Christian Salvesen

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Annual Report 2006

Christian Salvesen is a major European business employing some 13,000 staff in seven countries.

We manage outsourced logistics for manufacturing and retail customers in the industrial, consumer and food sectors, working in partnership with them to transform their supply chains and optimise inventories.

We have some 200 sites across Europe and will continue to expand our reach through organic growth, partnerships and joint ventures.

Making the business work harder and smarter

Why do our customers choose Salvesen? Because we do more than just move goods around efficiently. By properly understanding what drives their business, we find ways of making their supply chain work harder. And smarter. So that we can provide tailored solutions that add value for our customers – and for their customers.

As a result, we're successfully **growing our relationships** with our existing customers – as they discover what we can do for them, they want us to do more. We're **going where they want to go**, extending our specialist expertise throughout the length of their supply chains. And we're bringing **state of the art technology** to the entire network.

Growing our customer relationships

There's no better sales prospect than a satisfied customer. Take French hypermarket retailer Carrefour, for example. We began with a single contract and the relationship just keeps growing. We now provide logistics for the company – and subsidiaries – in France, Spain and Belgium. And our Support Services business has been brought in to develop and operate a reusable bulk container system for transporting and displaying fruit and vegetables – the service went nationwide across France last year.

Our relationship with glassware manufacturer Rockware is long established. We even designed the unique Wingliner trailer for it, to increase productivity and eliminate breakages. So when its parent company acquired Redfearn, we were the natural choice as logistics partner – the contract began last year.

And our national distribution partnership with Goodyear Dunlop which is based at the extraordinary Tyrefort – the UK's No1 tyre distribution centre, with capacity for in excess of a million tyres. Operating the site as a shared-user facility linked to our network has allowed us to target other tyre companies – starting with a national distribution contract from Continental Tyres which is scheduled to begin in July.

Going where our customers want to go

Supply chains are getting longer. When it comes to sourcing components or manufacturing, our customers now go shopping worldwide. But they want their supply chains to function smoothly and seamlessly, as if their suppliers were just up the road, not thousands of miles away.

We're no strangers to tricky global sourcing. For example, we operate British Airways' award-winning Perishables Handling Centre at Heathrow, which gets food across the world from farm to supermarket in under 24 hours – sorted, packed, labelled and priced. And by forming our Holistica joint venture with APL Logistics we can now offer global reach to all our customers – with the levels of inventory visibility that they need along every link in the chain.

As part of our growth strategy, we've resolved to go where our customers want to be. Holistica gives us long-haul strength, particularly in the Far East. We're also exploring partnerships closer to home, in areas such as Turkey and Eastern Europe that are increasingly important to our customers.

Bringing state of the art technology to the entire network

Our customers don't want pockets of excellence. They want consistently high service standards wherever we do business with them. The more we do for them, and the further afield we do it, the more this matters.

That's why they attach such importance to our in-house engineering and IT expertise. They know we're up to speed with RFID, voice and light picking and GPS tracking. They know we've developed industry-leading systems such as SHARP consignment management, SHARPnet online track and trace technology and the BACTRAC reverse logistics system. Most importantly, they know we have the skills to integrate our systems with theirs, and to create tailored solutions that meet their needs exactly.

We're constantly enhancing our systems and investing to ensure that they operate seamlessly across our entire network. That's what enables us to provide the cost and flexibility benefits of shared-user operations with the service standards and reliability that customers associate with dedicated operations.

Our IT skills are matched with engineering expertise. So, for example, we've developed unique dual-temperature trailers for Douwe Egberts. We're currently designing warehouse automation for Next and water conservation systems for Tesco's traywashing centres. We are also improving our own productivity and keeping our own costs under control with a variety of advanced route planning and energy conservation projects.

Group at a glance

Transport sector

49.8%

of revenue

Revenue £408.4m
Operating profit £7.5m
Employees 5,149

These businesses provide transport and warehousing for a wide range of industrial sector customers. We operate shared-user networks in the UK, Iberia and France, and also operate dedicated warehousing and transport fleets for customers' exclusive use. We are expert in the transportation of hazardous loads.

Food and Consumer sector

50.2%

of revenue

Revenue £412.3m
Operating profit £13.2m before exceptional items
Employees 7,724

These businesses provide outsourced supply chain operations for the food and consumer sectors, for both manufacturers and retailers. They offer both dedicated and shared-user solutions across Europe, including temperature controlled storage and distribution.

Financial summary

	2006	2005	change
Turnover	£820.7m	£805.5m	+1.9%
Profit before tax	£15.6m	£13.2m	+18.2%
Adjusted profit before tax*	£15.4m	£16.6m	-7.2%
Profit after tax	£11.8m	£10.7m	+10.3%
Earnings per share	4.46p	4.04p	+10.4%
Dividends per share	3.65p	3.65p	–
Free cashflow†	£11.5m	£27.7m	-£16.2m

*Before exceptional items
†For definition see note 28 on page 65

Chairman's statement

As we reap the benefit of the past year's business wins, we expect revenue growth to accelerate through the new financial year.

David Fish
Chairman

Christian Salvesen performed in line with expectations during the year and made good progress on a number of important fronts We increased revenue for the first time in several years and we continued to increase new business wins while renewing existing contracts and reducing contract losses. Earnings per share improved by 10% as a result of our efforts to eliminate exceptional charges that have held back results in recent years.

Despite the fact that margins remain under pressure, all of our businesses made progress with the exception of UK Transport, where we posted a loss.

We made further progress in reshaping the business to address the realities of today's trading environment Productivity and efficiency are improving, but to achieve real profit growth we must increase sales revenue significantly. That is now our primary challenge.

Our drive to restore sales growth, begun some two years ago, has brought a steady increase in new business wins. During the year we won contracts worth some £120m, on top of £110m in the previous year. The contract pipeline is healthy, with a good proportion of the larger deals that we particularly want to win At the same time, our renewed customer focus has sharply reduced contract losses – down by almost two-thirds from the previous year. We maintained our high success rate in contract renewals, retaining some £90m in contracts that fell due for renewal, a retention rate of well over 90%

We will have to wait a little longer to see the real benefit of this sales success as there is often a delay between winning a new contract and the start of profitable operations. In the meantime we have been investing in our teams and facilities to meet our customers' requirements.

Financial highlights
Reporting under International Financial Reporting Standards for the first time, we increased sales by 2% to £821m. Net earnings grew 10% to £11.8m, despite the operating profits before exceptional charges being lower.

Our businesses are now grouped into two overall sectors Food and Consumer, and Transport. Revenue in our Food and Consumer businesses was down 2% but operating profit before exceptional items rose 16%. Our Transport businesses increased revenue by 6%, but operating profit was down 26% as substantial advances in France and Iberia were offset by losses in the UK.

Free cashflow was £11.5m compared to £27 7m in the previous year and year-end debt remained unchanged at £94m after payment of dividends

Dividend
The board is recommending a final dividend of 2.45p per share, making an unchanged total of 3.65p for the year. The dividend is covered 1.2 times by net earnings, an improvement from the 1.1 times in the previous year The board continues to believe that this is a sustainable base level for the future

The final dividend will be paid on 31 August 2006 to shareholders on the register at 4 August 2006.

Pensions
Pensions remain an important issue in the UK. The UK defined benefit scheme is now closed to new employees and we have increased the contribution rate for existing employee members to help manage the deficit and maintain existing benefits.

With around 80% of the scheme assets invested in equities, it was a good year for investment returns. However, this was not sufficient to offset the added cost of increased life expectancy and

>90%

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the lower discount rate used to value the liabilities, and the year-end deficit increased by £10m to £73m. Our assumptions on life expectancy reflect the most up-to-date actuarial estimates.

Strategy
Our new Chief Executive, Stewart Oades, joined us from Exel in May 2005. His strategic review confirmed our belief that the business is fundamentally sound. Christian Salvesen has a powerful brand and a strong presence in sub-sectors with good growth prospects. Our strategy is therefore to build on these strengths, focusing on our target market segments to rejuvenate the business.

We are sharpening our focus on our two core activities – transport services, and food and consumer logistics – and have organised ourselves around them. We are working harder to leverage our existing customer relationships, to improve account management, to work more effectively with colleagues across the Group, to win larger, more complex contracts that involve significant levels of value-adding services, and to secure new partners. As part of our focus on core logistics activities we will continue to monitor the performance of the UK frozen vegetable business.

Many of our customers are working increasingly closely with overseas manufacturers, particularly in the Far East, and integrating them into their supply chains. This time last year we identified the provision of integrated end-to-end logistics solutions as an important priority for us and we are delighted that we have now formed Holistica, a joint venture with APL Logistics, a leading global freight management company.

We are becoming a leaner and more responsive business with a flatter structure. We clearly recognise the need for continuous improvement and are driving efficiency within our businesses through investment in our people and modern technology to help us improve our productivity.

We are also aware of the balance sheet gearing and the board is examining ways to make capital available from the existing asset base to support our plans for renewed growth.

Operational highlights
We achieved good contract wins in a wide range of sectors. It was encouraging to see how many of these resulted from building on existing customer relationships – a key element in our growth strategy.

By way of example, in the UK contractual negotiations are almost complete for our appointment by Goodyear Dunlop to operate its Tyrefort national distribution centre in addition to the outbound transport that we already provide. We are also in negotiations with Continental Tyre Group to relocate to Tyrefort to take advantage of the more efficient warehousing and national distribution we can offer there. Separately, we built on our relationship with glassmaker Rockware to win a warehousing and distribution contract from its sister company, Redfearn.

+£120m

We won contracts worth £120m during the year, on top of £110m in the previous year.

In continental Europe we continued to grow our relationship with Carrefour, winning contracts to deliver chilled products in northern and central Spain. We won a major warehousing and distribution contract for Nestlé Ice Cream in Belgium, and our French Transport business renewed contracts with Avery Dennison, Bosch, BP, Condat, Michelin and Total. Our strategy to extend our successful Support Services model onto the Continent is making excellent progress and we have a number of promising projects in the pipeline.

We expect our markets to remain competitive for the foreseeable future. Pressure on pricing will not go away, and we will remain sensitive to any increases in our costs. During the year, we faced further rises in fuel costs. In the UK and France we were broadly able to recover these from customers; but this has been harder in Spain, and margins suffered as a result. This problem has affected the whole industry in Spain, and led to a short national strike in October.

People
In September 2005, logistics and transportation consultant Alain Poinssot joined the board as a non-executive director. Alain further enhances the board's continental European outlook. His wealth of logistics experience includes running Geodis, a leading European transport and logistics company, as Chairman and CEO, and nine years in charge of the freight division at French rail company SNCF.

In April 2006 we welcomed Mark Morris as a non-executive director. Mark was previously with Sytner Group and brings strong financial and commercial skills which will be highly relevant for the industry in which we operate.

In July 2006, both Peter Cawdron and Dr Antonie Edelman will retire from the board after over eight years as non-executive directors. We thank them for their contributions through a period of considerable change.

We have already strengthened the management ranks with a number of external recruits and this process will continue. Our restructuring and recruitment process has had implications for our colleagues throughout the business and we have made great demands on people at all levels. I am grateful to them for their tremendous response: everyone in the business can take pride in the progress we are making.

Outlook
We anticipate no change to the challenging markets we operate in. In particular, continuing high oil and utility prices will add pressure to any negotiations on pricing. Competitive pressure will also continue – but the ongoing consolidation of the market and clear focus by our own people should result in more invitations to participate in tenders in our chosen market sectors.

The progress that we are making should be increasingly evident this financial year. As we reap the benefit of the past year's new business wins we expect revenue growth to accelerate through the year. Operating profit will follow suit, but more slowly because of continuing investment for new contracts and the need to move quickly to continue strengthening our business development capability. The impact of higher interest and effective tax rates will affect the improvement in overall financial performance, which will be weighted towards the second half.

Operating review

Stewart Oades
Chief Executive

This is my first annual report as Chief Executive of Christian Salvesen. Since joining the business in May 2005 I have been able to get to know the business and to review its business strategy.

As I visited our business units to complete my familiarisation I found a business with great strengths in its key marketplaces, a strong brand with a reputation for quality, and people with a tremendous will to succeed. It is clear that in recent years Salvesen has lost the habit of growth and a number of our business units have been required to revisit their traditional strategic focus as a result of changing market conditions However, Christian Salvesen remains a fundamentally sound business. Our task is to rejuvenate it, set a clear strategy for each business unit and get it back into the habit of continual development and growth. That is now our clear focus and I am confident that we can succeed.

Strategy – rejuvenating the business
The key focus of our strategy is on restoring growth. I am pleased with the progress we have made across all of the business units during the year

Before Christmas we detailed our strategy and the organisational changes to support it. We concluded that it was appropriate to organise our business around service and sector groups and now report our business as either Food and Consumer or Transport. We also identified a number of specific strategic principles

We will target our business units to occupy the most attractive segments where we can deliver value for shareholders and customers and progressively we will eliminate activities that do not create value

We will aim particularly to grow throughout continental Europe. This is a large and expanding market in which there are as yet no dominant players. We believe that the consolidation that is taking place in our markets makes Salvesen an attractive partner to companies that value our personal touch and accessibility – and we remain big enough to excel in our chosen markets

Our markets will be pan-European, but we do not need to expand into new geographies solely by acquisition We will go where our customers want us to be – including areas such as Turkey and Eastern Europe, where they are increasingly sourcing their manufacturing. We intend to do this through partnerships and joint ventures – an approach we have already used in forming Holistica to provide seamless management of global supply chains, particularly those involving the Far East. We will analyse our expansion opportunities carefully and with due regard to our financial and managerial capability.

The focus of our strategy is on restoring growth. I am pleased with the progress we have made across all our business units during the year.

The consolidation taking place in our markets makes Salvesen an attractive partner to customers that value our personal touch and accessibility – and we remain big enough to excel in our chosen markets.

We have adopted a flatter, more devolved structure with seven business units reporting into a more streamlined centre. The reorganisation has involved one-off costs of £2m but will deliver annual savings of around £2m that we have already begun to reinvest in marketing and business development. We are staffing to meet customer demand for high levels of sector knowledge and greater innovation and collaboration.

It is encouraging to see so many high calibre candidates who are keen to contribute to the delivery of Salvesen's future strategy.

The leaders of our operational units are incentivised to create high-performance, entrepreneurial businesses with the ability to respond quickly to customer needs. At the same time we are enabling and encouraging them through sector focus to collaborate more effectively – sharing best practice, co-operating on marketing and new business, and working creatively on developing new customer propositions and key account management.

We have particular strength in shared-user platforms backed by advanced IT systems. We will use the flexibility and cost benefits of these platforms to develop innovative and precisely tailored solutions for customers. We will build on our positions in transport and food and consumer logistics, and on our strength in sub-sectors such as temperature-controlled networks, reverse logistics and support services.

We are putting greater emphasis on winning larger-scale contracts involving value-adding services. We have a real competitive difference to offer in this area, with a strong understanding of customer issues in our key sectors, highly adaptable networks, and considerable in-house expertise in IT, vehicle and warehouse engineering, automation and cold storage.

Given these strengths, we have tremendous opportunities to broaden our relationships with existing customers by coming forward with innovative proposals for enhancing their business performance. In the past year we have made good progress in marketing additional services to our customer base, but there is still much more we can do

By playing to our existing strengths we can revitalise this business Across all the sectors we serve, customers face huge pressures to enhance their own service to customers while driving down their costs still further. We see this as an opportunity rather than a threat, because Salvesen is well-positioned to offer them real solutions. We will adopt a highly commercial and flexible approach to meeting their needs

Operational review
Overall revenue increased by 1.9% from £805 5m to £820.7m Operating profit increased by 15.5% from £18.1m to £20 9m; excluding exceptional items, operating profit reduced by 3.7% from £21.5m to £20.7m.

Food and Consumer sector
This sector includes the UK and European business units, as well as our Support Services and Salvesen Foods operations. Although overall revenue declined 1.9% to £412.3m, efficiency improvements in both the UK and mainland Europe increased operating profit before exceptional items by 16% from £11 4m to £13.2m.

UK

Year to 31 March	2006	2005	Change
Total revenue	£163.6m	£174.6m	-6.3%
Operating profit	£4.7m	£4.8m	-£0.1m
Operating margin	2.8%	2.7%	+0.1%
Year-end capital employed	£36.4m	£32.3m	+£4.1m
Return on capital employed	12.9%	14.9%	-2.0%

Revenue declined by 6.3% overall, as a reduction in dedicated logistics business was only partially offset by good progress in the temperature controlled business. The decline in dedicated operations was due largely to the loss of two major contracts in the prior year. A significant expansion of our Rockware business and a new contract with Weightwatchers will make some redress this year The cold store network continued to forge ahead, benefiting from last year's wins including contracts from Masterfoods, Asda and Vamix, a manufacturer of frozen pastries. The continued delivery of sector-leading service levels in our frozen storage and transportation business has secured further improvement in the new business pipeline.

By playing to our existing strengths we can revitalise this business. We will adopt a highly commercial and flexible approach to meeting customer needs.

Operating review

Overall operating profit, before exceptional items, declined by 2%, primarily as a result of the lost contracts in dedicated operations. The cold store network achieved its best margins for some time through a combination of cost reduction and increased warehouse utilisation.

The continuing consolidation of the UK food and consumer sector is creating new opportunities for us. Although some of the largest retailers are taking their dedicated warehousing operations in-house, they are enlisting us to manage their more specialist activities. Other retailers are looking for lower-cost solutions and are keen to consider shared-user solutions where we can reduce their fixed costs by using our own infrastructure and customising our systems and networks to match their needs.

The frozen storage market is still suffering from excess capacity. But this is being eroded as price competition drives out weaker players and regulation eliminates older facilities using environmentally unfriendly refrigerants. Virtually all our capacity is already compliant – a valuable competitive advantage when high energy prices are increasing the cost pressures on all players.

The formation of Holistica, our joint venture with APL Logistics, enables us to meet growing demand from our customers for a single supplier to manage supply chains that now reach around the globe. The venture also gives us access to APL's customer base and APL access to all our facilities across Europe. We have already secured its first business win, handling some import volumes for Marks & Spencer.

We continue to invest heavily in developing modern information systems which support high levels of customer service and productivity.

During the year we formed an e-commerce fulfilment partnership with Venda and Parcelforce. Venda provides web based order systems for UK retailers including Mothercare, the BBC and Tommy Hilfiger. We have linked our Ultima warehouse system to Venda's order system, with Parcelforce providing local delivery of packages throughout the UK. We signed clothing retailer Mackays as our first customer in February and have a significant pipeline of sales prospects. Together with our existing e-commerce operation for Marks & Spencer and the recently won Weightwatchers contract, the new venture gives us a significant presence in e-commerce fulfilment.

Given the past year's good new business performance – including an extension of our activities with B&Q and new contracts from Rockware/Redfearn, M&S Direct and Weightwatchers and no significant contract losses – we look forward to further progress this year.

Support Services

Year to 31 March	2006	2005	Change
Total revenue	£56.5m	£51.7m	+9.3%
Operating profit	£3.8m	£3.6m	+£0.2m
Operating margin	6.7%	7.0%	-0.3%
Year-end capital employed	£18.1m	£17.7m	+£0.4m
Return on capital employed	21.0%	20.3%	+0.7%

Our Support Services operation has built a strong business in the UK and is working hard to do the same on the Continent. It specialises in the management of reverse logistics; in particular reusable supermarket distribution trays, automotive emballage and management of packaging waste. Revenue grew by 9.3% as a result of new business wins and the continuing expansion of existing contracts.

We opened our largest service centre to date – a partly automated, environmentally friendly facility in Peterborough, which is capable of processing over a million trays a week for Tesco. Business wins during the year included a new contract from Argos, a front-of-store waste recovery and recycling scheme for J Sainsbury, management of the UK's entire bakery tray fleet and the extension of our Carrefour contract to provide national coverage of potato merchandising units in France. We have recently announced an additional contract with Tesco for management of reusable flower containers.

We continue to refine our industry-leading COMET and BACTRAC IT systems and are seeking partners to help us pursue opportunities arising from the new Waste Electrical and Electronic Equipment legislation in the UK and France. Recent developments include the use of COMET with B&Q in the UK and the management of wooden pallets in Spain.

This business is a fine example of operational excellence, thorough sector knowledge, strong technical skills, continuing systems investment and service focused on demanding customer requirements. As a result, we expect it to deliver strong growth in the future, both in the UK and continental Europe.

We can drive down customers' fixed costs with our shared-user infrastructure, customising our systems and networks to match their needs.

Salvesen Foods

Year to 31 March	2006	2005	Change
Total revenue	£39.1m	£41.5m	-5.8%
Operating loss	(£0.2m)	(£1.5m)	+£1.3m
Operating margin	(0.5%)	(3.6%)	+3.1%
Year-end capital employed	£20.0m	£18.0m	+£2.0m
Return on capital employed	(1.0%)	(8.3%)	+7.3%

The UK frozen vegetable market remains difficult and Salvesen Foods did well to improve margins in an unsustainably-low pricing environment. Despite a 5.8% fall in sales it returned to near-breakeven. It substantially increased its control of UK raw material supplies and built significant capability in imported produce. As a result, we have been able to secure some significant price increases for the coming contract year and therefore expect to see improved results during this financial year.

New business wins included contracts from the Co-op and Heinz, exclusive supply of vegetable mixes for Tesco and the operation's first contract with J Sainsbury for over five years. New product introductions included microwaveable steamed vegetable mixes for Tesco, Somerfield and Waitrose and new frozen fruit ranges under our own Ross label.

Mainland Europe

Year to 31 March	2006	2005	Change
Total revenue	£153.1m	£152.3m	+0.5%
Operating profit	£4.9m	£4.5m	+£0.4m
Operating margin	3.2%	3.0%	+0.2%
Year-end capital employed	£27.6m	£27.1m	+£0.5m
Return on capital employed	17.8%	16.6%	+1.2%

Although revenue remained flat overall, operating profit increased by 8.9%, driven by operational efficiency in Benelux and Iberia.

In Benelux we consolidated our position with many existing customers, particularly retailers Albert Heijn, Carrefour and Delhaize. Operating profit was up sharply, led by improved efficiency in frozen and chill operations, despite continued price pressure and disruption caused by the modernisation of our Veurne depot. New business wins included warehousing and transport contracts for Nestlé Ice Cream in Belgium and Fiorucci across Benelux, and cross docking and distribution for Bakkersland and AVIKO in the Netherlands.

Revenue in France grew modestly despite the lack of growth in the food retail market and the loss of the large Go Sport contract in the previous year. The rapid growth of the hard discounters appears to have stabilised, giving them almost 20% of the French retail market, but we are still seeing growth with our non-discount retail customers, in catering and in frozen foods. Operating profit was below expectations and further reduced by reorganisation costs at the Lille depot and the French head office. We have strengthened the management team and our ongoing programme to enhance operational efficiency includes implementation of our SHARP transportation management system at all sites.

