

John Menzies plc
Preliminary results for the year ended 25 December 2004

Highlights:

- Headline profit before tax* up 64% to £33.9m (2003: £20.7m)
- Profit on ordinary activities** up 77% to £30.3m (2003: £17.1m)
- Headline earnings per share up 79% to 44.5p (2003: 24.8p)
- Free cash flow*** up 27% to £26.3m (2003: £20.7m)
- Final dividend up 0.4p to 13.0p (2003: 12.6p)

Patrick Macdonald, Chief Executive, said:

“These results demonstrate our success in delivering great service at the right price to customers while keeping costs lean.

Menzies Distribution reported healthy profits, achieved through our continuing emphasis on process innovation and improved customer service, boosted by cover price growth in newspapers and good performances from magazine collectables and partworks.

The Office of Fair Trading has announced its provisional conclusions on newspaper and magazine distribution. Menzies Distribution is an industry leader in developing new services to support our customers, and we intend to ensure that we remain the market leader and the UK’s service provider of choice for publisher and retailer alike.

Menzies Aviation’s profitability has increased as a result of contract gains and volume growth across the portfolio, complemented by a focus on customer service and tight capital disciplines. We are increasingly confident of our ability to create shareholder value from, and to grow, this business.

The outlook for the Group remains encouraging. In the first 11 weeks of 2005, trading at Group level has been in line with expectations. Distribution has traded slightly behind last year while Aviation is ahead. I look forward to continuing our development in 2005.”

*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 and ordinary dividends

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Notes to editors

1. John Menzies plc, the time-critical logistics company, is one of Scotland's largest companies. The Company has two operating divisions, Menzies Distribution and Menzies Aviation. These divisions operate in two distinct sectors where success depends on providing an efficient, high quality, time-critical service to their customers and partners.
2. The Company was established in 1833 and its head office is in Edinburgh, Scotland. Today the Company is an international operation with offices, partners and contracts located in Europe, North and South America, Australasia and Africa.
3. Menzies Distribution is a leading provider of added value distribution and marketing services to the newspaper and magazine supply chain in the UK. The division handles over 3,000 magazine titles and 4 million newspapers each day (5 million on Sundays) which are delivered to more than 21,200 customers.
4. Menzies Aviation is one of the world's major independent suppliers of ground handling services to the aviation market providing passenger, ramp and cargo services for many of the world's leading airlines and some of the busiest international airports. The division employs over 9,300 people across the globe, at 92 airports in 23 countries servicing in excess of 500 aviation customers.
5. Further information on John Menzies plc can be found at: www.johnmenziesplc.com; www.menziesdistribution.com; and www.menziesaviation.com.

SUMMARY

We have delivered a positive set of results in 2004 with both divisions performing more strongly than in 2003. Both profit and cash flow were healthy. At Menzies Distribution, we benefited from process innovation and an improved product mix. At Menzies Aviation, our actions to address underperforming stations and raise return on capital in a more stable market led to significantly better results.

We have carried out a rigorous evaluation of our business and its operations from Board level down, a process which has played its part in the achievement of these solid results and is laying the foundations for the Group's longer term success.

The Office of Fair Trading's (OFT's) announcement on 23 February 2005, outlining potential changes to magazine distribution arrangements, suggests both challenges and opportunities for Menzies Distribution.

Performance

Turnover for the Group increased by 6%. At Distribution, sales grew by 5% due to the strong performance of collectables and partworks, weekend newspapers and stickers. In Aviation, turnover rose by 8%, reflecting volume growth across the portfolio and contract gains.

Headline profits rose by 64% with margins improving at both divisions. Better operating margins also reflect our continuing emphasis on cost control and strong capital disciplines.

In August 2004, we sold our executive aviation handling business, Execair, to BBA Group plc for £11.75m in cash and realised an exceptional gain on sale of £7.6m. Execair was not core to the business and the proceeds from the disposal will form part of the continuing investment programme in Aviation.

There were no exceptional costs during the year.

Cash flow

Cash flow from operating activities was strong, reflecting better trading and firm working capital management. Capital expenditure of £15.6m was down slightly from £16.2m in 2003 due to a combination of tight capital disciplines and the deferral of some expenditure into 2005. Free cash flow of £26.3m was up 27% on last year (2003: £20.7m).

The sale of Execair and other smaller disposals netted £12.6m in cash. As well as our regular pension payments, we made an additional contribution of £10.0m to the Menzies Pension Fund (see People section).

