

**John Menzies plc**

the time critical  
logistics company



**Interim Report 2007**

**The Group is delivering on its strategy. Menzies Aviation has achieved strong organic growth and is increasing its regional density and network to maximise our position in this high growth sector. Menzies Distribution is showing signs of stability and working closely with our customers to strengthen our clear No 2 market position.**

The Group's underlying performance for the full year is anticipated to be in line with our expectations. Looking forward, with a focused operational strategy in place, we are positioning the Group to best address the challenges within Menzies Distribution and drive the strong growth opportunities we see for Menzies Aviation.

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## Financial highlights

	2007		2006
Revenue	<b>£749.6m</b> ▲ 6%		£707.4m
Profit before taxation	<b>£15.3m</b> ▼ 22%		£19.5m
Underlying profit before taxation <sup>1</sup>	<b>£14.6m</b> ▼ 6%		£15.6m
Underlying operating profit <sup>2</sup>			
Menzies Aviation	<b>£6.2m</b> ▲ 22%		£5.1m
Menzies Distribution	<b>£10.9m</b> ▼ 13%		£12.5m
Underlying earnings per share <sup>3</sup>	<b>18.9p</b> ▼ 6%		20.1p
Interim dividend	<b>7.2p</b> ▲ 18%		6.1p

Interim results in line with expectations which reflects the continuing positive growth path of Menzies Aviation, coupled with a more stable market place for Menzies Distribution;

Menzies Aviation continues to grow and has demonstrated strong organic growth, new contract wins and the successful acquisition of the freight forwarding business UAC;

2008 will see Menzies Aviation continue to expand the business through organic growth by entering exciting new markets in India and South Africa;

Menzies Distribution focused on delivering cost and productivity initiatives to address changing trends;

Menzies Distribution has entered a new Joint Venture in Ireland, and has secured additional business in Chester and York;

Interim dividend of 7.2p (6.1p – 2006) reflecting the Board's confidence in the underlying strength of the Group underpinned by continued profit growth at Menzies Aviation and signs of stability within Menzies Distribution.

# Interim Statement

Revenue in the period increased by 6% to £749.6m. This was due to the effect of acquisitions in both businesses as well as contract wins in Menzies Aviation.

The Group's underlying profit before taxation fell by 6% to £14.6m. Menzies Aviation maintained its strong growth path with underlying operating profits in the period increasing by 22% to £6.2m, despite the impact of start up costs resulting from contract gains. Profits at Menzies Distribution were affected by lower newspaper volumes, and as expected, a drop in sticker sales from 2006 which included the World Cup. This, together with a challenging but now improving market environment, resulted in a 13% fall in underlying operating profits to £10.9m. Corporate costs were reduced by £0.4m to £1.4m and interest costs increased to £1.1m as a result of higher investment levels.

## Exceptional Items

Group profit before taxation and basic earnings per share benefited from an exceptional gain of £2.5m in 2007 compared to an exceptional gain of £5.3m in 2006. Menzies Distribution entered into joint venture agreements with Eason & Son Ltd in Northern Ireland and the Republic of Ireland resulting in a non-cash gain of £3.1m less £0.6m of costs associated to the transaction.

## Cash Flow and Investment

Cash generated from operations for the period was £(4.4)m compared to £5.9m in 2006. The main reason for the reduction was an outflow of £22.0m in working capital, compared with £7.3m in 2006. Menzies Distribution had a net working capital outflow due to the timing of payments made at the half year and the cash effect of re-organisation costs. Menzies Aviation also had a working capital outflow as a result of higher sales levels and a temporary increase in debtor days. Most of this movement has already reversed since the half year. Capital expenditure increased to £17.5m from £12.3m in 2006. This resulted in a free cash outflow of £19.1m compared to an outflow of £3.0m in 2006.

The Group spent a further £9.0m on acquisitions and investments in joint ventures, £6.9m in Menzies Aviation and £2.1m in Menzies Distribution.

The Group also paid a further £4.3m into the Pension Scheme, representing the balance of a £10m special contribution. The Pension Fund is currently fully funded and had a surplus at the half year.

The Group net debt at the half year totalled £115.7m, an increase in the period of £38.7m.

