

**John Menzies plc**  
**INTERIM RESULTS**  
**for the period ended 25 June 2005**

Highlights:

- Revenue - £668.6m (2004: £668.3m)
- Profit before taxation - up 10% to £15.5m (2004: £14.1m)
- Headline profit before taxation\* - up 12% to £16.8m (2004: £15.0m)
- Free cash flow\*\* - down 38% to £8.5m (2004: £13.6m)
- Headline earnings per share\*\*\* - up 16% to 21.6p (2004: 18.6p)
- Interim dividend - up 5.5% to 5.8p (2004: 5.5p)

Patrick Macdonald, Chief Executive, said:

"I am pleased with the Group's performance given the more challenging trading environment we have experienced in the first half of 2005. This reflects the continued positive impact of our management controls, operational disciplines and focus on excellent customer service.

Menzies Aviation continues to make good progress, driven by our continuing success in delivering better service to our customers. As previously signalled, we have begun investing more in the growth of this business. This has naturally impacted free cash flow in the short term.

Menzies Distribution profits were slightly behind last year, with weakness in some product categories offset by close control of costs. The Office of Fair Trading is expected to announce its conclusions on magazine distribution shortly. We believe that Menzies Distribution's record of investment in customer services places us in a strong position as this industry continues to evolve.

John Menzies is ready for the next stage of its corporate development. With our newly strengthened operational team, focused capital investment and continued organic growth, we are confident that we will continue to deliver shareholder value in the future.

The Board believes that further progress will be achieved in the second half of the year. Trading for the year remains consistent with expectations."

*\*Headline profit before taxation is defined as profit before taxation excluding goodwill and exceptional items and including pre tax profits of joint ventures and associates.*

*\*\*Free cash flow is defined as the cash generated by the business after capital investment, interest, tax and preference share dividends, and before acquisitions, disposals and ordinary dividends.*

*\*\*\*Headline earnings per share is profit after taxation and minority interest, but before goodwill and exceptional items, divided by the weighted average number of ordinary shares in issue.*

Interim Dividend

The Board has declared an interim dividend of 5.8p per share which will be paid on 30 November 2005 to ordinary shareholders on the register at close of business on 11 November 2005, with an ex-dividend date of 9 November 2005.

#### Enquiries:

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### Notes to Editors

1. John Menzies plc, the time-critical logistics company, is one of Scotland's largest companies. The company has two operating divisions, Menzies Distribution and Menzies Aviation. These divisions operate in two distinct sectors where success depends on providing an efficient, high quality, time-critical service to their customers and partners.
2. The company was established in 1833 and its head office is in Edinburgh, Scotland. Today the company is an international operation with offices, partners and contracts located in Europe, North and South America, Australasia and Africa.
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 4.5 million newspapers (6 million on Sundays) and 2.5 million magazines (covering over 3,000 magazine titles) each day, with deliveries to more than 21,500 customers.
4. Menzies Aviation is one of the world's major independent suppliers of ground handling services to the aviation market providing passenger, ramp and cargo services for many of the world's leading airlines and some of the busiest international airports. The division employs over 9,300 people across the globe, at 92 airports in 23 countries servicing in excess of 500 aviation customers.
5. Further information on John Menzies plc can be found at: [www.johnmenziesplc.com](http://www.johnmenziesplc.com); [www.menziesdistribution.com](http://www.menziesdistribution.com) and [www.menziesaviation.com](http://www.menziesaviation.com).

### Chief Executive's Review

#### Introduction

I am pleased with the Group's performance given the more challenging trading environment we have experienced in the first half of 2005. Distribution has performed slightly behind last year due to weaker trading in certain products while Aviation continues to make good progress and has performed ahead of last year.

#### Group highlights

<u>£m</u>	<u>H1 2005</u>	<u>H1 2004<sup>1</sup></u>	<u>Growth</u>
Revenue	668.6	668.3	-
Profit before taxation	15.5	14.1	10%
Headline profit before taxation <sup>2</sup>	16.8	15.0	12%
Free cash flow <sup>3</sup>	8.5	13.6	-38%
Headline earnings per share <sup>4</sup>	21.6p	18.6p	16%
Interim dividend	5.8p	5.5p	5.5%

#### Accounting changes

This is the first set of results produced under the new International Financial Reporting Standards (IFRS). The introduction of IFRS has not changed the substance of the Group's results, its underlying cash flows or its ability to pay dividends. In the six months to 25 June 2005 the impact of adopting IFRS on headline profit before taxation is an additional charge of £0.3m in respect of share based pay. The impact on the restated results for the first half 2004 is also an additional charge of £0.3m.

This interim statement includes a commentary from Paul Dollman, the Group Finance Director, explaining the key changes.

### Trading performance

Revenue at Aviation was up 7% although revenue at Distribution fell by 1% mainly due to weaker partwork sales and the significant drop in phonecard revenue, as this format moves towards the end of its life.

Headline profit before taxation rose 12% reflecting healthy profit growth at Aviation and lower interest costs. The refinancing of long term debt and the proceeds from the sale of Execair, the executive aviation handling business which we sold in August 2004, have contributed to the significant reduction in our interest charge.

### Cash flow

Net capital expenditure in the first half rose as planned from £5.6m to £10.1m reflecting investment in new branches at Distribution and new equipment to support contract wins at Aviation. Our emphasis on tight capital investment discipline remains in place.

Free cash flow of £8.5m was below last year's £13.6m as a result of this increased level of investment and the impact of the early period end on debtor receipts at Aviation. We expect the debtor position at Aviation to improve by the end of this 53 week trading period. Net debt at 25 June 2005 stood at £42.5m compared to £44.0m at the end of 2004 and £57.4m at 26 June 2004.

The Board has declared an interim dividend of 5.8p, up 5.5% on 2004, reflecting our improved trading.

### Distribution

<u>£m</u>	<u>H1 2005</u>	<u>H1 2004<sup>1</sup></u>	<u>Growth</u>
Revenue	542.6	550.7	-1%
Headline operating profit <sup>5</sup>	14.7	14.8	-1%

Trading got off to a slow start, reflecting the weakness in consumer spending. We saw some improvement in the second quarter following the launch of new titles, such as *Grazia* and *Pick Me Up*, in the weekly magazine sector.

Magazine revenue as a whole was flat. However, there has been a noticeable shift from monthly to weekly titles. Monthly magazines were down 3.5% whilst weekly magazines, aided by the new launches, were up 6.9%. Launches of new partworks were less successful than last year and revenue was down 17%. Newspapers were up 1.5% helped by cover price increases on Saturday titles.

We have been successful in securing contracts for additional regional newspaper distribution and revenues were up 11.8%. However, there was a £12.2m (70.8%) drop in phonecards, as the format came towards the end of its life. Sticker sales, which last year benefited from Euro 2004, fell by 23.3%.

Excluding the drop in phonecard sales, overall revenue was up 1%.

Returns volumes have increased from 20% to 22% of total product distributed reflecting a general trend in the industry. The costs of handling these increased returns, together with higher fuel costs, have put pressure on our operational costs. In response, we have increased our emphasis on managing costs effectively.

The Office of Fair Trading issued its draft opinion on newspaper and magazine distribution in May and we continue to play a leading role in its further consultations with industry bodies. Contract renewals with publishers are progressing satisfactorily and we expect many to be concluded by the end of 2005.

I look forward to Ellis Watson, the new Managing Director of Menzies Distribution, taking up his position imminently. Ellis has broad industry experience, having worked in senior positions for both Trinity Mirror and News International. He will succeed Iain Callaghan who retires after 40 years' service. Iain has led Menzies Distribution for the last 9 years and has played a major role in the success of John Menzies.