Net debt at the end of 2004 stood at £43.5m compared to £63.3m at the end of 2003.

Dividend

The Board has maintained dividend levels over the past four years, through a difficult period for the Group, but reflecting your Board's confidence in our core businesses. These results bring our dividend cover back to suitable levels and your Board is therefore proposing a final dividend of 13.0p per share, an increase of 3.2%, bringing our full year dividend to 18.5p per share.

Menzies Distribution

(£m)	<u>2004</u>	<u>2003</u>	<u>Variance</u>
Turnover	1,109.4	1,058.0	5%
Operating Profit before goodwill	30.6	26.2	17%

Menzies Distribution had an excellent year. Turnover from newspaper sales grew by 5%, reflecting price increases on weekend papers and the introduction of compacts in the broadsheet market. Magazine sales also rose by 5%, reflecting both the healthy market for collectables and partworks, and launches in the weekly market, such as the new weekly men's lifestyle titles *Nuts* and *Zoo*. Sticker sales were up 66% helped by Euro 2004 and other football driven promotions.

Menzies Distribution remains committed to improving customer service by investing in infrastructure and new technology. We replaced two depots with new purpose built branches at Chelmsford and Bow in East London. 2005 will see further investment at Swansea and Dalgety Bay in Fife. The roll out of "pack-by-light" technology, a real time system for controlling the newspaper packing process which provides better documentation for retailers, is nearing completion. In 2005 at our Sheffield branch we will invest in the next generation of magazine packing systems aimed at further customer service improvements.

Menzies Distribution remains an industry leader in innovation and developing new services for our customers. Our trials of Sales Based Replenishment (SBR) in 2004 proved successful and we have been working with major retailers nationally since the beginning of 2005. SBR provides better product availability to the consumer with a lower stockholding for the retailer and extensive trials have shown encouraging sales increases while reducing waste levels.

Through "The Launch Factory" we are supporting publishers' major launch initiatives, collaborating in their trade marketing especially within the key independent channel. The initial activity was developed for *Nuts*, with the most recent example being *Pick Me Up*. The nationwide promotions network of 4,000 independent retailers, "Superleague", continues its outstanding performance, both in market share maintenance and usage by publishers, significantly outperforming comparable trade channels.

During 2004, we developed our customer focus through a number of initiatives working with major retailers including Sainsbury, Tesco, Co-op, Marks & Spencer and Boots. The innovative "Shrink Doctor", an initiative aimed at helping retailers to reduce their product shrinkage levels, shows how we can deploy our expertise to deliver bottom line benefits to retail customers.

We have successfully concluded contract renewals with two key publishers, Trinity Mirror and Marketforce, and negotiations are progressing with a number of other publishers.

In February 2005, the OFT announced its provisional conclusions on newspaper and magazine distribution. The statement supported the existing territory distribution arrangements for newspapers whilst introducing the potential for some fragmentation in magazine distribution. We welcome the commitment to territorial distribution; however, it is important to shape any potential change in magazine distribution arrangements to ensure maximum consumer benefit. We intend to play a leading role in further consultation with the OFT and industry bodies.

Menzies Aviation

<u>(£m)</u>	<u>2004</u>	<u>2003</u>	<u>Variance</u>
Turnover	259.8	239.7	8%
Operating Profit before goodwill	10.4	2.4	333%

The new management team led by Craig Smyth has produced a much improved result. The emphasis in 2004 was on raising return on capital and increasing net margins by improving underperforming stations, focusing on customer needs across the portfolio, tightening capital disciplines and winning new contracts. Aviation also benefited from more stable markets and we have seen organic growth at most stations.

We still have a number of underperforming stations. Significant progress was achieved in Australia, Hong Kong and UK Cargo with all three operations returning to profitability. USA remains slightly loss making but we are driving through a turnaround here too, and anticipate a further improvement in 2005.

We have focused on delivering market leading service levels to our customers. Our customers have noticed, and net contract gains are significantly up on the previous year. Key gains include FedEx, Emirates and Virgin Atlantic in Australia; Polar Air, Singapore Airlines and Japan Airlines at Schiphol; Jet2.com and Air Canada in the UK and British Airways in Houston and Brazil.

Our ground handling model for low cost airlines continues to prove its worth. This service began in late 2002 with bmibaby at East Midlands airport. In January 2004, easyJet outsourced the management of ground handling at their London Luton hub and its performance has exceeded our mutual expectations. We have recently secured contracts to handle easyJet and flyglobespan at Edinburgh airport, Jet2.com at Manchester airport and Pacific Blue in New Zealand.

