

John Menzies plc

Interim results for the period ended 28 June 2008

Highlights

Group

- Diversity and geographical breadth of Group provides resilience in challenging markets

Menzies Aviation

- Clear, selective strategy delivers further progress despite a difficult marketplace
- Contract gain momentum maintained with 27 (net) contracts gained in the first half
- New major ventures in India and South Africa progressing well

Menzies Distribution

- Stable performance produced during 2007 continues
- News International contract renewed for 5 years
- Cost and productivity initiatives delivering benefits

Financial Highlights

- Revenue up 10.3% to £826.5m (2007: £749.6m)
- Underlying profit before tax^[1] of £11.4m (2007: £14.6m) and profit before tax of £11.3m (2007: £15.3m) reflects start-up costs of £3.5m (2007: £1.1m) associated with organic growth
- Menzies Aviation: Adjusted underlying operating profit of £7.6m (2007: £7.3m) (excluding start-up costs)
Underlying operating profit^[2] of £4.1m (2007: £6.2m)
- Menzies Distribution: Underlying operating profit of £10.9m (2007: £10.9m)
- Underlying earnings per share^[3] of 14.3p (2007: 18.9p) reflecting the investment in contract wins at Menzies Aviation
- Progressive dividend policy: Interim dividend of 7.56p representing an increase of 5%

William Thomson, Chairman said:

"The Group continues to follow its strategy of selectively growing Menzies Aviation while maintaining earnings from Menzies Distribution. At Menzies Aviation the focus on creating regional densities by targeting attractive airlines in attractive markets has been invaluable as our airline customers face unprecedented challenges. The division has again succeeded in winning a number of new contracts and successfully started major new operations in India and South Africa.

At Menzies Distribution the stability achieved during 2007 has continued. The division continues to drive down costs through productivity initiatives. Good progress has been made on new revenue ventures and we have successfully entered the market in the Republic of Ireland.

The Board is satisfied that the current strategy is continuing to drive the Group forward in this challenging market and overall the Group is performing broadly in line with the Market's expectations."

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Notes to Editors:

- 1** John Menzies plc is one of Scotland's largest companies. The company has two operating divisions, Menzies Aviation and Menzies Distribution. Both divisions operate in distinct B2B sectors where success depends on providing an efficient, high quality, time-critical service to their customers and partners.
- 2** The company was established in 1833 and its head office is in Edinburgh, Scotland. Today the company is an international business operating in Europe, North and Central America, Asia, Australasia and Africa.
- 3** Menzies Aviation is one of the world's leading independent suppliers of ground handling services to the aviation market, providing ground and cargo services for many of the world's leading airlines and some of the busiest international airports. The division employs over 16,500 people across the world, at 113 airports in 27 countries servicing more than 500 aviation customers.
- 4** 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 5.7 million newspapers (6.1 million on Sundays) and 2.7 million magazines (covering 3,000 magazine titles) each day, with deliveries to more than 23,000 customers.
- 5** Further information on John Menzies plc can be found at: www.johnmenziesplc.com, www.menziesaviation.com and www.menziesdistribution.com

Group Performance

Revenue in the period for the Group increased by 10.3% to £826.5m. Menzies Aviation continued on its growth path with an increase in revenue from a combination of organic and acquisition growth, whilst Menzies Distribution delivered another stable performance with revenue 3.5% higher at £587.2m.

Group underlying profit before tax fell by 21.9% to £11.4m. After the impact of the start-up costs of £3.5m (2007: £1.1m) to support the continued organic growth and contract win momentum, the Aviation underlying operating profit was £2.1m down at £4.1m. Aviation's underlying operating profit before start-up costs was £0.3m up on 2007 at £7.6m.

Aviation revenues increased by 31.4% in the period. Return on sales (excluding start-up costs) fell from 3.7% in the first half of 2007 to 2.9% in 2008. This was mainly as a result of higher turnover at AMI, the cargo forwarding business which attracts lower margins, the underperformance of the USA cargo business and profits still to be fully realised from new ventures in Scandinavia and South Africa.

In line with last year, Distribution delivered underlying operating profit of £10.9m. Like for like sales of Magazines were down year-on-year, while Newspapers like for like sales were marginally ahead.

Corporate costs were a further £0.5m lower than 2007 at £0.9m for the period. Interest costs of £2.7m were £1.6m higher than last year reflecting higher net debt levels owing to the continued investment programme in Aviation.

Exceptional Items

Group profit before tax and basic earnings per share benefited from a net exceptional gain of £2.4m compared to the exceptional gain of £2.5m in 2007. Menzies Aviation's disposal of its interest in Talma Menzies in Peru gave rise to a gain on disposal of £8.2m. This was partially offset by an impairment charge of £3.4m mainly relating to our investment in Aeroground and provisions for onerous leases of £2.4m.

Cashflow and Investment

Operating cashflow was £10.5m, an increase of £8.7m compared to 2007 reflecting an improved working capital position. Free cash outflow of £21.4m compared to £19.1m in 2007 reflects increased capital expenditure in the period.

The Group net debt at the half year totalled £152.7m, an increase in the period of £41.4m, reflecting the continued investment programme in Aviation. The Group continues to have a strong Balance Sheet.

Interim Dividend

The Board has declared an increase of 5% in the interim dividend to 7.56p reflecting the Board's continued confidence in the businesses. The dividend will be paid on 28 November 2008 to shareholders on the register at the close of business on 31 October 2008.

