AutoLogic Holdings plc

Annual Report & Accounts

2005

Highlights

- **Revenue from continuing operations decreased 1% to £244.8 million (2004: £247.0 million)**
- **Operating profit for continuing operations decreased by 35% to £10.7 million (2004: £16.5 million). Operating profit for continuing operations before exceptional items decreased by 27% to £12.3m (2004: £16.8m)**
- **Sale of Walon France completed**
- **Refinancing completed**
- **Impairment of GAL investment**
- **No final dividend**

Statutory Basis	2005	2004	Change
Revenue	**£244.8m**	£247.0m	(0.9)%
Operating profit	**£10.7m**	£16.5m	(35.2)%
(Loss)/profit before tax	**£(62.8)m**	£20.2m	–
Basic (loss)/earnings per share	**(207.69)p**	29.23p	–
Total dividend per share*	**3.6p**	11.1p	–

*Represents dividends declared in respect of each year.

Business Performance**	2005	2004	Change
Revenue	**£244.8m**	£247.0m	(0.9)%
Operating profit	**£12.3m**	£16.8m	(26.8)%
Profit before tax	**£7.6m**	£20.5m	(62.9)%
Earnings per share	**6.62p**	39.30p	(83.2)%

**Continuing operations before exceptional items.

Corporate Profile

A LEADER IN FINISHED VEHICLE LOGISTICS

About AutoLogic
AutoLogic is a leading independent automotive logistics supplier in Europe, specialising in the preparation and distribution of finished vehicles throughout the UK and mainland Europe.

The Group works with the majority of manufacturers and importers in the provision of ancillary services such as the management of the import centres, workshops and storage compounds through which all manufactured or imported cars pass as part of the preparation, modification and distribution process.

Our Businesses
The Walon, Ansa and VMEX brands are leading providers of bulk movements of new and used vehicles across Europe.

Walon and Ansa operate core fleets of technically advanced multi-decked transporters, supplemented by sub-contractors. Principal customers are new vehicle manufacturers.

VMEX is an online vehicle movements exchange service that uses a combination of automated technology, and industry knowledge to match customer volumes and available transporter resources.

The Walon brand is also a leader in the provision of 'Technical Services', an umbrella term for a comprehensive 'menu' of activities which can be applied to new vehicles.

The three main groups of activities are: local market configuration, customisation, and ready-for-rent/sale preparation.

- Configuration allows manufacturers to build vehicles for any market, and add items required by regional legislation, or consumer taste, once they have arrived in the country of destination.
- Customisation enables the manufacturer to limit the number of model variants built, whilst still allowing the consumer a wide range of options to enhance the vehicle's specification.
- Ready-for-rent allows organisations such as daily rental companies to receive a vehicle on a just-in-time basis, fully prepared, direct from one of our secure storage locations.

First Fleet is a newly formed division that will provide preparation, in-life and remarketing services for manufacturer, daily rental and leasing company fleets.

All the Group's operations utilise systems that provide information on vehicle details and location. These systems are, typically, built and maintained in-house, and integrated with the manufacturers' supply systems, to provide a seamless flow of data.

Our Customers

Across Europe, the Group works for most of the principal vehicle brands and related daily rental organisations. It also provides services to major financial organisations who (directly or indirectly) control large fleets of contract hire or leased vehicles.

Manufacturers with whom the Group works include:

Chairman's Statement

RESULTS AND BUSINESS REVIEW

Results
Revenue from continuing operations decreased by £2.2 million (0.9%) from £247.0 million in the year ended 31 December 2004 to £244.8 million in the year ended 31 December 2005.

Total operating profit for continuing operations (before exceptional items and excluding other operating income) increased by £1.4 million (15.6%) to £10.4 million (2004: £9.0 million). On a statutory basis continuing operating profit was £10.7 million compared with £16.5 million in 2004. Included in statutory operating profit is other operating income of £1.9 million in 2005 compared with £7.8 million in 2004.

Loss per share from continuing operations decreased to 152.92 pence (2004: earnings 38.84 pence).

Business performance earnings per share (continuing operations before exceptional items) decreased by 83.2% to 6.62 pence (2004: 39.30 pence).

Business Review
The European automotive market remains one of the most challenging and competitive in the world with continued over-production and increasingly demanding consumers.

2005 full year registrations of 15.3 million new cars in Europe represented a decline of 0.6% year-on-year. Within the European total, UK registrations fell 5.0% year-on-year from the record levels of the previous three years. Of our other operating markets, both Spain and France saw increased vehicle sales by 0.8% and 2.7% respectively, while sales in the Benelux region declined by 2.4%.

Notwithstanding the relatively flat vehicle sales market across Europe, the structural dynamics of the market are changing significantly. Increasing production capacity is coming on stream in Eastern Europe leveraging both lower production costs and the growing Eastern European demand for vehicles; additionally, the steady growth in market share of Asian brands has continued to the extent that some are now setting up manufacturing facilities within the expanded EU zone, all of which provide further opportunities for AutoLogic.

In the UK, operating profit (excluding other operating income of £1.0 million) increased to £13.0 million (2004: £11.9 million excluding other operating income of £5.5 million) with new contracts helping to offset the effects of a market that declined in 2005.

We also renewed a number of important contracts in the year.

The Benelux distribution operation continued to grow its cross border business and has now outsourced its national distribution operations in Holland. Operating losses in Benelux (excluding other operating income of £0.9 million) reduced to £0.1 million (2004: operating loss of £0.7 million excluding other operating income of £2.3 million).

In Spain, a national transport strike and the loss of a major technical services contract were the main contributing factors behind a reduced operating profit of £0.6 million (2004: £1.5 million).

In France, where we continued to incur significant operating losses arising mainly from the long distance distribution business, the operating loss increased to £7.5 million (2004: operating loss of £3.7 million). Included in the operating loss are restructuring costs of £4.4 million (2004: £1.5 million). In light of disappointing results over a number of years the Group took the decision to sell Walon France, and this sale was completed on 17 May 2006 following shareholder approval at our Extraordinary General Meeting held on 28 April 2006.

GAL
The results of Compagnie d'Affretement et de Transport SA ("CAT"), in which the Group holds a 40% interest, were inadequate. During the year AutoLogic Holdings plc provided a loan of £4.8 million to Global Automotive Logistics SAS ("GAL"), the holding company of CAT. The other shareholders in GAL also provided loans to GAL in proportion to their respective shareholdings. A restructuring of the senior management has started to have a positive impact on the business but further action is required to reduce cost, increase responsiveness to market dynamics and improve productivity within this business. Formal negotiations to renew the existing vehicle logistics contract with Renault have recently begun. On 17 May 2006, GAL was placed into *Procédure de Sauvegarde*. This is a procedure under French law designed to allow GAL protection from creditor claims while it seeks to renegotiate its debt arrangements. In addition, on 18 May 2006 the Group announced that it would be including in the 2005 Accounts a full impairment of its investment in GAL and a full provision against the loan made to GAL in December 2005. This impairment and provision are reflected in these Financial Statements.

Notwithstanding these events, we continue to review our long term options for this investment and to seek to extract value from it.

Development Strategy
We will continue the organic growth of both our core distribution and value added technical services, while seeking to anticipate opportunities in the dynamic environment in which we operate. In this respect, earlier this year we launched First Fleet, our fleet, used car and remarketing operation which will utilise resources and infrastructure from within the Group. First Fleet has a large customer bias towards fleet operators, vehicle hire companies and dealers and offers opportunities for developing life-cycle services in addition to the more traditional refurbishment services. In addition, VMEX, our on-line vehicle movements exchange service, is now fully operational.

Board and Management
We are proposing to make the following Board changes, with effect from the conclusion of the forthcoming AGM to better reflect the size and shape of our business going forward:

- Neil Johnson, Senior Independent Director, will become Chairman;
- I will assume my previous role as Group Chief Executive;
- Phillip Nuttall, our current CEO, has decided to retire from the Board and John Alexander, having served over 9 years as a non-executive director, has chosen not to put himself forward for re-election.

I wish to express my own and the Group's thanks to both Philip Nuttall and John Alexander for their respective contributions to the Group and extend our best wishes to them for the future.

Refinancing
I am pleased to report that, as previously announced, on 28 April 2006 the Group completed the refinancing of its debt facilities. The principal terms of these new facilities are set out in our announcement dated 31 March 2006.

Dividend
The Board will not be recommending a final dividend to shareholders at the forthcoming AGM.

Outlook
While the strategic outlook for our GAL investment remains to be resolved, the sale of Walon France will allow greater management focus on the development of the continuing business.

The full year impact of the UK contract gains in 2005 in both distribution and technical services together with anticipated growth in value added services are expected to help to offset the impact of what is likely to continue to be a difficult trading environment in 2006.

John Merry
Chairman
2 June 2006

John Merry
Chairman

Operating and Financial Review

SUMMARY OF RESULTS

Summary of Results

Revenue from continuing operations decreased by £2.2 million (0.9%) from £247.0 million in the year ended 31 December 2004 to £244.8 million in the year ended 31 December 2005.

Total operating profit for continuing operations (before exceptional items and excluding other operating income) increased by £1.4 million (15.6%) to £10.4 million (2004: £9.0 million).

On a statutory basis continuing operating profit was £10.7 million compared with £16.5 million in 2004. Included in this is other operating income of £1.9 million in 2005 compared with £7.8 million in 2004.

The net interest charge on continuing activities in the year was £2.9 million (2004: £3.6 million), reflecting the lower level of net debt in the group during the year.

Profit before tax (before exceptional items) for continuing operations for the year ended 31 December 2005 was £7.6 million compared with £20.5 million in 2004. Included in profit before tax is the post tax share of results from interests in joint ventures, which was a loss of £1.8 million in 2005 compared with a profit of £7.3 million in 2004.

On a statutory basis, loss before tax for the year ended 31 December 2005 was £62.8 million (following the £68.8 million charge for impairment of the Group's interest in GAL) compared with a profit of £20.2 million in 2004.

The tax charge for the Group was £4.1 million on continuing activities (2004: £2.9 million). The effective rate of tax for 2005, before impairment of GAL, was 52% (2004: 23%).

The sale of Walon France to its senior management team has now been completed and, consequently, the losses of this business have been shown as discontinued operations in the reported results for the year.

Discontinued operations generated a loss of £24.0 million in 2005, which is analysed as follows:

	£'million
Result before exceptional items	(2.9)
Restructuring costs	(4.4)
Impairment of goodwill	(12.3)
Provision for loss on disposal	(3.2)
Taxation	(1.2)
Total loss from discontinued operations	(24.0)

Under the terms of the sale agreement the Group will continue to provide guarantees in respect of leasing obligations of €112.9 million (£77.6 million).

UK

Revenue for the UK operations was £205.0 million (2004: £204.0 million) and operating profit was £14.0 million (2004: £17.4 million). Included in operating profit is other operating income of £1.0 million in 2005 (2004: £5.5 million).

New car sales in the UK fell by 5.0% compared to 2004, although revenue in the year remained constant due to new business gains.

Walon UK benefited from gaining new distribution contracts with Hyundai, Land Rover and additional volumes from General Motors. Contract renewals included BMW, Kia, Mazda and Toyota.

Walon UK's technical services operation won a significant contract to develop and operate a major vehicle refurbishment centre for GE Capital in Corby and continues to develop added-value services for both manufacturer and non-manufacturer customers.

Ansa, which operates the Group's UK distribution contracts for Ford and Jaguar, suffered the effects of an industrial dispute in August and lower volumes than 2004.

VMEX in its first full year of operation generated revenue of £4.8 million and is now established in the UK vehicle logistics market, matching vehicle distribution capacity and demand.

Spain

Revenue for Walon Iberia operations was £22.6 million (2004: £25.9 million) and operating profit was £0.6 million (2004: £1.5 million). The trading result for the year was affected by a national transport strike in Spain during September 2005 and the loss of the Gefco technical services contract. This contract was replaced later in the year with new business from CAT/Renault. In addition to these factors the 2004 result benefited from rectification work to storm damaged vehicles.

