinitely
Sweden	4.3	3.3	Carry forward indefinitely
United States of America	31.2	37.1	Carry forward for up to 20 years

The Group has capital losses in the UK of approximately £10.4m (2015: £10.4m) that are available for offset against future taxable gains arising in the UK. No deferred tax asset has been recognised in respect of these losses.

9. DIVIDENDS

DIVIDENDS PAID ON ORDINARY SHARES

	2016 £m	2015 £m
Interim paid in respect of 2016, 5.4p per share	3.3	–
Final paid in respect of 2015, 11.8p per share	7.3	–
Interim paid in respect of 2015, 5.0p per share	–	3.0
Final paid in respect of 2014, 8.1p per share	–	5.0
	10.6	8.0

Dividends of £0.1m were waived on Treasury shares (2015: £Nil).

The Directors are proposing a final dividend in respect of the year to 31 December 2016 of 13.1p per ordinary share, which will absorb an estimated £10.9m of shareholders' funds. Payment will be made on 3 July 2017 to shareholders on the register at the close of business on 26 May 2017.

TREASURY SHARES

Ordinary shares are held for employee share schemes. At 31 December 2016 the Company held 310,338 (2015: 345,176) ordinary shares with a market value of £1.8m (2015: £1.4m).

10. EARNINGS PER SHARE

	Basic		Underlying[i]	
	2016 £m	2015 restated £m	2016 £m	2015 restated £m
Profit for the year as set out in the Income Statement	8.0	9.9	33.8	26.0
Loss relating to non-controlling interests	0.5	0.2	0.5	0.2
Earnings for the year attributable to equity shareholders	8.5	10.1	34.3	26.2
Basic				
Earnings per ordinary share (pence)	11.8p	14.6p		
Diluted earnings per ordinary share (pence)	11.8p	14.6p		
Historical adjusted earnings per ordinary share (pence)	13.8p	16.5p		
Underlying[i]				
Earnings per ordinary share (pence)			47.8p	37.8p
Diluted earnings per ordinary share (pence)			47.7p	37.8p
Historical adjusted earnings per ordinary share (pence)			55.9p	42.7p
Number of ordinary shares in issue				
Weighted average (million)	71.8	69.4		
Diluted weighted average (million)	71.9	69.4		
Historical weighted average (million)	61.4	61.3		

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

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

10. EARNINGS PER SHARE CONTINUED

The 2015 results have been restated to adjust for the impact of the October 2016 Rights Issue with the discount reflected as a bonus issue. The restatement adjusts the 2015 results for the impact of the bonus factor, but not the increase in the Group's available capital which has been raised but not deployed in the period due to the related acquisition of ASIG completing on 1 February 2017. As such, an additional measure, 'historical adjusted earnings per ordinary share', has been presented to enable the comparison of 2016 performance on a consistent capital base. This has been calculated by adjusting the 2016 weighted average number of shares for this measure to remove the full effect of the Rights Issue. The Directors consider that this provides an underlying measure that is comparable to underlying earnings per share presented historically.

11. INTANGIBLE ASSETS

	Goodwill £m	Contracts £m	Computer software £m	Total £m
Cost				
At 31 December 2015	64.6	91.6	32.5	188.7
Acquisitions (Note 25)	0.4	2.7	–	3.1
Additions	–	–	2.6	2.6
Disposals	–	–	(0.1)	(0.1)
Currency translation	12.1	6.8	–	18.9
At 31 December 2016	77.1	101.1	35.0	213.2
Amortisation and impairment				
At 31 December 2015	12.3	46.1	22.0	80.4
Amortisation charge	–	7.9	3.2	11.1
Impairment (Note 5)	7.2	–	–	7.2
Currency translation	5.8	4.7	–	10.5
At 31 December 2016	25.3	58.7	25.2	109.2
Net book value				
At 31 December 2016	51.8	42.4	9.8	104.0
At 31 December 2015	52.3	45.5	10.5	108.3

	Goodwill £m	Contracts £m	Computer software £m	Total £m
Cost				
At 31 December 2014	59.5	90.8	30.4	180.7
Acquisitions (Note 25)	4.2	1.7	–	5.9
Additions	–	–	2.6	2.6
Disposals	–	–	(0.5)	(0.5)
Currency translation	0.9	(0.9)	–	–
At 31 December 2015	64.6	91.6	32.5	188.7
Amortisation and impairment				
At 31 December 2014	10.9	34.9	18.8	64.6
Amortisation charge	–	7.1	3.5	10.6
Released on disposal	–	–	(0.3)	(0.3)
Impairment (Note 5)	–	4.0	–	4.0
Currency translation	1.4	0.1	–	1.5
At 31 December 2015	12.3	46.1	22.0	80.4
Net book value				
At 31 December 2015	52.3	45.5	10.5	108.3
At 31 December 2014	48.6	55.9	11.6	116.1

As set out in Note 5, the impairment of goodwill of £7.2m relates to the Aviation cargo business in The Netherlands where both the goodwill and fixed assets were fully impaired. In the prior year the £4.0m impairment relates to the Aviation Division in Spain where the asset was fully impaired.

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

		2016			2015		
		Pre-tax discount rate used in impairment review £m	Goodwill £m	Contracts £m	Pre-tax discount rate used in impairment review £m	Goodwill £m	Contracts £m
Aviation							
Americas cargo		8%	10.1	–	9%	8.5	–
Americas other		9.1%	11.7	–	10%	9.9	–
EMEA cargo		7%	2.9	–	8.7%	9.6	–
EMEA other	UK ground handling	8%	3.1	–	9%	3.1	–
	Other Europe ground handling	16%	0.4	–	11%	0.4	–
Cargo Forwarding	USA, Australia and New Zealand	9.5%	6.4	–	10%	5.4	–
	South Africa	11%	2.1	–	12%	1.7	–
Rest of World		8.5%	3.2	–	9%	2.2	–
Distribution							
Core	Great Britain	8%	7.3	12.9	9%	7.3	12.9
	Northern Ireland	8%	–	3.1	9%	–	3.1
Parcels		8%	4.6	–	9%	4.2	–
			51.8	16.0		52.3	16.0

The CGUs in the above table are presented in a format closely aligned with the segmental information in Note 2.

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

The recoverable amounts of the CGUs are determined from value in use calculations. These calculations use future cash flow projections based on financial forecasts approved by management. The key assumptions for these forecasts are those regarding revenue growth, net margin, capital expenditure and the level of working capital required to support trading, which management estimates based on past experience and expectations of future changes in the market.

The value in use calculations use a post-tax discount rate assumption in a range from 5% to 13% (2015: 6% to 9%) based on the Group's weighted average post-tax cost of capital and having considered the uncertainty risk attributable to individual CGUs. The equivalent pre-tax discount rate is a range from 7% to 16% (2015: 8% to 13%) as shown in the table above. The pre-tax rate has been applied to pre-tax cash flows.

AVIATION

Aviation contracts are amortised on a straight-line basis over ten years as this period is the minimum time-frame management considers when assessing businesses for acquisition. The carrying value of Aviation contracts is £14.1m (2015: £15.1m) and the average remaining amortisation period is two years (2015: three years).

Value in use calculations are based on Board approved budgets and plans for a three year period and extrapolated for a further two year period. Growth rates in the cash flows beyond the three year period have been assumed to be Nil% (2015: Nil%). Net margin assumptions are based on historic experience.

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

11. INTANGIBLE ASSETS CONTINUED

DISTRIBUTION

Distribution publisher contracts are not amortised due to the very long-term nature of the business in the UK. The Group distributes to approximately 45% of the UK retail market and has only one major competitor. In such circumstances the Board considers that there is no foreseeable limit to the period over which the contracts are expected to generate cash flows and have been determined to have an indefinite life. These contracts are tested annually for impairment using the criteria outlined above.

Value in use calculations are based on Board approved budgets and plans for a three year period and extrapolated for a further two year period. This reflects management's specific business expectations for 2020 and 2021. Growth rates in the cash flows beyond the three year period have been assumed to be -8.5% to Nil% (2015: -2% to Nil%). Net margin assumptions are based on historic experience.

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

Most Distribution core non-publisher contracts are amortised on a straight-line basis over ten years as this period is the minimum time-frame management considers when assessing businesses for acquisition. The carrying value of Distribution non-publisher contracts is £12.3m (2015: £14.3m) and the average remaining amortisation period is five years (2015: six years).

12. PROPERTY, PLANT AND EQUIPMENT

	Group				Company
	Freehold property £m	Leasehold property £m	Plant and equipment £m	Total £m	Freehold property £m
Cost					
At 31 December 2015	34.8	35.6	217.3	287.7	32.6
Acquisitions (Note 25)	–	–	0.6	0.6	–
Additions	0.1	1.2	24.8	26.1	0.3
Disposals	(0.1)	–	(6.1)	(6.2)	–
Currency translation	0.1	2.7	26.6	29.4	–
At 31 December 2016	34.9	39.5	263.2	337.6	32.9
Depreciation					
At 31 December 2015	11.7	24.3	137.3	173.3	8.2
Charge for the year	0.7	2.2	19.4	22.3	0.8
Disposals	–	–	(3.9)	(3.9)	–
Impairment (Note 5)	–	–	2.4	2.4	–
Currency translation	0.1	1.4	14.7	16.2	–
At 31 December 2016	12.5	27.9	169.9	210.3	9.0
Net book value					
At 31 December 2016	22.4	11.6	93.3	127.3	23.9
At 31 December 2015	23.1	11.3	80.0	114.4	24.4

As set out in Note 5, the impairment of fixed assets of £2.4m relates to the Aviation cargo business in The Netherlands where the assets were fully impaired. Additionally, equipment with a net book value of £1.0m was disposed for a consideration of £1.0m and leased back over a five year period under an operating lease arrangement.

	Group				Company
	Freehold property £m	Leasehold property £m	Plant and equipment £m	Total £m	Freehold property £m
Cost					
At 31 December 2014	35.0	35.9	218.3	289.2	32.6
Acquisitions (Note 25)	–	–	1.3	1.3	–
Additions	–	1.1	19.7	20.8	–
Disposals	(0.2)	(0.9)	(14.8)	(15.9)	–
Currency translation	–	(0.5)	(7.2)	(7.7)	–
At 31 December 2015	34.8	35.6	217.3	287.7	32.6
Depreciation					
At 31 December 2014	11.0	23.4	134.7	169.1	7.5
Charge for the year	0.7	2.0	18.3	21.0	0.7
Disposals	–	(0.7)	(11.3)	(12.0)	–
Currency translation	–	(0.4)	(4.4)	(4.8)	–
At 31 December 2015	11.7	24.3	137.3	173.3	8.2
Net book value					
At 31 December 2015	23.1	11.3	80.0	114.4	24.4
At 31 December 2014	24.0	12.5	83.6	120.1	25.1

13. INVESTMENTS

	Group				Company
2016	Interest in joint ventures £m	Interest in associates £m	Other £m	Total £m	Subsidiaries £m
Net book value					
At 31 December 2015	26.1	0.1	0.2	26.4	291.0
Share of profits after tax	7.5	–	–	7.5	–
Dividends received during the year	(6.3)	–	–	(6.3)	–
Additions	–	0.4	–	0.4	–
Loan repaid	–	(0.3)	–	(0.3)	–
Currency translation	3.3	0.2	–	3.5	1.6
Other	(0.3)	–	–	(0.3)	–
At 31 December 2016	30.3	0.4	0.2	30.9	292.6

	Group				Company
2015	Interest in joint ventures £m	Interest in associates £m	Other £m	Total £m	Subsidiaries £m
Net book value					
At 31 December 2014	27.3	0.3	0.2	27.8	290.5
Share of profits after tax	7.0	–	–	7.0	–
Dividends received during the year	(7.5)	–	–	(7.5)	–
Other	(0.8)	–	–	(0.8)	–
Currency translation	0.1	(0.2)	–	(0.1)	0.5
At 31 December 2015	26.1	0.1	0.2	26.4	291.0