## Aviation

<u>£m</u>	<u>H1 2005</u>	<u>H1 2004<sup>1</sup></u>	<u>Growth</u>
Revenue	126.0	117.6	7%
Headline operating profit <sup>5</sup>	4.6	4.0	15%

Trading was ahead in the first half of 2005 compared to the same period last year driven by our continuing success in operational excellence and delivering better service to customers. Excluding discontinued businesses, revenue is up 11% and profits have risen by 21%.

In our ground handling businesses, we achieved like for like volume growth<sup>6</sup> of 16% with growth most notable in the UK, Czech Republic, Australia, New Zealand and Peru. We continue to work in partnership with our customers and develop customised solutions to meet their needs. This, and other service enhancement initiatives, have helped secure a number of new contracts in the first half including easyJet at Edinburgh, British Midland at Manchester, Aer Lingus at Heathrow and British Airways at Prague. We also won Alaska Airlines at their hub in Seattle and this new station is now our largest ground handling operation. We incurred some start up costs, as is usual, on these new contracts and this had an adverse impact in the short term. We have also secured, for start up in the second half of 2005, America West in Mexico, Transmile in Hong Kong and Singapore Airlines in New Zealand.

Our cargo handling business has had a successful first half. Netherlands cargo benefited from a new Polar Air contract which began in the second half of 2004, and volumes<sup>6</sup> were up by 11%. In UK cargo, we were impacted by some contract losses at the start of the year. However, as planned, we exited loss making capacity at Heathrow and, despite volumes<sup>6</sup> falling by 1%, we increased profits significantly. Cargo volumes<sup>6</sup> grew by 22% in Australia, supported by contract wins in the second half of 2004. Overall, like for like volumes<sup>6</sup> rose by 5%.

In our wholesale freight forwarding business, AMI, volumes were adversely affected by reduced exports from the UK. We increased profits through better margin management and increased revenue from express delivery products.

We continue to turn around the underperforming parts of the business. We expect the USA, which has been loss making in recent years, to be in a stronger position with the addition of the Alaska Seattle contract.

As well as delivering improved profits and maintaining our tight financial disciplines, we continue to invest for growth. We recently secured a ten year extension to our exclusive concession in St Maarten, an important contributor to our profitable Caribbean business.

We strengthened the management team further during the first half with the appointment of Alan Donald as Chief Financial Officer and Clive MacMillan as Director, Americas.

## Outlook

The outlook for the Group remains encouraging. At Distribution, we continue to manage our cost base tightly against the backdrop of a more difficult trading environment. We believe that we are well placed to take opportunities created by developments in the industry.

At Aviation, we are benefiting from our attention to customer service and from the resulting contract wins. In a fragmented market, we continue to develop opportunities for growth, both organic and acquisitive.

John Menzies is now in better shape to grow. Consistent with this and, as previously indicated, we expect capital expenditure to be higher for 2005 than 2004.

The Board believes that further progress will be achieved in the second half of the year. Trading for the year remains consistent with expectations.

Patrick Macdonald  
Chief Executive

<sup>1</sup> Restated for IFRS

<sup>2</sup> Headline profit before taxation is defined as profit before taxation excluding goodwill and exceptional items and including pre tax profits of joint ventures and associates

<sup>3</sup> Free cash flow is defined as the cash generated by the business after capital investment, interest, tax and preference share dividends, and before acquisitions, disposals and ordinary dividends

<sup>4</sup> Headline earnings per share is profit after taxation and minority interest, but before goodwill and exceptional items, divided by the weighted average number of ordinary shares in issue

<sup>5</sup> Headline operating profit includes pre tax profit from joint ventures and associates, and excludes exceptional items and goodwill

<sup>6</sup> i.e. at existing stations, including contract wins and losses

## **Adoption of International Financial Reporting Standards**

The Group now prepares financial statements under International Financial Reporting Standards (IFRS), with effect from the 2005 financial year. The 2004 financial statements have been restated under IFRS, adopting a 1 January 2004 transition date, other than in respect of IAS 39 – Financial Instruments for which the transition date is 1 January 2005.

The changes in the Group's accounting policies / valuations in adopting IFRS are:

**Goodwill** – goodwill is no longer amortised but is reviewed at least annually for impairment.

**Intangible assets** – internally generated software development costs on major projects are capitalised and amortised over three years rather than being expensed as incurred.

**Share based remuneration** – the fair value of share awards, determined at date of grant, is expensed over the vesting period.

**Dividends** – dividends declared after the balance sheet date are no longer recognised as a liability as at that balance sheet date.

**Deferred taxation** – full provision is made for all differences between the balance sheet amounts of assets and liabilities and their corresponding tax bases.

**Leases** – a detailed review of the Group's portfolio of operating leases has been undertaken and one long-lease has been reclassified as a finance lease.

**Financial instruments** – with effect from 1 January 2005, all derivative financial instruments are measured at fair value; hedge accounting is only permissible where effectiveness criteria are met; preference shares are reclassified as debt and the related dividend is expensed as interest.

**Retirement benefits** – given that the Group had already adopted FRS 17 the key change is mid to bid pension valuations required to comply with IAS 19.

The main impact on the Group's reported results is IFRS 2 – Share based payments. This is estimated to reduce 2005 profits by £0.7m (£0.3m in H1). The comparatives for 2004 have been reduced by £0.6m (£0.3m in H1).

A presentational change has been made to add back the joint ventures and associates tax charge in order to show the Headline profits of the Group as previously reported.

The impact of IFRS on the opening balance sheet as at January 2004 is an increase in reserves of £7.6m.

Although goodwill is no longer amortised under IFRS the Group will continue to have a lower goodwill charge, compared to previous years, to reflect the unexpired portion of the current licence in Macau.

Paul Dollman  
Group Finance Director

**GROUP INCOME STATEMENT (unaudited)**

for the 26 weeks to 25 June 2005

	Notes	Half year to 25 June 2005 £m	Half year to 26 June 2004 £m	Full year to 25 December 2004 £m
<b>Revenue</b>	3	<b>668.6</b>	668.3	1,330.6
Net operating costs		<b>(653.7)</b>	(654.0)	(1,293.2)
<b>Operating profit</b>		<b>14.9</b>	14.3	37.4
Share of post tax results of joint ventures and associates		<b>1.1</b>	1.5	3.4
<b>Operating profit after joint ventures and associates</b>	3	<b>16.0</b>	15.8	40.8
<i>Analysed as</i>				
Headline operating profit		17.3	16.7	36.3
Share of tax on joint ventures and associates	5	(0.4)	(0.4)	(0.9)
Gain on disposal of business	4	-	-	7.6
Goodwill	4	(0.9)	(0.5)	(2.2)
Operating profit after joint ventures and associates		16.0	15.8	40.8
Interest payable		<b>(1.9)</b>	(2.6)	(6.0)
Interest receivable		<b>0.8</b>	0.7	2.4
Finance income	12b	<b>5.8</b>	5.2	10.5
Finance charges	12b	<b>(5.2)</b>	(5.0)	(9.9)
<b>Profit before taxation</b>		<b>15.5</b>	14.1	37.8
Taxation	5	<b>(3.8)</b>	(3.8)	(8.3)
<b>Profit for the period</b>		<b>11.7</b>	10.3	29.5
Attributable to equity shareholders		<b>11.5</b>	10.1	29.2
Attributable to minority interests		<b>0.2</b>	0.2	0.3
		<b>11.7</b>	10.3	29.5
<b>Earnings per ordinary share</b>	7			
Basic		<b>20.1p</b>	17.7p	51.4p
Diluted		<b>19.8p</b>	17.6p	51.0p
<b>STATEMENT OF RECOGNISED INCOME AND EXPENSE (unaudited)</b>				
Profit for the period		<b>11.7</b>	10.3	29.5
Actuarial (loss)/gain on defined benefit pensions		<b>(2.4)</b>	10.4	2.2
Deferred tax associated with defined benefit pensions		<b>0.7</b>	(3.1)	(0.7)
Net exchange adjustments		<b>(1.3)</b>	(0.2)	0.6
Net (losses)/gains not recognised in income statement		<b>(3.0)</b>	7.1	2.1
Total recognised income for the period		<b>8.7</b>	17.4	31.6
Attributable to equity shareholders		<b>8.5</b>	17.2	31.3
Attributable to minority interests		<b>0.2</b>	0.2	0.3
		<b>8.7</b>	17.4	31.6

