Creating a platform for the future

Christian Salvesen

SC 7173

Annual Report 2007

Creating a platform for the future

Going forward our strategy is to build a pan European Transport business with strong shared user networks in each country These will be seamlessly linked through class leading IT to create international capability including global freight forwarding and supply chain management Alongside this business – and supported by its resources and know how – will be a Logistics business providing innovative solutions and reverse logistics including dedicated warehousing with ancillary dedicated vehicle fleets We are focusing our marketing on strong growth sectors with good margins where our technology and shared user operations offer customers particular advantage

See 'Rebuilding shareholder value' on page 5 for more information on this strategy, which will involve some reorganising The structure of the business during the past financial year is set out below right

Financial summary

	2007	2006	change
Revenue	£899 0m	£819 3m	+10%
Profit before tax on continuing operations	£44 1m	£15 6m	+183%
Underlying profit before tax*	£12 5m	£15 4m	19%
Profit after tax	£47 4m	£11 8m	+302%
Earnings per share	17 90p	4 46p	+301%
Dividends per share	3 65p	3 65p	–
Free cash flow†	£61 2m	£11 0m	+£50 2m

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

Group at a glance

Christian Salvesen is a major European business employing some 14,000 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

Transport sector

Revenue £442m 49% of total
Operating profit £3 7m before exceptional items
Employees 5,701

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

Revenue £457m 51% of total
Operating profit £14 4m before exceptional items
Employees 8,287

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

Chairman's statement

With revenue up by 10% we are on the front foot again Now we must increase our focus on margin improvement

David Fish
Chairman

The growth strategy we outlined a year ago is working well After several years when our sales growth has been limited, it is encouraging to be on the front foot again Overall, we increased revenue by 10% in the year but, as we cautioned last year, the continuing competitive market conditions mean it is taking longer than we had hoped to move operating profit in the same direction Pricing remains under pressure, and as we go forward we must increase our focus on margin improvement

After a challenging year, overall operating performance was slightly ahead of recent expectations Our Food and Consumer sector performed better than anticipated revenue was up 11% and a strong performance in the UK helped to increase operating profit before exceptional items by 9% However, the Transport sector fared less well revenue grew 8%, but disappointing performances in the UK and to a lesser extent in Iberia, halved operating profit before exceptional items The French and Iberian Transport businesses achieved good margins compared with their local competitors, but the UK is still losing money Turning this business around remains our top priority and our plans to do so are well advanced

Financial highlights
Revenue increased by 10% to £899m Although underlying operating profit (i e before exceptional items) reduced as margins tightened, net profit increased strongly from £11 8m to £47 4m, reflecting the benefit of several exceptional items, which produced a net gain of £35 5m after tax Earnings per share increased by 301% from 4 46p to 17 90p, again reflecting the exceptional items

In our last annual report we said we were looking at ways to release capital from the existing asset base to reduce gearing and support our plans for renewed growth In September 2006 we accomplished this through the sale and leaseback of part of our UK property portfolio The deal generated a net £46m of cash from property with a book value of £19m The impact on future earnings is broadly neutral, and we still hold freehold property worth significantly more than its net book value of £43m

This has helped us to cut net debt by more than half over the year, from £94m to £39m At the year end, gearing (excluding the pension deficit) was 29%, compared with 83% a year earlier

Dividend
The board is recommending a final dividend of 2 45p a share, making an unchanged total of 3 65p for the year The dividend is covered 1 2 times by underlying net earnings, compared with the previous year's 1 1 times The final dividend will be paid on 31 August 2007 to shareholders on the register at 3 August 2007

Pensions
We have agreed some important changes with the trustees of our UK pension scheme The most important of these involves the way annual increases in pension payments are calculated In line with widespread UK practice, increases will in future reflect price inflation rather than wage inflation Largely as a result of this change, the pension fund deficit, on an IAS 19 basis, reduced by £23 7m over the year without the need for additional cash contributions The changes will reduce the future cost of the scheme and resulted in an exceptional gain of £14 7m in the year

Operational highlights
Our sales growth has continued to build momentum New contract wins during the year were again ahead of the previous year – £130m compared with £120m We maintained our excellent record of retaining contracts as they came up for renewal and our healthy pipeline suggests that we can continue growing the top line, with the prospect of some of the larger scale deals that we have been targeting We pride ourselves on the service and value that we deliver for our customers and were particularly pleased to receive a General Motors Global Supplier of the Year Award for the second consecutive year Our Holistica joint venture, which enables us to manage global supply chains, is now fully staffed, it has built its own interesting pipeline of prospects to add to the first management contract from Marks & Spencer

We are now working to ensure that our growth is achieved profitably, to bring the bottom line in step with our progress on sales We must manage our margins better, maximise returns on investment and improve under performing activities We are addressing all these issues, and our most pressing priority is to tackle the impact on our bottom line from the UK Transport business

In addition to upgrading the central team, we have continued to restructure individual businesses – primarily the UK and Iberian Transport businesses and the continental Food and Consumer business The exceptional costs that we have incurred to deliver these changes will be recouped by significant savings in the future

In our Food and Consumer sector, the UK business had an excellent year Improved dedicated contracts and cold store utilisation helped it to raise underlying operating profit by 21% Our Support Services business continued to grow and has been investing to support expansion plans for continental Europe Salvesen Foods returned to profit despite a difficult harvest in summer 2006 On the continent, we had a more challenging year The tough pricing environment demands significant productivity improvement, and it is taking time and investment to implement the necessary upgrades in transport and warehousing systems However, we are now seeing signs of improvement under new leadership

£47.4m

Net earnings increased fourfold to £47 4m as we released capital from existing assets to reduce gearing

In the Transport sector, our French business continued to grow its share of a difficult market, and although margins are tight they compare well with local competitors The Iberian business is still growing and has also maintained relatively strong margins, but operating profits were reduced by the cost of our network investment programme and a continuing shortage of subcontractors that has increased prices The final phase of our Spanish fleet restructuring programme was completed by the year end

A new managing director and new management team are working to restore the UK Transport business Progress during the year was slower than hoped, due in part to a difficult start up for our national tyre distribution partnership with Goodyear Dunlop The unplanned start up costs were a significant factor in the increased losses for the year As part of the turnaround plan for our UK network business, we are investing in new systems to achieve rapid improvement in operational efficiency For the longer term, we are investigating options that will require more fundamental infrastructure changes

Across the Group, the year's major contract wins show that we are succeeding in expanding our relationships with existing customers, entering new sectors and winning larger contracts involving added value services

For example, we have extended our relationship with Ford from the UK to Spain and France We have broadened our contracts with Rockware, Marks & Spencer, Tesco, Carrefour and Le Duff

We have moved into ambient food storage and distribution, while at Manchester Airport we now provide security screening for all retailers both activities provide platforms for future growth Our Iberian Transport business has won several additional contracts in the textiles sector and the French business won a large contract from air conditioner manufacturer Daikin We have won e commerce contracts with Superdrug, Urban Outfitters, WeightWatchers and Mackays

Added value business included a new reverse logistics contract from Tesco and a contract from the world's leading cash and carry group to consolidate and distribute stock for its Makro stores in the UK

People

In July 2006, Peter Cawdron and Dr Antonie Edelman retired from the board after more than eight years of distinguished service as non executive directors I would like to thank both of them for their contribution through a period of considerable change

These are challenging times for the business and our continuing restructuring has made additional demands on people at all levels Their response has been tremendous and I am grateful to everyone for their contribution to our progress

Health and safety is the first item on the agenda at all board, Executive Committee and business unit board meetings I am therefore particularly pleased that we have won a Gold Award from the Royal Society for the Prevention of Accidents, and individual gold awards for four of our UK sites

Sustainability and environment

It is also encouraging to see continuing improvement in our environmental impact Our emphasis on shared user transport networks is an inherently carbon efficient approach to road transport, and we continue to apply technology to increase our efficiency We are also helping customers to improve their waste management through our reverse logistics operations which support reuse and recycling and have eliminated many millions of cardboard cartons from the supply chain altogether

Outlook

While market conditions are unlikely to get any easier, our healthy pipeline makes us confident of continuing revenue growth albeit at a slower pace than in the past 12 months Margin improvement is now the order of the day We expect to see some benefit from the restructuring, but we will remain cautious about the overall margin until we have turned the corner with our Transport businesses, especially in the UK

David Fish
Chairman

Operating review

We aim to create a pan European logistics services provider based on a Transport business with strong shared user networks and a Logistics business providing innovative solutions and support services including dedicated operations These complementary business streams will enable us to squeeze more from our assets

Stewart Oades
Chief Executive

Strategy – rejuvenating the business
Although market conditions remain highly competitive, the broad trends in the marketplace play to our strengths Road transport in Europe is a growth business As manufacturing migrates to the lower wage economies on Europe's fringes, supply chains are lengthening and the number of road miles being driven is increasing

Our strength in shared user operations meets the growing commercial demand for lower costs and the environmental imperative to improve vehicle utilisation Our strength in IT gives customers the visibility they require, so that they can track and locate their goods at all times We are marketing these strengths with increasing success And we are now focusing our marketing effort more sharply on strong growth sectors with good margins where we can apply these strengths to particular advantage, for example in non food retail

Our overall aim is to create a pan European logistics services provider based on a Transport business with strong shared user transport networks in each country These will be seamlessly linked through class leading technology to create international capability including global freight forwarding and supply chain management Alongside the Transport business – and supported by its resources and know how – will be a Logistics business providing innovative solutions and reverse logistics including dedicated warehousing with ancillary dedicated vehicle fleets Together, these complementary business streams will enable us to squeeze more from our assets and create more value for customers and shareholders alike

The details of this strategy and the way we intend to deliver it are set out in a series of pages running throughout this report

Achieving our goals will require some investment – in locating where our customers want us to be, in upgrading existing depots to meet the needs of new types of customer, and in achieving the productivity required to achieve acceptable margins Our strategy is to be asset light wherever we can We will be careful investors, minimising our spending on assets and focusing on partnerships to maximise margins and returns

We continue to keep a close eye on Salvesen Foods and are strengthening our temperature controlled businesses to ensure they are fit for purpose We also need to modernise our Transport operations in the UK and will continue to support the planned growth in our Iberian and French networks Our credibility with both shareholders and international customers depends on having a portfolio in which every local business is a strong and capable player, and we have reinvigorated our management teams across the business to be properly equipped

Operational review
Our performance in the year made it clear that we still have some way to go We again delivered mixed results in which strong performances by some businesses – such as our Food and Consumer businesses in the UK and Iberia – were offset by weakness elsewhere However, we feel all of our businesses are positioned to move forward

Food and Consumer sector
This sector includes our UK and Mainland European business units, now incorporating our Support Services operations, and our Salvesen Foods frozen vegetable business Overall revenue rose 11% to £457 0m as the UK business maintained its strong growth
For our total domestic business, operating profit before exceptional items was up by 27% – but a relatively disappointing performance on the continent, as we re establish this business, held back the overall improvement to £14 4m, an increase of 9 1%

UK Food and Consumer

Year to 31 March	2007	2006	Change
Revenue	£253 6m	£217 6m	17%
Operating profit	£35 7m	£10 8m	+£24 9m
Underlying operating profit*	£10 4m	£8 6m	+£1 8m
Operating margin*	4 1%	4 0%	+0 1%
Year end capital employed	£34 6m	£53 0m	£18 4m
Return on capital employed*	30 1%	16 2%	+13 9%

* before exceptional items

The UK business grew strongly in a good year for both dedicated logistics and the shared user temperature controlled network revenue grew 17% and operating profit before exceptional items was up 21% Intense competition among retailers is increasing customer interest in the cost advantages of shared user operations As the leading shared user provider we are ideally placed to benefit from this and the growth of retailers' e commerce activities Although the frozen logistics market remained difficult, with excess storage capacity, and prices still depressed, this business unit made further good progress

New business wins increased markedly, but were partially offset by some limited contract losses The pipeline grew strongly over the year, and includes a number of large scale prospects

Rebuilding shareholder value

Our business is growing again The challenge now is to improve shareholder value through better bottom line returns

We're refocusing, to concentrate on sectors where our strengths will create most value While margins in markets such as automotive and food remain depressed, we must look to consumer markets such as non food retail where our just in time, flexible, highly visible delivery capabilities are prized

We're restructuring the business into two clear streams Transport remains the heart of our business we are building and integrating pan European shared user networks that are efficient, flexible and more environmentally sensitive Alongside them, our Logistics businesses provide innovative solutions and reverse logistics including dedicated warehousing and ancillary dedicated vehicle fleets Together, these complementary business streams will enable us to squeeze more from our assets and create more value for customers

To ensure that they also create more value for shareholders, we're selectively managing our investment spending We've already shown that we can grow sales while reducing our debt Our future will be asset light wherever possible Capital expenditure will be more focused Where possible we will form partnerships to reduce investment and improve returns

Delivering efficient transport networks

Running efficient shared user transport networks is one of our core skills We have been honing our capabilities for many years Our strong IT capability has enabled us to develop a unique, highly systems driven approach that provides levels of responsiveness, flexibility and visibility that customers normally associate only with dedicated services As a result, customers have been able to make the switch from dedicated to shared user confidently – and to make considerable savings as a result

We have extensive networks in France, Spain and the UK All are working well for customers Although we still have work to do on profitability in the UK, our performance for customers is not in doubt – as our recent Supplier of the Year award from GM confirmed, our service is world class

Developing and extending our shared user transport capability is central to our strategy To meet our customers' requirements across Europe we are aligning our existing networks through our sector teams to ensure that they can work together seamlessly – and we will continue extending our footprint across the region to provide both in country distribution and cross border supply chain solutions

To help Marks & Spencer save cost, time and CO_2 emissions, we've developed unique new double deck trailers At almost 5m tall, they're the highest trailers ever built for temperature controlled food transport They carry significantly more roll cages than conventional units, reducing the number of deliveries required

Existing customers rewarded our service and innovation with further business, and both Marks & Spencer and Rockware awarded us additional operating centres

We are successfully extending into new markets for Manchester Airport Group we now security screen and distribute all products for airport based retail outlets, and in e commerce we have won new business from Superdrug, Weightwatchers, Urban Outfitters and Mackays Our Holistica joint venture made a prestigious start with the Marks & Spencer import management contract And we have started to sell our UK shared user transport capability into the retail sector with new contracts from Zara and Makro – for whom we are handling all UK distribution

The temperature controlled business operated close to capacity in the first half Poor harvests reduced capacity utilisation in the third quarter, but business was recovering well in the final quarter and we have continued to gain market share Productivity continues to improve and we have, in the main, been able to pass energy cost increases on to customers Service levels remain high, supporting good customer retention

Our Support Services operation continues to perform strongly, offering reverse logistics solutions for the retail and industrial markets It specialises in optimising reverse supply chains, and managing loose equipment, return products and packaging waste Its core competences include applying its engineering systems and process skills to support customers' sustainable development initiatives

Revenue was boosted by new business wins and the continuing rollout of major contracts with Asda and Tesco

Our network continues to grow, and we opened two new service centres – one in Corby for Tesco flower buckets and mushroom trays with annual throughput capacity of 30m trays, and an environmentally friendly facility for Asda in Falkirk Other major wins during the year included a new loose equipment contract from Argos and a waste management contract for B&Q, which includes recycling returned electrical goods, other products and packaging

We continue to refine our industry leading COMET and BACTRAC IT systems, and are seeking partners to help us exploit opportunities arising from the new Waste Electrical and Electronic Equipment (WEEE) legislation

The year ahead looks promising The pipeline remains strong but we are still experiencing cost pressure in all sectors We will continue to build on our strong relationships with major customers and expect to make further headway with our strategy of targeting the non food retail, e commerce, ambient storage/distribution and aviation sectors In the frozen food sector we expect to continue to recover cost increases and expect to find further scope for improving profits as we continue to enhance productivity

Salvesen Foods

Year to 31 March	2007	2006	Change
Revenue	£44 6m	£39 1m	14%
Operating profit/(loss)	£0 7m	(£0 2m)	+£0 9m
Underlying operating profit/(loss)*	£0 3m	(£0 2m)	+£0 5m
Operating margin*	0 7%	(0 5%)	+1 2%
Year end capital employed	£24 0m	£20 0m	+£4 0m
Return on capital employed*	1 3%	(1 0%)	+2 3%

*before exceptional items

Our frozen vegetable business increased its revenue by 14% and returned to profit despite low yields caused by the very wet spring of 2006 We achieved price increases across our customer base, although rising raw material and utility costs will remain a challenge in the current year

We had an excellent year for new business, boosted by new product development and international sourcing We won new contracts from Sainsbury's, Iceland and Brakes Foodservices, and the new business pipeline is very strong This year we plan to continue developing new vegetable and non vegetable products, increasing our international sourcing, developing new sources of organic produce and increasing our sales to the new customers won in 2006

In Belgium we have signed an agreement with Spar to support its continuing expansion We currently service over 300 Spar supermarkets in Belgium, providing storage, order picking and distribution of frozen food products to individual outlets through our capillary distribution network that services nearly 9,000 points of delivery in Belgium and Luxembourg

Mainland Europe

Year to 31 March	2007	2006	Change
Revenue	£158 8m	£154 2m	3%
Operating profit	£2 4m	£4 8m	£2 4m
Underlying operating profit*	£3 7m	£4 8m	£1 1m
Operating margin*	2 3%	3 1%	0 8%
Year end capital employed	£28 5m	£29 1m	£0 6m
Return on capital employed*	13 0%	16 5%	3 5%

before exceptional items

After modestly improving operating profit in the previous year, our continental European operations performed less well Despite continued growth in Iberia, overall revenue grew modestly and, with performance weakening in Benelux and France, operating profit before exceptional items fell by over 20%