NOTES TO THE ACCOUNTS CONTINUED

13. INVESTMENTS CONTINUED

MATERIAL JOINT VENTURES

2016	EM News Distribution (NI) Ltd £m	Menzies Bobba Ground Handling Services Private Ltd £m	Menzies Aviation Bobba (Bangalore) Private Ltd £m	Hyderabad Menzies Air Cargo Private Ltd £m	Menzies Macau Airport Services Ltd £m
Country of incorporation	UK	India	India	India	Macau
Statutory year end	31 December	31 March	31 March	31 March	31 December
Business activity	Distribution of newspapers and magazines in Northern Ireland	Ramp and passenger services in Hyderabad	Cargo handling services in Bangalore	Cargo handling services in Hyderabad	Ramp, passenger and cargo handling in Macau
Interest held – ordinary shares	50%	51%	49%	49%	29%
Interest held – preference shares	0%	0%	100%	100%	0%
Group's share of total comprehensive income	78%	51%	49%	49%	29%
Group's share of net assets	69%	47%	76%	58%	29%
Summarised Balance Sheet					
Current assets(i)	9.2	5.6	11.3	8.5	9.7
Non-current assets	0.7	0.3	5.3	4.1	7.2
Current liabilities	(4.8)	(0.5)	(2.0)	(1.9)	(6.2)
Net assets	5.1	5.4	14.6	10.7	10.7
Note: (i) Includes cash and cash equivalents	0.1	3.9	9.8	3.9	2.2
Reconciliation of net assets to carrying value					
Net assets	5.1	5.4	14.6	10.7	10.7
Partners' share of net assets	(1.6)	(2.9)	(3.6)	(4.8)	(7.5)
Unpaid dividends	–	3.2	–	–	–
Carrying amount of the investment	3.5	5.7	11.0	5.9	3.2
Summarised Income Statement					
Revenue	58.6	2.5	12.3	9.4	33.3
Depreciation and amortisation	(0.2)	(0.3)	(0.9)	(0.2)	(1.0)
Other operating costs	(56.3)	(2.1)	(6.3)	(5.8)	(24.0)
Interest income	–	0.3	0.6	0.4	–
Income tax	(0.4)	–	(1.6)	(0.8)	(1.0)
Profit from continuing operations	1.7	0.4	4.1	3.0	7.3
Comprehensive income for the year	1.7	0.4	4.1	3.0	7.3
Group's share of total comprehensive income	1.4	0.2	2.1	1.4	2.1
Group's carrying amount of the investment					
At 31 December 2015	3.5	5.3	9.6	4.2	2.9
Group's share of total comprehensive income	1.4	0.2	2.1	1.4	2.1
Dividends received during the year	(1.4)	(0.1)	(2.1)	(0.4)	(2.3)
Currency translation	–	0.3	1.4	0.7	0.5
At 31 December 2016	3.5	5.7	11.0	5.9	3.2

2015	EM News Distribution (NI) Ltd £m	Menzies Bobba Ground Handling Services Private Ltd £m	Menzies Aviation Bobba (Bangalore) Private Ltd £m	Hyderabad Menzies Air Cargo Private Ltd £m	Menzies Macau Airport Services Ltd £m
Interest held – ordinary shares	50%	51%	49%	49%	29%
Interest held – preference shares	0%	0%	100%	100%	0%
Group's share of total comprehensive income	78%	51%	49%	49%	29%
Group's share of net assets	69%	47%	76%	58%	29%
Summarised Balance Sheet					
Current assets(i)	9.7	4.6	11.8	6.8	8.9
Non-current assets	1.0	0.5	5.0	2.0	5.5
Current liabilities	(5.6)	(0.5)	(4.2)	(1.5)	(4.8)
Net assets	5.1	4.6	12.6	7.3	9.6
Note: (i) Includes cash and cash equivalents	0.1	3.4	8.4	3.2	2.8
Reconciliation of net assets to carrying value					
Net assets	5.1	4.6	12.6	7.3	9.6
Partners' share of net assets	(1.6)	(2.5)	(3.0)	(3.1)	(6.7)
Unpaid dividends	–	3.2	–	–	–
Carrying amount of the investment	3.5	5.3	9.6	4.2	2.9
Summarised Income Statement					
Revenue	61.9	2.4	10.1	8.2	28.1
Depreciation and amortisation	(0.2)	(0.3)	(0.7)	(0.2)	(0.8)
Other operating costs	(59.6)	(2.0)	(4.5)	(4.8)	(19.6)
Interest income	–	0.3	0.8	0.3	–
Income tax	(0.3)	(0.2)	(1.7)	(1.0)	(0.9)
Profit from continuing operations	1.8	0.2	4.0	2.5	6.8
Comprehensive income for the year	1.8	0.2	4.0	2.5	6.8
Group's share of total comprehensive income	1.4	0.1	2.0	1.2	2.0
Group's carrying amount of the investment					
At 31 December 2014	3.5	6.3	10.0	3.9	3.1
Group's share of total comprehensive income	1.4	0.1	2.0	1.2	2.0
Dividends received during the year	(1.4)	(0.4)	(2.3)	(0.9)	(2.5)
Redemption of preference shares	–	(0.8)	–	–	–
Currency translation	–	0.1	0.1	–	0.3
At 31 December 2015	3.5	5.3	9.8	4.2	2.9

GROUP'S INDIVIDUALLY IMMATERIAL JOINT VENTURES AND ASSOCIATES

	2016 £m	2015 £m
Carrying amount of interests in joint ventures and associates	1.4	0.7
Share of profit from continuing operations	0.3	0.3
Currency translation	0.6	(0.4)
Total comprehensive income	0.9	(0.1)

The listing of joint ventures and associates, along with all subsidiary undertakings, is presented on pages 138 to 146.

14. DEFERRED TAX

	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Deferred tax assets				
Retirement benefit obligation	12.1	7.8	12.1	7.8
Share-based payments	0.6	0.2	0.2	0.1
Tax losses	5.8	2.1	–	–
Other temporary differences	5.8	5.5	0.7	–
	24.3	15.6	13.0	7.9
Deferred tax liabilities				
Overseas tax on unremitted earnings	(2.4)	(1.2)	–	–
Other overseas temporary differences	(0.4)	(0.3)	–	–
Accelerated capital allowances and other temporary differences	(0.1)	(0.6)	(2.9)	(3.3)
Other UK temporary differences	–	(2.8)	–	(1.8)
	(2.9)	(4.9)	(2.9)	(5.1)
Recognised in Balance Sheet				
Deferred tax asset	24.2	12.2	10.1	2.8
Deferred tax liability	(2.8)	(1.5)	–	–
	21.4	10.7	10.1	2.8
Movement in net deferred tax assets in the year:				
Income Statement: Retirement benefit obligation	(1.6)	(2.0)	(1.6)	(2.0)
Other	2.1	2.8	0.5	0.3
Exchange adjustments	1.3	(0.1)	–	–
Movement on acquisition	(0.2)	–	–	–
Reclassification of corporate tax	3.6	–	2.5	–
Statement of Comprehensive Income	5.5	(2.0)	5.9	(2.0)
	10.7	(1.3)	7.3	(3.7)

At 31 December 2016, there was a deferred tax liability of £2.4m (2015: £1.2m) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and its associates or joint ventures. No deferred tax liability has been recognised for amounts that are permanently reinvested.

The unrecognised deferred tax liability on the unremitted earnings of the Group's subsidiaries, associates and joint ventures at 31 December 2016 is £1.0m (2015: £1.3m).

15. TRADE AND OTHER RECEIVABLES

	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Trade receivables	199.7	164.6	–	–
Less: provision for doubtful debts	(3.8)	(3.2)	–	–
Net trade receivables	195.9	161.4	–	–
Other receivables	7.2	9.3	1.0	0.2
Prepayments	40.5	31.2	6.6	1.1
Amounts owed by Group companies	–	–	337.8	286.8
	243.6	201.9	345.4	288.1

The average credit period on sale of goods is 36.1 days (2015: 31.0 days). Interest is not charged on trade receivables.

AGEING OF NET TRADE RECEIVABLES

	Neither past due nor impaired £m	Past due not impaired 31–60 days £m	Past due not impaired 61–90 days £m	Past due not impaired over 90 days £m	Total £m
2016	151.8	35.2	4.9	4.0	195.9
2015	134.2	22.0	4.2	1.0	161.4

PROVISION FOR DOUBTFUL DEBTS

	Group 2016 £m	Group 2015 £m
At beginning of year	3.2	2.9
Amounts provided	1.4	1.3
Amounts released	(0.4)	(0.4)
Amounts utilised	(0.5)	(0.6)
Currency translation	0.1	–
At end of year	3.8	3.2

AGEING OF IMPAIRED RECEIVABLES

	Group 2016 £m	Group 2015 £m
0 to 30 days	0.3	0.2
31 to 60 days	0.3	0.2
61 to 90 days	0.7	0.3
Over 90 days	2.5	2.5
	3.8	3.2

The other classes within trade and other receivables do not include impaired assets. The Directors consider that the carrying value of trade and other receivables approximates to fair value.

16. TRADE AND OTHER PAYABLES

	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Due within one year				
Trade payables	100.8	98.7	–	–
Accruals and deferred income	118.1	87.3	17.2	13.6
Other payables	27.1	25.9	2.3	1.5
Other taxes and social security costs	3.9	5.4	–	–
Amounts owed to Group companies	–	–	297.6	295.2
	249.9	217.3	317.1	310.3
Due after more than one year				
Other payables	4.0	3.5	4.9	5.0

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

Included within other payables is contingent consideration and other contingent acquisition related amounts as disclosed in Note 17. Amounts included within other payables due within one year are £Nil (2015: £1.6m) and other payables due after more than one year are £3.4m (2015: £2.7m).

17. FINANCIAL INSTRUMENTS
DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Cash flow hedges:				
Foreign exchange forward contracts	(0.4)	(0.4)	(0.4)	(0.4)
Foreign currency net investment hedges:				
Foreign exchange forward contracts	(5.3)	(1.3)	(5.3)	(1.3)
Current net fair value	(5.7)	(1.7)	(5.7)	(1.7)

The Group only enters into derivative financial instruments that are designated as hedging instruments. The fair values of foreign currency instruments are calculated by reference to current market rates.

FAIR VALUE HIERARCHY
As at 31 December 2016, the Group held the following financial instruments measured at fair value. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

DERIVATIVE FINANCIAL INSTRUMENTS ADJUSTED TO FAIR VALUE THROUGH THE OTHER COMPREHENSIVE INCOME STATEMENT

2016	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets:				
Foreign exchange contracts – hedged	–	0.4	–	0.4
Financial liabilities:				
Foreign exchange contracts – hedged	–	6.1	–	6.1

2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets:				
Foreign exchange contracts – hedged	–	0.6	–	0.6
Financial liabilities:				
Foreign exchange contracts – hedged	–	2.3	–	2.3

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

CASH FLOW HEDGES
Foreign exchange forward contracts
At 31 December 2016 the Group held foreign currency forward contracts designed as hedges of transaction exposures arising from non-local currency revenue. These contracts were in line with the Group's policy to hedge significant forecast transaction exposures for a maximum 18 months forward. The cash flow hedges of non-local revenue were assessed to be highly effective.

Interest rate swaps
The Group's policy is to minimise exposures to interest rate risk by ensuring an appropriate balance of long-term and short-term floating rates. During 2016 the Group had no interest rate swaps in place. At 31 December 2016, 8.6% (2015: 9.1%) of the Group's borrowings were fixed.