**GROUP BALANCE SHEET (unaudited)**  
as at 25 June 2005

	Notes	As at 25 June 2005 £m	As at 26 June 2004 £m	As at 25 December 2004 £m
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	8	25.7	30.8	25.4
Property, plant and equipment		116.8	111.7	115.1
Investments	8	20.2	23.3	22.2
Derivative financial assets		0.2	-	-
Deferred tax assets		12.0	8.9	11.6
		<b>174.9</b>	174.7	174.3
<b>Current assets</b>				
Inventories		9.9	10.1	11.1
Trade and other receivables		98.5	89.2	95.2
Derivative financial assets		1.2	-	-
Cash and cash equivalents	9	22.2	19.4	27.0
		<b>131.8</b>	118.7	133.3
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Borrowings	9	(26.4)	(36.9)	(28.5)
Derivative financial liabilities		(0.1)	-	-
Trade and other payables		(142.5)	(134.4)	(142.9)
Current income tax liabilities		(14.0)	(12.5)	(12.4)
		<b>(183.0)</b>	(183.8)	(183.8)
<b>Net current liabilities</b>		<b>(51.2)</b>	(65.1)	(50.5)
<b>Total assets less current liabilities</b>		<b>123.7</b>	109.6	123.8
<b>Non-current liabilities</b>				
Borrowings	9	(39.5)	(39.9)	(42.5)
Other		(0.1)	(0.2)	(0.1)
Derivative financial liabilities		(0.1)	-	-
Provisions		(8.9)	(8.8)	(9.9)
Retirement benefit obligations	12	(26.2)	(26.8)	(24.4)
		<b>(74.8)</b>	(75.7)	(76.9)
<b>Net assets</b>		<b>48.9</b>	33.9	46.9
<b>Shareholders' equity</b>				
Ordinary shares		14.5	14.3	14.4
Share premium account		9.5	6.1	7.7
Investment in own shares		(3.2)	(3.3)	(3.3)
Retained earnings		6.6	(6.3)	4.0
Other reserves		20.9	21.4	22.2
	13	<b>48.3</b>	32.2	45.0
Non-equity share capital	13	-	1.4	1.4
<b>Total shareholders' equity</b>		<b>48.3</b>	33.6	46.4
Minority interest in equity	13	0.6	0.3	0.5
<b>Total equity</b>		<b>48.9</b>	33.9	46.9

**GROUP CASH FLOW STATEMENT (unaudited)**

for the 26 weeks to 25 June 2005

	Notes	Half year to 25 June 2005 £m	Half year to 26 June 2004 £m	Full year to 25 December 2004 £m
<b>Cash flows from operating activities</b>				
Cash generated from operations	10	19.6	21.9	37.4
Interest received		0.8	0.8	2.4
Interest paid		(1.8)	(4.1)	(6.5)
Tax paid		(2.1)	(1.3)	(4.9)
<b>Net cash from operating activities</b>		<b>16.5</b>	17.3	28.4
<b>Cash flows from investing activities</b>				
Investment in joint ventures and associates		-	(0.1)	(0.1)
Proceeds from disposal of associates		-	1.1	1.1
Other investments		-	-	(0.1)
Acquisition of subsidiaries		(0.1)	(2.5)	(3.2)
Proceeds from disposal of subsidiaries		-	-	11.5
Purchase of property, plant and equipment		(10.8)	(5.5)	(16.2)
Intangible asset additions		(0.3)	(0.2)	(0.4)
Proceeds from sale of property, plant and equipment		1.0	0.1	0.6
Dividends received		2.1	2.0	4.0
<b>Net cash used in investing activities</b>		<b>(8.1)</b>	(5.1)	(2.8)
<b>Cash flows from financing activities</b>				
Net proceeds from issue of ordinary share capital		1.9	0.1	1.8
Proceeds from sale of own shares		0.1	0.4	0.4
Loan notes redeemed		-	0.1	0.2
Net borrowing repayments		-	(20.9)	(17.8)
Dividends paid to ordinary shareholders		(7.5)	(7.2)	(10.3)
Dividends paid to preference shareholders		-	(0.1)	(0.1)
<b>Net cash used in financing activities</b>		<b>(5.5)</b>	(27.6)	(25.8)
Effects of exchange rate movements		-	(0.1)	(0.1)
<b>Increase/(decrease) in net cash and cash equivalents</b>	9	<b>2.9</b>	(15.5)	(0.3)
Opening net cash and cash equivalents		11.2	11.5	11.5
<b>Closing net cash and cash equivalents*</b>	9	<b>14.1</b>	(4.0)	11.2

\*net cash and cash equivalents include cash at bank and in hand, short term deposits and bank overdrafts.

## Notes to the Interim Accounts

### 1. Introduction

In 2004, John Menzies plc prepared its consolidated financial statements under UK Generally Accepted Accounting Principles (UK GAAP). Following European Parliament legislation passed in 2002, all listed EU companies are required to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) with effect from 1 January 2005.

The Group will therefore prepare its first IFRS compliant Report and Accounts for the year ending 31 December 2005. John Menzies plc will present comparative IFRS financial information for the year ended 25 December 2004 and consequently the date of transition to IFRS for the Group is 28 December 2003, being the first day of the comparative period. The first results to be prepared on an IFRS basis are the Group's Interim results for the half year ended 25 June 2005.

The financial information presented in these financial statements has been prepared on the basis of those International Financial Reporting Standards, International Accounting Standards, and International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretation Committee (SIC) interpretations that are expected to be applicable to 2005 financial reporting. These are subject to ongoing review and endorsement by the European Commission and as a consequence further adjustments to the accounting policies and treatments may need to be made in the Report and Accounts for the year ending 31 December 2005.

### 2. Basis of preparation

These interim consolidated financial statements are for the 26 weeks ended 25 June 2005. They were approved by the Board on 5 September 2005 and are unaudited. The Group Accounts for the year to 25 December 2004 prepared in accordance with UK GAAP, which carried an unqualified Auditors' Report, have been filed with the Registrar of Companies.

The Group has not applied IAS 34 "Interim financial reporting", which is not mandatory for UK groups, in the preparation of these interim financial statements. For the reasons outlined above, it is possible that the information presented in this report and the accounting policies used, may be subject to change before their inclusion in the Group's first complete financial statements prepared in accordance with IFRS.

A summary of the more significant accounting policies is set out below. These have been consistently applied to all periods presented.

#### Accounting policies

##### Basis of consolidation

The consolidated accounts 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.

