

Preliminary Results Announcement

John Menzies plc Preliminary Results Announcement for the year ended 31 December 2008.

Highlights

	<u>2008</u>	<u>2007</u>
Revenue	£1,667m	£1,541m
Underlying profit before taxation ⁽¹⁾	£30.7m	£38.0m
Profit before tax	£9.9m	£31.8m
Underlying operating profit by division ⁽²⁾		
Aviation	£14.1m	£20.6m
Distribution	£23.9m	£23.4m
Underlying earnings per share ⁽³⁾	31.3p	47.9p
Basic earnings per share ⁽⁴⁾	(2.0)p	44.2p

► Group

- Results in line with expectations following November IMS update
- Banking facilities that were due for renewal in H1 2009 secured ahead of schedule
- Translated value of the Group's US Dollar and Euro denominated debt substantially increased in quarter four

► Menzies Aviation

- Full year result significantly impacted by unprecedented market turmoil
- Swift and decisive action taken to reduce the cost base
- Successful major new ventures in India and South Africa

► Menzies Distribution

- Good performance despite difficult market conditions - underlying operating profit up 2.1%.
- Aggressive cost saving initiatives delivering significant benefits
- News International contract renewed on satisfactory terms for 5 years

► Final dividend

- No final dividend recommended. Full year dividend 7.56p

⁽¹⁾ Underlying profit before taxation 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 the weighted average number of ordinary shares in issue.

⁽⁴⁾ Basic earnings per share in 2008 includes exceptional costs of £7.3m, intangible amortisation of £4.3m and a non-recurring (non-cash) deferred tax charge of £9.3m.



William Thomson, Chairman said:

“At Menzies Aviation the business continued to grow, entering significant new markets (India and South Africa) during the year. These new market entries were successful and will bear fruit for the division in the coming year. Revenue was hit as customers faced soaring oil prices and the consumer slowdown impacted passenger and cargo volumes, particularly in the last quarter.

Menzies Distribution had a good year with profitability increasing modestly. This represents a good performance in a difficult market. In particular the cost and productivity performance was excellent, with cost savings significantly outstripping inflation.

In the last quarter, the translated value of the Group's US Dollar and Euro denominated debt substantially increased as a result of Sterling weakening against most major currencies. The value of the Group's overseas assets however also increased substantially resulting in a £4.7m credit to reserves.

In response to this market downturn and foreign exchange environment, rapid management actions were taken to reduce costs and conserve cash to shape the Group to meet its challenging marketplace.

I am pleased to report that the two banking facilities that were up for renewal in the first half of 2009 have been successfully renewed ahead of schedule.

In 2009 the Group will focus on cash generation and debt reduction. Capital expenditure will be less than depreciation at both divisions and as a result I expect both Aviation and Distribution to be comfortably cash generative during the year. The Group is reviewing its asset base and where appropriate any non core assets may be disposed of to further reduce debt.

To reflect the Group's cautious outlook and cash conservation strategy the Board has decided that it would not be appropriate to recommend a final dividend.

2009 will be a challenging year but we have two strong operating divisions. Menzies Aviation has a excellent reputation with its airline customers as evidenced by the continuing contract win and renewal momentum. The marketplace is difficult but the operating model is resilient and we will continue to seek attractive airlines in attractive markets.

Menzies Distribution is well placed. The investment in new technologies and the remodelling of the operating base is now delivering real benefits. Publisher contract negotiations are gathering pace and I believe we are very well placed to benefit from any opportunities that may arise.

While we live in unprecedented times, the Board believe that with two clearly focused operating divisions the Group remains well placed to benefit from market improvements.”



Group Performance

Revenue in the period for the Group increased by 8% to £1,667m. Menzies Aviation had a difficult year with its customers facing unprecedented times as oil prices soared and the consumer slowdown impacted passenger and cargo volumes. Menzies Distribution had a good year delivering another stable performance with revenue 2% higher at £1,166m.

Group underlying profit before tax fell by 19% to £30.7m. Profits at Menzies Aviation were materially lower than the previous year largely as a result of extremely difficult trading conditions coupled with investments in start-ups. After the impact of start-up costs of £4.2m (2007: £1.9m) to support the continued organic growth and contract win momentum, the Aviation underlying operating profit was £6.5m down at £14.1m.

Aviation revenue increased by 27% in the period. Underlying operating margin (excluding start-up costs) fell from 5.3% in 2007 to 3.4% 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 start up and integration costs which restricted profits in 2008 from new ventures in Scandinavia and South Africa.

Distribution delivered underlying operating profit of £23.9m up £0.5m on last year. Like for like sales of magazines were down year-on-year while newspapers like for like sales were marginally ahead. This represents a good performance in a difficult market. In particular cost and productivity performance was excellent with cost savings comfortably outstripping inflation.

Corporate costs were 50% lower than 2007 at £1.5m for the period.

Banking Facilities

The Group now has all of its long term facilities secured to 2011 and beyond. Of our short term facilities, the 364 day facility with RBS due for renewal in June 2009 has been secured ahead of schedule through to June 2010 and leaves only the regular annual working capital facility with HBOS which is not due for renewal until October.

Debt and Interest

Net debt before the effect of foreign exchange rates was in line with forecasts at £144.8m an increase of £33.5m in the year. The weakening of Sterling against most major currencies, and in particular the US Dollar and Euro in the latter part of the year, substantially increased the translated value of the Group's US Dollar and Euro denominated debt. As a result of this, year end net bank debt was £165.0m. Including net derivative liabilities of £17.6m, the year end net debt figure rose to £182.6m. At the year end the Group was comfortably within its banking covenants.

Interest costs of £5.8m were £2.8m higher than last year, £1.7m reflecting higher net debt levels, owing to the continued investment programme in Aviation and a reduction of £1.1m in the IAS19 non-cash pension credit.

Exceptional Items

Group profit before tax and basic earnings per share were impacted by a net exceptional charge of £7.3m, compared to the small exceptional gain of £0.1m in 2007. Menzies Aviation's disposal of its interest in Talma Menzies Peru gave rise to a gain on disposal of £8.2m. This was offset by an impairment



charge of £3.8m (mainly relating to our investment in Aeroground), a provision for onerous leases of £5.0m, a bad debt from Sterling Airlines of £1.3m, rationalisation and other costs of £5.4m.

Cashflow and Investment

Operating cash flow was £42.5m, a decrease of £14.3m compared to 2007, reflecting the lower operating profit and higher exceptional spend. Free cash outflow of £8.7m compared to an inflow of £14.9m in 2007 also reflects the foreign currency loss of £7.7m on a low cost financing transaction, (although this was exactly matched by tax relief of £7.7m), and higher interest and tax. The net capital investment above depreciation was £30.0m principally due to investment in India and South Africa and net contract wins.

Final Dividend

In light of the current economic outlook as well as the Group's focus on cash generation and debt reduction, the Board has decided not to recommend a final dividend making the full year dividend 7.56p.

Menzies Aviation

		<u>2008</u>	<u>2007</u>
	Revenue	£500.9m	£393.8m
	Underlying Operating Profit	£14.1m	£20.6m

Performance

Menzies Aviation had a tough year in the face of unprecedented market uncertainty.

The rising oil price and the general consumer slowdown led to a significant reduction in scheduled flights and cargo volumes, particularly in quarter four. This was partially offset by early decisive actions to align the cost base with the challenging market, together with continued organic growth.

Underlying operating profit fell by £6.5m to £14.1m. This was largely attributable to very poor cargo volumes, particularly in quarter four, and reduced flight schedules as winter flights were significantly down on the prior year. Start up costs for new ventures of £4.2m were £2.3m higher than the previous year as a result of significant new contracts gained.

Organic expansion continued, with the division a net winner of 66 contracts in the year (2007: 54), demonstrating the value customers see in the high levels of service provided. Additionally, significant new ventures were delivered during the year in India and South Africa. Both ventures are operating successfully and will have a positive full year impact in 2009.

Swift and decisive management action was taken to reduce the cost base as volumes started to decline, while ensuring high levels of customer service were maintained. Indirect costs were reduced by £2m (£4m on an annualised basis). The operations in Peru and Hong Kong were sold, generating a further £12.2m of cash. Underperforming stations in Fort Myers, Atlanta and Copenhagen were closed as part of the division's continued focus on its fix/close/sell strategy. Direct costs were also trimmed in light of the difficult market conditions.

The overall product offering has evolved with ground handling now representing 54.4% of the divisional turnover and cargo handling 28.2%. This reflects a greater commercial focus on the less operationally geared ground handling operations during these difficult times.



During this difficult year the strategy of focusing on attractive airlines in attractive markets proved to be invaluable. Tight cash management led to only one material bad debt being incurred. The division has a resilient business model and is well placed to quickly benefit when the market strengthens.

New Ventures

During the year the division entered the Indian aviation market with a cargo handling operation at Bangalore International Airport and both cargo and ground handling operations at Hyderabad International Airport. Licences to operate at both of these brand new airports were secured after an open tender process and demonstrate the international reputation that the division has for quality and safety. Both operations have performed very well and delivered the returns expected.