	2016 Liabilities £m	2015 Liabilities £m
Fair value of cash flow hedges – currency forward contracts	(0.4)	(0.4)
Current value	(0.4)	(0.4)

For 2016, if interest rates on Sterling denominated borrowings had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been £0.6m (2015: £0.7m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign currency net investment hedges
The Group's treasury policy is to hedge the exposure of foreign currency denominated assets to minimise foreign exchange risk. This is primarily achieved using forward contracts denominated in the relevant foreign currencies. Gains or losses on the retranslation of these hedges are transferred to reserves to offset any gains or losses on translation of the net investments in the subsidiary undertakings.

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

	Currency value		Sterling equivalent	
	2016 million	2015 million	2016 £m	2015 £m
Australian dollar	24.0	23.9	14.1	11.8
Canadian dollar	5.5	5.5	3.3	2.7
Colombian peso	4,000	4,000	1.1	0.9
Czech koruna	115.0	115.0	3.6	3.1
Danish krone	10.0	10.0	1.1	1.0
Euro	9.6	15.0	8.2	11.1
Indian rupee	810	810	9.7	8.3
Mexican peso	51.0	51.0	2.0	2.0
New Zealand dollar	3.0	3.0	1.7	1.4
Norwegian krone	7.0	7.0	0.7	0.5
South African rand	30.0	30.0	1.8	1.3
Swedish krona	50.0	50.0	4.5	4.0
US dollar	41.5	45.0	33.6	30.5

	2016		2015	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fair value of foreign currency net investment hedges	0.4	(5.7)	0.6	(1.9)
Current value	0.4	(5.7)	0.6	(1.9)

17. FINANCIAL INSTRUMENTS CONTINUED

OTHER FINANCIAL INSTRUMENTS

Contingent consideration

The acquisition of PlaneBiz 2015 Ltd in 2014 included options in relation to the 40% shareholding owned by a third party. These options take the form of a put option in favour of the third party shareholders for up to 30% of the share capital, exercisable in 2018 and 2019. Following the expiry of this put option the Group then has a call option, exercisable for a 60 day period, for the remaining shares that have not been exercised under the put option. The fair value of the put option has been calculated based on the expected discounted cash flows of the underlying value, which is the expected average annual EBITDA over the preceding three years multiplied by 5.5. The call option is considered to have a negligible fair value.

The liabilities for contingent consideration and other acquisition related amounts are Level 3 derivative financial instruments.

	2016 £m	2015 £m
Fair value of contingent consideration:		
Fore Partnership	–	1.6
Fair value of other contingent acquisition related amounts:		
PlaneBiz 2015 Ltd	3.4	2.7

Interest-bearing loans and borrowings

		Group		Company	
	Maturity	2016 £m	2015 £m	2016 £m	2015 £m
Obligations under finance leases	April 2017 to April 2018	0.2	0.5	–	–
Bank overdrafts	On demand	0.8	0.2	0.5	0.2
Non-amortising bank loans	January 2017 to December 2018	91.3	140.8	91.3	140.8
Amortising term loan	March 2020	10.0	12.7	10.0	12.7
Preference shares	Non-redeemable	1.4	1.4	1.4	1.4
		103.7	155.6	103.2	155.1
Current		39.0	3.4	38.5	2.9
Non-current		64.7	152.2	64.7	152.2
		103.7	155.6	103.2	155.1

To fund the planned acquisition of ASIG, the Group put in place unsecured, committed bank loans that were conditional on the acquisition occurring. These loan facilities were put in place in September 2016 and as well as funding the ASIG acquisition were to refinance all current bank loans. The new facilities are a $250m term loan and a £150m revolving credit facility and both have a maturity of June 2021.

Funds were drawn down to meet the acquisition consideration and to repay the existing facilities on 1 February 2017.

Non-amortising bank loans are drawn against unsecured, committed revolving bank credit facilities maturing between January 2017 and December 2018.

The amortising term loan is repayable between 2017 and 2020 with interest payable at a fixed rate of 6.23%. The loan has a weighted average maturity of two years (2015: two years).

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

Net debt

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Derivative financial instruments	5.7	1.7	5.7	1.7
Interest-bearing loans and borrowings	103.7	155.6	103.2	155.1
Total borrowings	109.4	157.3	108.9	156.8
Less: cash at bank, cash in hand and short-term deposits	38.9	34.1	1.0	0.8
	70.5	123.2	107.9	156.0

The book and fair values are:

	2016		2015	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Short-term borrowings	38.0	38.2	2.7	3.0
Medium-term borrowings	63.3	64.0	150.8	151.7
Long-term borrowings	1.4	1.4	1.4	1.4
Derivative financial instruments	5.7	5.7	1.7	1.7
Finance leases	0.2	0.2	0.5	0.5
Bank overdrafts	0.8	0.8	0.2	0.2
Total financial liabilities	109.4	110.3	157.3	158.5
Less: cash at bank, cash in hand and short-term deposits	38.9	38.9	34.1	34.1
Net debt	70.5	71.4	123.2	124.4

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

Other than trade and other receivables and payables, there are no financial assets or liabilities excluded from the above analysis. No financial assets or liabilities were held or issued for trading purposes.

A separate table has not been prepared analysing the Company's book values and fair values. The £0.5m difference in book values relates to interest bearing loans and borrowings and is deemed to be short-term in nature.

At 31 December 2016 the currency and interest rate profile of financial liabilities was:

	2016			2015		
	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m
Sterling denominated	92.3	11.4	103.7	141.5	14.1	155.6
Net derivative liabilities	5.7	–	5.7	1.7	–	1.7
	98.0	11.4	109.4	143.2	14.1	157.3

At 31 December 2016 the expiry profile of undrawn committed facilities was:

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Between one and two years	68.7	20.0	68.7	20.0
Between two and five years	–	44.3	–	44.3
	68.7	64.3	68.7	64.3

17. FINANCIAL INSTRUMENTS CONTINUED

OTHER FINANCIAL INSTRUMENTS CONTINUED

Trade and other receivables and payables

Trade and other receivables and trade and other payables carrying values of £203.1m (2015: £170.7m) and £246.0m (2015: £211.9m) respectively, in respect of the Group, and £338.8m and £371.1m (2015: £287.0m and £310.3m), in respect of the Company, are assumed to approximate to their fair values due to their short-term nature.

Sensitivity and risk information

Foreign currency sensitivity

For 2016, if Sterling had weakened/strengthened by 10% on currencies that have a material impact on the Group profit before tax and equity, with all other variables held constant the effect would have been:

		2016		2015	
	Changes in rate	Effect on profit before tax £m	Effect on equity £m	Effect on profit before tax £m	Effect on equity £m
US dollar	+10%	1.5	3.8	1.0	2.1
US dollar	-10%	(1.2)	(3.1)	(0.8)	(1.7)
Australian dollar	+10%	1.0	1.8	0.9	1.6
Australian dollar	-10%	(0.8)	(1.5)	(0.7)	(1.3)
Indian rupee	+10%	0.6	1.3	0.6	0.6
Indian rupee	-10%	(0.5)	(1.0)	(0.5)	(0.5)
Euro	+10%	0.5	–	0.5	0.9
Euro	-10%	(0.4)	–	(0.4)	(0.7)
South African rand	+10%	(0.1)	0.8	–	0.6
South African rand	-10%	0.1	(0.7)	–	(0.5)

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

Capital risk

The Group manages its capital structure in order to minimise the cost of capital whilst ensuring that it has access to ongoing sources of finance such as the debt capital markets. The Group defines capital as the sum of net debt (see Note 23) and equity attributable to equity holders of the Company (see Group and Company Statement of Changes in Equity). The only externally imposed capital requirements for the Group are debt to EBITDA and interest cover under the terms of the bank facilities, with which the Group has fully complied during both the current year and the prior year. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders and/or issue new shares.

Credit risk

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

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Bank deposits	38.9	34.1	1.0	0.8
Trade receivables	195.9	161.4	–	–
	234.8	195.5	1.0	0.8

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

In addition to the relevant items above, the Company is exposed to credit risk in relation to on-demand amounts owed by Group companies.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows. The following is an analysis of the maturity of the Group's financial liabilities and derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Floating rate interest is estimated using the prevailing rate at the balance sheet date. Net values of transaction hedging are disclosed in accordance with the contractual terms of these derivative instruments.

2016	Due under 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due over 5 years £m
Interest-bearing loans and borrowings	(40.2)	(60.8)	(6.8)	–
Preference shares	(0.1)	(0.1)	(0.4)	(1.5)
Other liabilities	(0.1)	(0.1)	–	–
Trade and other payables	(127.9)	(4.0)	–	–
Financial derivatives	(85.6)	–	–	–
	(253.9)	(65.0)	(7.2)	(1.5)

2015	Due under 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due over 5 years £m
Interest-bearing loans and borrowings	(6.4)	(96.3)	(66.8)	–
Preference shares	(0.1)	(0.1)	(0.4)	(1.5)
Other liabilities	(0.5)	–	–	–
Trade and other payables	(124.6)	(3.5)	–	–
Financial derivatives	(79.0)	–	–	–
	(210.6)	(99.9)	(67.2)	(1.5)

18. OPERATING LEASE COMMITMENTS

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

	Group			
	Property		Other	
	2016 £m	2015 £m	2016 £m	2015 £m
Within one year	33.0	28.1	32.0	26.1
Between one and five years	63.4	64.9	53.9	51.6
After five years	29.5	37.7	0.1	0.2
	125.9	130.7	86.0	77.9

19. CAPITAL COMMITMENTS

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Contracted but not provided – property, plant and equipment	1.3	1.5	–	–

NOTES TO THE ACCOUNTS CONTINUED

20. PROVISIONS

	Property		Other		Group	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
At beginning of year	5.4	6.9	2.4	0.2	7.8	7.1
Provided/(released) during year	1.6	1.1	(0.4)	2.4	1.2	3.5
Unwind of discount	0.2	0.1	–	–	0.2	0.1
Utilised during year	(1.6)	(2.8)	(0.1)	(0.2)	(1.7)	(3.0)
Reclassification from accruals	–	–	0.4	–	0.4	–
Currency translation loss	0.3	0.1	–	–	0.3	0.1
At end of year	5.9	5.4	2.3	2.4	8.2	7.8
Current	3.0	2.5	1.2	2.4	4.2	4.9
Non-current	2.9	2.9	1.1	–	4.0	2.9
	5.9	5.4	2.3	2.4	8.2	7.8

The property related provisions are in respect of obligations for vacated leasehold properties where applicable sublet income may be insufficient to meet obligations under head leases. The provisions for property costs unwind over the period between 2017 and 2041. Other provisions include redundancy and legal claims provisions.

The Company carries £1.1m of provision relating to a legal claim. This is not expected to be utilised within one year.

CONTINGENT LIABILITIES

The Company has guaranteed certain trading obligations of its subsidiaries in the normal course of business.

21. SHARE CAPITAL

	2016 £m	2015 £m
Allotted, called up and fully paid		
Opening – 61,703,133 ordinary shares of 25p each	15.4	15.4
Rights Issue(i)	5.5	–
Allotted under share option schemes(ii)	–	–
Closing – 83,636,895 ordinary shares of 25p each	20.9	15.4

Notes:

(i) As part of the Rights Issue process 21,922,403 ordinary shares of 25p each were allotted to shareholders.

The provisions of the Companies Act 2006 relating to Merger Relief (sections 612 and 613) were applied to the above mentioned Rights Issue raised through a cash box structure. This resulted in the creation of a merger reserve, after deducting share issue costs of £2.4m. The cash box method of effecting an issue of shares for cash enabled the Company to issue shares without giving rise to a share premium.

(ii) As a result of share scheme allotments, 12,583 (2015: 40,567) ordinary shares having a nominal value of £3,146 (2015: £10,141) were issued during the year at a share premium of £58,608 (2015: £150,098).

Employees hold options to subscribe for shares in the Company under the Savings-related Share Option Scheme approved by the shareholders, details of which are shown below. Options on 12,583 shares were exercised in 2016 and 499,151 options lapsed.