## Interim Dividend

The Board has declared a 7.2p interim dividend reflecting the Board's confidence in the underlying strength of the Group underpinned by continued profit growth at Menzies Aviation and the signs of stability within Menzies Distribution. The dividend will be paid on 30 November 2007 to shareholders on the register on 2 November 2007.

## Menzies Aviation

£m	H1 2007	H1 2006	Growth
Revenue	182.1	146.9	24%
Underlying operating profit <sup>2</sup>	6.2	5.1	22%

## Performance

Menzies Aviation had a positive first half. Significant new contracts were secured, demonstrating the success of our strategy to provide customers with first class service and reliability, at the right price. In addition, the acquisition of UAC, a freight forwarding business similar to our existing AMI business was successfully completed.

Major contract start ups included easyJet (Gatwick, Glasgow, East Midlands). The ability to start up scale operations at new locations demonstrates the value of our investment in our operating model, standards, training and safety.

We continue to seek appropriate acquisition opportunities. UAC has been integrated successfully with AMI and is delivering returns in line with our expectations. The acquisition pipeline remains healthy and we will continue to only acquire businesses that fit strategically and can be secured at the right price.

The additional profits from the new contract wins have been offset by start up costs and softer cargo volumes in the first half. In addition, Menzies Aviation has experienced some foreign exchange pressures particularly with the weaker US Dollar.

## Americas

The USA is trading well and continues to turn around from its previous position as an underperforming business. Management changes are driving service consistency and bringing in the Menzies culture.

USA ground handling operations prospered through acquisitions, cost savings and contract wins. Building on our initial entry with Spirit, we have extended our European model in low cost handling to include Jet Blue at 2 airports and Virgin America at what will be come a major base at Los Angeles and its new hub in San Francisco.

Cargo in North America has experienced the same soft cargo volumes felt across the network. However we secured a country wide deal to handle Aer Lingus at 7 locations and another to handle Lufthansa's cargo requirements at Chicago O'Hare Airport.

Outside North America, we won a multi-station deal with American Airlines in Mexico, and Peru continues to perform in line with our expectations. We have exited Venezuela since the half year.

## Europe, Middle East and Africa (EMEA)

EMEA had a strong first half. Our relationship with easyJet was further enhanced by new start ups at their operation at Gatwick, which involves some 70 flights per day, as well as Glasgow and East Midlands. Our joint venture operation in Spain has started very well and is delivering returns in line with our expectations.

After a competitive tender process we have been awarded a licence to operate at 10 airports in South Africa (including Johannesburg, Durban and Cape Town), and expect to start operations at a number of these airports from April 2008. This is an exciting organic growth opportunity in a targeted attractive market.

## Asia Pacific

Our Australian operations were boosted by winning the cargo and passenger/ramp business of British Airways at Sydney and passenger/ramp business for United Airlines at Melbourne and Sydney. These wins endorse our strategy of creating regional density, which we achieved last year with acquisitions in Perth and Brisbane.

Our new ventures in India, where we will start up cargo operations at the new Bangalore airport as well as both cargo and passenger/ramp operations at the new Hyderabad airport, are on track to start in April 2008. Project teams are in place and we look forward to an exciting new start up in these two brand new world class airports. By mid 2008 we expect to have 1,200 employees in India.

## Menzies Distribution

£m	H1 2007	H1 2006	Growth
Revenue	<b>567.5</b>	560.5	1%
Underlying operating profit <sup>2</sup>	<b>10.9</b>	12.5	(13)%

## Performance

Revenue in the period increased by 1% mainly due to acquisitions. Newspaper volumes fell as expected but this was not wholly compensated for by sufficient additional revenue resulting in a drop in gross profit. Overall like for like<sup>3</sup> magazine sales showed a marginal decline. We are pleased that there appears to be some stability returning to the marketplace with consumer trends settling down after a volatile period of consumers switching from monthly to weekly titles.

The magazine sector includes weekly, monthly and partwork sales. Like for like sales of monthly titles were down 3.2% in the period and weekly titles were up 0.8%. Partworks were broadly flat on last year as anticipated. As expected, stickers were well below the exceptional levels of World Cup products sold in 2006.

The joint venture with Eason & Son Ltd in Northern Ireland received regulatory approval and commenced on 15 April 2007. All operations have been integrated into a new Belfast branch. During the first half we reached agreement to acquire the business of Grays Newsagents (York) Ltd. Grays is a wholesaler of newspapers in the York area.