##### IFRS 1

IFRS 1 "First time adoption of International Financial Reporting Standards" sets out the requirements for the first time adoption of IFRS. Generally, IFRS 1 requires that accounting policies be adopted that are compliant with IFRS and that these policies be applied retrospectively to all periods presented. IFRS 1 does however contain the option to take advantage of certain exemptions to retrospective application.

The Group has elected to take the following permitted exemptions:

- The acquisition accounting of business combinations completed prior to the transition date has not been restated. The net book value of goodwill as at the transition date has been treated as the deemed cost of goodwill under IFRS.
- The net book value at the transition date of those tangible fixed assets that were revalued prior to the transition date has been treated as deemed cost.
- IFRS requires the tracking of all cumulative foreign exchange adjustments taken to reserves. These amounts are reversed upon any subsequent disposal of the business to which it relates. The cumulative translation differences at the transition date are assumed to be zero.
- The provisions of IFRS 2 "Share based payment" have been applied only to awards made after 7 November 2002.
- IAS 32 "Financial instruments: Disclosure and presentation" and IAS 39 "Financial instruments: Recognition and measurement" have been applied prospectively from 1 January 2005.

In addition, subject to endorsement by the EU, the Group has elected to adopt early "Amendments to IAS 19 employee benefits". The Group has selected the option available within this standard, similar to FRS 17 under UK GAAP, for immediate recognition of all actuarial gains and losses outside of the income statement in the statement of recognised income and expense.

##### Revenue

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

Aviation Services - 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 in accordance with when the service was performed. Revenue excludes value added and sales taxes, charges collected on behalf of customers and intercompany transactions.

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

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

Freehold and long leasehold properties	- over 50 years
Short leasehold properties	- over the remaining lease term
Plant and equipment	- over the estimated life of the asset

### **Inventories**

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

### **Pensions**

Under UK GAAP pensions were accounted for under FRS 17 "Retirement benefits", the operating and financing costs of pensions being charged to the profit and loss account in the period in which they arose and were recognised separately. The costs of past service benefit enhancements, settlements and curtailments were also recognised in the period in which they arose. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, were recognised in the statement of total recognised gains and losses.

Under IAS 19 "Employee benefits", the fair value of assets is required to be based on a fair value basis (typically "bid") whereas under FRS 17 the mid market price was used. As a result the value of defined benefit pension scheme assets has reduced.

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.

### **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, in which case it is recognised directly in equity.

### **Intangible assets**

#### ***Goodwill***

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

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

Goodwill arising on acquisitions before 28 December 2003 (the date of transition to IFRS) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

#### ***Development costs***

Development expenditure incurred on individual projects is carried forward only if all the criteria set out in IAS 38 "Intangible assets" are met. Following the initial recognition of development expenditure, the cost is amortised over the project's estimated useful life, usually 3 years.

### **Computer software**

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

### **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.

### **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.

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

In accordance with IFRS 1 the Group has elected to adopt IAS 32 "Financial instruments: disclosure and presentation" and IAS 39 "Financial instruments: recognition and measurement" as from 26 December 2004. As a result the comparative reporting for the year ended 25 December 2004 is under UK GAAP and does not reflect these two standards. Under UK GAAP foreign currency contracts were accounted for as hedges and matched with the accounting treatment of the relevant hedged item.

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 initially recorded on the Balance Sheet at fair value either on transition from UK GAAP at 26 December 2004 or on the date they are entered into if that is a later date. All derivatives are subsequently 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.

Any ineffective portion of movements in the fair value of hedging instruments is recognised in the income statement within finance costs.

### 3. SEGMENTAL ANALYSIS

#### Primary business segments

	Distribution services £m	Aviation services £m	Corporate services £m	Group £m
<b>(a) Interim 2005</b>				
Revenue	542.6	126.0	-	<b>668.6</b>
Operating profit	14.6	2.3	(2.0)	<b>14.9</b>
Share of post tax results of joint ventures	-	0.2	-	<b>0.2</b>
Share of post tax results of associates	0.1	0.8	-	<b>0.9</b>
Operating profit after joint ventures and associates	14.7	3.3	(2.0)	<b>16.0</b>

Analysed as:				
Headline operating profit*	14.7	4.6	(2.0)	<b>17.3</b>
Joint venture and associate taxation	-	(0.4)	-	<b>(0.4)</b>
Goodwill	-	(0.9)	-	<b>(0.9)</b>
Operating profit after joint ventures and associates	14.7	3.3	(2.0)	<b>16.0</b>

	Distribution services £m	Aviation services £m	Corporate services £m	Group £m
<b>(b) Interim 2004</b>				
Revenue	550.7	117.6	-	<b>668.3</b>
Operating profit	14.7	1.7	(2.1)	<b>14.3</b>
Share of post tax results of joint ventures	-	0.2	-	<b>0.2</b>
Share of post tax results of associates	0.1	1.2	-	<b>1.3</b>
Operating profit after joint ventures and associates	14.8	3.1	(2.1)	<b>15.8</b>

Analysed as:				
Headline operating profit*	14.8	4.0	(2.1)	<b>16.7</b>
Joint venture and associate taxation	-	(0.4)	-	<b>(0.4)</b>
Goodwill	-	(0.5)	-	<b>(0.5)</b>
Operating profit after joint ventures and associates	14.8	3.1	(2.1)	<b>15.8</b>

	Distribution services £m	Aviation services £m	Corporate services £m	Group £m
<b>(c) Full year 2004</b>				
Revenue	1,086.6	244.0	-	<b>1,330.6</b>
Operating profit	30.0	11.6	(4.2)	<b>37.4</b>
Share of post tax results of joint ventures	-	0.4	-	<b>0.4</b>
Share of post tax results of associates	0.2	2.8	-	<b>3.0</b>
Operating profit after joint ventures and associates	30.2	14.8	(4.2)	<b>40.8</b>

Analysed as:				
Headline operating profit*	30.2	10.3	(4.2)	<b>36.3</b>
Joint venture and associate taxation	-	(0.9)	-	<b>(0.9)</b>
Goodwill	-	(2.2)	-	<b>(2.2)</b>
Gain on disposal of business	-	7.6	-	<b>7.6</b>
Operating profit after joint ventures and associates	30.2	14.8	(4.2)	<b>40.8</b>

\*Headline operating profit is defined as operating profit excluding goodwill and exceptional items but including the pre tax share of results from joint ventures and associates.

### 3. SEGMENTAL ANALYSIS (continued)

	Distribution services £m	Aviation services £m	Corporate services £m	Group £m
<b>(a) Interim 2005</b>				
Segment assets	122.1	145.6	4.8	<b>272.5</b>
Unallocated assets				<b>34.2</b>
Total assets				<b>306.7</b>
Segment liabilities	(96.4)	(37.7)	(16.2)	<b>(150.3)</b>
Unallocated liabilities				<b>(107.5)</b>
Total liabilities				<b>(257.8)</b>
Segment net assets/(liabilities)	25.7	107.9	(11.4)	<b>122.2</b>
Unallocated net liabilities				<b>(73.3)</b>
Net assets				<b>48.9</b>
	Distribution services £m	Aviation services £m	Corporate services £m	Group £m
<b>(b) Interim 2004</b>				
Segment assets	118.7	141.8	4.6	265.1
Unallocated assets				28.3
Total assets				293.4
Segment liabilities	(92.7)	(34.6)	(15.4)	(142.7)
Unallocated liabilities				(116.8)
Total liabilities				(259.5)
Segment net assets/(liabilities)	26.0	107.2	(10.8)	122.4
Unallocated net liabilities				(88.5)
Net assets				33.9
	Distribution services £m	Aviation services £m	Corporate services £m	Group £m
<b>(c) Full year 2004</b>				
Segment assets	124.5	141.2	3.3	269.0
Unallocated assets				38.6
Total assets				307.6
Segment liabilities	(93.6)	(39.9)	(18.0)	(151.5)
Unallocated liabilities				(109.2)
Total liabilities				(260.7)
Segment net assets/(liabilities)	30.9	101.3	(14.7)	117.5
Unallocated net liabilities				(70.6)
Net assets				46.9