Markets were more stable generally, with volumes (i.e. excluding new and closed stations) up 16% for cargo handling and 7% for ground handling. Cargo volumes were up significantly in The Netherlands, Australia, New Zealand and Macau. Ground handling volumes were up in The Netherlands, Czech Republic, Peru, St Maarten, Australia and Macau (where volumes have recovered from SARS). We continue to watch for any effects on our customers of higher fuel costs.

In 2004 we launched our joint venture to provide cargo and ground handling at Chengdu in China. This business has been profitable in its first year and has performed ahead of our expectations.

People

Once again, the commitment, professionalism and enthusiasm of our staff underpin our financial success. Two recent examples stand out. In Distribution, following severe flooding in the Carlisle area, which resulted in power failures, multiple road closures and the loss of our IT systems, we were still able to get "the papers through" to the vast majority of customers through a determined team effort. Associated Newspapers, a major publisher customer, referred to our "Herculean efforts" in dealing with the atrocious conditions.

In Aviation in Auckland we came to the help of Team New Zealand, who were taking part in the America's Cup yachting competition. With only 6 hours' notice, we were able to load a backup yacht on to a specialised plane. With only 60mm of headroom to spare, the operation required great delicacy and took 4 hours to complete. Within a few hours of arriving in Valencia, the boat was sailing. Team New Zealand thanked Menzies for doing "a great job".

We made an additional contribution of £10m to the Menzies Pension Fund over and above our regular annual contribution. Together these payments ensure that the scheme is adequately funded and demonstrate our commitment to our employees past and present.

Health and Safety

The Group remains committed to developing and implementing best practice for Health and Safety for its staff, customers and other relevant parties. At Menzies Distribution we have installed new transport management systems at all branches and our approach to workplace transport has been accepted as an industry "Best Practice Guide". This has contributed to the reportable accident rate falling significantly during 2004.

Menzies Aviation has refined its business-wide emergency response procedures and has developed an internet-based incident reporting system. The "safety first" message has been reinforced with the publication of safety alerts and regular features in our in-house magazine. The level of aircraft accidents has fallen significantly in recent years.

Strategy

We remain committed to our 3 step strategic approach. In 2004, we have concentrated on step 1 "get the basics right". Both operating divisions have focused on delivering great service at the right price to customers while keeping costs lean. We are a service business, specialising in time-critical logistics, and this approach is fundamental to our success.

We are now moving on to step 2 "build strong businesses" with both divisions developing standard operational and financial processes which can be replicated across their respective portfolios. We can then progress to step 3 "grow from strength" by extending our offering in areas where we have expertise and developing new opportunities which create sustainable shareholder value.

Outlook

The outlook for the Group remains encouraging. We expect the strong performance in 2004 to provide a platform for further progress in 2005. In the first 11 weeks of 2005, trading at Group level has been in line with expectations. Distribution has traded slightly behind last year while Aviation is ahead. We expect capital expenditure to increase somewhat as we selectively invest in our core businesses.

At Menzies Distribution, contract renewals with publishers are progressing. Although the potential effect of the OFT's provisional conclusions may lead to a range of outcomes, we believe we are ready for any changes that may arise. With its increased customer focus and service innovations, the division is well placed to meet and lead development in the industry.

At Menzies Aviation we have seen volume growth and greater market stability in 2004. The business has responded well to our changed strategic focus. We are turning around underperforming stations and are growing selectively our stronger performers, with a focus on customer service and tight capital discipline. We continue to invest in this business with the intention of creating further shareholder value.

We look forward to continuing our development in 2005.

GROUP PROFIT AND LOSS ACCOUNT

for the 52 weeks ended 25 December 2004 (52 weeks ended 27 December 2003)