Ground handling operations at six airports in South Africa commenced on 1 March 2008. The operations have been a huge commercial success with a large number of attractive airlines becoming customers. Unfortunately, the nature of the handover from the previous incumbents and airlines' reluctance to sign contracts until the eleventh hour, resulted in operations being over staffed for much of 2008, which resulted in a drag on earnings. Staffing has now been reduced to the required levels and the region's 2008 exit rate was in line with that anticipated at the time of investment.

Three businesses were acquired during the first quarter of the year.

Air Cargo Resources, a cargo handling business operating at the three main gateways in South Africa, was acquired in January to complement the region's ground handling operations.

MMA Consolidators Pty Ltd, a South African freight forwarder, was acquired in March and amalgamated within the division's cargo forwarding arm.

In Scandinavia the ground handling business, Novia Sverige AB, was acquired in March. This strategic acquisition made the division the largest independent handler in the region, while creating a regional density in combination with our existing Scandinavian operations.

Cargo Handling

2008 was a very difficult year for cargo with all the division's major cargo hubs suffering significant volume shortfalls. Global cargo markets, as evidenced by recent IATA statistics, were significantly down year on year but in particular sharply down in the fourth quarter.

During quarter four, the traditional peak cargo months, like for like volume fell 19.7%.

Operations in the USA were impacted by a number of operational issues highlighted at the half year. These operational issues cost the division c£2.0m. Management actions have now resolved these issues, the benefit of which will be seen during 2009.

Cargo Forwarding

AMI, the world's largest trade-only airfreight consolidator, made modest progress in the face of falling cargo volumes. Turnover was up 54% 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 and the combined business now has a significant presence in the world's key cargo markets. The AMI business represents c17% 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.

Ground Handling

Organic expansion resulted in absolute turns increasing 13.7%, demonstrating the strong contract momentum across the network and the new regional densities in Scandinavia and South Africa. Like for like turns fell 5.5% as a result of the general reductions in flight schedules particularly during quarters three and four. Like for like turns in quarter four were down 12.1%

There were great start ups at six locations in South Africa. Our burgeoning relationship with jetBlue in the USA was extended to a further 4 airports. In April, following the acquisition of GB Airways by easyJet, the division increased the size of its operations (from 68 to 102 flights per day) for easyJet at their biggest hub, London Gatwick.

In June the division was awarded contracts at London Heathrow (LHR) by the Star Alliance. This is the first deal made with a carriers' alliance rather than an individual airline. The contract started successfully in October and sees the division handle 6 airlines under one agreement and provides the division with a scale operation within Terminal One at LHR.

Operations in Denmark ceased in October following the collapse of Sterling Airlines. This bankruptcy was the only material bad debt incurred by the division during the year.

Within the Americas, the turnaround of the USA ground handling business continues and the region performed well. Like for like turns were down 5.7% reflecting lower volumes at Alaska Airlines hub in Seattle and the loss of the Spirit Airlines contract early in the year. However absolute turns in the USA are up 1.1% due to the successful re-modelling of the customer base. Contract win momentum was excellent, Qantas awarded the division a 3 year contract to handle 44 A380 flights per week at LAX. In addition, new contracts were awarded by British Airways, jetBlue and Virgin America the portfolio is strong.

In China, operations in Hong Kong were sold in October. Despite the best efforts of the local team it had proved difficult to build scale in what is a controlled local market with two very strong local players.

Strategy

Prior to 2008 the division had delivered five consecutive years of growth. During the year unprecedented events within the airline industry led to a fall in underlying flight movements and cargo volumes.

The division will continue to position itself as the quality player in the ground handling market focusing on providing great service to attractive airlines in attractive markets.

Given the economic outlook, the division will also focus on cost management, productivity, underperforming stations and the disposal of non core assets. Decisive action is already underway and the fix/close/sell policy will be pursued as is required.

The business model is resilient and the strategy is sound.



Menzies Distribution

		<u>2008</u>	<u>2007</u>
	Revenue	£1,166.2m	£1,147.3m
	Underlying Operating Profit	£23.9m	£23.4m

Performance

Menzies Distribution had a good year despite a very difficult market environment, in particular during the second half of the year when sales declines began to reflect the challenging market conditions. Operating profit was up 2.1%, and revenue was up 1.6%, largely reflecting the annualised effect of the acquisition of Grays of York and the new business in Chester that was secured in the second half of 2007.

As predicted, the magazine market remained difficult throughout the year with like for like magazine revenue down 4.6%. Newspapers performed better, with like for like revenue up 1.1% as cover price growth more than offset volume declines.

In October, contract re-negotiations were successfully completed with our largest customer, News International. New terms have been secured for five years and the division's overall market share has been maintained. This outcome positions the division favourably for future publisher negotiations.

During the year the division entered the Republic of Ireland in a joint venture with Eason & Son Ltd. The operational network has been rationalised and Menzies standard systems implemented, bringing enhanced service levels to both publishers and retailers. The joint venture with Eason & Son Ltd in Northern Ireland performed well during 2008 after an operationally difficult time in 2007.

Customer service levels were increased after a year of operational upheaval in 2007. Publisher and retailer feedback was excellent and the division strives to lead the industry in this vitally important area.

Cost and Productivity Initiatives

The division produced an excellent result reducing like for like costs by £6.4m, more than double the cost of inflation.

This performance validates the division's investment in new technologies. Over the last two years it has revolutionised working processes and improved customer service through the implementation of semi-automated magazine packing systems, state of the art high speed returns machinery, centralisation of product allocations and the introduction of regional contact centres for all customers.

A strategic operational review of the business in March led to the launch of further initiatives. Good progress was made on reducing transport costs, utilising Optrak route planning technology, while an incentivised productivity and service level programme led to significant benefit in all warehouse processes.

New Revenue Streams

In August 2008 the division acquired "The Network", one of the top 10 field marketing companies in the UK. The acquisition brings the division a high quality field marketing operation that will complement existing field sales activities and our D-Cipher and Jones Yarrell Leadenhall businesses.



D-Cipher, the retail category management service business, continued to build momentum. The business provides full range planning to retailers including Marks & Spencer, Boots, Tesco and Total Petrol, and more than doubled its contribution during the year.

Menzies Digital, the virtual magazine wholesaling venture, made further progress during the year. It is now embedded in the websites of WH Smith, Asda and ITV.com amongst others and offers a large range of the UK's top selling titles. The venture remains in development and progress has been slower than anticipated as a result of the consumer slowdown, but this exciting venture - with little fixed cost - is worth pursuing at this time.

Office of Fair Trading (OFT)

The OFT announced their findings in relation to newspaper and magazine distribution in October. The findings were within the range of outcomes expected. The division is playing a full part in the industry consultation and is confident that it is well placed to respond to any potential conclusions.

Strategy

Over the last two years the division has successfully revolutionised its operating model. As a result, it is now very well placed to take advantage of opportunities that exist within the marketplace in the short to medium term.

At all times the division strives to lead the industry in terms of the customer service provided to our publisher and retail customers. With the revised operational model in place, the focus is to aggressively drive top line growth while continuing to reduce the cost base.

Outlook

Menzies Aviation will continue to position itself as the quality player in the ground handling market. The current strategy will be pursued although given the economic outlook the division will also focus on underperforming stations and overall productivity. Decisive action is already underway and the fix/close/sell policy will be pursued as is required.

Contract gain momentum continues and the division has been awarded contracts to handle easyJet at Stansted, Bristol, Budapest, Ibiza and Tenerife, Etihad in Sydney and Melbourne and Aer Lingus at London Gatwick.

Menzies Distribution will continue to drive cost and productivity initiatives and new revenue opportunities will be progressed.

The division will continue to focus on providing excellent customer service to its publisher and retail customers. The implementation of SAP will lead to further operational efficiencies and an enhancement of internal and external reporting.

Group

The Group is expecting the difficult trading environment to continue throughout 2009 and has forecast for a further deterioration in the core markets at Menzies Aviation and Menzies Distribution. However, we expect this deterioration to be largely offset by organic growth and cost savings.



In 2009 the Group will focus on cash generation and debt reduction. Capital expenditure will be less than depreciation at both divisions, and as a result both divisions are expected to be comfortably cash generative during the year. The Group is reviewing its asset base and any non core assets may be disposed of to pay down debt.

Since the year end, all banking facilities due for renewal in the first half of 2009 have been secured and with the cash generative nature of the Group the Board expects to operate well within these facilities.

Current trading at Menzies Aviation is slightly behind our expectations as a result of weak cargo volumes. Visibility on cargo volumes is poor and no significant return of volume is expected in the short term. The Board believes the Aviation business is well positioned for longer term growth. At Menzies Distribution trading is slightly ahead of last year. Management continue to drive the Group's cost base rigorously and remain well positioned to benefit from market recovery.