In Iberia, where the temperature-controlled market is still growing at around 10% a year, our joint venture with Danone continues to prosper. Our drive to win additional contracts from third parties achieved a 23% uplift in non-Danone business. Second-half performance benefited from the start of a new contract from Carrefour for deliveries of chilled products from Madrid across northern and central Iberia and we are targeting further strong growth in third-party business this year.

Our customers face huge demands to enhance their service while driving down costs. This is an opportunity for us because we can offer them real solutions.

Operating review

Transport sector
This sector comprises business units in the UK, France and Iberia. Overall revenue increased by 6% to £408.4m in the year due to the growth in continental Europe. Good uplifts in operating profit from France and Iberia were not enough to offset a sharp fall in the UK, and overall operating profit before exceptional items was down 26% from £10.1m to £7.5m.

UK

Year to 31 March	2006	2005	Change
Total revenue	£155.6m	£155.3m	+0.2%
Operating profit/(loss)	(£1.7m)	£2.6m	-£4.3m
Operating margin	(1.1%)	1.7%	-2.8%
Year-end capital employed	£38.4m	£41.7m	-£3.3m
Return on capital employed	(4.4%)	6.2%	-10.6%

Revenue was flat, with a reduction in volumes offset by some modest improvements in pricing and the impact of fuel price increases that were passed on to customers in full. These improvements were achieved despite continuing price pressure from customers – particularly in the automotive sector, which currently represents some 42% of revenue.

Our operating result suffered from under-recovery of rising labour costs and lower customer volumes through our core pallet network, where we have relatively high fixed costs. This business is highly operationally geared and growth will be a critical challenge in the coming years. After a very difficult start following the loss of a number of key customers at the end of the previous financial year, we have added some new contracts and our existing customer retention rates have remained high.

We are increasing our focus on a number of new sectors including the building, packaging, healthcare and high tech sectors that will, over time, dilute our reliance on the automotive industry. Our night and day networks deliver to the UK high street daily and we are targeting network logistics users, including non-food retailers, for whom our strong network and systems present an opportunity to eliminate fixed costs while still enjoying high service quality and visibility of shipments.

We are enabling our managers to collaborate more effectively – sharing best practice, co-operating on new business and working creatively on new customer propositions.

To drive the business forward we have appointed a new managing director, Stephen Hayward, with extensive experience of the UK parcel and pallet network markets. A number of other key appointments have been made to restructure the business and give early momentum to our development and improvement plan.

This year the business will benefit from new contracts with Daikin, Exide, General Motors, Myson, SCA Hygiene and Walsh Western. We also won important contract renewals from Goodyear Dunlop, Hobart, Lex Logistics and Paccar Parts. With Goodyear Dunlop, we are also finalising negotiations to take over the management of their dedicated warehouse and convert it to a more efficient shared-user operation that has the potential to become an industry platform for after-market deliveries. Continental Tyres has already indicated its intention to add its business and we have strong interest from others.

This year we will complete major IT projects for in-cab driver technology and transport resource planning, which will enhance both customer service and operational efficiency. We are also investing in improved management information systems to help us respond promptly to changes in the business.

From a very poor position at the start of the year we made satisfactory progress in the second half, but this business needs some re-engineering to meet today's market needs.

Iberia

Year to 31 March	2006	2005	Change
Total revenue	£121.8m	£109.6m	+11.1%
Operating profit	£3.5m	£2.2m	+£1.3m
Operating margin	2.9%	2.0%	+0.9%
Year-end capital employed*	£12.8m	£16.0m	-£3.2m
Return on capital employed*	27.3%	13.8%	+13.5%

*Excludes goodwill

Gerposa, our operation in Spain and Portugal, continues to strengthen. Like the UK transport business, it has been working to broaden its customer base and dilute its reliance on the automotive sector – which now accounts for about half of sales, compared with about three-quarters three years ago. Last year it grew revenue by 11.1% while improving operational efficiency and continuing the programme of restructuring its owned fleet. As a result, operating profit improved by almost 60% despite increased fuel costs, customer price pressure and industry strikes at both national and regional level. Continuing high oil prices will keep pressure on the margins of all transport companies in this highly competitive market.

Successful marketing achieved strong revenue growth in the consumer goods, construction, paper and graphic arts, textiles, electronics and general industrial sectors. Even in the automotive sector we achieved 5% growth despite production downturns, principally by expanding relationships with existing customers.

The pallet distribution business grew by 27%, largely through a dramatic increase in night deliveries to retailers. These are relatively novel in Iberian retailing, enabling customers to avoid disruption during store hours and improve working capital and sales turns. We are currently delivering at night to over 900 outlets and are adding additional outlets every month.

We expect our Support Services business to deliver strong growth in the next two years, in the UK and continental Europe.

Warehousing was another success story, with a 17% increase in sales producing a significant improvement in profitability. Virtually all warehouses are now achieving excellent utilisation levels and we are expanding the facilities in Valencia, Madrid, Irun and Alicante this year.

Overall, we expect continued progress despite a very competitive market and pricing environment.

France

Year to 31 March	2006	2005	Change
Total revenue	£131.0m	£120.5m	+8.7%
Operating profit	£5.7m	£5.3m	+£0.4m
Operating margin	4.4%	4.4%	–
Year-end capital employed*	£15.6m	£16.2m	-£0.6m
Return on capital employed*	36.5%	32.7%	+3.8%

*Excludes goodwill

Darfeuille, our French transport business, is the market leader in industrial palletised freight. It delivered another strong performance, with revenue up 8.7%. Despite steep fuel cost rises, operating margins held steady at 4.4% due to increased volumes, improved productivity and a strong drive to increase tariffs. Operating profit rose 7.5% to £5.7m.

We continued to build on our market leading position and increased share. Our strong reputation for quality and service helped us withstand fierce price-cutting by competitors, and the broad range of our customer base enabled us to absorb fluctuations in individual sectors. Growth was particularly strong in the pharmaceutical, printing and chemical sectors.

Volumes from existing customers were lower, but this was offset by good new business wins. Major new customers included B Braun and Merck (pharmaceuticals), Lever (cosmetics), Plasthom and Rohm & Hass (plastics and chemicals), Allibert, Inapa and La Couronne (packaging, paper and envelopes) and ZF (automotive). We expanded our relationships with Akzo Nobel and Hutchinson and renewed contracts with Avery Dennison, Bosch, BP, Condat, Michelin and Total.

Our French business benefits from a high quality network – we have replaced half of our depots in the past two to three years and continue to modernise. Last year we moved the Lyon warehouse to larger premises and completed new depots at Mulhouse, Evreux and Avignon. This year will see further replacement and extensions.

Our French transport business is an excellent business with strong management and a clear business model. The new business pipeline is healthy and we confidently expect continued progress this year.

Health, safety and the environment

We are strongly committed to being a safe and responsible business. Concern for the wellbeing of our staff is a key element in our drive to be the employer of choice in our sector – particularly for HGV drivers, who continue to be in short supply. To reflect the importance we attach to health and safety, we have made it the first item on the agenda at all board, Executive Committee and divisional board meetings.

Over the course of the year, we are pleased to report improvements in both absence and attrition. We believe that these data reflect improving employee morale and continuation of these trends will have a positive impact on our productivity.

Our reports on both our health and safety and environmental performance for the last financial year will be published on our website at www.salvesen.com shortly.

Our people

Christian Salvesen has a proud, loyal and committed workforce. We recognise that the quality of our people and their relationship with our customers can be a critical differentiator in our markets and we are therefore committed to improving our recruitment and training at all levels to address skills shortages, improve customer responsiveness and maximise staff retention.

Ensuring that we also create an appropriate working environment and develop strong relationships and good communication across all levels within the business is critical and we are investing in a programme called "One Team" to make progress in this area.

We are committed to continued investment in both our people and IT to maintain our reputation for quality and responsive customer service.

Financial review

Julian Steadman
Group Finance Director

- Revenue up 1.9% to £820.7m (2005: £805.5m)
- Reported profit before tax up 18.2% to £15.6m (2005: £13.2m)
- Adjusted profit before tax and exceptional items down 7.2% to £15.4m (2005: £16.6m)
- Reported profit after tax up 10.3% to £11.8m (2005: £10.7m)
- Earnings per share up 10.4% to 4.46p (2005: 4.04p)
- Return on operating capital employed* of 13.5% (2005: 13.9%)
- Free cashflow £11.5m (2005: £27.7m)
- Net debt at year-end £94.3m (2005: £93.6m)

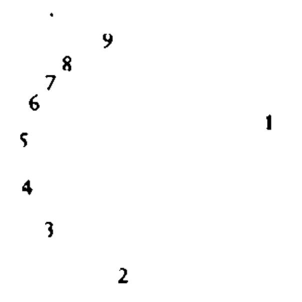
*Operating profit before exceptional items divided by net assets excluding net debt, pension deficit and tax provisions

Geographic split – share of revenue

1	United Kingdom	50.4%
2	Continental Europe	49.6%

Customer sectors – share of revenue

1	Food retail	44%
2	Automotive	18%
3	Consumer retail	6%
4	Paper and packaging	6%
5	Chemicals	6%
6	Tyres and rubber	4%
7	DIY	3%
8	Lubricants	3%
9	Other	10%



The results of the individual business units are described in detail on pages 12 to 17 This is our first annual report under International Financial Reporting Standards (IFRS) and prior year figures have been restated on the same basis. Full details of the impact of the Group transition to IFRS on the previous year's results are given in note 36 to the financial statements on page 71. The key impacts are·

- Reported profit after tax improved by £4.0m due to elimination of goodwill amortisation offset by recognition of new costs for share based payments.
- Net assets at the year-end increased by £9.7m, primarily due to elimination of goodwill amortisation and the proposed final dividend

Group overview
The Group's market is the provision of third party contract logistics in Europe The market is large and growth estimates range between 5% and 10% per annum. No one company serves more than 15% of the total market.

The Group is organised primarily by sector and secondarily by geography. The individual businesses are encouraged to be entrepreneurial within their own countries,to co-operate with their sector colleagues for key account management and to share ideas and best practice.

Approximately 69% of Group revenue is covered by contracts, with the average term approaching three years No one customer represents more than 7% of Group revenue.

The customer base is diverse and trades in many different sectors: the two largest are food retail with 44% of Group revenue and automotive with 18% of Group revenue.

The Group's dedicated contracts represent around 29% of revenue, and these services are mainly provided by assets that are either owned or underwritten by a particular customer. The remaining 71% of the business is shared-user· it has many different customers sharing assets that are funded independently by the Group.

Revenue
Group revenue increased by 1.9% to £820 7m (2005: £805 5m), with minimal impact from changes in the euro exchange rate.

The Food and Consumer sector decreased by 1.9% and the Transport sector increased by 6.0%

Reported profit after tax
Reported profit after tax increased by £1.1m to £11.8m (2005: £10.7m), with lower operating profits more than offset by lower exceptional charges.

- Operating profit before exceptional items was £20.7m (2005. £21.5m)
- Exceptional items contributed £0.2m (2005: £3.4m cost)
- Net interest costs were £5 3m (2005. £4.9m)
- Taxation was £3.8m (2005: £2.5m)

Operating profit
Operating profit before exceptional items decreased by £0.8m to £20.7m and resulted in a reduction in an overall operating margin from 2 7% to 2.5%. The impact of the euro exchange rate had minimal effect on operating profit The overall return on operating capital employed (excluding exceptional items and goodwill) reduced from 13.9% to 13.5%.

Food and Consumer sector operating profit before exceptional items increased by £1.8m to £13.2m, primarily due to improved performance in our frozen vegetable business.

Transport sector operating profit decreased by £2.6m to £7.5m, due to poor performance in the UK business outweighing the improvements in continental Europe.

Exceptional items
Exceptional items had a small positive impact on profits of £0.2m compared to a net cost of £3.4m in the previous year The current year included a gain of £2.2m from the sale of a UK property, offset by £2 0m of charges for restructuring as a result of the recent strategic review This restructuring is expected to deliver annualised savings of approximately £2.0m, which will be used to fund additional investment in business development. The prior-year costs related to the closure of a site in the Netherlands, the replacement of our chief executive and settling a dispute with a former customer.

Interest costs
The net interest charge increased by £0.4m to £5.3m (2005 £4 9m), reflecting higher interest rates and amortisation of fees following a refinancing completed in September 2005. The interest charge is covered 3.9 times by operating profit before exceptional items (2005: 4.4 times). Future charges will reflect the ongoing higher costs as a result of the refinancing.

Taxation
The overall tax charge for the year was £3.8m (2005: £2.5m), equivalent to an effective tax rate of 24% (2005. 19%). The exceptional profit of £2.2m on the sale of a UK property did not give rise to a tax charge due to the availability of prior-year capital losses that had not been included in the deferred tax provision. The prior-year charge included a beneficial impact from the settlement of claims from earlier years. We expect the effective tax rate for future years to reflect the mix of UK and overseas earnings and to increase over time.

Shared-user/dedicated split – share of revenue

1 Dedicated	29%
2 Shared-user	71%

1

2

Contractual split – share of revenue

1 Closed book	80%
2 Open book	20%

2

1

Financial review

Dividend
The board has recommended a final dividend of 2.45p per share. This brings the total for the year to 3.65p per share, unchanged from the previous year. The dividend is covered 1.2 times by net earnings (2005: 1.1 times).

Balance sheet
Group net assets decreased by £7.8m. The major changes were a £10.6m decrease in tangible fixed assets, a £9.2m increase in working capital, a £4.5m decrease in tax provisions and £10.4m increase in pension liabilities. The year-end working capital position was £0.8m compared to a negative £8.4m at the prior year-end and, for most of the year, is considerably higher than at the year-end. The £9.2m increase reflects the timing of customer payments and the impact of revenue growth in the final quarter of the year together with £3.3m receivable for a property sale that was received in early April.

There is a contingent asset of £1.3m representing a refund of value added tax in France as described in note 35 on page 70. This is not included in the year-end balance sheet.

Pensions
The Group's main defined benefit scheme in the UK is now closed to new employees. During the year, a formal actuarial valuation as at December 2004 was completed and agreed with the scheme trustees. The valuation included the latest estimate for increased life expectancy and the same assumptions have been used to calculate the deficit under IFRS.

During the year, the total charge against operating profit for the UK defined benefit scheme reduced by £1.3m to £6.6m (2005: £7.9m). This was principally due to lower net interest cost in respect of the scheme deficit.

The year-end deficit increased from £62.5m to £72.9m. The Group has recognised a deferred tax asset of £13.1m (2005: £13.1m) in respect of the deficit. The recovery in global equity markets during the year was not sufficient to offset the combined impact of a lower discount rate on corporate bonds together with the new life expectancy assumptions. The scheme actuary has calculated that, with all other assumptions remaining unchanged, a discount rate of 6.25% would eliminate the deficit.

During the year, the Group contributed £6.9m in cash, equivalent to 16% of payroll. Following a review by the company's advisers, employee contributions for the majority of employees were increased from 6% to 7% in January 2006 and will increase to 8% in July 2006. The scheme expects net cash inflows for approximately the next 10 years and the trustees have decided to maintain the existing asset allocation, with 80% invested in equities. The current funding rates are designed to eliminate the actuarial deficit within seven years.

Treasury policies
The financial risks arising from changes in currency and interest rates are managed centrally by the Group treasury department with policies that are approved and monitored by the board.

Foreign currency
The Group is exposed to fluctuations in the value of the euro. Overseas trading results have been translated using an essentially unchanged euro exchange rate of 1.46. The Group's policy is to hedge euro-denominated profits.

Overseas balance sheets and foreign currency debt have been translated using a year-end euro exchange rate of 1.43 (2005: 1.46) with the impact of the change in exchange rates being charged directly to reserves. The Group's policy is to use euro-denominated debt as a natural hedge against the translation of euro-denominated assets. At the year-end the value of unhedged net assets was small.

Cashflow
Free cashflow was £16.2m lower than the previous year at £11.5m (2005: £27.7m). Cash spent on capital expenditure of £18.8m was £4.0m lower than the previous year (2005: £22.8m). The majority of the capital was for replacement of existing assets with a small amount supporting new contracts. There were no significant individual projects.

Cash outflow of £5.5m for working capital contrasts with £6.5m of cash inflow in the previous year. The working capital changes are discussed above.

The cash cost of dividends paid during the year was unchanged at £9.6m.

Funding and capital structure
At the year-end, net debt was £94.3m (2005: £93.6m) and represented gearing of 175% (2005: 152%). Excluding the pension deficit and the related deferred tax asset, year-end gearing stood at 83% (2005: 84%). Net debt included £116.7m of euro-denominated debt (2005: £126.0m), with the change in the year-end exchange rates increasing net debt by £2.0m. The board is examining ways to make capital available from the existing asset base to reduce gearing and to support its plans for renewed growth.

Liquidity and interest rates
The Group has a syndicated banking facility totalling £157m, which expires in September 2008. The interest payable on this facility is at floating rates. The board believes that this facility is adequate to finance the working capital demands of the Group.

Accounting standards and policies
The Group's accounting policies, which became applicable under IFRS, are set out on pages 41 to 45 and remained unchanged throughout the year.

Summary income statement

Year to 31 March	2006 £m	2005 £m
Revenue	820.7	805 5
Operating profit before exceptional items	20.7	21.5
Exceptional items	0.2	(3.4)
Interest	(5.3)	(4 9)
Taxation	(3 8)	(2.5)
Profit for the financial year	11 8	10.7

Summary balance sheet

As at 31 March	2006 £m	2005 £m
Intangible fixed assets	77.0	76.0
Tangible fixed assets and investments	143.7	154.2
Working capital and provisions	0.8	(8.4)
Tax	0.4	(4 1)
Net debt	(94.3)	(93.6)
Deferred tax	(13.9)	(13.0)
Pension liabilities (net)*	(59.8)	(49 4)
Total net assets	53 9	61.7

Summary cashflow

Year to 31 March	2006 £m	2005 £m
EBITDA	47.6	48.6
Working capital	(5.5)	6.5
Interest and taxation paid	(12.4)	(7.4)
Exceptional costs and other	(6.5)	(4.2)
Fixed asset receipts and disposal of joint venture	7 1	7 0
Capital expenditure	(18.8)	(22.8)
Free cashflow	11.5	27 7
Acquisitions and disposals	(0 1)	(0 7)
Dividends	(9.6)	(9.6)
Net cashflow	1.8	17.4
Foreign exchange	(2.0)	(3 9)
Amortisation of bank fees	(0 5)	(0.1)
(Increase)/decrease in net debt	(0.7)	13.4

*Net of related deferred tax asset

Board of directors

Dr David J Fish #‡
Chairman from October 2003 and a non-executive director from October 2002. Chairman of the Nomination Committee. David was a member of the Mars Inc Operating Board from 1994 until 2001 and Joint President of Masterfoods Europe. Previous positions with Mars include President of Snackfoods Europe and European Vice-President roles in Marketing, Country Management and Personnel. He is Chairman of United Biscuits Group and a non-executive director of Royal Mail Holdings Plc. Age 58.

Stewart Oades ‡
Group Chief Executive Officer from May 2005. Stewart was a member of the Exel plc Executive Board until October 2004. As Chief Executive of Contract Logistics for the UK and Ireland, his responsibility at Exel covered retail, consumer and industrial logistics in Europe, the Middle East and Africa, and the retail sector worldwide. Previous roles include Managing Director of Christian Salvesen's food logistics operations from 1993 to 1996 and senior positions at Heron Distribution and Safeway. Age 53.

Julian A Steadman FCCA
Group Finance Director from November 2003. Julian was Group Finance Director at Biocompatibles International plc from 1997 until May 2001 and Eyecare Products PLC from 1995 to 1997. Previous roles were with The Clorox Company in the USA and with Procter & Gamble in Europe. Age 52.

Dr Antonie Edelman *†#
Non-executive director from February 1998. Antonie has been Chairman of vLm, the Dutch Logistics Association. His 35-year career with Unilever culminated in becoming a member of Unilever's international Food Executive, with responsibility for supply chain management. Age 70.

Peter E B Cawdron FCA *†#
Non-executive director from September 1997, Senior Independent Director and chairman of the Audit Committee. Peter was Group Strategy Director at Grand Metropolitan plc from 1987 to 1997, having previously been Group Planning Director. Previous roles were as Chief Financial Officer of D'Arcy MacManus & Masius Worldwide Inc, the international advertising agency, and with SG Warburg & Co Ltd. He is a non-executive director of a number of other companies, including Capita Group, Compass Group, GCap Media, Johnston Press and Punch Taverns Age 62.

Lawrence R Christensen CBE DCL FILT FIMS *†#
Non-executive director from July 2004 and chairman of the Remuneration Committee. Previously Group Operations Director of Safeway plc with responsibility for the supply chain, logistics and retail operations. Joined the board of Safeway in 1987 and held a variety of posts connected with the supply chain. More recently Lawrence has been a member of the operating board of J Sainsbury, where he was Supply Chain Director until April 2006 and where he continues to act in an advisory role He was awarded a CBE in 1999 for services to the freight transport and logistics industries He is a director of the Freight Transport Association. Age 62

Alain Poinssot *†#
Non-executive director from September 2005 Alain is a consultant with AXLP Consulting, which specialises in the transport and logistics aspects of major European projects. He was Chairman and Chief Executive of Geodis SA for four years until 2001, having previously held a number of positions within SNCF He is a non-executive director of the French transport group MALHERBE and Société Chérifienne des Engrais et Produits Chimiques SA, a Moroccan company that manufactures and distributes chemicals and fertilisers. Age 60.

Mark Morris FCA *†#
Non-executive director from April 2006 Mark was Managing Director of the Sytner Group, a wholly owned subsidiary of United Auto Group, from 2003 to 2005, having previously been Finance Director of Sytner Group PLC Previously with PricewaterhouseCoopers, where he held various positions in corporate finance and audit. Age 46.

Company Secretary
Edward H D Peppiatt

- * Member of the Remuneration Committee
- † Member of the Audit Committee
- # Member of the Nomination Committee
- ‡ Member of the Charity and Community Committee

Corporate governance

Introduction
The company remains committed to high standards of corporate governance and supports the principles laid down in the 2003 Revised Combined Code on Corporate Governance (the "Code") appended to the Financial Services Authority Listing Rules. This statement describes how the principles identified in the Code are applied and reports on the company's compliance with the Code's provisions.

Compliance
The Code applies to financial years beginning on or after 1 November 2003. This is the second reporting year for which the Code applies to the company although the company aimed for and achieved early compliance with most of its provisions in the year before it was required to do so.

Following a full review of corporate governance during the year, the directors consider that, save where identified below or in the remuneration report, the company was in compliance with the provisions of the Code throughout the financial year ended 31 March 2006. Although entitled to do so, the company has opted not to take advantage of the exemptions in the Code relieving smaller companies from some of its provisions.