Menzies Aviation

<u>£m</u>	<u>2008</u>	<u>2007</u>
Revenue	239.3	182.1
Underlying operating profit (excluding start-up costs)	7.6	7.3
Start-up costs	(3.5)	(1.1)
Net underlying operating profit	4.1	6.2

Performance

Menzies Aviation made further progress during the first half with revenue up over 30%, despite a market place where its customers faced unprecedented challenges.

The division has a focussed strategy of creating regional densities by targeting attractive airlines in attractive markets. This strategy has been enormously valuable at a time when airlines are facing severe financial pressures in the light of soaring oil prices and a global economic slowdown. While the division is not immune to the industry problems, its strategy combined with the geographical diversity of the business leaves it well placed to progress in these difficult times.

The business now has three core product categories, namely ground handling, cargo handling and cargo forwarding.

Fig1. - Core Product Categories – Revenue Split Revenue

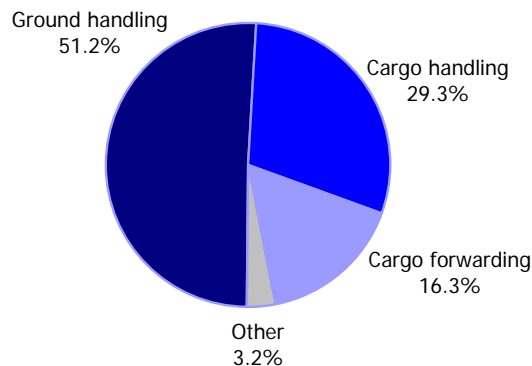
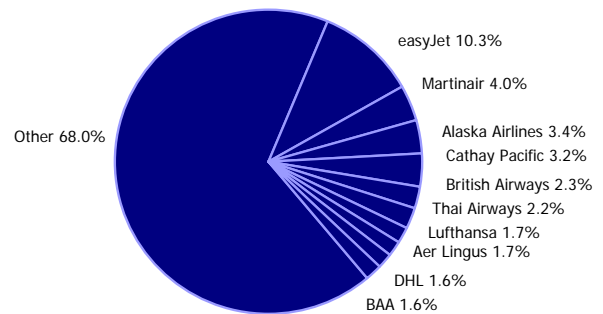


Fig 2. - Top 10 Customers by Divisional



The division has a good balance of products and customers and it is a strength of the business, particularly in current markets, that it is not over reliant on any one customer. In addition, the customers listed have all been identified as “attractive customers” and fit into the divisional strategy of working with attractive airlines in attractive markets.

Three businesses were acquired during the first half. The excellent contract gain momentum also continued with the division winning more customers at existing locations and entering new markets with new and existing customers.

Overall the division was a net winner of 27 contracts in the period. Start-up costs associated with these contracts are expensed in year one and have impacted the half year earnings and

consequently the full year. However, they leave the division well placed to deliver further earnings growth in the medium term.

Significant contract renewals during the period included cargo and ground handling contracts with bmi (UK), Lufthansa (UK & Czech Republic), Emirates (New Zealand), Virgin Atlantic (Australia) and Asiana (USA).

Ground Handling

The ground handling business continues to prosper operating at 102 airports worldwide. Underlying regional performance varied, with weaker performance in the Czech Republic, the Netherlands and Hong Kong offset by stronger performance in Spain, UK, New Zealand and Mexico/Caribbean. New contracts were gained at existing stations and start-ups commenced at 16 airports. Overall turns were up 16.6% driven by contract gains and the new start-ups in South Africa.

The division aims to provide airlines with a safe and secure service that turns their aircraft round on time, every time. To allow the division to invest sufficiently to provide this high level of service, it is necessary to secure contracts for an appropriate length of time. The division aims to secure all new business on a five year basis. Leading airlines understand the benefit of this and are willing to work in partnership to ensure a first class service is provided.

Cargo Handling

The division operates 38 cargo centres across the world. The cargo handling market continues to disappoint with volumes soft and yields under pressure. Overall volume was broadly flat.

In North America, where the division operates cargo centres in 10 locations, the year has started poorly and is loss making. The business is under-performing due to a combination of yield decline and labour management issues. In addition, operational issues in Chicago resulting from the construction of a new highway have also affected earnings. Management actions are in place to mitigate these issues and it is expected that real progress will be made by the year end.

The division's cargo business has a diverse spread of customers and locations. Therefore it is not over reliant on any one region and this leaves it well placed when volumes increase again.

Cargo Forwarding

AMI, the world's largest trade-only airfreight consolidator, performed well. Turnover was up 86.1% following the annualisation of acquisitions made in the previous year and a good performance from the core business. During the period MMA Consolidators Pty Ltd, a business based in South Africa, was acquired. The combined business now has a significant presence in the world's key cargo markets. The AMI business represents c16% of divisional turnover and although it has a lower average margin than the other parts of the business it makes a welcome contribution to divisional earnings.

New Ventures

During the period regional density opportunities were created in South Africa, India and Scandinavia.

In South Africa, operations started at six airports on 1 March after the division, following a competitive tender process, secured ground handling licences at ten airports. Commercially this

venture has been a great success with customer wins exceeding expectations. However, 2008 earnings are being suppressed by labour issues. Currently the region is over staffed and actions are underway to reduce labour levels to those required. This short term issue will be resolved by the year end and the region is expected to make its projected returns during 2009.