	Notes	Before excep- tional items £m	Except- ional items (Note 3) £m	2004 Total £m	Before excep- tional Items (restated) £m	Except- ional items (Note 3) £m	2003 Total (restated) £m
Turnover							
Group and share of joint ventures and associates	1	1,369.2	-	1,369.2	1,297.7	-	1,297.7
Less share of:							
Joint ventures		(15.6)	-	(15.6)	(16.5)	-	(16.5)
Associates		(23.0)	-	(23.0)	(20.9)	-	(20.9)
Group turnover		1,330.6	-	1,330.6	1,260.3	-	1,260.3
Net operating costs		(1,300.8)	-	(1,300.8)	(1,242.3)	(15.5)	(1,257.8)
Group operating profit/(loss)		29.8	-	29.8	18.0	(15.5)	2.5
Share of operating profit/(loss) in							
Joint ventures		0.6	-	0.6	(0.4)	(0.6)	(1.0)
Associates		2.8	-	2.8	2.6	-	2.6
Total operating profit/(loss)	1	33.2	-	33.2	20.2	(16.1)	4.1
Gain/(loss) on disposal of businesses	3	-	7.6	7.6	-	(1.1)	(1.1)
Profit/(loss) on ordinary activities before interest		33.2	7.6	40.8	20.2	(17.2)	3.0
Net interest payable		(3.5)	-	(3.5)	(3.7)	-	(3.7)
Other finance income	2	0.6	-	0.6	0.6	-	0.6
Profit/(loss) on ordinary activities before taxation		30.3	7.6	37.9	17.1	(17.2)	(0.1)
Taxation	4	(8.3)	-	(8.3)	(5.7)	0.4	(5.3)
Profit/(loss) after taxation		22.0	7.6	29.6	11.4	(16.8)	(5.4)
Minority interests				(0.3)			(0.1)
Profit/(loss) for the financial year				29.3			(5.5)
Dividends (including non-equity)	5			(10.7)			(11.2)
Retained profit/(loss) for the financial year				18.6			(16.7)
Earnings per ordinary share	6						
Headline		44.5p			24.8p		
FRS 3				51.6p			(11.4)p
Headline diluted		44.2p			24.8p		
FRS 3 diluted				51.2p			(11.3)p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the 52 weeks ended 25 December 2004 (52 weeks ended 27 December 2003)

	Notes	2004 £m	2003 (restated) £m
Profit/(loss) for the financial year		29.3	(5.5)
Actuarial gain on defined benefit pensions		3.2	7.1
Deferred tax associated with defined benefit pensions		(1.0)	(2.0)
Currency translation		0.6	0.3
Prior year adjustment for FRS 17	2	(62.6)	(0.1)
Total recognised losses for the financial year		(30.5)	(0.1)

GROUP AND COMPANY BALANCE SHEETS
as at 25 December 2004 (27 December 2003)

	Notes	Group			Company	
		2004	2003 (restated)	2004	2003	
		£m	£m	£m	£m	
Fixed assets						
Intangible assets		22.3	27.4	-	-	
Tangible assets		116.1	116.3	33.4	4.7	
Investments						
- joint ventures						
Share of gross assets		1.7	1.4	-	-	
Share of gross liabilities		(0.9)	(0.7)	-	-	
Shareholder loans		0.3	0.3	-	-	
		1.1	1.0	-	-	
- associates		20.2	23.2	-	-	
- other		-	0.2	-	-	
- subsidiaries		-	-	98.8	97.9	
Total investments		21.3	24.4	98.8	97.9	
		159.7	168.1	132.2	102.6	
Current assets						
Stocks		11.1	12.9	-	-	
Deferred tax asset		4.7	1.2	-	-	
Debtors		95.2	90.4	63.0	121.7	
Cash at bank and in hand		27.0	32.1	16.7	5.7	
		138.0	136.6	79.7	127.4	
Creditors: amounts falling due within one year						
Bank loans and overdrafts		(28.4)	(27.1)	(12.5)	(6.6)	
Other		(162.9)	(157.1)	(104.4)	(91.4)	
		(191.3)	(184.2)	(116.9)	(98.0)	
Net current (liabilities)/ assets		(53.3)	(47.6)	(37.2)	29.4	
Total assets less current liabilities		106.4	120.5	95.0	132.0	
Creditors: amounts falling due after more than one year						
Loans and other borrowings		(42.0)	(68.2)	(41.8)	(62.8)	
Other		(0.1)	(1.5)	-	-	
Provision for liabilities and charges						
Other		(8.5)	(9.0)	-	-	
Net assets excluding net pension liabilities		55.8	41.8	53.2	69.2	
Net pension liabilities	2	(16.3)	(26.3)	-	-	
Net assets including net pension liabilities		39.5	15.5	53.2	69.2	
Capital and reserves						
Called up share capital		14.4	14.3	14.4	14.3	
Share premium account	7	7.7	6.0	7.7	6.0	
Investment in own shares	7	(3.3)	(3.7)	-	-	
Profit and loss account	7	(2.8)	(24.2)	8.1	25.9	
Capital redemption reserve	7	21.6	21.6	21.6	21.6	
Equity shareholders' funds		37.6	14.0	51.8	67.8	
Non-equity share capital		1.4	1.4	1.4	1.4	
Shareholders' funds	8	39.0	15.4	53.2	69.2	
Equity minority interests		0.5	0.1	-	-	
		39.5	15.5	53.2	69.2	

