John Menzies plc

Final results announcement

5 March 2013
## John Menzies plc
### Final Results for the period ended 31 December 2012

### Highlights

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (including JV’s &amp; Associates)</td>
<td>£1,996.8m</td>
<td>£2,013.8m</td>
</tr>
<tr>
<td>Underlying profit before taxation (^1)</td>
<td>£58.4m</td>
<td>£56.4m</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>£32.0m</td>
<td>£52.5m</td>
</tr>
<tr>
<td>Underlying earnings per share (^2)</td>
<td>73.4p</td>
<td>73.2p</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>36.0p</td>
<td>71.8p</td>
</tr>
<tr>
<td>Non-recurring items (^3)</td>
<td>£18.4m</td>
<td>£(3.9)m</td>
</tr>
<tr>
<td>Menzies Aviation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underlying operating profit (^4)</td>
<td>£35.6m</td>
<td>£32.3m</td>
</tr>
<tr>
<td>Underlying operating profit – constant currency basis (^5)</td>
<td>£37.5m</td>
<td>£32.3m</td>
</tr>
<tr>
<td>Menzies Distribution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underlying operating profit (^4)</td>
<td>£28.8m</td>
<td>£28.8m</td>
</tr>
<tr>
<td>Dividend</td>
<td>17.85p</td>
<td>17p</td>
</tr>
</tbody>
</table>

- John Menzies plc delivers further shareholder value
- Menzies Aviation provides sustainable growth
  - Underlying operating profit up 16% on a constant currency basis
  - Expansion plans being delivered - new contracts won, key contracts renewed and new countries entered
  - Restructuring of loss making cargo operations completed
- Menzies Distribution provides a stable profit stream
  - Underlying operating profit held at £28.8m with excellent cash generation
  - Acquisition of Orbital Marketing provides growth opportunities away from the core business
  - Integration and synergy benefits on track
- Progressive dividend policy continues – final dividend 17.85p up 5%

Iain Napier, Chairman said:

“The Group continues to trade on a sound footing with both divisions returning good results. Market conditions remain tough but despite this we continue to deliver our targets. Menzies Aviation turned in a strong performance despite airline failures and currency headwinds. Future prospects remain good as we seek to deliver on our organic and selective acquisition growth plans. At Menzies Distribution the acquisition of Orbital Marketing Services Group provides the division with a highly synergistic business that will offer new areas of potential growth.

Overall the Group is well placed to continue to deliver growth.”
There will be a presentation for analysts at 9am (GMT) today. The details of which can be obtained from FTI Consulting on details below.

Notes

1. Underlying profit before taxation is defined as profit before taxation, intangible amortisation and exceptional items.
2. Underlying earnings per share is profit after taxation and non-controlling interest, but before intangible amortisation and exceptional items, divided by the weighted average number of ordinary shares in issue.
3. Non-recurring items are those material items which, by virtue of their size or incidence, are reported separately in the income statement to enable a full understanding of the Group’s financial performance.
4. Underlying operating profit includes each division’s share of pre-tax profit from joint ventures and associates, and excludes intangible amortisation and exceptional items.
5. Performance at constant currency has been calculated by translating non-Sterling earnings for the twelve months to 31 December 2012 into Sterling at the exchange rates used for the same period in 2011.
6. Free cash flow is defined as the cash generated by the business after net capital expenditure, interest and taxation, before special pension contributions, acquisitions, disposals, ordinary dividends, exceptional items and net spend on shares.

For further information:

Paul Dollman, Group Finance Director, John Menzies plc  0131 459 8018
John Geddes, Group Company Secretary, John Menzies plc  0131 459 8180
Jonathon Brill/Alex Beagley, FTI Consulting,  0207 831 3113

Notes to Editors

1. John Menzies plc is one of Scotland’s largest companies. The company has two operating divisions, Menzies Aviation and Menzies Distribution. Both divisions operate in distinct B2B sectors where success depends on providing an efficient, high quality, time-critical service to their customers and partners. The company was established in 1833 and its head office is in Edinburgh, Scotland. Today the company is an international business with operations worldwide.

2. Menzies Aviation is the fastest growing, and now second largest, ground and cargo handling organisation in the world. It also owns AMI, a global wholesale freight forwarder. The business is highly successful - operating at 132 airports in 30 countries, with annual revenue in excess of US$1bn and employing some 18,000 highly trained people. Customers include easyJet, Cathay Pacific, British Airways, Emirates, Qatar, Virgin America & Australia, Jet Airways, Asiana & Singapore Airlines. Best in class safety & security as well as great customer service are core to its success and sets it apart from other handlers.

3. Menzies Distribution is a leading provider of added value distribution and marketing services to the newspaper and magazine supply chain in the UK. The division handles around 5 million newspapers and 2.1 million magazines (covering 3,000 magazine titles) each day, with deliveries to more than 25,000 customers. The division employs over 4,000 people at 48 sites throughout the UK – and is a strongly cash generative business, with around 45% of the newspaper and magazine wholesale distribution market in the UK. It has a track record of investment in innovation and customer service delivery.

OPERATING REVIEW

GROUP PERFORMANCE

Overview
The Group performed strongly during the year despite difficult trading conditions at both operating divisions. At Menzies Aviation operating profit on a constant currency basis was up 16% while Menzies Distribution held profits flat, a commendable performance from both divisions.

The Group continues to be on a very strong financial footing. Underlying profit before taxation was up 4% to £58.4m on turnover of £1,996.8m (2011: £2,013.8m). Total net bank debt continues to be below £100m.

Menzies Aviation’s growth continued with turnover up 3% to £697.2m generating operating profits of £35.6m, a rise of 10%. At constant exchange rates profits increased to £37.5m. At Menzies Distribution, turnover fell by 3% reflecting falling volumes in the core business. Despite this operating profit was flat on the previous year at £28.8m.

Cash flow and Investment
The Group had another strong year with a free cash flow of £34.7m. Capital expenditure was less than last year at £15.9m. The Group spent £15m on acquisitions covering both divisions. After additional payments into the pension fund, cash spend on exceptional items and a higher level of dividend the net cash outflow for the Group was £12.9m including a currency translation gain of £2.1m.

Debt and Interest
Group net debt increased to £93m mainly due to spend on acquisitions. Although year-end net debt increased the average debt in the year was broadly flat and average interest costs fell year on year. The pension interest charge moved from a credit of £1.4m in 2011 to a debit of £0.9m in 2012 due mainly to a decrease in the returns from pension fund assets.

Exceptional Items
The Group incurred exceptional items in the year totalling £18.4m. The main items were restructuring and network rationalisation costs of £4.1m in Distribution and at Aviation the reorganisation of UK cargo operations for £3.2m and the provision for the onerous lease for the Chicago cargo facility of £6.8m.

Dividend
The Board has declared final dividend of 17.85p which is payable on 21 June 2013 to all shareholders on the register on 24 May 2013. This represents an increase of 5% on the prior year and underlines the Board’s continuing confidence in the Group’s future, the cash generative nature of the Group and the resilience of its earnings.

MENZIES AVIATION

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (including JV's &amp; Associates)</td>
<td>£697.2m</td>
<td>£676.8m</td>
</tr>
<tr>
<td>Underlying operating profit</td>
<td>£35.6m</td>
<td>£32.3m</td>
</tr>
<tr>
<td>Underlying profit – constant currency basis</td>
<td>£37.5m</td>
<td>£32.3m</td>
</tr>
</tbody>
</table>

Performance
Menzies Aviation delivered another strong performance in the face of tough overall trading conditions with airline consolidation and the uncertain global economic climate prevalent. Despite this, operating profit on a constant currency basis at £37.5m was up 16% (10% actual).

As in previous years, the division continued to grow its core business through contract wins. Excluding contracts lost to airline failures, there was a net gain of 30 contracts that deliver £19m of revenue. In addition some 94 contracts were renewed, for an average contract length of three years, securing £118m of revenue. Airline failures offset some of the positive momentum gained from new contracts as they represented profitable business that was not replicated at the stations affected. Best in class safety &
security as well as great customer service are core to contract successes and sets the division apart from other handlers.

Three businesses were acquired in the year. In the UK, Flight Support, a ground handling business operating at 4 stations, was acquired for £5.3m. This synergistic acquisition brought three new stations to the division’s network and deepened relationships with a number of existing customers. In the Czech Republic, the ground handling company of Prague Airport was acquired. This acquisition brought a number of new customers and also consolidated the number of players in the market from three to two. In Romania, Kamino Cargo, a cargo handling business at Otopeni International Airport in Bucharest, was acquired and bolted on to the existing ground handling operation allowing a one stop shop service, which is more important at stations of this size, to be offered to all airlines.

**Ground Handling**

The ground handling business continued to prosper during the year securing notable new contracts across the network. Underlying operating profit increased by £1.1m. This represents a 5% rise in difficult markets and shows the continuing strength of the business.

Continuing contract win momentum is reflected in the ground handling volumes. Absolute aircraft turns were up 8.9% with like for like turns up 3.5%. The ground handling business continues to be the primary driver of growth for the division and offers very strong growth dynamics. Currently this business segment generates 61% of divisional turnover and is very well placed to pursue further market opportunities.

**Cargo Handling**

Cargo handling endured a difficult year with volumes affected by the general economic slowdown. Absolute volume fell 0.2% with like for like volume down 5.6%. Despite this operating profits at £10.3m were up £1.6m reflecting the annualisation of previous year’s contract wins and restructuring actions.

Reflecting the difficult economic conditions faced, some decisive management actions were taken. In July, it was announced that the division would focus its UK cargo business on its London Heathrow operations and exit most of its UK regional operations. The restructuring was successfully completed in quarter three and has placed the UK cargo handling business on a more stable platform. In December, it was decided, having exhausted all alternative courses of action, to close the cargo handling operations in Chicago, USA. This operation was loss making and the closure will improve EBIT in 2013 by around £1.5m.

The business, which now represents 23% of divisional revenues, has been significantly re-structured over the last three years and the management actions taken during 2012 now complete the eradication of the four major loss making operations that had been previously reported. The business now operates predominantly at locations where the airport is not over supplied and the cargo business complements a successful ground handling operation.

**Cargo Forwarding**

The air freight wholesaling business, AMI, made further progress with profit at £2.5m up £0.6m on the previous year. The business expanded during the year opening a new office in Mumbai. This key cargo gateway expands the AMI network and offers customers a global solution. AMI is a strong niche business and is well placed to continue to grow and develop in a large available market.

**MENZIES DISTRIBUTION**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (including JV's &amp; Associates)</td>
<td>£1,299.6m</td>
<td>£1,337.0m</td>
</tr>
<tr>
<td>Underlying operating profit</td>
<td>£28.8m</td>
<td>£28.8m</td>
</tr>
</tbody>
</table>

**Performance**
Menzies Distribution delivered a stable performance with operating profit held at £28.8m, despite challenging market conditions.

During the period the division made positive progress in shaping the division for the future by completing two acquisitions, securing new regional and national press contracts together with new logistics contracts.

Core Business

The magazine market continues to be weak as the recessionary environment in the UK resulted in a reduction in discretionary spend. Overall like for like revenue was down 6%. There was limited upside during the year from the Queen’s Diamond Jubilee and the Olympic Games and the sticker category received a boost resulting from Euro 2012. Monthly magazines were relatively resilient with like for like revenue down 5%. The weekly magazine sector, where like for like revenues were down 7%, continues to experience fierce price cutting activity particularly within the crowded celebrity magazine sector.

Newspapers sales were ahead of expectations after a number of cover price increases and additional business gains from News International and DC Thomson. In particular, Monday to Friday sales performed strongly. Overall like for like sales were down 3%. In the Sunday market some stability returned following the launch of the Sun on Sunday and a high degree of cut price activity. Overall the demise of the News of the World and the launch of the Sun on Sunday has been broadly neutral.

In August, contract terms were agreed with News International for a further seven years. As part of this renewal, additional business in Kent, Lancashire and Northern Ireland was secured. This was a key renewal as News International represents 34% of the total UK newspaper market. Following on from this, the business of the UK’s second largest magazine distributor, Marketforce, was also secured through to 2019. These contracts secure some £245m of annual revenue and allow the division to plan positively for the future with long term contracts in place.

A further re-organisation of the branch network, which was highlighted at the half year, has been delivered and is now achieving its projected savings. Profit Improvement Plans are embedded in the business and they continue to deliver cost savings at branch level. A dedicated team are already focussing on further areas of savings through to 2015 and together with the benefits being felt from the fully implemented SAP system visibility on cost savings is good. During 2012 cost savings of £4.9m were delivered.

New Revenue Streams

During the year two acquisitions were made:

In November, the division made its most significant investment away from its core business to date by acquiring Orbital Marketing Services Group (Orbital). Orbital comprises a portfolio of UK based logistics and marketing services businesses serving the travel, tourism, education, charity, publishing and healthcare sectors. The business was established in 1972 and employs over 550 staff at 9 locations across the UK. The acquisition of Orbital takes Menzies Distribution into new business sectors and adds further complementary services to its existing logistics and marketing services capabilities. Given the respective infrastructure of both businesses there are significant network, operational and system synergies to be gained as part of the integration process in the medium term.

