

JOHN MENZIES PLC
Preliminary results for the year ended 31 December 2005

Highlights

- Turnover up 2% to £1,390.0m (2004: £1,369.2m)
- Headline profit before tax* up 17% to £39.4m (2004: £33.6m)
- Profit on ordinary activities** up 20% to £36.1m (2004: £30.0m)
- Headline earnings per share up 19% to 52.2p (2004: 44.0p)
- Free cash flow*** down 10% to £23.6m (2004: £26.3m)
- Final dividend up 5.4% to 13.7p (2004: 13.0p)

John Menzies had a strong year in 2005 and made good progress.

Menzies Distribution held its profits close to last year's level. This performance was achieved against the backdrop of contract renewals, a significant drop in partwork sales and a decline in monthly magazine demand. Its results benefited from the strength of weekly magazine sales and successfully implementing cost savings.

Menzies Aviation had another successful year. It continued to build its profits which increased by 29%. Its drive to standardise its business processes over the past two years has contributed significantly to this success.

The new year is showing a very mixed picture. Since the start of the year, Menzies Distribution has experienced very tough markets and, even with intensified cost reduction initiatives, the division's performance will fall short of last year if current trends continue. Menzies Aviation is moving ahead strongly both organically, through recent contract wins, and by acquisition.

Patrick Macdonald, Chief Executive, said:

"We have delivered a strong set of results in 2005.

In Menzies Distribution this year, we are implementing strategic initiatives to address the current market challenges. In Menzies Aviation, we are well placed to grow this business. Whilst we are still at an early stage in the year, we do not currently expect that the improvements in the performance of Aviation will fully offset the impact of the challenging environment in which Distribution is now operating. We therefore expect that the Group's overall performance for 2006 will be slightly behind our initial expectations.

Looking further ahead, we believe the outlook for the Group is positive."

**Headline profit before tax is defined as profit on ordinary activities after interest and before tax, goodwill amortisation and exceptional items.*

***Before taxation and exceptionals.*

****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, ordinary dividends and share issues.*

The comparative results for 2004 have been restated following the adoption of FRS 20 'Share-based Payment' for 2005. This new accounting standard resulted in an additional profit & loss charge for 2004 of £0.3m.

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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. The divisions operate in distinct B2B 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 businesses in Europe, North and South America, South East Asia, 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 3,000 magazine titles) each day, with deliveries to more than 21,300 customers.

Its success in 2005 in achieving high standards is evidenced by winning the 'Wholesaler of the Year' award from the National Federation of Retail Newsagents and the Gold award at the Association of Circulation Executives awards. It also won the Orange Award for Bright Business at the National Business Awards for Scotland for its Launch Factory marketing initiative to maximise sales of new titles.

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 10,500 people across the world at 93 airports in 23 countries servicing more than 500 aviation customers.

The division won various awards in 2005, including the 'BA Way' award for the handler which most closely matches the way British Airways wants its outsourced handling performed and the 'Most Responsive Handler' award also from BA for the way in which it helped restart their operations at Houston after Hurricane Katrina.

5. Further information on John Menzies plc can be found at: www.johnmenziesplc.com, www.menziesdistribution.com and www.menziesaviation.com.

DIVISIONAL PERFORMANCE

Menzies Distribution

£m	<u>2005</u>	<u>2004</u>	<u>Growth</u>
Turnover	1,104.3	1,109.4	0%
Operating profit before goodwill	30.7	30.5	1%

Performance

Menzies Distribution's sales have in general continued previous trends, with overall newspaper volumes showing small declines offset by cover price increases. In addition to this we have seen some shift from monthly to weekly magazine sales, increasing towards the end of the year, and partwork sales have fallen by 21%, reverting to their 2003 levels. We have also seen a significant decline in sales of phonecards. The impact of these factors was partly offset by the 53rd week, which added 1% to sales and £0.6m to profits.

Our performance reflects the cost benefits from recent productivity improvements and decisive action taken to accelerate cost saving initiatives. These have partly offset increased costs arising mainly from the increased volumes of magazine returns being processed for recycling and from fuel costs. We have continued to invest in the future of this business through IT development, staff training and process innovation.

Developments in Menzies Distribution in 2005

Menzies Distribution continues to develop industry-leading processes to meet the needs of all its customers, both publishers and retailers.

We have appointed a new Managing Director, Ellis Watson, who joined us in September from a background in the newspaper industry. He brings a fresh outlook and increased emphasis on customer service and on the development of additional services which can be provided from our network and skill base.

Two new branches have been opened, in Dalgety Bay, Fife and in Swansea, replacing older smaller branches. This has also enabled us to complete the national roll-out of our 'pack-by-light' IT-based system, which has significantly improved packing line management and packing accuracy.

A next-generation magazine packing system has been installed in Sheffield, one of our larger magazine distribution branches, and with further development will lead to significant productivity enhancements in our larger branches. Our established Kardex system remains effective for our smaller units.

During the year, we successfully introduced our 'Dial' performance information and reporting system throughout our branch network. Its name derives from the performance dials which are posted in each branch weekly, recording the accuracy with which we have fulfilled our service KPIs - principally packing accuracy and delivery within agreed timings - which are made available to all customers. For example, performance for newspaper copies delivered accurately is running consistently above our 99.5% target level.

We carried out our first customer survey, part of our drive to ensure that we understand fully the needs and information requirements of our customers, and that we deliver accordingly. Our success in achieving this is evidenced by our winning the 'Wholesaler of the Year' award from the National Federation of Retail Newsagents and the Gold award at the Association of Circulation Executives awards. We also won the Orange Award for Bright Business at the National Business Awards for Scotland for our 'Launch Factory' marketing initiative to maximise sales of new titles.