### **Cost Reduction Programme**

Focusing on cost control and on productivity remains our priority, and savings are in line with expectations. We are further developing the hub/spoke structure of our branch network, including Leeds/Bradford and Dundee/Inverness/Aberdeen. A further 3 branches have installed new magazine packing machines bringing the total to 8, and are increasing productivity. Following successful trials in late 2006, new returns processing technology is being rolled out across our branch network with significant increases in throughput.

### **New Business Streams**

As well as managing the efficiency of its newspaper and magazine distribution network, Menzies Distribution is exploring new revenue streams. We have recently launched a new service called D-Cipher which delivers a range of services to retailers and publishers in the management of the complex news category. We have also been developing a digital offering which will be launched in the second half of this year. This joint venture uses the latest technology to bring interactive magazines and content to individuals in a digital format. Both these ventures are part of our commitment to developing additional revenue streams.

### **Current Trading and Outlook**

Menzies Aviation will benefit in the second half as the contract wins start to deliver returns. Globally the business is trading in line with expectations, and although cargo volumes remain soft, we are well placed to benefit from any upturn in volume.

Menzies Distribution is showing signs of stability after a difficult year in 2006. We continue to focus on cost and productivity initiatives. Magazine volumes have been more stable during the summer months although it is too early to tell whether this is a long term trend.

In July we reached agreement with Dawson Holdings plc to take over the fulfilment of all titles currently distributed by them in the Chester, Rhyl and Bangor territories. This improves the profitability in the area for both parties.

The Group's underlying performance for the full year is anticipated to be in line with our expectations. Looking forward, with a focused operational strategy in place, we are positioning the Group to best address the challenges within Menzies Distribution and drive the strong growth opportunities we see for Menzies Aviation.

# Group Income Statement (unaudited)

for the half year to 30 June 2007

	Notes	Half year to 30 June 2007 £m	Half year to 1 July 2006 £m	Full year to 30 Dec 2006 £m
<b>Revenue</b>	1	<b>749.6</b>	707.4	1,450.4
Net operating costs		<b>(735.1)</b>	(689.0)	(1,416.4)
<b>Operating profit</b>		<b>14.5</b>	18.4	34.0
Share of post-tax results of joint ventures and associates		<b>1.9</b>	1.3	2.7
<b>Operating profit after joint ventures and associates</b>	1	<b>16.4</b>	19.7	36.7
Analysed as:				
Underlying operating profit	1	<b>15.7</b>	15.8	36.9
Exceptional items	2	<b>2.5</b>	5.3	3.0
Intangible amortisation	2	<b>(1.3)</b>	(0.9)	(2.2)
Share of tax on joint ventures and associates		<b>(0.5)</b>	(0.5)	(1.0)
Operating profit after joint ventures and associates		<b>16.4</b>	19.7	36.7
Finance income		<b>7.7</b>	7.0	15.6
Finance charges		<b>(8.8)</b>	(7.2)	(16.7)
<b>Profit before taxation</b>		<b>15.3</b>	19.5	35.6
Taxation		<b>(3.0)</b>	(4.8)	(8.4)
<b>Profit for the period</b>		<b>12.3</b>	14.7	27.2
Attributable to equity shareholders		<b>12.3</b>	14.6	27.0
Attributable to minority interests		–	0.1	0.2
		<b>12.3</b>	14.7	27.2
<b>Earnings per ordinary share</b>	4			
Basic		<b>21.0p</b>	25.1p	46.4p
Diluted		<b>20.8p</b>	24.9p	46.1p

## Statement of Recognised Income and Expense (unaudited)

for the half year to 30 June 2007

	<b>Half year to 30 June 2007</b>	Half year to 1 July 2006	Full year to 30 Dec 2006
	<b>£m</b>	£m	£m
Profit for the period	<b>12.3</b>	14.7	27.2
Actuarial gain on defined benefit pensions	<b>23.0</b>	5.5	23.4
Deferred tax associated with defined benefit pensions	<b>(6.9)</b>	(1.7)	(7.0)
Net exchange adjustments	<b>(0.3)</b>	(1.9)	(1.7)
Net gains not recognised in income statement	<b>15.8</b>	1.9	14.7
Total recognised income for the period	<b>28.1</b>	16.6	41.9
Attributable to equity shareholders	<b>28.1</b>	16.5	41.7
Attributable to minority interests	<b>–</b>	0.1	0.2
	<b>28.1</b>	16.6	41.9