The accounts were approved by the Board of Directors on 14 March 2005 and signed on its behalf by:
Patrick Macdonald, Chief Executive
Paul Dollman, Group Finance Director

GROUP CASH FLOW STATEMENT

for the 52 weeks ended 25 December 2004 (52 weeks ended 27 December 2003)

	2004		2003 (restated)
	£m	£m	£m
Net cash inflow from operating activities		36.9	40.6
Dividends from joint ventures and associates		4.0	3.5
Returns on investments and servicing of finance			
Interest received	2.4		1.9
Interest paid	(6.4)		(5.6)
Preference dividends paid	(0.1)		(1.0)
Minority interest dividends	-		(0.1)
Net cash outflow from returns on investments and servicing of finance		(4.1)	(4.8)
Tax paid		(4.9)	(2.4)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(16.2)		(17.0)
Sale of tangible fixed assets	0.6		0.8
Net cash outflow from capital expenditure and financial investment		(15.6)	(16.2)
Acquisitions and disposals			
Investment in joint ventures and associates	(0.1)		(1.9)
Other investments	(0.1)		-
Purchase of subsidiaries	(3.2)		(1.6)
Disposal of associates	1.1		4.7
Disposal of subsidiaries	11.5		-
Net cash disposed of with subsidiaries	-		(0.1)
Net cash inflow from acquisitions and disposals		9.2	1.1
Equity dividends paid		(10.3)	(10.3)
Net cash inflow before use of liquid resources and financing		15.2	11.5
Management of liquid resources			
Decrease in short term deposits	8.8		30.0
Net cash inflow from management of liquid resources		8.8	30.0
Net cash inflow before financing		24.0	41.5
Financing			
Proceeds from shares issued	1.8		0.4
Redemption of preference shares	-		(20.0)
Loan notes redeemed	0.2		0.3
Sale of own shares	0.4		-
Decrease in loans	(17.8)		(29.2)
Net cash outflow from financing		(15.4)	(48.5)
Increase/(decrease) in cash in the year		8.6	(7.0)

NOTES ON ACCOUNTS
1. SEGMENTAL ANALYSIS

	Turnover		Pre-exceptional operating profit		Net assets	
	2004	2003 (restated)	2004	2003 (restated)	2004	2003 (restated)
	£m	£m	£m	£m	£m	£m
By class of business						
Distribution Services	1,109.4	1,058.0	30.6	26.2	29.4	26.9
Aviation Services	259.8	239.7	10.4	2.4	100.3	109.3
	1,369.2	1,297.7	41.0	28.6	129.7	136.2
Corporate	-	-	(4.2)	(4.8)	-	-
	1,369.2	1,297.7	36.8	23.8	129.7	136.2
Goodwill amortisation	-	-	(3.6)	(3.6)	-	-
	1,369.2	1,297.7	33.2	20.2	129.7	136.2
Reconciliation of net assets:						
Net debt					(43.5)	(63.3)
Unallocated net liabilities					(46.7)	(57.4)
					39.5	15.5
By geographical origin						
United Kingdom	1,223.1	1,161.2	25.2	17.8	69.1	72.5
Continental Europe	65.5	57.8	5.0	3.3	19.0	17.0
Americas	45.9	53.9	-	(1.5)	13.1	13.5
Rest of the World	34.7	24.8	3.0	0.6	28.5	33.2
	1,369.2	1,297.7	33.2	20.2	129.7	136.2
Joint Ventures and Associates included above						
Distribution Services						
Joint ventures	10.2	11.6	-	-	-	-
Associates	12.6	12.9	0.2	0.2	0.7	0.7
Aviation Services						
Joint ventures	5.4	4.9	0.6	0.1	1.1	1.0
Associates	10.4	8.0	4.4	3.7	19.5	22.5
	38.6	37.4	5.2	4.0	21.3	24.2
Goodwill amortisation	-	-	(1.8)	(1.8)	-	-
	38.6	37.4	3.4	2.2	21.3	24.2
Joint Ventures and Associates by geographical origin						
United Kingdom	22.8	24.5	0.2	0.2	0.7	0.7
Continental Europe	0.4	0.2	-	(0.2)	0.3	0.3
Americas	5.0	4.7	0.6	(0.2)	0.8	0.7
Rest of the World	10.4	8.0	2.6	2.4	19.5	22.5
	38.6	37.4	3.4	2.2	21.3	24.2