Year of grant	Exercise price (pence)	Revised exercise price(i) (pence)	Exercise period	2016 Number	2015 Number
2012	497		2015-2016	–	237,902
2013	630	557	2016-2017	216,702	251,883
2014	495	437	2017-2018	345,637	366,493
2015	350	309	2018-2019	472,804	493,441
2016	480	424	2019-2020	553,750	–
				1,588,893	1,349,719

Note:

(i) Revised for the Rights Issue in October 2016.

COMPANY SHARE SCHEMES

The Company operates the following share-based payment arrangements:

Savings-related Share Option Scheme

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

Bonus Co-investment Plan ("BCIP")

The BCIP offers Executive Directors and other senior executives selected by the Board the opportunity to invest part of their annual cash bonus for a financial year in the Company's shares, entitling them, provided certain performance targets are met, to a grant of additional matching shares. Since 2010 the ratio of matching shares to contributory shares has been set at 1:1. The maximum amount of the annual cash bonus which may be eligible for matching has been set at 40%. The net of tax amount is applied in the purchase of shares.

The first bonus award that qualified for investment in shares under the plan was the award for the financial year ended December 2004 and the last qualifying bonus award was for the financial year which commenced ten years after the adoption of the Plan. A revised plan was approved at the Annual General Meeting of the Company on 15 May 2015 and the BCIP will be discontinued following 2017. Further details are on page 62.

Performance targets are based on real growth in earnings measured over three financial years. For awards in 2014, if the percentage growth in the Company's Earnings Per Share ("**EPS**") is Retail Prices Index ("**RPI**") +3% pa or more, then the number of matching shares that will vest is one. For EPS growth of between RPI +0% pa and RPI +3% pa, the number of matching shares vesting will be calculated on a straight-line basis. No matching shares will vest for EPS percentage growth of RPI +0% pa or less for any award. For awards in 2015, if the percentage growth in the Company's EPS is Consumer Prices Index ("**CPI**") +3% pa or more, then the number of matching shares that will vest is one. If the threshold growth in EPS is achieved (CPI +0%) then 25% of the matching shares will be paid. For EPS growth of between CPI +0% pa and CPI +3% pa, the number of matching shares vesting will be calculated on a straight-line basis. No matching shares will vest for EPS percentage growth below CPI +0% pa for any award.

Long-term Incentive Plan ("LTIP")

The LTIP enables divisional and senior management to align more closely with the achievement of target Group and divisional financial results. A detailed description of this plan is included in the Directors' Remuneration Report on page 62.

Shares will vest at the end of three year financial periods. A £Nil award will be achieved where the financial target is at or below the threshold performance target and 100% will vest where the results are equal to or greater than the stretch performance target, with a result between threshold and stretch being made on a straight-line basis. Actual performance targets for Executive Directors are disclosed in the Directors' Remuneration Report in the year following the expiry of the performance period.

FAIR VALUES OF SHARE OPTIONS

Options are valued using the Black-Scholes option-pricing or Monte Carlo simulation models as appropriate. No performance conditions are included in the fair value calculations.

21. SHARE CAPITAL CONTINUED

The fair value per option granted and the assumptions used in the calculation are:

	Savings-related Option Scheme			
Date of grant (October)	2016	2015	2014	2013
Share price at grant date (pence)	592	412	569	799
Exercise price (pence)	480	350	495	630
Vesting period (years)	3	3	3	3
Expected volatility	33%	33%	26%	25%
Option life (years)	3.5	3.5	3.5	3.5
Expected life (years)	3.5	3.5	3.5	3.5
Risk-free rate	1.0%	1.0%	1.4%	4.6%
Expected dividends expressed as a dividend yield(i)	3.0%	6.0%	3.7%	4.0%
Fair value per option (pence)	152	90	136	143
Charge per option (pence)(ii)	106	63	95	95

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

Notes:
(i) Based on the daily 12 month trailing dividend yield averaged over the 12 months prior to valuation date.
(ii) The difference between the fair value and charge per option is due to adjustments for forfeiture risk.

	BCIP			LTIP		
Date of grant (March)	2016	2015	2014	2016	2015	2014
Share price at grant date (pence)	478	376	647	443	404	654
Contractual life (years)	3	3	3	3	3	3
Expected departure	0%	0%	0%	0%	0%	0%
Expected outcome of meeting performance criteria	51%	59%	59%	n/a	56%	62%
Fair value per share (pence)	245	220	379	169	165	319
Charge per share award (pence)(i)	245	220	379	169	165	319

Note:
(i) Adjusted for forfeiture risk.

MOVEMENT IN SHARE OPTIONS

A reconciliation of conditional share movements of executive share options, savings-related share options and all other share-based schemes is:

	Savings-related Option Scheme			
	2016		2015	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at start of year	1,349,719	468	1,427,845	507
Granted	750,908	426	499,297	350
Forfeited/expired	(499,151)	465	(536,856)	467
Exercised	(12,583)	492	(40,567)	395
Outstanding at end of year	1,588,893	411	1,349,719	468
Exercisable	215,111		237,902	
Range of exercise prices		309-557		350-630
Weighted average remaining contractual life (years)	1.6		1.6	

	BCIP				LTIP			
	2016		2015		2016		2015	
	Number	Weighted average price (pence)	Number	Weighted average price (pence)	Number	Weighted average price (pence)	Number	Weighted average price (pence)
Outstanding at start of year	53,522	577	69,391	666	1,159,966	527	881,429	663
Awards made	15,920	473	23,127	376	595,076	445	679,229	404
Lapsed	(30,723)	669	(38,996)	617	(720,175)	568	(400,692)	617
Outstanding at end of year	38,719	461	53,522	577	1,034,867	527	1,159,966	527
Range of award date prices		376-647		376-756		404-654		404-773
Weighted average remaining contractual life (years)	1.4		1.3		1.4		1.6	

CHARGE FOR SHARE-BASED INCENTIVE SCHEMES

The total charge for the year relating to employee share-based plans was £0.7m (2015: £0.5m), all of which related to equity-settled share-based payment transactions. After tax the total charge was £0.6m (2015: £0.5m).

AWARD OF SHARES

The Chairman was awarded 20,000 ordinary shares in the year, as part of his remuneration package. The shares were issued on 17 November 2016 at a market value of 490.8p per share. It is proposed that should Dr Smurfit continue to retain office that a similar award will be made on the second and third anniversaries of the initial award, up to a maximum value of £0.1m annually.

22. CASH GENERATED FROM OPERATIONS

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Operating profit/(loss)	20.1	18.8	(4.1)	(2.7)
Depreciation	22.3	21.0	0.8	0.7
Amortisation of intangible assets	11.1	10.6	–	–
Share-based payments	0.7	0.5	0.7	0.5
Onerous lease provision	1.6	0.3	–	–
Cash spend on onerous leases	(1.5)	(2.8)	–	–
Gain on sale of property, plant and equipment	(0.1)	(0.6)	–	–
Pension charge	3.5	3.3	–	–
Pension credit	(0.3)	(1.1)	–	–
Pension contributions in cash	(14.0)	(14.1)	(14.0)	(14.1)
Acquisition, restructure and rationalisation related costs	9.1	5.3	4.1	–
Cash spend on exceptional items	(9.9)	(8.0)	(3.3)	–
Acquisition related earn-out adjustment	(0.3)	0.2	–	–
Net impairment loss	9.6	4.7	–	–
Increase in inventories	(1.3)	(1.8)	–	–
Increase in trade and other receivables	(37.3)	(16.2)	–	–
Increase in trade and other payables and provisions	32.8	15.8	–	–
	46.1	35.9	(15.8)	(15.6)

23. CHANGES IN NET BORROWINGS

	2015 £m	Cash flows £m	Subsidiaries acquired £m	Currency translation £m	2016 £m
Cash at bank and in hand	34.1	(0.3)	0.3	4.8	38.9
Bank overdrafts	(0.2)	(0.6)	–	–	(0.8)
Net cash and cash equivalents	33.9	(0.9)	0.3	4.8	38.1
Bank loans due within one year	(2.7)	(35.3)	–	–	(38.0)
Preference shares	(1.4)	–	–	–	(1.4)
Finance leases	(0.5)	0.6	(0.3)	–	(0.2)
Debt due after one year	(150.8)	87.5	–	–	(63.3)
Net derivative liabilities	(1.7)	11.2	–	(15.2)	(5.7)
Net debt	(123.2)	63.1	–	(10.4)	(70.5)

Currency translation movements result from the Group's policy of hedging its overseas net assets, which are denominated mainly in US dollars, Euros and Australian dollars. The translation effect on net debt is offset by the translation effect on net assets resulting in an overall net exchange gain of £16.9m (2015: loss of £4.5m). The net gain is recognised in other comprehensive income.

24. CASH FLOW HEDGE RESERVE

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

25. ACQUISITIONS

During the period the Group acquired 100% of the share capital of each of Renaissance Aviation Ltd, Thistle Couriers Ltd and Edinburgh Arts and Entertainment Ltd.

On 9 February 2016 the Group acquired Renaissance Aviation Ltd, a ground handling company based in Bermuda. The Group has acquired the company to develop our presence in the region. These financial statements include the impact of ten months' trading results.

On 9 February 2016 the Group acquired Thistle Couriers Ltd, a logistics company based in Scotland. The Group has acquired the company to realise the potential of the existing UK logistics network. These financial statements include the impact of ten months' trading results.

On 29 September 2016 the Group acquired Edinburgh Arts and Entertainment Ltd, a leaflet distribution company based in Scotland. The Group has acquired the company to realise the potential of the existing distribution network. These financial statements include the impact of three months' trading results.

Division	Aviation	Distribution	Distribution		
Name	Renaissance Aviation Ltd 2016 £m	Thistle Couriers Ltd 2016 £m	Edinburgh Arts and Entertainment Ltd 2016 £m	Total 2016 £m	Total 2015 £m
Purchase consideration					
Cash paid	2.3	1.1	0.1	3.5	6.8
Deferred consideration	0.2	0.3	–	0.5	0.7
	2.5	1.4	0.1	4.0	7.5
Less: fair value of net assets acquired	2.5	1.0	0.1	3.6	3.3
Goodwill	–	0.4	–	0.4	4.2

Goodwill recognised with respect to Thistle Couriers Ltd is primarily attributable to the expertise in hard-to-reach logistic locations in the UK and synergies with the Group.

The fair value of assets and liabilities arising from the acquisitions are:

	Renaissance Aviation Ltd 2016 £m	Thistle Couriers Ltd 2016 £m	Edinburgh Arts and Entertainment Ltd 2016 £m	Total 2016 £m	Total 2015 £m
Non-current assets					
Intangible assets (contracts)	1.9	0.6	0.2	2.7	1.7
Property, plant and equipment	0.1	0.4	0.1	0.6	1.3
Current assets	0.6	0.7	0.2	1.5	2.1
Cash/overdraft	0.1	0.2	–	0.3	1.3
Current liabilities	(0.2)	(0.6)	(0.3)	(1.1)	(2.4)
Finance leases	–	(0.2)	(0.1)	(0.3)	(0.7)
Non-current liabilities	–	(0.1)	–	(0.1)	–
Net assets acquired at fair value	2.5	1.0	0.1	3.6	3.3

Current assets acquired with Renaissance Aviation Ltd, Thistle Couriers Ltd and Edinburgh Arts and Entertainment Ltd include £0.7m, £0.6m and £0.2m of trade receivables at fair value respectively, the gross amount acquired. The fair values of the net assets of the companies acquired remain provisional pending the formal completion of the valuation process.

The acquired businesses contributed £0.2m profit before taxation and £5.6m revenue from acquisition date. If the businesses had been acquired on 1 January 2016, Group revenue and profit before taxation for continuing operations would have been £1,983.2m and £19.9m respectively. Transaction fees of £0.2m relating to these acquisitions were incurred and expensed during the period.