Benelux
Revenue for Walon Benelux operations was £16.1 million (2004: £17.0 million) and operating profit was £0.8 million (2004: £1.6 million). Included in operating profit is other operating income of £0.9 million in 2005 relating to the sale of property development rights of the Oosterhout site (2004: £2.3 million profit on sale of fixed assets).

Czech Republic
Revenue for Walon Cz operations was £1.1 million (2004: £0.1 million). The increase in revenue in the year reflects the start of our plant handling operation for Gefco and Toyota. Operating profit was £'nil million (2004: £'nil million).

CAT
The Group's share of post tax losses in CAT was £1.8 million (2004: share of post tax profit £7.3 million).

The trading performance of CAT during 2005 was disappointing, arising from a decline in operating margins as a result of reduced volumes compared with 2004 and an under-recovery of increased operating costs from customers.

A restructuring of the senior management team was implemented in the second half of the year and work has started on contract and commercial negotiations with Renault.

On 17 May 2006, GAL, the holding company of CAT, was granted creditor protection under the French law *Procédure de Sauvegarde*, which is in some respects similar to Chapter 11 in the US. Following this, the Group announced, on 18 May 2006, that it was including a full impairment charge in respect of the GAL investment and a full provision in respect of the £4.8 million loan to GAL made in December 2005. This has resulted in the carrying value of the Group's share of net assets in GAL, as stated in these Financial Statements, being reduced from £64.0 million (as stated in the Preliminary Announcement) to £'nil.

The combined effect of these adjustments is a charge to the Group's Consolidated Income Statement of £68.8 million, which has increased the loss for the year ended 31 December 2005 from £22.1 million (as shown in the Preliminary Announcement) to £90.9 million and a reduction in the Group's net assets from £96.9 million (as shown in the Preliminary Announcement) to £28.1 million.

Discontinued Operations – France
The operating loss for the year was £7.5 million (2004: £3.7 million). Included in operating loss are restructuring costs of £4.4 million (2004: £1.5 million). The restructuring costs in the year mainly relate to the implementation of the French social plan which relates to the redundancy costs of drivers and associated staff in the long distance distribution division.

Cash Flow & Net Debt
Net debt increased by £1.7 million during the year. Key elements within the cash flow are as follows:

	£'million
Net debt as at 1 January 2005	(38.9)
Net cash flow from operating activities	(3.4)[1]
Proceeds from sales of fixed assets	14.3
Capital expenditure	(9.0)
Dividends paid	(4.8)
Other cash flows	1.2
Net debt as at 31 December 2005	(40.6)[2]

[1] *Includes loan to GAL of £4.8 million.*

[2] *Includes net funds of £2.4 million relating to Walon France.*

Financing
On 28 April 2006 the Company repaid its existing bank facilities and completed the drawdown under its new facilities. These new facilities are a combination of a revolving credit facility of up to £38 million with GE Commercial Finance Limited and a £27.5 million mezzanine facility with the Group's original syndicate of banks led by The Royal Bank of Scotland plc and Lloyds TSB Bank plc.

Board of Directors

During the year, the Board comprised five Executive Directors and four Non-Executive Directors. Neil Johnson joined the Board as Senior Independent Non-Executive Director on 23 January 2006. Gilles Guinchard and Roland Bellande stepped down from the Board on 23 January 2006.

John Merry
Executive Chairman – Age 45

John joined the Group in 1979 and led the Management Buy Out in 1996. He assumed the role of Chief Executive at the time of the flotation of the Company in 1997, was appointed Deputy Chairman in August 2001 and became Executive Chairman in 2003. At the conclusion of the AGM John will step down as Executive Chairman and will resume the role of Chief Executive Officer.

Philip Nuttall
Chief Executive (UK & Eire) – Age 54

Philip is a member of the Chartered Association of Management Accountants. He joined NFC in 1981 and held a number of financial positions within that Group before being appointed Finance Director of the European Division of Exel Logistics Limited in 1993. Philip joined the Group in September 1995 and was Finance Director from January 1996 until March 2005, when he assumed the position of Chief Executive (UK & Eire). Philip will retire from the Board at the conclusion of the AGM.

Russell Brown
Group Finance Director – Age 43

Russell joined the Board as Group Finance Director in April 2005. He was previously Financial Controller at Heron Homes Limited and joined Walon UK in 1994, becoming Finance Director in October 1997. Russell became Managing Director of Walon UK in October 2001. Russell is a Chartered Management Accountant.

Tim Barber
Group Development Director – Age 46

Tim joined the Group in 1984, and was appointed Managing Director of Walon UK in 1999, having held the position of Commercial Director for the previous 5 years. He was Managing Director of UK Operations from 2001 until April 2005. He was appointed to the Board as Group Development Director in April 2005, and has since assumed the role of Managing Director of Walon UK. Tim has a BSc in Modern Mathematics.

Neil Johnson
Senior Independent Non-Executive Director – Age 57

Neil joined the Board as Senior Independent Non-Executive Director in January 2006. Neil has a distinguished career in the engineering and motor Industry and was Chief Executive of the RAC from 1994 to 1999. His current appointments include the chairmanships of Hornby plc, Tenon Group plc, Cybit Holdings plc and Motability Finance Limited. Neil will assume the role of Chairman at the conclusion of the AGM.

John Alexander
Non-Executive Director – Age 63

John joined the Board following the Management Buy Out in 1996. Since 1984 he has been Chairman and Managing Director of LCF Rothschild Limited. He was previously a director of Hill Samuel & Co. Limited and is a non-executive director of First Corporate Shipping Limited, the company which owns the Port of Bristol, and Sterling Insurance Group Limited. Having completed nine years of service as a Non-Executive Director, John will retire from the Board at the conclusion of the AGM.

Chris French
Non-Executive Director – Age 69

Chris joined the Board in September 2002. He has many years experience across a number of diverse business industry sectors. Chris is currently a non-executive director of AFA Systems plc and Strategic Network Consulting Limited. He was previously a director of Woolworths plc and ICL Computers Ltd. Chris was the Senior Independent Non-Executive Director from May 2003 until January 2006.

John Hodges
Non-Executive Director – Age 59

John joined the Board in November 1997 prior to the flotation of the Company. He is a Fellow of the Institute of Chartered Accountants in England & Wales and a Certified Public Accountant in the USA. From 1988 to 1997 he worked at Ryder plc, a UK company providing logistics and transportation services, contract hire and truck rental, initially as Finance Director and from 1994 to 1997 as Managing Director.

Directors' Report
for the year ended 31 December 2005

The Directors present their report and audited Financial Statements for the year ended 31 December 2005.

(1) Principal Activities
The principal activities of the Group are the provision of support services to vehicle manufacturers, importers, fleet operators and dealers throughout Europe. These services include compound design and management, storage, vehicle preparation and enhancement, multi-modal bulk logistics, specialist transport, marketing and special events support, information technology and data services and a range of related specialist and advisory services.

(2) Business Review and Outlook
A review of the business and future development of the Group is set out in the Chairman's Statement and the Operating and Financial Review on pages 4 to 7. Since the balance sheet date the Group has completed both its debt refinancing and the sale of Walon France. In addition, the Group's joint venture GAL, the interests in which have been impaired in full in these Financial Statements, was granted protection under the French law *Procédure de Sauvegarde* on 17 May 2006. Details of these post year end events have been provided in the Financial Statements and in particular in note 38 to the Consolidated Financial Statements on page 62.

(3) Profit and Dividends
The audited Financial Statements for the year ended 31 December 2005 are set out on pages 23 to 73.

The Company has paid or proposed the following dividends in respect of the year ended 31 December 2005:

	Pence per ordinary share	£'000
Interim paid	3.60	1,600
Final proposed	–	–
Total	3.60	1,600

In respect of the prior year ended 31 December 2004, the Company paid an interim dividend of 3.60p per share (£1.6m) and a final dividend of 7.50p per share (£3.2m) making a total of 11.10p per share (£4.8m).

(4) Directors and their Interests
The Directors of the Company, at 31 December 2005 are listed on page 8.

During the year the Company entered into transactions with Blackbrooks LLP (a partnership in which Mr J Merry has an interest) for the provision of travel services. All such transactions were on arm's length terms and in the ordinary course of business.

Directors' interests in the issued ordinary share capital of the Company are detailed in the Directors' Remuneration Report on pages 12 to 16.

John Merry and John Hodges retire as Directors by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election. The Notice of Meeting set out at the end of this document includes resolutions to re-appoint them. John Alexander retires as a Director, and, having completed nine years of service as a Non-Executive Director, will not offer himself for re-election. Philip Nuttall will also retire from the board with effect from the conclusion of the AGM. In accordance with the Articles of Association of the Company, Neil Johnson, who became a Director of the Company with effect from 23 January 2006 will resign and, being eligible, present himself for re-election at the AGM. Gilles Guinchard and Roland Bellande stepped down from the Board on 23 January 2006.

(5) Substantial Shareholders
On 26 May 2006, (the latest practicable date prior to the printing of this document), the Company was advised of the following interests of 3% or more in the issued ordinary share capital of the Company (including the interests of the Directors, which are also set out in the Directors' Remuneration Report).

	Shareholder Ordinary shares	Percentage held %
Artemis Investment Management Limited	7,892,573	18.00
Henderson Global Investors	5,234,950	11.94
Aviva plc and subsidiaries	3,467,517	7.91
Cantor Fitzgerald	2,700,000	6.16
John Charles Merry	2,521,057	5.75
Credit Suisse Securities (Europe) Limited	1,365,000	3.11

(6) Property Values
The Directors are aware that a significant difference exists between market and book values, as shown in the Consolidated Balance Sheet at 31 December 2005, for several of the Group's properties, all of which have a market value in excess of the book value recorded.

(7) Charitable and Political Contributions
The Group made no political contributions during the year. Donations to UK charities amounted to £105,000 (2004: £50,000), of which £80,000 were made by the Company (2004: £29,000), with the remainder being made by Group subsidiary companies. The majority of donations made by the Group in 2005 went to the charity BEN – Motor and Allied Trades Benevolent Fund ("BEN"). BEN is an occupational benevolent fund which aims to provide care and support for motor industry employees and their dependents in times of need. The Group also actively supports the Wooden Spoon Society, a charity supporting disadvantaged children and young people in the UK.

(8) Employees

The Group recognises the value of its employees in all of its businesses. Performance of both businesses and employees are closely monitored to identify training needs and, as appropriate, to develop incentive schemes to recognise and reward exceptional performance.

The Group strives to follow employment best practice and operates an equal opportunity policy. Subject to safety considerations inherent in certain areas of our business, the employment of disabled persons is encouraged, as is continued employment, and appropriate re-training, of persons who become disabled whilst in the Group's employment.

(9) Employees' Involvement

A number of employee newsletters are published across the Group and there are periodic structured employee briefings at all locations. The Group believes that it is important that its employees empathise with the goals and values of its customers. To that end, we encourage our employees to embrace our customers' brand values.

(10) Creditor Payment Policy

The Group policy for payment to suppliers is to delegate to individual business units the responsibility for agreeing the terms and conditions under which they conduct transactions with their suppliers. At 31 December 2005, the amount of trade creditors in the Consolidated Balance Sheet represented 52 days of average daily purchases for the Group (2004: 59 days) and 60 days for the Company (2004: 60 days).

(11) Annual General Meeting ("AGM")

The ninth AGM will be held at 78 Cannon Street, London, EC4N 6HH on Thursday 29 June 2006 at 10.00am. In addition to the ordinary business of the AGM, shareholders will be asked to approve three items of special business, details of which are set out below:

Allotment of Shares – Authority to Allot

At the AGM held on 10 May 2002, shareholders gave the Directors general authority under Section 80 of the Companies Act 1985 to allot unissued share capital up to an aggregate nominal amount of £325,000. That authority expires at the conclusion of the AGM of the Company to be held in 2007 or 10 May 2007 (whichever should occur first). An ordinary resolution will be put to shareholders to renew the Directors' authority to allot shares up to an aggregate nominal amount of £729,870 for the period of up to five years from the date of passing of the resolution. This resolution appears as Resolution 9 in the Notice of Meeting.