During July the division also acquired the retail consultancy division of the Fore Partnership, which it has integrated with its own category management business D-Cipher to become part of Menzies Marketing Services. The combined businesses, which trade as Fore, looks after more than 8,000 retail outlets with a combined annual news turnover of £500m – 12% of the UK market. Customers include M&S, Spar, Boots, Martin McColl, Nisa and One Stop.

BOARD COMPOSITION

A number of changes to the Board have recently been announced. Ian Harrison, who has been a Director for 25 years and Paul Dollman, Group Finance Director, will not stand for re-election at the AGM on 17 May. Paula Bell will replace Paul Dollman as Group Finance Director. She joins the Group on 10 June 2013 from
Ricardo plc, a global multi-industry consultancy, where she held the post of Group Finance Director for over six years.

GROUP STRATEGY

John Menzies plc continues to pursue its stated strategy of investing in its two operating divisions to generate sustainable returns that in turn enhance shareholder value.

Menzies Aviation will continue to grow, by leveraging existing customer relationships to win more contracts at existing and new airports as well as developing new customer relationships and identifying new attractive markets where it can deliver our market leading safety and service provision.

Menzies Distribution, with its strong market position and stable cash generation, provides stability to the Group and it will continue to innovate and evolve the business model to mitigate declining sales whilst pursuing attractive new revenue opportunities away from the core business.

By operating these two distinct, strong businesses, each with strong cash flows, the Group is well placed to provide shareholders with both stability and growth.

OUTLOOK

Menzies Aviation is trading in line with expectations with good visibility on summer schedules across the network. The closure of the Chicago cargo operations are on track and global relationships with affected airlines have been maintained. Contract wins are most prevalent in the first half and the year has started well with a number of new contracts gained across the network.

Trading at Menzies Distribution in its core business has continued to be challenging with weekly magazines in particular continuing to underperform. However, the Orbital Marketing Services business acquired in November 2012 is performing well with integration plans and synergy benefits on track. In addition, contract negotiations with a number of publishers continue and it is expected a number of these will be concluded during the year.

Overall the challenging trading climate continues but prospects for the Group remain strong and the Board are confident of delivering further growth during 2013.
### GROUP INCOME STATEMENT
for the year ended 31 December 2012 (year ended 31 December 2011)

<table>
<thead>
<tr>
<th></th>
<th>Before exceptional and other items</th>
<th>Exceptional and other items</th>
<th>2012 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>2</td>
<td>1,903.5</td>
<td>1,903.5</td>
</tr>
<tr>
<td>Net operating costs</td>
<td>2</td>
<td>(1,847.0)</td>
<td>(1,870.0)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td></td>
<td>56.5</td>
<td>33.5</td>
</tr>
<tr>
<td>Share of post-tax results of joint ventures and associates</td>
<td>6.6</td>
<td>(2.8)</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Operating profit after joint ventures and associates</strong></td>
<td>2</td>
<td>63.1</td>
<td>(25.8)</td>
</tr>
</tbody>
</table>

**Analysed as:**

- Underlying operating profit*: 63.1
- Non-recurring items: 4(a) - 18.4
- Associate goodwill impairment: 4(b) - 1.8
- Contract amortisation: 4(b) - 4.6
- Share of interest on joint ventures and associates: - 0.6
- Share of tax on joint ventures and associates: - 1.6

**Operating profit after joint ventures and associates**: 63.1 (25.8) 37.3

- Finance income: 5 0.8 - 0.8
- Finance charges: 5 (4.6) (0.6) (5.2)
- Other finance charge - pensions: 3 (0.9) - (0.9)

**Profit before taxation**: 58.4 (26.4) 32.0

**Taxation**: 6 (14.3) 3.9 (10.4)

**Profit for the year**: 44.1 (22.5) 21.6

- Attributable to equity shareholders: 44.1 (22.5) 21.6
- Attributable to non-controlling interests: 0 0 0

**Earnings per ordinary share**

<table>
<thead>
<tr>
<th></th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>73.4p</td>
</tr>
<tr>
<td>Diluted</td>
<td>73.2p</td>
</tr>
<tr>
<td>Notes</td>
<td>Before exceptional and other items</td>
</tr>
<tr>
<td>-------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td></td>
<td>£m</td>
</tr>
<tr>
<td>Revenue</td>
<td>2</td>
</tr>
<tr>
<td>Net operating costs</td>
<td>(1,849.1)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>50.6</td>
</tr>
<tr>
<td>Share of post-tax results of joint ventures and associates</td>
<td>9.3</td>
</tr>
<tr>
<td>Operating profit after joint ventures and associates</td>
<td>2</td>
</tr>
</tbody>
</table>

**Analysed as:**

- Underlying operating profit*: 59.9
- Non-recurring items: 3.9
- Associate goodwill impairment: (1.8)
- Contract amortisation: (3.9)
- Share of interest on joint ventures and associates: 0.4
- Share of tax on joint ventures and associates: (2.1)
- Operating profit after joint ventures and associates: 59.9
- Finance income: 1.3
- Finance charges: (6.2)
- Other finance income - pensions: 1.4
- Profit before taxation: 56.4
- Taxation: (13.2)
- Profit for the year: 43.2

Attributable to equity shareholders: 42.7
Attributable to non-controlling interests: 0.5
43.2

**Earnings per ordinary share**

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>73.2p</td>
<td>(1.4)p</td>
</tr>
<tr>
<td></td>
<td>71.2p</td>
<td>(1.4)p</td>
</tr>
</tbody>
</table>

* Underlying operating profit is consistently presented adjusting for non-recurring exceptional items, intangible amortisation associated with goodwill impairment on associate assets and contract amortisation, and the Group’s share of interest and tax on joint ventures and associates to provide an appreciation of the impact of those items on operating profit.
### GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012 (year ended 31 December 2011)

<table>
<thead>
<tr>
<th>Notes</th>
<th>2012 £m</th>
<th>2011 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>21.6</td>
<td>42.4</td>
</tr>
<tr>
<td>Actuarial loss on defined benefit pensions</td>
<td>(12.4)</td>
<td>(26.0)</td>
</tr>
<tr>
<td>Actuarial loss on unfunded pension arrangements</td>
<td>(0.2)</td>
<td>-</td>
</tr>
<tr>
<td>Income tax effect</td>
<td>3.1</td>
<td>7.1</td>
</tr>
<tr>
<td>Impact of rate change on deferred tax</td>
<td>(1.3)</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Movement on cash flow hedges</td>
<td>1.4</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Income tax effect</td>
<td>(0.3)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Movement on net investment hedges</td>
<td>(0.4)</td>
<td>1.8</td>
</tr>
<tr>
<td>Income tax effect</td>
<td>0.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Exchange loss on translation of foreign operations</td>
<td>(4.8)</td>
<td>(8.8)</td>
</tr>
</tbody>
</table>

Other comprehensive income for the year, net of tax:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2012 £m</th>
<th>2011 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative exchange movement recycled to income on disposal of associate undertaking</td>
<td>-</td>
<td>(1.3)</td>
</tr>
</tbody>
</table>

Total comprehensive income for the year | 6.8 | 13.6 |

Attributable to equity shareholders | 6.8 | 13.1 |
Attributable to non-controlling interests | - | 0.5 |

Total | 6.8 | 13.6 |
GROUP AND COMPANY BALANCE SHEETS  
as at 31 December 2012 (31 December 2011)

<table>
<thead>
<tr>
<th>Notes</th>
<th>Group 2011 Restated £m</th>
<th>Company 2011 Restated £m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 £m</td>
<td></td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>9</td>
<td>123.0</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td></td>
<td>116.8</td>
</tr>
<tr>
<td>Investments accounted using the equity method</td>
<td></td>
<td>28.9</td>
</tr>
<tr>
<td>Investment in subsidiaries</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>15.8</td>
<td>15.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>284.5</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>14.1</td>
<td>15.3</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>183.5</td>
<td>169.7</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>12</td>
<td>0.9</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>34.0</td>
<td>24.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>232.5</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>12</td>
<td>(46.2)</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>12</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(210.4)</td>
<td>(211.6)</td>
</tr>
<tr>
<td>Current income tax liabilities</td>
<td>(9.7)</td>
<td>(12.0)</td>
</tr>
<tr>
<td>Provisions</td>
<td>(2.2)</td>
<td>(2.9)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(269.1)</td>
</tr>
<tr>
<td><strong>Net current liabilities</strong></td>
<td></td>
<td>(36.6)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>247.9</td>
</tr>
<tr>
<td><strong>Total assets less current liabilities</strong></td>
<td></td>
<td>247.9</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>12</td>
<td>(81.1)</td>
</tr>
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<td>(1.8)</td>
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<td>(3.6)</td>
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<td>Retirement benefit obligations</td>
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<td>(68.1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(168.7)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td>79.2</td>
</tr>
</tbody>
</table>

**Shareholders’ equity**

| Ordinary shares | 15.3 | 15.2 | 15.3 | 15.2 |
| Share premium account | 18.6 | 17.4 | 18.6 | 17.4 |
| Treasury shares | (4.1) | (8.3) | (4.1) | (8.3) |
| Other reserves | (5.2) | (1.2) | (0.6) | (1.7) |
| Retained earnings | 32.5 | 42.4 | 12.3 | 5.0 |
| Capital redemption reserve | 21.6 | 21.6 | 21.6 | 21.6 |
| **Total shareholders’ equity** | 78.7 | 87.1 | 63.1 | 49.2 |
| Non-controlling interest in equity | 0.5 | 0.6 | - | - |
| **Total equity** | 79.2 | 87.7 | 63.1 | 49.2 |
The accounts were approved by the Board of Directors on 4 March 2013 and signed on its behalf by:

Iain Napier,  
Chairman

Paul Dollman,  
Group Finance Director
## GROUP AND COMPANY STATEMENT OF CHANGES IN EQUITY

as at 31 December 2012 (31 December 2011)

<table>
<thead>
<tr>
<th></th>
<th>Ordinary shares</th>
<th>Share premium account</th>
<th>Treasury shares Restated (Note 1)</th>
<th>Cash flow hedge reserve</th>
<th>Translation reserve</th>
<th>Retained earnings</th>
<th>Capital redemption reserve</th>
<th>Total shareholders’ equity</th>
<th>Non-controlling equity</th>
<th>Total equity Restated (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>At 31 December 2011</strong></td>
<td>15.2</td>
<td>17.4</td>
<td>(8.3)</td>
<td>(1.7)</td>
<td>0.5</td>
<td>42.4</td>
<td>21.6</td>
<td>87.1</td>
<td>0.6</td>
<td>87.7</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>21.6</td>
<td>-</td>
<td>21.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>1.1</td>
<td>(5.1)</td>
<td>(10.8)</td>
<td>-</td>
<td>(14.8)</td>
<td>-</td>
<td>(14.8)</td>
<td></td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>-</td>
<td>-</td>
<td>1.1</td>
<td>(5.1)</td>
<td>10.8</td>
<td>-</td>
<td>6.8</td>
<td>-</td>
<td>6.8</td>
<td></td>
</tr>
<tr>
<td>New share capital issued</td>
<td>0.1</td>
<td>1.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.3</td>
<td>-</td>
<td>1.3</td>
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<td>-</td>
<td>1.4</td>
<td>-</td>
<td>1.4</td>
<td>-</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>Income tax effect of share based payments</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>1.7</td>
<td>-</td>
<td>1.7</td>
<td>-</td>
<td>1.7</td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(15.3)</td>
<td>-</td>
<td>(15.3)</td>
<td>-</td>
<td>(15.4)</td>
<td></td>
</tr>
<tr>
<td>Repurchase of own shares</td>
<td>-</td>
<td>(4.3)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(4.3)</td>
<td>-</td>
<td>(4.3)</td>
<td></td>
</tr>
<tr>
<td>Disposal of own shares</td>
<td>-</td>
<td>8.5</td>
<td>-</td>
<td>(8.5)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>At 31 December 2012</strong></td>
<td>15.3</td>
<td>18.6</td>
<td>(4.1)</td>
<td>(0.6)</td>
<td>(4.6)</td>
<td>32.5</td>
<td>21.6</td>
<td>78.7</td>
<td>0.5</td>
<td>79.2</td>
</tr>
</tbody>
</table>

|                      |                 |                       |                                   |                        |                     |                   |                          |                          |                        |                               |
| **At 31 December 2010** | 15.1            | 16.3                  | (5.9)                             | (0.9)                  | 8.3                 | 31.2              | 21.6                     | 85.7                     | 0.5                    | 85.8                          |
| Profit for the year - restated (Note 1) | -              | -                     | -                                 | -                      | 41.9                | -                 | 41.9                     | -                        | 42.4                   |                               |
| Other comprehensive income - restated (Note 1) | -              | -                     | (0.8)                             | (6.5)                  | (20.2)              | -                 | (27.5)                   | -                        | (27.5)                 |                               |
| Recycled exchange gains* | -              | -                     | -                                 | (1.3)                  | -                   | (1.3)             | -                        | (1.3)                    | -                      |                               |
| **Total comprehensive income** | -              | -                     | (0.8)                             | (7.8)                  | 21.7                | -                 | 13.1                     | 0.6                      | 13.7                   |                               |
| New share capital issued | 0.1            | 1.1                   | -                                 | -                      | -                   | -                 | 1.2                      | -                        | 1.2                    |                               |
| Share-based payments | -               | -                     | -                                 | -                      | 1.7                 | -                 | 1.7                      | -                        | 1.7                    |                               |
| Dividends paid       | -               | -                     | -                                 | -                      | (12.2)              | -                 | (12.2)                   | -                        | (12.2)                 |                               |
| Repurchase of own shares | -             | (2.4)                 | -                                 | -                      | -                   | -                 | (2.4)                    | -                        | (2.4)                  |                               |
| **At 31 December 2011** | 15.2            | 17.4                  | (8.3)                             | (1.7)                  | 0.5                 | 42.4              | 21.6                     | 87.1                     | 0.6                    | 87.7                          |