# Group Balance Sheet (unaudited)

as at 30 June 2007

	As at 30 June 2007 Note	As at 1 July 2006 £m	As at 30 Dec 2006 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	68.1	48.3	59.0
Property, plant and equipment	138.6	127.9	133.3
Investments	23.8	20.6	18.9
Derivative financial assets	0.5	0.4	0.3
Deferred tax assets	3.8	8.5	3.8
Retirement benefit obligations	34.1	–	5.4
	<b>268.9</b>	205.7	220.7
<b>Current assets</b>			
Inventories	9.0	9.1	12.0
Trade and other receivables	126.5	110.6	110.8
Derivative financial assets	1.1	0.8	1.5
Cash and cash equivalents	5 19.0	8.2	18.8
	<b>155.6</b>	128.7	143.1
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	5 (22.2)	(1.3)	(8.8)
Derivative financial liabilities	(0.8)	(0.2)	(0.4)
Trade and other payables	(146.6)	(148.1)	(153.1)
Current income tax liabilities	(10.2)	(13.3)	(9.8)
	<b>(179.8)</b>	(162.9)	(172.1)
<b>Net current liabilities</b>	<b>(24.2)</b>	(34.2)	(29.0)
<b>Total assets less current liabilities</b>	<b>244.7</b>	171.5	191.7
<b>Non-current liabilities</b>			
Borrowings	5 (113.3)	(78.8)	(88.3)
Other payables	(0.6)	–	(0.9)
Derivative financial liabilities	–	(0.6)	(0.1)
Provisions	(5.5)	(8.6)	(7.0)
Deferred tax liabilities	(11.8)	–	(3.2)
Retirement benefit obligations	–	(14.1)	–
	<b>(131.2)</b>	(102.1)	(99.5)
<b>Net assets</b>	<b>113.5</b>	69.4	92.2
<b>Shareholders' equity</b>			
Ordinary shares	14.9	14.7	14.8
Share premium account	14.0	11.9	12.6
Investment in own shares	(3.4)	(3.5)	(3.5)
Retained earnings	66.0	24.3	46.3
Capital redemption reserve	21.6	21.6	21.6
<b>Total shareholders' equity</b>	<b>113.1</b>	69.0	91.8
Minority interest in equity	0.4	0.4	0.4
<b>Total equity</b>	<b>113.5</b>	69.4	92.2

# Group Cash Flow Statement (unaudited)

for the half year to 30 June 2007

	Notes	Half year to 30 June 2007 £m	Half year to 1 July 2006 £m	Full year to 30 Dec 2006 £m
<b>Cash flows from operating activities</b>				
Cash generated from operations	6	(4.4)	5.9	29.7
Interest received		1.0	0.2	2.1
Interest paid		(3.4)	(1.6)	(5.5)
Tax paid		(1.0)	(3.1)	(8.5)
<b>Net cash from operating activities</b>		<b>(7.8)</b>	1.4	17.8
<b>Cash flows from investing activities</b>				
Loan (to)/repaid by joint venture/associate		(2.9)	–	0.1
Acquisition of subsidiaries		(6.1)	(26.0)	(38.1)
Net cash acquired with subsidiaries		–	1.0	1.1
Purchase of property, plant and equipment		(17.2)	(12.8)	(25.4)
Intangible asset additions		(0.3)	(0.3)	(0.5)
Proceeds from sale of property, plant and equipment		–	0.8	1.1
Dividends received		1.9	2.2	4.1
<b>Net cash used in investing activities</b>		<b>(24.6)</b>	(35.1)	(57.6)
<b>Cash flows from financing activities</b>				
Net proceeds from issue of ordinary share capital		1.5	1.0	1.8
Finance lease additions		–	–	0.1
Repayment of borrowings		(1.1)	(15.3)	(15.3)
Proceeds from borrowings		26.2	43.6	58.9
Dividends paid to ordinary shareholders		(8.7)	(8.0)	(11.6)
Dividends paid to minority interests		–	–	(0.1)
<b>Net cash from financing activities</b>		<b>17.9</b>	21.3	33.8
<b>Decrease in net cash and cash equivalents</b>	5	<b>(14.5)</b>	(12.4)	(6.0)
Effects of exchange rate movements		–	–	(0.2)
Opening net cash and cash equivalents		12.5	18.7	18.7
<b>Closing net cash and cash equivalents *</b>	5	<b>(2.0)</b>	6.3	12.5

\* Net cash and cash equivalents include cash at bank and in hand and bank overdrafts.