We have restructured our management team to target a customer focused growth agenda and fix our problem operations They have started well

In Benelux, good growth in the retail sector and encouraging new business wins were offset by the loss of our major contract with Laurus at the end of the year, after it decided to divest a large number of its shops in the Netherlands Revenue was flat and operating profit was further impacted by productivity problems, although most of these were resolved under a new management team and performance improved in the last quarter Loss making logistics contracts are being addressed and new customer agreements have improved under performing transport contracts Major contracts with Carrefour, Delhaize and Spar were renewed in Belgium We see significant market opportunities in the coming year, particularly once our SHARP transport management system is fully operational at the end of the first half Key customers are showing interest in buying additional services and extending our geographic coverage

In France, growth in both the frozen and chilled food sectors was weak, although the catering sector maintained reasonable growth Against this background we achieved modest revenue growth We renewed important contracts with Aldi, Lidl and Masterfoods – and strengthened our relationship with two major restaurant chains Productivity should improve this year with new management teams at Duppigheim and Langon and new voice picking technology in several warehouses In reverse logistics, we developed a new packaging solution for Carrefour's non food business

In Iberia the chilled market continued to expand at around 8%, but margins in general were under pressure Our market leading joint venture with Danone increased revenue in line with the market and increased operating profit Significant new business wins included contracts from Carrefour to manage a multi temperature regional distribution centre in Seville and provide additional transport services in the Madrid area We are also successfully penetrating the fruit and vegetable market to enhance asset utilisation and create profitable synergies This year we aim to consolidate our position as one of the top two players in the Iberian market

Transport sector
This sector comprises business units in the UK, Iberia and France Overall revenue grew by 8% to £442 0m, led by a strong performance in France But as margins weakened in all units and UK losses mounted sharply, operating profit before exceptional items more than halved from £7 5m to £3 7m

Across the sector, recent price increases have positioned the business for a stronger performance this year Addressing the UK business remains our biggest single priority

UK

Year to 31 March	2007	2006	Change
Revenue	£166 6m	£155 6m	7%
Operating profit/(loss)	£4 5m	(£1 7m)	+£6 2m
Underlying operating loss*	(£4 6m)	(£1 7m)	£2 9m
Operating margin*	(2 8%)	(1 1%)	1 7%
Year end capital employed	£30 0m	£38 4m	£8 4m
Return on capital employed*	(15 3%)	(4 4%)	10 9%

before exceptional items

Our UK Transport business faced significant competition from pallet networks and ongoing price pressure from our industrial customer base Performance was very disappointing and we are taking decisive action to address the situation A new management team has been installed and we are pursuing improvements across our existing operations

We remain focused on developing a lower operating cost structure and will work with external partners to take advantage of any opportunity for efficiencies together with a modernisation of our working practices and facilities A strong UK transport business is essential to our clear commitment to a pan European shared user transport strategy

Creating specialist industry platforms

As part of our Logistics business we want to build shared user platforms geared precisely to the needs of specific sectors

We pioneered this in Iberia when we enabled Danone to transform a non core cost activity into a revenue generator We took Danone's dedicated delivery operation and turned it into a highly efficient shared user joint venture network It has become the market leader in chilled logistics, continues to win new business from customers such as Carrefour and is now expanding into fruit and vegetables

More recently, we've created a new platform for the UK tyre industry Our partnership with Goodyear Dunlop has created Tyrefort, the UK's principal tyre distribution centre with capacity for a million tyres, at the heart of a shared user network The system made sense to Continental Tyre Group and others who have already opted to share the benefits by using Tyrefort

The economic case for ventures like these is a powerful one, and we are receiving a growing number of enquiries from potential partners in a variety of countries and sectors

Innovating in supply chain solutions

Manufacturers used to produce goods and deliver them to warehouses, which held them until needed Now 'make and store' has given way to just in time 'make and deliver' on demand And the factory is no longer down the road more often, it's in another country or on another continent

Responsive supply chains need responsive logistics For some of our customers, such as Marks & Spencer, that means value added solutions using dedicated facilities where we provide a complete pick and pack service But for others we are now applying techniques we developed for the automotive sector to combine just in time responsiveness with the low fixed costs that come from shared user operation – as we are doing for Makro in the UK and Inditex in the UK and Spain

To address lengthening supply chains we are extending our European reach And we are already offering access to an integrated global freight forwarding service through our Holistica joint venture, for customers sourcing goods in lower cost regions such as Asia

Longer range sourcing is changing the focal points in our customers' supply chains for many, the port (or airport) of entry is beginning to look like the logical place to break bulk for distribution We pioneered this trend with our award winning Perishables Handling Centre at Heathrow, where we sort, pack, label and price food and flowers from all over the world for rapid UK distribution We've been building our presence at Manchester Airport, and in the future we expect to provide port based logistics across Europe

Metro, the world's largest cash and carry group, is investing heavily in its fast growing UK arm, Makro – which has appointed us to undertake its logistics operation This links some 300 non food suppliers with 33 out of town superstores and includes inbound, warehousing, full load collection, deconsolidation, reconsolidation and full load store delivery

Revenues increased due to the launch of the national tyre distribution contracts for Goodyear Dunlop and Continental Tyre Group and some success with rate reviews However, the unplanned start up costs contributed significantly to the overall increase in losses It was a frustrating start for what has proved to be a very exciting new development The efficiency and cost benefits of sharing a single logistics platform dedicated to their sector are so compelling that rivals Goodyear Dunlop and Continental are happy for us to manage their logistics on a confidential basis for the benefit of both

Our ability to deliver dedicated service standards from shared user operations has also impressed cash and carry operator Makro – see case study top right We expect this to be the first of many new contracts of this nature as we migrate from an industrial to a consumer network and reinvest in new facilities appropriate for this strategy

Other new business wins included contracts from Agfa, Marigold, Remploy and Baumatic We also grew our business with existing customers such as Daikin, where we now provide specialist service deliveries to their support engineers, and Caravel On an annualised basis, business wins were well ahead of contract losses, but compared with a very good performance in the previous year wins were down and losses increased The new business pipeline also weakened over the year

We are continuing the work on productivity and overhead efficiency We will also maintain our focus on new sectors including the building, packaging, healthcare, high tech and non food retail sectors that will, over time, provide a more balanced portfolio The future approach to the business is under review as we consider how best to respond to the market challenges and implement the UK part of our wider Group strategy

Iberia

Year to 31 March	2007	2006	Change
Revenue	£129 7m	£121 8m	6%
Operating profit	£0 9m	£3 5m	£2 6m
Underlying operating profit•	£1 9m	£3 5m	£1 6m
Operating margin•	1 5%	2 9%	1 4%
Year end capital employed*	£11 4m	£12 8m	£1 4m
Return on capital employed•*	16 7%	27 3%	10 6%

•before exceptional items
*excluding goodwill

We have achieved market leadership positions in almost all our key business areas, and built a strong reputation that is attracting high quality people and customers Major new business wins during the year included Total lubricants, Ford after sales and significant expansion in the textile sector, and there were no major contract losses While full load volumes stayed flat, our shared user network maintained its rapid growth, with overall volumes up 33% and the night delivery network growing even faster Logistics volumes grew 8%

Given this good progress, the near halving of operating profit before exceptional items was disappointing Our rapid volume growth has required substantial infrastructure investment as we grow the network and upgrade facilities and, during the year, we opened new facilities in Madrid, Valencia, Porto, Alicante and Irun Further facilities are planned for Madrid, Girona, Tarragona, Seville and Santiago We also faced continuing cost increases due to a shortage of subcontractors, these proved difficult to pass on during much of the year, but as transport supply and demand has become more balanced we have seen improving prices in recent months

Despite continuing investment this year we are optimistic that margins and profits will improve as we curb operating costs and maintain strong volume growth in the shared user network and warehousing

France

Year to 31 March	2007	2006	Change
Revenue	£145 7m	£131 0m	11%
Operating profit	£6 4m	£5 7m	+£0 7m
Operating margin	4 4%	4 4%	–
Year end capital employed*	£8 9m	£15 6m	£6 7m
Return on capital employed*	71 9%	36 5%	+35 4%

*excluding goodwill

Darfeuille remains one of the most successful transport companies in the French market We aim to maintain our strong market position through continuing investment in our network infrastructure and further productivity gains to offer customers high quality at a competitive price

We maintained strong growth across a broad range of sectors New business wins included Ford and Visteon auto parts, Del Monte canned goods, PVG Zibro air conditioning and heating, Poujoulat chimney products, Yves Saint Laurent packaging, Florendi garden products, Allibert toilets, Schneider electrical parts and MDP paint There were no significant contract losses

In 10 years our Support Services business has saved over 130,000 trees and 180m gallons of water used in card production How? By recycling waste cardboard packaging for customers, and replacing cartons with reusable plastic trays We also manage returned products and equipment for our customers – ranging from recycling 900,000 disposable cameras to repairing or recycling 10,000 merchandising units each year

The reported profit growth reflects a £1 2m refund of VAT on road tolls from prior years, with underlying growth constrained by the need for substantial investment in facilities to handle the continuing increase in volumes During the year we relocated the Bourges and Aulnay (Paris North) depots to larger cross dock facilities, and Nancy followed in early 2007 The relocation of the Bordeaux depot and the Roye depot extension are nearing completion IT enhancements were also completed at several warehouses, and we acquired over 100 new vehicles

Over the next two years we expect to extend our services into the adjacent markets of Belgium and Italy, and to establish even stronger links into the UK and Spain

Prices were under pressure during the past year, but we have already agreed increases for this year We are also now focusing on improving margins and have already seen signs that this strategy will improve the overall financial performance this year

People
One of the factors that consistently differentiate Christian Salvesen is the quality of our service We recognise that we are essentially a service business, and that we depend on high quality people, communications and relationships to deliver a competitive service

We have set ourselves demanding strategic goals, and one reason we can do this with confidence is the calibre of people we have been attracting into the management of the business In the past year we have made a succession of appointments that indicate the way we see the future and will guide the successful implementation of our strategy

During the year we made a number of important senior appointments for both business unit and central roles In addition to new managing directors for our UK Transport and continental Food and Consumer businesses, we also recruited a Corporate Development Director Chief Information Officer and Head of Talent

Leadership and communication are the keys to providing good service Our One Team project is focused on rejuvenating the leadership capabilities of the entire line management team, from supervisors through to site managers Launched in 2004, it aims to improve productivity and customer service levels by engaging all our employees

We want to be recognised as an employer of choice with a strong service and quality culture, achieving high levels of productivity through fair treatment of all colleagues It will be particularly important to be able to communicate and share this culture where we are extending our reach through partnerships and strategic alliances, and addressing any under performing operations

We are making progress towards this goal Colleague briefings have been reintroduced, we use Listening Groups to promote dialogue, and we are displaying KPI performance on standard format boards to increase the focus on productivity To identify areas of concern at company and local level we are using employee surveys, followed up with an improvement action plan at each depot

We are proud to have been listed as one of Britain's Top Employers 2007 by the Corporate Research Foundation In its analysis, Christian Salvesen appears as a solid all round performer across a wide range of scoring categories For further information, see the www researchfoundation com website

Health and safety
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 remain 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 business unit board meetings

For the first time we have entered the annual award scheme run in the UK by the Royal Society for the Prevention of Accidents (RoSPA) I am delighted to report that we won one of its prestigious Gold Health and Safety Awards In addition, four sites were also chosen for individual gold awards the Bracknell temperature controlled depot, the British Airways World Cargo Centre at Heathrow, and our Support Services sites at Skelmersdale (Asda) and Middleton (Tesco)

Growing our continental European business

The boundaries that shaped Europe are widening Businesses are trading more freely outside their own national markets – and increasingly, they are themselves international The expanding EU is creating more natural trading lanes across an ever larger number of markets So transportation is a growth market The new patterns of commerce are exposing the weaknesses of other transport modes we believe the future lies with efficient and flexible shared user road transport networks We will adopt other modes where we can justify doing so

We need to be where our customers want us to be That means completing the pan European integrated network that we've begun to build It also means reaching out to the lower wage economies around Europe, to where so much manufacturing investment is gravitating Central and Eastern Europe, Turkey, Bulgaria, Romania

This will involve some investment, but our strategy is to be asset light The emphasis will be on partnerships – like the one we recently announced with Ulustrans in Turkey – strategic alliances and leased or subcontracted assets

Our strength in systems will be the key to building strong national businesses that can be linked to create international capability Progressively, we will extend our network, improve our pan European service offering, grow the business into new sectors and markets, and create opportunities to drive greater volumes through our existing assets

Helping to reduce environmental impacts

Lengthening supply chains and spiralling road miles make transportation a growth business But we recognise the impact on the environment We also recognise that more and more of our customers want to be seen to be reducing their carbon footprints Our environmental credentials make us a natural partner in this, and we are working with consultants and leading academics to ensure that Christian Salvesen remains a benchmark for responsible road transport We will enable our customers to manage and measure their impact on the environment

The heart of our approach is a determination to make fullest possible use of every vehicle mile Shared user operations are key, bringing multiple customers together to maximise vehicle utilisation Shared user accounts for some 95% of our business on the European mainland and about half in the UK Even in our dedicated operations we've been increasing vehicle utilisation – as we've done for Marks & Spencer, by designing unique double deck trailers that sharply reduce the number of vehicle miles we need to drive

Our Support Services business has made an important contribution with its pioneering work in reverse logistics and management of reusable transit packaging Since it began 10 years ago, it's recovered and recycled over 2 5m tonnes of cardboard and plastic packaging Even better, it has enabled our customers to avoid using over 2bn cardboard cartons in the first place

Our Support Services sites are themselves increasingly green New controls and lower water temperatures have made our traywash machines more energy efficient On new build sites including Peterborough, Falkirk and Livingston we are installing rainwater harvesting to reduce consumption of mains water And at Livingston we will also recycle heat from waste water to warm incoming wash water

Environmental impact

We take our environmental responsibilities very seriously As a road transport business we meet a manifest social need but recognise a corresponding social responsibility to moderate the associated environmental impacts We also believe it makes commercial sense to do so our customers increasingly wish to minimise their own environmental impacts and attach value to our conscientious and innovative approach Our aim is to achieve a balance that benefits both the environment and our shareholders

We review our environmental performance continuously, seek out best practices and technologies, and share them with our customers

Our principal environmental impact is our carbon footprint The trend to longer supply chains and increased road miles imposes constant upward pressure on carbon emissions By improving our carbon efficiency we help to offset this trend and reduce both our own and our customers' carbon footprints

Our UK Transport business has ordered 30 specially designed aerodynamic supercube trailers Compared with conventional trailers each one will save an estimated 26 tonnes of CO_2 emissions a year They'll be entering service – with this label – from June onwards

The most inefficient vehicle of all is an empty one we are helping to reduce empty running through the development of vehicle optimisation software Shared user operations are inherently carbon efficient as they increase vehicle utilisation We have long been leading proponents of shared user operations, which account for a significant proportion of our business We further increase our efficiency by applying technology – from better route planning software to more economical vehicles and engines We can also eliminate road miles through better trailer design – as we did last year with the double deck temperature controlled trailers we designed for Marks & Spencer Over the longer term, we believe our strategy of creating new distribution centres at ports and airports will also help to reduce empty vehicle miles

All our new vehicles meet the Euro 4 standard, and in selecting our preferred vehicle suppliers we take account of their manufacturing processes We have developed fuel management and consumption monitoring which focuses on both vehicle and driver and are moving to automatic transmissions to gain better economy As a result, we are making measurable progress on fuel efficiency

We are also conducting extensive trials on alternative fuels such as bio diesel, compressed natural gas and liquefied natural gas These include a joint project with the Royal Mail in which we are sharing bio fuel trial data

Reducing our carbon footprint is a journey and education will play an important part in improving our performance We have retained external advisers to improve our knowledge and give us leading academic advice on environmental best practice in our fleet and sites By developing sector leading technical competencies we can, in turn, advise our customers on best practice For example, we have teamed up with a specialist software consultancy to provide customers with systems for measuring their carbon footprints

Our reverse logistics business makes a major contribution to customers' own environmental and waste reduction programmes by providing reusable transit packaging and associated reverse logistics services In its 10 year life it has enabled customers to recover and recycle over 2 5m tonnes of cardboard and plastic packaging And its reusable trays have eliminated over 2bn cardboard cartons from the supply chain altogether

We now publish separate reports on both our health and safety performance and environmental impacts The reports for last year will be published on our website at www salvesen com shortly

Stewart Oades
Chief Executive

Financial review

Julian Steadman
Group Finance Director

- Revenue up 10% to £899 0m
- Underlying earnings*
  - profit before tax down 19% to £12 5m
  - earnings per share up 8% to 4 49p
- Reported earnings
  - profit before tax on continuing operations up 183% to £44 1m
  - profit after tax up 302% to £47 4m
  - earnings per share up 301% to 17 90p
- Return on capital employed 11 9%
- Free cash flow £61 2m
- Net debt at year end £39 4m

**before exceptional items*

Group overview
The results of the individual business units are described in detail on pages 4 to 15 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 two thirds 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 sectors are food retail with 40% of Group revenue and automotive with 16% of Group revenue

The Group's dedicated contracts represent around 30% of revenue and these services are mainly provided by assets that are either owned or underwritten by a particular customer The remaining 70% of the business is shared user, with many different customers sharing assets that are funded independently by the Group

Key performance indicators
At Group level, the focus is on revenue growth, operating profit margin, earnings per share, free cash flow and return on capital employed These are all discussed in detail in this review In addition, the individual businesses focus on economic profit, which is defined as operating profit before exceptional items less a notional charge for the capital employed