<p>| | | | | | | | | | | |
|                      |                 |                       |                                   |                        |                     |                   |                          |                          |                        |                               |
| <strong>Company</strong>          |                 |                       |                                   |                        |                     |                   |                          |                          |                        |                               |
| <strong>At 31 December 2011</strong> | 15.2            | 17.4                  | (8.3)                             | (1.7)                  | -                  | 5.0               | 21.6                     | 49.2                     | -                      | 49.2                          |
| Profit for the year  | -               | -                     | -                                 | -                      | 40.5                | -                 | 40.5                     | -                        | 40.5                   |                               |
| Other comprehensive income | -              | -                     | 1.1                               | (10.8)                 | -                   | (9.7)             | -                        | (9.7)                    | -                      | (9.7)                         |
| <strong>Total comprehensive income</strong> | -              | -                     | 1.1                               | (10.8)                 | 29.7                | -                 | 30.8                     | -                        | 30.8                   |                               |
| New share capital issued | 0.1            | 1.2                   | -                                 | -                      | -                   | -                 | 1.3                      | -                        | 1.3                    |                               |
| Share-based payments | -               | -                     | -                                 | -                      | 1.4                 | -                 | 1.4                      | -                        | 1.4                    |                               |
| Dividends paid       | -               | -                     | -                                 | -                      | (15.3)              | -                 | (15.3)                   | -                        | (15.3)                 |                               |
| Repurchase of own shares | -             | (4.3)                 | -                                 | -                      | -                   | -                 | (4.3)                    | -                        | (4.3)                  |                               |
| Disposal of own shares | -             | 8.5                   | -                                 | (8.5)                  | -                   | -                 | -                        | -                        | -                      |                               |
| <strong>At 31 December 2012</strong> | 15.3            | 18.6                  | (4.1)                             | (0.6)                  | (12.3)              | 21.6              | 63.1                     | -                        | 63.1                   |                               |</p>
<table>
<thead>
<tr>
<th></th>
<th>At 31 December 2010</th>
<th>15.1</th>
<th>16.3</th>
<th>(5.9)</th>
<th>(0.9)</th>
<th>-</th>
<th>42.1</th>
<th>21.6</th>
<th>88.3</th>
<th>-</th>
<th>88.3</th>
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<tr>
<td>Loss for the year</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>(6.4)</td>
<td>-</td>
<td>-</td>
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<td>(6.4)</td>
<td>-</td>
<td>(6.4)</td>
</tr>
<tr>
<td>Other comprehensive</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(0.8)</td>
<td>-</td>
<td>(20.2)</td>
<td>-</td>
<td>(21.0)</td>
<td>-</td>
<td>(21.0)</td>
<td></td>
</tr>
<tr>
<td>income</td>
<td>Total comprehensive</td>
<td>income</td>
<td>-</td>
<td>(0.8)</td>
<td>-</td>
<td>(26.6)</td>
<td>-</td>
<td>(27.4)</td>
<td>-</td>
<td>(27.4)</td>
<td></td>
</tr>
<tr>
<td>New share capital</td>
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<td>1.1</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.2</td>
<td>-</td>
<td>1.2</td>
</tr>
<tr>
<td>Share-based payments</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.7</td>
<td>-</td>
<td>1.7</td>
<td>-</td>
<td>1.7</td>
<td>-</td>
</tr>
<tr>
<td>Dividends paid</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(12.2)</td>
<td>-</td>
<td>(12.2)</td>
<td>-</td>
<td>(12.2)</td>
<td></td>
</tr>
<tr>
<td>Repurchase of own</td>
<td>shares</td>
<td>-</td>
<td>-</td>
<td>(2.4)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2.4)</td>
<td>-</td>
<td>(2.4)</td>
</tr>
<tr>
<td>At 31 December 2011</td>
<td></td>
<td>15.2</td>
<td>17.4</td>
<td>(8.3)</td>
<td>(1.7)</td>
<td>-</td>
<td>5.0</td>
<td>21.6</td>
<td>49.2</td>
<td>-</td>
<td>49.2</td>
</tr>
</tbody>
</table>

* Recycled to income statement on disposal of associated undertaking (Note 4(a)).
## GROUP AND COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2012 (year ended 31 December 2011)

<table>
<thead>
<tr>
<th>Description</th>
<th>Group 2012 £m</th>
<th>Group 2011 £m</th>
<th>Notes</th>
<th>Company 2012 £m</th>
<th>Company 2011 £m</th>
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</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated from operations</td>
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<td>43.3</td>
<td>62.2</td>
<td>(10.4)</td>
<td>(8.0)</td>
</tr>
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<td>Interest received</td>
<td>0.6</td>
<td>1.3</td>
<td>-</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td>(4.8)</td>
<td>(6.3)</td>
<td>(4.5)</td>
<td>(5.8)</td>
<td></td>
</tr>
<tr>
<td>Tax paid</td>
<td>(9.5)</td>
<td>(10.0)</td>
<td>(2.2)</td>
<td>(3.0)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>29.6</td>
<td>47.2</td>
<td>-</td>
<td>(17.1)</td>
<td>(16.6)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan repaid by associate</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Investment in joint ventures and associates</td>
<td>-</td>
<td>(1.2)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
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<td>Acquisitions</td>
<td>14</td>
<td>(17.2)</td>
<td>(1.7)</td>
<td>-</td>
<td>-</td>
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<td>2.2</td>
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<td>-</td>
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<tr>
<td>Purchase of property, plant and equipment</td>
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<td>(21.8)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Intangible asset additions</td>
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<td>-</td>
<td>-</td>
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<td>5.5</td>
<td>-</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
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<td>6.7</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
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<td>(16.5)</td>
<td>-</td>
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<td><strong>Cash flows from financing activities</strong></td>
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<td></td>
<td></td>
</tr>
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<td>Proceeds from issue of ordinary share capital</td>
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<td>1.2</td>
<td>1.3</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>Purchase of own shares</td>
<td>(4.3)</td>
<td>(2.4)</td>
<td>(4.3)</td>
<td>(2.4)</td>
<td></td>
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<tr>
<td>Repayment of borrowings</td>
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<td>(17.9)</td>
<td>(49.9)</td>
<td>(17.9)</td>
<td>(49.9)</td>
</tr>
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<td>Proceeds from borrowings</td>
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<td>37.7</td>
<td>44.1</td>
<td>37.7</td>
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<tr>
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<td>(12.2)</td>
<td>(15.3)</td>
<td>(12.2)</td>
<td></td>
</tr>
<tr>
<td>Net amounts repaid by subsidiaries</td>
<td>-</td>
<td>-</td>
<td>9.2</td>
<td>39.8</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash from financing activities</strong></td>
<td>7.9</td>
<td>(25.6)</td>
<td>17.1</td>
<td>14.2</td>
<td></td>
</tr>
<tr>
<td><strong>Increase in net cash and cash equivalents</strong></td>
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<td>11.2</td>
<td>5.1</td>
<td>-</td>
<td>0.1</td>
</tr>
<tr>
<td>Effects of exchange rate movements</td>
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<td>(0.1)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Opening net cash and cash equivalents</td>
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<td>0.2</td>
<td>0.1</td>
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<tr>
<td><strong>Closing net cash and cash equivalents</strong></td>
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<td>33.8</td>
<td>23.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
</tbody>
</table>

* 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 2012 were approved and authorised for issue in accordance with a resolution of the directors on 4 March 2013. John Menzies plc is a limited company incorporated in Scotland and is listed on the London Stock Exchange.

1. ACCOUNTING POLICIES

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

New Accounting Standards and Interpretations

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

- IAS1 Presentation of items in other comprehensive income - effective date 1 July 2012
- IAS12 Income Taxes (Amendment) - Deferred Taxes: Recovery of underlying assets - effective date 1 January 2012
- IFRS7 Financial Instruments: Disclosures (Amendment) - Transfers of Financial Assets - effective date 1 January 2012

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2012 and have not been early adopted:

- IAS19 Employee Benefits (Revised) - effective date 1 January 2013
- IFRS10, 11, 12 Transition Guidance Amendments - effective date 1 January 2013
- IFRS7 Financial Instruments:Disclosures (Amendment) - Offsetting Financial Assets and Financial Liabilities - effective date 1 January 2013
- IFRS13 Fair Value Measurement - effective date 1 January 2013
- IFRS10 Consolidated Financial Statements - effective date 1 January 2014*
- IFRS11 Joint Ventures - effective date 1 January 2013
- IFRS12 Disclosure of interests in other entities - effective date 1 January 2014 *
- IFRS9 Financial Instruments - effective 1 January 2015
- IAS27 Separate Financial Statements - effective 1 January 2014 *
- IAS28 Investments in Associates and Joint Ventures - effective date 1 January 2014 *
- Improvements to IFRS' (May 2012) - effective date 1 January 2013

*Expected effective date in EU. IASB effective date 1 January 2013.

The above standards and interpretations will be adopted in accordance with their effective dates and have not been adopted in these financial statements. The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group’s financial statements in the period of initial application with the exception of IAS 19 (revised).

Under IAS 19R the interest cost on the defined benefit obligation, and the expected rate of return on plan assets, will be replaced with a net interest charge that is calculated by applying the discount rate to the net defined benefit liability. The impact on the results for the year ended 31 December 2013 will be to increase net operating costs by £1.0m and to increase pension related finance charges by £1.3m. In addition, amortisation for benefits that do not vest immediately is eliminated resulting in an increase to net operating costs of £1.0m. The deficit at 31 December 2012 would reduce by £5.6m.

For these standards with a later effective date, the directors are in the process of assessing the likely impact and look to finalisation of the standards before formalising their view.
As permitted by Section 408 of the Companies Act 2006 no income statement is presented by the Company.

**BASIS OF CONSOLIDATION**

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

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

**RESTATEMENT**

During the year the provisional fair value attributed to the 2011 acquisition of Swissport Menzies was finalised. The effect has been to increase the exceptional gain recorded in 2011 on the assets exchanged in the acquisition by £4.2m to £8.2m, increase the amortisation of intangible assets by £0.2m and to increase the exchange loss recognised in other comprehensive income by £0.3m to £8.8m. In the balance sheet the effect is to increase the carrying value of intangible assets by £3.7m to £108.8m. See notes 4 and 14.

The company balance sheet reflects a reclassification of £8.3m Treasury shares held at 31 December 2011 from Trade and other receivables to Shareholders’ equity aligning with the historic treatment in the Group balance sheet.

**JOINT VENTURES AND ASSOCIATES**

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

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

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

**REVENUE**

Distribution - revenue is recognised on the weekly dispatched value of goods sold, excluding value-added tax. Product is sold to UK retailers on a sale or return basis. Revenue for goods supplied with a right of return is stated net of the value of any returns.

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

**PROPERTY, PLANT AND EQUIPMENT**

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

- Freehold and long leasehold properties - over 50 years
- Short leasehold properties - over the remaining lease term
- Plant and equipment - over the estimated life of the asset between 3 and 20 years
**INVENTORIES**
Inventories, being goods for resale and consumables, are stated at the lower of purchase cost and net realisable value.

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

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

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

Pension financing costs are shown separately in the income statement.

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

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

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

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

**INTANGIBLE ASSETS**

**GOODWILL**
Business combinations from 1 January 2010 are accounted using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in administrative expenses.

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

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

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

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

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

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

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

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

TRADE RECEIVABLES
If there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of an invoice, a provision on the respective trade receivable is recognised. In such an instance, the carrying value of the receivable is reduced, with the amount of the loss recognised in the income statement.

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES
The Group uses forward contracts and cross-currency swaps as derivatives to hedge the risk arising from the retranslation of foreign currency denominated items.
The Group has derivatives which are designated as hedges of overseas net investments in foreign entities (net investment hedges) and derivatives which are designated as hedges of the exchange risk arising from the retranslation of highly probable forecast revenue denominated in non-local currency of some of our overseas operations (cash flow hedges).

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

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

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

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

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

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

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

USE OF ESTIMATES AND JUDGEMENTS
The preparation of the consolidated accounts requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates will, by definition, seldom equal the related actual results particularly so given the prevailing difficult economic conditions and the level of uncertainty regarding their duration and severity.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most important estimates and judgements are set out below.

- Intangible Assets
On the acquisition of a business it is necessary to attribute fair values to any intangible assets acquired (provided they meet the criteria to be recognised). The fair values of these intangible assets are dependent on estimates of attributable future revenues, margins and cashflows, as well as appropriate discount rates. In addition, the allocation of useful lives to acquired intangible assets requires the application of judgement based on available information and management expectations at the time of recognition.