# Notes to the Interim Accounts

for the half year to 30 June 2007

## 1. Segmental analysis

Primary business segments (a) Interim 2007	Distribution £m	Aviation £m	Corporate £m	Group £m
Revenue	567.5	182.1	–	749.6
Operating profit/(loss)	13.2	2.7	(1.4)	14.5
Share of post-tax results of joint ventures	0.2	0.6	–	0.8
Share of post-tax results of associates	–	1.1	–	1.1
Operating profit/(loss) after joint ventures and associates	13.4	4.4	(1.4)	16.4

Analysed as:

Underlying operating profit/(loss) *	10.9	6.2	(1.4)	15.7
Net gain on exchange of businesses	2.5	–	–	2.5
Contract amortisation	–	(0.4)	–	(0.4)
Goodwill impairment	–	(0.9)	–	(0.9)
Share of tax on joint ventures and associates	–	(0.5)	–	(0.5)
Operating profit/(loss) after joint ventures and associates	13.4	4.4	(1.4)	16.4

(b) Interim 2006	£m	£m	£m	£m
Revenue	560.5	146.9	–	707.4
Operating profit/(loss)	16.8	2.9	(1.3)	18.4
Share of post-tax results of joint ventures	–	0.5	–	0.5
Share of post-tax results of associates	–	0.8	–	0.8
Operating profit/(loss) after joint ventures and associates	16.8	4.2	(1.3)	19.7

Analysed as:

Underlying operating profit/(loss) *	12.5	5.1	(1.8)	15.8
Pension credit	4.0	1.3	0.5	5.8
Gain on exchange of contract rights	2.5	–	–	2.5
Rationalisation and integration costs	(2.2)	(0.8)	–	(3.0)
Goodwill impairment	–	(0.9)	–	(0.9)
Share of tax on joint ventures and associates	–	(0.5)	–	(0.5)
Operating profit/(loss) after joint ventures and associates	16.8	4.2	(1.3)	19.7

<b>(c) Full year 2006</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Revenue	1,132.0	318.4	–	1,450.4
Operating profit/(loss)	28.0	8.9	(2.9)	34.0
Share of post-tax results of joint ventures	–	1.0	–	1.0
Share of post-tax results of associates	–	1.7	–	1.7
Operating profit/(loss) after joint ventures and associates	28.0	11.6	(2.9)	36.7
Analysed as:				
Underlying operating profit/(loss) *	23.7	16.6	(3.4)	36.9
Pension credit	4.0	1.3	0.5	5.8
Gain on exchange of contract rights	2.5	–	–	2.5
Rationalisation and integration costs	(2.2)	(3.1)	–	(5.3)
Contract amortisation	–	(0.4)	–	(0.4)
Goodwill impairment	–	(1.8)	–	(1.8)
Share of tax on joint ventures and associates	–	(1.0)	–	(1.0)
Operating profit/(loss) after joint ventures and associates	28.0	11.6	(2.9)	36.7

\* Underlying operating profit is defined as operating profit excluding intangible amortisation (Note 2b) and exceptional items but including the pre-tax share of results from joint ventures and associates.

## 2. Underlying performance

### (a) Exceptional items

#### 2007

##### *Net gain on exchange of businesses – £2.5m*

During the period the Group completed joint venture agreements with Eason & Son Ltd combining newspaper and magazine distribution businesses in Northern Ireland and the Republic of Ireland. The fair value of the Group's shareholding in the combined ventures is considered to be £3.1m. As the transferred businesses had no carrying value in the Group's balance sheet there is effectively no cost of disposal to offset against the interests received. As a result, a non-cash gain of £3.1m was created, offset by required transaction costs of £0.6m.