Allotment of Shares – Modification of Pre-emption Rights

The power given to Directors at the AGM in 2005 to allot shares for cash, otherwise than in accordance with the statutory pre-emption rights, expired on 12 May 2006. The Directors believe that, in the interests of flexibility, this power should be renewed. Accordingly, the Directors will, under Resolution 10 in the Notice of Meeting, seek power for the period of one year following the date of passing the resolution, or, if earlier, the date of the AGM to be held in 2007, to allot shares for cash, otherwise than in accordance with the statutory pre-emption rights, either in connection with a pre-emptive offering, or otherwise, up to an aggregate nominal amount of 5% of the issued share capital at 31 December 2005, equivalent to 2,191,803 shares. The proposal complies with the guidelines issued by the institutional investment protection bodies to ensure that existing shareholders' interests are safeguarded.

Purchase of Own Shares

The Directors consider it expedient to seek shareholders' approval to enable the Company to purchase its own shares. Accordingly, under Resolution 11 in the Notice of Meeting, authority will be sought to enable the Company to make market purchases of up to 10% of the issued share capital at 31 December 2005 for the period of one year following the date of passing the resolution, or, if earlier, the date of the AGM to be held in 2007. In accordance with the requirements of The Listing Rules of the Financial Services Authority, the maximum price for shares purchased in the market shall not exceed an amount equal to 105% of the average middle market quotation taken from the Stock Exchange Daily Official List (or its equivalent) for the five business days before the purchase is made. The minimum price per share shall be not less than 5p, being the nominal value of the shares. The Directors will only utilise this authority if satisfied that to do so will result in an increase in earnings per share and that it is in the best long term interests of the shareholders.

Any shares purchased by the Company will either be cancelled immediately and the number of shares in issue will be reduced accordingly or held as treasury shares in accordance with the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 for re-sale or cancellation at a future date. The holding of shares as treasury shares will give the Company the ability to sell shares held in treasury quickly and cost effectively and will provide the Company with additional flexibility in the management of its capital base. No dividends will be paid on shares whilst held in treasury and no voting rights will be exercisable in respect of treasury shares. The resolution specifies the maximum number of shares which may be purchased and the maximum and minimum prices at which they may be bought. No such purchases were made during the year ended 31 December 2005. The Company does not currently hold any treasury shares.

Directors' Remuneration Report

In accordance with the Directors' Remuneration Report Regulations 2002, the Notice of Meeting includes, as Resolution 2, a resolution approving the Directors' Remuneration Report for the financial year ended 31 December 2005 as set out on pages 12 to 16 of this document.

(12) Auditors

A resolution to re-appoint the auditors, PricewaterhouseCoopers LLP and to authorise the Board to set their remuneration will be proposed at the AGM (Resolution 8 in the Notice of Meeting set out at the end of this document).

(13) Recommendation

The Directors believe that the Resolutions in the Notice of Meeting set out at the end of this document are in the best interests of the Company and its shareholders as a whole and unanimously recommend that shareholders vote in favour of each Resolution.

Colin Armstrong
Company Secretary
2 June 2006

Directors' Remuneration Report

(1) Introduction
As required by The Directors' Remuneration Report Regulations 2002, (the "Regulations"), this Report has been approved by the Board and will be subject to an advisory shareholder vote at the AGM. The Report is intended to be in full compliance with the requirements of the Regulations.

PricewaterhouseCoopers LLP have audited sections 5, 6, 9 and 10 as required by the Regulations.

(2) Composition of the Remuneration Committee
The Remuneration Committee (the "Committee") is chaired by Chris French and comprises all of the Non-Executive Directors. The members of the Committee and their attendance at meetings for the year are shown on page 17. The Committee is responsible for determining the remuneration packages and conditions of employment (including share-based benefits and contractual notice periods) of the Executive Directors, the Chairman and the Company Secretary, as well as reviewing the salaries of senior executives.

(3) Remuneration of Non-Executive Directors
The fees of the Non-Executive Directors are set by the Board and are reviewed at least every three years. The review takes account of fees paid for similar positions in the market, together with any additional responsibilities undertaken by the Director, such as acting as Chairman to one of the Board Committees. Non-Executive Directors are not eligible to receive pension entitlements or bonuses and may not participate in share option schemes. The Non-Executive Directors and their respective annual fees for 2005 are shown in full on page 15.

(4) Policy on Remuneration of Executive Directors and Senior Executives
The objective of the Committee's remuneration policy is to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group. Each remuneration package is deemed appropriate for the responsibilities of the individual, taking into consideration the overall financial and business position of the Group and the importance of recruiting, motivating and retaining management of the appropriate calibre. The policy is aligned with the recommendation of the Combined Code on Directors' Remuneration and will be kept under review in subsequent years to ensure that it reflects changing circumstances.

The following summarises the remuneration packages of the Executive Directors:

(i) Base salary and benefits
The base salary and benefits of Executive Directors and other senior executives are reviewed annually by the Committee. When determining base salaries, the Committee takes into account the individual experience, contribution and performance while having regard to the practice of comparable companies supported, where appropriate, by external independent surveys and external remuneration consultants.

(ii) Executive bonus scheme
The Executive Directors participate in the Company's Senior Management Bonus Scheme (the "Scheme").

The Scheme measures performance against a demanding target based on criteria established by the Committee. For 2005, the Scheme provided for a combination of cashflow and profit targets and could have resulted in cash payments of up to 100% of base salary if both (i) the actual profit of the Group for the year had exceeded budget by 30% and (ii) the Group cashflow target had been achieved.

No bonuses have been, or will be, paid to the Executive Directors under the Scheme in respect of the year ended 31 December 2005.

(5) Share Incentives
The Company operates four share incentive schemes; an Inland Revenue approved Savings-Related Share Option Scheme (the "SAYE Scheme"), an Inland Revenue approved Executive Share Option Scheme, an unapproved Executive Share Option Scheme and a Long Term Incentive Plan (the "LTIP").

The Company introduced the SAYE Scheme in 1998 to provide a savings and investment opportunity for its UK employees. Awards under the SAYE Scheme may normally be exercised at the market value of an ordinary share at the time of award.

Tim Barber and Russell Brown held options under the SAYE scheme during the financial year. The options are listed in the table below.

	At 1 January 2005	Granted	Exercised	Lapsed	**At 31 December 2005**	Exercise period	Exercise price
Tim Barber	9,737	–	–	9,737	**–**	01/03/05 – 31/08/05	200.24p
Russell Brown	1,789	–	–	1,789	**–**	01/07/05 – 31/12/05	531.00p

All existing awards under the SAYE Scheme matured during the financial year. All outstanding awards lapsed on 1 January 2006.

The two Executive Share Option Schemes are reserved for senior executives. In respect of these schemes, it has been the Group's policy to award share options, after a suitable qualifying period, to senior executives on a phased basis over a number of years.

The number of options awarded under the Executive Share Option Schemes is determined by the Committee having regard to the executive's salary, length of service and functional responsibility. No options were awarded to senior executives under the Executive Share Option Schemes in 2005.

All executive share options are exercisable only on meeting pre-determined performance targets. The Committee sets the performance targets when the options are awarded and assesses the achievement of the performance targets throughout and at the end of the applicable 3-year performance period. This resulted in the lapse of 245,000 options under the Executive Share Options Schemes following the 2005 year end as a result of the applicable performance conditions not having been achieved.

Executive Directors are eligible to participate in all of the Company's share schemes. However, the policy of the Committee is not to make awards of options under the Executive Share Option Schemes to Executive Directors who receive awards under the LTIP. No Executive Directors have been awarded options under the Executive Share Option Schemes during the year.

Tim Barber and Russell Brown held options, awarded prior to their appointment as Executive Directors, under this scheme during the financial year. The options are listed in the table below.

	At 1 January 2005	Granted	Exercised	Lapsed	**At 31 December 2005**	Exercise period	Exercise price
Tim Barber	30,000	–	–	30,000	**–**	27/04/07 – 26/04/14	330.00p
Russell Brown	25,000	–	–	–	**25,000**	27/04/07 – 26/04/14	330.00p

While the Company believes that share ownership by its employees is desirable, it also recognises that share options may not provide a suitable incentive in the current environment. At the present time, the Committee does not anticipate making further awards under either of the Company's Executive Share Option Schemes or under its SAYE Scheme.

(6) Long Term Incentive Plan

The LTIP was introduced in 2002, following approval at the AGM held in May 2002. The LTIP is designed to motivate its participants to improve the Group's performance over the longer term.

The LTIP is operated through an Employee Benefit Trust managed by independent trustees (the "Trustees"). Awards are made at the discretion of the Trustees having regard to the recommendation of the Committee. Shares required to satisfy awards which vest are transferred by the Trustees to the relevant participants.

Vesting of awards under the LTIP is subject to satisfaction of challenging performance conditions set by the Committee.

No exercise price is payable in respect of shares vesting pursuant to the LTIP.

Awards under the LTIP will, if the performance conditions have been satisfied, normally vest on the third anniversary of the date of award. Awards will not normally vest unless performance conditions have been satisfied over the relevant performance period (typically three years), or there has been a significant and sustained improvement in the underlying financial performance of the Group. The number of shares which may vest under the LTIP is based on the extent to which the performance target attached to a particular award under the LTIP has been met.

In relation to LTIP awards prior to 2005, the Group's growth in earnings per share was used as the performance measure for LTIP awards. In 2005, the Committee recognised that many shareholders strongly preferred the use of performance measures by reference to the total shareholder return ("TSR") of the Company relative to an appropriate benchmark comparator group or index. The Committee therefore introduced a TSR based performance condition for all LTIP awards in 2005 and propose to use the same performance conditions for any awards in 2006. However, the Committee reserves the right to set performance conditions for LTIP awards by reference to different targets, should it consider this to be appropriate in the circumstances.

In the case of awards made under the LTIP in respect of 2003 and 2004, the performance condition for vesting is average annual growth in earnings per share of the Group over the respective three-year performance periods of not less than RPI + 6% (for 100% vesting) and RPI + 3% (for 50% vesting).

In the case of awards made under the LTIP in respect of 2005, the performance condition for vesting is Median TSR (for 35% vesting) over the respective three-year performance period, and Median TSR + 5% (for 100% vesting) on a straight line basis. For this purpose, TSR is measured against the FTSE Small Cap Index.

Directors' Remuneration Report

A total of 504,763 options were granted under the LTIP in respect of the year ended 31 December 2005. The following table sets out the interests of the Executive Directors in awards under the LTIP as at 31 December 2005.

Name	Year ended	At 1 January 2005	Awarded	Date of award	Exercised	Lapsed	**At 31 December 2005**	Vesting date	Market value at date of award#
Tim Barber	2005	–	59,524	24/05/05	–	–	**59,524**	24/05/08	245.0p
							59,524		
Russell Brown	2005	–	59,524	24/05/05	–	–	**59,524**	24/05/08	245.0p
							59,524		
Gilles Guinchard†	2002	78,947[1]	–	02/09/02	–	78,947	**–**	02/09/05	465.0p
	2003	106,765	–	14/01/04[2]	–	–	**106,765**	14/01/07	327.5p
	2004	86,957	–	05/05/04	–	–	**86,957**	05/05/07	315.0p
	2005	–	122,449	24/05/05	–	–	**122,449**	24/05/08	245.0p
							316,171		
John Merry	2002	63,157[1]	–	02/09/02	–	63,157	**–**	02/09/05	465.0p
	2003	128,118	–	14/01/04[2]	–	–	**128,118**	14/01/07	327.5p
	2004	86,957	–	05/05/04	–	–	**86,957**	05/05/07	315.0p
	2005	–	122,449	24/05/05	–	–	**122,449**	24/05/08	245.0p
							337,524		
Philip Nuttall	2002	42,105[1]	–	02/09/02	–	42,105	**–**	02/09/05	465.0p
	2003	85,412	–	14/01/04[2]	–	–	**85,412**	14/01/07	327.5p
	2004	57,971	–	05/05/04	–	–	**57,971**	05/05/07	315.0p
	2005	–	81,633	24/05/05	–	–	**81,633**	24/05/08	245.0p
							225,016		

† Gilles Guinchard resigned as a Director of the Company with effect from 23 January 2006, and as an employee of the Company with effect from 28 February 2006. Accordingly, all awards to him under the LTIP lapsed with effect from 28 February 2006.