To supplement the ground handling business the division acquired Air Cargo Resources, a cargo handling business based at Johannesburg, Cape Town and Durban and MMA, a freight forwarding business operating from Johannesburg. This ensures that as well as capturing the benefits of regional density we are able to offer our customers a full service offering.

In India, operations commenced at new greenfield airports at Hyderabad and Bangalore. Both were major operational start-ups and are performing well. In Hyderabad, ground and cargo handling commenced on 23 March 2008 and in Bangalore our cargo operations commenced on 24 May 2008. From a standing start the division now employs some 1,360 people. India is an attractive growth market with excellent expansion opportunities.

In Scandinavia, the acquisition of Novia Sverige AB was integrated with the business of Finnhandling AB, acquired in November 2007, and an organic start-up in Copenhagen which commenced on 1 January 2008. This combination makes the division the major independent ground handler in the region handling some 1,040 flights per week at 5 airports in 3 countries across the region.

Outlook

The marketplace for the aviation industry is very challenging and it is expected that this will continue into next year with pressure on cargo volumes and flight schedules. However, the division through its geographic diversification, aligned with its strategy of focussing on attractive airlines in attractive markets remains resilient and is well placed to continue on its expansion path that has been successfully delivered over the last five years.

Decisive management actions have been implemented in response to the current market conditions, with costs being taken out of the central overhead and selectively from operational management, including addressing the current challenges within the USA cargo business. While the costs will be incurred in 2008, the benefits will be realised fully during 2009.

In India, where our new operations have made a solid start, tenders are underway for further ground handling licences.

Menzies Distribution

<u>£m</u>	<u>2008</u>	<u>2007</u>
Revenue	587.2	567.5
Underlying operating profit	10.9	10.9

The Distribution division produced a solid performance, maintaining the profitability achieved in the previous year. Revenue was up £19.7m (3.5%) in total, boosted by the acquisitions of Grays of York and new business in Chester during the second half of 2007. Like for like sales growth was 0.8%.

During the first half the marketplace performed broadly in line with expectations. Newspapers continued to perform well with cover price growth more than offsetting volume reductions, particularly on Monday to Friday titles. Overall newspaper revenues rose by 2.3% on a like for like basis.

Performance in the magazine market remained mixed but in line with expectations. Sales of monthly titles continued to decline, the weekly sector again produced modest growth, while the relatively small partwork market declined further. Overall magazine sales were down 2.5% on a like for like basis.

During the period contract re-negotiations were successfully concluded with News International, maintaining our overall market share. New terms have been secured for five years with effect from July 2009. The outcome was very satisfactory and underpins our expectations for the business.

Cost and Productivity Initiatives

Further progress was made on cost and productivity initiatives. Year on year benefits were achieved from initiatives implemented in 2007: hub and spoke network changes, magazine packing technology investment and centralisation of newspaper allocations. In addition, the programmes to implement state of the art returns machinery and to fully centralise customer services are nearing completion and delivering the projected operational efficiencies.

The project to implement the SAP Enterprise Resource Planning (ERP) solution continues and remains scheduled to go live during 2009. Importantly, costs and progress are in line with budget, with blueprint and prototype phases complete and the project moving into the realisation stage.

New Revenue Streams

The division's joint venture with Eason & Son Ltd commenced trading in the Republic of Ireland in January 2008. The early stages of the integration involved converting existing operations to Menzies' standard systems. By bringing the division's technology and logistics expertise to the marketplace, the service provision available to both retailers and publishers is being greatly enhanced. As a result, there is an opportunity to grow market share in the short to medium term.

The joint venture's operations in Northern Ireland, which commenced in early 2007, continued to trade satisfactorily.

The development of Menzies Digital, our virtual wholesaling initiative continues. The venture was launched on-line in partnership with WH Smith Retail in May. Progress since the launch has been encouraging although the venture, while exciting, remains in the embryonic stage at this time.

D-Cipher, the retail category management service business, traded well in the period adding Boots UK Ltd to its portfolio of clients.

Office of Fair Trading

In March the Office of Fair Trading announced its intention to publish the result of its review in late summer of this year. At this time there has been no announcement. We continue to participate in the review and await their findings.

Summary and Current Trading

At Menzies Aviation, the industry is experiencing turbulent times, which will inevitably lead to some volume reduction in the remainder of this year and into 2009. However, the division will benefit from its robust business model focussing on attractive airlines and is well placed to deliver further growth in the second half.

New contract momentum has continued since the period end with the division securing contracts with Star Alliance at London Heathrow, Virgin America at Seattle Tacoma and at London Gatwick with US Airways and Clickair.

At Menzies Distribution, the problems facing the entire print media sector continue to have a detrimental effect for us as a result of the decline in core sales. Cover price increases help offset volume losses somewhat and, therefore, the outlook for future sales remains in line with recent trends. The division continues to drive cost initiatives and aggressively pursue new revenue streams.

The Board is satisfied that the current strategy is continuing to drive the Group forward in this challenging market and overall the Group is performing broadly in line with the Market's expectations.

Notes:

- (1) Underlying profit before tax is defined as profit before taxation, intangible amortisation and exceptional items.
- (2) Underlying operating profit includes each division's share of pre-tax profit from joint ventures and associates, and excludes intangible amortisation and exceptional items.
- (3) Underlying earnings per share is profit after taxation and minority interest, but before intangible amortisation and exceptional items, divided by weighted average number of ordinary shares in issue.