Revenue
Group revenue increased by 10% to £899 0m (2006 £819 3m), with minimal impact from changes in the euro exchange rate

Food and Consumer revenue increased by 11%, Transport revenue increased by 8%

Operating profit
Underlying operating profit (before exceptional items) decreased by £2 6m to £18 1m and resulted in a reduction in an overall operating margin from 2 5% to [illegible] 0% The impact of the euro exchange rate had minimal effect on operating profit

Food and Consumer underlying operating profit increased by £1 2m to £14 4m, primarily due to improved performance in our UK businesses offset by weaker performance in continental Europe

Transport underlying operating profit decreased by £3 8m to £3 7m due to weaker performance in the UK and Iberian businesses outweighing the improvement in France

Exceptional items
Exceptional items had a positive impact on pre tax profits of £31 6m compared to £0 2m in the prior year In addition a £2 0m provision has been established for potential liabilities relating to a business sold in an earlier year, reducing the overall positive impact to £29 6m

The current year included a gain of £26 0m from the sale and leaseback of some UK properties and a gain of £14 7m from changes in the UK pension plan offset by £6 3m of charges for the continuing restructuring programme and £[illegible] 8m related to lease costs for two underutilised UK properties The restructuring charges are expected to deliver annualised savings of approximately £2m in the future

The prior year costs related to the gain on disposal of a UK property and restructuring charges

Interest costs
The net interest charge increased by £0 3m to £5 6m (2006 £5 3m), with higher interest rates outweighing the benefit of lower average debt levels during the second half of the year The interest charge is covered 3 2 times by operating profit before exceptional items (2006 3 9 times)

Profit before tax
Profit before tax and exceptional items ("underlying profit before tax") decreased by £2 9m to £12 5m After taking account of the exceptional items, reported profit before tax on continuing operations increased by £28 5m to £44 1m

Taxation
For the year, there is an overall tax credit of £5 3m (2006 £3 8m charge) The exceptional profit on the sale of UK property did not give rise to a tax charge due to the availability of prior year capital losses, and the retention of future capital allowances resulted in a net credit The exceptional gain for past service cost in the UK pension scheme was a non taxable item The effective tax rate on underlying profits of 5% (2006 29%) reflects the impact of favourable settlements with various tax authorities relating to 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

Earnings per share
Basic earnings per share increased by 301% from 4 46p to 17 90p based on 264 8m shares (2006 264 7m shares) Earnings per share, before exceptional items ("underlying earnings per share") increased by 8% from 4 16p to 4 49p

Dividend
The board has recommended a final dividend of [illegible] 45p per share This brings the total for the year to 3 65p per share, unchanged from the previous year The dividend is covered 4 9 times by net earnings (2006 1 2 times) and 1 2 times by earnings before exceptional items ("underlying earnings") (2006 1 1 times)

Cash flow
Free cash flow, defined as net cash generated from operating activities plus cash generated from investing activities, was £50 2m higher than the previous year at £61 [illegible]m (2006 £11 0m), and is boosted by the £52 2m from asset sales (2006 £7 1m) Cash spent on capital expenditure of £16 1m was £2 3m lower than the previous year (2006 £18 4m) 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 from working capital was £3 5m (2006 £4 5m) The year end working capital position of £5 6m is quite small and, for most of the year, is considerably higher than at the year end The £3 5m increase reflects the growth in revenue

The cash cost of dividends paid during the year was unchanged at £9 6m

Return on capital employed
Return on capital employed is calculated by dividing underlying operating profit by the average net assets during the year Net assets exclude net debt, goodwill, pension deficit and tax provisions The return for the year was 11 9% (2006 11 8%) Average net assets during the year were £152 2m (2006 £176 0m)

Balance sheet
Group net assets increased by £46 3m, with the major changes being a £29 5m decrease in tangible fixed assets, a £54 9m decrease in net debt and £25 4m decrease in net pension liabilities We still hold freehold property worth significantly more than its net book value of £43 0m

Pensions
The Group's main defined benefit scheme in the UK is closed to new employees During the year, the trustees agreed to reductions in the benefits provided by the scheme and the company agreed to maintain its cash contributions The total charge against operating profit, before exceptional items, for the UK defined benefit scheme reduced by £1 1m to £5 5m (2006 £6 6m), primarily due to a lower net interest cost In addition, earnings for the year were improved by a £14 7m exceptional gain related to the benefit cost from past service as a result of the changes made to the scheme

The year end deficit decreased by £23 7m to £49 2m (2006 £72 9m) on a pre tax basis, with the major reductions coming from the £14 7m exceptional gain related to past service and £13 3m from the actuarial assumptions related to future liabilities Offsetting these was a £6 5m increase due to actual investment returns in the year being less than the assumed returns During the year, the trustees maintained an asset allocation with around 80% invested in equities

A discount rate of 5 4% has been used to compute the net present value of liabilities (2006 5 05%) The scheme actuary has calculated that a discount rate of 6 2% would eliminate the £49 2m pre tax deficit

At the year end, there was a deferred tax asset of £14 8m (2006 £13 1m) related to the deficit After including this, the after tax deficit decreased by £25 4m to £34 4m (2006 £59 8m)

During the year the Group contributed £7 7m in cash, equivalent to 18% of pensionable payroll

Funding and capital structure
At the year end, net debt was £39 4m (2006 £94 3m) and represented gearing of 39% (2006 175%) Excluding the pension deficit and the related deferred tax asset, year end gearing stood at 29% (2006 83%) Net debt included £70 5m of euro denominated debt (2006 £116 7m), with the change in the year end exchange rates reducing net debt by £3 3m

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 risk
The Group is exposed to fluctuations in the value of the euro Overseas trading results have been translated using a euro exchange rate of 1 48 (2006 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 47 (2006 1 43) 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 covered by forward exchange contracts

Liquidity and interest rates
The Group has a syndicated banking facility totalling £130m, 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 are set out on pages 39 to 43 During the year a number of new Standards and Interpretations were adopted by the Group The adoption of IFRIC 4 'Determining whether an arrangement contains a lease' has led to a reclassification of certain plant and equipment into finance lease receivables Revenue and cost of sales are also affected marginally following the adoption of the interpretation although earnings and net assets were unaffected Prior year comparatives have been restated accordingly

Share price
The closing mid market price at the year end was 58 75p (2006 63 25p) During the year, the price range was from 58 0p to 78 0p per share

Julian Steadman
Group Finance Director

Summary income statement

Year to 31 March	2007 £m	2006 (restated) £m
Revenue	899 0	819 3
Operating profit before exceptional items	18 1	20 7
Exceptional items (including discontinued)	29 6	0 2
Interest	(5 6)	(5 3)
Taxation	5 3	(3 8)
Profit for the year	47 4	11 8

Summary balance sheet

As at 31 March	2007 £m	2006 (restated) £m
Intangible fixed assets	75 0	76 9
Tangible fixed assets and investments	110 9	140 4
Working capital	5 6	2 6
Other items	(9 0)	1 6
Tax	(1 6)	0 4
Net debt	(39 4)	(94 3)
Deferred tax	(6 9)	(13 9)
Pension liabilities (net)*	(34 4)	(59 8)
Total net assets	100 2	53 9

*Net of related deferred tax asset

Summary cash flow

Year to 31 March	2007 £m	2006 (restated) £m
EBITDA	39 8	44 0
Working capital	(3 5)	(4 5)
Interest and taxation paid	(5 0)	(12 9)
Exceptional costs and other	(6 2)	(4 3)
Fixed asset receipts	52 2	7 1
Capital expenditure	(16 1)	(18 4)
Free cash flow	61 2	11 0
Acquisitions and disposals		(0 1)
Dividends	(9 6)	(9 6)
Net cash flow	51 6	1 3
Foreign exchange	3 3	(2 0)
Decrease/(increase) in net debt	54 9	(0 7)

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 Executive Chairman of United Biscuits Group and a non executive director of Royal Mail Holdings Plc Age 59

Lawrence R Christensen CBE DCL FILT FIMS *†#
Non executive director from July 2004, chairman of the Remuneration Committee and Senior Independent Director 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 After a short period in an advisory role, he was asked to become Managing Director of Sainsbury's Convenience Retail business, which he continues to do He was awarded a CBE in 1999 for services to the freight transport and logistics industries President of the Freight Transport Association for four years and a director for 15 years Age 63

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 Other previous roles include Managing Director of Christian Salvesen's food logistics operations from 1993 to 1996 and senior positions at Heron Distribution and Safeway Stewart is a non executive director of GS1 UK Limited, a not for profit organisation which promotes the efficient use of electronic and communication standards in the supply chain and a director of the Freight Transport Association Age 54

Alain Poinssot *†#
Non executive director from September 2005 A French citizen, Alain is a consultant with AXEP 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 GeoPost parcels group, the French transport group MALHERBE and Societe Cherifienne des Engrais et Produits Chimiques SA, a Moroccan company that manufactures and distributes chemicals and fertilisers Age 61

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 53

Mark Morris FCA *†#
Non executive director from April 2006 and chairman of the Audit Committee 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 Mark is also a non executive director of LSL Property Services PLC Age 47

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 Affairs Committee

Corporate governance

Introduction
The company is 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
Apart from the matters detailed below, the company has complied throughout the financial year ended 31 March 2007 with all the provisions set out in the Code Furthermore, the company has decided to accelerate compliance with and take early advantage of the relaxations in the revised Code issued by the Financial Reporting Council in June 2006 for reporting years starting on or after 1 November 2006 Accordingly, Mr D J Fish was re appointed a member of the Remuneration Committee on 1 March 2007 having been considered independent on his appointment as Chairman As a matter of best practice the company was already compliant with the other provisions introduced into the Code, having already introduced last year a 'vote withheld' option on proxy forms, to enable shareholders to indicate if they have reservations on a resolution but do not wish to vote against, and having published for some years now on its website www salvesen com the details of proxies lodged at general meetings and whether votes are taken on a show of hands or on a poll

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 two executive directors, four non executive directors and the non executive Chairman, Mr D J Fish The appointment of Mr M Morris as a non executive director on 12 April 2006 brought the total number of non executive directors (including the Chairman) to six The retirement of Mr A Edelman and Mr P E B Cawdron at the last annual general meeting (AGM) on 13 July 2006 reduced the number to four Both directors retired prior to completing nine years of service, the board having had regard to the provisions in the Code relating to length of service Mr L R Christensen CBE was nominated by the board as the senior independent director with effect from Mr Cawdron s retirement The biographical details of all of the current directors are set out on page 20 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 During a busy year the Remuneration Committee met on six occasions and the Audit Committee on five 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 (which forms the first item on every board agenda), human resources updates and information technology and business development projects The board also regularly invites the heads of the business units 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

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 Morris, who is a chartered accountant and is considered by the board to have recent relevant financial experience He was appointed chairman of the Audit Committee with effect from 14 July 2006 as successor to Mr Cawdron Mr Christensen chairs the Remuneration Committee and Mr Fish chairs the Nomination Committee

Board attendance

The board met on eleven scheduled occasions during the year and at other times as appropriate The following table sets out the attendance of the directors at board and various committee meetings during the year ended 31 March 2007 During the year, every director attended all scheduled meetings during their term of office, except as disclosed in the table below

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

	Board meetings scheduled	Board meetings un scheduled	Audit Committee meetings	Remuneration Committee meetings
Total number held	11	4	5	6
Chairman				
D J Fish	11	4	5[1]	1[2]
Executive directors				
S Oades	11	4	N/A	N/A
J A Steadman	11	4	5[1]	N/A
Non executive directors				
P E B Cawdron[2] (ceased 13 07 2006)	2	N/A	2	2
L R Christensen	11	4	5	6
A Edelman (ceased 13 07 2006)	3	N/A	1	3
M Morris[3] (appointed 12 04 2006)	10	4	4	5
A Poinssot	11	4	5	6

Notes

1 Mr Steadman and Mr Fish attend meetings of the Audit Committee by invitation of the committee

2 During Mr Cawdron s and Mr Edelman s period as directors during the year 4 scheduled meetings of the board 2 meetings of the Audit Committee and 4 meetings of the Remuneration Committee took place During Mr Fish s period as a member of the Remuneration Committee during the year one meeting of the Committee took place

3 Mr Morris has attended all meetings called during his period as a director

Board performance evaluation

During the last year, the board completed 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 This was an internal exercise led by the Chairman and co ordinated by the Company Secretary who collated the information and presented to the Chairman a summary report of the conclusions The summary report was used by the Chairman as a basis for collective and individual discussions with the other directors about their personal performance and the effectiveness of the board As part of the process the senior independent director has met with the other directors, without the Chairman present, to discuss the Chairman's performance and effectiveness in his role The senior independent director has given feedback to the Chairman on behalf of the rest of the board

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 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 5 occasions during the year under the chairmanship of Mr Cawdron (until his retirement at the AGM held on 13 July 2006) and then Mr Morris, its other members are Mr Poinssot and Mr Christensen Mr Edelman also served on the committee until his retirement at the AGM held on 13 July 2006 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 and Group Financial Controller attend 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 46 The non audit fees arose principally in respect of compliance and assurance work (including taxation and pensions advice) 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 Christensen, Mr Poinssot and Mr Morris Mr Cawdron and Mr Edelman also served as members of the committee until their retirement at the AGM held on 13 July 2006 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 appointments to the board and senior management of the company

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 four new appointments to the Executive Committee that took place during the year The committee considers the composition and balance of skills on the board and within the company's senior management at the time and prepares a brief based on the requisite industry experience and skill sets it considers necessary for the new appointments As and when necessary, the committee appoints external consultants to seek suitable candidates based on the briefs it has agreed

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 J A Steadman who was appointed on 20 November 2003 and Mr L R Christensen who was appointed on 1 July 2004 will retire at the forthcoming AGM and will be seeking re election The board considers that both directors demonstrate commitment to their respective roles and continue to be effective and recommends that the resolution to re elect them be approved

On appointment, directors take part in a comprehensive induction programme tailored to their individual needs, 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 five other occasions The committee was chaired during the year by Mr Christensen Its other members were Mr Edelman and Mr Cawdron until their retirement at the AGM held on 13 July 2006 and, currently, Mr Morris, Mr Fish and Mr Poinssot Mr Fish was re appointed to the committee on 1 March 2007 following the company's decision to take advantage of the relaxations of the Code permitted by the updated version of the Code issued by the Financial Reporting Council in June 2006 for reporting years starting on or after 1 November 2006 Mr Fish was considered independent on his appointment as Chairman The Committee's 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 27 to 31, 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 business units Separate meetings were also held during the year by the heads of the business units 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

The Chairman and senior independent director make themselves available to meet with leading 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 votes withheld) after each has been dealt with on a show of hands or a poll Details of proxies lodged at the AGM will also be published on the company's website

Internal control

The directors are responsible for the Group's system of internal control and for reviewing its effectiveness The board has delegated to executive management the responsibility for designing, implementing, operating and monitoring both the system and the maintenance of effective internal controls in each of the businesses which comprise the Group

Through the Audit Committee and the Group Internal Audit department, the board obtains ongoing assurance that systems of risk management and internal control are effectively designed and operated to comply with the guidance of the Turnbull Committee This takes place through a pre agreed programme of audit reviews, the results of which are presented to the Audit Committee four times a year The audit programme covers a wide range of potential risks including operations, health and safety, quality, information technology and sales as well as finance Where control weaknesses are identified, corrective actions are agreed with business unit management who are then responsible for implementing change

Systems of risk management and internal control were in place throughout the financial year ending 31 March 2007 and up to, and including, the date of approval of the annual report and financial statements by the board The board is satisfied that the system of internal control is effective and that appropriate action has been, or is being, taken as necessary to rectify internal control failings

The board has not been advised of any material weaknesses in that part of the internal control system that relates to the annual report and accounts

The Group's risk management and internal control systems are designed to manage rather than eliminate the risks associated with achieving business objectives Whilst subject to ongoing review and updates, the Group's systems can provide only reasonable and not absolute, assurance against misstatement or loss

The board has an ongoing process for identifying, evaluating and managing significant risks faced by the Group Each business unit has identified the key risks it faces, taking account of the strategic objectives of the Group These have been recorded in a risk framework using a process coordinated by the Group Internal Audit department Risk and associated controls continue to be reviewed by business units and the executive directors on an ongoing basis and are adjusted in light of changes to strategy or the operating environment The risks and controls cover a wide range of financial, operational and compliance matters

Key risks and internal controls are identified below

- The Group has clearly designated lines of responsibility and limits of delegated authority The Chief Executive and Group Finance Director meet business unit managing directors on a regular basis to discuss particular issues affecting each business unit, including major risks The Chief Executive and, separately, the Group Finance Director attend each business unit's board meeting at least once per year
- Strategic risk is covered by an annual update of the three year strategic plan Each business unit prepares a strategic plan which is presented to, and agreed by, the board Business unit managing directors regularly report progress against strategic plan to the board
- Key financial risks are addressed through a comprehensive budgeting and financial reporting system Annual budgets, which support the strategic plans, are prepared and submitted to the board for review and approval Monthly performance is reported to the board and includes an assessment of achievements against the budget and prior year Business unit managing directors are invited to board meetings from time to time to discuss the performance of their business units Forecasts of future financial performance are updated quarterly and compared to budget and strategic plan
- The hiring, development and retention of key personnel has been addressed in several ways under the overall guidance of the Head of Group Human Resources Director and executive management positions are the subject of succession plans and recruitment into these roles is overseen by the Nomination Committee which is able to call on the support of the Head of Group Human Resources as necessary The company has developed a number of talent management tools and appraisal processes which monitor the performance and development needs of the whole management population
- The Group trades with several customers who individually contribute significant turnover to the Group's, or business units', results The nature of the logistics industry is such that contracts are won and lost throughout the year, some of which will be large in the context of the company's business The directors consider that the diverse nature of the Group s operations over six business units, two industry sectors and seven countries, as well as close monitoring of key customer relationships by the Chief Executive, acts to mitigate associated risk
- Major projects are subject to a thorough evaluation process which includes the use of a well developed project risk model For the most significant projects, the project sponsor or project team presents its case to the board prior to the board approving the project Such projects are also the subject of post implementation project reviews which are presented to the board
- The current policy on 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