To enhance further our customer services to retailers, we launched our 'Great Service' project which includes a customer charter specifying the standard of service our customers can expect from us, a standard well above the industry benchmark. As part of this initiative, we have set up a team of dedicated sales and development representatives across our network of branches. They visit our customers regularly, to improve communication with them and to ensure that they

are fully aware of, and can benefit from, the other services which we provide, all aimed at boosting their sales and profits.

Another key service provision rolled out in 2005 was our sales based replenishment system. We are working closely with many of our customers to maximise the stocking efficiencies available to them and thus to achieve reductions in returns levels.

Contract renewals with publishers continue to progress satisfactorily and many are now concluded. Although as anticipated we have experienced some margin reduction, we are pleased to secure these contracts for another five years and have marginally increased market share through additional business.

Position as we enter 2006

Menzies Distribution is a strong player in a major market. Newspaper volumes continue to decline slowly. The number of magazine titles available continues to grow, and initial trading results for 2006 indicate that the shift from monthly to weekly magazine titles is continuing. Magazine sales overall have started the year disappointingly, and sales of partworks are running well below previous levels.

The conditional acquisition of Chester Independent Wholesale Newsagents ("CIWN") provides a useful expansion of our geographical footprint into Cheshire and North Wales. This acquisition will initially have little impact on the Group's earnings per share.

The Office of Fair Trading has yet to publish their final opinion on the distribution system for magazines. We have developed contingency plans for a range of outcomes, and believe that we can meet the opportunities and challenges which may arise.

We remain confident that we can reposition this business in this time of change, and that the value which we add to the distribution process will continue to underpin our position as a major player in this market.

Menzies Aviation

£m	<u>2005</u>	<u>2004</u>	<u>Growth</u>
Turnover	285.7	259.8	10%
Operating profit before goodwill	13.3	10.3	29%

Performance

Menzies Aviation's 10% increase in sales was driven by new contracts and startup operations, particularly at Alaska Airlines' Seattle hub, with ground handling revenues up 19% in line with volumes. Cargo revenues were flat, with volumes on a like for like basis increased by 2.4% after adjusting for our exit from a major cargo handling contract as part of the restructuring of our Heathrow warehouses.

Profits benefited from the improvements made to our UK cargo operations, with Europe cargo handling showing a £3.5m increase on 2004. Ground handling profits there were broadly flat due to the level of startup activity. This also affected our US stations where startup costs including those at Seattle increased losses by £1.1m. Asia Pacific region profits increased by £0.5m, benefiting from new contracts.

Prior year profits of £10.3m also included £0.6m from Execair which was sold during 2004.

Developments in Menzies Aviation in 2005

Menzies Aviation has made good progress in realigning the underperforming parts of its business and in standardising its business practices, greatly improving the consistency of its service levels.

Europe

Our European cargo handling operations have benefited from our £1.5m investment at Heathrow. This involved the refurbishment of our main 135,000 sq ft warehouse and the closure of one of our three other cargo sheds there, and allowed us to improve operating procedures with an immediate improvement in operating margins. It also involved the exit from a major contract,

with the loss of revenue involved being more than offset by the overall infrastructure savings. Amsterdam also performed well, with improved results benefiting from the first full year of a cargo contract won in 2004.

Our UK ground handling operations have seen a significant growth in new contracts at most of our stations including Heathrow, Edinburgh and Manchester. At Edinburgh, for example, we have moved from being the smallest to the largest independent handler at the airport during the year as a result of performance-based contract wins. This growth has involved an increased level of startup costs.

Americas

In the USA, Menzies Aviation was awarded the contract to perform all ramp operations for Alaska Airlines at its Seattle hub, handling some 150 flights each day. This important contract win is further evidence of the trend among major airlines to outsource key services. Our ability to operate hubs such as this and easyJet's UK Luton hub shows the importance of, and the added value which can be brought by, independent ground handlers in this growing sector.

Activity at our Los Angeles station also increased following several contract wins. Operating performance there has improved significantly following the introduction of new systems such as our baggage reconciliation system 'Right Bags On Board'. However, initial startup costs affected the region's results.

Our Latin American operations are concentrated in Mexico, Peru, Venezuela and, together with our Caribbean operations, are performing well. Hurricane Wilma caused significant damage to our Cancun operations which had just been awarded 'Best Station Worldwide' status by Britannia Airways. Although our services there were up and running again quickly, the resulting drop in traffic is having some effect on our profits from Mexico.

Asia Pacific

Performance in this region continues to improve, with our Australia/New Zealand stations showing a useful profit increase although continuing to experience tough price competition. A small acquisition helped to achieve greater consolidation and to generate economies of scale in New Zealand and has strengthened our position in this market.

Hong Kong maintained the profitability achieved in 2004, and Macau increased revenues slightly despite a small decline in cargo volumes. Our investment in startup operations at Chengdu in south-west China is continuing to develop, with some new contract activity.

Other initiatives

We are also rolling out the 'Dial' operating KPI measurement suite in Menzies Aviation as we standardise our processes, focusing on service levels and staff utilisation efficiencies at all our stations to bring them into line with best practice. These include productivity measures such as man-hours per turn for flight turnrounds.

During the year, Menzies Aviation conducted its first full customer survey. The feedback received was constructive, highlighting some further opportunities to improve service levels. These are being addressed under a specific project designed to ensure that we provide a consistent level of excellence at all stations. Our efforts have not gone unrecognised, and we were delighted to receive during the year the 'BA Way' award for the handler which most closely matches the way British Airways wants its outsourced handling performed and the 'Most Responsive Handler' award also from BA for the way in which we helped restart their operations at Houston after Hurricane Katrina.

Position as we enter 2006

Menzies Aviation has entered 2006 on a positive note.