 # LTIP awards are calculated using the market value on the date the Committee agrees to recommend the grant to the Trustees. The market value at date of award, may differ from the original figure due to share price movement.

1 The Committee resolved that the awards made under the LTIP in respect of 2002 lapsed with effect from 26 January 2005 due to the performance condition not having been satisfied.

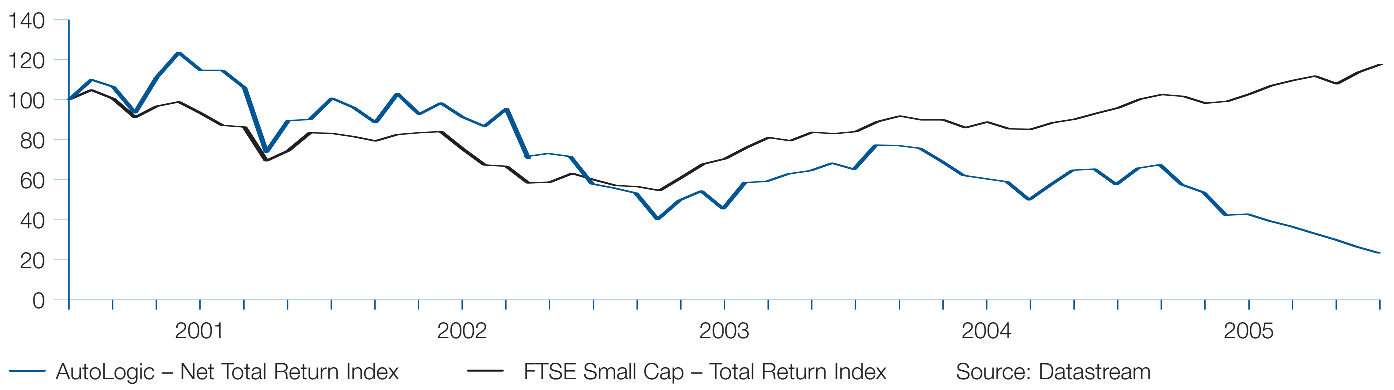
2 The awards in respect of the year ended 31 December 2003 were planned to be made in April 2003 but, for legal reasons, could not be made until January 2004. The terms on which the awards were made were such as to ensure that the participants were neither advantaged nor disadvantaged by the delay in the making of the awards.

(7) External Appointments of Executive Directors
It is recognised that by holding the office of a Non-Executive Director of another company, an Executive Director may gain valuable knowledge and experience that can benefit the Group. All external directorships require prior Board approval.

Philip Nuttall currently holds one external directorship with William Sinclair Holdings plc and is entitled to retain the fees earned connected therewith.

(8) Performance Graph
The Company's total shareholder return performance, for the five years to 31 December 2005 is shown on the graph below compared to the average performance achieved by companies within the FTSE Small Cap index.

In the opinion of the Directors, the FTSE Small Cap Index is the most appropriate index against which the total shareholder return of the Company should be measured because it is an index of similar sized companies.



The middle market price of an ordinary share in the Company on 31 December 2005 was 99.5p. The middle market price of an ordinary share in the Company during the year ranged from 93.0p to 317.5p.

(9) Directors' Service Contracts, Emoluments and Pensions

(i) Service contracts

The Executive Directors have rolling service contracts with the following notice periods:

	Contract date	Notice period
Tim Barber	5 April 2005	12 months
Russell Brown	5 April 2005	12 months
Gilles Guinchard	1 July 2002	12 months*
John Merry	18 November 1997	12 months
Philip Nuttall	18 November 1997	12 months

* *On joining the Company on 1 July 2002, Gilles Guinchard was entitled to a notice period of 24 months reducing on a straight line basis to 12 months by 1 July 2005. Gilles Guinchard resigned as an employee of the Company with effect from 28 February 2006.*

These service contracts contain non-compete obligations in the event of termination.

The service contracts do not provide for any termination payments, save that if they are terminated by the Company in accordance with their terms, the Company may elect to pay the Executive Director his salary and benefits in lieu of notice.

The Non-Executive Directors do not have service contracts. The terms of their appointment are reviewed by the Board at least every three years, and are available for inspection upon request.

John Merry and John Hodges retire as Directors by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

(ii) Directors' emoluments

The aggregate emoluments and pension contributions paid by the Company for the year ended 31 December 2005 in respect of the Directors who held office during the year were as follows:

	Year ended 31 December 2005	Year ended 31 December 2004
	£'000	£'000
Aggregate emoluments	**1,275**	921
Pension contributions to money purchase scheme	**399**	182
	1,674	1,103

The emoluments received in the year ended 31 December 2005 by the Directors who held office during the year were as follows:

	Fees	Salary	Benefits**	Total excluding pension contributions	Pension contributions	**Year ended 31 December 2005 Total**	Year ended 31 December 2004 Total
	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Executive							
Tim Barber	–	113	11	124	64	**188**	–
Russell Brown	–	113	6	119	36	**155**	–
Gilles Guinchard*†	–	300	8	308	73	**381**	381
John Merry*	–	339	3	342	33	**375**	326
Philip Nuttall*	–	239	15	254	193***	**447**	291
Non-Executive****							
John Alexander	29	–	–	29	–	**29**	25
Roland Bellande	29	–	–	29	–	**29**	25
Chris French	33	–	7	40	–	**40**	30
John Hodges	30	–	–	30	–	**30**	25
	121	1,104	50	1,275	399	**1,674**	1,103

† *These figures do not include any payments to Gilles Guinchard in connection with the termination of his employment with the Company. Details of these payments were set out in the circular to shareholders dated 13 April 2006 in relation to the sale of Walon France.*

* *In addition to the amounts included in the table above Gilles Guinchard, John Merry and Philip Nuttall received payments of £105,000, £105,000, and £30,000 respectively under the AutoLogic Senior Management Bonus Scheme in respect of the year ended 31 December 2004. Payment was made in May 2005.*

** *The benefits in kind provided to Tim Barber and Russell Brown include a company car, fuel and medical insurance. Philip Nuttall received a company car, medical insurance and rail travel. Gilles Guinchard was provided with a car allowance and medical insurance. John Merry was provided with a car.*

*** *May 2005: £40,000 contribution in lieu of bonus. Oct 2005: £70,000 contribution representing an underpayment to the scheme in respect of previous contributions.*

**** *The basic fee for each of the Non-Executive Directors at the end of 2005 was £30,000 per annum. An additional fee of £2,000 is paid per Chairmanship. Chris French was provided with a company car in respect of his position as Senior Independent Non-Executive Director.*

Directors' Remuneration Report

(iii) Directors' pensions
The Executive Directors are entitled to join a money purchase Group pension scheme. Philip Nuttall and John Merry are members of this scheme, however, Philip Nuttall is no longer an active member and has not made any contributions to the scheme since December 2002.

In April 2002, the AutoLogic Holdings plc Senior Executive Pension Plan was established. This Plan is a money purchase occupational pension scheme with a normal retirement age of 60 years. The Executive Directors are entitled to join this Plan. Tim Barber, Russell Brown, Gilles Guinchard and Philip Nuttall are members of this Plan.

John Merry and Tim Barber are members of the AutoLogic Holdings plc Group defined benefit scheme, to which contributions ceased to be paid in April 1992.

Set out below are details of the pension benefits to which John Merry and Tim Barber are entitled:

	Additional accrued benefits earned in year	**Accrued entitlement at 31 December 2005**	**Transfer value at 31 December 2005**	Transfer value at 31 December 2004	Increase in transfer value less directors' contributions
Name	£'000	**£'000**	**£'000**	£'000	£'000
Tim Barber	–	**10**	**59**	51	8
John Merry	–	**21**	**118**	91	27

(10) Directors' Shareholdings
The interests in the share capital of the Company (both beneficial and family interests) of the Directors in office at 31 December 2005 were as follows:

	At 31 December 2005	At 31 December 2004
John Merry	**2,521,057**	2,521,057
Philip Nuttall	**700,387**	700,387
Tim Barber	**462,154**	462,154
John Alexander	**20,694**	20,694
Russell Brown	**5,229**	5,229
John Hodges	**3,000**	3,000
Chris French	**3,000**	3,000
Gilles Guinchard	**–**	–
Roland Bellande	**–**	–

At 31 December 2005, John Merry had a beneficial interest in 558,923 shares as a trustee of family trusts (2004: 558,923) and Philip Nuttall had a non-beneficial interest in 180,086 shares as a trustee of family trusts (2004: 180,086). These interests are included in the table above.

The Directors do not hold any interests in share options over the shares of the Company or any other Group companies other than as disclosed above.

Chris French
Chairman
Remuneration Committee
2 June 2006

Corporate Governance Statement

The Company continues its commitment to achieving and maintaining a high standard of corporate governance, corporate responsibility and risk management throughout the Group. The Board is accountable to the Company's shareholders for good governance and this statement describes how the relevant principles of corporate governance are applied to the Group.

(1) Combined Code

The Board considers that, based upon the information below and that included within the Directors' Remuneration Report on pages 12 to 16 and save as disclosed therein, throughout the year the Group has been in compliance with the provisions set out in the Combined Code of Corporate Governance as presently appended to The Listing Rules of the Financial Services Authority (the "Combined Code").

(2) Board of Directors

Throughout the year, the Board comprised five Executive Directors and four Non-Executive Directors. Their biographies appear on page 9. The four Non-Executive Directors are, in the opinion of the Board, independent of management.

The following were Directors of the Company during the year:

Name	Position	Number of Board meetings attended during the year ended 31 December 2005 (12)	Number of Audit Committee meetings attended during the year ended 31 December 2005 (3)[1]	Number of Nominations Committee meetings attended during the year ended 31 December 2005 (1)	Number of Remuneration Committee meetings attended during the year ended 31 December 2005 (3)[2]
Executive Directors					
John Merry	Executive Chairman	11	3	1	3
Gilles Guinchard	Chief Executive Officer (Continental Europe)	11	3	1	3
Philip Nuttall	Chief Executive Officer (UK & Eire)	11	3	1	3
Tim Barber	Group Development Director	9	1	–	–
Russell Brown	Group Finance Director	9	2	–	–
Non-Executive Directors					
Chris French	Senior Independent Non-Executive Director	11	3	1	3
John Alexander	Non-Executive Director	9	1	1	2
Roland Bellande	Non-Executive Director	11	3	1	3
John Hodges	Non-Executive Director	12	3	1	3

1 Although the Executive Directors attended the Meetings of the Audit Committee they are not members of this Committee.
2 Although the Executive Directors attended the Meetings of the Remuneration Committee they are not members of this Committee.

The Board, which meets every month, exercises overall control of the Group's affairs by reference to a schedule of matters reserved for its decision. These matters include:

- major acquisitions and disposals
- the approval of Financial Statements and assessment of financial performance
- authority levels of expenditure, with detailed appraisals and reviews
- treasury policies and review of financial planning; and
- risk management policies.

During the year the Chairman regularly met and held discussions with the Non-Executive Directors, without the other Executive Directors present, in order to allow informal discussion on any issues of concern. In addition, throughout the year, the Senior Independent Non-Executive Director held a number of meetings with the other Non-Executive Directors without the presence of any Executive Directors.

In furtherance of their duties, there are agreed procedures for the Directors to take independent professional advice, if necessary, at the Company's expense. All Directors have access to the advice and services of the Company Secretary.

(3) Board Evaluation

In line with best practice the Board has established a process to enable it to undertake an evaluation of its own performance. The process focuses on both individual and collective performance and seeks to determine the appropriateness of the skills and knowledge base of the Board, the quality of Board discussion and the contribution of the Board members.

In addition, during the year the Non-Executive Directors met in the absence of the Chairman to discuss the performance of the Chairman.

Corporate Governance Statement

(4) Board Committees
Each Board Committee has established clear and defined terms of reference, responsibilities and powers. The full terms of reference for all of the Committees are available for inspection on request. The members of the Committees and their attendance at meetings for the year are shown on page 17.

Audit Committee
The Audit Committee is chaired by John Hodges and comprises all the Non-Executive Directors. The Group's external auditors attend all meetings of the Audit Committee.