GROUP INCOME STATEMENT (unaudited)

for the half year to 28 June 2008

	Notes	Half year to 28 June 2008 £m	Half year to 30 June 2007 £m	Full year to 29 December 2007 £m
Revenue	3	826.5	749.6	1,541.1
Net operating costs		(814.2)	(735.1)	(1,507.9)
Operating profit		12.3	14.5	33.2
Share of post-tax results of joint ventures and associates		1.6	1.9	3.4
Operating profit after joint ventures and associates	3	13.9	16.4	36.6
<i>Analysed as:</i>				
Underlying operating profit		14.1	15.7	41.0
Exceptional items	4	2.4	2.5	0.1
Intangible amortisation	4	(1.9)	(1.3)	(2.8)
Share of interest and tax on joint ventures and associates		(0.7)	(0.5)	(1.7)
Operating profit after joint ventures and associates		13.9	16.4	36.6
Finance income		8.9	7.7	17.3
Finance charges		(11.5)	(8.8)	(22.1)
Profit before taxation		11.3	15.3	31.8
Taxation	5	(2.8)	(3.0)	(5.7)
Profit for the period		8.5	12.3	26.1
Attributable to equity shareholders		8.5	12.3	26.0
Attributable to minority interests		-	-	0.1
		8.5	12.3	26.1
Earnings per ordinary share	7			
Basic		14.3p	21.0p	44.2p
Diluted		14.3p	20.8p	44.0p

STATEMENT OF RECOGNISED INCOME AND EXPENSE (unaudited)

for the half year to 28 June 2008

Profit for the period		8.5	12.3	26.1
Actuarial (loss)/gain on defined benefit pensions	12b	(20.3)	23.0	(3.2)
Deferred tax associated with defined benefit pensions		5.7	(6.9)	1.0
Net exchange adjustments		2.2	(0.3)	2.4
Net (losses)/gains recognised directly in equity		(12.4)	15.8	0.2
Total recognised (loss)/income for the period		(3.9)	28.1	26.3
Attributable to equity shareholders		(3.9)	28.1	26.2
Attributable to minority interests		-	-	0.1
		(3.9)	28.1	26.3

GROUP BALANCE SHEET (unaudited)

as at 28 June 2008

	Notes	As at 28 June 2008 £m	As at 30 June 2007 £m	As at 29 December 2007 £m
Assets				
Non-current assets				
Intangible assets	8	87.3	68.1	78.6
Property, plant and equipment		162.0	138.6	146.9
Investments	8	41.9	23.8	34.8
Derivative financial assets		0.7	0.5	-
Deferred tax assets		6.9	3.8	4.1
Retirement benefit obligations	12	-	34.1	9.5
		298.8	268.9	273.9
Current assets				
Inventories		10.7	9.0	12.4
Trade and other receivables		162.8	126.5	142.2
Derivative financial assets		1.9	1.1	0.6
Cash and cash equivalents	9	29.3	19.0	22.9
		204.7	155.6	178.1
Liabilities				
Current liabilities				
Borrowings	9	(65.0)	(22.2)	(7.8)
Derivative financial liabilities		(6.6)	(0.8)	(2.9)
Trade and other payables		(197.7)	(146.6)	(188.9)
Current income tax liabilities		(7.5)	(10.2)	(8.7)
		(276.8)	(179.8)	(208.3)
Net current liabilities		(72.1)	(24.2)	(30.2)
Total assets less current liabilities		226.7	244.7	243.7
Non-current liabilities				
Borrowings	9	(113.0)	(113.3)	(124.0)
Other payables		-	(0.6)	(0.5)
Derivative financial liabilities		-	-	(0.1)
Provisions		(7.1)	(5.5)	(5.1)
Deferred tax liabilities		(2.9)	(11.8)	(5.6)
Retirement benefit obligations	12	(9.0)	-	-
		(132.0)	(131.2)	(135.3)
Net assets		94.7	113.5	108.4

Shareholders' equity				
Ordinary shares	13	15.1	14.9	15.0
Share premium account	13	15.8	14.0	15.1
Investment in own shares	13	(3.3)	(3.4)	(3.4)
Retained earnings	13	45.5	66.0	60.1
Capital redemption reserve	13	21.6	21.6	21.6
Total shareholders' equity		94.7	113.1	108.4
Minority interest in equity	13	-	0.4	-
Total equity		94.7	113.5	108.4

GROUP CASH FLOW STATEMENT (unaudited)
for the half year to 28 June 2008

	Notes	Half year to 28 June 2008 £m	Half year to 30 June 2007 £m	Full year to 29 December 2007 £m
Cash flows from operating activities				
Cash generated from operations	10	9.2	(4.4)	48.5
Interest received		0.9	1.0	2.4
Interest paid		(7.2)	(3.4)	(10.0)
Tax paid		(2.0)	(1.0)	(2.9)
Net cash from operating activities		0.9	(7.8)	38.0
Cash flows from investing activities				
Investment in joint ventures and associates		(9.0)	-	(13.8)
Loan (to)/ repaid by joint venture/associate		(0.2)	(2.9)	0.1
Disposal of interest in joint venture		10.3	-	-
Disposal of investments		-	-	0.2
Acquisition of subsidiaries		(8.1)	(6.1)	(16.8)
Net cash acquired with subsidiaries		0.7	-	1.9
Purchase of property, plant and equipment		(25.5)	(17.2)	(32.0)
Intangible asset additions		(0.7)	(0.3)	(3.0)
Acquisition of minority interest		-	-	(0.4)
Proceeds from sale of property, plant and equipment		1.9	-	0.7
Dividends received		1.3	1.9	4.0
Net cash used in investing activities		(29.3)	(24.6)	(59.1)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		0.8	1.5	2.7
Finance lease additions		0.2	-	-
Repayment of borrowings		(1.3)	(1.1)	-
Proceeds from borrowings		34.6	26.2	40.0
Dividends paid to ordinary shareholders		(11.0)	(8.7)	(12.8)
Dividends paid to minority interests		-	-	(0.1)
Net cash from financing activities		23.3	17.9	29.8
(Decrease)/Increase in net cash and cash equivalents	9	(5.1)	(14.5)	8.7
Effects of exchange rate movements		-	-	(0.2)
Opening net cash and cash equivalents		21.0	12.5	12.5
Closing net cash and cash equivalents*	9	15.9	(2.0)	21.0