	Turnover			Segment assets		
	Interim 2005 £m	Interim 2004 £m	Full year 2004 £m	Interim 2005 £m	Interim 2004 £m	Full year 2004 £m
<b>Secondary geographic segments</b>						
United Kingdom	<b>600.3</b>	606.9	1,200.3	<b>187.6</b>	186.5	186.3
Continental Europe	<b>31.3</b>	28.7	65.1	<b>30.2</b>	28.8	30.9
Americas	<b>22.2</b>	21.5	40.9	<b>22.9</b>	17.3	20.0
Rest of the World	<b>14.8</b>	11.2	24.3	<b>31.8</b>	32.5	31.8
	<b>668.6</b>	668.3	1,330.6	<b>272.5</b>	265.1	269.0

#### 4. DISPOSALS AND GOODWILL

- a. On 12 August 2004 the Group sold its executive aviation handling business, Execair, to BBA Group plc for a gain of £7.6m.
- b. As permitted under the transitional requirements of IFRS 1, 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 intangible assets. Accordingly, these financial statements include a recurring goodwill charge of £0.9m for the half year to June 2005 (Interim 2004: £0.5m, Full year 2004: £0.9m) reflecting the unexpired life of the current licence at MASC-Ogden Aviation Services (Macau) Limited.

Goodwill of £0.5m (Full year 2004 only) was written off following the Board's review of the carrying value of a baggage handling business at Aviation.

Goodwill of £0.8m (Full year 2004 only) was recovered on the utilisation of brought forward tax losses in the Netherlands.

#### 5. TAXATION

The share of results from joint ventures and associates is after taxation of £0.4m (2004: £0.4m). The overall effective rate is 24.5% (2004: 27.0%).

#### 6. DIVIDENDS

	Half year to 25 June 2005 £m	Half year to 26 June 2004 £m	Full year to 25 December 2004 £m
<b>Dividends on equity shares:</b>			
Ordinary - Interim paid, 5.5p per share	-	-	3.1
- Final paid, 13.0p (2004: 12.6p) per share	<b>7.5</b>	7.2	7.2
<b>Dividends on non-equity shares:</b>			
Preference shares	-	0.1	0.1
	<b>7.5</b>	7.3	10.4

In addition, the directors are proposing an interim dividend in respect of the half year to 25 June 2005 of 5.8p per Ordinary share which will absorb an estimated £3.4m of shareholders' funds. Payment will be made on 30 November 2005 to shareholders on the register at the close of business on 11 November 2005.

On transition to IFRS, dividends on non-equity shares have been reclassified as interest payable.

## 7. EARNINGS PER SHARE

	Basic			Headline*		
	Half year to 25 Jun 2005 £m	Half year to 26 Jun 2004 £m	Full year to 25 Dec 2004 £m	Half year to 25 Jun 2005 £m	Half year to 26 Jun 2004 £m	Full year to 25 Dec 2004 £m
Operating profit	14.9	14.3	37.4	14.9	14.3	31.1
Finance costs	(0.5)	(1.7)	(3.0)	(0.5)	(1.7)	(3.0)
Share of post tax results of joint ventures and associates	1.1	1.5	3.4	2.0	2.0	4.3
Profit before taxation	15.5	14.1	37.8	16.4	14.6	32.4
Taxation	(3.8)	(3.8)	(8.3)	(3.8)	(3.8)	(8.3)
Minority interests	(0.2)	(0.2)	(0.3)	(0.2)	(0.2)	(0.3)
Preference dividends	-	(0.1)	(0.1)	-	(0.1)	(0.1)
<b>Earnings for the period</b>	<b>11.5</b>	<b>10.0</b>	<b>29.1</b>	<b>12.4</b>	<b>10.5</b>	<b>23.7</b>
<b>Basic</b>						
Earnings per ordinary share (pence)	20.1	17.7	51.4			
Diluted earnings per ordinary share (pence)	19.8	17.6	51.0			
<b>Headline*</b>						
Earnings per ordinary share (pence)				21.6	18.6	41.9
Diluted earnings per ordinary share (pence)				21.3	18.5	41.6
<b>Number of ordinary shares in issue (millions)</b>						
Weighted average	57.316	56.514	56.619			
Diluted weighted average	58.154	56.811	57.032			

The weighted average number of fully paid ordinary shares in issue during the period excludes those held by the employee share trusts. The diluted weighted average is calculated by adjusting for those 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 period.

\*Headline earnings are presented as an additional performance measure. They are stated before goodwill and exceptional items.

## 8. INTANGIBLE ASSETS

Intangible assets comprise goodwill of £23.2m (2004: £27.8m) and capitalised software development costs of £2.5m (2004: £3.0m).

Investments also include goodwill in respect of joint ventures and associates of £13.6m (2004: £16.6m).

## 9. ANALYSIS OF CHANGES IN NET BORROWINGS

	As at 25 December 2004 £m	Half year cash flows £m	IFRS reclassification £m	Currency translation £m	As at 25 June 2005 £m
Cash at bank and in hand	22.8	(0.6)	-	-	<b>22.2</b>
Short term deposits	4.2	(4.2)	-	-	-
Bank overdrafts	(15.8)	7.7	-	-	<b>(8.1)</b>
Net cash and cash equivalents	11.2	2.9	-	-	<b>14.1</b>
Bank loans due within one year	(12.6)	(4.7)	-	(0.9)	<b>(18.2)</b>
Loan stock due within one year	(0.1)	-	-	-	<b>(0.1)</b>
Preference shares	-	-	(1.4)	-	<b>(1.4)</b>
Finance leases	(0.5)	-	-	-	<b>(0.5)</b>
Debt due after one year	(42.0)	4.7	-	(0.3)	<b>(37.6)</b>
Derivative financial assets (net)	-	-	1.2	-	<b>1.2</b>
Net borrowings	(44.0)	2.9	(0.2)	(1.2)	<b>(42.5)</b>

## 10. CASH GENERATED FROM OPERATIONS

	Half year to 25 June 2005 £m	Half year to 26 June 2004 £m	Full year to 25 December 2004 £m
Operating profit	<b>14.9</b>	14.3	37.4
Depreciation	<b>8.0</b>	7.9	16.3
Amortisation of intangible assets	<b>0.3</b>	0.3	0.7
Share based payments	<b>0.3</b>	0.2	0.3
Goodwill written off	-	-	0.5
Goodwill adjustment for tax loss utilisation	-	-	0.8
Gain on sale of business	-	-	(7.6)
(Gain)/loss on sale of property, plant and equipment	<b>(0.4)</b>	0.2	(0.1)
Cash spend on exceptional items	-	(0.1)	(0.1)
Pension charge	<b>2.7</b>	2.7	5.5
Pension contributions in cash	<b>(2.7)</b>	(2.5)	(16.0)
Decrease in inventories	<b>1.1</b>	2.8	1.7
Increase in trade and other receivables	<b>(3.2)</b>	(0.4)	(8.9)
(Decrease)/increase in trade and other payables and provisions	<b>(1.4)</b>	(3.5)	6.9
	<b>19.6</b>	21.9	37.4