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

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

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

**EXCEPTIONAL ITEMS**

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

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

**DIVIDEND DISTRIBUTIONS**

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

**FINANCIAL RISK FACTORS**

The Group is exposed to financial risks: liquidity risk, interest rate fluctuations, foreign exchange exposures and credit risk.

**DEFINITIONS & NON-GAAP MEASURES USED BY MANAGEMENT**

Management believes that the following non-GAAP or adjusted measures provide a useful comparison of business performance and reflect the way in which the business is controlled:

- **Underlying profit before taxation** is defined as profit before taxation, intangible amortisation and exceptional items.

- **Underlying operating profit** includes each division's share of pre-tax profit from joint ventures and associates, and excludes intangible amortisation and exceptional items.

- **Underlying earnings per share** is profit after taxation and non-controlling interest, but before intangible amortisation and exceptional items, divided by the weighted average number of ordinary shares in issue.

- **Turnover** includes revenue from subsidiaries, joint ventures and associates.

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

- **Total debt to EBITDA ratio** Total debt is net debt plus guarantees and excluding financial derivatives and preference shares. EBITDA is underlying operating profit plus depreciation and computer software amortisation.

- **Interest cover** is EBITA divided by external interest charge. EBITA is underlying operating profit plus computer software amortisation. External interest charge excludes net financial income/(charge) related to pensions.
2. SEGMENT INFORMATION

For management purposes the Group is organised into two operating divisions: Distribution and Aviation. These two divisions are organised and managed separately based upon their key markets. The Distribution segment provides newspaper and magazine distribution services across the UK along with marketing services. The Aviation segment provides cargo and passenger ground handling services across the world.

The information presented to the Board for the purpose of resource allocation and assessment of segment performance is focused on the performance of each division as a whole but also contains performance information on a number of operating segments within the Aviation division. The Board assesses the performance of the operating segments based on a measure of adjusted segment result before exceptional items and intangibles amortisation. Net finance income and expenditure are not allocated to segments as this type of activity is driven by the central treasury function. The Board does not monitor assets and liabilities on a divisional basis.

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.

<table>
<thead>
<tr>
<th>Business segment information</th>
<th>Revenue</th>
<th>2012 £m</th>
<th>2011 £m</th>
<th>Pre-exceptional operating profit/(loss)</th>
<th>2012 £m</th>
<th>2011 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,299.6</td>
<td>1,337.0</td>
<td></td>
<td>28.8</td>
<td>28.8</td>
</tr>
<tr>
<td>Aviation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- ground handling</td>
<td></td>
<td>422.1</td>
<td>402.8</td>
<td></td>
<td>22.8</td>
<td>21.7</td>
</tr>
<tr>
<td>- cargo handling</td>
<td></td>
<td>158.6</td>
<td>161.2</td>
<td></td>
<td>10.3</td>
<td>8.7</td>
</tr>
<tr>
<td>- cargo forwarding</td>
<td></td>
<td>116.5</td>
<td>112.8</td>
<td></td>
<td>2.5</td>
<td>1.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>697.2</td>
<td>676.8</td>
<td></td>
<td>35.6</td>
<td>32.3</td>
</tr>
<tr>
<td>Corporate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1,996.8)</td>
<td>2,013.8</td>
<td></td>
<td>(63.1)</td>
<td>59.9</td>
</tr>
<tr>
<td>Joint ventures and associates</td>
<td>(93.3)</td>
<td>(114.1)</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,903.5</td>
<td>1,899.7</td>
<td></td>
<td>63.1</td>
<td>59.9</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2012</th>
<th>Distribution</th>
<th>Aviation</th>
<th>Corporate</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>23.0</td>
<td>11.8</td>
<td>(1.3)</td>
<td>33.5</td>
</tr>
<tr>
<td>Share of post-tax results of joint ventures</td>
<td>0.9</td>
<td>3.4</td>
<td>-</td>
<td>4.3</td>
</tr>
<tr>
<td>Share of post-tax results of associates</td>
<td>-</td>
<td>(0.5)</td>
<td>-</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Operating profit after joint ventures and associates</td>
<td>23.9</td>
<td>14.7</td>
<td>(1.3)</td>
<td>37.3</td>
</tr>
<tr>
<td>Net finance expense</td>
<td></td>
<td></td>
<td></td>
<td>(5.3)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td></td>
<td></td>
<td></td>
<td>32.0</td>
</tr>
</tbody>
</table>

Analysed as:

<table>
<thead>
<tr>
<th></th>
<th>Distribution</th>
<th>Aviation</th>
<th>Corporate</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-exceptional operating profit/(loss)*</td>
<td>28.8</td>
<td>35.6</td>
<td>(1.3)</td>
<td>63.1</td>
</tr>
<tr>
<td>Rationalisation costs (Note 4(a))</td>
<td>(4.1)</td>
<td>(6.6)</td>
<td>-</td>
<td>(10.7)</td>
</tr>
<tr>
<td>Onerous lease provision (Note 4(a))</td>
<td>-</td>
<td>(7.7)</td>
<td>-</td>
<td>(7.7)</td>
</tr>
<tr>
<td>Impairment provision (Note 4(b))</td>
<td>-</td>
<td>(1.8)</td>
<td>-</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Contract amortisation (Note 9)</td>
<td>(0.5)</td>
<td>(4.1)</td>
<td>-</td>
<td>(4.6)</td>
</tr>
<tr>
<td>Share of interest on joint venture and</td>
<td>-</td>
<td>0.6</td>
<td>-</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>Distribution</td>
<td>Aviation</td>
<td>Corporate</td>
<td>Group</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>--------------</td>
<td>----------</td>
<td>-----------</td>
<td>-------</td>
</tr>
<tr>
<td>Operating profit</td>
<td>25.2</td>
<td>27.1</td>
<td>(1.3)</td>
<td>51.0</td>
</tr>
<tr>
<td>Share of post-tax results of joint ventures</td>
<td>0.7</td>
<td>4.2</td>
<td>-</td>
<td>4.9</td>
</tr>
<tr>
<td>Share of post-tax results of associates</td>
<td>-</td>
<td>0.5</td>
<td>-</td>
<td>0.5</td>
</tr>
<tr>
<td>Operating profit after joint ventures and associates</td>
<td>25.9</td>
<td>31.8</td>
<td>(1.3)</td>
<td>56.4</td>
</tr>
</tbody>
</table>

Analysed as:

- Pre-exceptional operating profit/(loss)*: 28.8
- Gain on disposal of interest in associate (Note 4(a)): 8.2
- Gain on disposal of property, plant and equipment (Note 4(a)): 1.0
- Rationalisation costs (Note 4(a)): (2.5)
- Onerous lease provision (Note 4(a)): (1.7)
- Impairment provision (Note 4(b)): (1.8)
- Contract amortisation (Note 9): (3.9)
- Share of interest on joint venture and associates: 0.4
- Share of tax on joint ventures and associates: (0.4)
- Operating profit after joint ventures and associates: 25.9

* Pre-exceptional operating profit/(loss) is defined as operating profit/(loss) excluding intangible amortisation as shown in Note 4(b) and exceptional items but including the pre-tax share of results from joint ventures and associates.
<table>
<thead>
<tr>
<th></th>
<th>2011 – restated (Note 1)</th>
<th>£m</th>
<th>£m</th>
<th>£m</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment assets</td>
<td></td>
<td>174.9</td>
<td>271.2</td>
<td>4.0</td>
<td>450.1</td>
</tr>
<tr>
<td>Unallocated assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>39.8</td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>489.9</td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>(112.3)</td>
<td>(93.2)</td>
<td>(16.8)</td>
<td></td>
<td>(222.3)</td>
</tr>
<tr>
<td>Unallocated liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(179.9)</td>
</tr>
<tr>
<td>Total liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(402.2)</td>
</tr>
<tr>
<td>Segment net assets/(liabilities)</td>
<td></td>
<td>62.6</td>
<td>178.0</td>
<td>(12.8)</td>
<td>227.8</td>
</tr>
<tr>
<td>Unallocated net liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(140.1)</td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>87.7</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>Distribution</th>
<th>Aviation</th>
<th>Corporate</th>
<th>Group</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditure</td>
<td>3.4</td>
<td>13.3</td>
<td>-</td>
<td></td>
<td></td>
<td>16.7</td>
</tr>
<tr>
<td>Depreciation</td>
<td>5.0</td>
<td>14.4</td>
<td>0.8</td>
<td></td>
<td></td>
<td>20.2</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>2.1</td>
<td>5.5</td>
<td>-</td>
<td></td>
<td></td>
<td>7.6</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>-</td>
<td>1.8</td>
<td>-</td>
<td></td>
<td></td>
<td>1.8</td>
</tr>
<tr>
<td>Gain on disposal of property, plant and equipment</td>
<td>(0.1)</td>
<td>(0.3)</td>
<td>-</td>
<td>(0.4)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011 – restated (Note 1)</th>
<th>£m</th>
<th>£m</th>
<th>£m</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditure</td>
<td>5.5</td>
<td>16.3</td>
<td>-</td>
<td></td>
<td>21.8</td>
</tr>
<tr>
<td>Depreciation</td>
<td>5.3</td>
<td>16.4</td>
<td>0.8</td>
<td></td>
<td>22.5</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>2.3</td>
<td>3.9</td>
<td>-</td>
<td></td>
<td>6.2</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>-</td>
<td>1.8</td>
<td>-</td>
<td></td>
<td>1.8</td>
</tr>
<tr>
<td>Gain on disposal of property, plant and equipment</td>
<td>(0.1)</td>
<td>(0.4)</td>
<td>-</td>
<td>(0.5)</td>
<td></td>
</tr>
</tbody>
</table>

Geographic information

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>Restated (Note 1)</th>
<th>£m</th>
<th>£m</th>
<th>£m</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>1,437.5</td>
<td>1,431.4</td>
<td>125.2</td>
<td>146.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continental Europe</td>
<td>145.6</td>
<td>147.5</td>
<td>49.0</td>
<td>40.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Americas</td>
<td>146.6</td>
<td>145.9</td>
<td>36.4</td>
<td>24.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rest of the World</td>
<td>173.8</td>
<td>174.9</td>
<td>58.1</td>
<td>53.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,903.5</strong></td>
<td><strong>1,899.7</strong></td>
<td><strong>268.7</strong></td>
<td><strong>263.7</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. PENSION SCHEMES

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

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

<table>
<thead>
<tr>
<th></th>
<th>2012 (£m)</th>
<th>2011 (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Menzies Pension Fund</td>
<td>0.3</td>
<td>0.6</td>
</tr>
<tr>
<td>Other schemes</td>
<td>9.7</td>
<td>9.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10.0</strong></td>
<td><strong>10.0</strong></td>
</tr>
</tbody>
</table>

Financial Assumptions


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

<table>
<thead>
<tr>
<th></th>
<th>2012 (%)</th>
<th>2011 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of increase in salaries</td>
<td>2.80</td>
<td>2.80</td>
</tr>
<tr>
<td>Rate of increase in pensions (prior to 1 May 2006)</td>
<td>3.40</td>
<td>3.40</td>
</tr>
<tr>
<td>Rate of increase in pensions (from 1 May 2006 to 1 June 2010)</td>
<td>2.20</td>
<td>2.50</td>
</tr>
<tr>
<td>Rate of increase in pensions (after 1 June 2010)</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Price inflation</td>
<td>2.80</td>
<td>2.80</td>
</tr>
<tr>
<td>Discount rate</td>
<td>4.40</td>
<td>4.90</td>
</tr>
</tbody>
</table>

Assumptions regarding future mortality experience are set based on advice from the Actuary in accordance with published statistics and experience in the business. As a result of the March 2009 triennial valuation, the scheme memberships were analysed into further categories and scheme mortality by category was adjusted in light of better information to take account of experience.

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>20.8</td>
<td>20.1</td>
</tr>
<tr>
<td>Female</td>
<td>22.4</td>
<td>21.8</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>21.6</td>
<td>20.7</td>
</tr>
<tr>
<td>Female</td>
<td>23.6</td>
<td>22.9</td>
</tr>
</tbody>
</table>

Fair value of assets (and expected return on assets)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long-term rate of return %</strong></td>
<td><strong>Value at December £m</strong></td>
<td><strong>Long-term rate of return %</strong></td>
</tr>
<tr>
<td>--------------------------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Long-term rate of return</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value at December £m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term rate of return</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value at December £m</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Sensitivity analysis

A reduction in the net discount rate will increase the assessed value of the defined benefit obligation and a rise in the discount rate will decrease the assessed value of the defined benefit obligation. The overall effect of a change in the discount rate for the Fund of 0.1% would be an increase/decrease to the defined benefit obligation of around 2% or £6m.

The effect of changing the assumption regarding life expectancy by one year longer than the disclosed table would be to increase the assessed value of the defined benefit obligation by around 3% or £10m.