GROUP INCOME STATEMENT

for the year ended 31 December 2008 (year ended 29 December 2007)

	Notes	Before exceptional and other items £m	Exceptional and other items £m	2008 Total £m
Revenue	2	1,667.1	-	1,667.1
Net operating costs		(1,636.1)	(11.6)	(1,647.7)
Operating profit	2	31.0	(11.6)	19.4
Share of post-tax results of joint ventures and associates		5.1	(1.5)	3.6
Operating profit after joint ventures and associates	2	36.1	(13.1)	23.0
<i>Analysed as:</i>				
Underlying operating profit*		36.5	-	36.5
Non-recurring items	4(a)	-	(7.3)	(7.3)
Intangible amortisation	4(b)	-	(4.3)	(4.3)
Share of interest and tax on joint ventures and associates		(0.4)	(1.5)	(1.9)
Operating profit after joint ventures and associates		36.1	(13.1)	23.0
Finance income	5	18.1	-	18.1
Finance charges	5	(23.5)	(7.7)	(31.2)
Profit before taxation		30.7	(20.8)	9.9
Taxation	6	(12.1)	1.0	(11.1)
Profit / (loss) for the year		18.6	(19.8)	(1.2)
Attributable to equity shareholders		18.6	(19.8)	(1.2)
Attributable to minority interests		-	-	-
		18.6	(19.8)	(1.2)
Earnings per ordinary share	8			
Basic		31.3p	(33.3)p	(2.0)p
Diluted		31.3p	(33.3)p	(2.0)p
	Notes	Before exceptional and other items £m	Exceptional and other items £m	2007 Total £m
Revenue	2	1,541.1	-	1,541.1
Net operating costs		(1,505.2)	(2.7)	(1,507.9)
Operating profit	2	35.9	(2.7)	33.2
Share of post-tax results of joint ventures and associates		4.8	(1.4)	3.4
Operating profit after joint ventures and associates	2	40.7	(4.1)	36.6
<i>Analysed as:</i>				
Underlying operating profit*		41.0	-	41.0
Non-recurring items	4(a)	-	0.1	0.1
Intangible amortisation	4(b)	-	(2.8)	(2.8)
Share of interest and tax on joint ventures and associates		(0.3)	(1.4)	(1.7)



Operating profit after joint ventures and associates		40.7	(4.1)	36.6
Finance income	5	17.3	-	17.3
Finance charges	5	(20.0)	(2.1)	(22.1)
Profit before taxation		38.0	(6.2)	31.8
Taxation	6	(9.7)	4.0	(5.7)
Profit / (Loss) for the year		28.3	(2.2)	26.1
Attributable to equity shareholders		28.2	(2.2)	26.0
Attributable to minority interests		0.1	-	0.1
		28.3	(2.2)	26.1
Earnings per ordinary share	8			
Basic		47.9p	(3.7)p	44.2p
Diluted		47.7p	(3.7)p	44.0p

*Underlying operating profit is consistently presented adjusting for non-recurring exceptional items, intangible amortisation associated with goodwill impairment on associate assets and contract amortisation, and the Group's share of interest and tax on joint ventures and associates to provide an appreciation of the impact of those items on operating profit.

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 December 2008 (year ended 29 December 2007)

	Notes	2008 Total £m	2007 Total £m
(Loss) / profit for the year		(1.2)	26.1
Actuarial loss on defined benefit pensions	3	(48.7)	(3.2)
Deferred tax associated with defined benefit pensions		13.6	1.0
Net exchange adjustments	10	4.7	2.4
Net (losses) / gains recognised directly in equity		(30.4)	0.2
Total recognised (loss) / income for the year		(31.6)	26.3
Attributable to equity shareholders		(31.6)	26.2
Attributable to minority interests		-	0.1
		(31.6)	26.3

The parent company Statement of Recognised Income and Expense includes a profit for the year of £18.5m (2007: loss of £5.6m) and a net actuarial loss on defined benefit pensions of £35.1m (2007: loss of £2.2m). There are no minority interests in the parent company.



GROUP AND COMPANY BALANCE SHEETS
as at 31 December 2008 (29 December 2007)

	Notes	Group		Company	
		2008 £m	2007 £m	2008 £m	2007 £m
Assets					
Non-current assets					
Intangible assets	9	102.1	78.6	-	-
Property, plant and equipment		169.4	146.9	36.8	38.2
Investments		47.1	34.8	293.4	236.7
Deferred tax assets		15.0	4.1	10.0	-
Retirement benefit obligations	3	-	9.5	-	9.5
		333.6	273.9	340.2	284.4
Current assets					
Inventories		9.3	12.4	-	-
Trade and other receivables		157.4	142.2	169.6	101.7
Available for sale investment		2.7	-	-	-
Derivative financial assets	12	0.4	0.6	0.4	0.6
Cash and cash equivalents	12	19.6	22.9	2.6	1.9
		189.4	178.1	172.6	104.2
Liabilities					
Current liabilities					
Borrowings	12	(58.6)	(7.8)	(57.7)	(6.8)
Derivative financial liabilities	12	(17.1)	(2.9)	(17.1)	(2.9)
Trade and other payables		(195.8)	(188.9)	(213.8)	(163.1)
Current income tax liabilities		(9.9)	(8.7)	-	-
		(281.4)	(208.3)	(288.6)	(172.8)
Net current liabilities		(92.0)	(30.2)	(116.0)	(68.6)
Total assets less current liabilities		241.6	243.7	224.2	215.8
Non-current liabilities					
Borrowings	12	(126.0)	(124.0)	(125.8)	(124.0)
Other payables		(0.2)	(0.5)	-	-
Derivative financial liabilities	12	(0.9)	(0.1)	(0.9)	(0.1)
Provisions		(8.6)	(5.1)	-	-
Deferred tax liabilities		(7.7)	(5.6)	(5.2)	(3.8)
Retirement benefit obligations	3	(35.6)	-	(35.6)	-
		(179.0)	(135.3)	(167.5)	(127.9)
Net assets		62.6	108.4	56.7	87.9
Shareholders' equity					
Ordinary shares	14	15.1	15.0	15.1	15.0
Share premium account	14	15.8	15.1	15.8	15.1
Investment in own shares	14	(3.3)	(3.4)	-	-
Retained earnings	14	13.4	60.1	4.2	36.2
Capital redemption reserve	14	21.6	21.6	21.6	21.6
Total equity		62.6	108.4	56.7	87.9



The accounts were approved by the board of directors on 9 March 2009 and signed on its behalf by:

**William Thomson,
Chairman**

**Paul Dollman, Group
Finance Director**



GROUP AND COMPANY CASH FLOW STATEMENTS

for the year ended 31 December 2008 (year ended 29 December 2007)

	Notes	Group		Company	
		2008 £m	2007 £m	2008 £m	2007 £m
Cash flows from operating activities					
Cash generated from operations	11	39.2	48.5	(9.9)	(10.5)
Interest received		2.2	2.4	0.1	0.9
Interest paid		(17.5)	(10.0)	(9.6)	(7.3)
Tax (paid) / recovered		(4.6)	(2.9)	0.7	(0.2)
Net cash from operating activities		19.3	38.0	(18.7)	(17.1)
Cash flows from investing activities					
Investment in joint ventures and associates		(8.7)	(13.8)	-	-
Loan repaid by joint venture		0.5	0.1	-	-
Loan repaid by associate		0.1	-	-	-
Proceeds from disposal of investments		12.2	0.2	-	-
Acquisition of subsidiaries		(13.0)	(16.8)	-	-
Net cash acquired with subsidiaries	15	1.2	1.9	-	-
Purchase of property, plant and equipment		(40.4)	(32.0)	-	(0.2)
Intangible asset additions		(2.4)	(3.0)	-	-
Acquisition of minority interest		-	(0.4)	-	-
Proceeds from sale of property, plant and equipment		9.1	0.7	-	-
Dividends received		3.3	4.0	-	-
Net cash used in investing activities		(38.1)	(59.1)	-	(0.2)
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		0.8	2.7	0.8	2.7
Repayment of borrowings	10	(16.5)	-	(16.7)	-
Proceeds from borrowings	10	45.9	40.0	45.9	40.0
Dividends paid to ordinary shareholders		(15.5)	(12.8)	(15.5)	(12.8)
Dividends paid to minority interests		-	(0.1)	-	-
Amounts repaid by / (provided to) subsidiaries		-	-	3.9	(9.5)
Net cash from financing activities		14.7	29.8	18.4	20.4
(Decrease) / increase in net cash and cash equivalents	10	(4.1)	8.7	(0.3)	3.1
Effects of exchange rate movements		0.3	(0.2)	0.3	(0.2)
Opening net cash and cash equivalents		21.0	12.5	0.8	(2.1)
Closing net cash and cash equivalents*		17.2	21.0	0.8	0.8

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



Notes to the Accounts

1. Accounting policies

A summary of the more significant accounting policies, which have been consistently applied, is set out below.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and have not been adopted early:

IFRS 8 'Operating segments' is effective for annual periods beginning on or after 1 January 2009.

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. This standard will have no impact on reported results.

Amendment to IAS 23 – 'Borrowing costs' is effective for annual periods beginning on or after 1 January 2009. The impact of this amendment will be the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

IFRS 11, IFRS 2 'Group and Treasury Share Transactions' and Amendment to IFRS 2 (Share-based Payment).

IFRS 3 'Business Combinations (Revised)' is effective for annual periods beginning on or after 1 July 2009.

The directors believe that the adoption of these standards and interpretations in future periods will have no material impact on the accounts of the Group.