## 11. CONTINGENT LIABILITIES

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

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

## 12. RETIREMENT BENEFIT OBLIGATIONS

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

	<b>Half year to 25 June 2005 %</b>	Half year to 26 June 2004 %	Full year to 25 December 2004 %
Rate of increase in salaries	<b>3.25</b>	3.50	3.35
Rate of increase in pensions	<b>3.20</b>	3.30	3.25
Rate of increase in price inflation	<b>2.75</b>	3.00	2.85
Discount rate	<b>5.05</b>	5.80	5.30

The assets/(liabilities) in the scheme and the expected rates of return as at 25 June 2005 were as follows:

	<b>Value at June 2005 £m</b>	Value at June 2004 £m	Value at December 2004 £m
Total market value of assets	<b>187.7</b>	156.4	178.2
Present value of scheme liabilities	<b>(213.9)</b>	(183.2)	(202.6)
Deficit in scheme	<b>(26.2)</b>	(26.8)	(24.4)
Related deferred tax asset	<b>7.9</b>	8.1	7.3
Net pension liabilities	<b>(18.3)</b>	(18.7)	(17.1)

(b)

	<b>Half year to 25 June 2005 £m</b>	Half year to 26 June 2004 £m	Full year to 25 December 2004 £m
<b>Amounts charged to the income statement</b>	<b>£m</b>	£m	£m
Current service cost	<b>2.7</b>	2.7	5.5
Past service costs	-	-	-
Total amount charged to the income statement	<b>2.7</b>	2.7	5.5
<b>Amounts included in finance costs</b>	<b>£m</b>	£m	£m
Expected return on pension scheme assets	<b>5.8</b>	5.2	10.5
Interest on pension liabilities	<b>(5.2)</b>	(5.0)	(9.9)
Net financial return	<b>0.6</b>	0.2	0.6
<b>Movement in the deficit during the period</b>	<b>£m</b>	£m	£m
Deficit in the Fund brought forward	<b>(24.4)</b>	(37.7)	(37.7)
Current service cost	<b>(2.7)</b>	(2.7)	(5.5)
Employer contributions	<b>2.7</b>	3.0	16.0
Net financial return	<b>0.6</b>	0.2	0.6
Actuarial (loss)/gain	<b>(2.4)</b>	10.4	2.2
Deficit in the Fund carried forward	<b>(26.2)</b>	(26.8)	(24.4)

### 13. STATEMENT OF CHANGES IN EQUITY

	Ordinary shares £m	Share Premium account £m	Investment in own shares £m	Retained earnings £m	Capital redemption reserve £m	Currency reserve £m	Total £m
As at 25 December 2004	14.4	7.7	(3.3)	4.0	21.6	0.6	45.0
Profit for the period	-	-	-	11.5	-	-	11.5
Dividends	-	-	-	(7.5)	-	-	(7.5)
New share capital issued	0.1	1.8	-	-	-	-	1.9
Investment in own shares	-	-	0.1	-	-	-	0.1
Share based payments	-	-	-	0.3	-	-	0.3
Actuarial loss (net of deferred tax)	-	-	-	(1.7)	-	-	(1.7)
Exchange adjustments	-	-	-	-	-	(1.3)	(1.3)
<b>As at 25 June 2005</b>	<b>14.5</b>	<b>9.5</b>	<b>(3.2)</b>	<b>6.6</b>	<b>21.6</b>	<b>(0.7)</b>	<b>48.3</b>
As at 27 December 2003	14.3	6.0	(3.7)	(16.6)	21.6	-	21.6
Profit for the period	-	-	-	10.1	-	-	10.1
Dividends	-	-	-	(7.3)	-	-	(7.3)
New share capital issued	-	0.1	-	-	-	-	0.1
Investment in own shares	-	-	0.4	-	-	-	0.4
Share based payments	-	-	-	0.2	-	-	0.2
Actuarial gain (net of deferred tax)	-	-	-	7.3	-	-	7.3
Exchange adjustments	-	-	-	-	-	(0.2)	(0.2)
<b>As at 26 June 2004</b>	<b>14.3</b>	<b>6.1</b>	<b>(3.3)</b>	<b>(6.3)</b>	<b>21.6</b>	<b>(0.2)</b>	<b>33.2</b>
As at 27 December 2003	14.3	6.0	(3.7)	(16.6)	21.6	-	21.6
Profit for the period	-	-	-	29.2	-	-	29.2
Dividends	-	-	-	(10.4)	-	-	(10.4)
New share capital issued	0.1	1.7	-	-	-	-	1.8
Investment in own shares	-	-	0.4	-	-	-	0.4
Share based payments	-	-	-	0.3	-	-	0.3
Actuarial gain (net of deferred tax)	-	-	-	1.5	-	-	1.5
Exchange adjustments	-	-	-	-	-	0.6	0.6
<b>As at 25 December 2004</b>	<b>14.4</b>	<b>7.7</b>	<b>(3.3)</b>	<b>4.0</b>	<b>21.6</b>	<b>0.6</b>	<b>45.0</b>
	Preference shares £m	Minority interest £m					
As at 25 December 2004	1.4	0.5					
Dividends	-	(0.1)					
Share of profit after tax	-	0.2					
Transfer to borrowings	(1.4)	-					
<b>As at 25 June 2005</b>	<b>-</b>	<b>0.6</b>					
As at 27 December 2003	1.4	0.1					
Share of profit after tax	-	0.2					
<b>As at 26 June 2004</b>	<b>1.4</b>	<b>0.3</b>					
As at 27 December 2003	1.4	0.1					
Share of profit after tax	-	0.3					
Acquired in the period	-	0.1					
<b>As at 25 December 2004</b>	<b>1.4</b>	<b>0.5</b>					

**GROUP INCOME STATEMENT (unaudited)**

For the 26 weeks ended 26 June 2004

	Notes	As reported under UK GAAP* £m	Joint venture and associate presentation change £m	Effect of transition to IFRS £m	As reported under IFRS £m
<b>Revenue</b>		668.3	-	-	668.3
Net operating costs	(a)	(654.9)	-	0.9	(654.0)
<b>Operating profit</b>		13.4	-	0.9	14.3
Share of post tax results of joint ventures and associates	(b)	1.7	(0.4)	0.2	1.5
<b>Operating profit after joint ventures and associates</b>		15.1	(0.4)	1.1	15.8
Interest payable		(2.6)	-	-	(2.6)
Interest receivable		0.7	-	-	0.7
Finance income		5.2	-	-	5.2
Finance charge		(5.0)	-	-	(5.0)
<b>Profit before taxation</b>		13.4	(0.4)	1.1	14.1
Taxation		(4.2)	0.4	-	(3.8)
<b>Profit for the period</b>		9.2	-	1.1	10.3
Attributable to equity shareholders		9.0	-	1.1	10.1
Attributable to minority interest		0.2	-	-	0.2
		9.2	-	1.1	10.3

\*The order and description of items presented "as reported under UK GAAP" have been amended to enable direct comparison with IFRS presentation.