On 4 April 2016 the Group acquired 20% of the share capital of Hamilton Aero Maintenance Ltd for a consideration of £0.4m. The company provides line maintenance and engineering support services and is based in New Zealand.

CONTINGENT AND DEFERRED CONSIDERATION

As set out in Note 5, contingent consideration of £1.3m relating to the Fore Partnership was settled in March 2016. Deferred consideration of £0.3m relating to the acquisition of Menzies Parcels Ltd (formerly known as AJG Parcels Ltd) was cash settled in May 2016.

26. RELATED PARTY TRANSACTIONS

During the year the Group transacted with related parties in the normal course of business and on an arm's-length basis. These sales to and from related parties are made at normal market prices. Details of these transactions are:

Related party	Group share holding %	Sales to related party £m	Amounts owed to related party at 31 December 2016 £m	Amounts owed by related party at 31 December 2016 £m
Menzies Bobba Ground Handling Services Private Ltd	51	0.1	–	–
Hyderabad Menzies Air Cargo Private Ltd	49	0.1	–	0.1
Menzies Macau Airport Services Ltd	29	0.3	–	0.1
EM News Distribution (NI) Ltd	50	0.6	5.0	–
EM News Distribution (Ireland) Ltd	50	1.0	0.1	–

Key management personnel include individuals who are Executive Directors of the Group and those having authority and responsibility for planning, directing and controlling activities of the operating divisions as disclosed in the segmental analysis. Remuneration of key management personnel is as follows:

	2016 £m	2015 £m
Short-term employee benefits	5.5	4.5
Post-employment pension and medical benefits	0.5	0.5
Termination payments	0.1	–
Share-based payments	0.7	0.5
	6.8	5.5

26. RELATED PARTY TRANSACTIONS CONTINUED

Certain activities, including treasury, taxation, insurance, pension and legal matters are provided by the Company to subsidiary companies and are recharged on a cost-plus basis. The amount recharged and settled in respect of 2016 was £0.2m (2015: £0.2m).

The amounts owed to and due by the Company from dealings with subsidiary companies are disclosed in Notes 15 and 16.

Transactions between the Company and other Group companies primarily related to financing activities.

27. RELATED UNDERTAKINGS

The subsidiary entities and entities in which John Menzies plc has a significant interest at 31 December 2016 are disclosed as an appendix to these financial statements.

28. EVENTS AFTER THE REPORTING PERIOD

ACQUISITION OF ASIG

On 1 February 2017, the Group announced the completion of the acquisition of 100% of the voting rights of ASIG Holdings Ltd and ASIG Holdings Corp. (together "**ASIG**") for $202m. ASIG is a leading aviation services business, 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 fuelling, fuel farm management, ground handling, aircraft technical support services, facilities equipment maintenance and de-icing at 87 airports across seven countries in the Americas, Europe and Asia.

The acquisition was a Class 1 transaction under the UK Listing Rules, receiving shareholder approval on 11 October 2016. The deal has been funded by a combination of a Rights Issue and borrowings through new facilities comprising a $250m term loan and a £150m revolving credit facility with maturities of June 2021.

No further disclosures have been provided in respect of business combinations after the balance sheet date on the basis that the initial accounting is not yet complete.

DEFINED BENEFIT PENSION SCHEME

On 28 February 2017 the Company informed the active members of the Company's defined benefit pension scheme, the Menzies Pension Fund, that it will ask the Trustee to amend the Fund Rules to close the fund to future accrual on 31 March 2017.

FIVE YEAR SUMMARY

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Revenue					
Aviation	843.4	728.0	718.8	702.5	679.3
Distribution	1,138.2	1,171.2	1,184.1	1,202.9	1,224.2
	1,981.6	1,899.2	1,902.9	1,905.4	1,903.5
Operating profit					
Aviation	34.2	23.1	30.2	37.8	34.8
Distribution	24.7	25.1	24.0	24.3	27.5
	58.9	48.2	54.2	62.1	62.3
Corporate	(3.7)	(3.3)	(3.2)	(2.0)	(1.3)
Underlying operating profit	55.2	44.9	51.0	60.1	61.0
Exceptional and other items	(26.3)	(17.6)	(16.4)	(8.7)	(24.8)
Share of interest and tax on joint ventures and associates	(1.3)	(1.5)	(1.5)	(1.1)	(1.0)
Profit before interest	27.6	25.8	33.1	50.3	35.2
Net finance costs	(7.8)	(7.6)	(7.4)	(8.2)	(7.1)
Profit before taxation	19.8	18.2	25.7	42.1	28.1
Per ordinary share					
Dividends paid	10.6p	13.1p	26.9p	25.6p	24.4p
Underlying earnings[(i)]	47.8p	37.8p	43.5p	58.0p	60.8p
Basic earnings[(i)]	11.8p	14.6p	20.1p	44.3p	27.7p

Note:
(i) Restated to adjust for the impact of the October 2016 Rights Issue as set out in Note 10.

LIST OF ALL SUBSIDIARY, JOINT VENTURE AND ASSOCIATE UNDERTAKINGS

DETAILS OF RELATED UNDERTAKINGS AT 31 DECEMBER 2016

Interests in all of the companies listed below are in the ordinary share capital of these undertakings, except where otherwise stated.

Subsidiary undertaking	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Administracion de Servicios en Tierra, S.A. de C.V.	Mexico	Plaza Alamos Local 2, SM 311, MZ 26 Lote 03-01 Boulevard Luis Donaldo Colosio C.P. 77560, Cancun, Quintana Roo	Indirect
Aeroground, Inc.	United States	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	Indirect
Air Marketing Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Air Menzies International (Aust) Pty Ltd	Australia	Unit 12, Discovery Cove, 1801 Botany Road, Banksmeadow NSW 2019	Indirect
Air Menzies International (Cape) Proprietary Ltd	South Africa	New Agents Road, Unit 6, Air Cargo Centre, Cape Town International Airport, Cape Town	Indirect (65%)
Air Menzies International (India) Private Ltd	India	Cargo Terminal 1, Kempegowda International Airport, Bangalore 560300	Indirect
Air Menzies International (Netherlands) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Air Menzies International (NZ) Ltd	New Zealand	c/o Buddle Findlay, Level 18, PwC Tower, 188 Quay Street, Auckland 1140	Indirect
Air Menzies International (USA), Inc.	United States	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	Indirect
Air Menzies International Holding (NZ) Ltd	New Zealand	c/o Buddle Findlay, Level 18, PwC Tower, 188 Quay Street, Auckland 1140	Indirect
Air Menzies International Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Air Menzies International SA Proprietary Ltd	South Africa	Unit 3 Aviation Park, 17 Pomona Road, Kempton Park, Johannesburg	Indirect
Airbase Flight Support Ltd	Isle of Man	66 Athol Street, Douglas IM1 1JE	Indirect
Airbase Flight Support Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Airport Handling Services Srl	Romania	Calea Aeroportului 4, Arad	Indirect
Airports Bureau Systems Ltd	United Kingdom	Windmill House, 91-93 Windmill Road, Sunbury-on-Thames TW16 7EF	Indirect
AMI Ocean Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
AU Logistics Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Australian AirSupport Pty Ltd	Australia	c/o Norton Rose Fullbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
Aviation Service Leader (Chile) S.A.	Chile	Est. Arturo Alessandri, Amunategui 277, 3F, Santiago	Indirect
BP Travel Marketing Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Cargo 2000 Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Cargosave Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
Chester Independent Wholesale Newsagents Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect

Subsidiary undertaking	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Cranford Forwarders Bond Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Czech GH s.r.o.	Czech Republic	K Letisti 1049/57, 161 00 Prague 6	Indirect
DNDS Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Edinburgh Arts and Entertainment Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
Elmdon Cargo Handling Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Express Handling (Scotland) Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
FMD Ltd	United Kingdom	Unit 1 Griffin Business Park, Walmer Way, Birmingham B37 7UX	Indirect
Fore Retail Consultancy Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Heathrow Aviation Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
HO/Menzies Investimentos & Transportes Investments Limitada	Macau	Avenida da Praia Grande 665, Edificio Great Will	Indirect
James Waddell & Company Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
JEM Education Direct Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
JM Nominees Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
JM Secretaries Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
John Menzies (108) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
John Menzies (Birmingham) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
John Menzies (Edinburgh) Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
John Menzies (GB) Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
John Menzies Corporate Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
John Menzies Digital Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
John Menzies Distribution Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct

LIST OF ALL SUBSIDIARY, JOINT VENTURE AND ASSOCIATE UNDERTAKINGS CONTINUED

Subsidiary undertaking	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
John Menzies Finance Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
John Menzies Holding GmbH	Germany	Rechtsanwaelte Hoelters & Elsing, Immermannstrasse 40, 40210 Dusseldorf	Indirect
John Menzies International Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
John Menzies USA Holdings, Inc.	United States	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	Direct
John Menzies USA, Inc.	United States	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	Direct
Jones, Yarrell & Co. Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Jones Yarrell Leadenhall Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Leisure Target Tourism Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
London Cargo Group Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
London Cargo Handling Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
London Cargo Imports Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Lonsdale Universal Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Lonsdale Universal Trustees Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
Luton Ramp Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Luton Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
MA Secretaries Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
MAG Nominees Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Magazine Solutions Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Mancargo Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Manchester Cargo Centre Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Manchester Handling Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
MASCARGO (Macau) Company Ltd	Macau	Avenida da Praia Grande 665, Edificio Great Will	Indirect

Subsidiary undertaking	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
MCS Trustee Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
Media on the Move Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation – Portugal – Servicos De Carga, Unipessoal, LDA	Portugal	Avenida Antonio Augusto de Aguiar, No. 183, R/C Dto., 1050-014 Lisbon	Indirect
Menzies Aviation (Africa) Pty Ltd	South Africa	Unit F4, CTX Business Park, Cape Town International Airport, Cape Town	Indirect
Menzies Aviation (Asia Pacific) Ltd	British Virgin Islands	Newhaven Corporate Services (BVI) Limited, 3rd Floor, Omar Hodge Building, Wickhams Cay I, PO Box 362, Road Town, Tortola	Indirect
Menzies Aviation (Australia) Pty Ltd	Australia	c/o Norton Rose Fullbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
Menzies Aviation (Aviation) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Brasil) Ltda	Brazil	Avenida Nove de Julho no. 4865, 5 Andar, Conjunto 51, Sala A, Sao Paulo	Indirect
Menzies Aviation (Canada) Ltd	Canada	6500 Silver Dart Drive, Suite 257, Mississauga, Ontario L5P 1B2	Indirect
Menzies Aviation (Cargo) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Chengdu) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (Czech) s.r.o.	Czech Republic	K Letisti 1049/57, 161 00 Prague 6	Indirect
Menzies Aviation (DEL), Inc.	United States	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	Indirect
Menzies Aviation (Denmark) A/S	Denmark	Copenhagen Airport, Terminal 2, Lufthavnsboulevarden 6, 2770 Kastrup	Indirect
Menzies Aviation (Dominicana) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (EMEA) B.V.	The Netherlands	Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam	Indirect
Menzies Aviation (EMEA) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (FR9) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (France) SAS	France	Aeroport Toulouse Blagnac, Hall C, 31700 Blagnac	Indirect
Menzies Aviation (Freighter Handling) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Ground Services) Australia Pty Ltd	Australia	c/o Norton Rose Fullbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
Menzies Aviation (Handling) Proprietary Ltd	South Africa	Unit F4, CTX Business Park, Cape Town International Airport, Cape Town	Indirect (65%)
Menzies Aviation (Hungary) Kft	Hungary	Liszt Ferenc Nemzetkozi Repuloter, Repules Oktatasi Kozpont, 17, sz H-1185 Budapest	Indirect
Menzies Aviation (Ibérica) S.A.	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation (India) Private Ltd	India	Plot No-C-04 L, Cargo Terminal-1, Kempegowda International Airport, Devanahalli, Bangalore 560300	Indirect
Menzies Aviation (Italy) srl	Italy	Via Cappuccini 4, 20122 Milan	Indirect
Menzies Aviation (LCC) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect

LIST OF ALL SUBSIDIARY, JOINT VENTURE AND ASSOCIATE UNDERTAKINGS CONTINUED

Subsidiary undertaking	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Menzies Aviation (Lounge) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Luton) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (Mexico) S.A. de C.V.	Mexico	Plaza Alamos Local 2, SM 311, MZ 26 Lote 03-01 Boulevard Luis Donaldo Colosio C.P. 77560, Cancun, Quintana Roo	Indirect
Menzies Aviation (Mumbai) Passenger Ltd	Mauritius	5th Floor, Ebene Esplanade, 24 Cybercity, Ebene	Indirect
Menzies Aviation (Namibia) Proprietary Ltd	Namibia	Bougain Villas, 78 Sam Mujoma Drive, Windhoek	Indirect
Menzies Aviation (New Zealand) Ltd	New Zealand	George Bolt Memorial Drive, Auckland Airport, Auckland 2022	Indirect
Menzies Aviation (NL) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (Oslo) AS	Norway	Sigrid Undsets plass, Terminalen, 2060 Gardermoen, 0235 Ullensaker	Indirect
Menzies Aviation (Poland) Sp. z o.o.	Poland	ul. Sienna 72/3, 00-833 Warsaw	Indirect
Menzies Aviation (Romania) S.A.	Romania	Henri-Coanda International Airport, Calea Bucurestilor no 224E, Otopeni City, Ilfov	Indirect
Menzies Aviation (Santo Domingo) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (Schiphol) B.V.	The Netherlands	Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam	Indirect
Menzies Aviation (South Africa) (Cargo) Proprietary Ltd	South Africa	Unit F4, CTX Business Park, Cape Town International Airport, Cape Town	Indirect (65%)
Menzies Aviation (South Africa) (Cleaning) Proprietary Ltd	South Africa	Unit F4, CTX Business Park, Cape Town International Airport, Cape Town	Indirect (65%)
Menzies Aviation (South Africa) (Pty) Ltd	South Africa	Unit F4, CTX Business Park, Cape Town International Airport, Cape Town	Indirect (65%)
Menzies Aviation (Stockholm) AB	Sweden	Box 197, SE 190-45, Stockholm, Arlanda	Indirect
Menzies Aviation (Support Services) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Support) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Sverige) AB	Sweden	Box 197, SE 190-45, Stockholm, Arlanda	Indirect
Menzies Aviation (Sweden) AB	Sweden	Box 51, 230 32 Malmo, Sturup	Indirect
Menzies Aviation (Texas), Inc.	United States	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	Indirect
Menzies Aviation (UK) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (USA), Inc.	United States	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	Indirect
Menzies Aviation (Venezuela) S.A.	Venezuela	Aeropuerto Internacional Simon Bolivar, Nivel 1, Sector 1, Maiquetia	Indirect
Menzies Aviation (Washington), Inc.	United States	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	Indirect
Menzies Aviation (Windhoek Lounge) (Pty) Ltd	Namibia	Bougain Villas, 78 Sam Mujoma Drive, Windhoek	Indirect
Menzies Aviation Alicante UTE	Spain	Calle Nunez Morgado, 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation Almeria UTE	Spain	Calle Nunez Morgado, 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation Bermuda Ltd	Bermuda	Thistle House, 4 Burnaby Street, Hamilton HM 11	Indirect
Menzies Aviation Cargo (Bangalore) Ltd	Mauritius	5th Floor, Ebene Esplanade, 24 Cybercity, Ebene	Indirect
Menzies Aviation Cargo (Hyderabad) Ltd	Mauritius	5th Floor, Ebene Esplanade, 24 Cybercity, Ebene	Indirect
Menzies Aviation Cargo (Romania) S.R.L.	Romania	Henri-Coanda International Airport, Calea Bucurestilor no 224E, Otopeni City, Ilfov	Indirect

Subsidiary undertaking	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Menzies Aviation Colombia Holdings S.A.S.	Colombia	Carrera 7, No 71 – 21 Torre A, Oficina 602, Bogota	Indirect
Menzies Aviation Colombia S.A.S.	Colombia	Carrera 7, No 71 – 21 Torre A, Oficina 602, Bogota	Indirect
Menzies Aviation Contracts (NL) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation Corporate Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation Denmark Lounges A/S	Denmark	Menzies Aviation, Copenhagen Airport, Petersdalvej 13, 1st, 2770 Kastrup	Indirect
Menzies Aviation Finance (USA) LLC	United States	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	Indirect
Menzies Aviation Group (Philippines) B.V.	The Netherlands	Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam	Indirect
Menzies Aviation Handling Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation Holdings (Asia Pacific) Ltd	British Virgin Islands	Newhaven Corporate Services (BVI) Limited, 3rd Floor, Omar Hodge Building, Wickhams Cay I, PO Box 362, Road Town, Tortola	Indirect
Menzies Aviation Holdings (Australia) Pty Ltd	Australia	c/o Norton Rose Fullbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
Menzies Aviation Holdings (Brasil) Ltda	Brazil	Avenida Nove de Julho no. 4865, 5 Andar, Conjunto 51, Sala A, Sao Paulo	Indirect
Menzies Aviation Holdings Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation Holdings (Venezuela) S.A.	Venezuela	Aeropuerto Internacional Simon Bolivar, Nivel 1, Sector 1, Maiquetia	Indirect
Menzies Aviation Hyderabad (Passenger) Ltd	Mauritius	5th Floor, Ebene Esplanade, 24 Cybercity, Ebene	Indirect
Menzies Aviation, Inc.	United States	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	Indirect
Menzies Aviation International Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation Jerez UTE	Spain	Calle Nunez Morgado, 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation Leasing (Mexico) S.A. de C.V.	Mexico	Plaza Alamos Local 2, SM 311, MZ 26 Lote 03-01 Boulevard Luis Donaldo Colosio C.P. 77560, Cancun, Quintana Roo	Indirect
Menzies Aviation Murcia-San Javier UTE	Spain	Calle Nunez Morgado, 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation plc	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation Puerto Plata S.A.	Dominican Republic	7 and 8 of General Gregorio Luperon, International Airport, Sosua, Puerto Plata	Indirect
Menzies Aviation Services (Asia Pacific) LLC	United States	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	Indirect
Menzies Aviation Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation Services SL	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation Services Venezuela S.A.	Venezuela	Aeropuerto Internacional Simon Bolivar, Nivel 1, Sector 1, Maiquetia	Indirect
Menzies Aviation Spain SL	Spain	Calle Nunez Morgado, 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation St. Maarten B.V.	Sint Maarten	P.O. Box 2003, Princess Juliana Airport	Indirect
Menzies Aviation Washing Denmark A/S	Denmark	Menzies Aviation, Copenhagen Airport, Petersdalvej 13, 1st, 2770 Kastrup	Indirect

LIST OF ALL SUBSIDIARY, JOINT VENTURE AND ASSOCIATE UNDERTAKINGS CONTINUED

Subsidiary undertaking	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Menzies Aviation Washing Oslo AS	Norway	Sigrid Undsets plass, Terminalen, 2060 Gardermoen, 0235 Ullensaker	Indirect
Menzies Cargo Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Cargo Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Client Solutions (USA), Inc.	United States	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	Indirect
Menzies Client Solutions Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Digital Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Distribution Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Express Baggage Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Group Holdings Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
Menzies Marketing Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Parcels Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
Menzies Security Services B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Select Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Services, Inc.	United States	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	Direct
Menzies Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
Menzies Travel Media Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Wholesale Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
Menzies World Cargo (Ireland) Ltd	Ireland	First Floor, Riverside Two, 43/49 Sir John Rogerson's Quay, Dublin 2	Indirect
Menzies World Cargo (Rotterdam) B.V.	The Netherlands	Brandenburghbaan 2b, 3045 AK Rotterdam	Indirect
Menzies World Cargo Amsterdam B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies World Cargo Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Worldwide Distribution Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
Moose Aviation Services AB	Sweden	Box 2, 190 45 Stockholm, Arlanda	Indirect
MPF Trustee Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct

Subsidiary undertaking	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Oban Express Parcel Service Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
Ogden Aviation Services (Chile) Ltda	Chile	Est. Arturo Alessandri, Amunategui 277, 3F, Santiago	Indirect
Ogden Cargo Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Orbital Mailing Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Orbital Mailing Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Orbital Marketing Services Group Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Orbital Print Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Perth Cargo Centre Pty Ltd	Australia	c/o Norton Rose Fullbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
PlaneBiz 2015 Ltd	New Zealand	George Bolt Memorial Drive, Auckland Airport, Auckland 2022	Indirect (60%)
PMD Healthcare Marketing Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Princes Street (Jersey) Ltd	Jersey	47 Esplanade, St Helier JE1 0BD	Indirect
Project Athena (Jersey) Limited	Jersey	Elian SPV Corporate Services (Jersey) Limited, 44 Esplanade, St Helier JE4 9WG	Direct
Reed Aviation Spain SL	Spain	Calle Nunez Morgado, 6-Bj Dc, 28036 Madrid	Indirect
Rose Street Nominees Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
Simplicity Ground Services, LLC	United States	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	Indirect
Skycare Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Skyport Handling Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Skyport Handling Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Skystar Airport Services NZ Pty Ltd	New Zealand	George Bolt Memorial Drive, Auckland Airport, Auckland 2022	Indirect
Skystar Airport Services Pty Ltd	Australia	c/o Norton Rose Fullbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
Southampton Airport Cargo Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect

LIST OF ALL SUBSIDIARY, JOINT VENTURE AND ASSOCIATE UNDERTAKINGS CONTINUED

Subsidiary undertaking	Country of incorporation		Direct or indirect holding (100% unless otherwise stated)
Take One Media Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
The London Cargo Centre Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Thistle Couriers Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
The Menzies Group Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
The Network (Field Marketing & Promotions) Company Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Top Attractions Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Wyng Group Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Wyng Roadflight Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect

Joint venture or associate undertaking	Country of incorporation		Direct or indirect holding (100% unless otherwise stated)
AMI Asia HK Ltd	Hong Kong	Room 1403, Causeway Commercial Building, 3 Sugar Street, Causeway Bay	Indirect (50%)
EM News Distribution (Ireland) Ltd	Ireland	80 Middle Abbey Street, Dublin 1	Indirect (50%)
EM News Distribution (NI) Ltd	United Kingdom	11 Airport Road West, Belfast BT3 9JZ	Indirect (50%)
Hyderabad Menzies Air Cargo Private Ltd	India	Air Cargo Terminal, Rajiv Gandhi International Airport, Shamshabad, Hyderabad 500409	Indirect (49%); 100% of preference shares
Menzies Aviation Bobba (Bangalore) Private Ltd	India	Plot No-C-04L, Cargo Terminal-1, Kempegowda International Airport, Devanahalli, Bangalore 560300	Indirect (49%); 100% of preference shares
Menzies Bobba Ground Handling Services Private Ltd	India	H.No.6-3-345/1/2, Flat No. 102, Apurupa Classic, Road No. 1, Banjara Hills, Hyderabad 500034	Indirect (51%)
Menzies Macau Airport Services Ltd	Macau	Avenido de Aeroporto, Edificio Airport Logistic Business Centre, 1 andar, sala 52, Taipa	Indirect (29%)
Swissport Menzies Handling PMR UTE	Spain	Avenida Central 25, 28042 Madrid	Indirect (19.5%)
Worldwide Magazine Distribution Ltd	United Kingdom	Unit 1 Griffin Business Park, Walmer Way, Birmingham B37 7UX	Indirect (50%)
Zaankracht Uitzendbureau Schipol B.V.	The Netherlands	Stationsplein 979, 1117 CE Schiphol	Indirect (30%)

NOTICE OF ANNUAL GENERAL MEETING

This document is important and requires your immediate attention. If you are in any doubt about what action you should take you are recommended to consult your independent financial adviser authorised under the Financial Services and Markets Act 2000 or, if outside the UK, another appropriately authorised financial adviser. If you have sold or transferred all of your ordinary shares in John Menzies plc, you should forward this document, together with accompanying documents, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of John Menzies plc (the "**Company**") will be held in the Waldorf Astoria Edinburgh – The Caledonian, Princes Street, Edinburgh, EH1 2AB on Friday 12 May 2017 at 2:00pm (the "**Meeting**") to transact the following business:

ORDINARY RESOLUTIONS

To consider and, if thought fit, pass Resolutions 1-16, each of which will be proposed as an ordinary resolution:

1. REPORT AND ACCOUNTS

To receive the Annual Accounts of the Company for the financial year ended 31 December 2016, the Strategic Report and the Reports of the Directors and Auditor thereon.