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 continued 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 functions, 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 business units identified as not achieving the highest levels of performance are reviewed to identify the underlying causes and to facilitate corrective action

The board is delighted to confirm that this emphasis on health and safety has resulted in the company as a whole and four individual operating sites having received prestigious RoSPA Gold Health and Safety Awards

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

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 and further information on some of the environmental initiatives being pursued by the company is contained in the Operating Review on page 15

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
- 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
- An MSc student is sponsored each year on the Logistics and Supply Chain Management course at the Heriot Watt University School of Management

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

The fund raising activities of colleague circles across all business units have this year benefited a number of charitable causes The board congratulates and thanks colleagues for their efforts and will continue to support these initiatives

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 2007 Section 6 (Directors' remuneration for the year ended 31 March 2007) 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 12 July 2007

1 Remuneration Committee composition, responsibilities and operation
The membership of the Remuneration Committee is entirely non executive and the members are listed on pages 20 and 24

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

During the year, the company took advantage of the relaxation in the updated version of the Code issued by the Financial Reporting Council in June 2006 for reporting years starting on or after 1 November 2006 permitting chairmen to sit as members of remuneration committees Accordingly, Mr D J Fish was re appointed to the Remuneration Committee with effect from 1 March 2007 Mr Fish was considered independent on his appointment as Chairman The Committee is chaired by Mr L R Christensen CBE

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 had access to professional advice from the Head of Group Human Resources, Mr R C Fitch, and the Company Secretary, who also co ordinated and collated external advice on remuneration The committee received external advice during the year from Mercer Human Resource Consulting and PricewaterhouseCoopers LLP (in relation to pensions) and Watson Wyatt (in relation to salary reviews and the long term incentive plan ("LTIP") approved by shareholders at the AGM held on 13 July 2006, 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

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 last benchmarked against the market, the Chief Executive's level of annual basic salary was positioned just below the median of comparator data for Chief Executive roles of similar size in broadly comparable companies on the basis of Watson Wyatt s proprietary remuneration survey data and the Finance Director's level of annual basic salary was positioned below the median of comparator data for Finance Directors, on the same basis When setting salary levels, account is taken of other benefits and the impact of salary on other elements of remuneration, particularly pensions

The Remuneration Committee has decided that for the year ending 31 March 2008, the basic salary entitlement of executive directors and members of the company's Executive Committee will be frozen at 31 March 2007 levels However a one off, non pensionable salary supplement will be payable in addition to normal bonus arrangements subject to the achievement of certain minimum financial targets during the financial year

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 financial 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 principally on financial 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 2007, the EPS growth must equal at least RPI plus 5% per annum compound

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 the LTIP which is 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

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 £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 (calculated on an IIMR basis)

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

Long Term Incentive Plan ("LTIP")
In 2006, the board undertook a review of the long term incentive element of remuneration for the executive directors and other key senior executives with the aim of ensuring that the company's reward policy supports the company's long term strategic objectives and reflects current best practice Following extensive consultation with principal shareholders and its remuneration consultants, Watson Wyatt, the LTIP was approved by shareholders at the AGM held on 13 July 2006

The 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 in the event of any material acquisition or disposal of operating assets that was not envisaged in the company's business plan

Targets are 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 25% of an award will vest 10% growth on the same basis would trigger 100% vesting with awards vesting on a prorated basis for growth between 4% and 10%

There is also 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 may not be exercised to increase awards

The LTIP is administered by the Remuneration Committee which invites senior executives to participate at its discretion The maximum annual aggregate face value of LTIP awards is 100% of basic salary (but a maximum on recruitment of 150% of basic salary, in exceptional circumstances) However, no annual awards currently exceed 80% of any individual's salary

Awards were made under the LTIP to Mr Oades and Mr Steadman during the year

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 The Scheme is now closed to new entrants 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 12% of pensionable salary,
- 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 (6% compound pa from 2010)

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

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

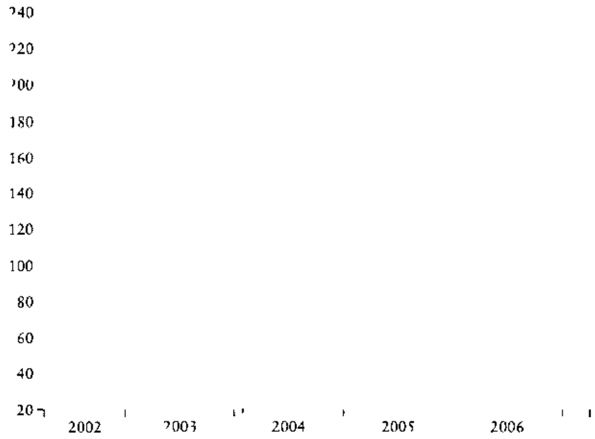
Non executive directors' remuneration
The basic fee for non executive directors is £33,000 per annum and this was last changed in July 2004 Additional fees of £3,000 are paid for chairing the Audit Committee and the Remuneration Committee respectively

The maximum aggregate fees payable to directors (as distinct from executive salaries) is set out in the company's articles of association and currently stands at £350,000 per annum

Other payments
As disclosed previously, Mr S Oades received £60,000 in addition to his salary in July 2006 and will receive a further payment of £60,000 subject to him still being in employment in 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

3 Performance graph
The first graph below illustrates the performance of the company over the five years to 31 March 2007 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 do not have fixed expiry dates but instead require one year's notice from either the individual or the company which may be served at any time Mr Oades' service agreement is dated 9 November 2004 and Mr Steadman's is dated 19 November 2003

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

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 During the year, Mr Oades was appointed as a director of GS1 UK Limited, a not for profit organisation which promotes the efficient use of electronic and communication standards in the supply chain, and of the Freight Transport Association Limited In the board's view, these bodies are important industry forums and representation on them is both consistent with the duties of a responsible logistics provider and in the best interests of the company Mr Oades is not remunerated for these appointments

6 Directors' remuneration for the year ended 31 March 2007

Directors' emoluments excluding pension related benefits

	Basic salary and fees £ 000	Taxable benefits £ 000	Cash bonus £ 000	Other taxable pay/benefits £ 000	Payments in lieu of pension £ 000	2007 Total £ 000	2006 Total £ 000
Chairman							
D J Fish	150	–	–	–	–	150	150
Executive directors							
S Oades	386	27	18	60	108	599	623
J A Steadman	264	16	22	2	73	377	345
Non–executive directors							
P E B Cawdron (ceased 13 07 2006)	12	–	–	–	–	12	36
L R Christensen	36	–	–	–	–	36	36
A Edelman (ceased 13 07 2006)	11	–	–	–	–	11	33
M Morris (appointed 12 04 2006)	35	–	–	–	–	35	–
A Poinssot	33	–	–	–	–	33	19
Total	927	43	40	62	181	1,253	1,242

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 Steadman a discretionary payment of £9 945 for the achievement of certain personal performance targets

Other taxable pay and benefits relates to the following Mr Oades received £60,000 as contractual compensation agreed at the time of recruitment and as disclosed in previous reports 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 was pensionable

Payments in lieu of pension are more fully explained in the section on pensions below

The figures for Mr Morris Mr Edelman and Mr Cawdron cover the period during which they were directors

Details relating to pension entitlements and life insurance for the executive directors are summarised on pages 28 and 29 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 during period £ 000 p a (1)	Increase in accrued pension net of inflation benefits £ 000 p a (2)	Total accrued pension at 31/03/2007 £ 000 p a (3)	Value of net increase in accrual over period £ 000 (4)	Value of accrued pension at 31/03/2007 £ 000 (5)	Value of accrued pension at 31/03/2006 £ 000 (6)	Total change in value during period £'000 (7)	Notional cost of death benefit £ 000 (8)
S Oades	4	4	7	37	91	40	39	4
J A Steadman	4	4	12	36	161	109	40	4

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 above the pension arrangements of the executive directors were based upon membership of the Scheme However, also as shown above, benefits under the Scheme accrue on a proportion of salary only, currently up to £108,600 (£112,800 for the year 2007/8) To reflect the restricted nature of benefits accruing under the Scheme executive directors therefore receive a supplement to invest in pension provision as they see fit and at their risk, as disclosed in the table of directors' emoluments above Death in service benefit cover was also provided, outside the Scheme arrangements, on salary above the restricted amount In addition to the emoluments shown above as directors of the company throughout the year they received the following benefits

Cost of death in service cover

	2007 Total £ 000	2006 Total £ 000
S Oades	1	3
J A Steadman	1	2

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 2006	Number of options during year Granted	Exercised	Lapsed	Number at 31 March 2007	Earliest exercise date	Expiry date
S Oades									
Deferred									
Bonus	18 07 2006	Nil	–	10,366	–	–	10,366	06 2009	06 2010
Matching	18 07 2006	Nil	–	10,366	–	–	10,366	06 2009	06 2010
LTIP	11 08 2006	Nil	–	429,752	–	–	429,752	07 2009	10 08 2016
Total			–	450,484	–	–	450,484		
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	18 07 2006	Nil	6,039	7,841	–	–	13,880	06 2008	06 2010
Matching	18 07 2006	Nil	6,039	7,841	–	–	13,880	06 2008	06 2010
LTIP	11 08 2006	Nil	–	292,231	–	–	292,231	07 2009	10 08 2016
Total			389,390	307,913	–	–	697,303		

Notes

The options under the Executive Share Option Scheme and LTIP 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 Oades and Mr Steadman for the achievement of Group sales targets in the financial year ending 31 March 2006 These comprised options over deferred shares to a value of £6 445 in Mr Oades case and £4 875 in Mr Steadman s, 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 62 17 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

During the year options pursuant to the LTIP were awarded to Mr Oades and Mr Steadman to the value of £312 000 in Mr Oades case and £212 160 in Mr Steadman s such values representing 80% of their respective salaries These options become exercisable on the achievement of Group earnings per share targets measured over the financial years ending 2007 9 inclusive Awards were made on the basis of a share price of 72 60 pence being the average of the mid market price of the company s shares in the five dealing days immediately following approval of the LTIP at the AGM held on 13 July 2006

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 27 and 28

The closing mid market price of the shares at 31 March 2007 was 58 75p and the range during the year ended 31 March 2007 was 58 00p to 78 00p

Shareholdings

	at 31 March 2007	at 1 April 2006
Chairman		
D J Fish	494,600	494,600
Executive directors		
S Oades	100,000	–
Non executive directors		
M Morris (appointed 12 04 2006)	30,000	–
A Poinssot	10,000	10,000

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
5 June 2007

Directors' report

Profit and dividends
The profit for the financial year after taxation was £47 4m (2006 £11 8m)

An interim dividend of 1 2 pence per ordinary share was paid on 29 January 2007 and the directors now recommend a final dividend of 2 45 pence per ordinary share payable on 31 August 2007, making a total in relation to the year of 3 65 pence per ordinary share (2006 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 60

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 2 and 3 and in the operating review on pages 4 to 15 The principal risks and uncertainties facing the company and certain financial key performance indicators are included within the financial review on pages 16 to 19

Principal subsidiary and associated undertakings are listed on pages 53 and 54

Post balance sheet events
Post balance sheet events are disclosed in note 14 to the accounts on page 54 and in note 32 on page 69

Directors
The present directors of the company and their biographical details are listed on page 20

Mr A Poinssot and Mr M Morris, who were appointed on 16 September 2005 and 12 April 2006 respectively, retired and were subsequently elected at the annual general meeting (AGM) held on 13 July 2006

Mr J A Steadman and Mr L R Christensen CBE who were appointed as directors on 20 November 2003 and 1 July 2004 respectively, will retire and offer themselves for election at the forthcoming AGM to be held on 12 July 2007

Mr P E B Cawdron and Mr A Edelman retired at the last AGM and did not seek re election

Mr 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 31

Donations
During the year the Group donated £26,796 (2006 £30,551) to a variety of registered UK charities Donations of over £2,000 were made to TransAid (£12,500), SPARKS (SPort Aiding medical Research for KidS) (£7,000) and the road safety charity BRAKE (£6,000)

No political donations were made during the year (2006 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 company as a whole and four individual operating sites have received prestigious RoSPA Gold Awards for Health and Safety

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

These areas are addressed further in the operating review on pages 12 to 15 and in the corporate governance report on page 26

Employees
Local 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 most recent such survey took place in November 2006, the results of which were presented to the Executive Committee Appropriate actions are being taken across the business in response to its 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 834 employees (2006 961) 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 continued 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 26

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 12

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 (2006 £0 4m) was due by the company to trade creditors which represented 38 days (2006 42 days) In overall terms, the amount due by the Group to trade suppliers represented approximately 40 creditor days outstanding at the balance sheet date (2006 38 creditor days)

Acquisition of the company's own shares
At the end of the year, the directors had authority, under the shareholders' resolution of 13 July 2006, to purchase through the market 26,527,000 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 will expire at the conclusion of the AGM to be held on 12 July 2007
No such purchases have been made during the year

Annual general meeting
The AGM will be held at the Sheraton Grand Hotel, 1 Festival Square, Edinburgh on Thursday 12 July 2007 at 11 am

Special business
In addition to the routine business of the meeting the following resolutions will be proposed for approval

Resolution 7 proposes, as an ordinary resolution, to authorise the directors to exercise the powers of the company to allot relevant securities This resolution is a renewal of a resolution passed at the AGM in 2002 and is limited to £15,050,000 which is approximately 20% of the issued share capital of the company The authority passed under this resolution would expire on the earlier of 11 July 2012 and the conclusion of the AGM in that year

Subject to Resolution 7 being passed, Resolution 8 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 of the company The resolution also disapplies these rights to the extent necessary to facilitate rights issues The authority under this resolution would expire at the conclusion of the AGM in 2008 or on 11 July 2008, 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 9 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 9 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

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 11 May 2007 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
UBS Global Asset Management	22 638,324	8 53
A E H Salvesen*	16,513,333	6 22
Global Asset Management	15,588,500	5 88
Fidelity International Limited	13,040,902	4 92
Legal & General	11,036,346	4 16

*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

E H D Peppiatt, Secretary
5 June 2007

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 cash flows 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 2007 which comprise the consolidated income statement, the consolidated and parent company balance sheets, the consolidated and parent company cash flow statements, the Group and parent company statement 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 also 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, as regards the Group financial statements, 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 information presented in the chairman's statement, the operating review and financial review that is cross referred from the business review section of the directors' report

In addition we 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 Combined Code (2003) 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 directors' responsibilities statement, the unaudited part of the directors' remuneration report the chairman's statement, the operating review, 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 by the European Union, of the state of the Group's affairs as at 31 March 2007 and of its profit and cash flows for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by 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 2007 and its cash flows 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 Regulations, and
- the information given in the directors' report is consistent with the financial statements

PricewaterhouseCoopers LLP
Chartered Accountants
Birmingham
5 June 2007

Consolidated income statement

for the year ended 31 March 2007

	Notes	2007 £m	2006 (restated) £m
Continuing operations			
Revenue	1	899 0	819 3
Cost of sales		(838 1)	(754 6)
Gross profit		60 9	64 7
Other operating income		42 4	2 4
Administrative expenses		(53 6)	(46 2)
Operating profit	1	49 7	20 9
Interest receivable	5	3 7	1 6
Interest payable and similar charges	5	(9 3)	(6 9)
Profit before income tax		44 1	15 6
Analysed as			
Underlying profit before exceptional items	1	12 5	15 4
Exceptional operating income	4	40 7	2 2
Exceptional administrative expenses	4	(9 1)	(2 0)
Profit before income tax		44 1	15 6
Income tax	6	5 3	(3 8)
Profit for the year from continuing operations		49 4	11 8
Discontinued operations	4	(2 0)	–
Profit for the year		47 4	11 8

All profits are attributable to equity shareholders of the company

	Notes	2007 £m	2006 £m
Dividends per share paid in the year at 3 65 pence per share (2006 3 65 pence per share)	7	9 6	9 6

	Notes	2007 pence	2006 pence
Earnings per share	8		
From continuing operations			
– basic		18 66	4 46
– diluted		18 36	4 43
From continuing and discontinued operations			
– basic		17 90	4 46
– diluted		17 62	4 43

Earnings per share before exceptional items is disclosed in note 8

Statement of recognised income and expense

for the year ended 31 March 2007

	Notes	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Exchange translation effect on foreign currency net investments		(0 4)	0 1	–	–
Taxation on foreign currency exchange differences		(0 2)	0 1	–	–
Actuarial gain/(loss) recognised in the pension scheme	29	6 8	(10 7)	–	–
Deferred tax relating to pension liability		1 7	–	–	–
Net income/(expense) recognised directly in equity		7 9	(10 5)	–	–
Profit for the year		47 4	11 8	7 0	4 1
Total recognised income and expense for the year		55 3	1 3	7 0	4 1