Board balance and independence
At the beginning of the year, the board consisted of one executive director, three non-executive directors and the Chairman, Mr D J Fish. Mr Fish had been acting since 26 May 2004 as Executive Chairman in an interim capacity pending the appointment of a successor Chief Executive, following Mr E J Roderick's departure from the company on 25 May 2004. Mr S Oades was appointed as Chief Executive and a director on 6 May 2005, and Mr Fish at that time immediately ceased to act in an executive capacity and resumed his role as non-executive Chairman. The appointment of Mr A Poinssot and Mr M Morris as non-executive directors on 16 September 2005 and 12 April 2006 respectively, has brought the total number of non-executive directors (including the Chairman) to six. Mr A Edelman and Mr P F B Cawdron have both indicated their intention to retire at the annual general meeting (AGM) to be convened on 13 July 2006 and they will not be seeking re-election. Mr Cawdron is currently nominated by the board as the senior independent director and his replacement will be determined by the directors prior to Mr Cawdron's retirement at the forthcoming AGM. The biographical details of all of the current directors are set out on pages 22 and 23 and demonstrate a diversity of backgrounds, skills and experience which the board considers necessary to lead the company. The non-executive directors other than the Chairman are considered by the board to be independent in character and judgement, and more than half the board, excluding the Chairman, is therefore made up of non-executive directors determined by the board to be independent.

Board effectiveness
The board met on eleven scheduled occasions throughout the year and otherwise as necessary to consider urgent matters. The Remuneration Committee had a number of scheduled and unscheduled meetings and the Audit Committee had four scheduled meetings and one unscheduled meeting. The Nomination Committee met on a number of occasions as necessary.

The board sets the strategic aims and objectives of the company, ensuring that the company has sufficient financial and human resources to meet its objectives. The board sets the company's values and standards and ensures that its obligations to its shareholders and others are understood and met. Executive management is responsible for the application of the aims and objectives of the company on a day-to-day basis, monitoring the financial achievements of the business. The board reviews the performance of management in meeting agreed objectives and goals, plans the succession of key executives and determines appropriate remuneration levels.

At least one board meeting is wholly devoted to strategy and to the development of a plan for the long-term growth of the company. This is reviewed and discussed as appropriate at the other board meetings held during the year.

In addition to the normal agenda at board meetings, which is described below, the directors receive a number of presentations from management throughout the year on matters of special interest such as health, safety and environmental matters, human resources updates and information technology and business development projects. The board also regularly invites the heads of the divisions to attend board meetings to give updates on operational matters, strategic projects and other major initiatives.

Board meeting agenda
The board has a formal schedule of matters specifically reserved to it for decision, such as future strategy, acquisitions and disposals, capital projects over a defined limit, trading and capital budgets, Group borrowing facilities, health and safety and significant changes to employee benefits. The schedule of matters reserved was reviewed and updated by the board in February 2006. The board considers monthly reports from key senior executives and minutes of board meetings are circulated to all board members.

Board responsibilities
The board acknowledges the division of responsibilities for running the board and managing the company's business. A clear statement of the respective roles and responsibilities of the non-executive Chairman and the Chief Executive was adopted by the board in 2004 and a summary of this statement is available on the company's website. The board has delegated a degree of authority to the Chief Executive and Group Finance Director for them to exercise with the advice, where appropriate, of other senior executives. Mr Fish undertook executive duties pending appointment of Mr Oades as Chief Executive but this was strictly on an interim basis and he reverted to a non-executive role as soon as the appointment of the new Chief Executive was effective.

The senior independent director is available to address any concerns that any shareholder may have which have not been resolved through the normal communication channels of the Chairman or the executive directors.

The chairman of the Audit Committee is Mr Cawdron, who is a chartered accountant and is considered by the board to have recent relevant financial experience. His replacement will be determined by the board prior to his retirement at the forthcoming AGM. Mr L R Christensen CBE chairs the Remuneration Committee and Mr Fish chairs the Nomination Committee.

Board attendance
During the year, every director attended all scheduled meetings with the exception of the meetings in January (missed by Mr Oades who was attending a funeral and Mr Cawdron) and in March (which Mr Christensen was unable to attend).

In the case of missed meetings, the absent director is provided with all the relevant papers for the meeting and is given the opportunity to discuss matters appearing on the agenda or arising from the papers with the chairman of the meeting prior to the meeting and to make representations to the meeting through the chairman or secretary of the relevant meeting.

Corporate governance

Board performance evaluation
During the last year, the board has conducted a rigorous evaluation of its own and individual directors' performance, involving the completion of assessment questionnaires by all directors covering the performance of the board, individual directors, board committees and certain senior managers. Other topics included meetings, the provision of information, training and the overall effectiveness of the board. The questionnaires were submitted to the Company Secretary, who has prepared a summary of the conclusions, which will be discussed by the board at a separate meeting dedicated to this topic. Separately, the Company Secretary has produced a report summarising any individual recommendations for the consideration of the Chairman. This exercise is repeated annually.

Training is undertaken as required during the year and having regard to the specific training needs of individual directors. The board arranges for its non-executive directors to visit certain of the Group's principal locations at certain intervals to discuss the operations with local management In addition, some board meetings are held each year at operational sites where the board receives presentations from local management and a tour of the site

Information and advice
Information is provided to the board on a timely basis and relevant papers are circulated prior to each board meeting, including monthly management accounts and detailed papers relating to disposals and acquisitions and major capital and business development projects.

Directors have access to the advice and services of the Company Secretary and the board has established a procedure for any director, if necessary, to take independent professional advice at the company's expense.

Audit Committee
The Audit Committee is non-executive and met on five occasions during the year under the chairmanship of Mr Cawdron, its other members are Mr Morris, Mr Edelman, Mr Poinssot and Mr Christensen. Although they are not members, the Group Finance Director and the external auditors will normally be invited to attend these meetings. The Group Internal Audit Manager attends as required

The committee has written terms of reference that outline its authority and duties These comply with the Code and are displayed on the company's website in the Investor section The terms include a review of the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other areas

Both the internal and external audit functions have direct access to the committee chairman at all times. The nature and scope of the external audit are discussed with the external auditors in advance and any matters arising from their work and the financial statements are reviewed. The committee also aims to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, reflecting the determination of the board to ensure that internal control procedures are of a high standard. Written and verbal reports from the Group Internal Audit Manager are received by the committee on a regular basis.

It is a regular feature of Audit Committee meetings that executives absent themselves from part of the meeting in order to allow the committee to have private discussions with the auditors.

The committee has considered the independence and objectivity of the external auditors with particular regard to the level of non-audit fees. The split between audit and non-audit fees for the year under review appears on page 48. The non-audit fees arose principally in respect of compliance and assurance work (including taxation and IFRS transition) and are considered by the committee not to affect the independence or objectivity of the external auditors The auditors have formally confirmed their independence to the Audit Committee.

Nomination Committee, appointments to the board and induction
The Nomination Committee is chaired by Mr Fish and its other members are Mr Cawdron, Mr Christensen, Mr Poinssot, Mr Morris and Mr Edelman. Reporting to the board, its duty is to seek suitably skilled and experienced candidates with sufficient time to devote to the role as non-executive directors and to oversee all board appointments.

The committee has written terms of reference that outline its authority and duties. These comply with the Code and are displayed on the company's website in the Investor section.

The committee met during the year on a number of occasions to consider the appointment of Mr Poinssot and Mr Morris as non-executive directors. The committee considered the composition and balance of skills on the board at that time and prepared a brief based on the industry experience and skill sets it felt were required for the new appointments The board appointed external consultants to seek suitable candidates based on each of the briefs it had agreed. This resulted in the appointment of Mr Poinssot, which was announced on 19 September 2005, having taken effect on 16 September 2005, and Mr Morris, which was announced on 12 April 2006 and took effect on the same day.

Any director who is appointed by the board during the year is required to retire at the next AGM and seek election by the shareholders. In accordance with this provision, Mr Poinssot and Mr Morris will retire at the AGM to be held on Thursday 13 July 2006 and offer themselves for election. Directors are required to retire by rotation at the third AGM after their last appointment or reappointment. In addition one-third of the members of the board must retire by rotation each year and may offer themselves for re-election, if eligible. In accordance with these provisions, Mr Edelman and Mr Cawdron will retire at the forthcoming AGM and neither will be seeking re-election.

On appointment, directors take part in a comprehensive induction programme, and receive information about the company and its subsidiaries, the role of the board and the matters reserved for its decision, the terms of reference and membership of the principal board committees, and the powers delegated to those committees, the company's corporate governance practices and procedures, including the powers reserved to the Group's most senior executives, and the latest financial information about the Group This is supplemented by visits to key sites and presentations from key senior managers Directors are also advised on appointment of their legal and other duties and obligations as a director of a listed company, both in briefing papers and in face-to-face meetings with the Company Secretary.

Remuneration Committee
The Remuneration Committee is also non-executive and met on one scheduled occasion during the year and on a number of other occasions The committee was chaired during the year by Mr Christensen. Its other members were Mr Edelman, Mr Cawdron and Mr Poinssot. Its primary function is to determine the company's policy on board remuneration and to approve the specific terms and conditions of employment of the executive directors and senior managers, including the basis on which performance-related awards are calculated. The committee also determines the terms on which employee share schemes and invitations to participate are to be offered. The fees payable to non-executive directors are established by the full board The committee has written terms of reference which comply with the Code and which may be viewed on the company's website in the Investor section.

The committee met on a number of unscheduled occasions in order to discuss and agree the matters set out in the separate report on remuneration which is included on pages 29 to 33, and which forms part of the company's corporate governance statement.

Executive Committee and senior management
The Executive Committee, chaired by the Chief Executive and consisting of key senior managers of the company, met on a number of occasions throughout the year to discuss and consider matters of Group policy and other matters of significance to the Group and to ensure the sharing and spread of best practice across all divisions. Separate meetings were also held during the year by the heads of the divisions within the Food and Consumer, and Transport, strategic sectors, in order to leverage expertise and customer relationships across each sector.

Relations with shareholders
The company is committed to maintaining good communications with shareholders. Institutional shareholders, analysts and private shareholders with large holdings are invited to briefings by the company in the period following the announcement of interim and full year results The same briefings are made to members of the press and selected material is displayed on the company's website so as to be available to all shareholders Periodic visits to operating facilities of the Group are arranged for analysts to help promote a better understanding of the Group's business and operations.

The Chairman and senior independent director have written to leading shareholders to emphasise their availability and willingness to meet with shareholders to discuss any concerns or issues they may have The board receives a report on any discussions with shareholders and the written feedback that follows the half yearly presentations is circulated to the board. Brokers' reports and analysts' briefings are periodically included in the board papers sent to directors.

Members of the board have met with institutional shareholders during the year to discuss a variety of issues. All the non-executive directors are prepared to meet with shareholders to understand more fully their views

Annual general meeting
The board seeks to encourage shareholders to attend the AGM, which presents an opportunity to meet and question the directors. At the forthcoming meeting there will be a statement by the Chairman regarding the company's performance in the year and current trading conditions and an operational review by the Chief Executive. Shareholders will, as always, be invited to raise questions. Those attending the AGM will be advised of the number of proxy votes lodged in respect of each resolution (including the number of abstentions) after each has been dealt with on a show of hands

Internal control
The directors are responsible for the Group's system of internal control and for reviewing its effectiveness. The Group's system cannot entirely eliminate risk but should provide reasonable assurance that problems are identified on a timely basis.

A process for identification, evaluation and management of significant risks to the achievement of the Group's strategic objectives has been in place throughout the financial year ended 31 March 2006 and up to the date of approval of these accounts and accords with the Turnbull Guidance. The process is co-ordinated by the Internal Audit department in conjunction with divisional and functional heads and the Executive Committee.

Significant risk areas have been recorded in a risk framework and appropriate control measures and procedures identified and listed. Modifications to this framework are and have been made during the year according to changes in risk profile. The monitoring measures and procedures incorporated in this framework comprise a wide range of financial, operational and compliance controls. The operation of Group controls are audited regularly and the findings are reviewed by the Audit Committee. The board subsequently discusses issues raised.

The current policy to manage insurance risk is that external insurers carry a proportion of the risk and that an element is self insured. The directors assess the cost and associated risk of this policy on a regular basis.

The Group operates a comprehensive budgeting and financial reporting system. Annual budgets and strategic reviews in respect of each division are presented to and agreed by the board. Significant risks to the achievement of budget and strategy are identified and quantified. Monthly performance is reported to the board against budget and previous year figures, and divisional managing directors present regularly to the board on key issues within their divisions.

All major projects undergo a thorough project evaluation process which includes the use of a well developed risk model designed to identify key risks to delivery of the project. The project team presents its case to the board for major projects

The Audit Committee has reviewed the effectiveness of the system of internal control during the period covered by this report and has reported to the directors on the results of this review The directors are satisfied that the Group continues to have an effective system of internal control.

Health and safety, environmental and social matters
The company recognises the importance of protecting the health and safety of its employees and contributing to the community in which it operates, together with playing its part in safeguarding the environment.

Health and safety
During the year there has been increased focus on health and safety and, in order to reflect the importance and prominence afforded the topic, it is the first agenda item for all board, Executive Committee and business unit board meetings Considerable time is devoted at these meetings to discussing historical health and safety performance indicators within each business unit and formulating action points with a view to promoting continual improvement.

The board has overall responsibility for health and safety and Mr Oades is the director responsible directly to the board for health and safety matters. The Executive Committee, which sits quarterly and is made up of the heads of all business units and key functional heads, is responsible for recommending health and safety strategy to the board and reviewing performance. Emphasis is placed on the accountability of operational management for day to day health and safety performance. Sites or divisions identified as not achieving the highest levels of performance are reviewed to identify the underlying causes and to facilitate corrective action

The company produces a health and safety report which can be viewed on the company's website.

Corporate governance

Environment
It is the policy of the company at all times to consider the implications of its activities on the surrounding environment. Given the nature of the company's operations particular emphasis is placed on the safe and secure handling of potentially hazardous goods transported or stored on behalf of customers and in maximising efficient use of materials, supplies and energy, including fuel.

The company produces an environmental report which can be viewed on the company's website.

Community
The company is committed to supporting projects that involve the community through both financial aid and by in-kind support such as employee involvement Some of the projects in which the company is involved are detailed below

- The company is a founder member of TransAid, the leading charity specialising in effective transport solutions in the developing world, and continues to have an active involvement in this charity
- An MSc student is sponsored each year on the Logistics and Supply Chain Management course at the Heriot-Watt University School of Management.
- The company supported SPARKS (SPort Aiding medical Research for KidS) during the year by sponsoring a celebrity golf challenge.
- The company has been working closely with Remploy in promoting economic independence for disabled people through helping them back or into work and has won awards in the past from Remploy for the work that it has done in this area at its Motherwell depot in Scotland. As a result of this partnership, the company has succeeded in employing over fifty registered disabled people in a variety of roles.

A wide range of events and activities is organised and takes place at individual sites to support local and national charities and community based projects. In some instances the company will match funds raised locally.

Pensions
The assets of the UK pension funds are held by trustees separately from the assets of the company, and are invested by independent fund managers. None of the assets of the funds can be invested directly in the company The boards of trustees are constituted such that two thirds of their number are nominated by the company and one third are member-nominated

Going concern
The directors confirm that they are satisfied that the company and the Group have adequate resources to continue in business for the foreseeable future and therefore continue to adopt the going concern basis in preparing financial statements.

Remuneration report

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 and also meets the relevant requirements of the Financial Services Authority Listing Rules It sets out the company's executive remuneration policy and structure and details of the remuneration received by the directors in respect of the year ended 31 March 2006 Section 6 (Directors' remuneration for the year ended 31 March 2006) and information on share options in section 7 are required to be audited. Other sections are not required to be audited. Shareholders will be invited to approve this report at the annual general meeting (AGM) to be held on Thursday 13 July 2006.

1 Remuneration Committee: composition, responsibilities and operation
The membership of the Remuneration Committee is entirely non executive and the members are listed on pages 22 and 23.

The terms of reference for the committee (which were adopted by the board in 2004 so as to comply with the 2003 Revised Combined Code on Corporate Governance (the "Code")) are displayed on the company's website in the Investor section.

In accordance with the provisions of the Code, Mr D J Fish stepped down as a member of the committee in April 2005. Mr P E B Cawdron was succeeded as chairman of the committee by Mr I R Christensen CBE with effect from 7 April 2005. These changes brought the composition of the committee into line with the requirements of the Code.

No member has any personal financial interest other than as a shareholder in the matters to be decided, or any potential conflicts of interest arising from cross-directorships, nor has any member any day-to-day responsibility for running individual businesses of the Group. The committee's principal function is to determine the company's policy on remuneration for its most senior executives and to approve the specific remuneration of the executive directors and the Company Secretary, including their service contracts Its remit therefore includes, but is not restricted to, basic salary, benefits in kind, performance-related awards, share options and share awards, long-term incentive schemes, pension rights and any other compensation or termination payments In exercising its responsibilities, the committee has access to professional advice from the Head of Group Human Resources, Mr R C Fitch, and the Company Secretary, who also co-ordinate and collate external advice on remuneration. The committee received external advice during the year from Mercer Human Resource Consulting (in relation to pensions) and Watson Wyatt (in relation to salary reviews and the long-term incentive plan ("LTIP") proposals which will be put to shareholders at the forthcoming AGM and further details of which are set out below)

2 Remuneration policy
The company's policy is to attract, retain and motivate high quality senior managers with a competitive package of salary, retirement benefits and share and performance related awards. Market rates will determine the range of remuneration levels for a particular job, and an individual's position in that range will reflect their overall contribution to business performance. During the year, the board undertook a review of the long-term incentive element of remuneration for the executive directors and other key senior executives to ensure that the company's reward policy reflects current best practice. Following extensive consultation with principal shareholders, this has resulted in proposals for the new LTIP to be submitted to shareholders for approval at the AGM on 13 July 2006 Details of the proposals are more fully set out on page 31.

The principal components of existing remuneration packages are.

Salary
In arriving at the basic salary element, the evaluation of an executive's responsibilities is based on a well established external assessment system which draws on comparative data from a number of sources and takes into account the complexity of and know-how required to do the job, the problem solving and decision-making involved and the overall impact on the business. This assessment enables comparison to be made with salary levels in a large number of companies in the industrial and service sector in the UK (including against a transport sector comparator grouping) When setting salary levels, account is taken of other benefits and the impact of salary on other elements of remuneration, particularly pensions.

Deferred Share Bonus Plan
At the AGM held on 14 July 2004 shareholders approved a new deferred share bonus plan (the "DSB Plan") to reflect and support the company's key business objectives. The Remuneration Committee believes that the DSB Plan continues to motivate its existing management team and helps the company to attract and incentivise high calibre new senior managers, which the board has identified as a key element in meeting demanding sales and profit targets over the coming years.

The DSB Plan is designed specifically to link the interests of participants with those of shareholders and to deliver gains to participants which are directly linked to those which shareholders are able to realise. The scheme is administered by the Remuneration Committee which invites, at its discretion, senior executives to participate.

The company has largely ceased to offer share options to executive directors and senior executives under its executive share option scheme (details of which are set out below). The DSB Plan has therefore been designed to deliver both short-term variable cash bonus incentives and an element of longer term deferred and matching share based incentives for those who have earned the requisite annual cash bonus. Its principal elements are as follows:

Short-term cash bonus incentives
The scheme allows for annual cash bonus awards (based currently on sales and profit growth targets) of up to 37.5% of salary if certain pre-determined targets ("Target") are achieved, with a maximum of up to 50% of salary if superior performance over Target is achieved

Deferred share bonus
At Target level the participant also receives a share-based bonus of up to 12.5% of salary in deferred shares and would receive a bonus of up to 50% of salary in deferred shares for superior performance. In normal circumstances deferred shares will vest after a period of three years but will lapse if during the three year period the participant chooses to leave the company.

Long-term matching share incentive
In addition, individuals will be entitled to a matching award based on their deferred share award at the end of a three-year performance period depending on the achievement of stretching performance targets based on total shareholder return (calculated by reference to the increase in the company's share price assuming reinvestment of dividends paid) (TSR) with an earnings per share (EPS) underpin. For one-to-one matching, TSR performance must currently be in the upper quartile against a peer group of comparator companies (comprising the FTSE Mid 250 Index (excluding investment trusts)). This reduces to a 25% match at the median with straight line interpolation in between. In addition, an EPS growth target of at least RPI plus 3% per annum compound must be satisfied for any matching award to vest For full vesting of a matching award in relation to the year ended 31 March 2006, the EPS growth must equal at least RPI plus 5% per annum compound

Remuneration report

Executive Share Option Scheme
Executive directors and senior executives have in the past been able to participate, at the discretion of the Remuneration Committee, in the Executive Share Option Scheme approved by shareholders at the extraordinary general meeting of the company on 26 September 1997. This scheme was originally designed to encourage the matching of interests between employees and shareholders but has now been largely replaced for senior executives by the DSB Plan (outlined above) and, if approved, the new LTIP which is being proposed as outlined below. However, a number of senior executives, including Mr J A Steadman, continue to participate by virtue of past awards. The Remuneration Committee retains a discretion to make future awards to senior executives under this scheme in exceptional circumstances but does not have any current intention of doing so nor is it aware of any exceptional circumstances which would make this likely. Some limited awards may continue to be made under this scheme to managers who fall below the seniority levels required to participate in the DSB Plan and/or, if approved, the new LTIP.

UK participants in the Executive Share Option Scheme will have received part of their entitlement under a scheme which has received Inland Revenue approval. The Treasury limit for outstanding options under the approved scheme is currently £30,000 for each participant, with the balance of any award being held under an unapproved scheme. The schemes are subject to limits relating to the total number of shares under option at any one time and the price payable on exercise.

Executive options are subject to performance conditions based on both TSR and growth in normalised EPS

At the time when the individual wishes to exercise the option (which can only normally occur after three years have elapsed since grant), the company's TSR since the date of grant of the option is compared to that of the FTSE Mid 250 Index (excluding investment trusts). If the company's TSR matches or exceeds that index and the company's EPS growth, over a period of three consecutive years, matches or exceeds the growth in the Retail Prices Index by 9%, the option is capable of exercise. The performance conditions are kept under review by the Remuneration Committee which decided in June 2004, in response to best practice guidelines relating to retesting, that all options granted under the scheme after that date would have a fixed performance period of three years following the date of grant during which the performance criteria must have been met for an option to be exercisable If performance conditions have not been met within this period, the options will lapse. It is currently felt that the performance conditions are challenging, appropriate and aligned to shareholder interests. No awards were made to executive directors in the year ended 31 March 2006.

Other share schemes
The company also operates an all-employee share ownership plan and a savings-related share option scheme ("SAYE"), both of which are open to all UK employees with a qualifying period of employment. Mr Steadman participated during the year in the SAYE scheme. Executive directors participate on the same terms as all other UK employees.

Retirement benefits
UK executive directors are eligible for the executive scale of benefits of the Christian Salvesen Pension Scheme (the "Scheme"), which is a funded final salary scheme approved by the Inland Revenue Subject to Inland Revenue regulations and limits, its key elements are currently.