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

Notes to the Interim Financial Statements

1. INTRODUCTION

These interim consolidated financial statements are for the 26 weeks ended 28 June 2008. They were approved by the Board on 20 August 2008 and are unaudited. These interim financial results do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year to 29 December 2007, prepared in accordance with IFRS, which carried an unqualified Auditors' Report, have been filed with the Registrar of Companies.

2. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 29 December 2007, as described in those annual financial statements.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending December 2008:

IFRS 7 "Financial Instruments: Disclosures" and IAS 1 "Presentation of Financial Statements – Capital Disclosures" are both effective for annual periods beginning on or after 1 January 2007. IFRIC 11, IFRS 2 "Group and Treasury Share Transactions" is effective for annual periods beginning on or after 1 March 2007. As this interim report contains only condensed financial statements, full IFRS disclosures are not required at this stage. The full IFRS disclosures will be given in the annual financial statements for the year ending December 2008.

The following new standards, amendments to standards or interpretations have been issued, but are not effective for the financial year ending December 2008 and have not been early adopted:

IFRIC 14, IAS 19 "The limit on a defined benefit asset, minimum funding requirements and their interaction" is effective for annual periods beginning on or after 1 January 2008.

IFRS 8 "Operating Segments", Amendment to IAS 23 "Borrowing costs" and Amendment to IFRS 2 "Share based payments" are effective for annual periods beginning on or after 1 January 2009.

IFRS 3 "Business combinations (revised)" is effective for annual periods beginning on or after 1 July 2009.

3. SEGMENTAL ANALYSIS

Primary business segments (a) Interim 2008	Distribution £m	Aviation £m	Corporate £m	Group £m
Revenue	587.2	239.3	-	826.5
Operating profit/(loss)	10.4	2.8	(0.9)	12.3
Share of post-tax results of joint ventures	0.1	0.8	-	0.9
Share of post-tax results of associates	-	0.7	-	0.7
Operating profit/(loss) after joint ventures and associates	10.5	4.3	(0.9)	13.9

Analysed as:				
Underlying operating profit/(loss)*	10.9	4.1	(0.9)	14.1
Gain on disposal of interest in joint venture	-	8.2	-	8.2
Onerous lease provision (Note 4)	-	(2.4)	-	(2.4)
Contract amortisation	-	(1.0)	-	(1.0)
Goodwill impairment (Note 4)	(0.4)	(3.9)	-	(4.3)
Share of interest on joint ventures and associates	-	(0.1)	-	(0.1)
Share of tax on joint ventures and associates	-	(0.6)	-	(0.6)
Operating profit/(loss) after joint ventures and associates	10.5	4.3	(0.9)	13.9

(b) Interim 2007	£m	£m	£m	£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

(c) Full year 2007	£m	£m	£m	£m
Revenue	1,147.3	393.8	-	1,541.1
Operating profit/(loss)	25.2	13.4	(5.4)	33.2
Share of post-tax results of joint ventures	0.4	1.2	-	1.6
Share of post-tax results of associates	-	1.8	-	1.8
Operating profit/(loss) after joint ventures and associates	25.6	16.4	(5.4)	36.6

Analysed as:				
Underlying operating profit/(loss)*	23.4	20.6	(3.0)	41.0
Net gain on exchange of businesses	2.5	-	-	2.5
Dilapidations settlement on onerous lease	-	-	(2.4)	(2.4)
Contract amortisation	-	(1.0)	-	(1.0)
Goodwill impairment	-	(1.8)	-	(1.8)
Share of interest on joint ventures and associates	(0.1)	(0.2)	-	(0.3)
Share of tax on joint ventures and associates	(0.2)	(1.2)	-	(1.4)
Operating profit/(loss) after joint ventures and associates	25.6	16.4	(5.4)	36.6

* Underlying operating profit is defined as operating profit excluding intangible amortisation (Note 4b) and exceptional items but including the pre-tax share of results from joint ventures and associates.

Seasonality has no significant impact within the newspaper and magazine markets. Due to the seasonal nature of cargo handling within the aviation market, higher revenue and operating profits are usually expected in the second half of the financial year, mainly attributed to an increase in cargo movements in the pre-Christmas period.