There were no changes recognised directly in associates' equity in 2007 or 2006

Balance sheets

as at 31 March 2007

	Notes	Group 2007 £m	Group 2006 (restated) £m	Company 2007 £m	Company 2006 £m
Non current assets					
Goodwill	10	66 8	68 7	–	–
Other intangible assets	11	8 2	8 2	0 1	–
Property, plant and equipment	12	110 2	139 7	0 1	0 2
Investment in subsidiaries	13	–	–	151 4	150 4
Investment in associates	14	0 7	0 7	–	–
Deferred tax assets	32	15 6	13 9	–	–
Trade and other receivables	17	3 2	3 2	318 9	292 3
Finance lease receivables	15	13 1	13 0	–	–
		217 8	247 4	470 5	442 9
Current assets					
Inventories	16	20 7	16 9	–	–
Trade and other receivables	17	164 0	149 0	4 4	5 8
Current tax receivables		1 2	2 7	–	3 0
Cash and cash equivalents	18	139 0	56 1	18 9	4 1
Finance lease receivables	15	2 5	2 2	–	–
		327 4	226 9	23 3	12 9
Current liabilities					
Trade and other payables	19	(179 5)	(161 9)	(6 7)	(5 9)
Current tax liabilities		(2 8)	(2 3)	(1 8)	–
Financial liabilities – short term borrowings	20	(79 8)	(9 4)	(75 8)	(0 2)
Short term provisions	22	(18 6)	(14 4)	(8 9)	(7 5)
		(280 7)	(188 0)	(93 2)	(13 6)
Short term provision in respect of business disposed of in an earlier year	4	(2 0)	–	(2 0)	–
		(282 7)	(188 0)	(95 2)	(13 6)
Net current assets/(liabilities)		44 7	38 9	(71 9)	(0 7)
Total assets less current liabilities		262 5	286 3	398 6	442 2
Non current liabilities					
Long term payables	19	(2 8)	(1 1)	(123 2)	(125 2)
Financial liabilities – long term borrowings	20	(98 6)	(141 0)	(91 4)	(131 5)
Retirement benefit obligations	29	(49 2)	(72 9)	–	–
Deferred tax liabilities	32	(7 7)	(14 7)	–	–
Long term provisions	22	(4 0)	(2 7)	–	(0 1)
		(162 3)	(232 4)	(214 6)	(256 8)
Net assets		100 2	53 9	184 0	185 4
Equity					
Called up share capital	23 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 and translation reserve	25	(22 0)	(68 3)	61 8	63 2
Total shareholders' equity		100 2	53 9	184 0	185 4

Approved by the board of directors on 5 June 2007 and signed on its behalf by

Directors

Stewart Oades
Julian Steadman

JA Steadman

Consolidated cash flow statement

for the year ended 31 March 2007

	Notes	Group 2007 £m	Group 2006 (restated) £m	Company 2007 £m	Company 2006 £m
Net cash from operating activities					
Operating profit		49 7	20 9	(0 2)	(0 6)
Adjustments for					
Exceptional operating costs		9 1	2 0	0 8	0 4
Exceptional profit on disposal of non current assets		(26 0)	(2 2)	–	–
Exceptional past service pension credit		(14 7)	–	–	–
Profit on disposal of non current assets		(0 2)	(1 4)	–	–
Depreciation and amortisation of non current assets		21 7	23 3	0 1	–
Employee share based payment schemes charge		0 6	0 5	0 2	–
		40 2	43 1	0 9	(0 2)
Movements in working capital and provisions		(3 5)	(4 5)	(26 8)	(1 3)
Difference between pension charge and cash contributions		(2 2)	(0 3)	–	–
Cash outflow from exceptional items excluding proceeds on exceptional disposal of non current assets		(4 4)	(3 1)	(0 5)	(0 4)
Net cash generated from/(used in) operations		30 1	35 2	(26 4)	(1 9)
Interest paid		(7 9)	(7 0)	(7 5)	(5 6)
Interest received		2 7	1 6	19 4	13 0
Income tax repaid/(paid)		0 2	(7 5)	2 3	(3 7)
Net cash generated from/(used in) operating activities		25 1	22 3	(12 2)	1 8
Cash flows from investing activities					
Purchase of property, plant and equipment		(16 1)	(18 4)	(0 1)	–
Proceeds from sale of property, plant and equipment*		52 2	7 1	–	–
Overdraft acquired with subsidiary undertakings		–	(0 1)	–	–
Dividends received from subsidiary undertakings		–	–	1 2	–
Net cash generated from/(used in) investing activities		36 1	(11 4)	1 1	–
Cash flows from financing activities					
Proceeds from new borrowings		0 1	137 2	–	137 2
Repayments of borrowings		(37 0)	(137 9)	(39 9)	(139 6)
Capital element of finance lease rentals		(2 2)	(1 8)	–	–
Dividends paid		(9 6)	(9 6)	(9 6)	(9 6)
Net cash used in financing activities		(48 7)	(12 1)	(49 5)	(12 0)
Increase/(decrease) in net cash and cash equivalents		12 5	(1 2)	(60 6)	(10 2)
Net cash and cash equivalents at 1 April		50 8	51 5	3 1	13 3
Exchange gains on cash and cash equivalents		(0 7)	0 5	–	–
Net cash and cash equivalents at end of year	18	62 6	50 8	(57 5)	3 1

*Includes £49 5m (2006 nil) in respect of exceptional disposal of non current assets

Accounting policies

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 The Group has made use of the exemption available under IFRS 1 to only apply IAS 32 and IAS 39 from 1 April 2005 A summary of the more important Group accounting policies is set out below

Prior period comparative figures have been restated to reflect a re analysis of £0 4m between administrative expenses and cost of sales in order to give a more meaningful and consistent comparison

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, 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 were taken when the company adopted IFRS were

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

Changes in accounting policies
The accounting policies adopted are consistent with those of the annual report and accounts for the year ended 31 March 2006, as described in those accounts, except for the adoption of the following Standards and Interpretations mandatory for accounting periods beginning on or after 1 April 2006

IFRS 6 Exploration for and evaluation of mineral resources

IFRIC 4 Determining whether an arrangement contains a lease

IFRIC 5 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds

IFRIC 6 Liabilities arising from participating in a specific market – Waste electrical and electronic equipment

IFRIC 7 Applying the restatement approach under IAS 29 'Financial reporting in hyperinflationary economies'

The adoption of these Standards and Interpretations did not have a significant effect on the Group's results and financial position for the period ended 31 March 2007, with the exception of IFRIC 4 which led to the reclassification of certain property, plant and equipment into finance lease receivables Revenue, depreciation and cost of sales figures also changed 2006 comparatives have been restated accordingly with a reduction in revenue and depreciation within cost of sales of £1 4m, property, plant and equipment reduced by £3 3m, intangibles by £0 1m, and finance lease receivables within current assets increased by £0 8m and within non current assets by £2 6m respectively Cash flows have been reclassified between working capital, depreciation and purchase of property, plant and equipment There is no profit impact or net asset impact

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 possible to ensure consistency with the policies adopted by the Group

(c) Joint ventures
The Group's interests in jointly controlled entities (i e those in which decisions are made on a joint basis with no power of veto) are accounted for by proportionate consolidation The Group combines its share of the joint venture's individual income and expense, assets and liabilities and cash flows 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

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 2007	euro 2006
Average rate	1 48	1 46
Year end rate	1 47	1 43

Property, plant and equipment
Land and buildings comprise 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

Assets in the course of construction are not depreciated

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 asset's 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 cash flows (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 a 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

Financing arrangements

Amounts loaned to third parties in relation to financing arrangements are treated as finance lease receivables and are shown net of interest receivable and any provision for doubtful debts

The interest receivable on amounts due is credited to the income statement over the period of the loan and is calculated based on the average amount owing in the year and the rate implied in each financing arrangement

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 every three years with an update for IAS 19 purposes 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

(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 over the vesting period, based on annually updated estimates of awards that are expected to 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

(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 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, 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 Provisions are recorded for the estimated ultimate liability that is expected to arise, taking into account the time value of money where material

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 cash flow 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 shareholders right to receive payment have 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

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 (cash flow 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 cash flows 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) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow 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 remain 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

At 31 March 2007 and 31 March 2006 the Group had no cash flow hedges in place

(c) Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow 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 2007	Gross sales £m	Inter segment sales £m	Revenue Sales to external customers £m	Operating profit before exceptionals £m	Exceptional items £m	Segment result Operating profit £m
Food and Consumer						
UK	256 7	(3 1)	253 6	10 4	25 3	35 7
Salvesen Foods	44 6	–	44 6	0 3	0 4	0 7
Mainland Europe	158 8	–	158 8	3 7	(1 3)	2 4
Total Food and Consumer	460 1	(3 1)	457 0	14 4	24 4	38 8
Transport						
UK	168 1	(1 5)	166 6	(4 6)	9 1	4 5
Iberia	130 6	(0 9)	129 7	1 9	(1 0)	0 9
France	146 3	(0 6)	145 7	6 4	–	6 4
Total Transport	445 0	(3 0)	442 0	3 7	8 1	11 8
Total segment	905 1	(6 1)	899 0	18 1	32 5	50 6
Unallocated						
Exceptional items – central				–	(0 9)	(0 9)
Operating profit				18 1	31 6	49 7
Finance costs – net				(5 6)	–	(5 6)
Profit before tax				12 5	31 6	44 1
Tax				(0 6)	5 9	5 3
Profit for the year from continuing operations				11 9	37 5	49 4
Loss from discontinued operations				–	(2 0)	(2 0)
Profit for the year				11 9	35 5	47 4

Year ended 31 March 2006	Gross sales (restated) £m	Inter segment sales £m	Revenue Sales to external customers (restated) £m	Operating profit before exceptionals £m	Exceptional items £m	Segment result Operating profit £m
Food and Consumer						
UK	220 1	(2 5)	217 6	8 6	2 2	10 8
Salvesen Foods	39 1	–	39 1	(0 2)	–	(0 2)
Mainland Europe	154 2	–	154 2	4 8	–	4 8
Total Food and Consumer	413 4	(2 5)	410 9	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	822 2	(2 9)	819 3	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

Revenue excludes sales of £33 5m (2006 £66 5m) 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	2007 Assets £m	2007 Goodwill £m	2007 Liabilities £m	2007 Net assets £m	2006 Assets £m	2006 Goodwill £m	2006 Liabilities £m	2006 Net assets £m
Food and Consumer								
UK	74 5	–	(39 9)	34 6	81 7	–	(28 7)	53 0
Salvesen Foods	29 5	–	(5 5)	24 0	24 7	–	(4 7)	20 0
Mainland Europe	65 7	–	(37 2)	28 5	65 9	–	(36 8)	29 1
Total Food and Consumer	169 7	–	(82 6)	87 1	172 3	–	(70 2)	102 1
Transport								
UK	54 6	–	(24 6)	30 0	57 2	–	(18 8)	38 4
Iberia	43 6	47 4	(32 2)	58 8	42 6	48 8	(29 8)	61 6
France	41 3	19 4	(32 4)	28 3	48 5	19 9	(32 9)	35 5
Total Transport	139 5	66 8	(89 2)	117 1	148 3	68 7	(81 5)	135 5
Total segment	309 2	66 8	(171 8)	204 2	320 6	68 7	(151 7)	237 6
Unallocated								
Central	13 4	–	(33 1)	(19 7)	12 3	–	(28 4)	(16 1)
Discontinued operations	–	–	(2 0)	(2 0)	–	–	–	–
Cash and cash equivalents	139 0	–	–	139 0	56 1	–	–	56 1
Tax and deferred tax balances	16 8	–	(10 5)	6 3	16 6	–	(17 0)	(0 4)
Retirement benefit obligation	–	–	(49 2)	(49 2)	–	–	(72 9)	(72 9)
Financial liabilities	–	–	(178 4)	(178 4)	–	–	(150 4)	(150 4)
Total	478 4	66 8	(445 0)	100 2	405 6	68 7	(420 4)	53 9

	2007 Capital expenditure £m	2006 Capital expenditure (restated) £m	2007 Depreciation/ amortisation £m	2006 Depreciation/ amortisation (restated) £m
Food and Consumer				
UK	3 9	3 4	4 2	4 6
Salvesen Foods	0 9	0 6	1 2	1 3
Mainland Europe	2 4	3 5	5 0	5 2
Total Food and Consumer	7 2	7 5	10 4	11 1
Transport				
UK	3 0	3 1	5 1	5 5
Iberia	2 0	3 7	2 0	2 2
France	1 4	1 7	1 7	1 8
Total Transport	6 4	8 5	8 8	9 5
Total segment	13 6	16 0	19 2	20 6
Central	1 7	2 4	2 5	2 7
Total	15 3	18 4	21 7	23 3

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		Segment assets		Capital expenditure	
	2007 £m	2006 (restated) £m	2007 £m	2006 £m	2007 £m	2006 (restated) £m
UK	464 5	412 2	172 0	175 9	9 6	9 3
France	194 0	177 9	84 2	91 9	2 4	3 5
Benelux	69 2	69 0	34 4	33 3	1 2	1 6
Iberia	171 3	160 2	98 8	100 5	2 1	4 0
Total segment	899 0	819 3	389 4	401 6	15 3	18 4
Unallocated assets						
– Cash and cash equivalents			139 0	56 1		
– Tax and deferred tax balances			16 8	16 6		
			545 2	474 3		

Analysis of revenue by category

	2007 £m	2006 £m
Sales of goods	43 9	36 7
Revenue from services	855 1	782 6
	899 0	819 3

2 Operating profit

Operating profit is stated after charging or (crediting)

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Employee costs (note 3)	317 5	308 2	3 3	3 8
Depreciation of property, plant & equipment				
– owned assets	17 5	19 4	0 1	–
– under finance lease	1 0	1 0	–	–
Doubtful debts	–	0 2	–	–
Amortisation of intangibles	3 2	2 9	–	–
Profit on sale of non-current assets	(0 2)	(1 4)	–	–
Exceptional operating income (note 4)	(40 7)	(2 2)	–	–
Exceptional operating cost (note 4)	9 1	2 0	0 8	–

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Operating lease rentals payable				
– Minimum lease payments	56 2	48 0	0 3	0 3
– Subleases	(0 3)	(0 2)	–	–
	55 9	47 8	0 3	0 3

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

	Group 2007 £m	Group 2006 £m
Auditors remuneration		
Audit fees		
– parent company and consolidation	0 2	0 2
– associates	0 5	0 3
Taxation	0 2	0 2
Actuarial services	0 1	0 1
Corporate finance transactions	0 1	0 1
	1 1	0 9

3 Directors and employees

	Group 2007 Number	Group 2006 Number	Company 2007 Number	Company 2006 Number
Average number of employees				
United Kingdom	8,970	8,540	64	79
Continental Europe	5,120	4,705	–	–
	14,090	13,245	64	79

	2007 £m	2006 £m
Employment costs during the year		
Wages and salaries	281 0	259 5
Share based payments	0 6	0 5
Social security costs	37 8	36 0
Other pension costs	12 8	12 2
	332 2	308 2
Past service pension credit (notes 4 and 29)	(14 7)	–
	317 5	308 2

	2007 £m	2006 £m
Key management compensation		
Salaries and short term employee benefits	4 1	3 6
Termination benefits	0 4	0 4
Post employment benefits	0 5	0 4
Share based payments	0 4	0 2
	5 4	4 6

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

	2007 £m	2006 £m
Directors' remuneration		
Executive directors	1 0	0 9
Non executive directors	0 3	0 3
	1 3	1 2

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 27 to 31 which forms part of these financial statements

4 Exceptional operating income and cost

	2007 £m	2006 £m
Continuing operations		
Profit on sale of non current assets	26 0	2 2
Past service pension credit (note 29)	14 7	–
	40 7	2 2
Restructuring and site closure costs	(9 1)	(2 0)
	31 6	0 2
Discontinued operations		
Additional provision in respect of business sold in an earlier year	(2 0)	–
	29 6	0 2
Attributable tax	5 9	0 6
	35 5	0 8

Restructuring costs in the year include £2 8m (2006 nil) in respect of onerous lease costs

5 Interest receivable, interest payable and similar charges

	2007 £m	2006 £m
Interest expense		
Bank loans and overdrafts	(7 9)	(5 7)
Interest payable on finance leases	(0 7)	(0 7)
Amortisation of issue costs of bank loan	(0 7)	(0 5)
Interest payable and similar charges	(9 3)	(6 9)
Interest receivable	3 7	1 6
Net interest payable	(5 6)	(5 3)

6 Income tax

	2007 £m	2006 £m
Analysis of tax (credit)/charge in the year		
Current tax		
UK corporation tax	(2 3)	0 5
Overseas tax	4 0	2 4
	1 7	2 9
Deferred tax		
UK	(6 8)	(0 9)
Overseas	(0 2)	1 8
	(7 0)	0 9
Tax (credit)/charge	(5 3)	3 8
Analysed as		
Tax on profit	2 7	3 8
Tax credit on exceptional administrative expenses	(2 8)	(0 6)
Tax credit on exceptional profit on sale of non current assets	(3 1)	–
Prior year tax adjustments	(2 1)	0 6
Taxation	(5 3)	3 8

Tax on items charged/(credited) to equity

	2007 £m	2006 £m
Current tax charge/(credit) on exchange movements offset in reserves	0 2	(0 1)
Deferred tax on pension deficit	(1 7)	–
Net tax credited to equity	(1 5)	(0 1)

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

	2007 £m	2006 £m
Profit before income tax on continuing operations	44 1	15 6
Multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	13 2	4 7
Effects of		
Adjustments to tax in respect of prior period	(2 1)	0 6
Adjustment in respect of overseas tax rates	0 4	0 1
UK capital gains covered by relief / non taxable pension past service credit	(15 3)	(1 0)
Other timing/disallowable items	(1 5)	(0 6)
Actual tax on profit	(5 3)	3 8