- a normal retirement age of 60;
- a maximum benefits accrual rate of 1/30th for each year's service up to a maximum of two thirds of final pensionable salary;
- an employee contribution rate of 9% of pensionable salary, rising to 12% in July 2006,
- a lump sum death in service benefit of four times salary;
- spouse's pension on death, and
- early retirement pension based on a 3% simple reduction factor

Prior to 6 April 2006, directors were subject to the Inland Revenue Earnings Cap and it was the company's policy to pay over to such members, by way of compensation, the equivalent of what it would have cost the company during the year to fund the benefits for that year of service, based on basic salary, beyond the cap.

As a result of new pensions legislation which came into force on 6 April 2006, the directors are no longer subject to an Inland Revenue annual earnings cap However, the company has retained a cap on earnings for the purpose of benefits accrued under the Scheme, in line with the limit previously applied by the Inland Revenue and which, like that limit, will be increased by an inflationary amount each year. In this way the company continues to manage the liabilities attaching to the Scheme. The Remuneration Committee recognises the limiting effect on pension benefits of applying an earnings cap and accordingly has decided to continue its policy of paying those affected a cash supplement. The amount of the cash supplement is determined by the Remuneration Committee and is not likely to vary significantly from the sums disclosed below for the year ended 31 March 2006.

Although certain lifetime limits on accrued pension benefits have been introduced by the new legislation, these do not currently affect those directors participating in the Scheme

Non-executive directors' remuneration
The basic fee for non-executive directors is £33,000 per annum and this was last changed in July 2004. Additional fees of £3,000 are paid for chairing the Audit Committee and the Remuneration Committee respectively

The maximum aggregate fees payable to directors (as distinct from executive salaries) is determined by ordinary resolution of shareholders and this was last set at £250,000 in July 2005, thus allowing for non-executive representation to be increased if thought desirable and to enable the board to review non-executive directors' fees from time to time for a few years ahead.

Other payments
As disclosed previously, Mr S Oades will receive £60,000 in addition to his salary, subject to him still being in employment on the relevant date, in both July 2006 and July 2007. These are contractual payments agreed at the time of recruitment and are to compensate him for lost benefits under his previous employment as a result of joining the company. The payments are non-pensionable

Proposed Long-Term Incentive Plan ("LTIP")
The company now has a strategy and organisation for delivering long-term growth and shareholder value over the coming years. Whilst the board believes that appropriate short-term reward structures are in place to drive and incentivise short-term annual performance, it also considers that, having ceased to grant awards to senior executives under the Executive Share Option Scheme 1997, there is currently no long-term reward structure specifically designed to drive sustained growth and performance over the longer term. The current DSB Plan (summarised on page 29) does contain a long-term incentive element but this is only available to participants who have achieved a certain level of short-term annual cash bonus first.

In light of the above, the Remuneration Committee has been working with its remuneration consultants, Watson Wyatt, on a new long-term incentive plan, the Christian Salvesen Long-Term Incentive Plan 2006 (or "LTIP") to reflect and support the company's long-term strategic objectives.

The new LTIP has been designed specifically to link rewards to participants with the attainment of demanding financial performance targets. The Remuneration Committee currently considers that EPS (as defined below) is the most appropriate measure for the LTIP – because it is a key indicator of increased profit which should result in enhanced shareholder value.

The definition of EPS for LTIP purposes is post-tax earnings including exceptional items (however, goodwill impairment will be excluded). The basis used for calculating EPS may be changed for any adjustment the Remuneration Committee may determine and the company's auditors confirm is fair and reasonable to ensure the performance condition achieves its original purpose and consistency and fairness, including any material acquisition or disposal of operating assets that was not envisaged in the company's business plan.

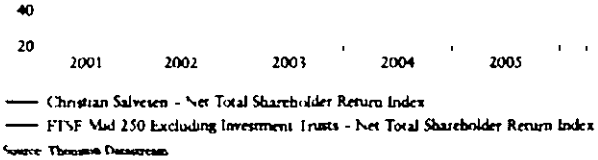
Initial awards under the LTIP, if approved, will be made in 2006, shortly after the AGM. The base year will be the financial year ending 31 March 2006. The three-year performance period for the initial awards will be the financial years ending 2007-2009 (inclusive). Targets will be based on the attainment of average annual growth in EPS over a performance period of three years of not less than 4% per annum in excess of inflation (measured against the Retail Prices Index), at which level it is anticipated that 25% of an award will vest. 10% growth on the same basis would trigger 100% of vesting with awards vesting on a prorated basis for growth between 4% and 10%.

There will also be a discretionary underpinning performance condition. In addition to attainment against the EPS measure, awards will only vest to the extent that the Remuneration Committee at its discretion considers appropriate, bearing in mind the overall results of the Group over the performance period, including its business and shareholder value performance. Discretion would not be exercised to increase awards.

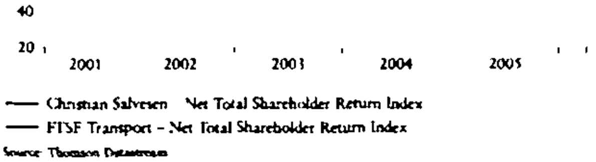
The LTIP will be administered by the Remuneration Committee which will invite senior executives to participate at its discretion. The maximum annual aggregate face value of LTIP awards will be 100% of basic salary (but a maximum on recruitment of 150% of basic salary, in exceptional circumstances). However, the initial awards will not exceed 80% of salary.

The terms of the proposed LTIP are more fully summarised in the Notice of AGM.

3 Performance graph
The first graph below illustrates the performance of the company over the five years to 31 March 2006 measured by TSR, compared with the return achieved by the FTSE Mid 250 Index (excluding investment trusts) (the "Index") over the same period. The Index is considered the most appropriate benchmark because it is used as the comparator group for the performance conditions attached to the matching element of the DSB Plan and the exercise of Executive Share Options outlined above. The second graph illustrates the performance of the company on the same basis against the FTSE Transport Index, of which the company has been a constituent throughout the five-year period.



—— Christian Salvesen - Net Total Shareholder Return Index
—— FTSE Mid 250 Excluding Investment Trusts - Net Total Shareholder Return Index
Source: Thomson Datastream



—— Christian Salvesen - Net Total Shareholder Return Index
—— FTSE Transport - Net Total Shareholder Return Index
Source: Thomson Datastream

4 Service contracts and notice periods
Executive directors have service agreements that require one year's notice from either the individual or the company.

Under the service agreements the company has the right to terminate employment on paying basic salary in lieu of the contractual notice period. In the event of early termination, the Remuneration Committee will give careful consideration to what compensation should be paid taking into account the circumstances of the particular case and the responsibility and ability of the individual to mitigate.

Non-executive directors do not have service agreements and, in accordance with the company's articles of association, their appointments may be terminated without compensation at any time on one month's notice, although the initial appointment would ordinarily be expected to run for three years. All non-executive directors have signed letters of appointment in terms substantially the same as those set out in the Higgs Suggestions for Good Practice appended to the Code. A sample letter of appointment is displayed on the company's website in the Investor section.

Remuneration report

5 External appointments

The company recognises that executive directors may be invited to become non-executive directors of other companies and that such appointments may broaden their knowledge and expertise to the benefit of the company. Therefore, executive directors are permitted, with the agreement of the board, to take up an appointment as a non-executive director of another organisation, subject to there being no conflict of interest and to the time spent being reasonable. The director may, subject to the agreement of the board, retain the fees from such appointment. No such position was held by any executive director during the year.

6 Directors' remuneration for the year ended 31 March 2006

Directors' emoluments excluding pension-related benefits and payments in lieu thereof

	Basic salary and fees £'000	Taxable benefits £'000	Cash bonus £'000	Other taxable pay/benefits £'000	2006 Total £'000	2005 Total £'000
Chairman						
D J Fish	150	–	–	–	150	237
Executive directors						
S Oades (appointed 06.05.2005)	338	22	79	88	527	–
J A Steadman	255	16	15	2	288	326
E J Roderick (ceased 25.05 2004)	–	–	–	–	–	773
Non-executive directors						
P E B Cawdron	36	–	–	–	36	34
I R Christensen	36	–	–	–	36	27
A Edelman	33	–	–	–	33	32
A Poinssot (appointed 16.09.2005)	19	–	–	–	19	–
Total	867	38	94	90	1,089	1,429

Notes

"Taxable benefits" include the provision of a company car, fuel and medical insurance

"Cash bonus" relates to the cash element of bonus payments to Mr Oades and Mr Steadman for the achievement of financial targets in the year under the Deferred Share Bonus Plan and in the case of Mr Oades also includes a discretionary payment of £60,157 for personal performance

"Other taxable pay and benefits" relates to the following: Mr Oades received £87,500 as contractual compensation, agreed at the time of recruitment and as disclosed in last year's report, in respect of benefits lost under his previous employment as a result of joining the company. Mr Steadman received a trading down allowance of £1,980 in respect of his company car. None of these payments were pensionable

The figures for Mr Oades and Mr Poinssot cover the period during which they were directors.

Details relating to pension entitlements and life insurance for the executive directors are summarised on page 30 and are shown below

Pensions

Benefits provided through the Scheme during the year for the executive directors were as follows.

Column/Note	Gross increase in accrued pension £'000 p.a. (1)	Increase in accrued pension net of inflation £'000 p.a. (2)	Total accrued pension at 31/03/2006 £'000 p.a. (3)	Value of net increase in accrual over period £'000 (4)	Value of accrued pension at 31/03/2006 £'000 (5)	Value of accrued pension at 31/03/2005 £'000 (6)	Total change in value during period £'000 (7)	Notional cost of death benefits £'000 (8)
S Oades (appointed 06.05.2005)*	3	3	3	34	40	–	34	3
J A Steadman	4	4	8	40	109	53	49	3

*The figures shown for Mr Oades cover the period in the year during which he was an employee

Notes:

(i) Pension accruals shown are the amounts which would be paid annually on retirement based on service to the end of the year, or earlier date of exit. The benefits for both executive directors are accruing at a rate of 1/30th for each year of service

(ii) Transfer values have been calculated in accordance with version 9.2 of guidance note GN11 issued by the actuarial profession.

(iii) The value of net increase (4) represents the incremental value to the director of his service during the year. For directors still in service this is calculated on the assumption service terminated at the year-end. It is based on the accrued pension increase (2) and is net of director contributions for the period and therefore represents the notional company "cost"

(iv) The change in transfer value (7) includes the effect of fluctuations in the transfer value due to factors beyond the control of the company and directors, such as stock market movements. It is calculated net of director contributions

(v) Voluntary contributions paid by directors and resulting benefits are not shown

(vi) The cost of death-in-service benefits (8) is based on individual assessments of the notional cost of cover provided over the period.

As indicated earlier the pension arrangements of the executive directors were based upon membership of the Scheme. However, they were subject to the Earnings Cap and received payments based on the amount that it would otherwise have cost the company during the year to fund their pension benefits arising from that year of service. Death-in-service benefit cover was also provided, outside the Scheme arrangements, on salary above the Earnings Cap. In addition to the emoluments shown above as directors of the company throughout the year they received the following payments or benefits:

	Payments in lieu of pension benefits		Cost of death-in-service cover	
	2005/06 £'000	2004/05 £'000	2005/06 £'000	2004/05 £'000
S Oades (appointed 06.05.2005)	96	–	3	–
J A Steadman	57	49	2	1

7 Share interests

The interests of persons who were directors during the year in the share capital of the company were as follows:

Share options

	Date of grant	Exercise price (pence)	Number at 1 April 2005	Number of options during year Granted	Exercised	Lapsed	Number at 31 March 2006	Earliest exercise date	Expiry date
J A Steadman									
Executive	10.12.2003	58.0	362,068	–	–	–	362,068	10.12 2006	09 12 2013
Savings related	17 02.2005	45.0	15,244	–	–	–	15,244	01.04 2008	01 10.2008
Deferred									
Bonus	08.07 2005	Nil	–	6,039	–	–	6,039	06.2008	06.2009
Matching	08.07.2005	Nil	–	6,039	–	–	6,039	06 2008	06.2009
Total			377,312	12,078	–	–	389,390		

Notes.

The options under the Executive Share Option Scheme are normally only exercisable, providing performance conditions are met, after a period of three years has elapsed from date of grant

Options pursuant to the Deferred Share Bonus Plan were awarded to Mr Steadman for the achievement of Group sales and profit targets in the financial year ending 31 March 2005 This comprised options over deferred shares to a value of £3,900, exercisable if the participant remains in employment for three years from the date of grant, with options over the same number of matching shares, subject to performance conditions. Awards were made on the basis of a share price of 64 58 pence, being the average of the mid-market price of the company's shares in the three dealing days immediately following announcement of the company's results for the year in respect of which the awards were made

Apart from that noted above, no other directors have been granted share options in the shares of the company or other Group entities None of the terms or conditions of the share options was varied during the year

The options were granted at nil cost and the performance criteria for all the above share options were consistent with the remuneration policy and the summary of the relevant schemes outlined on pages 29 and 30.

The closing mid-market price of the shares at 31 March 2006 was 63.25p and the range during the year ended 31 March 2006 was 58 0p to 75 0p.

Shareholdings

	at 31 March 2006	at 1 April 2005
D J Fish	494,600	220,000
A Poinssot (appointed 16.09 2005)	10,000	–
P E B Cawdron	20,000	20,000
A Edelman	22,000	22,000

No director was interested in any shares of subsidiary companies at any time during the year.

Between the end of the financial year and the date of this report there has been no change in the beneficial holding of any director.

On behalf of the board

E H D Peppiatt, Secretary
6 June 2006

Directors' report

Profit and dividends
The profit for the financial year after taxation was £11.8m.

An interim dividend of 1.2 pence per ordinary share was paid on 31 January 2006 and the directors now recommend a final dividend of 2.45 pence per ordinary share payable on 31 August 2006, making a total in relation to the year of 3.65 pence per ordinary share (2005: 3.65 pence). The total cost of these dividends amounts to £9 6m.

Share capital
Details of any changes in the share capital are featured on page 61.

Principal activities and business review
A review of the principal activities and business of the Group, together with changes to them during the year, and an indication of likely future developments are described in the Chairman's statement on pages 10 and 11 and in the operating review on pages 12 to 17. The principal risks and uncertainties facing the company and certain financial key performance indicators are included within the financial review on pages 18 to 21.

Principal subsidiary and associated undertakings are listed on pages 54 and 55

Directors
The present directors of the company and their biographical details are listed on pages 22 and 23

Mr S Oades, who was appointed a director on 6 May 2005, retired and was subsequently elected at the annual general meeting (AGM) held on 22 July 2005.

Mr A Poinssot and Mr M Morris who were appointed on 16 September 2005 and 12 April 2006 respectively, will retire and offer themselves for election at the forthcoming AGM to be held on 13 July 2006

Mr P E B Cawdron and Mr A Edelman will both retire at the next AGM and will not be seeking re-election.

Mr J A Steadman and Mr Oades have service agreements which require twelve months' notice from either the director or the company. The non-executive directors do not have service contracts with the company. It is the policy of the company to appoint non-executive directors for an initial period of three years, renewable as determined by the board No other contract with the company or any subsidiary undertaking of the company in which any director was materially interested subsisted during or at the end of the financial year.

A statement of directors' interests in the share capital of the company at the end of the financial year is given on page 33.

Donations
During the year the Group donated £30,551 (2005: £23,649) to a variety of registered UK charities, including TransAid and SPARKS (SPort Aiding medical Research for KidS).

No political donations were made during the year (2005: nil).

Health, safety and environmental policy
The board sets policy in the area of health and safety and each business unit is required to follow best relevant industrial practice. The Group policy statement, which is formulated with the active involvement of the directors, and is formally approved by the board, provides a framework setting out the objectives for management. Individual businesses monitor their procedures and safety records regularly, and submit reports to both the board and the Executive Committee on a regular basis. Business unit heads present to the board in person in relation to health and safety within their businesses and this forms the first agenda item of each board meeting. A report is published annually on the company's website: www.salvesen com.

The Group recognises its responsibility to minimise the environmental impact of its operations.

These areas are addressed further in the operating review on page 17 and in the corporate governance report on pages 27 and 28.

Employees
Local divisional newsletters are published within the business units The company intranet posts all external press releases and business units are encouraged to display internal news and other information on the site. Individual depots are encouraged to have their own intranet sites to display information of purely local interest.

Team briefings take place throughout the business to keep employees informed of developments and plans both in their own operations and in the Group including the annual and interim financial results which are extensively publicised throughout the business. Employee surveys are carried out from time to time and every two years a Group-wide employee opinion survey is carried out across all business units in all countries The results of the survey are presented to the Executive Committee and appropriate actions are taken in response to the findings.

The European Works Council is a consultative and communication body and employees are encouraged to raise issues through their elected representatives who meet twice a year with the Chief Executive and Group Head of Human Resources in attendance.

A substantial number of employees have shareholding interests in the shares of the company, built up through SAYE and other share related schemes At the end of the financial year 961 employees (2005. 1,384) held share options through the SAYE share option scheme

The company's policies for recruitment, training, career development and promotion of employees are based on the suitability of the individual and give those who are disabled equal treatment with the able bodied Employees disabled after joining the company are given suitable training for employment with the company wherever possible. The company has partnered with Remploy during the year in promoting economic independence for disabled people through work and further details of this are set out in the corporate governance report on page 28

The company monitors key performance indicators in relation to certain important employee-related matters Further information on employees is contained in the operating review on page 17.

Supplier payment policy
It is the company's policy to settle the terms and conditions of payment with suppliers when agreeing each transaction, to ensure that suppliers are made aware of these terms and in practice, providing the supplier meets its contractual obligations, to abide by them. At the balance sheet date £0.4m (2005: £0 3m) was due by the company to trade creditors which represented 42 days (2005: 43 days). In overall terms, the amount due by the Group to trade suppliers represented approximately 38 creditor days outstanding at the balance sheet date (2005: 34 creditor days)

Acquisition of the company's own shares
At the end of the year, the directors had authority, under the shareholders' resolution of 22 July 2005, to purchase through the market 26,526,000 of the company's ordinary shares at prices ranging between the nominal value and an amount equal to 105% of the average of the middle market quotations of the company's ordinary shares for the five business days immediately preceding the day on which such shares are contracted to be purchased. This authority expires on 13 July 2006 No such purchases have been made during the year.

Annual general meeting special business
The AGM will be held at the Sheraton Grand Hotel, 1 Festival Square, Edinburgh on Thursday 13 July 2006 at 11 am. In addition to the routine business of the meeting the following resolutions will be proposed for approval

Resolution 7 proposes as a special resolution, on the same basis as last year, to disapply the statutory pre-emption rights of shareholders on allotment of equity securities for cash up to a limit equal to 5% of the issued ordinary share capital. The resolution also disapplies these rights to the extent necessary to facilitate rights issues. The authority under this resolution would expire on the date of the AGM in 2007 or on 18 July 2007, whichever is the earlier.

A further item of special business is the directors' recommendation that shareholders renew the authority of the company to purchase its own ordinary shares as permitted under its Articles of Association. Accordingly, resolution 8 will be proposed as a special resolution seeking authority to make such purchases in the market The directors have no immediate intention of using such authority and would do so only when they consider it to be in the best interests of shareholders generally and when an improvement in earnings per share would result. Any ordinary shares purchased under this authority would either be cancelled or held in treasury with the number of ordinary shares in issue being reduced accordingly.

Resolution 8 specifies the maximum number of ordinary shares which may be purchased (representing approximately 10% of the company's existing issued ordinary share capital) and the minimum and maximum prices at which they may be bought, reflecting the requirements of the Companies Act 1985 and the UKLA The directors intend to seek renewal of this power at subsequent AGMs

Resolution 9 is also an item of special business and relates to the directors' recommendation that shareholders adopt a new long-term incentive plan for senior executives within the company. The details of this scheme are more fully explained in the notes to the Notice of AGM.

Resolution 10 is a further item of special business and relates to the adoption of new Articles of Association to bring them up to date and to reflect current practice. The proposed amendments are explained in more detail in the notes accompanying the Notice of AGM and include, amongst other things, changes to the Group's borrowing powers.

Resolution 11 is the final item of special business and relates to the borrowing powers of the company as exercised by the directors in the period prior to the extraordinary general meeting of the company held on 31 March 2006 (EGM) at which shareholders authorised certain borrowings of the company above the levels permitted by the company's Articles of Association. This resolution, if passed, would ratify all borrowings prior to the date of the EGM to the extent that they may have exceeded the limits prescribed by the Articles of Association A more detailed explanation is set out in a letter from Mr Morris, who is considered an independent director in relation to this matter, accompanying the Notice of AGM

The directors believe that the proposals set out for approval at the AGM are in the interests of the company Accordingly, they unanimously recommend that members vote in favour of each resolution. Members who are in any doubt as to what action to take are advised to consult appropriate independent advisers.

Notifiable interests
As at 13 May 2006 the company has been advised of the following interests in its issued ordinary share capital.

Name of Shareholder	Number of Shares	%
Northern Finance	24,000,000	9.05
A E H Salvesen*	16,513,333	6 23
Global Asset Management	16,348,500	6 16
Credit Suisse Asset Management	15,015,224	5 66
UBS Global Asset Management	13,629,780	5.14
Legal & General	10,146,595	3.83

*Including immediate family and trustee interests

Audit and Auditors
Each director has confirmed that, so far as he is aware, (i) there is no information relevant to the audit of the company's financial statements of which the auditors are unaware; and (ii) he has taken all steps which he ought to have taken, as a director, in order to make himself aware of any information relevant to the audit of the company's financial statements and to establish that the company's auditors are aware of any such information.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the AGM.

By order of the Board

F H D Peppiatt, Secretary
6 June 2006

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements. The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) and have also elected to prepare financial statements for the company in accordance with IFRS Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cashflows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with IFRS, where applicable Directors are also required to·

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985

A copy of the financial statements of the Group is placed on the Christian Salvesen PLC website. The maintenance and integrity of the Christian Salvesen PLC website is the responsibility of the directors, work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions

Independent auditors' report to the members of Christian Salvesen PLC

We have audited the Group and parent company financial statements (the 'financial statements') of Christian Salvesen PLC for the year ended 31 March 2006 which comprise the Group income statement, the Group and parent company balance sheets, the Group and parent company cashflow statements, the Group and parent company statement of changes in shareholders' equity and statements of recognised income and expenses and the related notes These financial statements have been prepared under the accounting policies set out therein We have also audited the information in the directors' remuneration report that is described as having been audited.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation We report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements. The information given in the directors' report includes that specific information presented in the operating review and the financial review that is cross referred from the business review section of the directors' report. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, the operating review and the financial review and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Opinion
In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's affairs as at 31 March 2006 and of its profit and cashflows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2006 and its cashflows for the year then ended;
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and
- the information given in the directors' report is consistent with the financial statements

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants
East Midlands
6 June 2006

Consolidated income statement

for the year ended 31 March 2006

	Notes	2006 £m	2005 £m
Continuing operations			
Revenue	1	820.7	805.5
Cost of sales		(756.4)	(742 6)
Gross profit		64.3	62.9
Other operating income		2.4	0 4
Administrative expenses		(45.8)	(45 2)
Operating profit	1	20.9	18.1
Analysed as:			
Operating profit before exceptional items		20.7	21 5
Exceptional operating income	4	2.2	–
Exceptional administrative expenses	4	(2.0)	(3 4)
Operating profit		20.9	18.1
Interest receivable	5	1.6	1.4
Interest payable and similar charges	5	(6.9)	(6.3)
Profit before income tax		15.6	13 2
Income tax expense	6	(3.8)	(2 5)
Profit for the period		11 8	10.7

All profits are attributable to equity shareholders of the company

		pence	pence
Earnings per share			
– basic	8	4.46	4 04
– diluted	8	4.43	4 02
Dividends per share for the period	7	3.65	3.65

Statement of recognised income and expense

for the year ended 31 March 2006

	Notes	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
Exchange translation effect on foreign currency net investments		0.1	0.5	–	–
Taxation on foreign currency exchange differences		0.1	0.2	–	–
Actuarial (loss)/gain recognised in the pension scheme	29	(10.7)	1.2	–	–
Net (expense)/income recognised directly in equity		(10.5)	1 9	–	–
Profit for the period		11 8	10.7	4 1	4 8
Total recognised income and expense for the period		1.3	12.6	4 1	4 8

There were no changes recognised directly in associates' equity in 2006 or 2005.