The Committee meets at least three times a year and its terms of reference cover the points recommended by the Combined Code. The Committee oversees the external audit process, reviewing the continued independence and objectivity of the external auditors and ensuring that the provision of non-audit services does not impair these (by monitoring the nature of such non-audit services and the level of fees attributable thereto). It discusses with the external auditor the nature of the audit, reviewing its results and effectiveness and any issues arising from the audit process. The Committee reviews the internal control, financial reporting and risk management systems. It also monitors the integrity of the interim and annual Financial Statements and any formal announcements relating to the Company's financial performance.

The Committee considers and makes recommendations to the Board in respect of the appointment of auditors, their terms of engagement and their remuneration as well as reviewing the effectiveness of the audit process.

Remuneration Committee
The Remuneration Committee is chaired by Chris French and comprises all the Non-Executive Directors. The composition and role of the Committee is described more fully in the Directors' Remuneration Report on pages 12 to 16.

Nominations Committee
The Nominations Committee is chaired by Neil Johnson and comprises the whole Board. The Committee is responsible for reviewing the balance, structure and composition of the Board. It takes into account the required blend of skills and experience required to lead and manage the Company, and is responsible for selecting and appointing the Company's Executive and Non-Executive Directors and meets as required.

(5) Shareholder Communications
The Company maintains a regular dialogue with its major institutional shareholders and seeks to meet with them at least twice a year. Presentations are given by Executive Directors following the annual and interim results, to institutional investors, analysts and brokers which the Non-Executive Directors may attend. In addition, the Company's brokers provide confidential feedback to the Company on the views of the major institutions following interim and preliminary results. The Senior Independent Non-Executive Director is available for discussion where contact through the usual channels is inappropriate, or has failed to resolve previously raised concerns.

There is further opportunity for shareholders to communicate with the board at the AGM, where the Chairmen of the Remuneration, Audit and Nomination Committees will be available to answer questions.

Many of the Group's employees are shareholders in the Company and they are advised of all material developments through regular employee newsletters and team briefings.

The interim and final results of the Company are posted on the Group's website, www.autologic.co.uk. The website also includes the Group's press releases, and other investor information.

(6) Environmental Policy
The Group is committed to minimising the impact of its activities on the environment through effective management and control of those elements of its activities which have a potentially negative effect on the environment.

The Group is aware of the need to lower the environmental and health impact of vehicle emissions. 62% of its fleet is Euro 3 compliant, with Euro 4 trucks being introduced to the fleet in October 2006. New vehicles are being specified with semi-automated gearboxes to ensure consistent driving style and to reduce driver fatigue.

The Group has devised a driver training programme which educates our drivers on a safe and efficient method of operating the trucks, including instruction on fuel economy and defensive driving. In addition, the development of on-board diagnostic and on-board measurement systems to monitor in-service fuel consumption and driver ability promotes economical, safe and environmentally friendly driving techniques.

The Group is mindful of the need for sustainable development and regularly monitors and reviews its environmental management controls: it works continually towards increasing energy and water efficiency through best practice and technology, reducing the consumption of wood and paper based products, and where practicable, only purchasing products containing wood from sustainable sources. Managers are responsible for ensuring that all machines and tools are regularly serviced so that they operate safely, effectively and efficiently.

Wherever possible, the Group ensures an efficient consumption of energy and natural resources. It promotes recycling and reusing of products when appropriate and disposes of pollutants safely to minimise the impact on the environment.

The Group actively supports and encourages initiatives for environmental protection, and respects the communities in which it operates its businesses.

(7) Health & Safety
The Group is committed to providing a safe environment for its employees. The Board is aware of its legal and moral obligations for Health & Safety at work and is committed to preventing accidents and minimising occupational ill health. Our procedures are monitored and improvements identified through periodic internal audits and safety inspections.

The introduction of a comprehensive monitoring and reporting system has created an accurate, comprehensive register of work equipment which requires statutory inspection. Detailed electronic records ensure the condition of working equipment is reviewed, and reported upon, regularly.

All transporter drivers are now being issued with ShoesForCrews footwear, ensuring adequate foot protection in all conditions while at the same time minimising the risk of injury by slips and falls. The Group is monitoring the number of slip-related incidents occurring since the provision of footwear began, and expect to see a significant decline in the rate and seriousness of these incidents.

Increased awareness of Health & Safety issues as a result of management level Health & Safety training, and the provision of training for manual handling, has contributed to a 40% reduction of RIDDOR reported incidents from 2004. The frequency and severity of all incidents has reduced by at least 25% in the year and the Group is committed to continuous improvement at all levels of operation.

The Group's Health & Safety strategy going forward includes the introduction of an employee Health Surveillance Programme, which will involve an annual assessment and cover issues such as the effects of noise and vibration. A full Health & Safety audit will be carried out on all sites during the first half of 2006, and resulting action plans will be produced and monitored based on these audits.

(8) Corporate Social Responsibility
The Group is committed to behaving in a socially responsible manner and has clear standards of business conduct.

While the Group appreciates the importance of its social responsibilities, it recognises that its principal responsibility is to meet its primary business obligations, that is to provide an excellent service in an efficient and competitive manner and profitably.

The Group aims to exceed general industry standards of service and strives continually to improve the quality of service it provides and to ensure that best practice is transferred across its different business units. The Group accepts the costs of working to a high standard and believes that this leads to enhanced customer loyalty and satisfaction.

The Group behaves responsibly towards its customers, suppliers and employees, regularly involving employees and customers, where appropriate, in decisions which affect them.

The Board recognises that the Group must remain aware of the need for change, to evolve and remain competitive. The Group has a decisive and proactive management team with the skills and experience to anticipate change, be it technological or economic, and proactively address opportunities that such change may present. In this way, the Group aims to maintain its position as an industry leader in its field.

As always, our employees and their skills are a key resource, through whom we can achieve our commercial and strategic goals. To this end, the Group is committed to providing safe and healthy working conditions and ensuring that equal opportunities exist in the workplace independent of race, religion, sex and physical ability.

The Board decides on levels of charitable contributions annually. The Board aims to ensure that the charities supported are relevant to the Group's businesses. The Group strives to align its charitable contributions to core business activities and there is, therefore, a degree of common interest and shared values between the aims of AutoLogic and the aims of the charities it supports. Staff participation in sponsored fund raising events is a strong element in the Group's charitable contribution.

Corporate Governance Statement

(9) Internal Control
In accordance with the Guidance for Directors on Internal Control (the "Turnbull Report"), the Board acknowledges its continuing responsibility to ensure that an adequate system of internal controls is in place and confirms that there is an ongoing process for identifying, evaluating and managing significant risks to the achievement of the Group's strategic objectives. This process has continued throughout 2005, and complies with the recommendations of the Turnbull Report. The effectiveness of this process has been regularly reviewed by the Board. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed and by their nature can provide reasonable but not absolute assurance against misstatement or loss.

The Group does not have a permanent internal audit function but periodically engages external consultants to provide internal audit reviews. The appropriateness of establishing a permanent internal audit function is reviewed regularly.

The processes to identify and manage key risks to the Group are an integral part of the internal control environment. Such processes, which are reviewed and improved as necessary, include strategic planning, the appointment of senior management, the regular monitoring of performance, control over capital expenditure and investment and the setting of high standards and targets for safety, health and environmental performance.

The Group's strategic direction is regularly reviewed by the Board and the subsidiary boards consider the strategy for the individual businesses. Annual budgets and performance targets are set for each business by the Board in accordance with the Group's overall objectives.

Businesses within the Group are responsible for meeting a defined reporting timetable and for compliance with the Group accounting policies. The subsidiary boards of the individual businesses and the Board receive a monthly summary of the financial results of the businesses, based upon a standardised and timely reporting process.

On completion of all major investments, post investment reviews are carried out on behalf of the Board. This process helps improve the quality of business judgements through the understanding and experience gained. In addition, following completion of acquisitions, the existing internal control procedures are extended to cover the enlarged Group. These procedures are regularly reviewed to ensure their continued appropriateness in the light of the increased size and geographical scope of the Group.

The Company exercises its supervisory and voting rights in relation to its joint ventures, including GAL, along with its joint venture partners, to ensure that appropriate procedures and internal controls are in place in these businesses.

(10) Going Concern
The Directors consider that the Group and the Company have adequate resources to remain in operation for the foreseeable future and have therefore adopted the going concern basis in preparing these Financial Statements.

John Hodges
Chairman
Audit Committee
2 June 2006

Statement of Directors' Responsibilities

Company law requires the Directors to prepare Financial Statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit and loss of the Group for that year.

In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Consolidated Financial Statements comply with IFRS and that the Company Financial Statements comply with UK GAAP; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Company intends to make a copy of this document available on its corporate website (www.autologic.co.uk). In respect of any copy which appears on our website the following should be noted:

(a) the maintenance and integrity of the Company's website is the responsibility of the Directors; the 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; and

(b) legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

By order of the Board
Colin Armstrong
Company Secretary
2 June 2006

Independent Auditors' Report to the members of AutoLogic Holdings plc

We have audited the Group Financial Statements of AutoLogic Holdings plc for the year ended 31 December 2005 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These Group Financial Statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company Financial Statements of AutoLogic Holdings plc for the year ended 31 December 2005 and on 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 and the Group 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 Group Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group Financial Statements give a true and fair view and whether the Group Financial Statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the Group Financial Statements, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group Financial Statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Operating and Financial Review, the Corporate Governance Statement and the Statement of Directors' Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group 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 Group Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group Financial Statements, and of whether the accounting policies are appropriate to the Group'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 Group Financial Statements 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 Group Financial Statements.

Emphasis of Matter – Impairment of Investment in GAL
In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 5 to the Financial Statements concerning the impairment of the Group's investment in GAL. This impairment is based on the Directors' estimate of the realisable value of the investment and may be subject to material change once the financial position of GAL is resolved.

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 December 2005 and of its loss and cash flows for the year then ended; and
- the Group Financial Statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
2 June 2006

Consolidated Income Statement

for the year ended 31 December 2005

	Note	**Year ended 31 December 2005** Before exceptional items £'m	Exceptional items £'m	After exceptional items £'m	Restated Year ended 31 December 2004 Before exceptional items £'m	Exceptional items £'m	After exceptional items £'m
Continuing operations							
Revenue	2	**244.8**	**–**	**244.8**	247.0	–	247.0
Cost of sales	3,5	**(207.9)**	**(0.3)**	**(208.2)**	(207.1)	–	(207.1)
Gross profit		**36.9**	**(0.3)**	**36.6**	39.9	–	39.9
Administrative expenses	3,5	**(26.5)**	**(1.3)**	**(27.8)**	(30.9)	(0.3)	(31.2)
Other operating income	4	**1.9**	**–**	**1.9**	7.8	–	7.8
Operating profit/(loss)		**12.3**	**(1.6)**	**10.7**	16.8	(0.3)	16.5
Interest receivable	6	**0.7**	**–**	**0.7**	1.7	–	1.7
Interest payable and similar charges	6	**(3.6)**	**–**	**(3.6)**	(5.3)		(5.3)
Post tax share of (loss)/profit from interest in joint ventures and associates	5	**(1.8)**	**(68.8)**	**(70.6)**	7.3	–	7.3
Profit/(loss) before taxation	7	**7.6**	**(70.4)**	**(62.8)**	20.5	(0.3)	20.2
Taxation	8	**(4.6)**	**0.5**	**(4.1)**	(3.0)	0.1	(2.9)
Profit/(loss) from continuing operations		**3.0**	**(69.9)**	**(66.9)**	17.5	(0.2)	17.3
Discontinued operations							
Loss from discontinued operations	2	**(2.9)**	**(21.1)**	**(24.0)**	(3.3)	(0.9)	(4.2)
Profit/(loss) for the year	26	**0.1**	**(91.0)**	**(90.9)**	14.2	(1.1)	13.1
Attributable to:							
Equity shareholders		**–**	**(91.0)**	**(91.0)**	14.0	(1.1)	12.9
Minority interests		**0.1**	**–**	**0.1**	0.2	–	0.2
	26	**0.1**	**(91.0)**	**(90.9)**	14.2	(1.1)	13.1
(Loss)/earnings per share							
Basic	10			**(207.69p)**			29.23p
Diluted	10			**(207.69p)**			29.15p
(Loss)/earnings per share from continuing operations							
Basic	10			**(152.92p)**			38.84p
Diluted	10			**(152.92p)**			38.74p

The comparative results for the year ended 31 December 2004 have been restated to reflect the adoption of International Financial Reporting Standards as explained in note 1 to the Financial Statements.