## Components of pension expense

<table>
<thead>
<tr>
<th>Amounts charged/(credited) to operating profit</th>
<th>2012 £m</th>
<th>2011 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Gains on curtailments and settlements</td>
<td>(0.3)</td>
<td>(0.1)</td>
</tr>
<tr>
<td></td>
<td>0.3</td>
<td>0.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amounts included in finance costs £m</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected return on pension scheme assets</td>
<td>13.8</td>
<td>16.8</td>
</tr>
<tr>
<td>Interest on pension liabilities</td>
<td>(14.7)</td>
<td>(15.4)</td>
</tr>
<tr>
<td>Net financial (charge)/income</td>
<td>(0.9)</td>
<td>1.4</td>
</tr>
<tr>
<td>Pension expense/(income)</td>
<td>1.2</td>
<td>(0.8)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amounts recognised in the Statement of comprehensive income £m</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain/(loss) on assets</td>
<td>3.6</td>
<td>(12.5)</td>
</tr>
<tr>
<td>Loss on defined benefit obligation</td>
<td>(16.0)</td>
<td>(13.5)</td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>(12.4)</td>
<td>(26.0)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in scheme assets during the year £m</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of assets at start of year</td>
<td>242.0</td>
<td>241.8</td>
</tr>
<tr>
<td>Expected return on assets</td>
<td>13.8</td>
<td>16.8</td>
</tr>
<tr>
<td>Company contributions</td>
<td>9.8</td>
<td>8.7</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Assets distributed on settlements</td>
<td>-</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Benefits and expenses paid</td>
<td>(13.0)</td>
<td>(13.6)</td>
</tr>
<tr>
<td>Gain/(loss) on assets</td>
<td>3.6</td>
<td>(12.5)</td>
</tr>
<tr>
<td>Fair value of assets at end of year</td>
<td>257.2</td>
<td>242.0</td>
</tr>
</tbody>
</table>

The actual return on scheme assets was a loss of £10.2m (2011: a loss of £29.3m).
Change in defined benefit obligation during the year

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit obligation at start of year</td>
<td>306.3</td>
<td>289.6</td>
</tr>
<tr>
<td>Current service cost</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Interest cost</td>
<td>14.7</td>
<td>15.4</td>
</tr>
<tr>
<td>Liabilities extinguished on settlements</td>
<td>(0.3)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Benefits and expenses paid</td>
<td>(13.0)</td>
<td>(13.6)</td>
</tr>
<tr>
<td>Loss on defined benefit obligation</td>
<td>20.9</td>
<td>13.5</td>
</tr>
<tr>
<td>Gain on scheme experience</td>
<td>(4.9)</td>
<td>-</td>
</tr>
<tr>
<td>Defined benefit obligation at end of year</td>
<td>325.3</td>
<td>306.3</td>
</tr>
</tbody>
</table>

Expected employer contributions for 2013 are estimated to be £13m.

History of experience gains and losses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain/(loss) on scheme assets</td>
<td>3.6</td>
<td>(12.5)</td>
<td>18.2</td>
<td>26.4</td>
<td>(78.1)</td>
</tr>
<tr>
<td>Percentage of scheme assets</td>
<td>1.4%</td>
<td>5.2%</td>
<td>7.5%</td>
<td>12.5%</td>
<td>42.8%</td>
</tr>
<tr>
<td>Actuarial (loss)/gain on defined benefit obligation</td>
<td>(16.0)</td>
<td>(13.5)</td>
<td>11.3</td>
<td>(76.4)</td>
<td>29.4</td>
</tr>
<tr>
<td>Percentage of scheme liabilities</td>
<td>4.9%</td>
<td>4.4%</td>
<td>3.9%</td>
<td>25.8%</td>
<td>13.5%</td>
</tr>
</tbody>
</table>

Total value of assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit obligation</td>
<td>(325.3)</td>
<td>(306.3)</td>
<td>(289.6)</td>
<td>(296.4)</td>
<td>(218.0)</td>
</tr>
<tr>
<td>Recognised in balance sheet</td>
<td>(68.1)</td>
<td>(64.3)</td>
<td>(47.8)</td>
<td>(84.5)</td>
<td>(35.6)</td>
</tr>
</tbody>
</table>

4 (a) EXCEPTIONAL ITEMS

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>2012</th>
<th>2011 Restated (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on disposal of interest in associate</td>
<td>(i)</td>
<td>-</td>
<td>8.2</td>
</tr>
<tr>
<td>Rationalisation costs</td>
<td>(ii)</td>
<td>(10.7)</td>
<td>(4.2)</td>
</tr>
<tr>
<td>Onerous lease provision</td>
<td>(iii)</td>
<td>(7.7)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Gain on disposal of property, plant and equipment</td>
<td>(iv)</td>
<td>-</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(18.4)</td>
<td>3.9</td>
</tr>
</tbody>
</table>

(i) On 6 July 2011 Menzies Aviation and Swissport Handling SA signed a termination agreement bringing the 39% associate undertaking arrangement in Spain to an end. The termination agreement split the existing 6 airport operations whereby Menzies Aviation acquired 100% control of operations at Alicante, Murcia, Jerez and Almeria while Swissport Handling acquired 100% control of the operations at Madrid and Lanzarote. The split was agreed following an independent review of the individual operations and the calculation of the gain on the transaction was subject to an ongoing completion valuation exercise. The independent valuation exercise was completed during the year and resulted in an additional gain of £4.2m (Note 1).

(ii) Costs of rationalising excess capacity comprised asset write-offs and staff redundancy in Distribution £4.1m (2011: £2.5m) and in Aviation £6.6m (2011: £1.7m).

(iii) These provisions are in respect of future lease obligations in UK and US cargo at Aviation. The provision in 2011 related to a vacated leasehold property following the sub-tenant entering administration.
During 2011 the Group sold a surplus freehold property for consideration of £2.5m.

4 (b) INTANGIBLE AMORTISATION

<table>
<thead>
<tr>
<th></th>
<th>2012 £m</th>
<th>2011 Restated (Note 1) £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill impairment</td>
<td>(1.8)</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Contract amortisation</td>
<td>(4.6)</td>
<td>(3.9)</td>
</tr>
<tr>
<td></td>
<td>(6.4)</td>
<td>(5.7)</td>
</tr>
</tbody>
</table>

(i) As permitted under the transitional requirements of IFRS1, the acquisition accounting of business combinations completed prior to the transition date has not been restated. As a result, assets which were previously capitalised as goodwill have not been reclassified as other intangible assets. Accordingly, these financial statements include an impairment charge of £1.8m (2011: £1.8m) reflecting the remaining life of the current licence at Menzies Macau Aviation Services Ltd.

(ii) This charge relates to contracts capitalised as intangible assets on the acquisition of businesses.

The taxation effect of the exceptional items is a net credit of £2.3m (2011: net credit of £1.0m).

5. FINANCE COSTS (pre-exceptional)

<table>
<thead>
<tr>
<th></th>
<th>2012 £m</th>
<th>2011 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank deposits</td>
<td>0.8</td>
<td>1.3</td>
</tr>
<tr>
<td></td>
<td>0.8</td>
<td>1.3</td>
</tr>
<tr>
<td>Finance charges:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank loans and overdrafts</td>
<td>(4.5)</td>
<td>(6.1)</td>
</tr>
<tr>
<td>Preference dividends</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>(4.6)</td>
<td>(6.2)</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(3.8)</td>
<td>(4.9)</td>
</tr>
</tbody>
</table>

6. TAXATION

(a) Analysis of charge in year

<table>
<thead>
<tr>
<th></th>
<th>2012 £m</th>
<th>2011 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK corporation tax on profits for the year</td>
<td>3.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Overseas tax</td>
<td>5.6</td>
<td>6.6</td>
</tr>
<tr>
<td>Adjustments to prior years’ liabilities</td>
<td>(1.3)</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Total current tax</td>
<td>7.4</td>
<td>11.4</td>
</tr>
</tbody>
</table>

Deferred tax
### Origination and reversal of temporary differences

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact of UK rate change</td>
<td>(0.4)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Adjustments to prior years’ liabilities</td>
<td>0.7</td>
<td>(0.1)</td>
</tr>
<tr>
<td></td>
<td><strong>0.9</strong></td>
<td><strong>(3.9)</strong></td>
</tr>
</tbody>
</table>

### Retirement benefit obligations

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.1</td>
<td>2.6</td>
</tr>
<tr>
<td></td>
<td><strong>3.0</strong></td>
<td><strong>(1.3)</strong></td>
</tr>
</tbody>
</table>

### Tax on profit on ordinary activities

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10.4</td>
<td>10.1</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2012 £m</th>
<th>2011 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax on actuarial loss on retirement benefit obligations</td>
<td>(3.1)</td>
<td>(7.1)</td>
</tr>
<tr>
<td>Impact of UK rate change</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Current tax on fair value movement on cashflow hedges</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Current tax on share based payments</td>
<td>(1.0)</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax on share based payments</td>
<td>(0.7)</td>
<td>-</td>
</tr>
<tr>
<td>Current tax on net exchange adjustments</td>
<td>(0.6)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Tax credit reported outside profit or loss</td>
<td>(3.8)</td>
<td>(6.1)</td>
</tr>
</tbody>
</table>

### (c) Reconciliation between tax charge and the product of accounting profit multiplied by the Group's domestic tax rate for the years ended 31 December 2012 and 31 December 2011 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012 £m</th>
<th>2011 Restated (Note 1) £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>32.0</td>
<td>52.5</td>
</tr>
<tr>
<td>Profit before tax multiplied by standard rate of corporation tax in the UK 24.5% (2011: 26.5%)</td>
<td>7.8</td>
<td>13.9</td>
</tr>
<tr>
<td>Non-deductible expenses (principally goodwill impairment and intangible amortisation)</td>
<td>1.1</td>
<td>2.7</td>
</tr>
<tr>
<td>Depreciation on non-qualifying assets</td>
<td>0.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Unrelieved overseas losses</td>
<td>1.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Overseas deferred tax assets written off/(recognised)</td>
<td>0.3</td>
<td>(3.1)</td>
</tr>
<tr>
<td>Exceptional items (Note 4)</td>
<td>2.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Utilisation of previously unrecognised losses</td>
<td>(0.2)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Lower tax rates on overseas earnings</td>
<td>(0.2)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Joint venture and associate post-tax result (included in profit before tax)</td>
<td>(1.2)</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Adjustments to prior years’ liabilities</td>
<td>(0.6)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Impact of UK rate change on deferred tax</td>
<td>(0.5)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Gain on Swissport transaction</td>
<td>-</td>
<td>(2.2)</td>
</tr>
<tr>
<td>At the effective corporation tax rate of 32.5% (2011: 19.2%)</td>
<td><strong>10.4</strong></td>
<td><strong>10.1</strong></td>
</tr>
</tbody>
</table>

The UK Government has announced that the main rate of UK corporation tax will be reduced from the current rate of 24% which has applied from 1 April 2012, to 21%, by means of a series of annual reductions. The reduction in the UK corporation tax rate to 23% from 1 April 2013 was enacted on 17 July 2012. As this rate was enacted at the balance sheet date, and reduces the tax rate expected to apply when
temporary differences reverse, it had the effect of reducing the UK deferred tax asset. However as most of the UK deferred tax asset relates to the UK pension deficit, which has arisen predominantly due to actuarial gains/losses taken to other comprehensive income, the majority of the reduction was debited to other comprehensive income and does not have a material effect on the effective tax rate or on profit for the year. It is expected that this treatment will also apply in relation to the further rate reductions announced by the Government. Those further rate reductions are to be incorporated within future legislative acts and so will not be substantively enacted until later periods. The estimated effect of the further reductions in the rate to 21% by 2014 would be to decrease the net UK deferred tax asset by £1.0m.

(d) Factors that may affect future tax charges

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

<table>
<thead>
<tr>
<th>Losses</th>
<th>£m</th>
<th>Expiry</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>39.8</td>
<td>Carry forward indefinitely</td>
</tr>
<tr>
<td>South Africa</td>
<td>2.4</td>
<td>Carry forward indefinitely</td>
</tr>
<tr>
<td>Germany</td>
<td>21.3</td>
<td>Carry forward indefinitely</td>
</tr>
<tr>
<td>Norway</td>
<td>11.3</td>
<td>Carry forward indefinitely</td>
</tr>
<tr>
<td>Sweden</td>
<td>3.2</td>
<td>Carry forward indefinitely</td>
</tr>
<tr>
<td>Netherlands</td>
<td>6.4</td>
<td>Carry forward for nine years</td>
</tr>
</tbody>
</table>

The Group has capital losses in the UK of approximately £10.4m that are available for offset against future taxable gains arising in the UK. No deferred tax asset has been recognised in respect of these losses.

7. DIVIDENDS

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Dividends on equity shares:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- interim paid in respect of 2012, 7.35p per share</td>
<td>4.4</td>
<td>-</td>
</tr>
<tr>
<td>- final paid in respect of 2011, 17p per share</td>
<td>10.2</td>
<td>-</td>
</tr>
<tr>
<td>- paid in respect of 2009 performance share plan</td>
<td>0.7</td>
<td>-</td>
</tr>
<tr>
<td>- interim paid in respect of 2011, 7p per share</td>
<td>-</td>
<td>4.1</td>
</tr>
<tr>
<td>- final paid in respect of 2010, 14p per share</td>
<td>-</td>
<td>8.1</td>
</tr>
<tr>
<td></td>
<td>15.3</td>
<td>12.2</td>
</tr>
</tbody>
</table>

Dividends of £0.2m were waived on Treasury shares during 2012 (2011: £0.5m).