Balance sheets

as at 31 March 2006

	Notes	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
Non-current assets					
Goodwill	10	68.7	67 5	–	–
Other intangible assets	11	8.3	8.5	–	–
Property, plant and equipment	12	143.0	153.6	0.2	0 2
Investment in subsidiaries	13	–	–	150.4	150 4
Investment in associates	14	0.7	0.6	–	–
Deferred tax assets	32	13.9	14.9	–	–
Trade and other receivables	17	3.2	2 3	292.3	285.3
Finance lease receivables	15	10.4	8 4	–	–
		248 2	255.8	442.9	435.9
Current assets					
Inventories	16	16 9	17.6	–	–
Trade and other receivables	17	149.0	136.5	5.8	4.6
Current tax receivables		2.7	–	3.0	–
Cash and cash equivalents	18	56.1	56.0	4.1	16.1
Finance lease receivables	15	1.4	1.5	–	–
		226 1	211.6	12.9	20.7
Current liabilities					
Trade and other payables	19	(161.9)	(155.2)	(5.9)	(7 8)
Current tax liabilities		(2.3)	(4 1)	–	–
Financial liabilities – short-term borrowings	20	(9.4)	(138 2)	(0 2)	(133.2)
Short-term provisions	22	(14.4)	(15.4)	(7.5)	(3.9)
		(188.0)	(312.9)	(13.6)	(144 9)
Net current assets/(liabilities)		38.1	(101.3)	(0.7)	(124.2)
Total assets less current liabilities		286.3	154.5	442.2	311 7
Non-current liabilities					
Long-term payables	19	(1.1)	(0.8)	(125.2)	(120.7)
Financial liabilities – long-term borrowings	20	(141.0)	(11.4)	(131 5)	–
Retirement benefit obligations	29	(72 9)	(62 5)	–	–
Deferred tax liabilities	32	(14.7)	(14 8)	–	–
Long-term provisions	22	(2.7)	(3.3)	(0.1)	(0 1)
		(232.4)	(92.8)	(256.8)	(120 8)
Net assets		53.9	61 7	185.4	190.9
Equity					
Called up share capital	25	74.6	74.6	74.6	74.6
Share premium account	25	43.8	43 8	43.8	43.8
Capital redemption reserve	25	3.8	3.8	3.8	3 8
Retained earnings	25	(68.3)	(60.5)	63.2	68 7
Total shareholders' equity		53.9	61.7	185 4	190.9

Approved by the board of directors on 6 June 2006 and signed on its behalf by.

Directors.

Stewart Oades
Julian Steadman

S Oades
J A Steadman

Cashflow statements

for the year ended 31 March 2006

	Notes	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
Net cash from operating activities					
Operating profit		20 9	18.1	(0 6)	(1.1)
Adjustments for:					
Exceptional operating costs		2.0	3 4	0.4	1 2
Profit on disposal of non-current assets		(3.6)	(2.2)	–	–
Depreciation and amortisation of non-current assets		24.7	27.1	–	0 1
Employee share based payment schemes charge		0.5	0.1	–	–
		44.5	46.5	(0 2)	0.2
Movements in working capital and provisions		(5.5)	6.5	(1 3)	14.9
Difference between pension charge and cash contributions		(0 3)	0.8	–	–
Exceptional items		(3.1)	(2.9)	(0 4)	(1.2)
Cash generated from operations		35.6	50.9	(1.9)	13.9
Interest paid		(6.5)	(6 4)	(5.6)	(5 2)
Interest received		1.6	1.4	13 0	12.9
Income tax (paid)/repaid		(7 5)	(2.4)	(3.7)	2 5
Net cash generated from operating activities		23 2	43.5	1.8	24 1
Cashflows from investing activities					
Purchase of property, plant and equipment		(18.8)	(22.8)	–	–
Proceeds from sale of property, plant and equipment		7.1	5.5	–	–
Purchase of business		–	(0 7)	–	–
Overdraft acquired with subsidiary undertakings	34	(0.1)	–	–	–
Proceeds from sale of joint venture		–	1 5	–	–
Net cash used in investing activities		(11.8)	(16.5)	–	–
Cashflows from financing activities					
Proceeds from new borrowings		137 2	10.3	137.2	–
Repayments of borrowings		(138 4)	(9.0)	(139.6)	(8 1)
Capital element of finance lease rentals		(1.8)	(2.0)	–	–
Dividends paid		(9.6)	(9.6)	(9 6)	(9.6)
Net cash used in financing activities		(12.6)	(10 3)	(12.0)	(17.7)
(Decrease)/increase in net cash and cash equivalents		(1.2)	16 7	(10 2)	6.4
Net cash and cash equivalents at 1 April		51.5	34 7	13.3	6.9
Exchange gains on cash and cash equivalents		0.5	0 1	–	–
Net cash and cash equivalents at end of period	18	50 8	51.5	3.1	13.3

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below These policies have been consistently applied to all the years presented, except for those relating to the classification and measurement of financial instruments The Group has made use of the exemption available under IFRS 1 to only apply IAS 32 and IAS 39 from 1 April 2005.

Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities held for trading.
A summary of the more important Group accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and assumptions are based on management's best knowledge of the amount, the actual results ultimately may differ from those estimates. Estimates are principally used when accounting for pension costs, the useful economic lives of fixed and intangible assets, provisions and, in certain instances, in revenue recognition.

First time adoption of IFRS
The exemptions from full retrospective application available under IFRS 1 that have been taken are:

- Business combinations
- Cumulative translation differences
- Share based payment transactions

Consolidation
(a) Subsidiaries
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group

(c) Joint ventures
The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its shares of the joint ventures' individual income and expense, assets and liabilities and cashflows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains and losses on the sale of assets by the Group to the joint venture that is attributable to the other ventures The Group does not recognise its share of profits and losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets on to an independent party However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Centrally incurred costs are allocated to business sectors based primarily on the effort applied by the central functions where this can be specifically measured with any balance being allocated pro rata on the basis of segment revenues and capital employed. UK costs are not generally physically paid by overseas entities but remain in the UK.

Accounting policies

Foreign currency translation
(a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the functional currency, which is the local currency in which the entity operates. The consolidated financial statements are presented in sterling which is the company's functional and presentation currency.

(b) Transactions and balances
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from sterling are translated into sterling as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rates, and

(iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholder's equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate

The exchange rates used for the translation of euro into sterling were:

	euro 2006	euro 2005
Average rate	1.46	1 46
Year-end rate	1.43	1.46

Property, plant and equipment
Land and buildings comprises mainly logistics depots, warehouses and offices. Land and buildings are shown at historic cost, less subsequent depreciation for buildings All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred

Depreciation is charged so as to write off the cost or valuation of assets, other than land, over their estimated useful lives, using the straight line method, as follows:

	%
Commercial vehicles	15
Trailers	10
Other plant and machinery	6.67-20

Freehold and long leasehold buildings (with 50 years or more to run) are depreciated at 2% or 4% per annum straight line. Certain specialised buildings are depreciated at 4% per annum straight line for 15 years, and thereafter at 2% per annum straight line for 20 years.

Short leaseholds are depreciated in equal annual instalments over the term of each lease.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date

An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Intangible assets
(a) 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 identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint ventures is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates Goodwill is tested at least annually for impairment, or whenever there is an indication of impairment, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold

(b) Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives (3 to 6 67 years)

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated 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 software development employee costs and an appropriate portion of relevant overheads

Computer software development costs recognised as assets are amortised on a straight line basis over their estimated useful lives (3 to 6.67 years).

Impairment of assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cashflows (cash-generating units).

Capitalisation of interest
The cost of financing major capital projects prior to generating revenues is included in the cost of the project and capitalised The interest rate is specific to the actual rate payable in the country where the investment is made.

Investments
The Group classifies its investments in the following categories: loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial assets The classification depends on the purpose for which the investments were acquired Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Inventories
Inventories are stated at weighted average cost for manufactured goods for resale and on first-in, first-out basis for other stocks at the lower of cost and net realisable value. Cost includes an appropriate proportion of overheads

Trade receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Taxation
The tax charge for the year comprises tax currently payable and deferred tax.

Current tax is the expected tax payable on taxable profit for the year, using tax rates that have been enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from 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, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Employee benefits
(a) Retirement benefit costs
The Group operates various pension schemes of both the defined benefit and defined contribution type which are established in accordance with local conditions and practices in the countries concerned

Payments to defined contribution schemes are charged as an expense as they fall due

For the defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the Statement of Recognised Income and Expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan

Accounting policies

(b) Share based payments
The Group has applied the requirements of IFRS 2 Share Based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 April 2005.

The Group issues equity-settled share based payments to certain employees. Equity-settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the Monte Carlo simulation method.

The Group also provides employees with the ability to purchase the Group's ordinary shares at 80 per cent of the market value at the time of grant. The Group records an expense, based on its estimate of the 20 per cent discount related to shares expected to vest on a straight-line basis over the vesting period

(c) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(d) Profit-sharing and bonus plans
The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) Holiday pay
A provision is made at each balance sheet date for the amount the Group expects to pay in respect of any unused entitlement.

Exceptional items
Items that are both material and non-recurring and whose significance is sufficient to warrant separate disclosure and identification within the financial statements are referred to as exceptional items and disclosed within their relevant income statement category. Items that may give rise to classification as exceptional items include, but are not limited to, significant and material restructuring and reorganisation programmes, asset impairments, profits or losses arising on disposals of businesses or properties and litigation settlements.

Provisions
Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

Certain distribution contracts oblige the Group to purchase goods from third parties and sell them to the customer at cost. The Group is rewarded for the physical distribution service provided but as the sale and purchase of the goods have no impact on the operating profit they are excluded from revenue and cost of sales. Stocks, debtors less provisions for doubtful debts and creditors relating to such transactions are included in the consolidated balance sheet.

Sales of goods are recognised when goods are delivered and title has passed.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is accrued on a time basis using the effective interest method When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Dividend distribution
Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders Interim dividends are recognised in the period in which they are paid.

Accounting for derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge), (b) hedges of highly probable forecast transactions (cashflow hedges), or (c) hedges of net investments in foreign operations.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cashflows of hedged items.

(a) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk

(b) Cashflow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cashflow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity, the gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(d) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Insurance
Claims under the Group's self-insured policies in the UK are accrued on the basis of claims received at the balance sheet date together with an allowance for claims incurred but not received

Notes to the accounts

1 Segmental analysis

The Group's primary reporting format is business segments and its secondary is geographical segments. The operating businesses are organised and managed separately according to the markets they serve

Year ended 31 March 2006	Revenue: Gross sales £m	Revenue: Inter segment sales £m	Revenue: Sales to external customers £m	Segment result: Operating profit before exceptionals £m	Segment result: Exceptional items £m	Segment result: Operating profit £m
Food and Consumer						
UK	166.1	(2.5)	163.6	4.7	2.2	6.9
Support Services	56.5	–	56.5	3.8	–	3 8
Salvesen Foods	39.1	–	39.1	(0.2)	–	(0.2)
Mainland Europe	153.1	–	153.1	4.9	–	4 9
Total Food and Consumer	414.8	(2.5)	412.3	13 2	2.2	15 4
Transport						
UK	155.6	–	155.6	(1.7)	–	(1.7)
Iberia	122.1	(0.3)	121.8	3.5	–	3.5
France	131.1	(0.1)	131.0	5 7	–	5.7
Total Transport	408.8	(0.4)	408.4	7.5	–	7.5
Total segment	823.6	(2.9)	820.7	20.7	2.2	22.9
Unallocated						
Exceptional items – central				–	(2 0)	(2.0)
Operating profit				20.7	0.2	20 9
Finance costs – net				(5.3)	–	(5.3)
Profit before tax				15.4	0.2	15.6
Tax				(4.4)	0.6	(3 8)
Profit for the year				11 0	0.8	11.8

Year ended 31 March 2005	Revenue: Gross sales £m	Revenue: Inter-segment sales £m	Revenue: Sales to external customers £m	Segment result: Operating profit before exceptionals £m	Segment result: Exceptional items £m	Segment result: Operating profit £m
Food and Consumer						
UK	177.3	(2 7)	174.6	4.8	(1.1)	3.7
Support Services	51.7	–	51 7	3 6	–	3.6
Salvesen Foods	41 5	–	41.5	(1.5)	–	(1 5)
Mainland Europe	152.3	–	152.3	4.5	(1 2)	3 3
Total Food and Consumer	422.8	(2.7)	420 1	11.4	(2 3)	9.1
Transport						
UK	155.3	–	155.3	2.6	–	2.6
Iberia	109.8	(0 2)	109.6	2.2	–	2.2
France	120.7	(0.2)	120.5	5.3	–	5 3
Total Transport	385.8	(0.4)	385 4	10 1	–	10.1
Total segment	808 6	(3.1)	805.5	21.5	(2.3)	19.2
Unallocated						
Exceptional items – central				–	(1.1)	(1.1)
Operating profit				21 5	(3.4)	18.1
Finance costs – net				(4.9)	–	(4.9)
Profit before tax				16.6	(3 4)	13 2
Tax				(3 6)	1.1	(2 5)
Profit for the year				13.0	(2 3)	10 7

Revenue excludes sales of £66.5m (2005: £85 1m) where the Group is obliged under certain logistics contracts to purchase goods on customers' behalf and sell them on at cost.

Inter segment sales are priced at cost

1 Segmental analysis (continued)

Balance sheet	2006 Assets £m	2006 Liabilities £m	2006 Net assets £m	2005 Assets £m	2005 Liabilities £m	2005 Net assets £m
Food and Consumer						
UK	57.2	(20.8)	36.4	52.0	(19.7)	32.3
Support Services	26.3	(8.2)	18.1	26.3	(8.6)	17.7
Salvesen Foods	24.7	(4.7)	20.0	23.2	(5.2)	18.0
Mainland Europe	64.1	(36.5)	27.6	67.4	(40.3)	27.1
Total Food and Consumer	172.3	(70.2)	102.1	168.9	(73.8)	95.1
Transport						
UK	57.2	(18.8)	38.4	60.6	(18.9)	41.7
Iberia	91.4	(29.8)	61.6	88.0	(24.0)	64.0
France	68.4	(32.9)	35.5	65.1	(29.4)	35.7
Total Transport	217.0	(81.5)	135.5	213.7	(72.3)	141.4
Total segment	389.3	(151.7)	237.6	382.6	(146.1)	236.5
Unallocated						
Central	12.3	(28.4)	(16.1)	13.9	(28.6)	(14.7)
Cash and cash equivalents	56.1	-	56.1	56.0	–	56.0
Tax and deferred tax balances	16.6	(17.0)	(0.4)	14.9	(18.9)	(4.0)
Retirement benefit obligation	–	(72.9)	(72.9)	–	(62.5)	(62.5)
Financial liabilities	–	(150.4)	(150.4)	–	(149.6)	(149.6)
Total	474.3	(420.4)	53.9	467.4	(405.7)	61.7

	2006 Capital expenditure £m	2005 Capital expenditure £m	2006 Depreciation/ amortisation £m	2005 Depreciation/ amortisation £m
Food and Consumer				
UK	3.4	1.7	4.4	5.1
Support Services	1.4	0.8	1.8	1.7
Salvesen Foods	0.6	0.5	1.3	1.5
Mainland Europe	2.5	10.5	5.0	5.3
Total Food and Consumer	7.9	13.5	12.5	13.6
Transport				
UK	3.1	2.1	5.5	6.1
Iberia	3.7	3.6	2.2	2.3
France	1.7	1.2	1.8	1.8
Total Transport	8.5	6.9	9.5	10.2
Total segment	16.4	20.4	22.0	23.8
Central	2.4	1.7	2.7	3.4
Total	18.8	22.1	24.7	27.2

Notes to the accounts

1 Segmental analysis (continued)

Geographical analysis

The sales analysis in the table below is based on the location of the geographical market which is not materially different from the geographical origin.

	Revenue 2006 £m	Revenue 2005 £m	Segment assets 2006 £m	Segment assets 2005 £m	Capital expenditure 2006 £m	Capital expenditure 2005 £m
UK	413.6	421.5	175.9	174.9	9.7	6.2
France	177.9	166.1	91.9	91.3	3.5	2.0
Benelux	69.0	70.7	33.3	35.5	1.6	10.2
Iberia	160.2	147.2	100.5	94.8	4.0	3.7
Total segment	820.7	805.5	401.6	396.5	18.8	22.1
Unallocated assets						
– Cash and cash equivalents			56.1	56.0		
– Tax and deferred tax balances			16.6	14.9		
			474.3	467.4		

Analysis of revenue by category

	2006 £m	2005 £m
Sales of goods	36.7	39.7
Revenue from services	784.0	765.8
	820.7	805.5

2 Operating profit

Operating profit is stated after charging or (crediting)

	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
Employee costs (note 3)	308.2	294.8	3.8	2.7
Depreciation of property, plant & equipment				
– owned assets	20.8	22.2	–	0.1
– under finance lease	1.0	1.1	–	–
Doubtful debts	0.2	–	–	–
Amortisation of intangibles	2.9	3.9	–	–
Profit on sale of fixed assets	(3.6)	(2.2)	–	–

	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
Operating lease rentals payable				
– Minimum lease payments	48.0	43.1	0.3	0.3
– Subleases	(0.2)	(0.2)	–	–
	47.8	42.9	0.3	0.3

During the year the Group (including its overseas subsidiaries) obtained the following services from its auditors at costs as detailed below:

	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
Auditors remuneration				
Audit fees	0.5	0.5	0.1	0.1
Non-audit fees:				
– taxation advisory services	0.1	0.1	0.1	0.1
– other services not covered above	0.3	0.1	0.2	0.1
	0.9	0.7	0.4	0.3

3 Directors and employees

	2006 Number	2005 Number
Average number of employees		
United Kingdom	8,540	8,616
Overseas	4,705	4,493
	13,245	13,109

	2006 £m	2005 £m
Employment costs during the year		
Wages and salaries	259.5	247.5
Share based payments	0.5	0.1
Social security costs	36.0	33.9
Other pension costs	12.2	13 3
	308 2	294.8

	2006 £m	2005 £m
Key management compensation		
Salaries and short-term employee benefits	3.1	2.3
Termination benefits	0.4	0.7
Share based payments	0.2	0 1
	3 7	3.1

The key management figures given above include directors, together with business unit heads and key functional heads

	2006 £m	2005 £m
Directors' remuneration		
Executive directors	0.8	1.1
Non-executive directors	0.3	0.3
	1.1	1.4

Disclosures on directors' remuneration, pension entitlements and long-term share incentives required by the Companies Act 1985, those specified for audit by the UK Listing Authority and the additional disclosures required under Directors' Remuneration Report Regulations 2002 are included in the remuneration report on pages 29 to 33 which forms part of these financial statements.

4 Exceptional operating income and cost

	2006 £m	2005 £m
Restructuring and site closure costs	(2 0)	(2.3)
Customer claim	–	(1.1)
Exceptional profit on sale of fixed assets	2 2	–
	0 2	(3.4)

Notes to the accounts

5 Interest receivable, interest payable and similar charges

	2006 £m	2005 £m
Interest expense:		
Bank loans and overdrafts	(5.7)	(5.4)
Interest payable on finance leases	(0.7)	(0.8)
Amortisation of issue costs of bank loan	(0.5)	(0.1)
Interest payable and similar charges	(6.9)	(6.3)
Interest receivable	1.6	1.4
Net interest payable	(5.3)	(4.9)

6 Income tax expense

	2006 £m	2005 £m
Analysis of tax charge in the year		
Current tax		
UK corporation tax	0.5	0.8
Overseas tax	2.4	4.7
	2.9	5.5
Deferred tax		
UK	(0.9)	(0.9)
Overseas	1.8	(2.1)
	0.9	(3.0)
Tax charge	3.8	2.5
Analysed as:		
Tax on profit	3.8	3.1
Tax credit on exceptional administrative expenses	(0.6)	(1.1)
Prior year corporation tax adjustments	0.6	0.5
Taxation	3.8	2.5

Tax on items credited to equity

	2006 £m	2005 £m
Current tax credit on exchange movements offset in reserves	0.1	0.2
Deferred tax on pension deficit	–	–
Total current tax credited to equity	0.1	0.2

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

	2006 £m	2005 £m
Profit before income tax	15.6	13.2
Multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	4.7	4.0
Effects of:		
Adjustments to tax in respect of prior period	0.6	(0.3)
Adjustment in respect of overseas tax rates	0.1	0.2
UK capital gains covered by reliefs	(1.0)	(0.2)
Other timing/disallowable items	(0.6)	(1.2)
Actual tax on profit	3.8	2.5

7 Dividends on ordinary shares

			2006 £m	2005 £m
Prior year	Final paid	2.45p per share (2005. 2.45p)	6.4	6.4
Current year	Interim paid	1.20p per share (2005: 1.20p)	3.2	3.2
Total		3.65p per share (2005: 3.65p) (note 25)	9 6	9 6

The directors are proposing a final dividend in respect of the financial year ended 31 March 2006 of 2.45p per share which will absorb £6 4m of shareholders' funds. If approved, the final dividend will be paid on 31 August 2006 to shareholders who are on the register of members on 4 August 2006

8 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held in the employee share trust, which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two classes of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the company's ordinary shares during the year and the contingently issuable shares under the Group's executive share option scheme.