7 Dividends on ordinary shares

			2007 £m	2006 £m
Prior year	final paid	2 45p per share (2006 2 45p)	6 4	6 4
Current year	interim paid	1 20p per share (2006 1 20p)	3 2	3 2
Total		3 65p per share (2006 3 65p) (note 25)	9 6	9 6

The directors are proposing a final dividend in respect of the financial year ended 31 March 2007 of 2 45p per share which will absorb £6 4m of shareholders' funds If approved, the final dividend will be paid on 31 August 2007 to shareholders who are on the register of members on 3 August 2007

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

The directors consider that the basic earnings per share from continuing operations before exceptional items provides a more meaningful measure of underlying performance of the Group

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 four 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 schemes, Long Term Incentive Plan and Deferred Share Bonus Plan

	2007 pence	2006 pence
Continuing operations		
Basic	18 66	4 46
Basic before exceptional items	4 49	4 16
Diluted	18 36	4 43
Discontinued operations		
Basic	(0 76)	–
Diluted	(0 74)	–
Continuing and discontinued operations		
Basic	17 90	4 46
Diluted	17 62	4 43

	2007 000	2006 000
Average number of shares		
Weighted average ordinary shares in issue during the year	265,292	265,264
Shares owned by the Christian Salvesen Employee Share Trust	(525)	(538)
Weighted average ordinary shares used in basic earnings per share calculation	264,767	264,726
Dilutive potential ordinary shares	4,266	1,912
Diluted weighted average number of shares in year	269,033	266,638

9 Profit of parent company

	2007 £m	2006 £m
The amount of the consolidated profit for the financial year dealt with in the accounts of the parent company is	7 0	4 1

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

10 Goodwill

	2007 £m	2006 £m
Cost		
At 1 April	68 7	67 5
Exchange adjustments	(1 9)	1 2
Net book amount at 31 March	66 8	68 7

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

	2007 £m	2006 £m
Transport Iberia	47 4	48 8
Transport France	19 4	19 9
Total	66 8	68 7

The Transport Iberia goodwill of £47 4m relates to the acquisition of Gerposa in 1999 The Transport France goodwill of £19 4m 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 cash flow projections for the next 5 years for each cash generating unit using approved budget figures for the year to 31 March 2008 and the strategic plan for the years ended 31 March 2009 and 2010 Subsequent cash flows have been increased at a rate of 3% The cash flows were discounted using a post tax risk adjusted discount rate of 7 1%

In the case of Gerposa, if the discount rate were to increase to 8 9% or the operating profit forecasts were reduced to 70% of those projected, then the recoverable amount would equal the carrying amount With Darfeuille, the discount rate would need to increase to 22 8% or operating profit forecasts reduced to 40% of those projected for the recoverable amount to equal the carrying amount

There are no parent company related goodwill balances

11 Intangible fixed assets

	Internally generated software £m	Other software £m	Group Total £m	Company Other software £m
Cost				
At 1 April 2006 (restated)	10.2	15.8	26.0	–
Exchange differences	–	(0.2)	(0.2)	–
Additions – internally generated	2.4	–	2.4	0.1
Additions – separately acquired	–	0.9	0.9	–
Disposals	–	(0.1)	(0.1)	–
Transfer	2.6	(2.6)	–	–
At 31 March 2007	15.2	13.8	29.0	0.1
Amortisation				
At 1 April 2006 (restated)	8.0	9.8	17.8	–
Exchange differences	–	(0.1)	(0.1)	–
Charge for the year	1.6	1.6	3.2	–
Disposals	–	(0.1)	(0.1)	–
Transfer	2.6	(2.6)	–	–
At 31 March 2007	12.2	8.6	20.8	–
Net book value at 31 March 2007	3.0	5.2	8.2	0.1

	Internally generated software (restated) £m	Other software (restated) £m	Group Total (restated) £m	Company Other software £m
Cost (restated)				
At 1 April 2005	8.8	14.8	23.6	–
Exchange differences	–	0.2	0.2	–
Additions – internally generated	2.0	–	2.0	–
Additions – separately acquired	–	0.8	0.8	–
Disposals	(0.6)	–	(0.6)	–
At 31 March 2006	10.2	15.8	26.0	–
Amortisation (restated)				
At 1 April 2005	6.6	8.6	15.2	–
Exchange differences	–	0.1	0.1	–
Charge for the year	2.0	0.9	2.9	–
Disposals	(0.6)	0.2	(0.4)	–
At 31 March 2006	8.0	9.8	17.8	–
Net book value at 31 March 2006	2.2	6.0	8.2	–

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 1 April 2006 (restated)	149 2	66 3	160 5	0 2	376 2	1 3
Exchange differences	(1 6)	(0 9)	(1 2)	–	(3 7)	–
Additions	1 0	1 5	9 2	0 3	12 0	–
Disposals	(27 8)	(9 2)	(11 5)	–	(48 5)	–
Transfer	(0 2)	0 1	0 3	(0 2)	–	–
At 31 March 2007	120 6	57 8	157 3	0 3	336 0	1 3
Depreciation						
At 1 April 2006 (restated)	64 4	47 2	124 9	–	236 5	1 1
Exchange differences	(0 7)	(0 6)	(0 9)	–	(2 2)	–
Charge for the year	4 1	5 4	9 0	–	18 5	0 1
Disposals	(9 1)	(7 8)	(10 1)	–	(27 0)	–
At 31 March 2007	58 7	44 2	122 9	–	225 8	1 2
Net book value at 31 March 2007	61 9	13 6	34 4	0 3	110 2	0 1

	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 (restated)						
At 1 April 2005	149 2	75 0	172 8	0 9	397 9	1 3
Exchange differences	0 9	0 6	0 7	–	2 2	–
Acquisitions	–	0 3	0 1	–	0 4	–
Additions	3 1	3 8	8 7	–	15 6	–
Disposals	(4 0)	(13 5)	(22 4)	–	(39 9)	–
Transfer	–	0 1	0 6	(0 7)	–	–
At 31 March 2006	149 2	66 3	160 5	0 2	376 2	1 3
Depreciation (restated)						
At 1 April 2005	63 0	50 5	136 5	–	250 0	1 1
Exchange differences	0 4	0 4	0 4	–	1 2	–
Acquisitions	–	0 1	0 1	–	0 2	–
Charge for the year	4 6	6 3	9 5	–	20 4	–
Disposals	(3 6)	(10 1)	(21 6)	–	(35 3)	–
At 31 March 2006	64 4	47 2	124 9	–	236 5	1 1
Net book value at 31 March 2006	84 8	19 1	35 6	0 2	139 7	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 2007	14 0	0 2	0 9	–	15 1	–
At 31 March 2006	15 0	0 5	1 1	–	16 6	–
Net book value of capitalised interest						
At 31 March 2007	0 4	–	–	–	0 4	–
At 31 March 2006	0 7	–	–	–	0 7	–

No interest was capitalised during the year (2006 nil)

12 Property, plant and equipment continued

	2007 £m	2006 £m
Group		
Analysis of the net book value of land and buildings		
Freehold properties	42 8	64 1
Leasehold properties with 50 years or more to run	1 6	1 8
Leasehold properties with less than 50 years to run	17 5	18 9
	61 9	84 8

13 Investment in subsidiaries

	2007 £m	2006 £m
Company		
At 1 April	150 4	150 4
Share based payments grants in respect of subsidiary company employees	1 0	–
At 31 March	151 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 investment in its sole associate, which is unlisted was as follows

	2007 £m	2006 £m
Group		
At 1 April	0 7	0 6
Share of profit after income tax	–	–
Exchange differences	–	0 1
At 31 March	0 7	0 7

The Groups' investment in associated undertakings is 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

Name	Country of incorporation	Assets £m	Liabilities £m	Revenues £m	Profit £m	Interest held %
2007						
Centro Logistico del Automovil SA	Spain	6 5	(3 6)	4 9	0 2	25
2006						
Centro Logistico del Automovil SA	Spain	6 7	(3 7)	4 7	0 1	25

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

The parent company holds no direct investment in associates

14 Investment in associates and joint ventures continued

Joint ventures
The Groups' joint venture holdings during the year were as follows

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

ii) Salvesen Logistica SA, 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

The Group disposed of its investment in Salvesen Boxtel bv, at the carrying value of its net assets, to its joint venture partner, Dumeco bv on 20 April 2007

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

	2007 £m	2006 £m
Non current assets	0 6	0 6
Current assets	11 4	10 8
Current liabilities	(9 6)	(8 6)
	2 4	2 8
Income	49 8	46 4
Expenses	(47 9)	(44 3)
	1 9	2 1
Tax	(0 7)	(0 7)
Share of post tax results from joint ventures	1 2	1 4

The Group's share of Salvesen Logistica SA have been consolidated based on that company's audited results to its statutory year end of 31 December 2006 and its unaudited management accounts through to 31 March 2007

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

15 Finance leases (lessor)

The Group 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 During the year the Group has adopted IFRIC4 'Determining whether an arrangement contains a lease' and this has led to further similar assets being reclassified as finance lease receivables Prior year comparatives have been restated accordingly

Present value of minimum lease payments

	2007 £m	2006 (restated) £m
Amounts falling due within one year	2 5	2 2
Amounts falling due beyond one year		
Later than one year and no later than five years	9 3	8 0
Later than five years	3 8	5 0
	13 1	13 0

The parent company holds no finance lease receivables

16 Inventories

	2007 £m	2006 £m
Raw material and consumables	4 5	4 4
Work in progress	6 2	4 6
Goods for resale and finished goods	10 0	7 9
	20 7	16 9

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £42 5m (2006 £35 5m)

The parent company holds no inventory balances

17 Trade and other receivables

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Amounts falling due within one year				
Trade debtors	147 2	136 0	–	–
Less provision for doubtful debts	(4 0)	(4 0)	–	–
Trade debtors – net	143 2	132 0	–	–
Amounts owing from subsidiary undertakings	–	–	0 1	2 3
Other debtors	9 8	10 5	4 3	3 4
Prepayments and accrued income	11 0	6 5	–	0 1
	164 0	149 0	4 4	5 8
Amounts falling due beyond one year				
Amounts owing from subsidiary undertakings	–	–	318 9	292 3
Other debtors	3 2	3 2	–	–
	3 2	3 2	318 9	292 3

Amounts falling due within one year include £0 7m (2006 £4 1m) of capital debtors and £1 0m (2006 £0 1m) of interest receivable

18 Cash and cash equivalents

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Cash at bank and in hand	112 0	41 8	–	2 5
Short term bank deposits	27 0	14 3	18 9	1 6
Cash and cash equivalents (for the purpose of the balance sheet)	139 0	56 1	18 9	4 1
Bank overdrafts	(76 4)	(5 3)	(76 4)	(1 0)
Cash and cash equivalents (for the purpose of the cash flow)	62 6	50 8	(57 5)	3 1

The effective interest rate on short term deposits was 5 4% (2006 4 1%)

19 Trade and other payables

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Amounts falling due within one year				
Trade payables	68 6	58 0	0 4	0 4
Bills of exchange payable	9 7	15 4	–	–
Amounts owing to subsidiary undertakings	–	–	2 3	2 4
Other taxation and social security payable	30 1	27 5	–	–
Other payables	21 0	20 7	–	0 1
Accruals and deferred income	50 1	40 3	4 0	3 0
	179 5	161 9	6 7	5 9
Amounts falling due beyond one year				
Amounts owing to subsidiary undertakings	–	–	123 2	125 2
Other taxation and social security payable	1 3	0 9	–	–
Other payables	1 5	0 2	–	–
	2 8	1 1	123 2	125 2

Amounts falling due within one year include £0 9m (2006 £1 8m) of capital creditors, £1 4m (2006 £0,2m) of interest payable and £1 1m (2006 nil) of outstanding costs in respect of asset disposals

20 Financial liabilities – borrowings

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Non current				
Bank borrowings	(91 4)	(131 5)	(91 4)	(131 5)
Finance leases	(7 2)	(9 5)	–	–
	(98 6)	(141 0)	(91 4)	(131 5)
Current				
Bank borrowings	(1 1)	(2 0)	0 6	0 8
Bank overdrafts	(76 4)	(5 3)	(76 4)	(1 0)
Finance leases	(2 3)	(2 1)	–	–
	(79 8)	(9 4)	(75 8)	(0 2)
Borrowings	(178 4)	(150 4)	(167 2)	(131 7)
Deduct				
Cash at bank and in hand	112 0	41 8	–	2 5
Short term deposits	27 0	14 3	18 9	1 6
	139 0	56 1	18 9	4 1
Net debt	(39 4)	(94 3)	(148 3)	(127 6)

On 1 September 2005 the Group put in place a committed 3 year unsecured £157m loan facility During the year and following the cash receipt from the UK property sale and leaseback, the facility was reduced to £130m Interest on the facility is based on a margin above LIBOR or EURIBOR dependent on the currency of any drawings

The Group discloses its gross bank and overdraft balances despite any legal right of set off which may exist

Included in the Group's borrowings set out above is £9 5m (2006 £11 6m) which is repayable under finance lease instalments as shown below

	2007			2006		
	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 4	1 6	2 0	0 5	1 5
Between one and five years	5 8	0 3	5 5	7 7	0 7	7 0
	7 8	0 7	7 1	9 7	1 2	8 5
Variable rate leases						
Less than one year			0 7			0 6
Between one and five years			1 6			2 4
More than five years			0 1			0 1
			2 4			3 1
			9 5			11 6

The interest on the variable rate leases of £0 2m (2006 £0 1m) 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 2007						
Finance leases	9 5	0 2	9 3	–	–	–
Other long term borrowings	91 4	(0 2)	91 6	91 4	(0 2)	91 6
Overdrafts and short term borrowings	77 5	75 8	1 7	75 8	75 8	–
	178 4	75 8	102 6	167 2	75 6	91 6

	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

21 Financial instruments

Financial liabilities – derivative financial instruments
In accordance with IAS 39 (Financial Instruments Recognition and Measurement) the Group has 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 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

Group	Effective interest rate	Total £m	Within 1 year £m	1 2 years £m	2 5 years £m	Over 5 years £m
At 31 March 2007						
Cash and cash equivalents	5 4%	139 0	139 0	–	–	–
Finance leases	6 4%	(9 5)	(2 3)	(1 9)	(5 2)	(0 1)
Other long term borrowings	4 9%	(91 4)	–	(91 4)	–	–
Overdrafts and short term borrowings	6 2%	(77 5)	(77 5)	–	–	–
		(39 4)	59 2	(93 3)	(5 2)	(0 1)

Group	Effective interest rate	Total £m	Within 1 year £m	1 2 years £m	2 5 years £m	Over 5 years £m
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)

Company	Effective interest rate	Total £m	Within 1 year £m	1 2 years £m	2 5 years £m	Over 5 years £m
At 31 March 2007						
Cash and cash equivalents	4 9%	18 9	18 9	–	–	–
Other long term borrowings	4 9%	(91 4)	–	(91 4)	–	–
Overdrafts and short term borrowings	6 3%	(75 8)	(75 8)	–	–	–
		(148 3)	(56 9)	(91 4)	–	–

Company	Effective interest rate	Total £m	Within 1 year £m	1 2 years £m	2 5 years £m	Over 5 years £m
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)	–

All financial assets and liabilities, with the exception of finance leases, are subject to repricing within one year

21 Financial instruments continued

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

		2007		2006	
	Gross contract amount £m	Book value £m	Fair value £m	Book value £m	Fair value £m
Assets/(liabilities)					
Derivatives – forward foreign exchange contracts	37 3	–	0 1	–	–
Trade and other receivables	–	164 0	164 0	149 0	149 0
Cash and cash equivalents	–	139 0	139 0	56 1	56 1
Trade and other payables	–	(179 5)	(179 5)	(161 9)	(161 9)
Overdraft and short term borrowings	–	(79 8)	(79 8)	(9 4)	(9 4)
Long term borrowings	–	(98 6)	(98 6)	(141 0)	(141 0)

Estimation of fair values
For all items, where the book value approximates to the fair value this is because of the short term maturity of the instruments

Borrowing facilities
The Group has the following undrawn committed bank facilities available at 31 March 2007

	2007 £m	2006 £m
Expiring between one and two years	38 4	–
Expiring in more than two years	–	24 4

All of 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 and liquidity 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

Pricing risk
The Group manages the price risk exposure on certain of its large commodity purchases, such as fuel and energy, by applying wherever practical, surcharge mechanisms into its customer contracts For other items, most customer contracts are subject to annual price review in order to take account of general inflation and specific commodity pricing issues

Interest rate and foreign exchange 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 gain of £3 3m (2006 £2 0m loss) on translation of the net borrowings into sterling has been recognised directly in reserves On floating rate facilities, the Group is exposed to interest movements The board has assessed this risk and does not see the exposure as significant On fixed rate facilities, the Group is exposed to fair values of cash flows given movement in exchange rates which the board has determined not to represent significant exposure

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

		2007			2006	
	Total £m	Floating rate £m	Fixed rate £m	Total £m	Floating rate £m	Fixed rate £m
Sterling						
Cash	106 9	106 9	–	25 8	25 8	–
Unsecured borrowings	(75 6)	(75 6)	–	(3 4)	(3 4)	–
Finance leases	(0 2)	–	(0 2)	–	–	–
	31 1	31 3	(0 2)	22 4	22 4	–
Euro						
Cash	32 1	32 1	–	30 3	30 3	–
Unsecured borrowings	(93 3)	(93 3)	–	(135 4)	(135 4)	–
Finance leases	(9 3)	(2 4)	(6 9)	(11 6)	(3 1)	(8 5)
	(70 5)	(63 6)	(6 9)	(116 7)	(108 2)	(8 5)
	(39 4)	(32 3)	(7 1)	(94 3)	(85 8)	(8 5)

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

22 Provisions

	At 1 April 2006 £m	Utilised £m	Charged in the year £m	Released/unused amounts reversed £m	At 31 March 2007 £m
Group					
Retirement indemnity	1 1	–	0 1	–	1 2
Uninsured losses	9 0	(3 1)	3 5	–	9 4
Dilapidations	1 6	(0 1)	0 6	(0 3)	1 8
Restructuring	0 7	(0 5)	2 6	(0 2)	2 6
Onerous leases	–	–	2 7	–	2 7
Holiday pay	4 0	(3 1)	3 6	–	4 5
Other	0 7	(0 4)	0 1	–	0 4
	17 1	(7 2)	13 2	(0 5)	22 6

Analysis of total provisions

	2007 £m	2006 £m
Current	18 6	14 4
Non current	4 0	2 7
	22 6	17 1

	At 1 April 2006 £m	Utilised £m	Charged in the year £m	Released/unused amounts reversed £m	At 31 March 2007 £m
Company					
Uninsured losses	7 5	(2 6)	3 5	–	8 4
Dilapidations	0 1	–	0 1	–	0 2
Restructuring	–	–	0 3	–	0 3
	7 6	(2 6)	3 9	–	8 9

Analysis of total provisions

	2007 £m	2006 £m
Current	8 9	7 5
Non current	–	0 1
	8 9	7 6

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 after more than one year

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

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 exceptional reorganisation 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 2007 some of this cost remained unspent although the costs had been incurred and were expected to be settled shortly after the end of the period

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

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

Other
This primarily represents provision for contractual long service awards

23 Called up share capital

	2007 £m	2006 £m
Group and company		
Authorised		
320,000,000 ordinary shares of 28⅛p	90.0	90.0
Allotted, called up and fully paid		
265,267,511 ordinary shares of 28⅛p each at 1 April 2006	74.6	74.6
52,746 ordinary shares issued during the year	–	–
265,320,257 ordinary shares of 28⅛p each at 31 March 2007	74.6	74.6

During the year 52,746 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 £14,835 and the cash consideration received was £23,736.