On the adoption of FRS 17, pension costs, previously shown separately, have been allocated to each segment based on pensionable payroll. In addition, Distribution Services have been charged a market rent for the use of Group freehold properties to present a more realistic result, and carriage service charges and other recoveries have been reclassified as turnover rather than offset in operating costs. The 2003 comparatives have been restated on a consistent basis.

The 2003 restatements have no impact on the overall group profit other than the effect of FRS 17. Turnover by geographical origin and destination do not materially differ.

Goodwill amortisation is attributable to Distribution Services - £0.3m (2003: £0.4m) and Aviation Services - £3.3m (2003: £3.2m).

The results of acquisitions and disposals during the year were not material.

2. PENSIONS

FRS 17, "Retirement benefits" has been 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.

Prior year results have been restated as follows:

Group profit and loss account	Group operating profit £m	Net interest payable £m	Taxation £m	Profit/(loss) for the year £m	
Year to 27 December 2003					
as previously stated	6.3	(3.7)	(6.2)	(3.2)	
Reversal of SSAP 24	1.2	-	(0.4)	0.8	
Adoption of FRS 17	(5.0)	0.6	1.3	(3.1)	
Year to 27 December 2003 restated	2.5	(3.1)	(5.3)	(5.5)	
			Provisions for liabilities and charges £m	Net pension liabilities £m	Profit and loss account £m
Group balance sheet	Debtors £m	Deferred tax asset £m			
As at 27 December 2003					
as previously stated	142.3	-	(23.4)	-	38.4
Reversal of SSAP 24	(51.9)	-	15.6	-	(36.3)
Adoption of FRS 17	-	-	-	(26.3)	(26.3)
Deferred tax reclassification	-	1.2	(1.2)	-	-
As at 27 December 2003 restated	90.4	1.2	(9.0)	(26.3)	(24.2)

FRS 17 movements

The Actuary (Aon Consulting) undertook a valuation of the Menzies Pension Fund as at 31 December 2004 (2003: 31 December) under FRS 17.

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

	2004 %	2003 %	2002 %
Rate of increase in salaries	3.35	3.25	2.75
Rate of increase in pensions	3.25	3.25	3.25
Rate of increase in price inflation	2.85	2.75	2.25
Discount rate	5.30	5.40	5.50

Net pension liabilities

The assets/(liabilities) in the scheme and the expected rates of return as at 31 December 2004 were as follows:

	Long term rate of return %	Value at December 2004 £m	Long term rate of return %	Value at December 2003 £m	Long term Rate of return %	Value at December 2002 £m
Equities	7.5	104.9	8.0	117.9	9.5	99.6
Bonds	5.0	31.6	5.4	30.9	5.8	19.7
Property	6.0	31.2	-	-	-	-
Other	6.3	11.6	3.0	4.7	3.0	0.6
Total market value of assets		179.3		153.5		119.9
Present value of scheme liabilities		(202.6)		(191.1)		(164.7)
Deficit in scheme		(23.3)		(37.6)		(44.8)
Related deferred tax asset		7.0		11.3		13.4
Net pension liabilities		(16.3)		(26.3)		(31.4)

2. PENSIONS (continued)

FRS 17 movements

	2004	2003
	£m	£m
Amounts charged to profit and loss account		
Current service cost	5.5	5.0
Past service costs	-	-
Total amount charged to profit and loss account	5.5	5.0
Amounts included as other finance income	£m	£m
Expected return on pension scheme assets	10.5	9.7
Interest on pension liabilities	(9.9)	(9.1)
Net financial return	0.6	0.6
Amounts recognised in the statement of total recognised gains and losses	£m	£m
Actual return less expected return on assets	3.4	14.0
Experience gains on liabilities	4.3	2.1
Impact of changes in assumptions relating to the present value of scheme liabilities	(4.5)	(9.0)
Actuarial gain	3.2	7.1
Movement in the deficit during the year	£m	£m
Deficit in the Fund brought forward	(37.6)	(44.8)
Current service cost	(5.5)	(5.0)
Employer contributions	16.0	4.5
Past service costs	-	-
Net financial return	0.6	0.6
Actuarial gain	3.2	7.1
Deficit in the Fund carried forward	(23.3)	(37.6)