	Distribution £m	Aviation £m	Corporate £m	Group £m
(a) Interim 2008				
Segment assets	166.9	292.1	8.3	467.3
Unallocated assets				36.2
Total assets				503.5
Segment liabilities	(107.7)	(82.4)	(21.3)	(211.4)
Unallocated liabilities				(197.4)
Total liabilities				(408.8)
Segment net assets/(liabilities)	59.2	209.7	(13.0)	255.9
Unallocated net liabilities				(161.2)
Net assets				94.7
(b) Interim 2007				
Segment assets	151.9	208.7	7.0	367.6
Unallocated assets				56.9
Total assets				424.5
Segment liabilities	(83.1)	(54.4)	(16.0)	(153.5)
Unallocated liabilities				(157.5)
Total liabilities				(311.0)
Segment net assets/(liabilities)	68.8	154.3	(9.0)	214.1
Unallocated net liabilities				(100.6)
Net assets				113.5

(c) Full year 2007

Segment assets	164.8	246.4	4.3	415.5
Unallocated assets				36.5
Total assets				452.0
Segment liabilities	(109.9)	(66.3)	(21.3)	(197.5)
Unallocated liabilities				(146.1)
Total liabilities				(343.6)
Segment net assets/(liabilities)	54.9	180.1	(17.0)	218.0
Unallocated net liabilities				(109.6)
Net assets				108.4

	Revenue			Segment assets		
	Interim 2008 £m	Interim 2007 £m	Full year 2007 £m	Interim 2008 £m	Interim 2007 £m	Full year 2007 £m
Secondary geographic segments						
United Kingdom	662.9	631.4	1,282.4	284.3	228.8	270.4
Continental Europe	58.3	43.9	95.4	57.3	45.5	45.8
Americas	56.7	49.5	103.0	50.1	48.0	51.4
Rest of the World	48.6	24.8	60.3	75.6	45.3	47.9
	826.5	749.6	1,541.1	467.3	367.6	415.5

4. UNDERLYING PERFORMANCE

	Notes	Half year to 28 June 2008 £m	Half year to 30 June 2007 £m	Full year to 29 December 2007 £m
(a) Exceptional items				
Gain on disposal of interest in joint venture	(i)	8.2	-	-
Goodwill impairment	(ii)	(3.4)	-	-
Onerous lease provision	(iii)	(2.4)	-	-
Net gain on exchange of businesses	(iv)	-	2.5	2.5
Dilapidations settlement on onerous lease	(v)	-	-	(2.4)
		2.4	2.5	0.1

- (i) During the period the Group disposed of the 50% interest in the joint venture in Peru, Talma Menzies SRL, for a consideration of £10.3m.
- (ii) Following a deterioration in the North American cargo handling market over recent months the acquired goodwill in respect of Aeroground Inc has been tested for impairment in accordance with IAS 36 and a goodwill charge of £3.0m (approximately 1/3 of the original amount capitalised) has been recognised. This goodwill impairment resulted from poor post acquisition performance exacerbated

by recent global market conditions. The recoverable amount of the cash-generating unit was measured based on a value in use calculation and a discount rate of 8%.

The Group's investment in associate company Worldwide Magazine Distribution Ltd has also been reviewed for impairment in accordance with IAS 36 and restated to reflect current trading performance. As a result, an impairment charge of £0.4m has been recognised.

- (iii) This provision is in respect of future obligations on two leasehold properties, which have become empty during the period.
- (iv) During 2007 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.
- (v) During 2007 the Group was served with a schedule of dilapidations in respect of a sublet property, where the remaining lease term was 65 years. As part of the negotiated settlement the Group's remaining obligations under this onerous lease were renounced on 8 January 2008.

	Notes	Half year to 28 June 2008 £m	Half year to 30 June 2007 £m	Full year to 29 December 2007 £m
(b) Intangible amortisation				
Goodwill impairment	(i)	(0.9)	(0.9)	(1.8)
Contract amortisation	(ii)	(1.0)	(0.4)	(1.0)
		(1.9)	(1.3)	(2.8)

- (i) 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 other intangible assets. Accordingly, these financial statements include an impairment charge of £0.9m (June 2007: £0.9m, December 2007: £1.8m) reflecting the remaining life of the current licence at Menzies Macau Aviation Services Ltd.
- (ii) This charge relates to contracts capitalised as intangible assets on the acquisition of businesses following the adoption of IFRS.

5. TAXATION

The share of results from joint ventures and associates is after taxation of £0.6m (2007: £0.5m). The overall effective rate is 24.8% (2007: 19.6%).

The phased abolition of industrial buildings allowances by the end of March 2011 was enacted by Royal Assent in July and will be fully reflected in the Group's financial statements for the year ended December 2008. The estimated effect will be an increase in the deferred tax liability of £5m.

6. DIVIDENDS

	Half year to 28 June 2008 £m	Half year to 30 June 2007 £m	Full year to 29 December 2007 £m
Dividends on equity shares:			
Ordinary: Interim paid in respect of 2007, 7.2p per share	-	-	4.1
Final paid in respect of 2006, 14.4p per share	-	8.7	8.7
Final paid in respect of 2007, 18.4p per share	11.0	-	-
	11.0	8.7	12.8

In addition, the directors are proposing an interim dividend in respect of the half year to 28 June 2008 of 7.56p per ordinary share which will absorb an estimated £4.5m of shareholders' funds. Payment will be made on 28 November 2008 to shareholders on the register at the close of business on 31 October 2008.