The principal adjustments made as a result of the transition to International Accounting Standards are:

		£m	£m
(a)	Reversal of subsidiary goodwill amortisation	IAS 38	1.2
	Recognition of share based payments	IFRS 2	(0.2)
	Capitalisation of software development expenditure previously written off as operating expenses	IAS 38	0.2
	Amortisation of software development costs	IAS 38	(0.3)
(b)	Reversal of joint venture and associate goodwill amortisation	IAS 38	0.7
	Goodwill impairment	IAS 38	(0.5)
			<u>1.1</u>

**GROUP INCOME STATEMENT (unaudited)**

For the 52 weeks ended 25 December 2004

	Notes	As reported under UK GAAP* £m	Joint venture and associate presentation change £m	Effect of transition to IFRS £m	As reported under IFRS £m
<b>Revenue</b>		1,330.6	-	-	1,330.6
Net operating costs	(a)	(1,293.2)	-	-	(1,293.2)
<b>Operating profit</b>		37.4	-	-	37.4
Share of post tax results of joint ventures and associates	(b)	3.4	(0.9)	0.9	3.4
<b>Operating profit after joint ventures and associates</b>		40.8	(0.9)	0.9	40.8
Interest payable	(c)	(5.9)	-	(0.1)	(6.0)
Interest receivable		2.4	-	-	2.4
Finance income		10.5	-	-	10.5
Finance charge		(9.9)	-	-	(9.9)
<b>Profit before taxation</b>		37.9	(0.9)	0.8	37.8
Taxation	(d)	(8.3)	0.9	(0.9)	(8.3)
<b>Profit for the year</b>		29.6	-	(0.1)	29.5
Attributable to equity shareholders		29.3	-	(0.1)	29.2
Attributable to minority interest		0.3	-	-	0.3
		29.6	-	(0.1)	29.5

\*The order and description of items presented "as reported under UK GAAP" have been amended to enable direct comparison with IFRS presentation.

The principal adjustments made as a result of the transition to International Accounting Standards are:

		£m	£m
(a)	Reversal of subsidiary goodwill amortisation	IAS 38	1.8
	Recognition of share based payments	IFRS 2	(0.3)
	Capitalisation of software development expenditure previously written off as operating expenses	IAS 38	0.4
	Amortisation of software development costs	IAS 38	(0.7)
	Reclassification of operating lease rentals to finance lease	IAS 17	0.1
	Goodwill previously included within goodwill amortisation	IAS 38	(0.5)
	Goodwill adjustment for tax loss utilisation	IAS 12	(0.8)
(b)	Reversal of joint venture and associate goodwill amortisation	IAS 38	1.8
	Goodwill impairment	IAS 38	(0.9)
(c)	Reclassification of operating lease rentals to finance lease interest	IAS 17	(0.1)
(d)	Deferred tax adjustment on rolled over capital gains	IAS 12	(0.9)
			(0.1)

**GROUP BALANCE SHEET (unaudited)**

As at 28 December 2003 (IFRS opening position)

	Notes	As reported under UK GAAP* £m	Effect of transition to IFRS £m	As reported under IFRS £m
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	(a)	27.4	3.3	30.7
Property, plant and equipment	(b)	116.3	(1.4)	114.9
Investments		24.4	-	24.4
Deferred tax assets	(c)	12.5	(0.3)	12.2
		180.6	1.6	182.2
<b>Current assets</b>				
Inventories		12.9	-	12.9
Trade and other receivables		90.4	-	90.4
Cash and cash equivalents		32.1	-	32.1
		135.4	-	135.4
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Borrowings		(27.1)	-	(27.1)
Trade and other payables	(d)	(147.0)	7.2	(139.8)
Current income tax liabilities		(10.1)	-	(10.1)
		(184.2)	7.2	(177.0)
<b>Net current liabilities</b>				
		(48.8)	7.2	(41.6)
<b>Total assets less current liabilities</b>				
		131.8	8.8	140.6
<b>Non-current liabilities</b>				
Borrowings	(e)	(68.2)	(0.5)	(68.7)
Other		(1.5)	-	(1.5)
Provisions	(f)	(9.0)	(0.6)	(9.6)
Retirement benefit obligations	(g)	(37.6)	(0.1)	(37.7)
		(116.3)	(1.2)	(117.5)
<b>Net assets</b>				
		15.5	7.6	23.1
<b>Shareholders' equity</b>				
Ordinary shares		14.3	-	14.3
Preference shares		1.4	-	1.4
Share premium account		6.0	-	6.0
Investment in own shares		(3.7)	-	(3.7)
Retained earnings	(h)	(24.2)	7.6	(16.6)
Capital redemption reserve		21.6	-	21.6
<b>Total shareholders' equity</b>				
		15.4	7.6	23.0
Minority interest in equity		0.1	-	0.1
<b>Total equity</b>				
		15.5	7.6	23.1

\*The order and description of items presented "as reported under UK GAAP" have been amended to enable direct comparison with IFRS presentation.

The principal adjustments made as a result of the transition to International Accounting Standards are:

		<u>£m</u>
(a) Capitalisation of software development expenditure previously written off as operating expenses	IAS 38	1.5
Transfer of capitalised software development expenditure previously shown as plant and equipment	IAS 38	1.8
(b) Operating lease reclassified as finance lease	IAS 17	0.4
Transfer of capitalised software development expenditure previously shown as plant and equipment	IAS 38	(1.8)
(c) Adjustment to non-current deferred tax asset	IAS 12	(0.3)
(d) Reversal of the previously reported dividend accrual	IAS 10	7.2
(e) Finance lease creditor as a result of reclassification of operating lease	IAS 17	(0.5)
(f) Adjustment to non-current deferred tax liability	IAS 12	(0.6)
(g) Mid to bid pension valuation	IAS 19	<u>(0.1)</u>
(h) Cumulative adjustment to retained earnings		<u>7.6</u>

**GROUP BALANCE SHEET (unaudited)**

As at 26 June 2004

	Notes	As reported under UK GAAP* £m	Effect of transition to IFRS £m	As reported under IFRS £m
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	(a)	26.6	4.2	30.8
Property, plant and equipment	(b)	112.9	(1.2)	111.7
Investments	(c)	23.1	0.2	23.3
Deferred tax assets	(d)	8.8	0.1	8.9
		171.4	3.3	174.7
<b>Current assets</b>				
Inventories		10.1	-	10.1
Trade and other receivables		89.2	-	89.2
Cash and cash equivalents		19.4	-	19.4
		118.7	-	118.7
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Borrowings		(36.9)	-	(36.9)
Trade and other payables	(e)	(137.5)	3.1	(134.4)
Current income tax liabilities		(12.5)	-	(12.5)
		(186.9)	3.1	(183.8)
<b>Net current liabilities</b>				
		(68.2)	3.1	(65.1)
<b>Total assets less current liabilities</b>				
		103.2	6.4	109.6
<b>Non-current liabilities</b>				
Borrowings	(f)	(39.4)	(0.5)	(39.9)
Other		(0.2)	-	(0.2)
Provisions	(g)	(8.1)	(0.7)	(8.8)
Retirement benefit obligations	(h)	(25.9)	(0.9)	(26.8)
		(73.6)	(2.1)	(75.7)
<b>Net assets</b>				
		29.6	4.3	33.9
<b>Shareholders' equity</b>				
Ordinary shares		14.3	-	14.3
Preference shares		1.4	-	1.4
Share premium account		6.1	-	6.1
Investment in own shares		(3.3)	-	(3.3)
Retained earnings	(i)	(10.6)	4.3	(6.3)
Currency reserve		(0.2)	-	(0.2)
Capital redemption reserve		21.6	-	21.6
<b>Total shareholders' equity</b>				
		29.3	4.3	33.6
Minority interest in equity		0.3	-	0.3
<b>Total equity</b>				
		29.6	4.3	33.9

\*The order and description of items presented "as reported under UK GAAP" have been amended to enable direct comparison with IFRS presentation.