Consolidated Statement of Recognised Income and Expense

for the year ended 31 December 2005

	Year ended 31 December 2005	Restated Year ended 31 December 2004
	£'m	£'m
Translation differences on foreign currency investments:		
Group	**(0.7)**	(0.2)
Share of joint ventures and associates	**(1.6)**	(0.1)
Net investment hedge	**1.2**	–
Share-based payments adjustment	**(0.1)**	–
Actuarial (loss)/gain on pension schemes	**(0.6)**	3.7
Deferred tax on actuarial (loss)/gain	**0.2**	(1.1)
Net (losses)/gains recognised directly in equity	**(1.6)**	2.3
(Loss)/profit for the financial year	**(90.9)**	13.1
Total recognised (expense)/income in the year	**(92.5)**	15.4
Attributable to:		
Equity shareholders	**(92.6)**	15.2
Minority interests	**0.1**	0.2
	(92.5)	15.4

Consolidated Balance Sheet

at 31 December 2005

	Note	2005 £'m	Restated 2004 £'m
Assets			
Non-current assets			
Goodwill	11	**36.0**	49.0
Intangible assets	12	**0.5**	1.2
Property, plant and equipment	13	**22.7**	43.1
Financial assets			
- Available for sale investments	14	**5.9**	5.3
Investments accounted for using the equity method	15	**0.1**	69.5
Deferred tax asset	24	**4.4**	6.2
		69.6	174.3
Current assets			
Inventories	16	**0.9**	1.8
Trade and other receivables	17	**49.2**	80.1
Cash and cash equivalents	18	**15.2**	18.7
		65.3	100.6
Assets classified as held for sale	31	**41.4**	–
Current assets		**106.7**	100.6
Liabilities			
Current liabilities			
Trade and other payables	19	**(46.8)**	(76.4)
Financial liabilities	20	**(55.9)**	(4.0)
Current tax liabilities		**(2.5)**	(1.6)
		(105.2)	(82.0)
Liabilities directly associated with assets classified as held for sale	31	**(30.8)**	–
Current liabilities		**(136.0)**	(82.0)
Net current (liabilities)/assets		**(29.3)**	18.6
Non-current liabilities			
Financial liabilities	20	**(2.3)**	(53.6)
Retirement benefit liability	32	**(9.0)**	(9.8)
Provisions	23	**(0.9)**	(4.2)
		(12.2)	(67.6)
Net assets		**28.1**	125.3
Shareholders' equity			
Ordinary shares	25	**2.2**	2.2
Share premium	26	**67.4**	67.3
Other reserves	26	**7.3**	20.7
Retained earnings	26	**(49.2)**	34.8
Total shareholders' equity	26	**27.7**	125.0
Minority interest in equity	27	**0.4**	0.3
Total equity	26	**28.1**	125.3

The Financial Statements on pages 23 to 67 were approved by the Board of Directors on 2 June 2006 and were signed on its behalf by:

John Hodges
Russell Brown

Consolidated Cash Flow Statement

for the year ended 31 December 2005

	Note	Year ended 31 December 2005 £'m	Restated Year ended 31 December 2004 £'m
Cash flows from operating activities			
Cash generated from operations	28	**2.0**	25.4
Interest received		**0.7**	1.7
Interest paid		**(3.8)**	(5.1)
Tax paid		**(2.3)**	(2.9)
Net cash (used)/received from operating activities		**(3.4)**	19.1
Cash flows from investing activities			
Acquisition of subsidiary		**–**	(1.5)
Dividends received from joint venture companies		**0.2**	–
Proceeds from sales of property, plant and equipment		**14.3**	15.5
Purchase of property plant and equipment		**(9.0)**	(9.8)
Net cash received from investing activities		**5.5**	4.2
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**0.1**	0.2
Net proceeds from bank loan		**4.8**	–
Finance lease principal payments		**(0.8)**	(0.8)
Repayment of borrowings		**–**	(13.8)
Repayment of foreign currency swap		**(2.0)**	–
Dividends paid		**(4.8)**	(4.8)
Net cash used in financing activities		**(2.7)**	(19.2)
Effects of exchange rate changes		**(0.2)**	–
Net (decrease)/increase in cash and cash equivalents	29	**(0.8)**	4.1
Cash and cash equivalents at the beginning of the financial year		**18.7**	14.6
Cash and cash equivalents at the end of the financial year	30	**17.9**	18.7

Included in cash and cash equivalents for 2005 is an amount of £2.7m classified as assets held for sale (note 31).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

1 Principal Accounting Policies

The principal accounting policies adopted in the presentation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

Statement of compliance

The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards and the IFRIC interpretations endorsed by the European Union and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS. As permitted the Group has also early adopted the amendments to International Accounting Standards (IAS) 19 'Employee Benefits' published in December 2004.

The Financial Statements for the Company have been prepared in accordance with UK GAAP. Accordingly, the Company's accounting policies are included in note 40.

Basis of preparation

The Consolidated Financial Statements are presented in pounds sterling and, unless stated otherwise, rounded to the nearest hundred thousand. They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

First time adoption of International Financial Reporting Standards

The Group has applied IFRS 1 – First Time Adoption of International Financial Reporting Standards to provide a starting point for reporting under IFRS. The rules regarding transitional arrangements are set out in IFRS 1 which generally requires full retrospective adoption of all standards effective at the reporting date. The primary IFRS exemptions the Group has taken are:

- business combinations that occurred prior to 1 January 2004 have not been restated
- cumulative translation differences on foreign currency denominated operations are deemed to be £'nil at 1 January 2004
- the recognition of the expense of share-based payments has been restricted to those awards granted after 7 November 2002 which have not vested by 1 January 2005.
- measuring the value of tangible fixed assets at 1 January 2004 at historic cost, and
- IAS 32 – Financial Instruments: Disclosure and Presentation and IAS 39 – Financial Instruments: Recognition and Measurement have been adopted from 1 January 2005, with no restatement of comparative information.

Basis of consolidation

The financial information comprises a consolidation of the accounts of AutoLogic Holdings plc and all its subsidiaries. Subsidiaries include all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. 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 the Group has the power to control. They are de-consolidated from the date that control ceases.

The Group's share of profits less losses of joint ventures is included in the Consolidated Income Statement and the Group's share of their net assets is included in the Consolidated Balance Sheet under the equity method.

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.

Foreign currencies

The Group translates trading transactions in foreign currencies at average exchange rates. Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the exchange rates ruling at the Balance Sheet date. Assets and liabilities of subsidiaries and joint ventures denominated in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year and the results of foreign subsidiaries are translated at the average rate of exchange for the period. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies, and from the translation of the results of those companies at average rates, are taken to reserves and are reported in the Consolidated Statement of Recognised Income and Expense.

Under IAS 21 the Group is required to separately identify translation differences for each foreign currency denominated operation and account for the differences in subsequent disposals. Any translation differences arising under IFRS will be separately recorded in equity, net of any foreign exchange movements on related hedging instruments. On disposal of a foreign currency denominated operation, the cumulative translation differences for that operation are transferred to the Consolidated Income Statement as part of the profit or loss on disposal. This was not the case under previous accounting policies. The Group will take advantage of the election under IFRS 1 not to record cumulative translation differences arising before the transition date and all subsequent disposals shall exclude any translation differences prior to 1 January 2004.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The accounting policies below that involve the most significant use of estimates and judgements are goodwill (see note 11 for details of specific estimates and judgements), available for sale investments (note 14), investments accounted for using the equity method (note 15) and pension liabilities (note 32).

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005

1 Principal Accounting Policies (Continued)

Revenue
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 and is stated net of value added tax and other sales related taxes. Revenue is recognised when services are provided to the customer.

Income recognition
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated cash receipts through the expected life of the financial asset to the asset's net carrying amount. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Segmental reporting
Each of the Group's business and geographical segments provide services that are subject to risks and returns that are different from those of the other business segments. Due to the nature of the Group's operations the distinct business segments align directly with distinct geographical segments which are operating in separate economic environments.

Goodwill
Goodwill arising on the acquisition of subsidiaries and joint ventures represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Fair value adjustments based on provisional estimates are amended within one year of the acquisition if required, with a corresponding adjustment to goodwill, in order to refine adjustments to reflect further information gained post acquisition. Following initial recognition, goodwill is stated at historic cost less any accumulated impairment in value. In accordance with IFRS 3 'Business combinations', goodwill is not amortised. All goodwill is subject to an annual test of impairment and an impairment charge recognised through the Consolidated Income Statement as required. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which discount the forecast cashflows of each cash generating unit. The discount rate used reflects the weighted average cost of capital to the Group, adjusted where appropriate to reflect local factors.

Goodwill which arose prior to 1 January 1998 remains eliminated against reserves and will be charged in the Consolidated Income Statement on disposal of the business to which it relates. Negative goodwill which arose prior to 1 January 1998 has been credited to a capital reserve and will be released to the Consolidated Income Statement on disposal of the business to which it relates.

Capitalised software costs
Under IFRS, capitalised software costs that are not an integral part of the associated hardware are required to be classified as intangible assets. The Group has previously capitalised eligible software costs within tangible fixed assets. Capitalised software costs are written off over 2 years.

Property, plant and equipment
Property, plant and equipment is stated at their purchase price, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned.

The principal lives used for this purpose are:

Freehold buildings	30 – 50 years
Plant and machinery	3 – 5 years
Motor vehicles	4 – 8 years
Fixtures and fittings	5 years

Leasehold land and buildings are amortised over the duration of the lease. Freehold land is not depreciated.

The carrying value of items of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the current carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and adjustments, where applicable, are made on a prospective basis.

Available for sale investments
Available for sale financial investments are non-derivative assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are initially recognised at fair value plus any transaction costs and are subsequently carried at fair value. If a fair value for an investment cannot be reliably measured, due to the variability in the range of reasonable fair value estimates being significant, or the probabilities of the various estimates within the range not being able to be reasonable assessed, that investment will be carried at cost.

An impairment test is performed annually on the carrying value of the investment. An impairment loss is recognised for the amount by which the assets carrying value exceeds its recoverable amount.

1 Principal Accounting Policies (Continued)

Investments accounted for using the equity method
Investments which are held for the long term and in which the Group has a participating interest and exercises joint control with one or more other parties are treated as joint ventures and accounted for by the equity method. Investments which are held for the long term and in which the Group has a participating interest and exercises significant influence are treated as associates and accounted for by the equity method. In both cases, the Group's share of the results of the investment is included in the Consolidated Income Statement and the Group's share of net assets is included in investments in the Consolidated Balance Sheet. Overseas investments are translated at the exchange rate ruling at the year end date less any provision for permanent diminution in value.

Inventories
Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Net realisable value is the price at which stocks can be sold in the normal course of business. Provision is made where necessary for obsolete, slow moving and defective stocks.

Trade and other receivables
Trade receivables, defined as loans and receivables in accordance with IAS 39, are recorded initially at fair value and subsequently measured at amortised cost using the effective interest method for any doubtful amounts. A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets carrying amount and the present value of future cash flows discounted at the effective interest rate. The movement in the provision is recognised in the Consolidated Income Statement.

Any other trade receivables are recognised at their original amount less an allowance for any doubtful amounts. An allowance is made when collection of the full amount is no longer considered probable.

Cash and cash equivalents
Cash and cash equivalents as defined for the Cash Flow Statement comprise cash in hand, cash held at bank with immediate access, other short-term investments and bank deposits with maturities of three months or less from the date of inception and bank overdrafts. In the Consolidated Balance Sheet cash includes cash and cash equivalents excluding bank overdrafts.

Trade payables
Trade payables, defined as financial liabilities in accordance with IAS 39, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Any other trade payables are stated at cost. All of the trade payables are non-interest bearing.