New standards, amendments to standards and interpretations which are mandatory for the year ended 31 December 2008, and which have been adopted in these accounts are as follows:

IFRS 7 'Financial Instruments: Disclosures'

In accordance with Section 230 of the Companies Act 1985 no income statement is presented for the Company.

Basis of consolidation

The consolidated accounts, which have been prepared under the historical cost convention and in accordance with EU Endorsed International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS, incorporate the accounts of the Company and its subsidiaries, joint ventures and associates from the effective date of acquisition or to the date of deemed disposal.

Joint ventures and associates

A joint venture is an entity in which the Group holds an interest on a long-term basis and which is jointly controlled by the Group and one or more other venturers under a contractual agreement.

An associate is an undertaking, not being a subsidiary or joint venture, over which the Group has significant influence and can participate in the financial and operating policy decisions of the entity.

The Group's share of the results of joint ventures and associates is included in the Group Income Statement using the equity method of accounting. Investments in joint ventures and associates are carried in the Group Balance Sheet at cost plus post-acquisition changes in the Group's share of the net



assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

Revenue

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

Aviation – cargo revenue is recognised at the point of departure for exports and at the point that the goods are ready for dispatch for imports. Other ramp, passenger and aviation-related services income is recognised at the time the service is provided in accordance with the terms of the contract. Revenue excludes value added and sales taxes, charges collected on behalf of customers and intercompany transactions.

Property, plant and equipment

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

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

Inventories

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

Pensions

The operating and financing costs of pensions are charged to the income statement in the period in which they arise and are recognised separately. The cost of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, are recognised in the statement of recognised income and expense.

Pension costs are assessed in accordance with the advice of qualified actuaries.

With regard to defined contribution schemes, the income statement charge represents contributions made.

Taxation

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the period.

Deferred tax is provided in full, using the liability method, on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax arising from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, is not recognised. Deferred tax liabilities represent tax payable in future periods in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits.

Deferred tax is determined using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in



the foreseeable future. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current and deferred tax is recognised in the income statement except if it relates to an item recognised directly in equity, in which case it is recognised directly in equity.

Intangible assets

Goodwill

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

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

Goodwill arising on acquisitions before 26 December 2004 (the date of transition to IFRS) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Contracts

The fair value attributed to contracts at the point of acquisition is determined by discounting the expected future cash flows to be generated from that asset at the risk-adjusted weighted average cost of capital for the Group. This amount is included in intangible assets as "contracts" and amortised over the estimated useful life on a straight-line basis. Separate values are not attributed to internally-generated customer relationships.

Contract amortisation is business-stream dependent. At Distribution, contracts capitalised are not amortised due to the very long-term nature of the business in the UK. These contracts are, however, tested annually for impairment using similar criteria to the goodwill test. At Aviation, contracts are amortised on a straight-line basis over ten years as this period is the minimum time-frame management considers when assessing businesses for acquisition.

Development costs

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

Computer Software

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



Leases

Leases are classifieded as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets acquired under finance leases are capitalised in the balance sheet at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is recorded in the balance sheet as a finance lease obligation. The lease payments are apportioned between finance charges (charged to the income statement) and a reduction of the lease obligations.

Rental payments under operating leases are charged to the income statement on a straight-line basis over applicable lease periods.

Held for sale investments

Investments are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Held for sale investments are stated at the lower of carrying value and fair value less costs to sell.

Trade receivables

If there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of an invoice, a provision on the respective trade receivable is recognised. In such an instance, the carrying value of the receivable is reduced, with the amount of the loss recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Foreign currencies

Foreign currency assets and liabilities of the Group are translated at the rates of exchange ruling at the balance sheet date. The trading results of overseas subsidiaries, joint ventures and associates are translated at the average exchange rate ruling during the year, with the exchange difference between average rates and the rates ruling at the balance sheet date being taken to reserves.

Any differences arising on the translation of the opening net investment, including goodwill, in overseas subsidiaries, joint ventures and associates, and of applicable foreign currency loans, are dealt with as adjustments to reserves. All other exchange differences are dealt with in the income statement.

Derivative financial instruments and hedging activities

The Group uses forward contracts and cross-currency swaps as derivatives to hedge the risk arising from the retranslation of foreign currency denominated items.

The Group has derivatives which are designated as hedges of overseas net investments in foreign entities (net investment hedges) and derivatives which are designated as hedges of the exchange risk arising from the retranslation of highly probable forecast revenue denominated in non-local currency of some of our overseas operations (cash flow hedges).

In all cases the derivative contracts entered into by the Group have been highly effective during the reporting period, and are expected to continue to be highly effective until they expire. As a result all derivatives have been recorded using hedge accounting, which is explained below.

All derivatives are measured at fair value, which is calculated as the present value of all future cash flows from the derivative discounted at prevailing market rates.



Changes in the fair value of the effective portion of net investment hedges are recorded in equity, and are only recycled to the income statement on disposal of the overseas net investment.

Changes in the fair value of the effective portion of cash flow hedges are recorded in equity until such time as the forecast transaction occurs, at which time they are recycled to the income statement. If however, the occurrence of the transaction results in a non-financial asset or liability, then amounts recycled from equity would be included in the cost of the non-financial asset or liability. If the forecast transaction remains probable but ceases to be highly probable then, from that point, changes in fair value would be recorded in the income statement within finance costs. Similarly, if the forecast transaction ceases to be probable then the entire fair value recorded in equity and future changes in fair value would be posted to the income statement within finance costs.

Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. These estimates will, by definition, seldom equal the related actual results particularly so given the prevailing difficult economic conditions and the level of uncertainty regarding their duration and severity.

The Board has considered the critical accounting estimates and assumptions used in the Accounts and concluded that the main areas of significant risk which may cause a material adjustment to the carrying amount of assets and liabilities within the next financial year is in respect of the carrying value of intangible assets and the assumptions used to calculate pension benefits.

Impairment of long-lived assets

The Group periodically evaluates the net realisable value of long-lived assets, including goodwill, other intangible assets and tangible fixed assets, having regard to a number of factors, including business plans, projected results and discounted future cash flows.

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation and are tested annually for impairment or whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value is, in most cases, based on the discounted present value of the future cash flows expected to arise from the cash generating unit to which the goodwill relates, or from the individual asset or asset group.

Estimates are used in deriving these cash flows and the discount rate. The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the intangible and tangible fixed asset accounting policies affect the amounts reported in the financial statements.

In particular, if different estimates of the projected future cash flows or a different selection of an appropriate discount rate or long-term growth rate were made, these changes could materially alter the projected value of the cash flows of the asset and, as a consequence, materially different amounts would be reported in the financial statements. These estimates are interlinked and specific to the circumstances of each asset, so that it is not appropriate to indicate how reported amounts might change if different estimates were made.



Pensions

The assumptions include corporate bond yields, investment return, price and salary inflation and mortality assumptions. Full details of assumptions used to calculate the pension assets and liabilities are found in Note 3.

Exceptional items

Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the income statement to enable a full understanding of the Group's financial performance. These exclude certain elements of intangible asset impairment and amortisation, which are also presented separately in the income statement.

Transactions which may give rise to exceptional items include restructurings of business activities (in terms of rationalisation costs and onerous lease provisions) and gains or losses on the disposal of businesses.

Dividend distributions

Final ordinary dividends are recognised as liabilities in the accounts in the period in which the dividends are approved by the Company's shareholders.

Financial risk factors

The Group is exposed to financial risks: liquidity risk, interest rate fluctuations, foreign exchange exposures and credit risk.



2. SEGMENTAL ANALYSIS

Primary business segments 2008	Distribution £m	Aviation £m	Corporate £m	Group £m
Revenue	1,166.2	500.9	-	1,667.1
Operating profit/(loss)	22.7	(0.6)	(2.7)	19.4
Share of post-tax results of joint ventures	0.1	2.5	-	2.6
Share of post-tax results of associates	-	1.0	-	1.0
Operating profit/(loss) after joint ventures and associates	22.8	2.9	(2.7)	23.0

Analysed as:				
Pre-exceptional operating profit/(loss)*	23.9	14.1	(1.5)	36.5
Gain on disposal of interest in joint venture	-	8.2	-	8.2
Impairment provisions (Note 4)	(0.8)	(4.8)	-	(5.6)
Onerous lease provision (Note 4)	-	(3.8)	(1.2)	(5.0)
Rationalisation costs (Note 4)	-	(6.7)	-	(6.7)
Contract amortisation (Note 4)	-	(2.5)	-	(2.5)
Share of interest on joint ventures and associates	(0.1)	(0.3)	-	(0.4)
Share of tax on joint ventures and associates	(0.2)	(1.3)	-	(1.5)
Operating profit/(loss) after joint ventures and associates	22.8	2.9	(2.7)	23.0

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:				
Pre-exceptional operating profit/(loss)*	23.4	20.6	(3.0)	41.0
Net gain on exchange of business	2.5	-	-	2.5
Dilapidations settlement on onerous lease	-	-	(2.4)	(2.4)
Contract amortisation (Note 4)	-	(1.0)	-	(1.0)
Goodwill impairment (Note 4)	-	(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



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

	Distribution £m	Aviation £m	Corporate £m	Group £m
2008				
Segment assets	167.6	317.5	3.3	488.4
Unallocated assets				34.6
Total assets				523.0
Segment liabilities	(108.3)	(80.7)	(33.6)	(222.6)
Unallocated liabilities				(237.8)
Total liabilities				(460.4)
Segment assets/(liabilities)	59.3	236.8	(30.3)	265.8
Unallocated net liabilities				(203.2)
Net assets				62.6
2007	£m	£m	£m	£m
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 assets/(liabilities)	54.9	180.1	(17.0)	218.0
Unallocated net liabilities				(109.6)
Net assets				108.4

Unallocated assets comprise retirement benefit obligations, deferred tax assets, cash and cash equivalents.