#### 2006

##### *Pension credit – £5.8m*

With effect from 1 May 2006 the principal Group-funded defined benefit scheme in the UK changed from a final pensionable salary scheme to an average salary scheme and employee contributions were increased. Benefits accrued to current active members prior to 1 May 2006 are now linked to future price inflation rather than future salary increases. The impact of these changes was a reduction of £5.8m in the present value of the scheme liabilities in respect of past service.

##### *Gain on exchange of contract rights – £2.5m*

During the half year to 1 July 2006 the Group transferred its 20% shareholding in T Cox & Son (Tonbridge) Limited to another wholesaler in return for an interest in certain magazine distribution contracts in the southwest London area. The fair value of the contractual rights acquired and the shares disposed of were considered to be equivalent, and both were estimated at £2.5m. As the shareholding had no carrying value in the Group's balance sheet there was effectively no cost of disposal to offset against the interests received. As a result, a non-cash gain of £2.5m was created.

## Notes to the Interim Accounts – Continued

### *Rationalisation and integration costs – June 2006 £3.0m; December 2006 £5.3m*

Costs of rationalising excess capacity comprised asset write-downs and staff costs, and integration costs for new businesses.

The taxation effect of the exceptional items was a charge of £1.1m during 2006.

### (b) Intangible amortisation

#### *Goodwill impairment*

These financial statements include an impairment charge of £0.9m for the half year to June 2007 (June 2006: £0.9m; December 2006: £1.8m) reflecting the unexpired life of the current licence at Menzies Macau Aviation Services Limited.

#### *Contract amortisation*

These financial statements include a charge of £0.4m for the half year to June 2007 (June 2006: £nil; December 2006: £0.4m) on contracts capitalised as intangible assets on acquisition of businesses following the adoption of IFRS.

## 3. Dividends

	<b>Half year to 30 June 2007</b>	Half year to 1 July 2006	Full year to 30 Dec 2006
	<b>£m</b>	£m	£m
<b>Dividends on equity shares:</b>			
Ordinary – Interim paid in respect of 2006, 6.1p per share	–	–	3.6
– Final paid in respect of 2005, 13.7p per share	–	8.0	8.0
– Final paid in respect of 2006, 14.4p per share	<b>8.7</b>	–	–
	<b>8.7</b>	8.0	11.6

In addition, the directors are proposing an interim dividend in respect of the half year to 30 June 2007 of 7.2p per ordinary share, which will absorb an estimated £4.2m of shareholders' funds. Payment will be made on 30 November 2007 to shareholders on the register at the close of business on 2 November 2007.

#### 4. Earnings per share

	Basic			Underlying*		
	Half year to 30 June 2007 £m	Half year to 1 July 2006 £m	Full year to 30 Dec 2006 £m	Half year to 30 June 2007 £m	Half year to 1 July 2006 £m	Full year to 30 Dec 2006 £m
Operating profit	14.5	18.4	34.0	14.5	18.4	34.0
add back: intangible amortisation	–	–	–	1.3	0.9	2.2
share of tax on joint ventures and associates	–	–	–	0.5	0.5	1.0
less: exceptional items	–	–	–	(2.5)	(5.3)	(3.0)
Finance costs	(1.1)	(0.2)	(1.1)	(1.1)	(0.2)	(1.1)
Share of post-tax results of joint ventures and associates	1.9	1.3	2.7	1.9	1.3	2.7
Profit before taxation	15.3	19.5	35.6	14.6	15.6	35.8
Taxation	(3.0)	(4.8)	(8.4)	(3.5)	(3.8)	(9.4)
Tax charge on exceptional items	–	–	–	–	–	1.1
Minority interests	–	(0.1)	(0.2)	–	(0.1)	(0.2)
Earnings for the period	12.3	14.6	27.0	11.1	11.7	27.3

#### Basic

Earnings per ordinary share (pence)	21.0	25.1	46.4
Diluted earnings per ordinary share (pence)	20.8	24.9	46.1

#### Underlying\*

Earnings per ordinary share (pence)	18.9	20.1	46.9
Diluted earnings per ordinary share (pence)	18.8	20.0	46.6

#### Number of ordinary shares in issue (millions)

Weighted average	58.691	58.110	58.206
Diluted weighted average	59.000	58.600	58.544

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.