	2006	2005
Basic	4.46p	4.04p
Diluted	4.43p	4.02p

	2006 '000	2005 '000
Average number of shares		
Weighted average ordinary shares in issue during the year	265,264	265,263
Shares owned by the Christian Salvesen Employee Share Trust	(538)	(556)
Weighted average ordinary shares used in basic earnings per share calculation	264,726	264,707
Dilutive potential ordinary shares	1,912	1,155
Diluted weighted average number of shares in year	266,638	265,862

9 Profit of parent company

	2006 £m	2005 £m
The amount of the consolidated profit for the financial year dealt with in the accounts of the parent company is	4.1	4.8

As permitted by Section 230 of the Companies Act 1985, no income statement is presented for Christian Salvesen PLC.

Notes to the accounts

10 Goodwill

	2006 £m	2005 £m
Cost		
At 1 April	67.5	65.3
Exchange adjustments	1 2	2.2
Net book amount at 31 March	68.7	67.5

The carrying amounts of goodwill allocated to cash generating units is as follows:

	2006 £m	2005 £m
Transport Iberia	48.8	48.0
Transport France	19.9	19.5
Total	68 7	67.5

The Transport Iberia goodwill of £48 8m relates to the acquisition of Gerposa in 1999. The Transport France goodwill of £19.9m relates to the acquisition of Darfeuille in 2001 The cost of Gerposa (including acquisition costs) was £69.4m and the cost of Darfeuille (including acquisition costs) was £19 0m

All of the recoverable amounts were measured based upon value in use calculations. The calculations were based upon cashflow projections for the next 5 years for each cash generating unit using approved budget figures for the year to 31 March 2007 and the strategic plan for the years ended 31 March 2008 and 2009. Subsequent cashflows have been increased at a rate of 3%. The cashflows were discounted using a post-tax risk adjusted discount rate of 6.7%.

In the case of Gerposa, if the discount rate were to increase to 8.6% or the operating profit forecasts were reduced to 64% of those projected, then the recoverable amount would equal the carrying amount. With Darfeuille, the discount rate would need to increase to 17.5% or operating profit forecasts reduced to 22% of those projected for the recoverable amount to equal the carrying amount.

11 Intangible fixed assets

	2006			2005		
	Internally generated software £m	Other software £m	Total £m	Internally generated software £m	Other software £m	Total £m
Cost						
At 31 March	8.8	15.0	23.8	8 3	15.7	24.0
Exchange differences	–	0.2	0.2	–	0.2	0.2
Additions – internally generated	2.0	–	2.0	0 5	–	0.5
Additions – separately acquired	–	0 8	0.8	–	1.7	1 7
Disposals	(0.6)	–	(0.6)	–	(2.6)	(2.6)
At 31 March	10.2	16.0	26 2	8 8	15.0	23 8
Amortisation						
At 31 March	6.6	8.7	15.3	5.5	7.5	13 0
Exchange differences	–	0.1	0.1	–	0.1	0.1
Charge for the year	2.0	0.9	2.9	1 1	2 8	3.9
Disposals	(0.6)	0 2	(0.4)	–	(1.7)	(1 7)
At 31 March	8.0	9 9	17.9	6.6	8.7	15.3
Net book value at 31 March	2.2	6.1	8.3	2.2	6.3	8.5

12 Property, plant and equipment

	Group					Company
	Land and buildings £m	Vehicles £m	Plant and machinery £m	Assets in course of construction £m	Total £m	Plant and machinery £m
Cost						
At 31 March 2005	152.6	75.0	187.8	0.9	416.3	1.3
Exchange differences	0.9	0.6	0.7	–	2.2	–
Acquisitions	–	0.3	0.1	–	0.4	–
Additions	3.1	3.8	9.1	–	16.0	–
Disposals	(5.4)	(13.5)	(23.6)	–	(42.5)	–
Transfer	–	0.1	0.6	(0.7)	–	–
At 31 March 2006	151.2	66.3	174.7	0.2	392.4	1.3
Depreciation						
At 31 March 2005	65.3	50.5	146.9	–	262.7	1.1
Exchange differences	0.4	0.4	0.5	–	1.3	–
Acquisitions	–	0.1	0.1	–	0.2	–
Charge for the year	4.6	6.3	10.9	–	21.8	–
Disposals	(4.0)	(10.1)	(22.5)	–	(36.6)	–
At 31 March 2006	66.3	47.2	135.9	–	249.4	1.1
Net book value at 31 March 2006	84.9	19.1	38.8	0.2	143.0	0.2

	Group					Company
	Land and buildings £m	Vehicles £m	Plant and machinery £m	Assets in course of construction £m	Total £m	Plant and machinery £m
Cost						
At 31 March 2004	145.3	88.1	185.5	0.3	419.2	1.3
Exchange differences	1.7	1.2	1.4	–	4.3	–
Additions	8.3	3.9	6.8	0.9	19.9	–
Disposals	(3.0)	(18.2)	(5.9)	–	(27.1)	–
Transfer	0.3	–	–	(0.3)	–	–
At 31 March 2005	152.6	75.0	187.8	0.9	416.3	1.3
Depreciation						
At 31 March 2004	62.1	58.9	140.5	–	261.5	1.0
Exchange differences	0.8	0.7	1.0	–	2.5	–
Charge for the year	4.6	8.0	10.7	–	23.3	0.1
Disposals	(2.2)	(17.1)	(5.3)	–	(24.6)	–
At 31 March 2005	65.3	50.5	146.9	–	262.7	1.1
Net book value at 31 March 2005	87.3	24.5	40.9	0.9	153.6	0.2

	Group					Company
	Land and buildings £m	Vehicles £m	Plant and machinery £m	Assets in course of construction £m	Total £m	Plant and machinery £m
Net book value of assets held under finance leases						
At 31 March 2006	15.0	0.5	1.1	–	16.6	–
At 31 March 2005	15.3	1.3	1.2	–	17.8	–
Net book value of capitalised interest						
At 31 March 2006	0.7	–	–	–	0.7	–
At 31 March 2005	0.8	–	–	–	0.8	–

No interest was capitalised during the year (2005: nil).

Notes to the accounts

12 Property, plant and equipment (continued)

	2006 £m	2005 £m
Group		
Analysis of the net book value of land and buildings		
Freehold properties	64.1	65.5
Leasehold properties with 50 years or more to run	1.8	2.3
Leasehold properties with less than 50 years to run	19 0	19.5
	84.9	87.3

13 Investment in subsidiaries

	2006 £m	2005 £m
Company		
At 31 March	150.4	150 4

Principal subsidiary undertakings
The subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the figures shown in these accounts and the main countries in which they operate are shown below. The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length

All companies are wholly owned and incorporated in the UK or in the principal country of operation (where this is outside the UK). All subsidiaries are included in the consolidation.

Salvesen Logistics Limited	UK	Christian Salvesen Gerposa SA	Spain
Christian Salvesen SA	France	Inverleith Insurance Co Limited*	Isle of Man
Christian Salvesen (Belgium) NV	Belgium	Inveralmond Insurance Limited*	Ireland
Christian Salvesen Nederland bv	Netherlands	Darfeuille Associes SA	France

*Direct subsidiaries of the parent company

All shareholdings in the above are of ordinary shares or other equity capital.

14 Investment in associates and joint ventures

Associates
The Group's investments in associates, all of which are unlisted, were as follows:

	£m
Group	
At 31 March 2005	0.6
Share of profit after income tax	–
Exchange differences	0.1
At 31 March 2006	0.7

The Group's investment in associated undertakings are accounted for using the equity method and comprises a 25% holding in the issued share capital of Centro Logistico del Automovil SA, a Spanish logistics management company.

On 1 October 2005, the Group acquired the remaining share capital of Aiciondo France SA, until then it owned 48.98% and hence accounted for the investment as an associated undertaking under the equity method (see note 34).

Name	Country of incorporation	Assets £m	Liabilities £m	Revenues £m	Profit/(Loss) £m	Interest held %
2006						
Centro Logistico del Automovil SA	Spain	6.7	(3.7)	4.7	0 1	25
2005						
Aiciondo France SA	France	1.2	(1.2)	2.2	(0.2)	48.98
Centro Logistico del Automovil SA	Spain	6 9	(4.0)	5.4	0.3	25
		8.1	(5.2)	7 6	0 1	

See note 33 for transactions between the Group and its associates and joint ventures

14 Investment in associates and joint ventures (continued)

Joint ventures

The Group's joint venture holdings are as follows:

i) Salvesen Boxtel bv, incorporated in the Netherlands – a 50% joint venture with Dumeco bv,

ii) Salvesen Logistica SL, incorporated in Spain – a 50% joint venture with Danone SA,

iii) Salvesen Logisfashion SL, incorporated in Spain – a 50% joint venture with Logisfashion SA;

None of the above investments are held directly by the parent.

iv) On 30 November 2005, the parent invested £50,000 in a 50% investment in the ordinary share capital of Holistica Solutions Limited, a UK joint venture company with APL Logistics Limited.

In relation to the Group's interest in joint ventures, the assets, liabilities, income and expenses are shown below:

	2006 £m	2005 £m
Non-current assets	0 6	0.8
Current assets	10 8	8 4
Current liabilities	(8 6)	(7.3)
	2.8	1.9
Income	46.4	44.7
Expenses	(44.3)	(42.9)
	2.1	1 8
Tax	(0 7)	(0 6)
Share of post tax results from joint ventures	1.4	1.2

The associates and joint ventures have no significant contingent liabilities to which the Group is exposed.

15 Finance leases (lessor)

The company has a finance lease facility in place with a major customer for the long-term leasing of loose equipment. The lease carries a variable interest rate based on EURIBOR.

Present value of minimum lease payments.

	2006 £m	2005 £m
No later than one year	1.4	1.5
Later than one year and no later than five years	5.6	6.0
Later than five years	4 8	2.4
	11.8	9.9

16 Inventories

	2006 £m	2005 £m
Raw material and consumables	4 4	4.8
Work in progress	4.6	5.5
Goods for resale and finished goods	7.9	7.3
	16 9	17.6

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £35 5m (2005: £38.3m)

Notes to the accounts

17 Trade and other receivables

	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
Amounts falling due within one year.				
Trade debtors	136.0	128.2	–	–
Less: provision for doubtful debts	(4.0)	(3.8)	–	–
Trade debtors – net	132 0	124 4	–	–
Amounts owing from subsidiary undertakings	–	–	2.3	0 9
Other debtors	10 5	6.4	3.4	3.6
Prepayments and accrued income	6.5	5 7	0.1	0 1
	149.0	136 5	5.8	4.6
Amounts falling due beyond one year·				
Amounts owing from subsidiary undertakings	–	–	292.3	285.3
Other debtors	3.2	2.3	–	–
	3 2	2.3	292.3	285.3

Other debtors falling due within one year include £4.1m (2005: £1.4m) of capital debtors.

18 Cash and cash equivalents

	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
Cash at bank and in hand	41.8	27.2	2.5	0.3
Short-term bank deposits	14.3	28 8	1 6	15.8
Cash and cash equivalents (for the purpose of the balance sheet)	56.1	56.0	4.1	16.1
Bank overdrafts	(5.3)	(4.5)	(1.0)	(2.8)
Cash and cash equivalents (for the purpose of the cashflow)	50.8	51 5	3.1	13.3

The effective interest rate on short-term deposits was 4 1% (2005: 4.3%)

19 Trade and other payables

	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
Amounts falling due within one year·				
Trade payables	58 0	51 5	0 4	0.3
Bills of exchange payable	15.4	16 4	–	–
Amounts owing to subsidiary undertakings	–	–	2.4	2.3
Other taxation and social security payable	27.5	22.0	–	–
Other payables	20 7	23 6	0 1	2.5
Accruals and deferred income	40.3	41 7	3 0	2.7
	161 9	155.2	5.9	7 8
Amounts falling due beyond one year:				
Amounts owing to subsidiary undertakings	–	–	125.2	120 7
Other taxation and social security payable	0.9	0.6	–	–
Other payables	0 2	0.2	–	–
	1.1	0.8	125.2	120 7

20 Financial liabilities – borrowings

	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
Non-current:				
Bank borrowings	(131.5)	–	(131.5)	–
Finance leases	(9.5)	(11.4)	–	–
	(141.0)	(11.4)	(131.5)	–
Current:				
Bank borrowings	(2.0)	(131.7)	0.8	(130.4)
Bank overdrafts	(5.3)	(4.5)	(1.0)	(2.8)
Finance leases	(2.1)	(2.0)	–	–
	(9.4)	(138.2)	(0.2)	(133.2)
Borrowings	(150.4)	(149.6)	(131.7)	(133.2)
Deduct:				
Cash at bank and in hand	41.8	27.2	2.5	0.3
Short-term deposits	14.3	28.8	1.6	15.8
	56.1	56.0	4.1	16.1
Net debt	(94.3)	(93.6)	(127.6)	(117.1)

On 1 September 2005 the Group repaid its old syndicated loan facility and replaced it with a new, three year unsecured £157m syndicated loan facility. Interest on the new facility is based on a margin above LIBOR or EURIBOR dependent on the currency of any drawings.

Included in the Group's borrowings set out above is £11.6m (2005: £13.4m) which is repayable under finance lease instalments as shown below.

	2006			2005		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
Fixed rate leases						
Less than one year	2.0	0.5	1.5	1.9	0.6	1.3
Between one and five years	7.7	0.7	7.0	9.4	1.2	8.2
More than five years	–	–	–	0.2	–	0.2
	9.7	1.2	8.5	11.5	1.8	9.7
Variable rate leases						
Less than one year			0.6			0.7
Between one and five years			2.4			2.6
More than five years			0.1			0.4
			3.1			3.7
			11.6			13.4

The interest on the variable rate leases of £0.1m (2005: £0.2m) is based on a margin above EURIBOR.

The currency of the financial liabilities was as follows:

	Group			Company		
	Total £m	sterling £m	euro £m	Total £m	sterling £m	euro £m
At 31 March 2006						
Finance leases	11.6	–	11.6	–	–	–
Other long-term borrowings	131.5	(1.1)	132.6	131.5	(1.1)	132.6
Overdrafts and short-term borrowings	7.3	4.5	2.8	0.2	0.2	–
	150.4	3.4	147.0	131.7	(0.9)	132.6

	Group			Company		
	Total £m	sterling £m	euro £m	Total £m	sterling £m	euro £m
At 31 March 2005						
Finance leases	13.4	–	13.4	–	–	–
Overdrafts and short-term borrowings	136.2	4.5	131.7	133.2	2.8	130.4
	149.6	4.5	145.1	133.2	2.8	130.4

Notes to the accounts

21 Financial instruments

Financial liabilities – derivative financial instruments
In accordance with IAS 39 (Financial Instruments: Recognition and Measurement) the Group have reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements The Group did not identify any such derivatives.

The Group has elected to take advantage of the exemption under IFRS 1 only to apply IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement) from 1 April 2005

The effective interest rates at the balance sheet date and the periods in which interest bearing financial assets/(liabilities) are repayable are as follows:

	Effective interest rate	Total £m	Within 1 year £m	1 2 years £m	2 5 years £m	Over 5 years £m
Group						
At 31 March 2006						
Cash and cash equivalents	4 1%	56.1	56.1	–	–	–
Finance leases	5 7%	(11.6)	(2 1)	(2.1)	(7 3)	(0.1)
Other long-term borrowings	4.2%	(131.5)	–	0.8	(132.3)	–
Overdrafts and short-term borrowings	4 3%	(7.3)	(7.3)	–	–	–
		(94.3)	46 7	(1 3)	(139.6)	(0.1)

	Effective interest rate	Total £m	Within 1 year £m	1 2 years £m	2 5 years £m	Over 5 years £m
Group						
At 31 March 2005						
Cash and cash equivalents	4.3%	56 0	56.0	–	–	–
Finance leases	5.6%	(13.4)	(2 0)	(2.0)	(8 8)	(0.6)
Overdrafts and short-term borrowings	2 9%	(136.2)	(136.2)	–	–	–
		(93.6)	(82.2)	(2 0)	(8.8)	(0 6)

	Effective interest rate	Total £m	Within 1 year £m	1 2 years £m	2 5 years £m	Over 5 years £m
Company						
At 31 March 2006						
Cash and cash equivalents	2.0%	4.1	4.1	–	–	–
Other long-term borrowings	4.2%	(131 5)	–	0 8	(132.3)	–
Overdrafts and short-term borrowings	5.5%	(0.2)	(0.2)	–	–	–
		(127.6)	3.9	0 8	(132.3)	–

	Effective interest rate	Total £m	Within 1 year £m	1 2 years £m	2 5 years £m	Over 5 years £m
Company						
At 31 March 2005						
Cash and cash equivalents	4.4%	16.1	16.1	–	–	–
Overdrafts and short-term borrowings	2.9%	(133.2)	(133.2)	–	–	–
		(117.1)	(117 1)	–	–	–

All financial assets/(liabilities) with the exception of finance leases are subject to repricing within one year.

Fair values of financial instruments
The fair value of financial assets and liabilities together with the book value shown in the balance sheet are as follows.

	2006		2005	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Assets/(liabilities)				
Trade and other receivables	149.0	149.0	136 5	136.5
Cash and cash equivalents	56.1	56.1	56 0	56.0
Trade and other payables	(161.9)	(161 9)	(155.2)	(155.2)
Overdraft and short-term borrowings	(9 4)	(9.4)	(138.2)	(138.2)
Long-term borrowings	(141.0)	(141.0)	(11 4)	(11.4)

Estimation of fair values
For all items, the book value approximates to the fair value because of the short-term maturity of the instruments.

21 Financial instruments (continued)

Borrowing facilities

The Group has the following undrawn committed bank facilities available at 31 March 2006:

	2006 £m	2005 £m
Expiring in less than one year	–	69 6
Expiring in more than two years	24.4	–

All the undrawn committed bank facilities are at variable rates.

All conditions precedent at the balance sheet date have been met in respect of the available undrawn facilities shown above.

Credit risk

The main credit risk lies with the Group's trade receivables. Management have estimated the provision for doubtful debts based on prior experience and their assessment of the current economic environment. Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated Credit risk on bank balances and short-term deposits is limited as they are held with authorised banks or short-term investment funds with credit ratings approved by the board.

Interest and foreign exchange rate risk

The Group uses borrowings in euro to hedge assets denominated in the same currency in order to manage the impact on the Group balance sheet of exchange movements. The foreign exchange loss of £2.5m (2005: £4.1m) on translation of the borrowings into sterling has been recognised directly in reserves.

The interest rate and currency risk profile of the Group's financial assets and liabilities at 31 March were

	2006			2005		
	Total £m	Floating rate £m	Fixed rate £m	Total £m	Floating rate £m	Fixed rate £m
Sterling.						
Cash	25.8	25.8	–	36.9	36.9	–
Unsecured borrowings	(3.4)	(3.4)	–	(4 5)	(4.5)	–
	22.4	22.4	–	32.4	32 4	–
Furo:						
Cash	30.3	30.3	–	19.1	19.1	–
Unsecured borrowings	(135.4)	(135.4)	–	(131.7)	(131 7)	–
Finance leases	(11.6)	(3.1)	(8.5)	(13.4)	(3.7)	(9.7)
	(116.7)	(108 2)	(8 5)	(126.0)	(116 3)	(9 7)
	(94 3)	(85.8)	(8.5)	(93.6)	(83.9)	(9.7)

Short-term debtors and creditors have been excluded from the information above.

Notes to the accounts

22 Provisions

	At 31 March 2005 £m	Utilised £m	Charged in the year £m	Transfer to income statement £m	At 31 March 2006 £m
Group					
Amounts falling due within one year:					
Uninsured losses	8.3	(3.0)	3.7	–	9.0
Dilapidations	0.5	–	0.2	(0 4)	0.3
Restructuring	1 7	(2.4)	2.0	(0.6)	0.7
Onerous leases	0 3	(0.3)	–	–	–
Holiday pay	4.3	(4.2)	3 9	–	4 0
Other	0 3	(0.1)	0 2	–	0.4
	15.4	(10.0)	10.0	(1.0)	14.4
Amounts falling due beyond one year:					
Retirement indemnity	1.0	(0.1)	0.2	–	1.1
Dilapidations	1.7	(0 4)	–	–	1.3
Onerous leases	0.3	(0.3)	–	–	–
Other	0.3	–	–	–	0 3
	3 3	(0.8)	0 2	–	2.7

	At 31 March 2005 £m	Utilised £m	Charged in the year £m	Transfer to income statement £m	At 31 March 2006 £m
Company					
Amounts falling due within one year:					
Uninsured losses	3 9	(2.2)	5.8	–	7.5
Amounts falling due beyond one year					
Dilapidations	0 1	–	–	–	0.1

Uninsured losses
The uninsured losses provision is in respect of the cost of claims (principally for commercial vehicles and employer's liability) which are not insured externally, and fall below the excess of the Group's insurance policies Claims are strictly payable within one year but the directors anticipate that payments will generally be made over the course of the next five years although some claims can take longer to settle.

Retirement indemnity
This represents the obligation to pay retirement compensation to employees in France at the end of their working lives and is generally due to be paid in more than one year.

Dilapidations
Provisions are established over the life of the lease for properties leased by the Group to cover remedial work necessary at lease termination under the terms of the leases Utilisation of this provision will be generally within the next 10 years as the leases expire.

Restructuring costs
As part of the decentralisation of various Group activities, costs were incurred, predominantly in the UK, in restructuring both within the UK operations and the Group functions. At 31 March 2006 some of this cost remained unspent although the costs had been incurred and were settled shortly after the end of the period.

The Food and Consumer Mainland European business also restructured its Benelux operations and some of the cost of this restructuring remained unspent at 31 March 2006. It will be completed shortly after the end of the period.

Holiday pay
This represents holiday days not taken, and is due to be paid within one year.

Onerous leases
This represents provision for residual lease commitments on disused properties which management do not expect to be either utilised or sub-let in the foreseeable future.

23 Called up share capital

	2006 £m	2005 £m
Group and Company		
Authorised		
320,000,000 ordinary shares of 28⅛p	90.0	90.0
Allotted called up and fully paid		
265,263,244 ordinary shares of 28⅛p each at 1 April 2005	74.6	74.6
4,267 Ordinary shares issued during the year	–	–
265,267,511 ordinary shares of 28⅛p each at 31 March 2006	74 6	74.6

During the year 4,267 ordinary shares of 28⅛p were issued and allotted for cash under the terms of the Christian Salvesen Savings-Related Share Option Scheme 1997 The aggregate nominal value of the shares is £1,200 and the cash consideration received was £1,920.