We are clear on where and how we can make profit in both our ground handling and cargo businesses, and are in a position to capitalise on this.

We have established industry-leading systems to meet the needs of customers. To complement our leading edge cargo tracking system, 'Hermes', we have developed products such as

'Ucheckin', a web based self service check-in platform for our airline and airport customers and 'Right Bags On Board', which has delivered dramatic improvements in Los Angeles.

Our businesses continue to evolve and adapt to changing market dynamics. At Heathrow, while we did not retain the BAA airside inter-terminal bussing and baggage transfer contract which will end in April 2006, we have won the new BAA landside 'Heathrow LOOP' bussing contract which starts in January 2007.

We intend to continue our growth in a market which has significant potential for expansion through a mix of organic growth and targeted acquisitions.

The conditional acquisition of Aeroground announced this month will give us critical mass in important US cargo airports and will double our turnover in the region. It has a strong strategic fit with our existing ground handling and cargo handling business in North America, with operations overlapping at four airports and new sites at a further five. It will bring significant synergies to our US West Coast cargo operations which will now be able to offer a wider range of services to an expanded group of customers. We expect that this acquisition will be earnings enhancing in 2006, and, together with our other US developments, will bring our US operations to break even by the year end.

We operate in global markets which, particularly in ground handling, are generally expected to continue current growth patterns. The opportunities which exist in these markets, and which we are now better able to realise, point to a positive future.

GROUP PERFORMANCE

Cash Flow

Free cash flow remains strong at £23.6m. Capital expenditure, at £22.1m (2004 £16.2m), was increased by £5.9m, reflecting Menzies Aviation's investment in equipment to support startup operations and our emphasis on renewing and upgrading existing ground handling equipment. Menzies Distribution also opened two new branches, replacing two smaller units, and spent £3m on IT including the installation of the first of a new generation of automated magazine packing systems. Net debt has reduced by £12.9m to £30.6m.

Interest

The interest cost at £0.8m was £2.1m below last year due to the full year benefit of the refinancing of a long-term bond in 2004, an increase in other income from the additional contribution in 2004 to the pension fund and lower average debt levels.

Dividend

The Board is recommending a final dividend of 13.7p per share, an increase of 5.4%. This brings our full year dividend to 19.5p, an increase of 5.4%, supported by a healthy level of dividend and free cash flow cover. This reflects our confidence in our future prospects.

Subject to the approval of the Annual General Meeting, the final dividend will be paid on 30 June to shareholders on the register as at the close of business on 2 June 2006. The shares will be quoted as ex-dividend on 31 May 2006.

Strategy

Over the last two years we have delivered against a consistent strategy:

1. Get the Basics Right
2. Build Strong Businesses
3. Grow from Strength.

The results have been particularly evident at Menzies Aviation, where the leadership team has raised service levels and delivered that service more consistently across the network. We have been successful in turning around underperforming stations in our 'Fix/Close/Sell' programme. The USA remains the last loss-making part of the system and we believe that, with the additional scale from our 2006 conditional purchase of Aeroground, the turnaround here is well under way. Finally, we have developed new products and become more customer focused. We have formed strong relationships with a number of major customers, including the fast-growing low-cost

sector. We are now much more confident that we can invest successfully in growing Menzies Aviation and create substantial shareholder value as we do so. The right platforms are now in place to grow the business more rapidly, both organically via contract wins at existing and new stations, and by acquisition.

Menzies Distribution is a much more mature division than Menzies Aviation. It is well-established in its geographical territories and delivers a high standard of service to publisher and retailer customers alike. Our 2006 conditional acquisition of Chester News enables us to extend that service into a new region. In the short term the business faces a tough consumer market. In addition, the sector is going through a number of changes, with contract renewals and changes in product mix depressing yields. This, together with the growth in supermarkets, is creating significant pressure on the remaining independent wholesalers. In this environment, it is important to control costs tightly and we are accelerating and intensifying our cost reduction initiatives. We are finding new ways to help our customers sell greater product volumes with less waste. We are also seeking new growth opportunities with regional newspapers and through extensions of our 'Superleague' programme.

Acquisitions since the year end

We have acquired two new businesses since the year end. On 8 February, we announced that Menzies Distribution had acquired CIWN, conditional on regulatory approval. On 8 March, we announced that Menzies Aviation had reached conditional agreement to acquire Aeroground, Inc., a provider of cargo handling services to customers at 9 airports in USA and Canada.

GROUP TRADING OUTLOOK

Menzies Distribution has experienced a significantly softer market in the first 10 weeks of 2006. The momentum in weekly magazines has softened and monthly magazine sales are running 8% below the same period last year. Partwork sales have been very disappointing at 37% below last year's weak figures. Newspaper sales are in line with our expectations and stickers are well ahead. We are implementing strategic initiatives to address the current market challenges but, if current trends continue, these will not be sufficient to offset the sales shortfall and the impact on margins of contract renewals. We therefore expect that Distribution's performance will be lower than that achieved in 2005.

We are well placed to grow Menzies Aviation, where revenues are running above our expectations supported by last year's contract wins. As a result of this together with contract wins in 2006 and the recent conditional acquisition of Aeroground, we expect that the division's performance for the coming year will be well ahead of last year.

Whilst we are still at an early stage in the year, we do not currently expect that the improvements in the performance of Aviation will fully offset the impact of the challenging environment in which Distribution is now operating. We therefore expect that the Group's overall performance for 2006 will be slightly behind our initial expectations.

Looking further ahead, we believe the outlook for the Group is positive.