Current and deferred taxation
The Group is subject to income taxes in the UK and in Europe. At each financial period end, judgement is required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax issues based on the best estimates at the balance sheet date. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Current tax is provided on taxable profits earned according to the local rates applicable where the profits are earned, subject to the availability of recognised tax losses. Deferred tax is provided in full, using the liability method, in respect of all material temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured on a non-discounted basis at tax rates that are expected to apply in the periods in which the timing differences reverse based on tax rates in place at the balance sheet date. Deferred tax assets are recognised where their recovery is considered more likely than not in that there will be suitable taxable profits from which the future reversal of underlying temporary differences can be deducted. Their carrying amount is reviewed at each balance sheet date on the same basis. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

Leased assets – Finance leases
Leases of property, plant and equipment which transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases. Finance leases are classified as a financial liability and measured at amortised cost. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments and depreciated over the period of the lease. The resulting lease obligations are included in liabilities.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets – Operating leases
All other leases are classified as operating leases. Rentals payable under operating leases, net of lease incentives, are charged to the Consolidated Income Statement on a straight-line basis over the period of the lease.

Where property lease contracts contain guaranteed fixed minimum incremental rental payments, the total committed cost is determined and is calculated and amortised on a straight-line basis over the life of the lease.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005

1 Principal Accounting Policies (Continued)

Borrowings
All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs together with other finance costs are charged to the Consolidated Income Statement over the period of the term of the borrowings at a constant rate. Accrued finance charges and issue costs are added to the carrying value of those borrowings.

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cashflows at an appropriate pre-tax discount rate.

Financial instruments
First time adoption of IAS 32 and IAS 39
In accordance with IFRS 1, the Group has elected not to apply IAS 32 'Financial Instruments: Disclosure and Presentation', and IAS 39 'Financial Instruments: Recognition and Measurement' to the financial year ended 31 December 2004. Accordingly, the Group has continued to apply UK GAAP in the accounting for and disclosure of financial instruments in this year.

The adoption of IAS 32 and IAS 39 with effect from 1 January 2005 results in a change in the Group's accounting policy for financial instruments.

The principal impact of IAS 32 and IAS 39 on the Group's Financial Statements relates to the accounting for derivative financial instruments at fair value. As at 31 December 2004, the Group had a foreign currency swap that was used to hedge the net investment in overseas subsidiaries. Under UK GAAP the instrument was held on the balance sheet and disclosed within bank loans. With effect from 1 January 2005, this instrument has been disclosed within derivative financial instruments. There is no impact on reserves. The fair value of the swap has been reclassified within reserves from translation reserve to net investment reserve.

The Group also holds an interest rate swap that is used to swap the term loan from floating to fixed rate. As the fair value of this swap was insignificant as at 31 December 2004, this has not been adjusted for.

Financial risk management
(a) Financial risks and treasury management

The Group's activities expose it to a variety of financial risks:

- Funding and liquidity risk;
- Credit risk;
- Foreign exchange risk; and
- Cash flow interest rate risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The policies and strategies for managing these risks are summarised as follows:

(i) Funding and liquidity risk
The Group finances its operations by a combination of debt finance, leases and retained profits. The objective is to ensure that there is sufficient cash or working capital facilities to meet the cash flow requirements of the Group for its current business plan.

(ii) Credit risk
The Group has policies that require appropriate credit checks on potential customers before sales commence. The amount of exposure to any individual counterparty is subject to a limit which is reviewed regularly on a business unit basis and the Group regularly reviews the combined position.

(iii) Foreign exchange risk
The Company's functional currency is sterling. The Group operates internationally and is exposed to foreign exchange risk with respect to the Euro.

In 2004 and 2005 the Group entered into a forward exchange contract to hedge the foreign currency exposure of approximately 50% of it's European subsidiaries and investments (totalling €80 million or £50 million). These had the effect of increasing euro debt and reducing sterling debt. The forward exchange contract ran annually for 12 months and expired on 31 March 2005. This contract was not renewed in view of the potential disposal of Walon France.

(iv) Cash flow interest rate risk
The Group's interest rate risk arises from long-term borrowings. Borrowings are issued at variable rates that expose the Group to cash flow interest rate risk.

1 Principal Accounting Policies (Continued)

The Group's exposure to floating rate interest is within financial covenants and planned expectation. The aim is to reduce exposure to the effect of interest rate movements and to take advantage of low interest rates by hedging an appropriate amount of interest rate exposure whilst maintaining the flexibility to minimise early termination costs.

The impact of movements in interest rates is managed through the use of interest rate swaps.

(b) Fair value estimates
The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are assumed to approximate to their book values. In the case of the Group's loans due in more than one year, the fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rates available to the Group.

Where market values are not available, fair values of financial assets and liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates.

Derivatives – Financial year ended 31 December 2004
The Group uses various derivative financial instruments to reduce exposure to foreign currency and interest rate risks. Derivative financial instruments are accounted for using hedge accounting to the extent that they are held to hedge a financial asset or liability or future expenditure. When a derivative financial instrument ceases to be a hedge, either as a result of the underlying asset or liability being extinguished, or because a future event is no longer likely to occur, the derivative is accounted for in the Consolidated Income Statement when the underlying exposure ceases to exist. The Group policy is not to use derivative financial instruments for speculative purposes.

Derivatives – Financial year ended 31 December 2005
The derivative instruments used by the Group to manage its interest rate and currency risk are interest rate swaps and forward currency contracts respectively.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at 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 hedges of highly probable forecast transactions (cash flow hedges).

Derivatives are recognised using trade date accounting.

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 the inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

(i) Hedges
The effective portion of the changes in fair value of derivatives that are designated and qualify as hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the account of the Consolidated Income Statement which will be affected by the underlying hedged item.

Amounts accumulated in equity are recycled and adjusted against the initial measurement of the underlying hedged item when the underlying hedged item is recognised on the Consolidated Balance Sheet or in the Consolidated Income Statement.

When a hedged instrument expires or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is immediately recognised in the account of the Consolidated Income Statement which will be affected by the original underlying hedged item. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the account in the Consolidated Income Statement which would have been affected by the forecasted transaction.

(ii) Derivatives that do not qualify for hedge accounting
Certain derivatives do not qualify for hedge accounting. Changes in fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Consolidated Income Statement as cost of sales.

(iii) Embedded derivatives
Where the risks and characteristics of derivatives embedded in other contracts are not closely related to those of the contracts, and the whole contract is not carried at fair value with gains or losses reported in the Consolidated Income Statement, the derivative is separated from that host contract and measured at fair value, with fair value movements reflected in the account in the Consolidated Income Statement which will be affected by the underlying host contract.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005

1 Principal Accounting Policies (Continued)

Share option schemes
The Group has both an Executive Share Option Scheme ("ESOS") and a Long Term Incentive Plan ("LTIP") in place. Under IFRS 1, the Group has taken the option not to apply IFRS 2 to share options granted prior to 7 November 2002 and not vested by 1 January 2005. These share options have been valued at fair value at the grant date, using the Black Scholes Model for the ESOS and the Monte Carlo model for the LTIP. The resulting expense is being charged to the Consolidated Income Statement over the period between the grant dates and the vesting dates (vesting periods).

Pension arrangements and other post-employment benefits
The Group has a number of pension schemes, both of a defined benefit and defined contribution nature. The Group's pension liability, which is assessed each period by actuaries is based on key assumptions including return on plan assets, discount rates, mortality rates, inflation, future salary and pension costs. These assumptions, individually or collectively, may be different to actual outcomes. Other key assumptions for pension obligations are based in part on current market conditions, additional information is disclosed in note 32. The liability in respect of defined benefit schemes is the present value of the relevant defined benefit obligation at the balance sheet date less the fair value of plan assets, along with adjustments for actuarial gains and losses and past service cost. The trustees complete a full actuarial valuation triennially, but the obligation is updated annually by external professional actuaries using the projected unit method for financial reporting purposes. The present value of the obligation is determined by the estimated future cash outflows using interest rates of high quality corporate bonds which have terms to maturity approximating the terms of the related liability. The current service cost and gains and losses on settlements and curtailments are recognised in operating costs in the Consolidated Income Statement. Past service costs are included in operating costs where the benefits have vested, otherwise they are amortised on a straight-line basis over the vesting period. The expected return on assets of funded defined benefit schemes and the interest on pension scheme liabilities comprise the finance element of the pension cost and are also included in operating costs. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to the Consolidated Statement of Recognised Income or Expense in the year in which they arise.

For defined contribution schemes, costs are charged to the Consolidated Income Statement. Overseas subsidiary undertakings make provisions for pensions in accordance with local law and practice. The Group provides no other post retirement benefits to its employees.

New standards and interpretations
During the year, the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date. These standards and interpretations are not effective for and have not been applied in the preparation of this financial information:

International Accounting Standards (IFRS/IASs)		Effective date
IFRS 7	Financial Instruments: Disclosures	1 January 2007
IAS 1	Amendment - Presentation of Financial Statements: Capital Disclosures	1 January 2007
IAS 21	Amendment - Net investment in Foreign Operation (Yet to be adopted by the EU)	1 January 2006
IAS 39	Fair value option	1 January 2006
IAS 39	Cash Flow Hedge Accounting of Forecast Intra-group Transactions	1 January 2006
IAS 39	Amendment to IAS 39 and IFRS 4 - Financial Guarantee Contracts	1 January 2006

IFRIC Interpretations

IFRIC 4	Determining whether an arrangement contains a lease	1 January 2006
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 December 2005
IFRIC 7	Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies (Yet to be adopted by the EU)	1 March 2006
IFRIC 8	Scope of IFRS 2 (Yet to be adopted by the EU)	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives (Yet to be adopted by the EU)	1 June 2006

The Group does not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's Financial Statements on adoption.

2 Segmental Reporting

For management purposes, the Group is currently organised into five main geographical segments – Benelux, Czech Republic, France, Spain and the United Kingdom. These divisions are the basis on which the Group reports its primary segment information. On 28 April 2006 the Company obtained shareholder approval to sell the French business segment (note 31).

Primary reporting format – geographical region

	Benelux	Czech Rep	France	Spain	United Kingdom	Unallocated	**Group**
	£'m	£'m	£'m	£'m	£'m	£'m	**£'m**
Year ended 31 December 2005							
Continuing operations							
Total gross segment revenue	22.0	1.3	–	22.7	267.6	–	**313.6**
Less inter-segment revenue	(5.9)	(0.2)	–	(0.1)	(62.6)	–	**(68.8)**
Revenue	16.1	1.1	–	22.6	205.0	–	**244.8**
Continuing operations							
Operating profit before exceptional items	0.9	–	–	0.6	14.2	(3.4)	**12.3**
Exceptional items (note 5)	(0.1)	–	–	–	(0.2)	(1.3)	**(1.6)**
Operating profit/(loss)	0.8	–	–	0.6	14.0	(4.7)	**10.7**
Net interest payable and similar charges							**(2.9)**
Post tax share of profit/(loss) from interest in joint ventures and associates before exceptional items	0.1	–	–	–	(0.1)	(1.8)	**(1.8)**
Exceptional items (note 5)	–	–	–	–	–	(68.8)	**(68.8)**
Post tax share of profit/(loss) from interest in joint ventures and associates	0.1	–	–	–	(0.1)	(70.6)	**(70.6)**
Loss before tax							**(62.8)**
Tax on loss on ordinary activities							**(4.1)**
Loss for the year from continuing operations							**(66.9)**
Discontinued operations							
Operating loss before exceptional items	–	–	(3.1)	–	–	–	**(3.1)**
Exceptional items	–	–	(4.4)	–	–	–	**(4.4)**
Operating loss	–	–	(7.5)	–	–	–	**(7.5)**
Net interest payable and similar charges							**(0.2)**
Post tax share of profit from interest in joint ventures and associates							**0.4**
Provision for loss on disposal							**(3.2)**
Impairment of goodwill							**(12.3)**
Loss before tax							**(22.8)**
Tax on loss on ordinary activities							**(1.2)**
Loss for the year from discontinued operations							**(24.0)**
Net loss for the financial year							**(90.9)**
Discontinued operations (before exceptional items)							
Operating loss before exceptional items							**(3.1)**
Net interest payable and similar charges							**(0.2)**
Post tax share of profit from interest in joint ventures and associates							**0.4**
Loss from discontinued operations							**(2.9)**