Potential issues of ordinary shares

Certain senior executives hold options to subscribe for shares in the company at prices ranging from 55p to 146.5p under the executive share option scheme approved by shareholders in 1997. No options were exercised in 2006. The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below:

Year of grant	Exercise price pence	Employees number	Exercise period	2006 number	2005 number
1997	108p	10	April 2006 to October 2007	1,058,435	1,058,435
1998	118.5p	1	April 2006 to June 2008	60,759	60,759
1999	125.5p	2	April 2006 to June 2009	137,450	137,450
1999	121p	9	April 2006 to November 2009	411,695	411,695
2000	146.5p	8	April 2006 to June 2010	120,307	120,307
2000	132 5p	3	April 2006 to November 2010	67,923	113,205
2001	132p	4	April 2006 to June 2011	184,468	207,195
2001	91p	47	April 2006 to December 2011	1,987,228	2,053,162
2002	92.5p	6	April 2006 to July 2012	303,783	303,783
2003	75p	9	April 2006 to January 2013	982,999	982,999
2003	55p	6	July 2006 to 2013	154,086	254,086
2003	58p	22	December 2006 to 2013	1,534,474	1,560,336
2004	60p	14	July 2007 to 2014	316,658	316,658
2004	57p	1	December 2007 to 2014	87,719	87,719
				7,407,984	7,667,789

The option movements over the year are as follows:

	2006 Number	2006 Weighted average exercise price pence per share	2005 Number	2005 Weighted average exercise price pence per share
Outstanding at 1 April	7,667,789	86.8p	9,889,984	92.3p
Granted	–	–	421,042	59.4p
Lapsed	(259,805)	84.7p	(2,543,237)	115.1p
Exercised	–	–	–	–
Outstanding at 31 March	7,407,984	86 9p	7,767,789	86.8p
Exercisable at 31 March	Nil		Nil	

All UK employees with the appropriate qualifying service are eligible to participate from time to time in the Savings-Related Share Option Scheme 1997. No options were granted under the scheme during the year. At 31 March 2006 options granted under the scheme were held over a total of 5,078,680 (2005: 7,727,580) ordinary shares of 28⅛p as follows:

Year of grant	Exercise price pence	Employees number	Exercise period	2006 number	2005 number
2002	77p	–	–	–	2,283,060
2005	45p	961	April 2008 to October 2008	5,078,680	5,444,520
				5,078,680	7,727,580

Notes to the accounts

23 Called up share capital (continued)

The option movements over the year are as follows.

	2006 Number	2006 Weighted average exercise price pence per share	2005 Number	2005 Weighted average exercise price pence per share
Outstanding at 1 April	7,727,580	54p	2,579,368	77p
Granted	–	–	5,481,323	45p
Lapsed	(2,644,633)	73p	(333,111)	73.5p
Exercised	(4,267)	45p	–	–
Outstanding at 31 March	5,078,680	45p	7,727,580	54p
Exercisable at 31 March	Nil		Nil	

24 Employee share schemes

Share-based payments

The Group has applied IFRS 2 'Share Based Payments' from 1 April 2004 to those options which were issued after 7 November 2002 and which had not vested by 1 April 2005. The Group is not required to apply the requirements of IFRS 2 to options issued prior to 7 November 2002 and which had not vested by 1 April 2005 as the fair value had not been publicly disclosed.

(a) Executive Share Option Scheme

The Executive Share Option Scheme (ESOS) was introduced in 1997. Under the ESOS the remuneration committee can grant options over shares in the company to the employees of the company. Options are granted with a fixed exercise price generally equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years. Awards under the ESOS are generally reserved for employees at senior management level and above There are no reload features. The company has made regular grants since 1997. Options granted under the ESOS will become exercisable on the third anniversary of the date of the grant, subject to the growth in earnings per share over that period exceeding an average of inflation plus 3% per annum and if the company's TSR over the same period matches or exceeds that of the FTSE Mid 250 index (excluding investment trusts) Exercise of an option is subject to continued employment. Options were valued using the Monte Carlo simulation model. Performance conditions were included in the fair value calculations on the basis that those conditions will be met. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	10 January 2003	3 July 2003	10 December 2003	5 July 2004	9 December 2004
Share price at grant date	56 5p	53p	58p	60p	57p
Exercise price	75p	55p	58p	60p	57p
Number of employees	9	11	25	16	1
Shares under option	1,169,666	340,448	1,594,818	333,323	87,719
Vesting period (years)	3	3	3	3	3
Expected volatility	30 0%	34.2%	34.2%	34 1%	34.2%
Option life (years)	10	10	10	10	10
Expected life (years)	5	5	5	5	5
Risk free rate	4.4%	4 4%	4.8%	4.9%	4 4%
Expected dividends expressed as a dividend yield	6 0%	6.0%	6.0%	6 0%	6.0%
Fair value per option	5.04p	10 14p	11 38p	11.67p	9.90p

The expected volatility is based on historical volatility data over the previous 10 years. The expected life is the average expected period to exercise The risk free rate value is the continuously compounding yield on government bonds as at the grant date.

(b) Savings-Related Share Option Scheme

The Savings-Related Share Option Scheme 1997 (SAYE) was introduced in 1997 and is open to all UK employees with a qualifying period of employment at the time options are made available Option prices are based on a 20% discount over the mid-price of the company's shares around the time of offer and become exercisable on the third anniversary of the grant date The life of an option is 3 years and 6 months.

The fair value per option granted and the assumptions used in the calculations are as follows·

Grant date	17 February 2005
Number issued	5,481,323
Number of employees	1,056
Share price at grant date	65.25p
Option price	45p
Initial vesting period (years)	3.5
Risk free rate	4 58%
Expected forfeiture (% pa)	5.0%
Expected dividends expressed as a dividend yield	6.0%
Fair value per option	21 73p

24 Employee share schemes (continued)

(c) Deferred share bonus plan

The deferred share bonus plan was introduced following its approval at the 2004 AGM. At target performance level, participants receive a share based bonus which in normal circumstances will vest after a 3 year period but will lapse if during that 3 year period the individual chooses to leave the company In addition, these individuals are also entitled to a matching award at the end of the 3 year period depending on the achievement of stretching performance targets based on total shareholder return (TSR) with an earnings per share (EPS) underpin. For one to one matching, TSR performance must be in the upper quartile against a peer group of comparator companies (being the FTSE Mid 250 index excluding investment trusts) and EPS must have grown by at least 5% over RPI per annum. This reduces to a 25% match at the median level. In any event no shares will vest unless there has been growth in EPS of at least 3% above RPI per annum.

The fair value of the deferred shares has been calculated using the binomial model. For calculating the matching shares with the attaching TSR performance condition the Monte Carlo model has been used. The fair value per option granted and the assumptions used in the calculations are as follows.

Grant date	Deferred shares 31 March 2006	Matching shares 31 March 2006	Deferred shares 8 July 2005	Matching shares 8 July 2005
Number issued	332,016	332,016	157,206	157,206
Number of employees	22	22	14	14
Share price at grant date	63 25p	63 25p	65.25p	65.25p
Vesting period (years)	4	4	3	3
Expected volatility	40%	40%	40%	40%
Option life (years)	4	4	3	3
Expected life (years)	4	4	3	3
Risk free rate	4 4%	4 4%	4 58%	4.58%
Expected forfeiture (% pa)	5.0%	5.0%	5 0%	5.0%
Expected dividends expressed as a dividend yield	6 0%	6.0%	6.0%	6 0%
Fair value per option	52.83p	33.11p	54 50p	34 74p

The total charge for the year relating to employee share based payment plans was £0 5m (2005: £0.1m), all of which related to equity share based payment transactions.

25 Consolidated statement of changes in equity

Group	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2004	74.6	43 8	3 8	–	(63.6)	58.6
Currency translation adjustments net of taxation	–	–	–	0.7	–	0.7
Pension deficit movement net of taxation	–	–	–	–	1 2	1.2
Profit for the period	–	–	–	–	10.7	10 7
Total recognised income for the period	–	–	–	0.7	11.9	12.6
Cost of share based payment	–	–	–		0 1	0.1
Dividend (note 7)	–	–	–	–	(9.6)	(9.6)
Balance at 31 March 2005	74.6	43.8	3 8	0 7	(61.2)	61.7
Balance at 1 April 2005	74.6	43.8	3.8	0.7	(61.2)	61 7
Currency translation adjustments net of taxation	–	–	–	0.2	-	0.2
Pension deficit movement net of taxation	–	–	–	–	(10.7)	(10 7)
Profit for the period	–	–	–	–	11.8	11.8
Total recognised income for the period	–	–	–	0.2	1.1	1.3
Cost of share based payment	–	–	–	–	0.5	0 5
Dividend (note 7)	–	–	–	–	(9.6)	(9.6)
Balance at 31 March 2006	74.6	43 8	3 8	0.9	(69.2)	53.9

Notes to the accounts

25 Consolidated statement of changes in equity (continued)

Company	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2004	74.6	43.8	3.8	–	73 5	195 7
Profit for the period (note 9)	–	–	–	–	4.8	4 8
Total recognised income for the period	–	–	–	–	4.8	4.8
Dividend (note 7)	–	–	–	–	(9.6)	(9.6)
Balance at 31 March 2005	74.6	43.8	3.8	–	68 7	190.9
Balance at 1 April 2005	74 6	43.8	3.8	–	68.7	190.9
Profit for the period (note 9)	–	–	–	–	4.1	4 1
Total recognised income for the period	–	–	–	–	4.1	4.1
Dividend (note 7)	–	–	–	–	(9 6)	(9.6)
Balance at 31 March 2006	74.6	43.8	3.8	–	63.2	185.4

Translation reserve
Translation reserve is the cumulative exchange adjustment on restating overseas net assets net of exchange gains/losses on hedging net overseas assets.

26 Analysis of Group net debt

	At 31 March 2005 £m	Cashflow £m	Income statement £m	Exchange adjustment £m	At 31 March 2006 £m
Cash					
Cash at bank and in hand	27.2	14.1	–	0.5	41.8
Overdrafts	(4.5)	(0.8)	–	–	(5.3)
	22.7	13.3	–	0.5	36.5
Liquid resources					
Short-term deposits	28.8	(14.5)	–	–	14.3
Total net cash and cash equivalents	51.5	(1 2)	–	0.5	50.8
Financing					
Debt due within one year	(131.7)	130.2	(0.5)	–	(2 0)
Finance leases due within one year	(2.0)	(0.1)	–	–	(2.1)
Debt due after one year	–	(129.0)	–	(2.5)	(131.5)
Finance leases due after more than one year	(11.4)	1.9	–	–	(9.5)
	(145 1)	3.0	(0 5)	(2.5)	(145.1)
Total net debt	(93 6)	1.8	(0 5)	(2.0)	(94 3)

27 Analysis of balance sheet net debt position

	2006 £m	2005 £m	Change in year £m
Cash and cash equivalents	56.1	56 0	0.1
Overdrafts	(5.3)	(4.5)	(0.8)
Net cash and cash equivalents	50.8	51.5	(0.7)
Short-term loans	(2.0)	(131 7)	129.7
Long-term loans	(131.5)	–	(131.5)
Finance leases	(11.6)	(13.4)	1 8
	(94.3)	(93 6)	(0 7)

28 Summary cashflow

Group	2006 £m	2005 £m
Operating profit	20.9	18.1
Depreciation and amortisation of non-current assets	24.7	27.1
Exceptional operating costs	2.0	3.4
Earnings before interest, tax, depreciation, amortisation and exceptional items (EBITDA)	47.6	48.6
Employee share based payment charge	0.5	0.1
Profit on disposal of non-current assets	(3.6)	(2.2)
	44.5	46.5
Changes in working capital		
– Decrease in inventories	0.7	5.4
– Increase in receivables	(9.9)	(0.9)
– Increase in payables	3.7	2.0
(Increase)/decrease in working capital	(5.5)	6.5
Difference between pension charge and cash contributions	(0.3)	0.8
Interest & tax paid	(12.4)	(7.4)
Exceptional costs	(3.1)	(2.9)
Fixed asset receipts and disposal of joint venture	7.1	7.0
Capital expenditure	(18.8)	(22.8)
Free cashflow	11.5	27.7
Acquisitions and disposals	(0.1)	(0.7)
Dividends paid	(9.6)	(9.6)
Net cashflow	1.8	17.4

29 Pension commitments

The Group operates a number of pension schemes involving defined benefit and defined contribution schemes. The total pension cost was £12.2m (2005: £13.3m) of which £6.6m (2005: £7.9m) relates to the UK defined benefit scheme. The assets of the schemes are held in separate trustee administered funds.

In the UK, the main scheme is of the defined benefit type and pension costs are assessed with the advice of qualified actuaries, using the projected unit method.

An actuarial loss of £10.7m (2005: gain £1.2m) has been charged in the consolidated statement of changes in equity. This principally arises due to extended mortality assumptions following the formal actuarial revaluation of the scheme as at 31 December 2004 and a reduction in the discount rate which is used for the measurement of scheme liabilities.

The amounts recognised in the income statement in the year are as follows

	2006 £m	2005 £m
Current service cost	6.3	6.5
Interest cost	13.6	12.7
Expected return on plan assets	(13.3)	(11.3)
Defined benefit pension cost	6.6	7.9
Defined contribution pension cost	5.6	5.4
Total pension costs included within employee costs (note 3)	12.2	13.3

Of the total charge £10.6m (2005: £11.3m) and £1.6m (2005: £2.0m) were included in cost of sales and administrative expenses respectively.

The amounts recognised in the balance sheet, along with the expected rate of return on scheme assets, are as follows:

	2006 % pa	2006 £m	2005 % pa	2005 £m
Equities	7.7%	180.5	8.0%	143.0
Corporate bonds	4.75%	22.1	5.3%	18.6
Government bonds	4.1%	22.1	4.4%	18.8
Other	3.7%	2.0	3.7%	1.7
Total fair value of plan assets	7.0%	226.7	7.3%	182.1
Present value of funded obligations		(299.6)		(244.6)
Net retirement benefit obligations – before tax		(72.9)		(62.5)

The expected rate of return is based on market expectations at the beginning of the period for returns over the life of the benefit obligation. The overall expected rate of return is the weighted average of the expected return on each asset category.

Notes to the accounts

29 Pension commitments (continued)

The major categories of plan assets as a percentage of total plan assets are as follows:

	2006 %	2005 %
Equities	79 7%	78.5%
Corporate bonds	9.8%	10 2%
Government bonds	9.8%	10.3%
Other	0.7%	1.0%

The last full actuarial valuation for the main defined benefit scheme, the UK scheme, on which the IAS 19 figures have been based was as at 31 December 2004 and has been updated to 31 March 2006 by an independent qualified actuary. The principal assumptions used for IAS 19 were·

	2006 %	2005 %
Rate of increase in salaries	3 6%	3.6%
Rate of increase in deferred pensions	2.6%	2.6%
Rate of increase in pension payments	2.6%	2.6%
Discount rate	5.05%	5.55%
Inflation assumption	2.6%	2 6%

Analysis of the movement in the balance sheet deficit

	2006 £m	2005 £m
At 1 April	(62.5)	(62.9)
Charge to income statement	(6.6)	(7.9)
Actuarial (loss)/gain	(10 7)	1.2
Contributions paid	6.9	7 1
At 31 March	(72.9)	(62.5)

Cummulative actuarial gains and losses recognised in equity since 1 April 2004

	2006 £m	2005 £m
At 1 April	1.2	–
Net actuarial (losses)/gains recognised in the year	(10.7)	1 2
At 31 March	(9.5)	1 2

Analysis of the movement in the fair value of scheme assets

	2006 £m	2005 £m
At 1 April	182.1	163 7
Expected return on plan assets	13 3	11.3
Benefits paid	(7.2)	(7.8)
Member contributions	2.6	2.5
Employer contributions	6.9	7 1
Excess of actual less expected return on pension scheme assets	29.0	5 3
At 31 March	226 7	182.1

The actual return on assets in the year was £42.3m (2005· £16.6m).

Analysis of the movement in the present value of obligations

	2006 £m	2005 £m
At 1 April	244.6	226.6
Current service cost	6.3	6.5
Interest cost	13.6	12.7
Benefits paid	(7.2)	(7 8)
Member contributions	2 6	2 5
Actuarial loss	39.7	4.1
At 31 March	299.6	244.6

29 Pension commitments (continued)

Amounts recognised in the statement of recognised income and expense

	2006 £m	2005 £m
Actual less expected return on pension scheme assets	29.0	5.3
Experience losses arising on scheme liabilities	(2.3)	(1.1)
Impact of changes in assumptions relating to the present value of scheme liabilities	(37.4)	(3.0)
Actuarial (loss)/gain	(10.7)	1.2

The estimated employer defined benefit contributions for the year ended 31 March 2007 are £7.0m.

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

	2006 £m	2005 £m
Fair value of scheme assets	226.7	182.1
Present value of defined benefit obligations	(299.6)	(244.6)
Deficit in the scheme	(72.9)	(62.5)
Experience adjustments on scheme assets		
Amount (£m)	29.0	5.3
Percentage of scheme assets	12.8%	2.9%
Experience adjustments on scheme liabilities		
Amount (£m)	(2.3)	(1.1)
Percentage of scheme liabilities	(0.8%)	(0.4%)

30 Future commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Property, plant and equipment	4.9	1.9	–	–
Intangible assets – computer software	0.5	–	–	–
	5.4	1.9	–	–

31 Operating lease commitments

	2006		2005	
	Property £m	Vehicles, plant and equipment £m	Property £m	Vehicles, plant and equipment £m
Commitments under non-cancellable operating leases due:				
Within one year	11.9	17.3	11.7	16.9
Later than one year and less than five years	42.3	37.6	38.1	38.9
After five years	51.3	1.9	51.7	1.6
	105.5	56.8	101.5	57.4

The Group sub-lets various leased properties that are no longer required for its current operations. The minimum amounts receivable under non-cancellable subleases are as follows:

	2006 £m	2005 £m
Within one year	0.3	0.3
Later than one year and less than five years	1.3	1.4
After five years	7.4	7.6
	9.0	9.3

Notes to the accounts

32 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the relevant tax rate for each jurisdiction. The gross movement on the deferred tax account is as follows.

	2006 £m	2005 £m
At 31 March	0.1	(2.9)
Exchange differences	–	0 1
(Charged)/credited to income statement	(0.9)	2.9
At 31 March	(0 8)	0.1

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances in the same tax jurisdiction (as permitted by IAS 12) are shown below·

	Accelerated tax depreciation £m	Other £m	Total £m
Deferred tax liabilines			
At 1 April 2005	(14.6)	(0.2)	(14.8)
Charged to the income statement	0.2	(0.1)	0.1
At 31 March 2006	(14 4)	(0.3)	(14.7)

	Retirement benefit obligations £m	Tax losses £m	Other £m	Total £m
Deferred tax assets				
At 1 April 2005	13.1	1.6	0 2	14.9
Charged to the income statement	–	(1.0)	–	(1 0)
At 31 March 2006	13.1	0.6	0.2	13.9

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets only where the directors are of the opinion that it is probable that these assets will be recovered. In the case of the UK defined benefit pension scheme deficit, only £13.1m (2005: £13 1m) of a potential deferred tax asset of £21 9m (2005· £18.8m) has been recognised, being the directors best estimate of the asset recoverable in the foreseeable future.

33 Related party transactions

Control
The ultimate parent of the Group is Christian Salvesen PLC (incorporated in Scotland).

Group trading transactions
During the year the following transactions were carried out with related parties.

	Sales of goods and services		Purchase of goods and services	
	2006 £m	2005 £m	2006 £m	2005 £m
Joint ventures				
Salvesen Boxtel bv (Netherlands)	7 7	7.9	–	0.3
Salvesen Logistica SL (Spain)	–	0.1	–	–
Salvesen Logisfashion SL (Spain)	0 6	0.2	–	–
	8.3	8.2	–	0 3
Associates				
Aciondo France SA (France)	–	–	2.1	2 0
Centro Logistico Automovil SA (Spain)	–	–	–	–
	–	–	2.1	2 0

Outstanding related party balances at 31 March 2006 and 2005 were not material.

Two properties are leased from Mr D Darfeuille, a senior manager within the business The leases have been negotiated on an arms length basis with rent payable of £0 7m per annum (2005: £0.6m)

33 Related party transactions (continued)

Company trading transactions and balances

During the year the following transactions were carried out with related parties:

	Sales of goods and services 2006 £m	Sales of goods and services 2005 £m	Purchase of goods and services 2006 £m	Purchase of goods and services 2005 £m
Christian Salvesen SA	0.5	0.5	–	–
Christian Salvesen (Belgium) NV	0 2	0.2	–	–
Christian Salvesen Nederland bv	0 3	0 3	–	–
Salvesen Logistics Limited	3.6	4.2	–	–
Inveralmond Insurance Limited	–	–	2.4	2.3
Darfeuille Associes SA	–	–	–	–
Christian Salvesen Gerposa SA	0.3	0 2	–	–
	4.9	5 4	2.4	2.3

At 31 March 2006 the following outstanding balances were due to/from related parties:

	Receivables due within 1 year	Receivables due after 1 year	Payables due within 1 year	Payables due after 1 year
Christian Salvesen SA	–	–	–	(2.8)
Salvesen Logistics Limited	–	13.9	–	(3.0)
Inveralmond Insurance Limited	–	–	(2.4)	–
Darfeuille Associes SA	–	–	–	(4 6)
Christian Salvesen Gerposa SA	–	–	–	(4.4)
Salvesen Logistics International bv	–	0.2	–	–
Salvesen Logistics Holdings Limited	–	111.0	–	–
Christian Salvesen Investments Limited	–	167.2	–	–
CS3 Limited	–	–	–	(3 4)
Christian Salvesen Packaging & Marketing Inc	0.2	–	–	–
Ferryfield Investments Limited	–	–	–	(37.2)
Christian Salvesen Central Limited	–	–	–	(53.7)
Christian Salvesen Ireland Limited	2.1	–	–	–
Swift Distribution Limited	–	–	–	(16.1)
	2.3	292.3	(2 4)	(125.2)

At 31 March 2005 the following outstanding balances were due to/from related parties.

	Receivables due within 1 year	Receivables due after 1 year	Payables due within 1 year	Payables due after 1 year
Christian Salvesen SA	–	–	–	(3.5)
Salvesen Logistics Limited	–	13.1	–	(0.8)
Inveralmond Insurance Limited	–	–	(2.3)	–
Darfeuille Associes SA	–	–	–	(4.3)
Christian Salvesen Gerposa SA	–	–	–	(1.7)
Salvesen Logistics International bv	–	0.3	–	–
Salvesen Logistics Holdings Limited	–	110 1	–	–
Christian Salvesen Investments Limited	–	161.8	–	–
CS3 Limited	–	–	–	(3.4)
Christian Salvesen Packaging & Marketing Inc	0.1	–	–	–
Ferryfield Investments Limited	–	–	–	(37.2)
Christian Salvesen Central Limited	–	–	–	(53 7)
Christian Salvesen Ireland Limited	0.8	–	–	–
Swift Distribution Limited	–	–	–	(16 1)
	0.9	285.3	(2.3)	(120 7)

Notes to the accounts

34 Acquisitions

On 1 October 2005, the Group completed the acquisition of the remaining shares in its associate, Aiciondo France SA for a nominal consideration.

The fair values which were equivalent to book value were as follows:

	£m
Tangible assets	0.2
Current assets	1 2
Overdrafts	(0 1)
Trade and other payables	(1.3)
Net liabilities acquired	–

No goodwill arose on acquisition.

In its financial year to 31 December 2004, Aiciondo France SA had revenue of £2 2m and it made a loss after income tax of £0 2m.