Patrick Macdonald
Chief Executive
21 March 2006

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2005 (year ended 25 December 2004)

	Notes	2005 £m	2004 (restated) £m
Turnover			
Group and share of joint ventures and associates	1	1,390.0	1,369.2
Less share of:			
Joint ventures		(6.8)	(15.6)
Associates		(21.1)	(23.0)
Group turnover		1,362.1	1,330.6
Net operating costs		(1,329.0)	(1,301.1)
Group operating profit		33.1	29.5
Share of operating profit in:			
Joint ventures		1.0	0.6
Associates		2.8	2.8
Total operating profit pre-exceptional item	1	36.9	32.9
Gain on disposal of business	3	-	7.6
Profit on ordinary activities before interest		36.9	40.5
Net interest payable		(2.0)	(3.5)
Other finance income	2	1.2	0.6
Profit on ordinary activities before taxation		36.1	37.6
Taxation	4	(9.0)	(8.3)
Profit after taxation		27.1	29.3
Minority interests		(0.3)	(0.3)
Profit for the financial year		26.8	29.0
Dividends (including non-equity)	5	(11.5)	(10.7)
Retained profit for the financial year		15.3	18.3
Earnings per ordinary share			
Headline	6	52.2p	44.0p
FRS 3		46.5p	51.0p
Headline diluted		51.7p	43.7p
FRS 3 diluted		46.0p	50.7p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2005 (year ended 25 December 2004)

		2005 £m	2004 (restated) £m
Profit for the financial year		26.8	29.0
Actuarial (loss)/gain on defined benefit pensions	2	(9.4)	3.2
Deferred tax associated with defined benefit pensions		2.8	(1.0)
Currency translation		(0.4)	0.6
		19.8	31.8
Prior year adjustment for FRS 17		-	(62.6)
Total recognised gains/(losses) for the financial year		19.8	(30.8)

GROUP AND COMPANY BALANCE SHEETS

As at 31 December 2005 (25 December 2004)

	Notes	Group			Company	
		2005 £m	2004 £m	2005 £m	2004 £m	
Fixed assets						
Intangible assets		22.0	22.3	-	-	
Tangible assets		121.8	116.1	36.4	33.4	
Investments						
- joint ventures						
Share of gross assets		2.2	1.7	-	-	
Share of gross liabilities		(1.2)	(0.9)	-	-	
Shareholder loans		0.3	0.3	-	-	
		1.3	1.1	-	-	
- associates		21.5	20.2	-	-	
- subsidiaries		-	-	98.8	98.8	
Total investments		22.8	21.3	98.8	98.8	
		166.6	159.7	135.2	132.2	
Current assets						
Stocks		13.0	11.1	-	-	
Deferred tax asset		2.6	4.7	-	-	
Debtors		97.9	95.2	108.0	63.0	
Cash at bank and in hand		22.0	27.0	7.5	16.7	
		135.5	138.0	115.5	79.7	
Creditors: amounts falling due within one year						
Bank loans and overdrafts		(21.2)	(28.4)	(19.4)	(12.5)	
Other		(168.9)	(162.9)	(115.9)	(104.4)	
		(190.1)	(191.3)	(135.3)	(116.9)	
Net current liabilities		(54.6)	(53.3)	(19.8)	(37.2)	
Total assets less current liabilities		112.0	106.4	115.4	95.0	
Creditors: amounts falling due after more than one year						
Loans and other borrowings		(31.3)	(42.0)	(31.2)	(41.8)	
Other		-	(0.1)	-	-	
Provision for liabilities and charges						
Deferred tax		-	-	(0.5)	-	
Other		(7.2)	(8.5)	-	-	
Net assets excluding net pension liabilities		73.5	55.8	83.7	53.2	
Net pension liabilities	2	(21.9)	(16.3)	(21.9)	-	
Net assets		51.6	39.5	61.8	53.2	
Capital and reserves						
Called up share capital		14.7	14.4	14.7	14.4	
Share premium account	7	10.9	7.7	10.9	7.7	
Investment in own shares	7	(3.5)	(3.3)	-	-	
Profit and loss account	7	6.2	(2.8)	13.2	8.1	
Capital redemption reserve	7	21.6	21.6	21.6	21.6	
Equity shareholders' funds		49.9	37.6	60.4	51.8	
Non-equity share capital		1.4	1.4	1.4	1.4	
Shareholders' funds	8	51.3	39.0	61.8	53.2	
Equity minority interests		0.3	0.5	-	-	
		51.6	39.5	61.8	53.2	

The accounts were approved by the Board of Directors on 20 March 2006 and signed on its behalf by:

Patrick Macdonald, Chief Executive
Paul Dollman, Group Finance Director

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2005 (year ended 25 December 2004)

	£m	2005 £m	£m	2004 £m
Net cash inflow from operating activities		46.9		36.9
Dividends from joint ventures and associates		4.0		4.0
Returns on investments and servicing of finance				
Interest received	2.5		2.4	
Interest paid	(4.4)		(6.4)	
Preference dividends paid	(0.1)		(0.1)	
Minority interest dividends	(0.2)		-	
Net cash outflow from returns on investments and servicing of finance		(2.2)		(4.1)
Tax paid		(4.6)		(4.9)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(22.1)		(16.2)	
Sale of tangible fixed assets	1.6		0.6	
Net cash outflow from capital expenditure and financial investment		(20.5)		(15.6)
Acquisitions and disposals				
Investment in joint ventures and associates	-		(0.1)	
Other investments	-		(0.1)	
Purchase of subsidiaries	(0.8)		(3.2)	
Disposal of associates	-		1.1	
Disposal of subsidiaries	-		11.5	
Net cash (outflow)/inflow from acquisitions and disposals		(0.8)		9.2
Equity dividends paid		(10.9)		(10.3)
Net cash inflow before use of liquid resources and financing		11.9		15.2
Management of liquid resources				
Decrease in short term deposits	4.2		8.8	
Net cash inflow from management of liquid resources		4.2		8.8
Net cash inflow before financing		16.1		24.0
Financing				
Proceeds from shares issued	3.5		1.8	
Loan notes redeemed	-		0.2	
Sale of own shares	-		0.4	
Decrease in loans	(7.9)		(17.8)	
Net cash outflow from financing		(4.4)		(15.4)
Increase in cash in the year		11.7		8.6