\* Underlying earnings are presented as an additional performance measure. They are stated before intangible amortisation and exceptional items.

## Notes to the Interim Accounts – Continued

### 5. Analysis of changes in net borrowings

	As at 30 Dec 2006 £m	Half year cash flows £m	Currency translation £m	As at 30 June 2007 £m
Cash at bank and in hand	18.8	0.2	–	<b>19.0</b>
Bank overdrafts	(6.3)	(14.7)	–	<b>(21.0)</b>
Net cash and cash equivalents	12.5	(14.5)	–	<b>(2.0)</b>
Bank loans due within one year	(2.3)	1.1	–	<b>(1.2)</b>
Loan stock due within one year	(0.1)	–	–	<b>(0.1)</b>
Preference shares	(1.4)	–	–	<b>(1.4)</b>
Finance leases	(0.6)	–	–	<b>(0.6)</b>
Debt due after one year	(86.4)	(25.7)	0.9	<b>(111.2)</b>
Net derivative financial assets	1.3	(0.5)	–	<b>0.8</b>
Net borrowings	(77.0)	(39.6)	0.9	<b>(115.7)</b>

### 6. Cash generated from operations

	Half year to 30 June 2007 £m	Half year to 1 July 2006 £m	Full year to 30 Dec 2006 £m
Operating profit	<b>14.5</b>	18.4	34.0
Depreciation	<b>10.1</b>	8.5	18.1
Amortisation of intangible assets	<b>0.4</b>	0.5	1.3
Share-based payments	<b>0.3</b>	0.3	0.7
Gain on exchange of businesses/contract rights	<b>(3.1)</b>	(2.5)	(2.5)
Loss/(gain) on sale of property, plant and equipment	<b>0.3</b>	(0.2)	(0.2)
Pension charge	<b>1.8</b>	2.4	4.7
Past service pension credit	–	(5.8)	(5.8)
Pension contributions in cash	<b>(5.9)</b>	(8.4)	(11.1)
Rationalisation and integration costs	–	–	5.3
Cash spend on rationalisation and integration costs	<b>(0.8)</b>	–	(2.5)
Decrease in inventories	<b>3.0</b>	3.8	1.0
(Increase)/decrease in trade and other receivables	<b>(11.9)</b>	(5.6)	0.4
Decrease in trade and other payables and provisions	<b>(13.1)</b>	(5.5)	(13.7)
	<b>(4.4)</b>	5.9	29.7

### Definitions

- Underlying profit before tax is defined as profit before taxation, intangible amortisation and exceptional items.
- Underlying operating profit includes each Division's share of pre-tax profit from joint ventures and associates, and excludes exceptional items and intangible amortisation.
- Underlying earnings per share is profit after taxation and minority interest, but before intangible amortisation and exceptional items, divided by the weighted average number of ordinary shares in issue.
- Free cash flow is defined as the cash generated by the business after capital investment, interest and tax, and before acquisitions, disposals, ordinary dividends, share issues and one-off pension fund contributions.
- Like for like sales exclude acquisitions and contracts in new territories.

You can access the full interim results for the half year to 30 June 2007 by visiting the John Menzies plc website.

[www.johnmenziesplc.com](http://www.johnmenziesplc.com)



Our investor relations section provides a wealth of information about our Group, including:

- > our history
- > corporate information
- > divisional business description
- > financial performance
- > share price
- > corporate governance
- > services for shareholders
- > copies of the Group's accounts



### Shareholder information

#### Low cost share dealing

The Group has arranged a low cost dealing service for those wishing to buy or sell shares in John Menzies plc. To use this service please call Stocktrade on 0845 601 0995 and quote reference **LOW C0014**

#### Registrars

Computershare Investor Services plc are the Company's registrars, and all queries regarding your shareholding should be directed to them.

Their contact details are:

tel: 0870 703 6303

email: [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk)

or you can log into their Investor Centre at

[www.computershare.com/investor/uk](http://www.computershare.com/investor/uk)

John Menzies plc  
108 Princes Street, Edinburgh EH2 3AA  
Tel: +44 (0) 131 225 8555  
Fax: +44 (0) 131 226 3752

Email: [info@johnmenziesplc.com](mailto:info@johnmenziesplc.com)

[www.johnmenziesplc.com](http://www.johnmenziesplc.com)