7. EARNINGS PER SHARE

	Basic			Underlying*		
	Half year 2008 £m	Half year 2007 £m	Full year 2007 £m	Half year 2008 £m	Half year 2007 £m	Full year 2007 £m
Operating profit	12.3	14.5	33.2	12.3	14.5	33.2
add back: intangible share of tax on joint ventures and associates	-	-	-	1.9	1.3	2.8
share of interest on joint ventures and associates	-	-	-	0.6	0.5	1.4
Less: exceptional items	-	-	-	(2.4)	(2.5)	(0.1)
Finance costs	(2.6)	(1.1)	(4.8)	(2.7)	(1.1)	(5.1)
Share of post-tax results of joint ventures and associates	1.6	1.9	3.4	1.6	1.9	3.4
Profit before taxation	11.3	15.3	31.8	11.4	14.6	35.9
Taxation	(2.8)	(3.0)	(5.7)	(3.4)	(3.5)	(7.1)
Tax on exceptional items	-	-	-	0.5	-	(0.5)
Minority interests	-	-	(0.1)	-	-	(0.1)
Earnings for the period	8.5	12.3	26.0	8.5	11.1	28.2

Basic

Earnings per ordinary share (pence)

14.3 21.0 44.2

Diluted earnings per ordinary share (pence)

14.3 20.8 44.0

Underlying*

Earnings per ordinary share (pence)

14.3 18.9 47.9

Diluted earnings per ordinary share (pence)

14.3 18.8 47.7

Number of ordinary shares in issue

(millions)

Weighted average	59.438	58.691	58.871
Diluted weighted average	59.636	59.000	59.137

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.

8. INTANGIBLE ASSETS

Intangible assets comprise goodwill of £44.4m (2007: £41.5m), contracts of £41.2m (2007: £24.6m) and capitalised software development costs of £1.7m (2007: £2.0m).

Investments also include goodwill in respect of joint ventures and associates of £8.3m (2007: £10.0m).

9. ANALYSIS OF CHANGES IN NET BORROWINGS

	As at 29 Dec 2007 £m	Half year cash flows £m	Currency translation £m	As at 28 June 2008 £m
Cash at bank and in hand	22.9	6.4	-	29.3
Bank overdrafts	(1.9)	(11.5)	-	(13.4)
Net cash and cash equivalents	21.0	(5.1)	-	15.9
Bank loans due within one year	(5.7)	(45.5)	(0.3)	(51.5)
Loan stock due within one year	(0.1)	-	-	(0.1)
Preference shares	(1.4)	-	-	(1.4)
Finance leases	(0.6)	0.4	-	(0.2)
Debt due after one year	(122.1)	10.9	(0.2)	(111.4)
Net derivative financial liabilities	(2.4)	0.7	(2.3)	(4.0)
Net borrowings	(111.3)	(38.6)	(2.8)	(152.7)

10. CASH GENERATED FROM OPERATIONS

	Half year to 28 June 2008 £m	Half year to 30 June 2007 £m	Full year to 29 December 2007 £m
Operating profit	12.3	14.5	33.2
Depreciation	11.6	10.1	21.0
Amortisation of intangible assets	1.0	0.4	1.6
Share-based payments	0.3	0.3	0.4
Exceptional items	(2.4)	-	-
Gain on exchange of businesses	-	(3.1)	(3.1)
Dilapidations on onerous lease	(3.0)	-	2.4
Loss/(gain) on sale of property, plant and equipment	0.3	0.3	(0.2)
Pension charge	1.2	1.8	3.6
Pension contributions in cash	(1.8)	(5.9)	(7.7)
Cash spend on rationalisation and integration costs	(0.1)	(0.8)	(1.2)
Decrease/(increase) in inventories	1.7	3.0	(0.4)
Increase in trade and other receivables	(15.8)	(11.9)	(21.0)
Increase/(decrease) in trade and other payables and provisions	3.9	(13.1)	19.9
	9.2	(4.4)	48.5

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:

	Half year to 28 June 2008 %	Half year to 30 June 2007 %	Full year to 29 December 2007 %
Rate of increase in salaries	4.60	3.80	3.90
Rate of increase in pensions (pre 1 May 2006)	4.10	3.50	3.55
Rate of increase in pensions (post 1 May 2006)	2.50	2.50	2.50
Price inflation	4.10	3.30	3.40
Discount rate	6.70	6.00	5.90

Fair value of assets and reconciliation to the balance sheet

	Value at 28 June 2008 £m	Value at 30 June 2007 £m	Value at 29 Dec 2007 £m
Total value of assets	231.8	253.7	250.2
Defined benefit obligation	(240.8)	(219.6)	(240.7)
Recognised in balance sheet	(9.0)	34.1	9.5
Related deferred tax asset/(liability)	2.5	(10.2)	(2.7)
Net pension (liabilities)/assets	(6.5)	23.9	6.8

(b) Components of pension expense

	Half year to 28 June 2008 £m	Half year to 30 June 2007 £m	Full year to 29 Dec 2007 £m
Amounts charged to the Income Statement			
Current service cost	1.2	1.8	3.6
Total amount charged to the income statement	1.2	1.8	3.6

	£m	£m	£m
Amounts included in finance costs			
Expected return on pension scheme assets	7.9	7.5	15.1
Interest on pension liabilities	(6.7)	(5.9)	(11.7)
Net financial return	1.2	1.6	3.4
Pension expense	-	0.2	0.2

	£m	£m	£m
Amounts recognised in the Statement of Recognised Income and Expense			
(Loss)/gain on assets	(24.0)	7.3	(2.7)
Actuarial gain/(loss) on defined benefit obligation	3.7	15.7	(0.5)
Total (loss)/gain	(20.3)	23.0	(3.2)