NOTES TO THE ACCOUNTS

1. SEGMENTAL ANALYSIS

	Turnover		Operating profit		Net assets	
	2005	2004	2005	2004	2005	2004
	£m	£m	£m	(restated) £m	£m	£m
By class of business						
Distribution	1,104.3	1,109.4	30.7	30.5	30.7	29.4
Aviation	285.7	259.8	13.3	10.3	107.7	100.3
	1,390.0	1,369.2	44.0	40.8	138.4	129.7
Corporate	-	-	(3.8)	(4.3)	-	-
	1,390.0	1,369.2	40.2	36.5	138.4	129.7
Goodwill amortisation	-	-	(3.3)	(3.6)	-	-
	1,390.0	1,369.2	36.9	32.9	138.4	129.7
Reconciliation of net assets:						
Net debt					(30.6)	(43.5)
Unallocated net liabilities					(56.2)	(46.7)
Net assets					51.6	39.5
By geographical origin						
United Kingdom	1,224.5	1,223.1	29.5	24.9	68.6	69.1
Continental Europe	69.1	65.5	5.8	5.0	20.7	19.0
Americas	53.9	45.9	(1.4)	-	16.8	13.1
Rest of the World	42.5	34.7	3.0	3.0	32.3	28.5
	1,390.0	1,369.2	36.9	32.9	138.4	129.7
Joint Ventures and Associates included above						
Distribution						
Joint ventures	-	10.2	-	-	-	-
Associates	10.8	12.6	0.1	0.2	0.9	0.7
Aviation						
Joint ventures	6.8	5.4	1.0	0.6	1.3	1.1
Associates	10.3	10.4	4.5	4.4	20.6	19.5
	27.9	38.6	5.6	5.2	22.8	21.3
Goodwill amortisation	-	-	(1.8)	(1.8)	-	-
	27.9	38.6	3.8	3.4	22.8	21.3
Joint Ventures and Associates by geographical origin						
United Kingdom	10.8	22.8	0.1	0.2	0.9	0.7
Continental Europe	0.5	0.4	0.1	-	0.4	0.3
Americas	6.3	5.0	0.9	0.6	0.9	0.8
Rest of the World	10.3	10.4	2.7	2.6	20.6	19.5
	27.9	38.6	3.8	3.4	22.8	21.3

Turnover by geographical origin and destination do not materially differ.

Goodwill amortisation is attributable to Distribution - £0.3m (2004: £0.3m) and Aviation - £3.0m (2004: £3.3m).

The 2004 operating profit has been reduced by £0.3m following the adoption of FRS 20 "Share-based Payment" for 2005.

2. PENSIONS

Pension schemes

FRS 17, "Retirement benefits" was fully adopted for 2004. The adoption of FRS 17 has required a change to the accounting treatment of defined benefit pension arrangements, such that the Group includes the assets and liabilities of these arrangements in the Group's balance sheet. Current service costs, curtailment and settlement gains and losses, and net financial returns are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

FRS 17 movements

The Actuary undertook a valuation of the Menzies Pension Fund as at 31 December 2005 (2004: 31 December) under FRS 17.

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

	2005	2004	2003
	%	%	%
Rate of increase in salaries	3.50	3.35	3.25
Rate of increase in pensions	3.30	3.25	3.25
Price inflation	3.00	2.85	2.75
Discount rate	4.80	5.30	5.40

Net pension liabilities

The assets/(liabilities) in the scheme and the expected rates of return as at 31 December 2005 were as follows:

	Long term rate of return %	Value at December 2005 £m	Long term rate of return %	Value at December 2004 £m	Long term rate of return %	Value at December 2003 £m
Equities	7.5	128.9	7.5	104.9	8.0	117.9
Bonds	4.5	40.3	5.0	31.6	5.4	30.9
Property	6.0	38.7	6.0	31.2	-	-
Other	4.5	1.9	6.3	11.6	3.0	4.7
Total market value of assets		209.8		179.3		153.5
Present value of scheme liabilities		(241.1)		(202.6)		(191.1)
Deficit in scheme		(31.3)		(23.3)		(37.6)
Related deferred tax asset		9.4		7.0		11.3
Net pension liabilities		(21.9)		(16.3)		(26.3)

2. PENSIONS (continued)

FRS 17 movements

	2005 £m	2004 £m
Amounts charged to profit and loss account		
Current service cost	5.1	5.5
Past service costs	-	-
Total amount charged to profit and loss account	5.1	5.5
Amounts included as other finance income		
Expected return on pension scheme assets	11.5	10.5
Interest on pension liabilities	(10.3)	(9.9)
Net financial return	1.2	0.6
Amounts recognised in the statement of total recognised gains and losses		
Actual return less expected return on assets	17.6	3.4
Experience (losses)/gains on liabilities	(0.4)	4.3
Impact of changes in assumptions relating to the present value of scheme liabilities	(26.6)	(4.5)
Actuarial (loss)/gain	(9.4)	3.2
Movement in the deficit during the year		
Deficit in the Fund brought forward	(23.3)	(37.6)
Current service cost	(5.1)	(5.5)
Employer contributions	5.3	16.0
Net financial return	1.2	0.6
Actuarial (loss)/gain	(9.4)	3.2
Deficit in the Fund carried forward	(31.3)	(23.3)

FRS17 five year history

The following disclosures will be built up over time as a five year history:

	% of scheme assets/ liabilities	2005 £m	% of scheme assets/ liabilities	2004 £m	% of scheme assets/ liabilities	2003 £m	% of scheme assets/ liabilities	2002 £m
Difference between actual and expected return on scheme assets	8%	17.6	2%	3.4	9%	14.0	38%	(46.0)
Experience (losses)/gains on scheme liabilities	-	(0.4)	2%	4.3	1%	2.1	3%	(4.7)
Amount recognised in statement of total recognised gains and losses	4%	(9.4)	2%	3.2	4%	7.1	33%	(54.1)

3. EXCEPTIONAL ITEM

On 12 August 2004 the Group sold its executive aviation handling business, Execair, to BBA Group plc for a gain of £7.6m.