Unallocated liabilities comprise retirement benefit obligations, borrowings, current income tax and deferred tax liabilities.



2008	Distribution £m	Aviation £m	Corporate £m	Group £m
Capital expenditure	8.7	31.6	-	40.3
Depreciation	5.6	17.1	0.9	23.6
Amortisation of intangible assets	0.5	2.5	-	3.0
Goodwill impairment	-	4.8	-	4.8
(Gain) / loss on disposal of property, plant and equipment	-	(0.3)	0.4	0.1

2007	£m	£m	£m	£m
Capital expenditure	8.6	23.3	0.2	32.1
Depreciation	5.5	14.6	0.9	21.0
Amortisation of intangible assets	0.5	1.1	-	1.6
Goodwill impairment	-	1.8	-	1.8
Gain on disposal of property, plant and equipment	-	(0.2)	-	(0.2)

Secondary geographic segments

	Revenue		Capital expenditure		Segment assets	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
United Kingdom	1,316.2	1,282.4	14.4	12.8	282.4	270.4
Continental Europe	128.2	95.4	6.0	6.8	55.2	45.8
Americas	116.9	103.0	7.4	6.8	65.9	51.4
Rest of the World	105.8	60.3	12.5	5.7	84.9	47.9
	1,667.1	1,541.1	40.3	32.1	488.4	415.5



3. PENSIONS

Pension schemes

With regard to the principal Group-funded defined benefit scheme in the UK (the Menzies Pension Fund), to which the employees contribute, the charge to the income statement is assessed in accordance with independent actuarial advice from Hymans Robertson LLP ("the Actuary"), using the projected unit method. Certain Group subsidiaries operate overseas and participate in a number of pension schemes, which are largely of a defined contribution nature. The income statement charge for defined contribution schemes represents the contributions made.

The pension charge to the income statement is analysed as follows:

	2008	2007
	£m	£m
Menzies Pension Fund	2.3	3.6
Other schemes	7.1	4.4
	9.4	8.0

The Actuary undertook a valuation of the Menzies Pension Fund as at 31 December 2008 (2007 : 31 December) under IAS 19.

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

	2008	2007
	%	%
Rate of increase in salaries	3.60	3.90
Rate of increase in pensions (prior to 1 April 2006)	3.35	3.55
Rate of increase in pensions (after 1 April 2006)	2.50	2.50
Price inflation	3.10	3.40
Discount rate	6.40	5.90

Assumptions regarding future mortality experience are set based on advice from the Actuary in accordance with published statistics and experience in the business.

The average life expectancy in years of a pensioner retiring at 65 on the balance sheet date is:

	2008	2007
Male	18.4	18.3
Female	21.2	21.1

The average life expectancy in years of a pensioner retiring at 65, 20 years after the balance sheet date is:

	2008	2007
Male	19.2	19.2
Female	22.0	22.0



Fair value of assets (and expected return on assets)

	Long-term rate of return %	Value at December 2008 £m	Long-term rate of return %	Value at December 2007 £m
Equities	7.3	110.5	7.5	165.0
Bonds	6.1	44.3	5.2	46.0
Property	6.3	26.8	6.5	38.9
Other	2.0	0.8	5.2	0.3
Total value of assets		182.4		250.2
Defined benefit obligation		(218.0)		(240.7)
Recognised in balance sheet		(35.6)		9.5
Related deferred tax asset / (liability)		10.0		(2.7)
Net pension (liabilities) / assets		(25.6)		6.8

Sensitivity analysis

A reduction in the discount rate will increase the assessed value of the defined benefit obligation and a rise in the discount rate will decrease the assessed value of the defined benefit obligation. The overall effect of a change in the discount rate for the Fund of 0.1% would be an increase / decrease to the defined benefit obligation of around 1.7% / £3.7m.

The effect of changing the assumption regarding life expectancy by one year longer than the disclosed table would be to increase the assessed value of the defined benefit obligation by around 3% / £6.5m.



Components of pension expense

	2008	2007
	£m	£m
Amounts charged to operating profit		
Current service cost	2.3	3.6
Past service credit	-	-
Total amount charged to the Income Statement	2.3	3.6
Amounts included in finance costs		
Expected return on pension scheme assets	15.8	15.1
Interest on pension liabilities	(13.5)	(11.7)
Net financial return	2.3	3.4
Pension expense	-	0.2
Amounts recognised in the Statement of Recognised Income and Expense		
Loss on assets	(78.1)	(2.7)
Gain / (loss) on defined benefit obligation	29.4	(0.5)
Actuarial loss	(48.7)	(3.2)
Change in scheme assets during the year		
Fair value of assets at start of year	250.2	237.2
Expected return on assets	15.8	15.1
Company contributions	3.6	7.7
Employee contributions	1.4	1.6
Benefits and expenses paid	(10.5)	(8.7)
Loss on assets	(78.1)	(2.7)
Fair value of assets at end of year	182.4	250.2

The actual return on scheme assets was a loss of £62.3m (2007: a gain of £12.4m)

	£m	£m
Change in defined benefit obligation during the year		
Defined benefit obligation at start of year	240.7	231.8
Current service cost	2.3	3.6
Past service credit	-	-
Interest cost	13.5	11.7
Employee contributions	1.4	1.6
Benefits and expenses paid	(10.5)	(8.5)
(Gain) / loss on defined benefit obligation	(29.4)	0.5
Defined benefit obligation at end of year	218.0	240.7



History of experience gains and losses

	% of scheme assets / obligations	2008 £m	% of scheme assets / obligations	2007 £m	% of scheme assets / obligations	2006 £m	% of scheme assets / obligations	2005 £m
(Loss) / gain on scheme assets	42.8%	(78.1)	1.0%	(2.7)	5.0%	12.0	9.5%	19.8
Actuarial gain / (loss) on defined benefit obligation	13.5%	29.4	0.2%	(0.5)	5.0%	11.4	12.2%	(29.4)

4 (a) EXCEPTIONAL ITEMS

	Notes	2008 £m	2007 £m
Gain on disposal of interest in joint venture	(i)	8.2	-
Impairment provisions	(ii)	(3.8)	-
Onerous lease provision	(iii)	(5.0)	-
Rationalisation costs	(iv)	(6.7)	-
Net gain on exchange of businesses	(v)	-	2.5
Dilapidations settlement on onerous lease	(vi)	-	(2.4)
		(7.3)	0.1

(i) During the year 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 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 calculate 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 £0.8m has been recognised.

(iii) This provision is in respect of future obligations on 5 leasehold properties, which have become empty during the year.

(iv) Cost of rationalising excess capacity comprising asset write-downs and staff redundancy costs in the Aviation business.

(v) 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 was considered to be £3.1m. As the transferred businesses 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 £3.1m was created, offset by required transaction costs of £0.6m.

(vi) 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.

4 (b) INTANGIBLE AMORTISATION

		2008 £m	2007 £m
Goodwill impairment	(i)	(1.8)	(1.8)
Contract amortisation	(ii)	(2.5)	(1.0)
		(4.3)	(2.8)

- (i) As permitted under the transitional requirements of IFRS1, 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 £1.8m (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.

The taxation effect of the exceptional items is a credit of £1.1m (2007: £0.5m).