2. REMUNERATION REPORT

To approve the Report on Directors' Remuneration (excluding the Directors' Remuneration Policy) as set out in the Annual Report and Accounts for the financial year ended 31 December 2016.

3. REMUNERATION POLICY

To approve the Directors' Remuneration Policy as set out in the Annual Report and Accounts for the financial year ended 31 December 2016.

4. DIVIDEND

To declare a final dividend of 13.1 pence per ordinary share in the Company for the financial year ended 31 December 2016.

5-13. ELECTION AND RE-ELECTION OF DIRECTORS

5. To elect Dermot Smurfit as a director of the Company.
6. To elect Giles Wilson as a director of the Company.
7. To elect Paul Baines as a director of the Company.
8. To elect John Geddes as a director of the Company.
9. To re-elect Forsyth Black as a director of the Company.
10. To re-elect Geoff Eaton as a director of the Company.
11. To re-elect Silla Maizey as a director of the Company.
12. To re-elect Dermot Jenkinson as a director of the Company.
13. To re-elect David Garman as a director of the Company.

14. RE-APPOINTMENT OF AUDITOR

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

15. REMUNERATION OF AUDITOR

To authorise the directors of the Company to fix the remuneration of the Company's auditor.

16. AUTHORITY TO ALLOT SHARES

That the directors of the Company (the "**Directors**") be and are hereby generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (the "**2006 Act**"), to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company, such rights and shares together being "relevant securities":

(a) otherwise than pursuant to paragraph (b) below, up to an aggregate nominal amount of £6,970,709 (such amount to be reduced by the aggregate nominal amount of any equity securities (as defined by section 560 of the 2006 Act) allotted under paragraph (b) below in excess of £6,970,709); and

(b) comprising equity securities up to an aggregate nominal amount of £13,941,418 (such amount to be reduced by the nominal amount of any relevant securities allotted under paragraph (a) above) in connection with an offer by way of a rights issue to: (i) holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings; and (ii) holders of equity securities in the capital of the Company as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates, legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts or any other matter;

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

and provided that (unless previously renewed, varied or revoked) this authority shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, the close of business on 30 June 2018 save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for and to the exclusion of all unexercised existing authorities previously granted to the Directors under the 2006 Act but without prejudice to any allotment of shares or grants of rights already made, offered or agreed to be made pursuant to such authorities.

SPECIAL RESOLUTIONS

To consider, and if thought fit, pass Resolutions 17 – 20, each of which will be proposed as a special resolution:

17. AUTHORITY TO DISAPPLY PRE-EMPTION RIGHTS

That, subject to the passing of Resolution 16 in the Notice of Annual General Meeting of the Company dated 24 March 2017 (the "**Section 551 Resolution**"), the directors of the Company (the "**Directors**") be and are hereby empowered pursuant to section 570 and section 573 of the Companies Act 2006 (the "**2006 Act**") to exercise all powers of the Company to allot equity securities (within the meaning of sections 560(1)–(3) of the 2006 Act) wholly for cash pursuant to the authority conferred by the Section 551 Resolution and/or by way of a sale of treasury shares as if section 561(1) of the 2006 Act did not apply to any such allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with an offer or issue of equity securities (but, in the case of an allotment pursuant to the authority granted under paragraph (b) of the Section 551 Resolution, such power shall be limited to the allotment of equity securities in connection with a rights issue only) to: (i) the holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings; and (ii) the holders of equity securities in the capital of the Company as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates, legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts or any other matter; and

(b) the allotment pursuant to the authority granted by paragraph (a) of the Section 551 Resolution (otherwise than pursuant to paragraph (a) of this Resolution 17) to any person or persons of equity securities up to an aggregate nominal amount of £1,045,606, representing approximately 5% of the issued ordinary share capital of the Company as at 24 March 2017;

and provided that (unless previously renewed, varied or revoked) this power shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, at the close of business on 30 June 2018 save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired. This power is in substitution for and to the exclusion of all unexercised existing powers previously granted to the Directors under sections 570 and 573 of the 2006 Act but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such powers.

The Board confirms that, in accordance with the Pre-Emption Group's Statement of Principles ("**PEG Principles**"), it does not intend to issue shares for cash representing more than 7.5% of the Company's issued ordinary share capital in any rolling three year period to those who are not existing shareholders without prior consultation with shareholders.

18. PURCHASE OF OWN ORDINARY SHARES BY THE COMPANY

That the Company be and is hereby authorised pursuant to section 701 of the Companies Act 2006 (the "**2006 Act**") to make market purchases (within the meaning of section 693(4) of the 2006 Act) of its own ordinary shares of 25p each ("**Ordinary Shares**"), on such terms and in such manner as the directors of the Company may from time to time determine, provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 8,364,852, representing approximately 10% of the issued ordinary share capital of the Company as at 24 March 2017;

(b) the maximum price which may be paid for each such Ordinary Share under this authority shall be the higher of:

(i) an amount equal to 105% of the average of the middle market quotations for any such Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the date of conclusion of the contract for any such purchase; and

(ii) the amount stipulated by Article 5(1) of the EU Buy-back and Stabilisation Regulation 2003 (being the higher of the price of the last independent trade and the highest current independent bid for an Ordinary Share on the trading venues where the market purchases by the Company pursuant to the authority conferred by this Resolution 18 will be carried out), and the minimum price which may be paid for any such Ordinary Share is 25p, in each case exclusive of the expenses of purchase (if any) payable by the Company; and

(c) the authority hereby conferred shall expire (unless previously renewed, varied or revoked) at the conclusion of the next Annual General Meeting of the Company or, if earlier, the close of business on 30 June 2018 except in relation to the purchase of Ordinary Shares for which a contract was concluded before the authority expired and which might or will be executed wholly or partly after its expiration and the Company may make such a purchase in pursuance of such contract as if the authority hereby conferred had not expired.

19. PURCHASE OF OWN PREFERENCE SHARES BY THE COMPANY

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

(a) the maximum number of Preference Shares hereby authorised to be purchased is 1,394,587, representing 100% of the issued Preference Share capital of the Company as at 24 March 2017;

(b) the maximum price which may be paid for each such Preference Share under this authority shall be the higher of:

(i) an amount equal to 110% of the average of the middle market quotations for any such Preference Share as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the date of conclusion of the contract for any such purchase; and

(ii) the amount stipulated by Article 5(1) of the EU Buy-back and Stabilisation Regulation 2003 (being the higher of the price of the last independent trade and the highest current independent bid for a Preference Share on the trading venues where the market purchases by the Company pursuant to the authority conferred by this Resolution 19 will be carried out), and the minimum price which may be paid for any such Preference Share is £1, in each case exclusive of the expenses of purchase (if any) payable by the Company; and

(c) the authority hereby conferred shall expire (unless previously renewed, varied or revoked) at the conclusion of the next Annual General Meeting of the Company or, if earlier, the close of business on 30 June 2018, except in relation to the purchase of Preference Shares for which a contract was concluded before the authority expired and which might or will be executed wholly or partly after its expiration and the Company may make such a purchase in pursuance of such contract as if the authority hereby conferred had not expired.

20. LENGTH OF NOTICE OF MEETING

That a general meeting of the Company, other than an annual general meeting, may be called on not less than fourteen clear days' notice.

By order of the Board of Directors

John Geddes
Company Secretary
24 March 2017

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

EXPLANATORY NOTES

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

RESOLUTIONS 2 AND 3: REMUNERATION REPORT AND POLICY

In accordance with the provisions of the Companies Act 2006 (the "**2006 Act**"), the Company's Report on Directors' Remuneration (excluding the Directors' Remuneration Policy) will be put to an annual shareholder vote by ordinary resolution. This vote is advisory in nature and is in respect of the overall remuneration package which is in place for directors of the Company (the "**Directors**") – it is not specific to individual levels of remuneration nor is the entitlement of a Director to remuneration conditional on the vote being passed.

The Directors' Remuneration Policy is, however, subject to a binding shareholder vote by ordinary resolution at least every three years. As this was last approved at the Company's annual general meeting ("**AGM**") in May 2014, the Company is seeking shareholder approval in respect of the proposed new Directors' Remuneration Policy, which sets out the Company's forward-looking policy on Directors' remuneration, at the forthcoming AGM. Further details of the proposed new Directors' Remuneration Policy are set out on pages 60 to 68 of the Annual Report and Accounts 2016. If approved by shareholders, it will take immediate binding effect and, as is currently the case, the Company will be unable to make a remuneration payment to a current or prospective Director or a payment for loss of office to a current or past Director, unless such payment is consistent with the Policy or has been approved by a resolution of the Company's shareholders.

RESOLUTIONS 5–13: ELECTION AND RE-ELECTION OF DIRECTORS

Biographical details of the Directors to be elected or re-elected, as is the case, at this year's AGM can be found on pages 44 and 45 of the Annual Report and Accounts 2016. Dermot Smurfit, Giles Wilson, Paul Baines and John Geddes, having been appointed as Directors since last year's AGM, will stand for election in accordance with the Company's Articles of Association and, in accordance with the principles of good governance set out in the UK Corporate Governance Code, all other Directors who will continue following the AGM will seek re-election.

In proposing the election or re-election, as is the case, of the Directors, the Chairman has confirmed that, following rigorous internal performance evaluations (described on pages 49 and 50 of the Annual Report and Accounts 2016), each individual continues to make an effective and valuable contribution to the Board and demonstrates commitment to their role.

RESOLUTIONS 16 AND 17: AUTHORITY TO ALLOT SHARES AND DISAPPLY PRE-EMPTION RIGHTS

The Investment Management Association's Share Capital Management Guidelines (the "**IMA Guidelines**") and the PEG Principles permit, and regard as routine, an authority to allot up to two-thirds of a company's existing issued share capital. They provide that any amount in excess of one-third of a company's issued share capital should only be applied to fully pre-emptive rights issues.

At the Company's AGM in May 2016, the Directors were given authority to allot shares in the capital of the Company up to an aggregate nominal amount of £10,283,856, representing approximately two-thirds of the Company's issued ordinary share capital as at 1 April 2016. At a general meeting of the Company held on 11 October 2016, the Directors were given an additional specific authority to allot shares in the capital of the Company in connection with a rights issue up to an aggregate nominal amount of £3,654,567. To the extent not previously utilised, these authorities are due to expire at the end of this year's AGM.

It is considered appropriate that the Directors again be granted authority to allot shares in the capital of the Company up to a maximum nominal amount of £13,941,418, which amount represents approximately two-thirds of the Company's issued ordinary share capital as at 24 March 2017 and thus complies with the IMA Guidelines and PEG Principles. Accordingly, 27,882,836 ordinary shares of £0.25 each (the "**Ordinary Shares**"), representing approximately one-third of the Company's issued ordinary share capital, may be allotted pursuant to a fully pre-emptive rights issue.