4. TAXATION

	2005	2004 (restated)
	£m	£m
(a) Analysis of charge in year		
Current tax		
UK corporation tax on profits for the year	7.2	6.2
Overseas tax	1.8	1.1
Adjustments to prior years' liabilities	(2.4)	-
Share of joint ventures	0.3	0.2
Share of associates	0.3	0.7
Total current tax	7.2	8.2
Deferred tax		
Origination and reversal of timing differences	1.2	3.6
Adjustments to prior years' liabilities	0.2	(0.2)
	1.4	3.4
Pension	0.4	(3.3)
Total deferred tax	1.8	0.1
Tax on profit on ordinary activities	9.0	8.3

There was no tax charge on the exceptional item in 2004.

The tax charge for the year is lower (2004: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005	2004 (restated)
	£m	£m
(b) Factors affecting tax charge for the year		
Profit on ordinary activities before tax	36.1	37.6
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	10.8	11.3
Effects of:		
Permanent differences (principally goodwill amortisation and exceptional items)	0.2	(1.0)
Capital allowances in excess of depreciation and other timing differences	(1.1)	(0.7)
Pension payments	(0.5)	(0.9)
Utilisation of tax losses	(2.5)	(2.0)
Adjustments to prior years' liabilities	(2.4)	-
Unrelieved overseas losses	2.2	1.3
Higher tax rates on overseas earnings	0.5	0.2
Current tax charge for year	7.2	8.2

(c) Factors that may affect future tax charges

No provision has been made for deferred tax on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the replacement assets were sold without it being possible to claim rollover relief, or the Group's existing capital losses could not be utilised. The total amount unprovided for is £1.7m (2004: £2.4m). At present it is not envisaged that any tax will become payable in the foreseeable future.

Some of the Group's overseas operations, particularly in the Netherlands, Hong Kong, Germany and the USA, have generated tax losses in the past, the future utilisation of which is uncertain. The Group has therefore not recognised a deferred tax asset of £18.6m (2004: £18.8m) in respect of certain tax losses of overseas companies.

No deferred tax asset has been provided in respect of capital losses within the Group. There are no current and binding contracts to sell any of the Group's assets and no sales are anticipated in the foreseeable future. The recoverability of these losses is therefore uncertain and as such, has not been provided in the accounts. The amount at 30% which may be recovered against future capital gains is £7.1m (2004: £7.9m).

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, joint ventures and associates. As the earnings are continually reinvested, no tax is expected to be payable on them in the foreseeable future.

5. DIVIDENDS

	2005 £m	2004 £m
Dividends on equity shares:		
Ordinary - Interim paid, 5.8p (2004: 5.5p) per share	3.4	3.1
- Final proposed, 13.7p (2004: 13.0p) per share	8.0	7.5
Dividends on non-equity shares:		
Preference shares	0.1	0.1
	11.5	10.7

Dividends of £0.1m (2004: £0.1m) were waived by employee share trusts (Note 7) during the year.

Subject to the approval of the Annual General Meeting, the final dividend will be paid on 30 June to shareholders on the register as at the close of business on 2 June 2006. The shares will be quoted as ex-dividend on 31 May 2006.

6. EARNINGS PER SHARE

	Headline		FRS 3	
	2005 £m	2004 (restated) £m	2005 £m	2004 (restated) £m
Operating profit	36.9	32.9	36.9	32.9
add back: goodwill amortisation	3.3	3.6	-	-
Exceptional item	-	-	-	7.6
Interest	(0.8)	(2.9)	(0.8)	(2.9)
Profit before taxation	39.4	33.6	36.1	37.6
Taxation	(9.0)	(8.3)	(9.0)	(8.3)
Minority interests	(0.3)	(0.3)	(0.3)	(0.3)
Preference dividends	(0.1)	(0.1)	(0.1)	(0.1)
Earnings for the year	30.0	24.9	26.7	28.9
Headline				
Earnings per ordinary share (pence)	52.2	44.0		
Diluted earnings per ordinary share (pence)	51.7	43.7		
FRS 3				
Earnings per ordinary share (pence)			46.5	51.0
Diluted earnings per ordinary share (pence)			46.0	50.7
Number of ordinary shares in issue (millions)				
Weighted average	57.462	56.619		
Diluted weighted average	58.079	57.032		

The weighted average number of fully paid shares in issue during the year excludes those held by the employee share trusts (Note 7). 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.

7. RESERVES

	Group				Company		
	Share premium account £m	Investment in own shares £m	Profit and loss account £m	Capital redemption reserve £m	Share premium account £m	Profit and loss account £m	Capital redemption reserve £m
At 25 December 2004	7.7	(3.3)	(2.8)	21.6	7.7	8.1	21.6
Share based payments	-	-	0.7	-	-	0.2	-
Actuarial loss (net of deferred tax)	-	-	(6.6)	-	-	(6.6)	-
Movement during the year	3.2	(0.2)	-	-	3.2	-	-
Profit for the year	-	-	26.8	-	-	23.0	-
Dividends	-	-	(11.5)	-	-	(11.5)	-
Currency translation	-	-	(0.4)	-	-	-	-
At 31 December 2005	10.9	(3.5)	6.2	21.6	10.9	13.2	21.6

The cumulative amount of goodwill resulting from acquisitions undertaken before April 1998, which has been written off to reserves, is £28.9m (2004: £28.9m).