The principal adjustments made as a result of the transition to International Accounting Standards are:

		<u>£m</u>
(a) Capitalisation of software development expenditure previously written off as operating expenses	IAS 38	1.4
Transfer of capitalised software development expenditure previously shown as plant and equipment	IAS38	1.6
Reversal of subsidiary goodwill amortisation previously charged under UK GAAP	IAS 38	1.2
(b) Operating lease reclassified as finance lease	IAS 17	0.4
Transfer of capitalised software development expenditure previously shown as plant and equipment	IAS 38	(1.6)
(c) Reversal of associates goodwill amortisation previously charged under UK GAAP	IAS 38	0.7
Impairment of goodwill	IAS 38	(0.5)
(d) Adjustment to non-current deferred tax asset	IAS 12	(0.2)
Mid to bid pension valuation deferred tax adjustment	IAS 19	0.3
(e) Reversal of the previously reported dividend accrual	IAS 10	3.1
(f) Finance lease creditor as a result of reclassification of operating lease	IAS 17	(0.5)
(g) Adjustment to non-current deferred tax liability	IAS 12	(0.7)
(h) Mid to bid pension valuation	IAS 19	<u>(0.9)</u>
(i) Cumulative adjustment to retained earnings		<u>4.3</u>

**GROUP BALANCE SHEET (unaudited)**

As at 25 December 2004

	Notes	As reported under UK GAAP* £m	Effect of transition to IFRS £m	As reported under IFRS £m
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	(a)	22.3	3.1	25.4
Property, plant and equipment	(b)	116.1	(1.0)	115.1
Investments	(c)	21.3	0.9	22.2
Deferred tax assets	(d)	11.7	(0.1)	11.6
		171.4	2.9	174.3
<b>Current assets</b>				
Inventories		11.1	-	11.1
Trade and other receivables		95.2	-	95.2
Cash and cash equivalents		27.0	-	27.0
		133.3	-	133.3
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Borrowings		(28.5)	-	(28.5)
Trade and other payables	(e)	(150.4)	7.5	(142.9)
Current income tax liabilities		(12.4)	-	(12.4)
		(191.3)	7.5	(183.8)
<b>Net current liabilities</b>		(58.0)	7.5	(50.5)
<b>Total assets less current liabilities</b>		113.4	10.4	123.8
<b>Non-current liabilities</b>				
Borrowings	(f)	(42.0)	(0.5)	(42.5)
Other		(0.1)	-	(0.1)
Provisions	(g)	(8.5)	(1.4)	(9.9)
Retirement benefit obligations	(h)	(23.3)	(1.1)	(24.4)
		(73.9)	(3.0)	(76.9)
<b>Net assets</b>		39.5	7.4	46.9
<b>Shareholders' equity</b>				
Ordinary shares		14.4	-	14.4
Preference shares		1.4	-	1.4
Share premium account		7.7	-	7.7
Investment in own shares		(3.3)	-	(3.3)
Retained earnings	(i)	(3.4)	7.4	4.0
Currency reserve		0.6	-	0.6
Capital redemption reserve		21.6	-	21.6
<b>Total shareholders' equity</b>		39.0	7.4	46.4
Minority interest in equity		0.5	-	0.5
<b>Total equity</b>		39.5	7.4	46.9

\*The order and description of items presented "as reported under UK GAAP" have been amended to enable direct comparison with IFRS presentation.

The principal adjustments made as a result of the transition to International Accounting Standards are:

		<u>£m</u>
(a) Capitalisation of software development expenditure previously written off as operating expenses	IAS 38	1.2
Transfer of capitalised software development expenditure previously shown as plant and equipment	IAS 38	1.4
Reversal of subsidiary goodwill amortisation previously charged under UK GAAP	IAS 38	1.8
Impairment of goodwill	IAS 38	(0.5)
Goodwill adjustment for tax loss utilisation	IAS 12	(0.8)
(b) Operating lease reclassified as finance lease	IAS 17	0.4
Transfer of capitalised software development expenditure previously shown as plant and equipment	IAS 38	(1.4)
(c) Reversal of associates goodwill amortisation previously charged under UK GAAP	IAS 38	1.8
Impairment of goodwill	IAS 38	(0.9)
(d) Adjustment to non-current deferred tax asset	IAS 12	(0.4)
Mid to bid pension valuation deferred tax adjustment	IAS 12	0.3
(e) Reversal of the previously reported dividend accrual	IAS 10	7.5
(f) Finance lease creditor as a result of reclassification of operating lease	IAS 17	(0.5)
(g) Adjustment to non-current deferred tax liability	IAS 12	(1.4)
(h) Mid to bid pension valuation	IAS 19	<u>(1.1)</u>
(i) Cumulative adjustment to retained earnings		<u>7.4</u>

**GROUP BALANCE SHEET (unaudited)**  
as at 26 December 2004

Notes	IFRS 25 December 2004 £m	Effect of adoption of IAS 32 and IAS 39 £m	IFRS 26 December 2004 £m
<b>Assets</b>			
<b>Non-current assets</b>			
	25.4	-	25.4
Intangible assets			
Property, plant and equipment	115.1	-	115.1
Investments	22.2	-	22.2
Derivative financial assets	-	0.2	0.2
Deferred tax assets	11.6	-	11.6
	174.3	0.2	174.5
<b>Current assets</b>			
Inventories	11.1	-	11.1
Derivative financial assets	-	0.9	0.9
Trade and other receivables	95.2	(0.3)	94.9
Cash and cash equivalents	27.0	-	27.0
	133.3	0.6	133.9
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Borrowings	(28.5)	-	(28.5)
Derivative financial liabilities	-	(0.4)	(0.4)
Trade and other payables	(142.9)	-	(142.9)
Current income tax liabilities	(12.4)	-	(12.4)
	(183.8)	(0.4)	(184.2)
<b>Net current liabilities</b>	(50.5)	0.2	(50.3)
<b>Total assets less current liabilities</b>	123.8	0.4	124.2
<b>Non-current liabilities</b>			
Borrowings	(42.5)	(1.4)	(43.9)
Other	(0.1)	-	(0.1)
Derivative financial liabilities	-	(0.1)	(0.1)
Provisions	(9.9)	-	(9.9)
Retirement benefit obligations	(24.4)	-	(24.4)
	(76.9)	(1.5)	(78.4)
<b>Net assets</b>	46.9	(1.1)	45.8
<b>Shareholders' equity</b>			
Ordinary shares	14.4	-	14.4
Preference shares	1.4	(1.4)	-
Share premium account	7.7	-	7.7
Investment in own shares	(3.3)	-	(3.3)
Retained earnings	4.0	-	4.0
Currency reserve	0.6	0.3	0.9
Capital redemption reserve	21.6	-	21.6
<b>Total shareholders' equity</b>	46.4	(1.1)	45.3
Minority interest in equity	0.5	-	0.5
<b>Total equity</b>	46.9	(1.1)	45.8

The adjustments made as a result of the adoption of IAS 32 and IAS 39 are:

	<u>£m</u>	<u>£m</u>
(a) The reclassification of foreign exchange forward contract assets from other debtors	0.1	
The booking of average rate forward contracts	<u>0.1</u>	0.2
(b) The reclassification of cross currency basis swap financial asset from other debtors	0.7	
The booking of average rate forward contracts	<u>0.2</u>	0.9
(c) The reclassification of derivative financial assets and liabilities from other debtors		(0.3)
(d) The reclassification of cross currency basis swap financial liabilities from other debtors		(0.4)
(e) The reclassification of foreign exchange forward contract assets from other debtors		<u>(0.1)</u>
(f) Cumulative adjustment to currency reserve		<u>0.3</u>
(g) The reclassification of preference share capital to long term borrowings		<u>(1.4)</u>