The directors are proposing a final dividend in respect of the year 31 December 2012 of 17.85p per ordinary share, which will absorb an estimated £10.9m, of shareholders’ funds. Payment will be made on 21 June 2013 to shareholders on the register at the close of business on 24 May 2013.

Treasury shares

The Company's ordinary shares are held for employee share schemes. At 31 December 2012 the Company held 834,393 (2011: 2,163,232) ordinary shares with a market value of £5,352,631 (2011: £11,465,130).
### 8. EARNINGS PER SHARE

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Underlying*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 £m</td>
<td>2011 £m</td>
</tr>
<tr>
<td></td>
<td>2012 Restated (Note 1) £m</td>
<td>2011 Restated (Note 1) £m</td>
</tr>
<tr>
<td>Operating profit</td>
<td>33.5</td>
<td>33.5</td>
</tr>
<tr>
<td>Share of post-tax results of joint ventures and associates</td>
<td>5.4</td>
<td>5.4</td>
</tr>
<tr>
<td>Add back:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exceptional items (Note 4(a))</td>
<td>-</td>
<td>18.4 (3.9)</td>
</tr>
<tr>
<td>Intangible amortisation (Note 4(b))</td>
<td>-</td>
<td>6.4 5.7</td>
</tr>
<tr>
<td>Share of interest on joint ventures and associates</td>
<td>-</td>
<td>(0.6) (0.4)</td>
</tr>
<tr>
<td>Share of tax on joint ventures and associates</td>
<td>-</td>
<td>1.6 2.1</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(5.3) (3.9)</td>
<td>(4.7) (3.5)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>32.0</td>
<td>58.4 56.4</td>
</tr>
<tr>
<td>Taxation</td>
<td>(10.4) (10.1)</td>
<td>(10.4) (10.1)</td>
</tr>
<tr>
<td>Exceptional tax</td>
<td>- -</td>
<td>(3.9) (3.1)</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>- (0.5)</td>
<td>- (0.5)</td>
</tr>
<tr>
<td>Earnings for the year</td>
<td>21.6</td>
<td>44.1 42.7</td>
</tr>
</tbody>
</table>

**Basic**
- Earnings per ordinary share (pence) 36.0p 71.8p
- Diluted earnings per ordinary share (pence) 35.8p 69.8p

**Underlying***
- Earnings per ordinary share (pence) 73.4p 73.2p
- Diluted earnings per ordinary share (pence) 73.2p 71.2p

**Number of ordinary shares in issue (millions)**
- Weighted average 60.066 58.363
- Diluted weighted average 60.273 59.989

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

* Underlying earnings are presented as an additional performance measure. They are stated before exceptional items and intangible amortisation.
## 9. INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Goodwill</th>
<th>Contracts</th>
<th>Computer Software</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2011</td>
<td>61.8</td>
<td>60.6</td>
<td>20.9</td>
<td>143.3</td>
</tr>
<tr>
<td>Acquisitions (Note 14)</td>
<td></td>
<td>21.4</td>
<td></td>
<td>21.4</td>
</tr>
<tr>
<td>Additions</td>
<td></td>
<td></td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Currency translation</td>
<td>(2.6)</td>
<td>(1.5)</td>
<td></td>
<td>(4.1)</td>
</tr>
<tr>
<td><strong>At 31 December 2012</strong></td>
<td>59.2</td>
<td>80.5</td>
<td>24.0</td>
<td>163.7</td>
</tr>
<tr>
<td><strong>Amortisation and impairment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2011</td>
<td>10.7</td>
<td>14.6</td>
<td>9.2</td>
<td>34.5</td>
</tr>
<tr>
<td>Amortisation charge</td>
<td></td>
<td>4.6</td>
<td>3.0</td>
<td>7.6</td>
</tr>
<tr>
<td>Exceptional impairment</td>
<td>0.3</td>
<td></td>
<td>-</td>
<td>0.3</td>
</tr>
<tr>
<td>Currency translation</td>
<td>(1.0)</td>
<td>(0.7)</td>
<td>-</td>
<td>(1.7)</td>
</tr>
<tr>
<td><strong>At 31 December 2012</strong></td>
<td>10.0</td>
<td>18.5</td>
<td>12.2</td>
<td>40.7</td>
</tr>
<tr>
<td><strong>Net book value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2012</td>
<td>49.2</td>
<td>62.0</td>
<td>11.8</td>
<td>123.0</td>
</tr>
<tr>
<td>At 31 December 2011</td>
<td>51.1</td>
<td>46.0</td>
<td>11.7</td>
<td>108.8</td>
</tr>
</tbody>
</table>

### Restated (Note 1 and Note 14)

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

<table>
<thead>
<tr>
<th></th>
<th>2012 Goodwill £m</th>
<th>2012 Contracts £m</th>
<th>2011 Goodwill £m</th>
<th>2011 Contracts £m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aviation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands Cargo</td>
<td>7.6</td>
<td>-</td>
<td>7.8</td>
<td>-</td>
</tr>
<tr>
<td>North American Cargo</td>
<td>7.7</td>
<td>-</td>
<td>8.1</td>
<td>-</td>
</tr>
<tr>
<td>Australia Cargo</td>
<td>6.8</td>
<td>-</td>
<td>7.0</td>
<td>-</td>
</tr>
<tr>
<td>UK Cargo</td>
<td>-</td>
<td>-</td>
<td>0.3</td>
<td>-</td>
</tr>
<tr>
<td>South Africa</td>
<td>2.6</td>
<td>-</td>
<td>2.9</td>
<td>-</td>
</tr>
<tr>
<td>Scandinavia</td>
<td>3.1</td>
<td>-</td>
<td>3.1</td>
<td>-</td>
</tr>
<tr>
<td>Ogden worldwide</td>
<td>9.9</td>
<td>-</td>
<td>10.3</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>4.2</td>
<td>-</td>
<td>4.3</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>41.9</td>
<td>-</td>
<td>43.8</td>
<td>-</td>
</tr>
<tr>
<td>Distribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turners News</td>
<td>4.8</td>
<td>-</td>
<td>4.8</td>
<td>-</td>
</tr>
<tr>
<td>EM News Distribution (NI) Ltd</td>
<td>-</td>
<td>3.1</td>
<td>-</td>
<td>3.1</td>
</tr>
<tr>
<td>Chester Independent Wholesale News Ltd</td>
<td>-</td>
<td>7.1</td>
<td>-</td>
<td>7.1</td>
</tr>
<tr>
<td>North West Wholesale News Ltd</td>
<td>-</td>
<td>2.7</td>
<td>-</td>
<td>2.7</td>
</tr>
<tr>
<td>The Network – field marketing</td>
<td>-</td>
<td>2.0</td>
<td>-</td>
<td>2.0</td>
</tr>
<tr>
<td>Other</td>
<td>2.5</td>
<td>4.1</td>
<td>2.5</td>
<td>4.1</td>
</tr>
<tr>
<td></td>
<td>7.3</td>
<td>19.0</td>
<td>7.3</td>
<td>19.0</td>
</tr>
<tr>
<td>Total</td>
<td>49.2</td>
<td>19.0</td>
<td>51.1</td>
<td>19.0</td>
</tr>
</tbody>
</table>

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

The recoverable amounts of the CGUs are determined from value in use calculations. These calculations use future cash flow projections based on financial forecasts approved by management. The key assumptions for these forecasts are those regarding revenue growth, net margin, capital expenditure and the level of working capital required to support trading, which management estimates based on past experience and expectations of future changes in the market.

The post-tax discount rate assumptions of 8% (2011: 8%) is based on the Group’s weighted average post-tax cost of capital having considered the uncertainty risk attributable to individual CGUs. The equivalent pre-tax discount rate is 10.6% (2011: 10.7%). 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 £27.8m (2011: £27.0m) and the average remaining amortisation period is 6 years (2011: 7 years).

Value in use calculations are based on Board approved budgets and plans for a three year period. Cash flows beyond the three year period are extrapolated by growth rates that reflect management’s specific location expectations for 2016 and 2017 incorporating a long-term growth rate derived using the best available market information (such as Boeing’s 2012 Aviation Industry Review) adjusted for the specific risks and challenges relating to Menzies Aviation. Short-term revenue growth rates over 2016 and 2017 range from 0% to 6.5% (2011: 2.2% to 6.5%) and longer term revenue growth rates range from 0.5% to 4.1% (2011: 0.5% to 3.5%). 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.
DISTRIBUTION

Distribution publisher distribution contracts are not amortised due to the very long-term nature of the business in the UK. The Group distributes to approximately 45% of the UK retail market and has only one major competitor. In such circumstances the Board considers that there is no foreseeable limit to the period over which the contracts are expected to generate cash flows and have been determined to have an indefinite life. These contracts are, however, tested annually for impairment using similar criteria to the goodwill test.

Value in use calculations are based on Board approved three year plans extrapolated to a 5-year period and keeping the growth rates flat. This reflects management’s specific business expectations for 2016 and 2017. Net margin assumptions are based on historic experience.

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

10. ANALYSIS OF CHANGES IN NET BORROWINGS

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Cash flows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>24.4</td>
<td>10.2</td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>(1.2)</td>
<td>1.0</td>
</tr>
<tr>
<td>Net cash and cash equivalents</td>
<td>23.2</td>
<td>11.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank loans due within one year</td>
<td>(1.9)</td>
<td>(44.1)</td>
</tr>
<tr>
<td>Loan stock due within one year</td>
<td>(0.1)</td>
<td>0.1</td>
</tr>
<tr>
<td>Preference shares</td>
<td>(1.4)</td>
<td>-</td>
</tr>
<tr>
<td>Finance leases</td>
<td>(0.2)</td>
<td>0.2</td>
</tr>
<tr>
<td>Debt due after one year</td>
<td>(99.0)</td>
<td>19.3</td>
</tr>
<tr>
<td>Net derivative (liabilities)/assets</td>
<td>(0.7)</td>
<td>(1.7)</td>
</tr>
<tr>
<td></td>
<td>(80.1)</td>
<td>(15.0)</td>
</tr>
</tbody>
</table>

The movement on Debt due after one year of £19.3m relates to a non-cash movement to Bank loans due within one year leaving a net cash outflow on Bank loans due within one year of £24.8m.

The currency translation movement results from the Group’s policy of hedging its overseas net assets, which are denominated mainly in US$ and Euro. The translation effect on net debt is offset by the translation effect on net assets resulting in an overall net exchange loss of £5.1m (2011: loss of £6.5m). This net loss is recognised in other comprehensive income.
### 11. CASH GENERATED FROM OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>Group 2012</th>
<th>Company 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>Restated £m</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit/(loss)</td>
<td>33.5</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>20.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>7.6</td>
<td>-</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Onerous lease provision</td>
<td>7.7</td>
<td>1.1</td>
</tr>
<tr>
<td>Cash spend on onerous leases</td>
<td>(1.8)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Gain on sale of property, plant and equipment</td>
<td>(0.4)</td>
<td>-</td>
</tr>
<tr>
<td>Gain on disposal of investment in associate</td>
<td>-</td>
<td>(8.2)</td>
</tr>
<tr>
<td>Exceptional gain on disposal of property, plant and equipment</td>
<td>-</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Pension charge</td>
<td>0.6</td>
<td>0.1</td>
</tr>
<tr>
<td>Pension credit</td>
<td>(0.3)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Pension contributions in cash</td>
<td>(9.8)</td>
<td>(9.8)</td>
</tr>
<tr>
<td>Rationalisation costs</td>
<td>10.7</td>
<td>-</td>
</tr>
<tr>
<td>Cash spend on rationalisation costs</td>
<td>(8.2)</td>
<td>-</td>
</tr>
<tr>
<td>Decrease/(increase) in inventories</td>
<td>1.2</td>
<td>-</td>
</tr>
<tr>
<td>Increase in trade and other receivables</td>
<td>(9.3)</td>
<td>- (0.1)</td>
</tr>
<tr>
<td>(Decrease)/increase in trade and other payables and provisions</td>
<td>(9.8)</td>
<td>1.7</td>
</tr>
</tbody>
</table>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>43.3</td>
<td>62.2</td>
</tr>
<tr>
<td></td>
<td>(10.4)</td>
<td>(8.0)</td>
</tr>
</tbody>
</table>

### 12. FINANCIAL INSTRUMENTS

<table>
<thead>
<tr>
<th></th>
<th>Group 2012</th>
<th>Company 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Flow Hedges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange forward contracts</td>
<td>(0.1)</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>-</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Total derivative financial instruments</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Current</td>
<td>0.3</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Non-current</td>
<td>-</td>
<td>(0.3)</td>
</tr>
</tbody>
</table>

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. The fair value of interest rate swaps are calculated by reference to current market rates taking into account future cash flows.
FAIR VALUE HIERARCHY
As at 31 December 2012, the Group held the following financial instruments measured at fair value. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

### Assets measured at fair value

<table>
<thead>
<tr>
<th>Financial assets at fair value through the income statement</th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange contracts – hedged</td>
<td>0.9</td>
<td>-</td>
<td>0.9</td>
<td>-</td>
</tr>
</tbody>
</table>

### Liabilities measured at fair value

<table>
<thead>
<tr>
<th>Financial liabilities at fair value through the income statement</th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange contracts – hedged</td>
<td>0.6</td>
<td>-</td>
<td>0.6</td>
<td>-</td>
</tr>
</tbody>
</table>

During the year ended 31 December 2012, 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.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligations under finance leases</td>
<td>-</td>
<td>0.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>0.2</td>
<td>1.2</td>
<td>0.1</td>
<td>0.9</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-amortising bank loans</td>
<td>105.3</td>
<td>78.6</td>
<td>105.3</td>
<td>78.6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amortising term loan</td>
<td>20.4</td>
<td>22.3</td>
<td>20.4</td>
<td>22.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Preference shares</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unsecured loan stock</td>
<td>-</td>
<td>0.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total interest-bearing loans and borrowings</strong></td>
<td>127.3</td>
<td>103.8</td>
<td>127.2</td>
<td>103.2</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

| Current                                                         | 46.2   | 3.4  | 46.1  | 2.8     |
| Non-current                                                    | 81.1   | 100.4| 81.1  | 100.4   |

| **Total**                                                      | 127.3  | 103.8| 127.2 | 103.2   |
Interest-bearing loans and borrowings

<table>
<thead>
<tr>
<th></th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligations under finance leases</td>
<td>n/a</td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>n/a</td>
</tr>
<tr>
<td>Non-amortising bank loans</td>
<td>January 2013 - September 2017</td>
</tr>
<tr>
<td>Amortising term loan</td>
<td>March 2020</td>
</tr>
<tr>
<td>Preference shares</td>
<td>Non-redeemable</td>
</tr>
<tr>
<td>Unsecured loan stock</td>
<td>Repaid July 2012</td>
</tr>
</tbody>
</table>

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

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

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

The amortising term loan is repayable between 2013 and 2020 with interest payable at a fixed rate of 6.23%.