Investment in own shares

The Company's ordinary shares are held in trust for an employee share scheme. At 31 December 2005 the trusts held 721,927 (2004: 729,545) ordinary 25p shares with a market value of £3,663,780 (2004: £3,797,282).

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £m	2004 (restated) £m
Profit for the financial year	26.8	29.0
Dividends	(11.5)	(10.7)
New share capital issued	3.5	1.8
Investment in own shares (Note 7)	(0.2)	0.4
Share based payments	0.7	0.3
Net actuarial (loss)/gain	(6.6)	2.2
Currency translation	(0.4)	0.6
Net increase in shareholders' funds	12.3	23.6
Shareholders' funds at beginning of year	39.0	15.4
Shareholders' funds at end of year	51.3	39.0

9. CASHFLOW

		2005	2004 (restated)
	£m	£m	£m
Operating Profit		36.9	32.9
Share based payments		0.7	0.3
Depreciation		16.5	16.3
Goodwill amortisation		1.5	1.8
Net pension movement		(0.3)	(0.5)
Working capital		(4.1)	(0.3)
Cash spend on exceptionals		-	(0.1)
Non cash items		(4.3)	(3.5)
Operating cash flow		46.9	46.9
Purchase of fixed assets	(22.1)		(16.2)
Sale of fixed assets	1.6		0.6
Net capital expenditure		(20.5)	(15.6)
Dividends from associates and joint ventures		4.0	4.0
Net interest paid		(1.9)	(4.0)
Preference and minority dividends paid		(0.3)	(0.1)
Tax paid		(4.6)	(4.9)
Free cash flow		23.6	26.3
Loan notes redeemed		-	0.2
Equity dividends paid		(10.9)	(10.3)
Additional pension payment		-	(10.0)
Acquisitions		(0.8)	(3.4)
Disposals		-	12.6
Shares		3.5	2.2
Total movement		15.4	17.6
Opening net debt		(43.5)	(63.3)
Currency movement		(2.5)	2.2
Closing net debt		(30.6)	(43.5)

10. 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.

11. POST BALANCE SHEET EVENTS

On 8 February 2006 the Group reached a conditional agreement to acquire the entire issued share capital of Chester Independent Wholesale Newsagents. It is anticipated that the transaction will be completed by the end of March 2006 subject to regulatory approval.

On 8 March 2006 the Group reached a conditional agreement to acquire the entire issued share capital of Aeroground Inc., a provider of air cargo handling services to customers at 9 airports in the USA and Canada. The total cash consideration amounts to \$28m with a further \$2m payable dependent on the future performance of the business over the next two years. It is expected that the transaction will be completed by the end of April 2006 subject to regulatory clearance.

12. ACCOUNTING POLICIES

This statement has been prepared in accordance with accounting standards and policies consistent with those set out in the Group Accounts for the year ended 31 December 2005.

13. ACCOUNTS

The figures used in this statement, which was approved by the directors on 20 March 2006, are not the Group's statutory accounts within the meaning of Section 240 of the Companies Act 1985 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 237 (2) to (4) of the Companies Act 1985.

14. ANNUAL REPORT

The Annual Report and Accounts will be posted on 21 April 2006 and the Annual General Meeting will be held at the Roxburghe Hotel in Edinburgh on 25 May 2006 at 12.15pm. Statutory accounts for the year ended 25 December 2004 have been delivered to the Registrar of Companies, and those for the year to 31 December 2005 will be delivered following the Company's Annual General Meeting.

15. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has prepared its consolidated financial statements for 2005 under UK GAAP, supplemented with pro forma IFRS financial information, rather than under IFRS as previously indicated. This is to comply with the Companies Act 1985 (as amended November 2004) and is a result of the accounting year commencing on 26 December 2004 prior to the IFRS adoption date of 1 January 2005.

The pro forma IFRS information is attached.

The adoption of IFRS for the 2006 financial statements will not have any substantial impact on our reported results.

BASIS OF PREPARATION

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 2006 financial reporting, with the exception of IAS 32 and IAS 39. International Financial Reporting Standards 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 30 December 2006.

GROUP INCOME STATEMENT (unaudited)

For the year ended 31 December 2005

	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
Revenue		1,362.1	-	-	1,362.1
Net operating costs	(a)	(1,329.0)	-	1.3	(1,327.7)
Operating profit		33.1	-	1.3	34.4
Share of post tax results of joint ventures and associates	(b)	3.8	(0.6)	-	3.2
Operating profit after joint ventures and associates		36.9	(0.6)	1.3	37.6
Interest payable	(c)	(4.3)	-	(0.1)	(4.4)
Interest receivable		2.3	-	-	2.3
Finance income		11.5	-	-	11.5
Finance charge		(10.3)	-	-	(10.3)
Profit before taxation		36.1	(0.6)	1.2	36.7
Taxation	(d)	(9.0)	0.6	(0.3)	(8.7)
Profit for the year		27.1	-	0.9	28.0
Attributable to equity shareholders		26.8	-	0.9	27.7
Attributable to minority interest		0.3	-	-	0.3
		27.1	-	0.9	28.0