3. EXCEPTIONAL ITEMS

	Notes	2004 £m	2003 £m
Exceptional operating expenses:			
Aviation Services	a	-	(14.6)
Corporate	b	-	(0.9)
		-	(15.5)
Distribution Services	c	-	(0.6)
Total exceptional operating expenses		-	(16.1)
Non-operating exceptional items:			
Gain/(loss) on disposal of businesses	d	7.6	(1.1)
Total non-operating exceptional items		7.6	(1.1)
Total exceptional items		7.6	(17.2)

- a) Goodwill impairment required following the Board's review of the carrying value of goodwill in the Group's joint venture in Peru, as a result of uncertainty in this market - £7.8m, and following an adverse change in the business and market predominately at Menzies World Cargo - £4.7m.

Costs incurred as a result of the business rationalisation programme undertaken during the previous year - £2.1m.

- b) Costs incurred as a result of the business rationalisation programme undertaken during the previous year - £0.9m.

- c) Provision against investment in joint venture.

- d) **2004**

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

2003

On 10 March the Group sold its 49% interest in Aeroporti di Roma Handling SpA for a consideration equal to net book value.

On 20 June the Group sold its Aviation Services operation in Canada at a loss of £1.1m.

4. TAXATION

(a) Analysis of charge in year	2004	2003 (restated)
	£m	£m
Current tax		
UK corporation tax on profits for the year	6.2	5.4
Overseas tax	1.1	0.9
Adjustments to prior years' liabilities	-	(2.3)
Share of joint ventures	0.2	0.1
Share of associates	0.7	0.6
Net pension adjustment on adoption of FRS 17	-	(0.9)
Total current tax	8.2	3.8
Deferred tax		
Origination and reversal of timing differences	3.6	1.4
Adjustments to prior years' liabilities	(0.2)	0.1
	3.4	1.5
Pension	(3.3)	-
Total deferred tax	0.1	1.5
Tax on profit on ordinary activities	8.3	5.3

The tax charge includes a credit of nil (2003: £0.4m) in respect of exceptional items.

The tax charge for the year is lower (2003: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

(b) Factors affecting tax charge for the year	2004	2003 (restated)
	£m	£m
Profit/(loss) on ordinary activities before tax	37.9	(0.1)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	11.4	-
Effects of:		
Permanent differences (principally goodwill amortisation and exceptional items)	(1.1)	6.2
Capital allowances in excess of depreciation and other timing differences	(0.7)	(0.4)
Pension payments	(0.9)	(1.0)
Utilisation of tax losses	(2.0)	(1.4)
Adjustments to prior years' liabilities	-	(2.3)
Unrelieved overseas losses	1.3	2.5
Higher tax rates on overseas earnings	0.2	0.2
Current tax charge for year	8.2	3.8

(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 £2.4m (2003: £1.9m). 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 £18.8m (2003: £22.2m) in respect of 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 £7.9m (2003: £9.7m).

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

	2004 £m	2003 £m
Dividends on equity shares:		
Ordinary - Interim paid, 5.5p (2003: 5.5p) per share	3.1	3.1
- Final proposed, 13.0p (2003: 12.6p) per share	7.5	7.2
Dividends on non-equity shares:		
Preference shares	0.1	0.9
	10.7	11.2

Dividends of £0.1m (2003: £0.1m) were waived by employee share trusts during the year.

6. EARNINGS PER SHARE

	Headline		FRS 3 Post exceptional items	
	2004 £m	2003 (restated) £m	2004 £m	2003 (restated) £m
Operating profit	33.2	20.2	33.2	20.2
add back: goodwill amortisation	3.6	3.6	-	-
Exceptional items	-	-	7.6	(17.2)
Interest	(2.9)	(3.1)	(2.9)	(3.1)
Profit before taxation	33.9	20.7	37.9	(0.1)
Taxation	(8.3)	(5.7)	(8.3)	(5.3)
Minority interests	(0.3)	(0.1)	(0.3)	(0.1)
Preference dividends	(0.1)	(0.9)	(0.1)	(0.9)
Earnings for the year	25.2	14.0	29.2	(6.4)
Headline				
Earnings per ordinary share (pence)	44.5	24.8		
Diluted earnings per ordinary share (pence)	44.2	24.8		
FRS 3				
Earnings per ordinary share (pence)			51.6	(11.4)
Diluted earnings per ordinary share (pence)			51.2	(11.3)
Number of ordinary shares in issue (millions)				
Weighted average	56.619	56.359		
Diluted weighted average	57.032	56.399		