The authority sought by Resolution 16 will last until the conclusion of the next AGM of the Company or, if earlier, the close of business on 30 June 2018. The Directors have no present intention of exercising this authority, although they have confirmed that should the power authorised in Resolution 16 be utilised then all Directors would stand for re-election at the next AGM (as they currently do in accordance with the principles of good governance).

As at 24 March 2017, the Company held 310,338 of its Ordinary Shares in Treasury.

Resolution 17 will, if passed, give the Directors power, pursuant to the authority to allot granted under Resolution 16, to allot equity securities (as defined in sections 560(1)–(3) of the 2006 Act) or sell treasury shares for cash on a non pre-emptive basis without first offering them to existing shareholders of the Company in proportion to their existing shareholdings in limited circumstances. This power will permit the Directors to allot equity securities:

(a) in relation to a pre-emptive rights issue only, up to a maximum nominal amount of £13,941,418 (representing approximately two-thirds of the issued ordinary share capital of the Company as at 24 March 2017); and

(b) in any other case, up to a maximum nominal value of £1,045,606, representing approximately 5% of the issued ordinary share capital of the Company as at 24 March 2017 (the latest practicable date prior to publication of this Notice of AGM), otherwise than in connection with an offer to existing shareholders of the Company.

The Directors have no present intention of exercising this power. Were the Board to exercise this power, it confirms that it will make disclosures in the announcement regarding the issue, and in the subsequent annual report, such as those contemplated in the Pre-Emption Group Guidance issued in May 2016. The power, if granted, will expire at the conclusion of the next AGM of the Company or, if earlier, the close of business on 30 June 2018.

RESOLUTIONS 18 AND 19: AUTHORITY TO BUY-BACK SHARES

These special resolutions give the Company authority to make market purchases of its Ordinary Shares and 9% cumulative preference shares (the "**Preference Shares**") in the market, as permitted by the 2006 Act. The authorities set the minimum and maximum prices and limit the number of Ordinary Shares that can be purchased to 8,364,852 (representing approximately 10% of the issued Ordinary Shares as at 24 March 2017) and the number of Preference Shares to 1,394,587 (representing 100% of the issued Preference Shares as at 24 March 2017).

The authorities, if granted, will expire at the conclusion of the next AGM of the Company or, if earlier, the close of business on 30 June 2018. The Directors have no present intention of exercising the authority to purchase the Preference Shares but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The authority would only be exercised if the Directors believed that to do so would result in an increase in earnings per share and would be in the interests of the Company's shareholders generally.

As at 24 March 2017, the Company held 310,338 Ordinary Shares in Treasury. The Company may make purchases of its Ordinary Shares, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. No voting rights attach to Ordinary Shares whilst held in Treasury nor are dividends payable on them. The authority sought under Resolution 18 will only be exercised if the Directors believe that to do so would result in an increase in earnings per share and would be in the interests of the Company's shareholders generally.

Any purchase of Ordinary Shares would be by means of market purchase through the London Stock Exchange.

RESOLUTION 20: LENGTH OF NOTICE OF MEETING

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

Resolution 20 is therefore proposed as a special resolution which would be effective until the Company's next AGM when it would be intended to propose that the approval be renewed.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

RECOMMENDATION

The Directors consider that all these Resolutions are in the best interests of the Company and its shareholders as a whole and are most likely to promote the success of the Company. Accordingly, they unanimously recommend that you vote in favour of all the proposed Resolutions.

NOTES TO THE NOTICE OF AGM

1. Information about the AGM is available from the Company's website: www.johnmenziesplc.com.
2. As a shareholder, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a shareholder of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.
3. A Form of Proxy is enclosed. To be valid, your Form of Proxy and any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority should be sent to Computershare Investor Services ("**Computershare**") at The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to arrive no later than 48 hours before the commencement of the AGM. No amendments to, or submission or withdrawal of, any Form of Proxy shall be effective if lodged with Computershare less than 48 hours before the time appointed for the holding of the AGM or any adjourned meeting.
4. It is possible for you to submit your proxy votes online. Further information on this service can be found on your Form of Proxy or, if you receive communications electronically, voting information will be contained within your email broadcast.
5. If you appoint a proxy, this will not prevent you attending the AGM and voting in person if you wish to do so.
6. The right to vote at the AGM is determined by reference to the Company's Register of Members as at the close of business on Wednesday 10 May 2017 or, if the AGM is adjourned, at 5:00pm on the day two days prior to the adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any shareholder to attend and vote at the AGM.
7. As a shareholder, you have the right to put questions at the AGM relating to the business being dealt with at the AGM.
8. Any person to whom this notice is sent who is a person nominated under section 146 of the 2006 Act to enjoy information rights (a "**Nominated Person**") may, under an agreement between them and the shareholder by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
9. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 2, 3 and 4 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
10. As at 24 March 2017, the issued ordinary share capital of the Company comprised 83,648,528 Ordinary Shares and the Company held 310,338 of these Ordinary Shares in Treasury. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 24 March 2017 is 83,338,190.
11. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
12. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID 3RA50) so as to arrive no later than 48 hours before the commencement of the AGM or any adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the shareholder information message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
13. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
14. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
15. Under section 338 of the 2006 Act, shareholders may require the Company to give, to shareholders of the Company entitled to receive this Notice of AGM, notice of a resolution which may properly be moved and is intended to be moved at the AGM. Under section 338A of the 2006 Act, shareholders may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business.
16. It is possible that, pursuant to requests made by shareholders of the Company under section 527 of the 2006 Act, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM: or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the 2006 Act. The Company may not require the shareholder requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on a website under section 527 of the 2006 Act.
17. You may not use any electronic address provided either in this Notice of AGM or any related documents to communicate with the Company for any purpose other than as expressly stated.

DOCUMENTS

The following documents will be available for inspection during usual business hours on any day (except Saturday, Sunday and Bank Holidays) from the date of sending this Notice of AGM up to and including the date of the AGM at the registered office of the Company and at the offices of the Company's solicitors, Maclay Murray & Spens LLP, at One London Wall, London EC2Y 5AB:

(a) copies of the Directors' service contracts with the Company; and

(b) the terms of appointment of the Non-Executive Directors of the Company.

On the date of the AGM, these documents will be available for inspection at the venue of the AGM from 12 noon until the conclusion of the AGM.

GENERAL INFORMATION

INTERNET
The Company operates a website which can be found at www.johnmenziesplc.com. This site is regularly updated to provide you with information about the Company and its Operating Divisions. In particular, all of the Company's press releases and announcements can be found on this site together with copies of its Annual Reports and Accounts.

JOHN MENZIES INVESTOR RELATIONS APP
The Company has an Investor Relations App for iPhone and iPad users. The App provides users with the Company's latest share price, regulatory and business news, annual/interim reports and presentations. The App can be downloaded via the Company's website or by visiting your App store.

SHARE REGISTER AND SHAREHOLDER ENQUIRIES
Any enquiry concerning your shareholding should be directed to the Company's Registrar, Computershare Investor Services PLC ("**Computershare**"), and should clearly state your name, address and Shareholder Reference Number ("**SRN**"). The contact details are as follows:

Telephone:
+44 (0) 370 703 6303

Web:
www.investorcentre.co.uk

Email:
www.investorcentre.co.uk/contactus

Write:
The John Menzies plc Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ

Computershare should be notified promptly in writing of any change in a shareholder's address. Computershare's online Investor Centre also enables you to view your shareholding and update your address and payment instructions online. You can register at www.investorcentre.co.uk. In order to register, you will need your SRN which you can find on your share certificate or dividend confirmation.

SHARE PRICE
The current price of the Company's ordinary shares of £0.25 each (the "**Ordinary Shares**") can be viewed on the Company's website at www.johnmenziesplc.com.

TELEPHONE SHARE DEALING SERVICE
A share dealing service has been arranged with Stocktrade which provides a simple way of buying or selling shares in the Company. To use this service you should call the following telephone number and quote reference "John Menzies plc dial and deal":

Telephone:
+44 (0) 131 240 0414

CHARGES
Commission for the above share dealing service will be at a rate of 1% and will be subject to a minimum fee of £25. Additionally, UK share purchases will be subject to a 0.5% stamp duty charge whilst a levy of £1.00 will be imposed by the Panel for Takeovers and Mergers for single trades in excess of £10,000.

SETTLEMENT
You will be required to pay for any shares purchased by debit card at the time of the transaction. You must therefore ensure that you have sufficient cleared funds available in your debit card account to pay for the shares in full.

SHAREGIFT
If you have only a small number of shares which would cost more for you to sell than they are worth, you may wish to consider donating them to the charity ShareGift (Registered Charity No. 1052686) which specialises in accepting such shares as donations. There are no implications for UK Capital Gains Tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. If you wish to do this the details are as follows:

Telephone:
+44 (0) 20 7930 3737

Web:
www.sharegift.org

Email:
help@sharegift.org

ANALYSIS OF SHAREHOLDINGS
at 31 December 2016

Shareholding (Ordinary Shares)	Number of shareholders	Percentage of shareholders	Total number of Ordinary Shares held	Percentage of Ordinary Shares held
1-1,000	2,962	80.25	682,608	0.82
1,001-5,000	464	12.57	946,504	1.13
5,001-10,000	67	1.82	476,571	0.57
10,001-100,000	117	3.17	4,117,191	4.92
Over 100,000	81	2.19	77,414,021	92.56
Total	3,691	100	83,636,895	100.00

PAYMENT OF DIVIDENDS
It is in the interests of both the Company and its shareholders for dividends to be paid directly into bank or building society accounts. Any shareholder who wishes to receive dividends in this way should contact Computershare to obtain a dividend mandate form.

9% CUMULATIVE PREFERENCE SHARES
Dividends will be paid on 1 April 2017 and 2 October 2017.

ORDINARY SHARES
A final dividend of 13.1p per Ordinary Share was proposed by the Directors on 8 March 2017 and, subject to shareholder approval, will be paid on 3 July 2017 to shareholders on the Company's Register of Members as at close of business on 26 May 2017.

Any interim dividends for the financial year ended 31 December 2017 will be paid on 17 November 2017 to shareholders on the Company's Register of Members as at close of business on 20 October 2017.

INVESTOR RELATIONS
For any Investor Relations enquiries, please contact us by one of the following means:

Telephone:
+44 (0) 131 225 8555

Web:
www.johnmenziesplc.com

Email:
investor.relations@johnmenziesplc.com

Write:
John Menzies plc, 2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ, marked for the attention of Emma Wadsworth

PRINCIPAL ADVISERS
AUDITOR
Ernst & Young LLP
G1, 5 George Square
Glasgow G2 1DY

CORPORATE ADVISERS
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Row
London EC4M 7LT

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

PRINCIPAL BUSINESS ADDRESSES
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2 Lochside Avenue
Edinburgh Park
Edinburgh EH12 9DJ
Telephone: +44 (0) 131 225 8555
Email: info@johnmenziesplc.com

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Edinburgh EH12 9DJ
Telephone: +44 (0) 131 467 8070

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2 World Business Centre Heathrow
Newall Road
London Heathrow Airport
Hounslow TW6 2SF
Telephone: +44 (0) 20 8750 6000

GENERAL INFORMATION CONTINUED

CORPORATE CALENDAR (PROVISIONAL DATES)

8 March 2017	Preliminary announcement of Annual Results
28 March 2017	Annual Report and Accounts and Notice of AGM released
1 April 2017	Payment of dividend on Preference Shares
12 May 2017	AGM
26 May 2017	Record date for final dividend on Ordinary Shares
3 July 2017	Payment of final dividend on Ordinary Shares
15 August 2017	Announcement of Interim Results
2 October 2017	Payment of dividend on Preference Shares
20 October 2017	Record date for interim dividend on Ordinary Shares
17 November 2017	Payment of interim dividend on Ordinary Shares