*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	1.5
	Capitalisation of software development expenditure previously written off as operating expenses	IAS 38	0.6
	Amortisation of software development costs	IAS 38	(0.6)
	Reclassification of operating lease rentals to finance lease interest	IAS 17	0.1
	Goodwill adjustment for tax loss utilisation	IAS 12	(0.3)
			1.3
(b)	Reversal of joint venture and associate goodwill amortisation	IAS 38	1.8
	Goodwill impairment	IAS 38	(1.8)
			-
(c)	Reclassification of operating lease rentals to finance lease interest	IAS 17	(0.1)
(d)	Adjustment to deferred tax liability	IAS 12	(0.3)
			0.9

GROUP BALANCE SHEET (unaudited)

As at 26 December 2004 (IFRS opening position)

	Notes	As reported under UK GAAP* £m	Effect of transition to IFRS £m	As reported under IFRS £m
Assets				
Non-current assets				
Intangible assets	(a)	22.3	2.6	24.9
Property, plant and equipment	(b)	116.1	(1.0)	115.1
Investments		21.3	-	21.3
Deferred tax assets	(c)	12.8	0.3	13.1
		172.5	1.9	174.4
Current assets				
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
Liabilities				
Current liabilities				
Borrowings		(28.5)	-	(28.5)
Trade and other payables	(d)	(150.4)	7.5	(142.9)
Current income tax liabilities		(12.4)	-	(12.4)
		(191.3)	7.5	(183.8)
Net current liabilities		(58.0)	7.5	(50.5)
Total assets less current liabilities		114.5	9.4	123.9
Non-current liabilities				
Borrowings	(e)	(42.0)	(0.5)	(42.5)
Other		(0.1)	-	(0.1)
Provisions	(f)	(9.6)	(0.4)	(10.0)
Retirement benefit obligations	(g)	(23.3)	(1.1)	(24.4)
		(75.0)	(2.0)	(77.0)
Net assets		39.5	7.4	46.9
Shareholders' equity				
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		(2.8)	7.4	4.6
Capital redemption reserve		21.6	-	21.6
Total shareholders' equity		39.0	7.4	46.4
Minority interest in equity		0.5	-	0.5
Total equity		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>	<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	<u>1.4</u>
			2.6
(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	<u>(1.4)</u>
(c)	Mid to bid pension valuation deferred tax adjustment	IAS 12	0.3
(d)	Reversal of the previously reported dividend accrual	IAS 10	7.5
(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	(0.4)
(g)	Mid to bid pension valuation	IAS 19	<u>(1.1)</u>
	Cumulative adjustment to net assets		<u><u>7.4</u></u>

GROUP BALANCE SHEET (unaudited)

As at 31 December 2005

	Notes	As reported under UK GAAP* £m	Effect of transition to IFRS £m	As reported under IFRS £m
Assets				
Non-current assets				
Intangible assets	(a)	22.0	3.6	25.6
Property, plant and equipment	(b)	121.8	(0.7)	121.1
Investments	(c)	22.8	-	22.8
Deferred tax assets	(d)	13.4	0.4	13.8
		<u>180.0</u>	<u>3.3</u>	<u>183.3</u>
Current assets				
Inventories		13.0	-	13.0
Trade and other receivables		97.9	-	97.9
Cash and cash equivalents		22.0	-	22.0
		<u>132.9</u>	<u>-</u>	<u>132.9</u>
Liabilities				
Current liabilities				
Borrowings		(21.2)	-	(21.2)
Trade and other payables	(e)	(154.8)	8.0	(146.8)
Current income tax liabilities		(14.1)	-	(14.1)
		<u>(190.1)</u>	<u>8.0</u>	<u>(182.1)</u>
Net current liabilities		<u>(57.2)</u>	<u>8.0</u>	<u>(49.2)</u>
Total assets less current liabilities		<u>122.8</u>	<u>11.3</u>	<u>134.1</u>
Non-current liabilities				
Borrowings	(f)	(31.3)	(0.5)	(31.8)
Provisions	(g)	(8.6)	(0.7)	(9.3)
Retirement benefit obligations	(h)	(31.3)	(1.3)	(32.6)
		<u>(71.2)</u>	<u>(2.5)</u>	<u>(73.7)</u>
Net assets		<u>51.6</u>	<u>8.8</u>	<u>60.4</u>
Shareholders' equity				
Ordinary shares		14.7	-	14.7
Preference shares		1.4	-	1.4
Share premium account		10.9	-	10.9
Investment in own shares		(3.5)	-	(3.5)
Retained earnings		6.2	8.8	15.0
Capital redemption reserve		21.6	-	21.6
Total shareholders' equity		<u>51.3</u>	<u>8.8</u>	<u>60.1</u>
Minority interest in equity		0.3	-	0.3
Total equity		<u>51.6</u>	<u>8.8</u>	<u>60.4</u>

*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>	<u>£m</u>
(a)	Capitalisation of software development expenditure previously written off as operating expenses	IAS 38	1.3
	Transfer of capitalised software development expenditure previously shown as plant and equipment	IAS 38	1.1
	Goodwill adjustment for tax loss utilisation	IAS 38	(0.3)
	Reversal of subsidiary goodwill amortisation previously charged under UK GAAP	IAS 38	<u>1.5</u>
			3.6
(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	<u>(1.1)</u>
			(0.7)
(c)	Reversal of associates goodwill amortisation previously charged under UK GAAP	IAS 38	1.8
	Impairment of goodwill	IAS 38	<u>(1.8)</u>
			-
(d)	Mid to bid pension valuation deferred tax adjustment	IAS 12	0.4
(e)	Reversal of the previously reported dividend accrual	IAS 10	8.0
(f)	Finance lease creditor as a result of reclassification of operating lease	IAS 17	(0.5)
(g)	Adjustment to deferred tax liability	IAS 12	(0.7)
(h)	Mid to bid pension valuation	IAS 19	<u>(1.3)</u>
	Cumulative adjustment to net assets		<u><u>8.8</u></u>