The loan has a weighted average maturity of 3 years (2011: 3 years).

Non-amortising bank loans are drawn against unsecured, committed revolving bank credit facilities maturing between January 2013 and September 2017.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>(0.3)</td>
<td>0.7</td>
<td>(0.3)</td>
<td>0.7</td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>127.3</td>
<td>103.8</td>
<td>127.2</td>
<td>103.2</td>
</tr>
<tr>
<td>Total borrowings</td>
<td>127.0</td>
<td>104.5</td>
<td>126.9</td>
<td>103.9</td>
</tr>
<tr>
<td>Less: cash at bank, cash in hand and short-term deposits</td>
<td>34.0</td>
<td>24.4</td>
<td>0.3</td>
<td>1.1</td>
</tr>
<tr>
<td></td>
<td>93.0</td>
<td>80.1</td>
<td>126.6</td>
<td>102.8</td>
</tr>
</tbody>
</table>
Financial assets and financial liabilities

<table>
<thead>
<tr>
<th></th>
<th>2012 Book value</th>
<th>2012 Fair value</th>
<th>2011 Book value</th>
<th>2011 Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term borrowings</td>
<td>46.0</td>
<td>46.4</td>
<td>2.0</td>
<td>2.4</td>
</tr>
<tr>
<td>Medium-term borrowings</td>
<td>72.3</td>
<td>74.3</td>
<td>88.5</td>
<td>90.3</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>8.8</td>
<td>10.2</td>
<td>11.9</td>
<td>13.8</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>(0.3)</td>
<td>(0.3)</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Finance leases</td>
<td>-</td>
<td>-</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>0.2</td>
<td>0.2</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Total financial assets and financial liabilities</strong></td>
<td><strong>127.0</strong></td>
<td><strong>130.8</strong></td>
<td><strong>104.5</strong></td>
<td><strong>108.6</strong></td>
</tr>
<tr>
<td>Less: cash at bank, cash in hand and short-term deposits</td>
<td>34.0</td>
<td>34.0</td>
<td>24.4</td>
<td>24.4</td>
</tr>
<tr>
<td><strong>Net Debt</strong></td>
<td><strong>93.0</strong></td>
<td><strong>96.8</strong></td>
<td><strong>80.1</strong></td>
<td><strong>84.2</strong></td>
</tr>
</tbody>
</table>

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

Trade and other receivables and trade and other payables carrying values of £158.6m (2011: £149.7m) and £206.2m (2011: £207.9m) respectively, in respect of the Group and £215.9m and £283.0m (2011: £178.6m and £291.0m) in respect of the Company are assumed to approximate their fair values due to their short-term nature.

A separate table has not been prepared analysing the Company's book values and fair values. The £0.1m difference in book values relates to interest bearing loans and borrowings and is deemed to be short-term in nature.

<table>
<thead>
<tr>
<th>Currency</th>
<th>Floating rate financial liabilities</th>
<th>Fixed rate financial liabilities</th>
<th>2012 Total financial liabilities</th>
<th>Floating rate financial liabilities</th>
<th>Fixed rate financial liabilities</th>
<th>2011 Total financial liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling</td>
<td>105.5</td>
<td>21.8</td>
<td>127.3</td>
<td>54.7</td>
<td>48.7</td>
<td>103.4</td>
</tr>
<tr>
<td>US dollar</td>
<td>-</td>
<td>-</td>
<td>0.1</td>
<td>-</td>
<td>-</td>
<td>0.2</td>
</tr>
<tr>
<td>Euro</td>
<td>-</td>
<td>-</td>
<td>0.1</td>
<td>-</td>
<td>0.1</td>
<td>-</td>
</tr>
<tr>
<td>South African rand</td>
<td>0.1</td>
<td>-</td>
<td>0.1</td>
<td>-</td>
<td>-</td>
<td>0.1</td>
</tr>
<tr>
<td>Net derivative (assets)/liabilities</td>
<td>(0.3)</td>
<td>-</td>
<td>(0.3)</td>
<td>0.7</td>
<td>-</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>105.3</td>
<td>21.8</td>
<td>127.1</td>
<td>55.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>At 31 December 2012, the expiry profile of undrawn committed facilities was as follows:</th>
<th>Group</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Less than one year</td>
<td>6.1</td>
<td>-</td>
</tr>
<tr>
<td>Between one and two years</td>
<td>53.4</td>
<td>0.2</td>
</tr>
<tr>
<td>Between two and five years</td>
<td>0.1</td>
<td>68.1</td>
</tr>
<tr>
<td></td>
<td>59.6</td>
<td>68.3</td>
</tr>
</tbody>
</table>
CASH FLOW HEDGES

FOREIGN EXCHANGE FORWARD CONTRACTS
At 31 December 2012 the Group held foreign currency forward contracts designed as hedges of transaction exposures arising from non-local currency revenue. These contracts were in line with the Group's policy to hedge significant forecast transaction exposures for a maximum 18 months forward.

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

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

During 2011 the Group hedged the exposure to interest rate rises by use of interest rate swap agreements, whereby the Group paid a fixed rate of interest and received a variable rate of LIBOR+margin on the notional amount.

The £25m interest rate swaps at the start of the year matured in June 2012. No new swaps were entered into during 2012.

At 31 December 2012, 20.6% (2011: 46.9%) of the Group's borrowings were fixed.

<table>
<thead>
<tr>
<th></th>
<th>2012 Assets £m</th>
<th>2012 Liabilities £m</th>
<th>2011 Assets £m</th>
<th>2011 Liabilities £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of Cash Flow Hedges - currency forward contracts</td>
<td>-</td>
<td>(0.1)</td>
<td>-</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Fair value of Cash Flow Hedges - interest rate swaps</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Current</td>
<td>-</td>
<td>(0.1)</td>
<td>-</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Non current</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Current</td>
<td>-</td>
<td>(0.1)</td>
<td>-</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Non current</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1.5)</td>
</tr>
</tbody>
</table>

For 2012, if interest rates on UK pound-denominated borrowings had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been £0.6m (2011: £0.3m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.
FOREIGN CURRENCY NET INVESTMENT HEDGES
The Group's treasury policy is to hedge the exposure of currency denominated assets to foreign exchange risk. This is primarily achieved using forward contracts denominated in the relevant foreign currencies.

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

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>million</td>
<td></td>
<td>million</td>
<td></td>
</tr>
<tr>
<td>Euro</td>
<td>22.5</td>
<td>15.0</td>
<td>22.5</td>
<td>15.0</td>
</tr>
<tr>
<td>US dollar</td>
<td>36.5</td>
<td>30.5</td>
<td>36.5</td>
<td>30.5</td>
</tr>
<tr>
<td>Czech koruna</td>
<td>115.0</td>
<td>99.0</td>
<td>115.0</td>
<td>99.0</td>
</tr>
<tr>
<td>Australian dollar</td>
<td>15.4</td>
<td>10.9</td>
<td>15.4</td>
<td>10.9</td>
</tr>
<tr>
<td>New Zealand dollar</td>
<td>2.4</td>
<td>1.7</td>
<td>2.4</td>
<td>1.7</td>
</tr>
<tr>
<td>Swedish krona</td>
<td>29.0</td>
<td>25.5</td>
<td>29.0</td>
<td>25.5</td>
</tr>
<tr>
<td>Indian rupee</td>
<td>960.0</td>
<td>750.0</td>
<td>960.0</td>
<td>750.0</td>
</tr>
<tr>
<td>South African rand</td>
<td>65.0</td>
<td>55.0</td>
<td>65.0</td>
<td>55.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>million</td>
<td></td>
<td>million</td>
<td></td>
</tr>
<tr>
<td>Euro</td>
<td>18.2</td>
<td>12.5</td>
<td>18.2</td>
<td>12.5</td>
</tr>
<tr>
<td>US dollar</td>
<td>22.5</td>
<td>19.6</td>
<td>22.5</td>
<td>19.6</td>
</tr>
<tr>
<td>Czech koruna</td>
<td>3.7</td>
<td>3.2</td>
<td>3.7</td>
<td>3.2</td>
</tr>
<tr>
<td>Australian dollar</td>
<td>9.8</td>
<td>7.2</td>
<td>9.8</td>
<td>7.2</td>
</tr>
<tr>
<td>New Zealand dollar</td>
<td>1.2</td>
<td>0.9</td>
<td>1.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Swedish krona</td>
<td>2.7</td>
<td>2.4</td>
<td>2.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Indian rupee</td>
<td>10.8</td>
<td>9.1</td>
<td>10.8</td>
<td>9.1</td>
</tr>
<tr>
<td>South African rand</td>
<td>4.7</td>
<td>4.4</td>
<td>4.7</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Sterling Equivalent

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Euro</td>
<td>18.2</td>
<td>12.5</td>
</tr>
<tr>
<td>US dollar</td>
<td>22.5</td>
<td>19.6</td>
</tr>
<tr>
<td>Czech koruna</td>
<td>3.7</td>
<td>3.2</td>
</tr>
<tr>
<td>Australian dollar</td>
<td>9.8</td>
<td>7.2</td>
</tr>
<tr>
<td>New Zealand dollar</td>
<td>1.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Swedish krona</td>
<td>2.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Indian rupee</td>
<td>10.8</td>
<td>9.1</td>
</tr>
<tr>
<td>South African rand</td>
<td>4.7</td>
<td>4.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Fair value of foreign currency net investment hedges</td>
<td>0.9</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Current</td>
<td>0.9</td>
<td>(0.5)</td>
</tr>
<tr>
<td>2011</td>
<td>Assets</td>
<td>Liabilities</td>
</tr>
<tr>
<td>Fair value of foreign currency net investment hedges</td>
<td>1.5</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Current</td>
<td>1.5</td>
<td>(0.7)</td>
</tr>
</tbody>
</table>
FOREIGN CURRENCY SENSITIVITY

For 2012, if the UK pound had weakened/strengthened by 10% on currencies which have a material impact on the Group, with all other variables held constant, the effect would have been:

<table>
<thead>
<tr>
<th>Change in rate</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Effect on Profit Before Tax</td>
<td>Effect on Equity</td>
</tr>
<tr>
<td>US dollar USD  +10%</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>US dollar USD -10%</td>
<td>(0.3)</td>
<td>2.0</td>
</tr>
<tr>
<td>Euro EUR +10%</td>
<td>0.6</td>
<td>1.7</td>
</tr>
<tr>
<td>Euro EUR -10%</td>
<td>(0.7)</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Australian dollar AUD +10%</td>
<td>0.8</td>
<td>1.2</td>
</tr>
<tr>
<td>Australian dollar AUD -10%</td>
<td>(0.8)</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Indian rupee INR +10%</td>
<td>0.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Indian rupee INR -10%</td>
<td>(0.5)</td>
<td>(1.0)</td>
</tr>
</tbody>
</table>

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

CAPITAL RISK MANAGEMENT

The Group manages the capital structure in order to minimise the cost of capital whilst ensuring that it has access to ongoing sources of finance such as the debt capital markets. The Group defines capital as net debt (see Note 10) and equity attributable to equity holders of the company (see Group and Company statement of changes in equity). The only externally imposed capital requirements for the Group are total debt to EBITDA and interest cover under the terms of the Bank Facilities, with which the Group has fully complied during both the current period and the prior period. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders and/or issue new shares.