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 granted in 2007. 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	2007 number	2006 number
1997	108p	6	April 2007 to October 2007	701,473	1,058,435
1998	118.5p	1	April 2007 to June 2008	60,759	60,759
1999	125.5p	1	April 2007 to June 2009	71,713	137,450
1999	121p	8	April 2007 to November 2009	347,481	411,695
2000	146.5p	6	April 2007 to June 2010	77,782	120,307
2000	132.5p	3	April 2007 to November 2010	67,923	67,923
2001	132p	3	April 2007 to June 2011	128,787	184,468
2001	91p	38	April 2007 to December 2011	1,620,468	1,987,228
2002	92.5p	4	April 2007 to July 2012	114,594	303,783
2003	75p	7	April 2007 to January 2013	782,999	982,999
2003	55p	4	April 2007 to July 2013	99,543	154,086
2003	58p	19	April 2007 to December 2013	1,448,268	1,534,474
2004	60p	13	July 2007 to 2014	299,992	316,658
2004	57p	–	December 2007 to 2014	–	87,719
				5,821,782	7,407,984

23 Called up share capital continued

The option movements over the year are as follows

	2007		2006	
	Number	Weighted average exercise price pence per share	Number	Weighted average exercise price pence per share
Outstanding at 1 April	7,407,984	86.9p	7,667,789	86.8p
Granted	–	–	–	–
Lapsed	(1,586,202)	93.3p	(259,805)	84.7p
Exercised	–	–	–	–
Outstanding at 31 March	5,821,782	85.1p	7,407,984	86.9p
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 2007 options granted under the scheme were held over a total of 4,459,345 (2006: 5,078,680) ordinary shares of 28 1/8p as follows

Year of grant	Exercise price pence	Employees number	Exercise period	2007 number	2006 number
2003	45p	834	April 2008 to October 2008	4,459,345	5,078,680

The option movements over the year are as follows

	2007		2006	
	Number	Weighted average exercise price pence per share	Number	Weighted average exercise price pence per share
Outstanding at 1 April	5,078,680	45p	7,727,580	54p
Granted	–	–	–	–
Lapsed	(566,589)	45p	(2,644,633)	73p
Exercised	(52,746)	45p	(4,267)	45p
Outstanding at 31 March	4,459,345	45p	5,078,680	45p
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

For all schemes 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

(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 Group employees Options are generally granted with a fixed exercise price 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 but none since 2004 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% and if the company's TSR 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	5 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

(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
Vesting period (years)	3
Expected volatility	40%
Option life (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) This reduces to a 25% match at the median level

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 2007	Matching shares 31 March 2007	Deferred shares 31 March 2006	Matching shares 31 March 2006	Deferred shares 8 July 2005	Matching shares 8 July 2005
Number issued	323,638	323,638	332,016	332,016	157,206	157,206
Number of employees	9	9	22	22	14	14
Share price at grant date	62 5p	62 5p	63 25p	63 25p	65 25p	65 25p
Vesting period (years)	4	4	4	4	3	3
Expected volatility	35%	35%	40%	40%	40%	40%
Option life (years)	4	4	4	4	3	3
Expected life (years)	4	4	4	4	3	3
Risk free rate	5 12%	5 12%	4 4%	4 4%	4 58%	4 58%
Expected forfeiture (% pa)	5 0%	5 0%	5 0%	5 0%	5 0%	5 0%
Expected dividends expressed as a dividend yield	5 5%	5 5%	6 0%	6 0%	6 0%	6 0%
Fair value per option	52 99p	32 20p	52 83p	33 11p	54 50p	34 74p

(d) Long Term Incentive Plan

The Long Term Incentive Plan 2006 (LTIP) was introduced following its approval at the 2006 AGM If targets are achieved, based on the attainment of average annual growth in EPS, over a performance period of 3 years, of not less than 4% per annum in excess of inflation (measured against the Retail Prices Index) then 25% of awards will vest 10% growth on the same basis would trigger 100% vesting with awards vesting on a prorated basis for growth between 4% and 10%

Options are valued using the Monte Carlo simulation model The fair value per option granted and the assumptions used in the calculations are as follows

Grant date	10 January 2007	11 August 2006
Number issued	109,569	2,355,756
Number of employees	1	17
Share price at grant date	67 0p	71 5p
Vesting period (years)	3	3
Expected volatility	35%	40%
Option life (years)	3	3
Expected life (years)	3	3
Risk free rate	5 12%	6 0%
Expected dividends expressed as a dividend yield	5 5%	6%
Fair value per option	56 81p	59 7p

The total charge for the year relating to employee share based payment plans was £0 6m (2006 £0 5m), 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 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 year	–	–	–	–	11 8	11 8
Total recognised income for the year	–	–	–	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
Balance at 1 April 2006	74 6	43 8	3 8	0 9	(69 2)	53 9
Currency translation adjustments net of taxation	–	–	–	(0 6)	–	(0 6)
Pension deficit movement net of taxation	–	–	–	–	8 5	8 5
Profit for the year	–	–	–	–	47 4	47 4
Total recognised income for the year	–	–	–	(0 6)	55 9	55 6
Cost of share based payment	–	–	–	–	0 6	0 6
Dividend (note 7)	–	–	–	–	(9 6)	(9 6)
Balance at 31 March 2007	74 6	43 8	3 8	0 3	(22 3)	100 2

Company	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2005	74 6	43 8	3 8	68 7	190 9
Profit for the year (note 9)	–	–	–	4 1	4 1
Total recognised income for the year	–	–	–	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
Balance at 1 April 2006	74 6	43 8	3 8	63 2	185 4
Profit for the year (note 9)	–	–	–	7 0	7 0
Total recognised income for the year	–	–	–	7 0	7 0
Cost of share based payment	–	–	–	1 2	1 2
Dividend (note 7)	–	–	–	(9 6)	(9 6)
Balance at 31 March 2007	74 6	43 8	3 8	61 8	184 0

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 2006 £m	Cash flow £m	Exchange adjustment £m	At 31 March 2007 £m
Cash				
Cash at bank and in hand	41 8	70 9	(0 7)	112 0
Overdrafts	(5 3)	(71 1)	–	(76 4)
	36 5	(0 2)	(0 7)	35 6
Liquid resources				
Short term deposits	14 3	12 7	–	27 0
Total net cash and cash equivalents	50 8	12 5	(0 7)	62 6
Financing				
Debt due within one year	(2 0)	0 9	–	(1 1)
Finance leases due within one year	(2 1)	(0 2)	–	(2 3)
Debt due after one year	(131 5)	36 1	4 0	(91 4)
Finance leases due after more than one year	(9 5)	2 3	–	(7 2)
	(145 1)	39 1	4 0	(107 0)
Total net debt	(94 3)	51 6	3 3	(39 4)

27 Analysis of balance sheet net debt position

	2007 £m	2006 £m	Change in year £m
Cash and cash equivalents	139 0	56 1	82 9
Overdrafts	(76 4)	(5 3)	(71 1)
Net cash and cash equivalents	62 6	50 8	11 8
Short term loans	(1 1)	(2 0)	0 9
Long term loans	(91 4)	(131 5)	40 1
Finance leases	(9 5)	(11 6)	2 1
	(39 4)	(94 3)	54 9

28 Group summary cash flow

	2007 £m	2006 (restated) £m
Operating profit	49 7	20 9
Depreciation and amortisation of non current assets	21 7	23 3
Exceptional operating costs	9 1	2 0
Exceptional profit on disposal of non-current assets	(26 0)	(2 2)
Exceptional past service pension credit	(14 7)	–
Earnings before interest, tax, depreciation, amortisation and exceptional items (EBITDA)	39 8	44 0
Employee share based payment schemes charge	0 6	0 5
Profit on disposal of non current assets	(0 2)	(1 4)
	40 2	43 1
Changes in working capital		
– (Increase)/decrease in inventories	(3 9)	0 7
– Increase in receivables	(21 9)	(8 9)
– Increase in payables and provisions	22 3	3 7
Increase in working capital	(3 5)	(4 5)
Difference between pension charge and cash contributions	(2 2)	(0 3)
Interest & tax paid/received	(5 0)	(12 9)
Exceptional costs	(4 4)	(3 1)
Fixed asset receipts	52 2	7 1
Capital expenditure	(16 1)	(18 4)
Free cash flow	61 2	11 0
Acquisitions and disposals	–	(0 1)
Dividends paid	(9 6)	(9 6)
Net cash flow	51 6	1 3

29 Pension commitments

The Group operates a number of pension schemes involving defined benefit and defined contribution schemes The total pension cost was £12 8m (2006 £12 2m) before taking account of the £14 7m exceptional past service credit in respect of the UK defined benefit scheme Of this £5 5m (2006 £6 6m) relates to the UK defined benefit scheme The assets of the schemes are held in separate trustee administered funds The UK defined benefit scheme was restructured during the year with a cap put in place over future salary increases This led to a one off past service credit of £14 7m being credited to the income statement

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 gain of £6,8m (2006 loss £10 7m) has been credited in the consolidated statement of changes in equity This principally arises due to an increase in the discount rate used for the measurement of scheme liabilities

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

	2007 £m	2006 £m
Current service cost	6 5	6 3
Past service credit	(14 7)	–
Interest cost	15 0	13 6
Expected return on plan assets	(16 0)	(13 3)
Defined benefit pension (credit)/cost	(9 2)	6 6
Defined contribution pension cost	7 3	5 6
Total pension (credit)/cost included within employee costs (note 3)	(1 9)	12 2

Of the total charge £10 8m (2006 £10 6m) and £2 0m (2006 £1 6m) were included in cost of sales and administrative expenses respectively The £14 7m exceptional past service credit is included in other operating income

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

	2007 % pa	2007 £m	2006 % pa	2006 £m	2005 % pa	2005 £m
Equities	8 0%	191 7	7 7%	180 5	8 0%	143 0
Corporate bonds	5 1%	22 9	4 75%	22 1	5 3%	18 6
Government bonds	4 5%	23 2	4 1%	22 1	4 4%	18 8
Other	4 7%	1 2	3 7%	2 0	3 7%	1 7
Total fair value of plan assets	7 4%	239 0	7 1%	226 7	7 3%	182 1
Present value of funded obligations		(288 2)		(299 6)		(244 6)
Net retirement benefit obligations – before tax		(49 2)		(72 9)		(62 5)

The parent company holds no retirement benefit obligations directly

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

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

	2007	2006	2005
Equities	80 2%	79 7%	78 5%
Corporate bonds	9 6%	9 8%	10 2%
Government bonds	9 7%	9 8%	10 3%
Other	0 5%	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 at 31 December 2004 and has been updated to 31 March 2007 by an independent qualified actuary The principal assumptions used for IAS 19 were

	2007	2006	2005
Rate of increase in salaries	2 95%	3 6%	3 6%
Rate of increase in pensions – RPI up to 5%	2 95%	2 6%	2 6%
– RPI up to 2 5%	2 25%	2 5%	2 5%
Discount rate	5 4%	5 05%	5 55%
Inflation assumption	2 95%	2 6%	2 6%

The changes made to the scheme during the year included a cap on pensionable salary increases (excluding promotional increases) and future increases will reflect price inflation up to a maximum of 5% each year

29 Pension commitments continued

Average life expectancy (in years) used to determine benefit obligations was

	2007		2006	
	Male	Female	Male	Female
Member aged 65 (current life expectancy)	18	21	18	21
Member aged 45 (life expectancy at age 65)	20	23	20	23

Analysis of the movement in the balance sheet deficit

	2007 £m	2006 £m
At 1 April	(72 9)	(62 5)
Credit/(charge) to income statement	9 2	(6 6)
Actuarial gain/(loss)	6 8	(10 7)
Contributions paid	7 7	6 9
At 31 March	(49 2)	(72 9)

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

	2007 £m	2006 £m
At 1 April	(9 5)	1 2
Net actuarial gains/(losses) recognised in the year	6 8	(10 7)
At 31 March	(2 7)	(9 5)

Analysis of the movement in the fair value of scheme assets

	2007 £m	2006 £m
At 1 April	226 7	182 1
Expected return on plan assets	16 0	13 3
Benefits paid	(8 4)	(7 2)
Member contributions	3 5	2 6
Employer contributions	7 7	6 9
Actuarial (loss)/gain	(6 5)	29 0
At 31 March	239 0	226 7

The actual return on assets in the year was £9 5m (2006 £42 3m)

Analysis of the movement in the present value of obligations

	2007 £m	2006 £m
At 1 April	(299 6)	(244 6)
Current service cost	(6 5)	(6 3)
Past service credit	14 7	–
Interest cost	(15 0)	(13 6)
Benefits paid	8 4	7 2
Member contributions	(3 5)	(2 6)
Actuarial gain/(loss)	13 3	(39 7)
At 31 March	(288 2)	(299 6)

Amounts recognised in the statement of recognised income and expense

	2007 £m	2006 £m
Difference between actual and expected return on pension scheme assets	(6 5)	29 0
Experience gains and losses arising on scheme liabilities	1 5	(2 3)
Impact of changes in assumptions on scheme liabilities	11 8	(37 4)
Actuarial gain/(loss)	6 8	(10 7)

The estimated employer defined benefit contributions for the year ended 31 March 2008 are £7 2m

29 Pension commitments continued

	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Fair value of scheme assets	239 0	226 7	182 1	163 7	129 5
Present value of defined benefit obligations	(288 2)	(299 6)	(244 6)	(226 6)	(215 9)
Deficit in the scheme	(49 2)	(72 9)	(62 5)	(62 9)	(86 4)
Experience adjustments on scheme assets					
Amount (£m)	(6 5)	29 0	5 3	20 7	(49 7)
Percentage of scheme assets	(2 7%)	12 8%	2 9%	12 7%	(38 4%)
Experience adjustments on scheme liabilities					
Amount (£m)	1 5	(2 3)	(1 1)	(1 3)	3 1
Percentage of scheme liabilities	0 5%	(0 8%)	(0 4%)	(0 6%)	1 5%
Impact of changes in assumptions of scheme liabilities					
Amount (£m)	11 8	(37 4)	(3 0)	26 2	(74 2)
Percentage of scheme liabilities	4 1%	(12 5%)	(1 2%)	11 6%	(34 4%)

30 Future commitments

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

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Property, plant and equipment	3 9	4 9	–	–
Intangible assets – computer software	–	0 5	–	–
	3 9	5 4	–	–

31 Operating lease commitments

	2007		2006	
	Property £m	Vehicles plant and equipment £m	Property £m	Vehicles plant and equipment £m
Commitments under non cancellable operating leases due				
Within one year	22 3	19 1	11 9	17 3
Later than one year and less than five years	64 3	38 9	42 3	37 6
After five years	69 3	1 0	51 3	1 9
	155 9	59 0	105 5	56 8

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

	2007 £m	2006 £m
Within one year	0 3	0 3
Later than one year and less than five years	1 0	1 3
After five years	8 3	7 4
	9 6	9 0

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

	2007 £m	2006 £m
At 1 April	(0 8)	0 1
Credited directly to equity	1 7	–
Credited/(charged) to income statement	7 0	(0 9)
At 31 March	7 9	(0 8)

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 liabilities			
At 1 April 2006	(14 4)	(0 3)	(14 7)
Credited to income statement	6 8	0 2	7 0
At 31 March 2007	(7 6)	(0 1)	(7 7)