In the period to acquisition Aiciondo France SA made a loss after income tax of £0.1m, on revenue of £2.7m

In the period since acquisition Aiciondo France SA made a profit after income tax of £0.1m, on revenue of £1 0m.

There were no other recognised gains and losses during these periods.

35 Contingent asset

Following recent legal developments in France, the Group's operations in that territory are entitled to receive reimbursement for VAT paid on road tolls for the period from 1996 to 2000

Initial calculations indicate that a net amount up to £1.3m may be recoverable, although significant doubts exist as to the availability of paperwork from the toll companies and their ultimate ability to settle the debts.

No asset has been recognised in respect of these amounts

36 Explanation of transition to IFRS – Group

The reconciliations of equity at 1 April 2004 and 31 March 2005, and the reconciliations of profit for the year ended 31 March 2005, as required by IFRS 1, including the significant accounting policies and full notes to 31 March 2005, were published on the company's website, www.salvesen.com on 18 October 2005.

Summary of equity

Group	1 April 2004 £m	31 March 2005 £m
Total equity under UK GAAP	53.0	52.0
Goodwill amortisation no longer required under IFRS 3	–	4.2
Reversal of proposed final ordinary dividends payable under IAS 10	6.4	6.4
IAS 19 holiday pay provision on salaried employees	(0 4)	(0.6)
Deferred tax on holiday pay provision	0.1	0 2
Deferred tax on unremitted earnings of overseas subsidiaries	(0.2)	(0.2)
Dutch jubilee award provision	(0.3)	(0 3)
Total equity under IFRS	58.6	61.7

Reconciliation of profit for the year ended 31 March 2005

Group	Notes	UK GAAP £m	Effect of transition to IFRS: Joint ventures £m	Effect of transition to IFRS: Other adjustments £m	IFRS £m
Continuing operations					
Revenue		760 8	44 7	–	805.5
Cost of sales	a	(700.4)	(42.0)	(0.2)	(742.6)
Gross profit		60 4	2.7	(0.2)	62.9
Other operating income		0 4	–	–	0.4
Administrative expenses	b	(39.4)	(0.9)	(4.9)	(45 2)
Share of results of joint ventures & associates	c	1.9	(1.8)	(0.1)	–
Operating profit		23 3	–	(5.2)	18.1
Analysed as:					
Operating profit before exceptional items		23 3	–	(1 8)	21 5
Exceptional administrative expenses	d	–	–	(3 4)	(3.4)
Operating profit		23.3	–	(5 2)	18 1
Exceptional items	d	(3.4)	–	3.4	–
Goodwill amortisation	e	(4.2)	–	4 2	–
Operating profit after goodwill and exceptional items		15.7	–	2 4	18.1
Interest receivable	f	–	–	1.4	1.4
Interest payable and similar charges	g	(6 3)	–	–	(6.3)
Profit before income tax		9.4	–	3 8	13.2
Tax	h	(2.7)	–	0.2	(2.5)
Profit for the period		6.7	–	4.0	10 7

All profits are attributable to equity shareholders of the company

	UK GAAP pence	Joint ventures pence	Other adjustments pence	IFRS pence
Earnings per share				
– basic	2.53	–	1.51	4.04
– diluted	2.52	–	1.50	4.02

Notes to the accounts

36 Explanation of transition to IFRS – Group (continued)

Reconciliation of equity at 1 April 2004

Group	Notes	UK GAAP £m	Effect of transition to IFRS: Joint ventures £m	Effect of transition to IFRS: Other adjustments £m	IFRS £m
Non-current assets					
Goodwill	j	65.3	–	–	65.3
Other intangible assets	k	–	0.4	10.6	11.0
Property, plant and equipment	i	167.9	1.8	(10 6)	159.1
Investment in joint ventures and associates		5.2	(4.6)	–	0.6
Deferred tax assets	l	–	–	14.3	14.3
Trade and other receivables	m	–	0.3	2.1	2 4
Finance lease receivables	n	–	–	7.6	7.6
		238.4	(2 1)	24.0	260.3
Current assets					
Inventories		22.8	0.1	–	22.9
Trade and other receivables	o	136.9	9.5	(9.6)	136.8
Cash and cash equivalents	p	37.8	2.1	4.6	44.5
Finance lease receivables	q	–	–	1.0	1 0
		197.5	11.7	(4 0)	205.2
Current liabilities					
Trade and other payables	r	(145.4)	(8.8)	(0.8)	(155.0)
Proposed dividend	s	(6 4)	–	6.4	–
Current tax liabilities		(1 5)	(0.2)	–	(1.7)
Financial liabilities – short-term borrowings	t	(7.7)	(0 6)	(4.6)	(12.9)
Short-term provisions	u	–	–	(12 1)	(12.1)
		(161.0)	(9.6)	(11.1)	(181.7)
Net current assets/(liabilities)		36.5	2 1	(15 1)	23.5
Total assets less current liabilities		274.9	–	8.9	283.8
Non-current liabilities					
Long-term payables	v	(3 6)	–	0.9	(2.7)
Financial liabilities – long-term borrowings		(138 6)	–	–	(138.6)
Retirement benefit obligations	w	(50.0)	–	(12.9)	(62.9)
Deferred tax liabilities	x	(15.7)	–	(1.5)	(17.2)
Long-term provisions	y	(14.0)	–	10 2	(3 8)
		(221.9)	–	(3.3)	(225.2)
Net assets		53.0	–	5 6	58.6
Equity					
Called up share capital		74 6	–	–	74 6
Share premium account		43.8	–	–	43.8
Capital redemption reserve		3.8	–	–	3.8
Retained earnings	z	(69.2)	–	5.6	(63.6)
Total shareholders' equity		53 0	–	5.6	58.6

36 Explanation of transition to IFRS – Group (continued)

Reconciliation of equity at 31 March 2005

Group	Notes	UK GAAP £m	Effect of transition to IFRS: Joint ventures £m	Effect of transition to IFRS: Other adjustments £m	IFRS £m
Non-current assets					
Goodwill	i	63.3	–	4.2	67.5
Other intangible assets	k	–	0.2	8 3	8.5
Property, plant and equipment	i	161.5	0.4	(8.3)	153.6
Investment in joint ventures and associates		3.2	(2 6)	–	0.6
Deferred tax assets	l	–	–	14.9	14.9
Trade and other receivables	m	–	0.2	2.1	2.3
Finance lease receivables	n	–	–	8.4	8.4
		228.0	(1.8)	29.6	255.8
Current assets					
Inventories		17.6	–	–	17.6
Trade and other receivables	o	141.3	6.1	(10 9)	136.5
Cash and cash equivalents	p	49.3	2.3	4 4	56.0
Finance lease receivables	q	–	–	1.5	1.5
		208.2	8.4	(5.0)	211.6
Current liabilities					
Trade and other payables	r	(149.2)	(6.0)	–	(155.2)
Proposed dividend	s	(6.4)	–	6.4	–
Current tax liabilities		(3.6)	(0.5)	–	(4.1)
Financial liabilities – short-term borrowings	t	(133.7)	(0.1)	(4.4)	(138.2)
Short-term provisions	u	–	–	(15.4)	(15.4)
		(292.9)	(6 6)	(13 4)	(312.9)
Net current assets/(liabilities)		(84 7)	1.8	(18.4)	(101.3)
Total assets less current liabilities		143.3	–	11 2	154.5
Non-current liabilities					
Long-term payables	v	(0.8)	–	–	(0.8)
Financial liabilities – long-term borrowings		(11.4)	–	–	(11.4)
Retirement benefit obligations	w	(49.4)	–	(13.1)	(62.5)
Deferred tax liabilities	x	(13.0)	–	(1.8)	(14.8)
Long-term provisions	y	(16.7)	–	13.4	(3.3)
		(91.3)	–	(1 5)	(92.8)
Net assets		52.0	–	9.7	61.7
Equity					
Called up share capital		74.6	–	–	74.6
Share premium account		43 8	–	–	43.8
Capital redemption reserve		3 8	–	–	3.8
Retained earnings	z	(70 2)	–	9.7	(60 5)
Total shareholders' equity		52.0	–	9.7	61.7

Notes to the accounts

36 Notes to transition to IFRS – Group

Joint ventures
The Group's interests in jointly controlled entities are accounted for by proportionate consolidation under IFRS. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities on a line-by-line basis with similar items in the Group's financial statements. Under UK GAAP the Group accounted for its interests in jointly controlled entities using the gross equity method which required the Group's share of its aggregate gross assets and liabilities to be shown on the face of the balance sheet and the Group's share of the investee's revenue to be shown in the income statement.

Other adjustments – Group

		Year ended 31 March 2005 £m
a	**Cost of sales**	
	Holiday pay provision not reported under UK GAAP	(0.2)
b	**Administrative expenses**	
	Share based payment charges	(0.1)
	Reclassify customer claims, restructuring costs and site closure costs from exceptional items	(3.4)
	Reclassify net pension cost from interest payable and similar charges	(1.4)
		(4.9)
c	**Share of results of joint ventures and associates**	
	Reclassify tax on associate	(0.1)
d	**Exceptional items**	
	Reclassify customer claims, restructuring costs and site closure costs to exceptional administrative expenses	3.4
e	**Goodwill**	
	Goodwill amortisation no longer required under IFRS	4.2
f	**Interest receivable**	
	Reclassify interest received from interest payable and similar charges	1.4
g	**Interest payable and similar charges**	
	Reclassify interest received to interest receivable	(1.4)
	Reclassify net pension cost to cost of sales	1.4
		–
h	**Tax**	
	Deferred tax on holiday pay	0.1
	Reclassify tax on associate to share of associate	0.1
		0.2

		1 April 2004 £m	31 March 2005 £m
i	**Property, plant and equipment**		
	Reclassify computer software to other intangible assets	(10.6)	(8.3)
j	**Goodwill**		
	Goodwill amortisation no longer required under IFRS	–	4.2
k	**Other intangible assets**		
	Reclassify computer software from property, plant and equipment	10.6	8.3

36 Notes to transition to IFRS – Group (continued)

	1 April 2004 £m	31 March 2005 £m
l Deferred tax assets		
Reclassify deferred tax assets from deferred tax liabilities	1 3	1 6
Reclassify deferred tax on retirement benefit obligations	12.9	13 1
Deferred tax on holiday pay provision	0.1	0.2
	14.3	14.9
m Trade and other receivables – non-current		
Reclassify from current assets	2.1	2 1
n Finance lease receivables – non-current		
Reclassify from current assets	7.6	8.4
o Trade and other receivables – current		
Reclassify other long-term debtors to non-current assets	(2 1)	(2.1)
Reclassify long-term finance debtors to finance lease receivables	(7.6)	(8 4)
Reclassify short-term finance debtors to finance lease receivables	(1.0)	(1.5)
Open book holiday pay not provided under UK GAAP	1 1	1.1
	(9.6)	(10 9)
p Cash and cash equivalents		
Reverse right-of-set-off from short-term borrowings	(1.0)	2.8
Reclassify overdraft balances to short-term borrowings	5 6	1.6
	4.6	4.4
q Finance lease receivables – current		
Reclassify from trade and other receivables	1.0	1.5
r Trade and other payables		
Reclassify holiday pay accrual to provisions	0.1	–
Reclassify from long-term payables	(0.9)	–
	(0.8)	–
s Proposed dividend		
Reverse proposed dividend	6 4	6.4
t Short-term borrowings		
Reverse right of set off to cash and cash equivalents	1 0	(2 8)
Reclassify overdraft balances from cash and cash equivalents	(5.6)	(1.6)
	(4.6)	(4.4)
u Short-term provisions		
Reclassify from long-term payables	(10.5)	(13 7)
Reclassify holiday pay accrual from trade and other payables	(0.1)	–
Holiday pay provision	(1.5)	(1 7)
	(12.1)	(15 4)
v Long-term payables		
Reclassify to trade and other payables	0 9	–
w Retirement benefit obligations		
Reclassify deferred tax asset	(12.9)	(13.1)
x Deferred tax liabilities		
Reclassify to deferred tax assets	(1.3)	(1.6)
Deferred tax on unremitted earnings of overseas subsidiaries	(0 2)	(0.2)
	(1.5)	(1.8)

Notes to the accounts

36 Notes to transition to IFRS – Group (continued)

	1 April 2004 £m	31 March 2005 £m
y Long-term provisions		
Reclassify to short-term provisions	10.5	13.7
Dutch jubilee award provision	(0 3)	(0.3)
	10 2	13.4

	1 April 2004 £m	31 March 2005 £m
z Retained earnings		
Holiday pay provision for salaried staff not reported under UK GAAP	(0.4)	(0.6)
Reverse proposed dividend	6.4	6 4
Goodwill amortisation no longer required under IFRS	–	4.2
Deferred tax on additional holiday pay provision	0 1	0.2
Deferred tax on unremitted earnings of overseas subsidiaries	(0.2)	(0 2)
Dutch jubilee award provision	(0.3)	(0.3)
	5.6	9.7

Explanation of impact on cashflow statement
The only significant impact on the IFRS cashflow as compared to the cashflow statement under UK GAAP, is the inclusion under IFRS of the Group's share of the cashflows of its joint venture investments

37 Explanation of transition to IFRS – Company

Summary of equity

Company	1 April 2004 £m	31 March 2005 £m
Total equity under UK GAAP	189.3	184.5
Reversal of proposed final ordinary dividends payable under IAS 10	6.4	6 4
Total equity under IFRS	195.7	190.9

Reconciliation of equity at 1 April 2004

Company	Notes	UK GAAP £m	Effect of transition to IFRS: Intercompany balance £m	Effect of transition to IFRS: Other adjustments £m	IFRS £m
Non-current assets					
Property, plant and equipment		0.3	–	–	0.3
Investment in subsidiaries		324.6	(174 2)	–	150.4
Trade and other receivables		–	294.2	–	294.2
		324.9	120.0	–	444.9
Current assets					
Trade and other receivables		7.3	0.1	–	7.4
Cash and cash equivalents		11.2	–	–	11.2
		18.5	0.1	–	18 6
Current liabilities					
Trade and other payables		(7.1)	(1 2)	–	(8.3)
Proposed dividend	a	(6.4)	–	6.4	–
Financial liabilities – short-term borrowings		(4.3)	–	-	(4.3)
Short-term provisions	b	-	–	(1.8)	(1.8)
		(17.8)	(1 2)	4 6	(14.4)
Net current assets/(liabilities)		0.7	(1.1)	4.6	4 2
Total assets less current liabilities		325.6	118.9	4.6	449.1
Non-current liabilities					
Long-term payables		(134.4)	(118.9)	–	(253 3)
Long-term provisions	c	(1.9)	–	1.8	(0 1)
		(136 3)	(118.9)	1.8	(253.4)
Net assets		189.3	–	6 4	195 7
Equity					
Called up share capital		74.6	–	–	74.6
Share premium account		43.8	–	–	43.8
Capital redemption reserve		3 8	–	–	3.8
Retained earnings	d	67.1	–	6.4	73.5
Total shareholders' equity		189.3	–	6.4	195.7

Notes to the accounts

37 Explanation of transition to IFRS – Company (continued)

Reconciliation of equity at 31 March 2005

Company	Notes	UK GAAP £m	Effect of transition to IFRS: Intercompany balance £m	Effect of transition to IFRS: Other adjustments £m	IFRS £m
Non-current assets					
Property, plant and equipment		0 2	–	–	0.2
Investment in subsidiaries		313 6	(163.2)	–	150.4
Trade and other receivables		–	285.3	–	285.3
		313.8	122 1	–	435.9
Current assets					
Trade and other receivables		3.7	0.9	–	4.6
Cash and cash equivalents		16.1	–	–	16.1
		19 8	0.9	–	20.7
Current liabilities					
Trade and other payables		(5.5)	(2 3)	–	(7.8)
Proposed dividend	a	(6 4)	–	6.4	–
Financial liabilities – short-term borrowings		(133 2)	–	–	(133.2)
Short-term provisions	b	–	–	(3 9)	(3.9)
		(145.1)	(2 3)	2.5	(144.9)
Net current assets/(liabilities)		(125.3)	(1.4)	2 5	(124 2)
Total assets less current liabilities		188 5	120.7	2.5	311.7
Non-current liabilities					
Long-term payables		–	(120.7)	–	(120 7)
Long-term provisions	c	(4.0)	–	3.9	(0.1)
		(4.0)	–	3.9	(120.8)
Net assets		184.5	–	6 4	190.9
Equity					
Called up share capital		74.6	–	–	74.6
Share premium account		43.8	–	–	43.8
Capital redemption reserve		3.8	–	–	3 8
Retained earnings	d	62 3	–	6.4	68.7
Total shareholders' equity		184.5	–	6.4	190.9

Notes to transition to IFRS – Company

Other adjustments – Company

	1 April 2004 £m	31 March 2005 £m
a **Proposed dividend**		
Reverse proposed dividend	6.4	6.4
b **Short-term provisions**		
Reclassify from long-term payables	(1.8)	(3 9)
c **Long-term provisions**		
Reclassify to short-term provisions	1.8	3 9
d **Retained earnings**		
Reverse proposed dividend	6.4	6 4

Five-year review

	2006 IFRS £m	2005 IFRS £m	2004 UK GAAP £m	2003 UK GAAP £m	2002 UK GAAP £m
Income statement					
Revenue:					
– Continuing operations	820.7	805.5	792.4	788.0	747.8
– Share of joint venture turnover	–	–	50.7	47.8	41.6
– Discontinued operations	–	–	2.8	41 6	45.9
Total Group revenue	820.7	805.5	845.9	877.4	835.3
Operating profit before exceptional items and goodwill amortisation					
– Continuing operations	20.7	21.5	27.7	30 8	40.5
– Discontinued operations	–	–	(0 5)	(5.1)	(5.2)
	20.7	21 5	27.2	25.7	35.3
Goodwill amortisation	–	–	(4.5)	(4 2)	(4.5)
Exceptional items:					
– Continuing operations	0.2	(3.4)	1.9	(10.6)	(1 9)
– Discontinued operations	–	–	(10.0)	(10 8)	(14.0)
Operating profit	20.9	18.1	14 6	0.1	14.9
Net interest payable	(5.3)	(4.9)	(10 1)	(5.6)	(6 4)
Profit/(loss) before income tax	15.6	13 2	4.5	(5.5)	8 5
Income tax expense	(3.8)	(2.5)	(0.9)	(2 7)	(6.6)
Profit/(loss) for the period	11.8	10.7	3.6	(8 2)	1.9
Operating profit before goodwill amortisation and exceptional items	20.7	21 5	27.2	25.7	35.3
Net interest expense	(5.3)	(4.9)	(6.8)	(6 7)	(7.2)
Net pension scheme interest (FRS 17)	–	–	(3.3)	1.1	0.8
	15.4	16.6	17.1	20.1	28.9
Balance sheet					
Intangible assets	77.0	76.0	65.3	72.0	72.0
Property, plant and equipment	143.0	153.6	167.9	205.5	215 2
Investments	0 7	0 6	5.2	4 7	3.9
Working capital and provisions	0.8	(8.4)	(6 0)	(16.5)	(10.2)
Current tax and dividends	0.4	(4.1)	(7.9)	(6.1)	(17 5)
Deferred tax	(13.9)	(13.0)	(13.0)	(17.9)	(18.9)
	208.0	204.7	211.5	241 7	244.5
Shareholders' funds and minority interests	53.9	61.7	53.0	43.9	116 6
Net debt	94.3	93.6	108.5	133.3	118.3
Net pension liabilities (net of related deferred tax asset)	59.8	49.4	50.0	64.5	9.6
	208 0	204 7	211 5	241 7	244.5
Operating ratios (excluding exceptional items and goodwill amortisation)					
Return on capital employed	10 0%	10.5%	12.9%	10 6%	14.4%
Operating profit on turnover*	2.5%	2.7%	3.3%	3.7%	5 1%
Interest covered by operating profit (times)	3 9	4 4	4.0	3 8	4.9
Share information					
Dividends per ordinary share	3.65p	3.65p	3 65p	3.65p	6 6p
Basic earnings per share on published earnings	4.5p	4 0p	1.4p	(3.1p)	0.7p

*Operating profit on turnover ratio is based on continuing operations.

Return on capital is operating profit before exceptional items and goodwill amortisation, compared to shareholders' funds plus net pension liabilities and borrowings.

Shareholder information

Shareholder enquiries
If you have any queries about the administration of shareholdings such as change of address, transfer of ownership, dividend mandate forms or dividend payments please contact the Registrar:

Capita IRG plc
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU   Tel: 0870 162 3100   E-mail: SSD@Capitaregistrars.com

Share price information
Prices are published in most newspapers and also on Ceefax and Teletext in the UK. The current share price is updated every 15 minutes on the company's website www.salvesen.com.

Shareholder analysis (as at 31 March 2006)

By size	Number of accounts	% of issued shares	By type of holder	Number of accounts	% of issued shares
1 - 1,000 shares	6,164	1.1	Individuals	9,098	41.0
1,001 - 10,000 shares	3,170	4.1	Banks and nominees	759	16.3
10,001 - 100,000 shares	532	5 9	Insurance companies	4	1 7
100,001 - 1,000,000 shares	161	20.8	Pension funds	36	7.8
1,000,001 - 5,000,000 shares	46	35.5	Investment and unit trusts	64	21.9
5,000,001 shares and over	9	32.6	Other institutions/corporates	121	11.3
	10,082	100		10,082	100

Low-cost share dealing service
Hoare Govett Limited provides a low-cost share dealing service in Christian Salvesen PLC ordinary shares which enables investors to buy or sell for a brokerage fee of 1% (plus 0.5% stamp duty on purchases), with a minimum charge of £15. Details may be obtained by telephoning Hoare Govett on 020 7678 8300 Please note that this is a postal service which is available to UK residents only.

Payment of dividends
The best way to ensure that dividends are received as quickly as possible is to instruct the Registrars to pay them directly into your bank account; tax vouchers are then posted to you separately A dividend mandate form will accompany the dividend warrant and tax voucher in August or alternatively you can contact the Registrars at the address shown above.

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16 Charlotte Square
Edinburgh
EH2 4DF
Registered No. SC7173

Corporate office
500 Pavilion Drive
Northampton
NN4 7YJ

Company secretarial department
500 Pavilion Drive
Northampton
NN4 7YJ

Advisers
Auditors
PricewaterhouseCoopers LLP (East Midlands)

Financial Advisers
UBS Warburg Bank

Stockbrokers
J P Morgan Cazenove
Hoare Govett Limited

Financial calendar

Annual General Meeting	13 July 2006
Shares trade ex-dividend	2 August 2006
Record date for final dividend*	4 August 2006
Final dividend paid	31 August 2006
Interim results and dividend announced	Late November/early December 2006
Shares trade ex-dividend	Early January 2007
Record date for interim dividend*	Early January 2007
Interim dividend paid	Late January 2007
Preliminary announcement of full year results	Late May/early June 2007

*Shareholders on the register at this date will receive the dividend