5. FINANCE COSTS

	2008 £m	2007 £m
Finance income:		
Bank deposits	2.3	2.2
Expected return on pension scheme assets (Note 3)	15.8	15.1
	18.1	17.3
Finance charges:		
Bank loans and overdrafts	(9.9)	(8.2)
Preference dividends	(0.1)	(0.1)
Interest on pension liabilities (Note 3)	(13.5)	(11.7)
Foreign currency loss	(7.7)	(2.1)
	(31.2)	(22.1)
Net finance costs	(13.1)	(4.8)

During the year the Group executed cross-currency basis swaps which reduced its interest costs by £1.0m (2007: £0.6m). The foreign currency loss incurred of £7.7m (2007: £2.1m) is exactly matched by tax relief of £7.7m (2007: £2.1m). The tax relief comprises £2.2m (2007: £0.6m) at the standard rate of corporation tax in the UK of 28.5% (2007: 30%) and a non-taxable exchange gain of £5.5m (2007: £1.5m)



6. TAXATION

(a) Analysis of charge in year	2008 £m	2007
		£m
Current tax		
UK corporation tax on profits for the year	0.8	0.9
Overseas tax	4.8	3.5
Adjustments to prior years' liabilities	-	(2.0)
Total current tax	5.6	2.4
Deferred tax		
Origination and reversal of temporary differences	4.5	0.2
Adjustments to prior years' liabilities	-	1.0
Total deferred tax	4.5	1.2
Retirement benefit obligations	1.0	2.1
Total deferred tax	5.5	3.3
Tax on profit on ordinary activities	11.1	5.7

(b) Current and deferred tax related items credited directly to equity

Deferred tax on actuarial loss on retirement benefit obligations	(13.6)	(1.0)
Current tax on net exchange adjustments	(0.7)	(0.7)
Tax credit reported in equity	(14.3)	(1.7)

c) Reconciliation between tax charge and the product of accounting profit multiplied by the Group's domestic tax rate for the years ended 31 December 2008 and 29 December 2007 is as follows:

Profit before tax	9.9	31.8
Profit before tax multiplied by standard rate of corporation tax in the UK (28.5%) (2007: 30%)	2.8	9.5
Non-deductible expenses (principally goodwill impairment and intangible amortisation)	2.8	0.3
Depreciation on non-qualifying assets	0.4	0.4
Unrelieved overseas losses	3.8	1.9
Profits covered by losses forward	(0.6)	(2.2)
Higher tax rates on overseas earnings	0.8	0.6
Deferred tax on undistributed reserves of associate	0.1	(0.2)
Joint venture and associate post-tax result (included in profit before tax)	(1.0)	(1.0)
Non-taxable exchange gain	(5.5)	(1.5)
Tax-exempt gain on disposal of interest in joint venture	(1.8)	-
Tax-exempt gain on exchange of businesses	-	(0.8)



Adjustments to prior years' liabilities		-	(1.0)
Increase in deferred tax liability due to the abolition of industrial buildings allowances	(i)	5.4	-
Write-off of overseas deferred tax assets	(ii)	3.9	
Reduction in UK tax rate		-	(0.3)
At the effective corporation tax rate of 112.1% (2007: 17.9%)		11.1	5.7

(i) The phased abolition of industrial buildings allowances by the end of March 2011 was enacted in the Finance Act 2008, which received Royal Assent in July. As a consequence, there is a one-off increase in the Group's deferred tax liability of £5.4m.

(ii) In prior years the Group recognised deferred tax assets in relation to losses carried forward by, and other temporary differences available to, subsidiaries operating mainly in the Netherlands and the USA. Current trading conditions in these territories are such that it is no longer possible to say with a degree of certainty that, in the short-term, future taxable profits will be available against which the carry forward tax losses, and other temporary differences, can be utilised. As a consequence, the Group has written-off £3.9m of deferred tax assets.

(d) Factors that may affect future tax charges

The Group has estimated tax losses carried forward, which arose in subsidiary companies operating in the undernoted jurisdictions, that are available for offset against future profits of those subsidiaries. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries where it is not probable that future taxable profits will be available against which such assets could be utilised.

	Losses	Expiry
	£m	
USA	34.2	Carry forward indefinitely
Netherlands	21.1	Not earlier than 1 January 2012
Germany	25.8	Carry forward indefinitely
Australia	0.7	Carry forward indefinitely
South Africa	2.8	Carry forward indefinitely
Hungary	1.1	Carry forward indefinitely
Norway	1.8	Carry forward indefinitely
Sweden	0.7	Carry forward indefinitely

The Group has capital losses in the UK of approximately £15.9m that are available for offset against future taxable gains arising in the UK. No deferred tax asset has been recognised in respect of these losses.

A deferred tax liability of £0.6m (2007: £0.5m) has been recognised on the unremitted earnings of an associate.



7. DIVIDENDS

	2008 £m	2007 £m
Dividends on equity shares:		
Ordinary - Final paid in respect of 2007, 18.4p per share	11.0	-
- Final paid in respect of 2006, 14.4p per share	-	8.7
- Interim paid in respect of 2008, 7.56p (2007: 7.2p) per share	4.5	4.1
	15.5	12.8

Dividends of £0.1m (2007: £0.1m) were waived by employee share trusts during the year.

8. EARNINGS PER SHARE

	Basic		Underlying*	
	2008 £m	2007 £m	2008 £m	2007 £m
Operating profit	19.4	33.2	19.4	33.2
Share of post-tax results of joint ventures and associates	3.6	3.4	3.6	3.4
Add back:				
Exceptional items (Note 4(a))	-	-	7.3	(0.1)
Intangible amortisation (Note 4(b))	-	-	4.3	2.8
Share of tax on joint ventures and associates	-	-	1.5	1.4
Net finance costs (Note 5)	(13.1)	(4.8)	(5.4)	(2.7)
Profit before taxation	9.9	31.8	30.7	38.0
Taxation	(11.1)	(5.7)	(11.1)	(5.7)
Exceptional tax	-	-	(1.0)	(4.0)
Minority interests	-	(0.1)	-	(0.1)
Earnings for the year	(1.2)	26.0	18.6	28.2

Basic

Earnings per ordinary share (pence)	(2.0)	44.2
Diluted earnings per ordinary share (pence)	(2.0)	44.0

Underlying*

Earnings per ordinary share (pence)	31.3	47.9
Diluted earnings per ordinary share (pence)	31.3	47.7

Number of ordinary shares in issue(millions)

Weighted average	59.445	58.871
Diluted weighted average	59.499	59.137

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.



* Underlying earnings are presented as an additional performance measure. They are stated before exceptional items, intangible amortisation and share of tax on joint ventures and associates.

9. INTANGIBLE ASSETS

	Goodwill £m	Contracts £m	Computer Software £m	Total £m
Cost				
At 29 December 2007	44.1	34.2	4.8	83.1
Acquisitions (Note 15)	2.3	9.6	-	11.9
Additions	-	1.0	1.4	2.4
Currency translation	13.6	7.1	-	20.7
At 31 December 2008	60.0	51.9	6.2	118.1
Amortisation				
At 29 December 2007	0.1	1.4	3.0	4.5
Amortisation charge	-	2.5	0.5	3.0
Impairment provision (Note 4(a))	3.0	-	-	3.0
Currency translation	5.0	0.5	-	5.5
At 31 December 2008	8.1	4.4	3.5	16.0
Net book value				
At 31 December 2008	51.9	47.5	2.7	102.1
At 29 December 2007	44.0	32.8	1.8	78.6
	£m	£m	£m	£m
Cost				
At 30 December 2006	37.5	20.1	4.4	62.0
Acquisitions	5.8	8.2	-	14.0
Exchange of businesses (Note 4(a))	-	3.1	-	3.1
Additions	-	2.6	0.4	3.0
Currency translation	0.8	0.2	-	1.0
At 29 December 2007	44.1	34.2	4.8	83.1
Amortisation				
At 30 December 2006	0.2	0.4	2.4	3.0
Amortisation charge	-	1.0	0.6	1.6
Currency translation	(0.1)	-	-	(0.1)
At 29 December 2007	0.1	1.4	3.0	4.5
Net book value				
At 29 December 2007	44.0	32.8	1.8	78.6
At 30 December 2006	37.3	19.7	2.0	59.0



Impairment test for goodwill and contracts

Goodwill

Goodwill is no longer amortised but is tested for impairment. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the cash-generating units (CGUs) are determined from value in use calculations. These calculations use future cash flow projections based on financial forecasts approved by management. The key assumptions for these forecasts are those regarding revenue growth, net margin and the level of working capital required to support trading, which management estimates based on past experience and expectations of future changes in the market.

To prepare value in use calculations, the future cash flow forecasts, which include management improvement actions, are extrapolated over a ten-year period at estimated average long-term growth rates for each market (ranging from 0 per cent to 5.8 per cent) using the best available market information (such as Boeing's 2008 Aviation Industry Review), and discounted back to present value. The discount rate assumptions use an estimate of the Group's weighted average cost of capital calculated at 5.3% plus an adjustment for the uncertainty risk attributable to individual CGUs. The post-tax discount rate used is 8%. The Group have considered a range of sensitivities in line with Group accounting policy.

Impairment tests were performed for all CGUs during the year ended 31 December 2008.

Contracts

Contract amortisation is business-stream dependent. At Distribution, contracts capitalised are not amortised due to the very long-term nature of the business in the UK. These contracts are, however, tested annually for impairment using similar criteria to the goodwill test. At Aviation, contracts are amortised on a straight-line basis over ten years as this period is the minimum time-frame management considers when assessing businesses for acquisition.

10. ANALYSIS OF CHANGES IN NET BORROWINGS

	2007	Cash flows	Currency translation	2008
	£m	£m	£m	£m
Cash at bank and in hand	22.9	(3.6)	0.3	19.6
Bank overdrafts	(1.9)	(0.5)	-	(2.4)
Net cash and cash equivalents	21.0	(4.1)	0.3	17.2
Bank loans due within one year	(5.7)	(45.9)	(4.4)	(56.0)
Loan stock due within one year	(0.1)	-	-	(0.1)
Preference shares	(1.4)	-	-	(1.4)
Finance leases	(0.6)	0.3	-	(0.3)
Debt due after one year	(122.1)	10.0	(12.3)	(124.4)
Net derivative liabilities	(2.4)	6.2	(21.4)	(17.6)
	(111.3)	(33.5)	(37.8)	(182.6)

The currency translation movement results from the Group's policy of hedging its overseas net assets, which are denominated mainly in US\$ and Euro. The translation effect on net debt is more than offset by the translation effect on net assets resulting in an overall net exchange gain of £4.7m (2007: £2.4m). This net gain is recognised directly in equity.