	Retirement benefit obligations £m	Tax losses £m	Other £m	Total £m
Deferred tax assets				
At 1 April 2006	13 1	0 6	0 2	13 9
Credited directly to equity	1 7	–	–	1 7
At 31 March 2007	14 8	0 6	0 2	15 6

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, the full amount (2006 £13 1m) of a potential deferred tax asset of £14 8m (2006 £21 9m) has been recognised, being the directors best estimate of the asset recoverable in the foreseeable future

The parent company holds no deferred tax balances

In his budget of 21 March 2007 the UK Chancellor proposed a number of changes to UK tax legislation that would impact the Group s balance sheet The most significant of these changes for the Group would be the proposed reduction in the mainstream rate of UK corporation tax from 30% to 28% from April 2008 and withdrawal of allowances on industrial buildings These proposed changes have not been reflected in Group's balance sheet at 31 March 2007 since they were not enacted or substantively enacted at that date

The legislation to enact these proposed changes has not currently been published, however the expected impact of these changes on the Group's net deferred tax asset are as follows

A reduction in the net deferred tax asset of £0 7m in respect of those temporary differences forecast to reverse after 1 April 2008, when the change in rate is expected to become effective

An increase in the deferred tax liability in respect of accelerated capital allowances of £2 9m as a result of the reduced tax base for industrial buildings

The proposed legislative changes are not expected to have any effect on the Group's current tax assets and liabilities at 31 March 2007

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	
	2007 £m	2006 £m	2007 £m	2006 £m
Joint ventures				
Holistica Solutions Limited (UK)	–	–	0 2	–
Salvesen Boxtel bv (Netherlands)	7 7	7 7	–	–
Salvesen Logistica SL (Spain)	–	–	–	–
Salvesen Logisfashion SL (Spain)	0 8	0 6	–	–
	8 5	8 3	0 2	–
Associates				
Centro Logistico Automovil SA (Spain)	–	–	–	–
	–	–	–	–

Outstanding related party balances at 31 March 2007 and 2006 were not material

Two properties are leased from Didier 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 (2006 £0 7m)

Company trading transactions and balances
During the year the following transactions were carried out with related parties

	Sales of goods and services		Purchase of goods and services	
	2007 £m	2006 £m	2007 £m	2006 £m
Christian Salvesen SA	0 2	0 5	–	–
Christian Salvesen (Belgium) NV	0 2	0 2	–	–
Christian Salvesen Nederland bv	0 1	0 3	–	–
Salvesen Logistics Limited	11 0	3 6	–	–
Inveralmond Insurance Limited	–	–	2 2	2 4
Christian Salvesen Gerposa SA	0 3	0 3	–	–
	11 8	4 9	2 2	2 4

33 Related party transactions continued

At 31 March 2007 the following outstanding balances were due (to)/from related parties

	Receivables due within 1 year £m	Receivables due after 1 year £m	Payables due within 1 year £m	Payables due after 1 year £m
Christian Salvesen SA	–	1 0	–	(4 0)
Salvesen Logistics Limited	–	28 7	–	(0 3)
Inveralmond Insurance Limited	–	–	(2 2)	–
Darfeuille Associes SA	–	–	(0 1)	(4 5)
Christian Salvesen Gerposa SA	–	–	–	(7 2)
Salvesen Logistics Holdings Limited	–	112 8	–	–
Christian Salvesen Investments Limited	–	176 1	–	(6 9)
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 3	–	–
Inverleith Insurance Co Limited	–	–	–	(6 0)
	0 1	318 9	(2 3)	(123 2)

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

	Receivables due within 1 year £m	Receivables due after 1 year £m	Payables due within 1 year £m	Payables due after 1 year £m
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)

34 Contingent asset

As a result of the sale and leaseback of certain UK properties in the year, the Group may be entitled to receive a further £1 0m of proceeds in the next financial year The receipt of this sum is by no means certain and hence no asset has been recognised in respect of this amount

Five-year review

	2007 IFRS £m	2006 IFRS (restated) £m	2005 IFRS £m	2004 UK GAAP £m	2003 UK GAAP £m
Income statement					
Revenue					
– Continuing operations	899.0	819.3	805.5	792.4	788.0
– Share of joint venture turnover	–	–	–	50.7	47.8
– Discontinued operations	–	–	–	2.8	41.6
Total Group revenue	899.0	819.3	805.5	845.9	877.4
Operating profit before exceptional items and goodwill amortisation					
– Continuing operations	18.1	20.7	21.5	27.7	30.8
– Discontinued operations	–	–	–	(0.5)	(5.1)
	18.1	20.7	21.5	27.2	25.7
Goodwill amortisation	–	–	–	(4.5)	(4.2)
Exceptional items					
– Continuing operations	31.6	0.2	(3.4)	1.9	(10.6)
– Discontinued operations	(2.0)	–	–	(10.0)	(10.8)
Operating profit	47.7	20.9	18.1	14.6	0.1
Net interest payable	(5.6)	(5.3)	(4.9)	(10.1)	(5.6)
Profit/(loss) before income tax	42.1	15.6	13.2	4.5	(5.5)
Income tax expense	5.3	(3.8)	(2.5)	(0.9)	(2.7)
Profit/(loss) for the period	47.4	11.8	10.7	3.6	(8.2)

Operating profit before goodwill amortisation and exceptional items	18.1	20.7	21.5	27.2	25.7
Net interest expense	(5.6)	(5.3)	(4.9)	(6.8)	(6.7)
Net pension scheme interest (FRS 17)	–	–	–	(3.3)	1.1
	12.5	15.4	16.6	17.1	20.1

Balance sheet					
Intangible assets	75.0	76.9	76.0	65.3	72.0
Property, plant and equipment	110.2	139.7	153.6	167.9	205.5
Investments	0.7	0.7	0.6	5.2	4.7
Working capital and provisions	(3.4)	4.2	(8.4)	(6.0)	(16.5)
Current tax and dividends	(1.6)	0.4	(4.1)	(7.9)	(6.1)
Deferred tax	(6.9)	(13.9)	(13.0)	(13.0)	(17.9)
	174.0	208.0	204.7	211.5	241.7
Shareholders' funds and minority interests	100.2	53.9	61.7	53.0	43.9
Net debt	39.4	94.3	93.6	108.5	133.3
Net pension liabilities (net of related deferred tax asset)	34.4	59.8	49.4	50.0	64.5
	174.0	208.0	204.7	211.5	241.7
Operating ratios (excluding exceptional items and goodwill amortisation)					
Return on capital employed	10.4%	10.0%	10.5%	12.9%	10.6%
Operating profit on revenue*	2.0%	2.5%	2.7%	3.3%	3.7%
Interest covered by operating profit (times)	3.2	3.9	4.4	4.0	3.8
Share information					
Dividends per ordinary share	3.65p	3.65p	3.65p	3.65p	3.65p
Basic earnings per share on published earnings	17.9p	4.5p	4.0p	1.4p	(3.1p)

*Operating profit on revenue ratio is based on pre exceptional continuing operations

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

2006 figures have been restated following the adoption of IFRIC 4

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of Christian Salvesen PLC (the "company") will be held at the Sheraton Grand Hotel, 1 Festival Square, Edinburgh on Thursday 12 July 2007 at 11 am to consider and, if thought fit, pass the following resolutions, with Resolutions 1 to 7 being proposed as ordinary resolutions and Resolutions 8 and 9 as special resolutions

Agenda

Routine business

1 To receive the reports of the directors and auditors and the company's accounts for the year ended 31 March 2007

2 To approve the Directors' Remuneration report for the year ended 31 March 2007

3 To declare a final dividend on the ordinary shares

4 To re elect as a director of the company Mr J A Steadman, who retires in accordance with the company's articles of association

5 To re elect as a director of the company Mr L R Christensen, who retires in accordance with the company's articles of association

6 To reappoint PricewaterhouseCoopers LLP as auditors of the company to hold office until conclusion of the next general meeting at which accounts are laid before the company and that their remuneration be fixed by the directors

Special business

7 That the directors be and they are hereby generally and unconditionally authorised in substitution for any existing authority to exercise all powers of the company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 (the "Act")) up to an aggregate nominal amount of £15,050,000, provided that this authority shall expire at the conclusion of the annual general meeting of the company in 2012 or on 11 July 2012, whichever is the earlier, save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired

8 That, subject to the passing of Resolution 7 above, the directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by Resolution 7 and/or where such allotment constitutes an allotment of equity securities by virtue of section 94 (3A) of the Act, as if Section 89 (1) of the Act did not apply to any such allotment, save that this power is limited to

(i) the allotment of equity securities in connection with a rights issue, open offer, or any other pre emptive offer in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them (excluding any person holding ordinary shares as treasury shares) subject only to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal, regulatory or practical problems arising in relation to any overseas territory or the requirements of any regulatory body or stock exchange or any other matter whatsoever, and

(ii) the allotment (otherwise than pursuant to sub paragraph (i) above) for cash to any person or persons of equity securities up to an aggregate nominal amount of £3,730,000,

and shall expire at the conclusion of the annual general meeting of the company in 2008 or on 11 July 2008, whichever is the earlier, save that the company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired

9 That, in accordance with the articles of association of the company and Section 166 of the Act, the company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163 (3) of that Act) of ordinary shares of $28\frac{1}{8}$p each in the company, provided that

(i) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 26,533,000 (representing approximately 10% of the company's issued share capital),

(ii) the minimum price which may be paid for each ordinary share is $28\frac{1}{8}$p per share, and

(iii) the maximum price which may be paid for each ordinary share shall be an amount equal to 105% of the average of the middle market quotations for an ordinary share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased, in each case exclusive of expenses, and

(iv) the authority hereby conferred shall expire, unless renewed, varied or revoked prior to such time, at the conclusion of the annual general meeting of the company in 2008 or on 12 October 2008, whichever is the earlier, save that the company may, before such expiry, make any contract to purchase ordinary shares under such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract

By order of the board

E H D Peppiatt, Secretary
5 June 2007

Notes

Any member entitled to attend and vote at this meeting may appoint one or more proxies to attend and, on a poll, vote on his behalf A proxy need not be a shareholder of the company To be effective, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a notarially certificated copy thereof, should be sent to the Proxy Processing Centre, Telford Road, Bicester OX26 4LD (as detailed on the Proxy form) or delivered by hand during normal business hours to the office of the company's Registrars Capita IRG plc, 34 Beckenham Road, Beckenham, Kent, BR3 4TU and in either event the Proxy form should arrive not later than 11am on Tuesday 10 July 2007 Appointment of a proxy will not prevent a member from attending the meeting and voting in person Alternatively, if you hold shares in uncertificated form (i e in CREST) you may vote using the CREST system (please see notes below)

In order to attend and vote at the meeting, a member must be entered on the company's register of members at 11 am on Tuesday 10 July 2007 A member will only be entitled to vote in respect of those shares registered in his or her name at that time This time has been specified pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 Changes to entries on the company s register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting

Where all the securities have been sold or transferred by the addressee, this notice and any other relevant documents should be passed to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee

The following documents will be available for inspection at the registered office of the company, 16 Charlotte Square, Edinburgh, EH2 4DF during business hours on each business day from the date of this notice until the date of the annual general meeting ("AGM") and on that day at the Sheraton Grand Hotel, 1 Festival Square, Edinburgh from 10 45 am until the conclusion of the meeting

1 copies of the company's memorandum and articles of association, and

2 copies of all contracts of service under which non executive directors are employed by the company or any of its subsidiary undertakings

Notes on proxy voting through CREST

If you are a user of the CREST system (including a CREST personal member), you may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted To appoint a proxy or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, the CREST message must be received by the registrars of the company, Capita Registrars (ID number RA10), not later than 11am on Tuesday 10 July 2007 For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the registrar of the company is able to retrieve the message CREST Personal Members or other CREST sponsored members and those CREST members who have appointed a voting service provider should contact their CREST sponsor or voting service provider for assistance with appointing proxies via CREST For further information on CREST procedures, limitations and system timings please refer to the CREST Manual The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001

Explanatory notes on the resolutions

Resolution 1

The directors must lay the company's accounts, the directors' report and the auditors' report before the members at a general meeting of the company This is a legal requirement after the directors have approved the accounts and the directors' report and the auditors have prepared their report The reports and accounts are available on the company's website at www salvesen com

Resolution 2

The Directors' Remuneration Report Regulations 2002 require companies quoted on the London Stock Exchange to put an ordinary resolution to shareholders at the AGM seeking approval of the Remuneration Report The Remuneration Report is set out on pages 27 to 31 of the annual report and accounts of the company

Resolution 3

This resolution is to declare a final dividend of 2 45 pence per ordinary share, which will be paid on 31 August 2007 to shareholders on the register at the close of business on 3 August 2007

Resolutions 4 and 5

Under the articles, any director who has held office at the time of the two preceding annual general meetings of the company shall retire and be eligible for re election and at least one third of the directors shall retire by rotation at each AGM and shall be eligible for re election

Mr Steadman was appointed on 20 November 2003 and, having held office at the time of the two preceding annual general meetings, will retire at the AGM and, being eligible, will offer himself for re election

Mr Christensen was appointed on 1 July 2004 and will have held office at the time of the two preceding annual general meetings at the time of the next AGM to be held on 12 July 2007 Mr Christensen will therefore retire and, being eligible, will offer himself for re election

Formal performance evaluations of both Mr Christensen and Mr Steadman have demonstrated their ongoing commitment to and continued effectiveness in their roles as directors, and accordingly the Chairman recommends that shareholders vote in favour of these resolutions

For further details of all directors, please see their profiles on page 20 of the annual report

Resolution 6
In accordance with the Act, the auditors of the company may not continue in office unless re appointed at the meeting at which the accounts are presented This resolution re appoints PricewaterhouseCoopers LLP as auditors of the company

Resolution 7
Resolution 7, which will be proposed as an ordinary resolution, seeks to grant to the directors authority to allot, pursuant to Article 10 of the company's articles of association and Section 80 of the Companies Act 1985, relevant securities with a maximum nominal amount of £15,050,000 This represents approximately 53 5 million ordinary shares of $28\frac{1}{8}$ pence each in the capital of the company, which is approximately 20% of the company's issued share capital as at the date of this notice The company does not currently hold any shares as treasury shares This authority would, unless previously renewed by shareholders, remain in force up to the conclusion of the AGM of the company to be held in 2012 or 11 July 2012 if earlier This is a renewal of the authority granted to the directors at the AGM in 2002, which is due to expire on 12 July 2007

Whilst the directors have no current plans to utilise this authority they consider its renewal appropriate in order to retain maximum flexibility

Resolution 8
Resolution 7 above, if passed as a special resolution at the forthcoming AGM, will renew the power given to directors in 2002 to allot equity securities up to an aggregate nominal amount of £15,050,000 Resolution 8 authorises the directors to effect a rights issue, open offer or pre emptive offer of such securities for cash without complying with certain statutory pre emption requirements The directors will also be authorised to allot such securities for cash on a non pre emptive basis including the allotment of any ordinary shares which the company has purchased and elected to hold as treasury shares (see the notes on Resolution 9 below for further information on treasury shares) up to a maximum aggregate nominal amount of £3,730,000 (approximately 5% of the ordinary share capital in issue at the date of this notice) This authority will expire at the conclusion of the annual general meeting of the company to be held in 2008 or on 11 July 2008 if earlier

Resolution 9
This resolution, which will be proposed as a special resolution, authorises the company to make market purchases of its issued ordinary shares as, in certain circumstances, it may be in the best interests of the company to do so

Various regulations relating to treasury shares enable companies to retain any of their own shares they have purchased as treasury shares with a view to a possible re issue at a later date, rather than cancelling as was previously required The company would consider holding any of its own shares that it purchases as treasury shares This would give the company the ability to re issue the treasury shares quickly and cost effectively, and would provide the company with additional flexibility in the management of its capital base As at the date of this notice the company did not hold any shares as treasury shares

The directors have no present intention of exercising this authority but would like the flexibility to do so in future appropriate circumstances The directors only intend to use the authority if they believe such purchases would be in the best interests of the company and will result in an increase in earnings per share

The total number of options to subscribe for equity shares outstanding at the date of this notice is 10,338,140 This represents 3 90% of the issued share capital at that date If the company bought back the maximum number of shares permitted pursuant to the passing of this resolution, the total number of options to subscribe for equity shares outstanding at that date would represent 4 33% of the issued share capital as reduced following those repurchases

There are no warrants to subscribe for shares outstanding at the date of this notice

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 Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HO8 0LA 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 2007)

By size	Number of accounts	% of issued shares	By type of holder	Number of accounts	% of issued shares
1 1,000 shares	5,831	1 0	Individuals	8,654	39 4
1,001 10,000 shares	3,012	3 9	Banks and nominees	683	15 6
10,001 100,000 shares	512	6 1	Insurance companies	5	2 5
100,001 1,000,000 shares	144	19 3	Pension funds	25	6 3
1,000,001 5,000,000 shares	40	32 6	Investment and unit trusts	60	25 2
5 000,001 shares and over	8	37 1	Other institutions/corporates	120	11 0
	9,547	100		9,547	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

Registered office
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 (Birmingham)

Financial advisers
UBS Warburg Bank

Stockbrokers
J P Morgan Cazenove
Hoare Govett Limited

Financial calendar

Annual General Meeting	12 July 2007
Shares trade ex dividend	1 August 2007
Record date for final dividend*	3 August 2007
Final dividend paid	31 August 2007
Interim results and dividend announced	Late November/early December 2007
Shares trade ex dividend	Early January 2008
Record date for interim dividend*	Early January 2008
Interim dividend paid	Late January 2008
Preliminary announcement of full year results	Late May/early June 2008

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

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