	£m	£m	£m
Change in scheme assets during the period			
Fair value of assets at start of period	250.2	237.2	237.2
Expected return on assets	7.9	7.5	15.1
Company contributions	1.8	5.9	7.7
Employee contributions	0.7	0.8	1.6
Benefits and expenses paid	(4.8)	(5.0)	(8.7)
(Loss)/gain on assets	(24.0)	7.3	(2.7)
Fair value of assets at end of period	231.8	253.7	250.2

Change in defined benefit obligation during the period	£m	£m	£m
Defined benefit obligation at start of period	(240.7)	(231.8)	(231.8)
Current service cost	(1.2)	(1.8)	(3.6)
Interest cost	(6.7)	(5.9)	(11.7)
Employee contributions	(0.7)	(0.8)	(1.6)
Benefits and expenses paid	4.8	5.0	8.5
Actuarial gain/(loss) on defined benefit obligation	3.7	15.7	(0.5)
Defined benefit obligation at end of period	(240.8)	(219.6)	(240.7)

The actual return on scheme assets was a loss of £16.1m (June 2007: a gain of £14.8m)

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	Total £m
As at 29 December 2007	15.0	15.1	(3.4)	60.1	21.6	108.4
Profit for the period	-	-	-	8.5	-	8.5
Dividends	-	-	-	(11.0)	-	(11.0)
New share capital issued	0.1	0.7	-	-	-	0.8
Movement during the period	-	-	0.1	-	-	0.1
Share-based payments	-	-	-	0.3	-	0.3
Actuarial loss (net of deferred tax)	-	-	-	(14.6)	-	(14.6)
Exchange adjustments	-	-	-	2.2	-	2.2
As at 28 June 2008	15.1	15.8	(3.3)	45.5	21.6	94.7
As at 30 December 2006	14.8	12.6	(3.5)	46.3	21.6	91.8
Profit for the period	-	-	-	12.3	-	12.3
Dividends	-	-	-	(8.7)	-	(8.7)
New share capital issued	0.1	1.4	-	-	-	1.5
Movement during the period	-	-	0.1	-	-	0.1
Share-based payments	-	-	-	0.3	-	0.3
Actuarial gain (net of deferred tax)	-	-	-	16.1	-	16.1
Exchange adjustments	-	-	-	(0.3)	-	(0.3)
As at 30 June 2007	14.9	14.0	(3.4)	66.0	21.6	113.1
As at 30 December 2006	14.8	12.6	(3.5)	46.3	21.6	91.8
Profit for the period	-	-	-	26.0	-	26.0
Dividends	-	-	-	(12.8)	-	(12.8)
New share capital issued	0.2	2.5	-	-	-	2.7
Movement during the period	-	-	0.1	-	-	0.1
Share-based payments	-	-	-	0.4	-	0.4
Actuarial gain (net of deferred tax)	-	-	-	(2.2)	-	(2.2)
Exchange adjustments	-	-	-	2.4	-	2.4
As at 29 December 2007	15.0	15.1	(3.4)	60.1	21.6	108.4
		Minority interest £m				
As at 29 December 2007	-					
Share of profit after tax	-					
As at 28 June 2008	-					
As at 30 December 2006	0.4					
Share of profit after tax	-					
As at 30 June 2007	0.4					

As at 30 December 2006	0.4
Share of profit after tax	0.1
Dividends	(0.1)
Acquired during the year	(0.4)
As at 29 December 2007	-

14. ACQUISITIONS

Menzies Aviation acquired the following businesses during the period:

	Airline Cargo Resources	MMA Consolidators Pty Ltd	Novia Sverige AB	OCS Baggage Services	Total
Country of operation	South Africa £m	South Africa £m	Sweden £m	UK £m	£m
Purchase consideration					
Cash paid	0.5	0.3	5.2	0.3	6.3
Acquisition costs	0.1	0.1	0.1	-	0.3
Deferred consideration	0.6	2.0	1.6	-	4.2
Total purchase consideration	1.2	2.4	6.9	0.3	10.8
Fair value of net assets acquired	1.2	0.6	6.9	-	8.7
Goodwill	-	1.8	-	0.3	2.1

The provisional fair value of the assets and liabilities arising from the acquisition are as follows:

	£m	£m	£m	£m	£m
Non-current assets					
Intangible assets (contracts) – fair value	1.2	-	7.0	-	8.2
Property, plant and equipment	-	0.1	0.2	-	0.3
Current assets	-	1.8	2.4	-	4.2
Cash	-	0.7	-	-	0.7
Current liabilities	-	(2.0)	(2.7)	-	(4.7)
Net assets acquired	1.2	0.6	6.9	-	8.7

These figures remain provisional pending finalisation of the formal completion accounts process.

15. RELATED PARTY TRANSACTIONS

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

Related party	Group shareholding %	Sales to related party £m	Purchases from related party £m	Amounts owed by related party at 28 June 2008 £m
Freshport BV	50	0.1	-	-
Swissport Menzies Handling Ute	39	0.3	-	1.0
Disposed during the period: Talma Menzies SRL (Peru)	50	0.5	-	0.1

The Group's shareholding in Talma Menzies SRL (Peru) was disposed of during the period to the joint venture partner (Note 4).

Certain activities, including treasury, taxation, insurance, pension and legal matters are provided by the parent company to subsidiary companies and are recharged on a cost-plus basis.

Statement of Directors' Responsibilities

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by Disclosure and Transparency Rules (DTR) 4.2.7 and DTR 4.2.8.

The directors of John Menzies plc are listed in the John Menzies plc Annual Report for the year ended 29 December 2007. A list of current directors is maintained on the John Menzies plc website: www.johnmenziesplc.com