11. CASH GENERATED FROM OPERATIONS

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Operating profit / (loss)	19.4	33.2	(5.4)	(5.4)
Depreciation	23.6	21.0	1.0	0.9
Amortisation of intangible assets	3.0	1.6	-	-
Impairment provisions (Note 4(a))	3.8	-	-	-
Share-based payments	0.4	0.4	0.1	-
Gain on exchange of businesses	-	(3.1)	-	-
Dilapidations on onerous lease	-	2.4	-	2.4
Cash spend on dilapidations on onerous lease	(3.0)	-	(3.0)	-
Onerous lease provisions	5.0	-	1.2	-
Cash spend on onerous leases	(1.0)	-	-	-
Loss / (gain) on sale of property, plant and equipment	0.1	(0.2)	-	-
Gain on disposal of investment	(8.2)	-	-	-
Pension charge	2.3	3.6	0.2	0.3
Pension contributions in cash	(3.6)	(7.7)	(3.6)	(7.7)
Rationalisation costs	6.7	-	0.8	-
Cash spend on rationalisation	(5.3)	(1.2)	-	-
Decrease / (increase) in inventories	3.1	(0.4)	-	-
(Increase) / decrease in trade and other receivables	(9.3)	(21.0)	0.2	(0.6)
Increase / (decrease) in trade and other payables and provisions	2.2	19.9	(1.4)	(0.4)
	39.2	48.5	(9.9)	(10.5)

Cash generated from acquisitions during the year was not material.



12. FINANCIAL INSTRUMENTS

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Maturity profile				
Borrowings due within one year:				
Bank loans and overdrafts	58.4	7.6	57.7	6.8
Finance lease creditor	0.1	0.1	-	-
Unsecured loan stock	0.1	0.1	-	-
	58.6	7.8	57.7	6.8
Net derivative liabilities	16.7	2.3	16.7	2.3
Total borrowings due within one year	75.3	10.1	74.4	9.1
Borrowings due after one year:				
Loans repayable between one and two years	1.6	52.3	1.6	52.3
Loans repayable between two and five years	103.3	48.1	103.3	48.1
Loans repayable after five years	19.5	21.7	19.5	21.7
Preference shares	1.4	1.4	1.4	1.4
Finance lease creditor	0.2	0.5	-	0.5
	126.0	124.0	125.8	124.0
Net derivative liabilities	0.9	0.1	0.9	0.1
Total borrowings due after one year	126.9	124.1	126.7	124.1
Total borrowings	202.2	134.2	201.1	133.2
Less: Cash at bank and in hand and short-term deposits	19.6	22.9	2.6	1.9
Net debt	182.6	111.3	198.5	131.3

Other than trade receivables and payables, there are no financial assets or liabilities excluded from the above analysis.

No financial assets or liabilities were held or issued for trading purposes.

The Company has issued 1,394,587 cumulative preference shares of £1 each. These shares are not redeemable and pay an interest coupon of 9% semi-annually.



Borrowing facilities

At 31 December 2008, the Group had undrawn committed facilities of £22.6m (2007: £29.7m) with the following expiry profile:

	2008 £m	2007 £m
Less than one year	19.8	20.0
Between one and two years	-	2.2
Between two and five years	2.8	7.5
	22.6	29.7

The Group has no undrawn uncommitted facilities (2007: £nil).

Fair values

Set out below is an analysis of the fair and book value of the Group's financial instruments as at 31 December 2008.

	2008 Book value £m	2008 Fair value £m	2007 Book value £m	2007 Fair value £m
Primary financial instruments held or issued to finance the Group's operations:				
Short-term borrowings	75.4	75.5	11.4	11.4
Medium-term borrowings	105.8	106.8	100.4	100.5
Long-term borrowings	21.0	23.6	22.4	23.0
	202.2	205.9	134.2	134.9
Cash and deposits	19.6	19.6	22.9	22.9

The fair value of the fixed rate term borrowing is calculated as the present value of all future cash flows discounted at prevailing market rates.

Derivative financial instruments

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Assets				
Forward foreign exchange contracts (current)	0.4	0.6	0.4	0.6
Liabilities				
Forward foreign exchange contracts (current)	(17.1)	(2.9)	(17.1)	(2.9)
Forward foreign exchange contracts (non-current)	(0.9)	(0.1)	(0.9)	(0.1)
	(17.6)	(2.4)	(17.6)	(2.4)

The fair values of the derivative financial instruments were determined by reference to quoted market prices. The derivative financial instruments are classified as current or non-current based on the remaining maturity of the related hedged item.



Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts are:

		Group		Company		Sterling Equivalents	
		2008 million	2007 million	2008 million	2007 million	2008 £m	2007 £m
Euro	EUR	24.5	29.1	24.5	29.1	23.7	21.5
US dollar	USD	56.0	44.4	56.0	44.4	38.9	22.3
Czech crown	CZK	319.2	319.2	319.2	319.2	11.5	7.8
Australian dollar	AUD	24.5	17.1	24.5	17.1	11.9	7.0
New Zealand dollar	NZD	8.1	2.9	8.1	2.9	3.3	1.0
Swedish kroner	SEK	49.1	33.9	49.1	33.9	4.3	2.6
Norwegian kroner	NOK	17.5	-	17.5	-	1.7	-
Hungarian forint	HUF	325.0	-	325.0	-	1.2	-
Indian rupee	INR	1,289.7	412.0	1,289.7	412.0	18.4	5.1

The fair value of provisions, preference shares and other financial liabilities are not considered to be materially different from their book value.

Interest rate and currency risk profile of financial assets and liabilities

Financial assets and liabilities

The interest rate and currency profile of the Group's financial assets and liabilities (excluding trade receivables and trade payables) at 31 December 2008 is shown below.

Currency	Floating rate financial assets £m	Fixed rate financial assets £m	2008 Total financial assets £m	Floating rate financial assets £m	Fixed rate financial assets £m	2007 Total financial assets £m
Sterling	3.9	-	3.9	6.0	-	6.0
Euro	3.3	-	3.3	3.3	-	3.3
US dollar	3.2	-	3.2	4.1	-	4.1
Hong Kong dollar	0.5	-	0.5	0.6	-	0.6
Australian dollar	1.7	-	1.7	4.2	-	4.2
New Zealand dollar	0.3	-	0.3	1.0	-	1.0
Norwegian kroner	0.5	-	0.5	1.8	-	1.8
Indian rupee	0.3	-	0.3	0.4	-	0.4
South African rand	2.0	-	2.0	-	-	-
Swedish kroner	1.9	-	1.9	0.6	-	0.6
Other	2.0	-	2.0	0.9	-	0.9
	19.6	-	19.6	22.9	-	22.9

The floating rate financial assets of £19.6m (2007: £22.9m) are at interest rates linked to Base rates and LIBID.



Currency	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	2008 Total financial liabilities £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	2007 Total financial liabilities £m
Sterling	131.4	30.2	161.6	39.4	31.9	71.3
Euro	4.4	-	4.4	4.4	-	4.4
US dollar	18.6	-	18.6	18.6	35.6	54.2
Other	-	-	-	1.9	-	1.9
Net derivative liabilities	17.6	-	17.6	2.4	-	2.4
	172.0	30.2	202.2	66.7	67.5	134.2

Floating rate financial liabilities of £172.0m (2007: £66.7m) comprise bank loans, overdrafts, unsecured loan stock, cross-currency basis swaps and forward contracts. Interest on these liabilities is determined by reference to short-term rates linked to Base rates and LIBOR.

Sterling fixed rate financial liabilities comprise a loan repayable between 2009 and 2020 of £28.7m (2007: £30.0m) on which interest is at a fixed rate of 6.23% (2007: 6.23%), preference shares of £1.4m (2007: £1.4m) and finance lease creditors of £0.1m (2007: £0.5m). The loan has a weighted average maturity of 6 years (2007: 7 years).

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from net investments in foreign operations, recognised assets and liabilities and future commercial transactions.

The Group's treasury policy is to hedge significant forecast transaction exposures for a maximum of 18 months forward and to hedge the majority of currency denominated assets. The Group primarily uses forward contracts denominated in the relevant foreign currencies to hedge these exposures.

At 31 December 2008 if the UK pound had weakened / strengthened by 10% against the US dollar with all other variables held constant, reserves for the year would have been £5.1m / £4.2m (2007: £6.2m / £5.1m) higher / lower, mainly as a result of foreign exchange gains/losses on translation of forward contracts.

At 31 December 2008 if the UK pound had weakened / strengthened by 10% against the Euro with all other variables held constant, reserves for the year would have been £2.6m / £2.1m (2007: £2.4m / £2.0m) higher / lower, mainly as a result of foreign exchange gains / losses on translation of forward contracts.



(ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to minimise exposures by ensuring an appropriate balance of long-term fixed and short-term floating rates.

At 31 December 2008 22.0% (2007: 50.3%) of the Group's borrowings were fixed, the reduction reflecting the downward movement in interest rates during the year.

At 31 December 2008, if interest rates on UK pound-denominated borrowings had been 0.5% higher / lower with all other variables held constant, post-tax profit for the year would have been £0.6m (2007: £0.3m) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

The Group considers its exposure to credit risk at 31 December to be as follows:

	2008	2007
	£m	£m
Bank deposits	19.6	22.9
Trade receivables	109.9	100.1
	129.5	123.0

For banks and financial institutions, the Group's policy is to transact with independently rated parties with a minimum rating of 'A'. If there is no independent rating, the Group assesses the credit quality of the counterparty taking into account its financial position, past experience and other factors.

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows.

The following is an analysis of the Group's financial liabilities and derivative financial liabilities into relevant maturity based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Floating rate interest is estimated using the prevailing rate at the balance sheet date.

At 31 December 2008	Due within 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due over 5 years
Borrowings				
Finance leases	(58.5)	(1.6)	(103.3)	(20.9)
Trade and other payables	(0.1)	-	-	(0.2)
	(119.7)	(0.2)	-	-
Derivatives and other financial liabilities				
Net settled derivative contracts – receipts	0.4	-	-	-
Net settled derivative contracts - payments	(17.1)	(0.9)	-	-
	(195.0)	(2.7)	(103.3)	(21.1)



At 29 December 2007	Due within 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due over 5 years
Borrowings	(7.7)	(52.3)	(48.1)	(23.1)
Finance leases	-	-	-	(0.6)
Trade and other payables	(115.7)	(0.5)	-	-
Derivatives and other financial liabilities				
Net settled derivative contracts – receipts	0.6	-	-	-
Net settled derivative contracts - payments	(2.9)	(0.1)	-	-
	(125.7)	(52.9)	(48.1)	(23.7)

13. 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.



14. 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
Group						
As at 29 December 2007	15.0	15.1	(3.4)	60.1	21.6	108.4
Loss for the year	-	-	-	(1.2)	-	(1.2)
Dividends	-	-	-	(15.5)	-	(15.5)
New share capital issued	0.1	0.7	-	-	-	0.8
Movement in own shares	-	-	0.1	-	-	0.1
Share-based payments	-	-	-	0.4	-	0.4
Actuarial loss (net of deferred tax)	-	-	-	(35.1)	-	(35.1)
Exchange adjustments	-	-	-	4.7	-	4.7
As at 31 December 2008	15.1	15.8	(3.3)	13.4	21.6	62.6
<hr/>						
As at 30 December 2006	14.8	12.6	(3.5)	46.3	21.6	91.8
Profit for the year	-	-	-	26.0	-	26.0
Dividends	-	-	-	(12.8)	-	(12.8)
New share capital issued	0.2	2.5	-	-	-	2.7
Movement in own shares	-	-	0.1	-	-	0.1
Share-based payments	-	-	-	0.4	-	0.4
Actuarial loss (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
<hr/>						
Company						
At 29 December 2007	15.0	15.1	-	36.2	21.6	87.9
Profit for the year	-	-	-	18.5	-	18.5
Dividends	-	-	-	(15.5)	-	(15.5)
New share capital issued	0.1	0.7	-	-	-	0.8
Share-based payments	-	-	-	0.1	-	0.1
Actuarial loss (net of deferred tax)	-	-	-	(35.1)	-	(35.1)
As at 31 December 2008	15.1	15.8	-	4.2	21.6	56.7
<hr/>						
At 30 December 2006	14.8	12.6	-	56.8	21.6	105.8
Loss for the year	-	-	-	(5.6)	-	(5.6)
Dividends	-	-	-	(12.8)	-	(12.8)
New share capital issued	0.2	2.5	-	-	-	2.7
Actuarial loss (net of deferred tax)	-	-	-	(2.2)	-	(2.2)
As at 29 December 2007	15.0	15.1	-	36.2	21.6	87.9

The profit for the year for the company of £18.5m (2007: loss of £5.6m) is the same under both IFRS and UK GAAP. Other than presentational changes there is no difference in the Company balance sheet.



Investment in own shares

The Company's ordinary shares are held in trust for an employee share scheme. At 31 December 2008 the trusts held 1,031,387 (2007: 706,149) ordinary 25p shares with a market value of £1,101,006 (2007: £4,025,049).

Minority interests	2008 £m	2007 £m
At beginning of year	-	0.4
Share of profit after tax	-	0.1
Dividend	-	(0.1)
Acquired during the year	-	(0.4)
At end of year	-	-

During 2007, the Group purchased the 26% minority interest in the Big Orange Handling Company Ltd.

15. ACQUISITIONS

During the year, the Group acquired 100% of the share capital or trading assets of the following businesses:

Aviation

	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	1.2	6.4	0.3	8.4
Acquisition costs	0.1	0.1	0.2	-	0.4
Deferred consideration	0.3	1.2	-	-	1.5
Total purchase consideration	0.9	2.5	6.6	0.3	10.3
Fair value of net assets acquired	0.9	0.2	6.6	0.3	8.0
Goodwill	-	2.3	-	-	2.3

The assets and liabilities arising from the acquisitions are as follows:

	£m	£m	£m	£m	£m
Non-current assets:					
Intangible assets (contracts) – fair value	0.9	-	7.0	0.3	8.2
Property, plant and equipment	-	0.1	0.4	-	0.5
Current assets	-	1.7	2.6	-	4.3
Cash	-	0.6	-	-	0.6
Current liabilities	-	(2.2)	(3.4)	-	(5.6)
Net assets acquired	0.9	0.2	6.6	0.3	8.0



Distribution

The Network
(Field Marketing
& Promotions)
Company Ltd

Country of Operation	UK
	£m
<hr/>	
Purchase consideration:	
Cash paid	1.4
Acquisition costs	0.1
<hr/>	
Total purchase consideration	1.5
Fair value of net assets acquired	1.5
<hr/>	
Goodwill	-

The assets and liabilities arising from the acquisition are as follows:

	£m
<hr/>	
Non-current assets:	
Intangible assets (contracts) – fair value	1.4
Property, plant and equipment	0.1
Current assets	1.5
Cash	0.6
Current liabilities	(1.8)
Non-current liabilities	(0.3)
<hr/>	
Net assets acquired	1.5

A further performance-related payment of up to £1.6m may become payable in respect of The Network (Field Marketing & Promotions) Company Ltd up to May 2011.

The acquired businesses contributed revenues of £33.6m and operating profit of £1.7m from the date of acquisition. If the businesses had been acquired on 1 January 2008 revenues contributed would have been £50.7m and operating profit contributed would have been £2.3m.

16. DISPOSALS

During the year the Group disposed of its 50% interest in the joint venture in Peru, Talma Menzies SRL, for a consideration of £10.3m (Note 4(a)). The Group also sold its 100% interest in Menzies Aviation (Hong Kong) Ltd for a consideration equal to net book value.



17. CASHFLOW

	2008		2007
	£m	£m	£m
Operating Profit	19.4		33.2
Share-based payments	0.4		0.4
Depreciation	23.6		21.0
Amortisation of intangibles	3.0		1.6
Net pension movement	(1.3)		0.2
Working capital	(4.0)		(1.5)
Exceptional items	7.3		(0.1)
Cash spend on exceptional items	(9.3)		(1.2)
Dividends from associates and joint ventures	3.3		4.0
Non-cash items	0.1		(0.8)
Operating cash flow	42.5		56.8
Purchase of property, plant and equipment	(40.4)		(32.0)
Sale of property, plant and equipment	9.1		0.7
Net capital expenditure	(31.3)		(31.3)
Net interest paid	(7.6)		(5.5)
Foreign currency loss	(7.7)		(2.1)
Minority dividends paid	-		(0.1)
Tax paid	(4.6)		(2.9)
Free cash flow	(8.7)		14.9
Equity dividends paid	(15.5)		(12.8)
Additional pension payment	-		(4.3)
Acquisitions	(11.8)		(14.9)
Other investments	4.1		(13.5)
Minority interest acquisition	-		(0.4)
Intangible asset additions	(2.4)		(3.0)
Shares	0.8		2.7
Total movement	(33.5)		(31.3)
Opening net debt	(111.3)		(77.0)
Currency movement	(37.8)		(3.0)
Closing net debt	(182.6)		(111.3)

18. ACCOUNTING POLICIES

This statement has been prepared in accordance with accounting standards and policies consistent with those set out in the Group Accounts for the year ended 31 December 2008.



19. ACCOUNTS

The figures used in this statement, which was approved by the directors on 9 March 2009, 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.

20. ANNUAL REPORT

The Annual Report and Accounts will be available on 9 April 2009 and the Annual General Meeting will be held at the Roxburgh Hotel in Edinburgh on 21 May 2009 at 12.15pm. Statutory accounts for the year ended 29 December 2007 have been delivered to the Registrar of companies and those for the year to 31 December 2008 will be delivered following the Company's Annual General Meeting.