The weighted average number of fully paid shares in issue during the year excludes those held by the employee share trusts. 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 27 December 2003	6.0	(3.7)	38.4	21.6	6.0	25.9	21.6
Prior year adjustment (Note 2)	-	-	(62.6)	-	-	-	-
Actuarial gain (net of deferred tax)	-	-	2.2	-	-	-	-
Movement during the year	1.7	0.4	-	-	1.7	-	-
Profit/(loss) for the year	-	-	29.3	-	-	(7.1)	-
Dividends	-	-	(10.7)	-	-	(10.7)	-
Currency translation	-	-	0.6	-	-	-	-
At 25 December 2004	7.7	(3.3)	(2.8)	21.6	7.7	8.1	21.6

The cumulative amount of goodwill resulting from acquisitions undertaken before April 1998, which has been written off to reserves, is £28.9m (2003: £28.9m).

Investment in own shares

The Company's ordinary shares are held in trust for an employee share scheme. The trusts are funded by loans from a Group subsidiary and therefore the distributable profits of the Company are unaffected by the adoption of UITF 38. At 25 December 2004 the trusts held 729,545 (2003: 859,815) ordinary 25p shares with a market value of £3,797,282 (2003: £2,729,913).

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £m	2003 £m
Profit/(loss) for the financial year	29.3	(5.5)
Dividends	(10.7)	(11.2)
New share capital issued	1.8	0.4
Investment in own shares (Note 7)	0.4	(0.1)
Preference shares redeemed	-	(20.0)
Actuarial gain (net of deferred tax)	2.2	5.1
Currency translation	0.6	0.3
Net increase/(decrease) to shareholders' funds	23.6	(31.0)
Shareholders' funds at beginning of year (2003: as previously stated)	15.4	115.4
Prior year adjustment - UITF 38	-	(3.6)
- FRS 17	-	(65.4)
Shareholders' funds at end of year	39.0	15.4

The reduction in dividends results from the redemption of preference shares in June 2003.

9. CASHFLOW

	2004	2003 (restated)
	£m	£m
Operating Profit	33.2	20.2
Depreciation	16.3	15.8
Goodwill amortisation	1.8	1.8
Net pension movement	(0.5)	0.5
Working capital	(0.3)	8.3
Cash spend on exceptionals	(0.1)	(3.9)
Non cash items	(3.5)	(2.1)
Operating cash flow	46.9	40.6
Purchase of fixed assets	(16.2)	(17.0)
Sale of fixed assets	0.6	0.8
Net capital expenditure	(15.6)	(16.2)
Dividends from associates and joint ventures	4.0	3.5
Net interest paid	(4.0)	(3.7)
Preference and minority dividends paid	(0.1)	(1.1)
Tax paid	(4.9)	(2.4)
Free cash flow	26.3	20.7
Preference shares redeemed	-	(20.0)
Loan notes redeemed	0.2	0.3
Equity dividends paid	(10.3)	(10.3)
Additional pension payment	(10.0)	-
Acquisitions	(3.4)	(3.5)
Disposals	12.6	4.6
Shares	2.2	0.4
Total movement	17.6	(7.8)
Opening net debt	(63.3)	(58.2)
Currency movement	2.2	2.7
Closing net debt	(43.5)	(63.3)

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 particular, the Group had a range of contractual protections in connection with the acquisition of Ogden Ground Services from Covanta Energy Corporation in 2000. Following Covanta Energy Corporation filing a voluntary petition for Chapter 11 reorganisation in the US, the Group waived these rights in return for a \$1.7m reduction in deferred consideration payable.

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

11. 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 25 December 2004.

12. ACCOUNTS

The figures used in this statement, which was approved by the directors on 14 March 2005, 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.

13. ANNUAL REPORT

The Annual Report and Accounts will be posted on 1 April 2005 and the Annual General Meeting will be held at the Caledonian Hilton Hotel in Edinburgh on 28 April 2005 at 12.15 pm. Statutory accounts for the period ended 27 December 2003 have been delivered to the Registrar of Companies, and those for the year to 25 December 2004 will be delivered following the Company's Annual General Meeting.