CREDIT RISK

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Bank deposits</td>
<td>34.0</td>
<td>24.4</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>138.7</td>
<td>132.8</td>
</tr>
<tr>
<td></td>
<td>172.7</td>
<td>157.2</td>
</tr>
</tbody>
</table>

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

LIQUIDITY RISK

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

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

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

Net values of transaction hedging are disclosed in accordance with the contractual terms of these derivative instruments.
### 2012

<table>
<thead>
<tr>
<th></th>
<th>Due within 1 year</th>
<th>Due between 1-2 years</th>
<th>Due between 2-4 years</th>
<th>Due over 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>(48.7)</td>
<td>(46.2)</td>
<td>(31.9)</td>
<td>(8.0)</td>
</tr>
<tr>
<td>Preference shares</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>(0.4)</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(206.2)</td>
<td>(10.0)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial derivatives</td>
<td>(73.8)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(328.8)</strong></td>
<td><strong>(56.3)</strong></td>
<td><strong>(32.3)</strong></td>
<td><strong>(9.5)</strong></td>
</tr>
</tbody>
</table>

### 2011

<table>
<thead>
<tr>
<th></th>
<th>Due within 1 year</th>
<th>Due between 1-2 years</th>
<th>Due between 2-4 years</th>
<th>Due over 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>(6.2)</td>
<td>(4.9)</td>
<td>(94.3)</td>
<td>(11.1)</td>
</tr>
<tr>
<td>Preference shares</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>(0.4)</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(0.2)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(211.6)</td>
<td>(1.8)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial derivatives</td>
<td>(60.5)</td>
<td>(0.3)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(278.6)</strong></td>
<td><strong>(7.1)</strong></td>
<td><strong>(94.7)</strong></td>
<td><strong>(12.6)</strong></td>
</tr>
</tbody>
</table>

### 13. CONTINGENT LIABILITIES

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

During the year, the Group acquired 100% of the share capital or trading assets of the following businesses:

<table>
<thead>
<tr>
<th>Division</th>
<th>Aviation</th>
<th>Distribution</th>
<th>Orbital Marketing Services Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Shares</td>
<td>Shares</td>
<td>Assets</td>
</tr>
<tr>
<td>Date of Acquisition</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Purchase consideration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid</td>
<td>4.8</td>
<td>0.9</td>
<td>1.7</td>
</tr>
<tr>
<td>Deferred consideration</td>
<td>0.5</td>
<td>0.2</td>
<td>-</td>
</tr>
<tr>
<td>Total purchase consideration</td>
<td>5.3</td>
<td>1.1</td>
<td>1.7</td>
</tr>
<tr>
<td>Fair value of net assets acquired</td>
<td>5.3</td>
<td>1.1</td>
<td>1.7</td>
</tr>
<tr>
<td>Goodwill</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Non current assets</th>
<th>Intangible assets (contracts)</th>
<th>Property, plant and equipment</th>
<th>Other non-current assets</th>
<th>Current assets</th>
<th>Cash</th>
<th>Current liabilities</th>
<th>Non-current liabilities</th>
<th>Net assets acquired</th>
</tr>
</thead>
<tbody>
<tr>
<td>- fair value</td>
<td>4.9</td>
<td>1.1</td>
<td>-</td>
<td>1.5</td>
<td>13.9</td>
<td>21.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets (contracts)</td>
<td>4.9</td>
<td>1.1</td>
<td>-</td>
<td>1.5</td>
<td>13.9</td>
<td>21.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>0.2</td>
<td>-</td>
<td>1.7</td>
<td>-</td>
<td>1.8</td>
<td>3.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.1</td>
<td>0.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>0.8</td>
<td>0.2</td>
<td>0.1</td>
<td>-</td>
<td>5.7</td>
<td>6.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.2</td>
<td>2.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(0.6)</td>
<td>(0.2)</td>
<td>(0.1)</td>
<td>-</td>
<td>(5.9)</td>
<td>(6.8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(0.5)</td>
<td>(0.5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets acquired</td>
<td>5.3</td>
<td>1.1</td>
<td>1.7</td>
<td>1.5</td>
<td>17.3</td>
<td>26.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

The Flight Support acquisition consist of the following ground handling companies: Manchester Handling Limited, Airbase Flight Support Limited (UK) and Airbase Flight Support Limited (IoM). The £0.5m deferred consideration is payable evenly over 2 years.

Orbital Marketing Services Group comprises a portfolio of UK based logistics and marketing services businesses serving the travel, tourism, education, charity, publishing and healthcare sectors. The company employs over 550 staff at 9 locations across the UK. Orbital’s deferred consideration is made up of a purchase price adjustment of £0.8m and contingent consideration of £7.7m. The contingent consideration’s range is between a minimum of £6.0m and a maximum of £12.2m.

The fair value of the trade receivables amounts to £6.1m and the gross amount of trade receivables is £6.2m.

Acquisition transaction costs expensed amounted to £0.4m.

The acquired businesses contributed revenues of £9.4m from the date of acquisition. If the businesses had been acquired on 1 January 2012 revenues and profit before tax contributed would have been £36.4m and £3.8m respectively.

Other
A performance-related payment of £0.6m became payable in May 2011 in respect of The Network (Field Marketing & Promotions) Company Limited, acquired in 2008. This was cash-settled during 2012.
Restatement (Note 1)
In the 2011 annual report and accounts, the fair values on acquisition of Swissport Menzies were provisional due to the timing of the transaction. The fair values have now been finalized resulting in adjustments to the provisional fair values attributed. The following table summarises the adjustments made to the provisional fair values during the period.

<table>
<thead>
<tr>
<th>Aviation</th>
<th>Provisional fair values</th>
<th>Adjustments to provisional values</th>
<th>Restated fair values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Swissport Menzies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date of acquisition</td>
<td>06/07/2011</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Purchase consideration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value of assets disposed</td>
<td>9.8</td>
<td>4.2</td>
<td>14.0</td>
</tr>
<tr>
<td>Total purchase consideration</td>
<td>9.8</td>
<td>4.2</td>
<td>14.0</td>
</tr>
<tr>
<td>Fair value of net assets acquired</td>
<td>9.8</td>
<td>4.2</td>
<td>14.0</td>
</tr>
<tr>
<td>Goodwill</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The assets and liabilities arising from the acquisition are as follows:

<table>
<thead>
<tr>
<th>Non current assets</th>
<th>Provisional fair values</th>
<th>Adjustments to provisional values</th>
<th>Restated fair values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets (contracts) – fair value</td>
<td>5.1</td>
<td>4.2</td>
<td>9.3</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>2.9</td>
<td>-</td>
<td>2.9</td>
</tr>
<tr>
<td>Current assets</td>
<td>4.6</td>
<td>-</td>
<td>4.6</td>
</tr>
<tr>
<td>Cash</td>
<td>0.5</td>
<td>-</td>
<td>0.5</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(3.3)</td>
<td>-</td>
<td>(3.3)</td>
</tr>
<tr>
<td>Net assets acquired</td>
<td>9.8</td>
<td>4.2</td>
<td>14.0</td>
</tr>
</tbody>
</table>

As a result of the uplift in the fair value of assets acquired, an additional £4.2m has been recognized on the gain on the transaction (Note 4(a)). This was recorded as a prior year adjustment as required by the accounting standards.

As a consequence of this adjustment, the amortisation charge relating to intangible assets for the period to 31 December 2011 has been restated by £0.2m from £3.7m to £3.9m. The currency movement on the investment has also been restated for the period from acquisition to 31 December 2011, resulting in an increase in the exchange loss on translation of foreign operations from £8.5m to £8.8m.

15. CASH FLOW HEDGE RESERVE
This reserve records the portion of the gains or losses on hedging instruments used as cash flow hedges that are determined to be effective.
16. RELATED PARTY TRANSACTIONS

During the year the Group transacted with related parties in the normal course of business and on an arm’s length basis. Details of these transactions are shown below:

<table>
<thead>
<tr>
<th>Related Party</th>
<th>Group share holding</th>
<th>Sales to related party at 31 December 2012</th>
<th>Amounts owed to related party at 31 December 2012</th>
<th>Amounts owed by related party at 31 December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Menzies Bobba Ground Handling Services Private Ltd</td>
<td>51</td>
<td>0.3</td>
<td>-</td>
<td>0.1</td>
</tr>
<tr>
<td>Hyderabad Menzies Air Cargo Private Ltd</td>
<td>49</td>
<td>0.6</td>
<td>-</td>
<td>0.1</td>
</tr>
<tr>
<td>Menzies Aviation Bobba (Bangalore) Private Ltd</td>
<td>49</td>
<td>0.1</td>
<td>-</td>
<td>0.1</td>
</tr>
<tr>
<td>Menzies Macau Airport Services Ltd</td>
<td>29</td>
<td>0.1</td>
<td>-</td>
<td>0.1</td>
</tr>
<tr>
<td>EM News (NI) Ltd</td>
<td>50</td>
<td>0.5</td>
<td>5.5</td>
<td>-</td>
</tr>
<tr>
<td>EM News (Ireland) Ltd</td>
<td>50</td>
<td>1.0</td>
<td>-</td>
<td>0.2</td>
</tr>
<tr>
<td>Worldwide Magazine Distribution Ltd</td>
<td>50</td>
<td>0.1</td>
<td>-</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Key management personnel include individuals who are executive directors of the Group and divisional boards having authority and responsibility for planning, directing and controlling activities of the key operating divisions as disclosed in the segmental analysis. Remuneration of key management personnel is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>4.9</td>
<td>4.8</td>
</tr>
<tr>
<td>Post-employment pension and medical benefits</td>
<td>0.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>1.4</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6.6</strong></td>
<td><strong>6.9</strong></td>
</tr>
</tbody>
</table>

Certain activities, including treasury, taxation, insurance, pension and legal matters are provided by the parent company to subsidiary companies and are recharged on a cost-plus basis. The amount recharged and settled in respect of 2012 was £0.2m (2011: £0.3m).
17. CASHFLOW

<table>
<thead>
<tr>
<th>Description</th>
<th>£m</th>
<th>2012</th>
<th>Restated (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying operating profit</td>
<td>63.1</td>
<td>59.9</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>20.2</td>
<td>22.5</td>
<td></td>
</tr>
<tr>
<td>Dividends from associates and joint ventures</td>
<td>4.5</td>
<td>6.7</td>
<td></td>
</tr>
<tr>
<td>Working capital</td>
<td>(17.9)</td>
<td>(3.1)</td>
<td></td>
</tr>
<tr>
<td>Net pension movement</td>
<td>(3.0)</td>
<td>(1.8)</td>
<td></td>
</tr>
<tr>
<td>Non-cash items</td>
<td>(2.6)</td>
<td>(5.4)</td>
<td></td>
</tr>
<tr>
<td><strong>Operating cash flow</strong></td>
<td>64.3</td>
<td>78.8</td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(16.7)</td>
<td>(21.8)</td>
<td></td>
</tr>
<tr>
<td>Intangible asset additions</td>
<td>(3.1)</td>
<td>(4.5)</td>
<td></td>
</tr>
<tr>
<td>Sale of property, plant and equipment</td>
<td>3.9</td>
<td>5.5</td>
<td></td>
</tr>
<tr>
<td>Net capital expenditure</td>
<td>(15.9)</td>
<td>(20.8)</td>
<td></td>
</tr>
<tr>
<td>Net interest paid</td>
<td>(4.2)</td>
<td>(5.0)</td>
<td></td>
</tr>
<tr>
<td>Tax paid</td>
<td>(9.5)</td>
<td>(10.0)</td>
<td></td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>34.7</td>
<td>43.0</td>
<td></td>
</tr>
<tr>
<td>Equity dividends paid</td>
<td>(15.3)</td>
<td>(12.2)</td>
<td></td>
</tr>
<tr>
<td>Additional pension payment</td>
<td>(6.5)</td>
<td>(6.3)</td>
<td></td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(17.2)</td>
<td>(1.7)</td>
<td></td>
</tr>
<tr>
<td>Cash spend on exceptional items</td>
<td>(10.0)</td>
<td>(3.6)</td>
<td></td>
</tr>
<tr>
<td>Net cash acquired with subsidiaries</td>
<td>2.2</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Other investments</td>
<td>0.1</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>Net spend on shares</td>
<td>(3.0)</td>
<td>(1.2)</td>
<td></td>
</tr>
<tr>
<td><strong>Total movement</strong></td>
<td>(15.0)</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td><strong>Opening net debt</strong></td>
<td>(80.1)</td>
<td>(99.0)</td>
<td></td>
</tr>
<tr>
<td>Currency movement</td>
<td>2.1</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td><strong>Closing net debt</strong></td>
<td>(93.0)</td>
<td>(80.1)</td>
<td></td>
</tr>
</tbody>
</table>

18. ACCOUNTS

The figures used in this statement, which was approved by the directors on 4 March 2013, are not the Group’s statutory accounts within the meaning of Section 434 of the Companies Act 2006 for the year, but are taken from those accounts. The auditors’ report on the statutory accounts was unqualified and did not contain a statement under Section 428 (4(f)) of the Companies Act 2006.

19. ANNUAL REPORT

The Annual Report and Accounts will be available on 5 April 2013 and the Annual General Meeting will be held at the Roxburgh Hotel in Edinburgh on 17 May 2013 at 2.00pm. Statutory accounts for the year ended 31 December 2011 have been delivered to the Registrar of Companies and those for the year to 31 December 2012 will be delivered following the Company’s Annual General Meeting.