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005

2 Segmental Reporting (Continued)

	Benelux	Czech Rep	France	Spain	United Kingdom	Unallocated	**Group**
	£'m	£'m	£'m	£'m	£'m	£'m	**£'m**
Year ended 31 December 2005 (Continued)							
Other information							
Capital additions	0.1	–	–	–	3.2	–	**3.3**
Depreciation and amortisation	0.4	–	–	0.4	2.7	–	**3.5**
Total segment assets	13.5	0.5	–	17.0	165.8	201.2	**398.0**
Amounts owed by fellow subsidiaries	(4.4)	–	–	(1.2)	(98.1)	(159.5)	**(263.2)**
Net segment assets	9.1	0.5	–	15.8	67.7	41.7	**134.8**
Discontinued operations	–	–	41.4	–	–	–	**41.4**
Investments accounted for using the equity method	–	–	–	–	–	0.1	**0.1**
Total assets	**9.1**	**0.5**	**41.4**	**15.8**	**67.7**	**41.8**	**176.3**
Total segment liabilities	6.4	0.6	–	9.1	124.3	240.2	**380.6**
Amounts owed to fellow subsidiaries	(4.2)	(0.3)	–	(3.8)	(89.4)	(165.5)	**(263.2)**
Net segment liabilities	2.2	0.3	–	5.3	34.9	74.7	**117.4**
Discontinued operations	–	–	30.8	–	–	–	**30.8**
Total liabilities	**2.2**	**0.3**	**30.8**	**5.3**	**34.9**	**74.7**	**148.2**
Year ended 31 December 2004							
Continuing operations							
Total gross segment revenue	21.2	0.1	–	26.3	260.4	–	308.0
Less inter-segment revenue	(4.2)	–	–	(0.4)	(56.4)	–	(61.0)
Revenue	17.0	0.1	–	25.9	204.0	–	247.0
Continuing operations							
Operating profit/(loss) before exceptional items	1.9	–	–	1.5	17.4	(4.0)	16.8
Exceptional items	(0.3)	–	–	–	–	–	(0.3)
Operating profit/(loss)	1.6	–	–	1.5	17.4	(4.0)	16.5
Net interest payable and similar charges							(3.6)
Post tax share of profit from interest in joint ventures and associates	0.1	–	–	–	(0.1)	7.3	7.3
Profit before tax							20.2
Tax on profit on ordinary activities							(2.9)
Profit for the year from continuing operations							17.3
Discontinued operations							
Operating loss before exceptional items	–	–	(2.2)	–	(1.1)	–	(3.3)
Exceptional items	–	–	(1.5)	–	–	–	(1.5)
Operating loss	–	–	(3.7)	–	(1.1)	–	(4.8)
Net interest payable and similar charges							(0.1)
Loss on disposal of operations							(1.7)
Post tax share of loss from interest in joint ventures and associates							(0.3)
Loss before tax							(6.9)
Tax on loss on ordinary activities							2.7
Loss for the year from discontinued operations							(4.2)
Net profit for the financial year							13.1

2 Segmental Reporting (Continued)

	Benelux	Czech Rep	France	Spain	United Kingdom	Unallocated	Group
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Year ended 31 December 2004 (Continued)							
Other information							
Capital additions	1.0	–	6.3	–	4.6	–	11.9
Depreciation and amortisation	0.6	–	2.8	0.5	4.2	0.2	8.3
Total segment assets	13.0	0.1	79.0	19.2	128.6	240.0	479.9
Amounts owed by fellow subsidiaries	(3.0)	–	(32.6)	(1.5)	(58.6)	(178.8)	(274.5)
Net segment assets	10.0	0.1	46.4	17.7	70.0	61.2	205.4
Investments accounted for using the equity method	0.1	–	2.0	–	0.1	67.3	69.5
Total assets	10.1	0.1	48.4	17.7	70.1	128.5	274.9
Total segment liabilities	8.1	0.1	119.9	11.1	118.6	166.4	424.2
Amounts owed to fellow subsidiaries	(3.2)	(0.1)	(97.0)	(4.4)	(77.5)	(92.4)	(274.6)
Net segment liabilities	4.9	–	22.9	6.7	41.1	74.0	149.6

The discontinued operations in 2005 relate to Walon France (note 31). The 2004 discontinued operations relate to Walon France, Acumen and the LO division of CAT.

Unallocated costs represent corporate expenses.

Segment assets include property, plant and equipment, inventory, debtors and operating cash. Unallocated assets include goodwill, deferred tax assets and head office assets. CAT has been disclosed under unallocated as its operations do not all fall into one geographical location. Segment liabilities comprise operating liabilities and exclude the Group bank facility, tax liabilities and head office liabilities.

Segment assets and liabilities are allocated between segments on an actual basis. Where allocation on an actual basis is not possible, the allocation has been done on a reasonable basis, such as revenue or operating result. Capital expenditure comprises additions to computer software, property, plant and equipment and includes additions resulting from acquisitions through business combinations.

Turnover by location of customer is not materially different to the analysis of turnover by origin presented above and therefore separate disclosure is not shown.

Secondary format – business segments

	Year ended 31 December 2005	Year ended 31 December 2004
	£'m	£'m
Revenue		
Continuing operations		
Distribution services	**165.5**	143.8
Technical services	**79.3**	103.2
Total revenue	**244.8**	247.0

Notes to the Consolidated Financial Statements
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2 Segmental Reporting (Continued)

	Segment assets		Capital additions	
	Year ended 31 December 2005	Restated Year ended 31 December 2004	**Year ended 31 December 2005**	Restated Year ended 31 December 2004
	£'m	£'m	**£'m**	£'m
Distribution services	**46.1**	82.3	**2.9**	3.2
Technical services	**32.9**	70.1	**0.4**	2.4
	79.0	152.4	**3.3**	5.6
Discontinued operations	**41.4**	1.4	**–**	6.3
Investments accounted for using the equity method	**0.1**	69.5	**–**	–
Unallocated	**55.8**	51.6	**–**	–
Total	**176.3**	274.9	**3.3**	11.9

Unallocated assets include goodwill, deferred tax asset and head office assets.

3 Cost of Sales and Administrative Expenses

	Year ended 31 December 2005	Restated Year ended 31 December 2004
	£'m	£'m
Revenue	**244.8**	247.0
Cost of sales	**(208.2)**	(207.1)
Gross profit	**36.6**	39.9
Administrative expenses	**(27.8)**	(31.2)
Other operating income (note 4)	**1.9**	7.8
Operating profit	**10.7**	16.5

4 Other Operating Income

Other operating income of £1.9m in the year ended 31 December 2005 is in respect of the sale of property development rights (£0.9m), profit on sale and leaseback of property (£0.6m) and profit on disposal of fixed assets (£0.4m – after an impairment of goodwill of £0.5m). The 2004 operating income was £7.8m, of which £1.0m related to the recovery of operating costs from customers and £6.8m profit on sale of fixed assets.

5 Exceptional Items

	Year ended 31 December 2005	Restated Year ended 31 December 2004
	£'m	£'m
Included in cost of sales:		
Restructuring costs	**3.9**	–
Less: recovery from customer	**(3.6)**	–
	0.3	–
Included in administration expenses:		
Refinancing costs	**0.7**	–
Restructuring costs	**0.6**	0.3
	1.3	0.3
Included in post tax share of (loss)/profit from interest in joint ventures and associates:		
Impairment of investment	**64.0**	–
Provision against loan	**4.8**	–
	68.8	–
Total	**70.4**	0.3

The refinancing costs are in respect of costs incurred to achieve the renewal of the Group's debt facility. Restructuring costs include £0.8m in respect of redundancy costs and £0.1m in respect of professional fees incurred on the potential sale of GAL (2004: £0.3m redundancy costs).

On 17 May 2006 GAL was granted protection under the French law *Procédure de Sauvegarde*. The Directors of AutoLogic consider that as at 31 December 2005 the investment in GAL was impaired and have included a full impairment of this investment. In addition, the Directors have decided to make a full provision against the £4.8 million loan made by the Group to GAL in December 2005. Notwithstanding these events the Directors continue to seek to extract value from this investment.

Refer to note 31 for details of exceptional costs on discontinued operations.

6 Finance Costs

	Year ended 31 December 2005	Restated Year ended 31 December 2004
	£'m	£'m
Interest payable on bank loans and overdrafts	**(3.3)**	(4.7)
Amortisation of issue costs of bank loans	**(0.2)**	(0.1)
Net interest payable on pension liabilities	**–**	(0.3)
Interest payable on finance leases	**(0.1)**	(0.2)
Total interest payable and similar charges	**(3.6)**	(5.3)
Interest receivable on bank deposits	**0.7**	1.7
Finance costs	**(2.9)**	(3.6)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

7 Profit/(loss) before Taxation

	Year ended 31 December 2005	Restated Year ended 31 December 2004
	£'m	£'m
The following items have been included in arriving at operating profit/(loss):		
Employee benefits (note 34)	**93.3**	97.3
Depreciation of property, plant and equipment		
Owned assets	**2.8**	4.0
Under finance leases	**–**	0.6
Amortisation of intangible assets (included in cost of sales/administration expenses)	**0.7**	0.9
Operating lease rentals payable:		
Land and buildings	**14.9**	12.8
Trucks and trailers	**8.0**	8.9
Impairment of goodwill (included in administrative expenses)	**0.5**	–
Provisions for bad debts	**0.7**	0.7
(Profit) on disposal of property, plant and equipment (included in administration expenses)	**(1.9)**	(6.8)
Net exchange differences on foreign currency borrowings less deposits	**1.2**	(2.7)
Auditors' remuneration:		
For audit (Company 2005: £20,000; 2004: £20,000)	**0.4**	0.4
For non-audit services (Company 2005: £13,000; 2004: £13,000)		
- tax advice	**0.2**	0.2
- tax compliance	**0.1**	0.1

8 Taxation

	Year ended 31 December 2005	Restated Year ended 31 December 2004
	£'m	£'m
Current tax		
Continuing operations	**2.5**	3.6
Adjustment in respect of prior years	**1.1**	(0.4)
Discontinued operations	**(0.3)**	(0.6)
	3.3	2.6
Deferred tax		
Continuing operations	**0.5**	(0.3)
Discontinued operations	**1.5**	(2.1)
	2.0	(2.4)
Charge for the year	**5.3**	0.2
Charge for the year – Continuing operations	**4.1**	2.9
Charge for the year – Discontinued operations	**1.2**	(2.7)
Tax on items charged to equity		
Deferred tax on actuarial (losses)/gains	**(0.2)**	1.1

The above charges reconciles with the standard rate of corporation tax in the UK as follows:

(Loss)/profit on ordinary activities before tax – Continuing operations	**(62.8)**	20.2
(Loss)/profit on ordinary activities multiplied by rate of corporation tax in the UK of 30.0% (2004: 30.0%)	**(18.8)**	6.1
Effects of:		
Adjustments to tax in respect of prior year	**1.3**	(1.2)
Tax effect of share of results of equity accounted for associates and joint ventures	**0.5**	(2.1)
Tax effect of impairment of Group interests in GAL	**20.6**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(0.1)**	(0.5)
Expenses not deductible for taxation purposes	**0.5**	0.8
Other	**0.1**	(0.2)
Total taxation (continuing operations)	**4.1**	2.9
Total taxation (discontinued operations)	**1.2**	(2.7)
Total taxation	**5.3**	0.2

Factors that may affect future tax charges
Other than certain items noted in the above tax reconciliation, there are no other significant factors that may affect future tax charges.

9 Dividends

An interim dividend of £1.6m was paid during the year (3.6p per share), (2004: £1.6m, 3.6p per share). A final dividend has not been declared by the Directors (2004: £3.2m, 7.5p per share). The 2004 final dividend was declared during 2005 and it has therefore been recognised in 2005.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

10 Earnings per Share

	Year ended 31 December 2005	Year ended 31 December 2005	Year ended 31 December 2005	Restated Year ended 31 December 2004
	Earnings	**Shares**	**Per share amount**	Per share amount
	£'m	**m**	**Pence**	Pence
Basic (loss)/earnings per share				
(Loss)/earnings attributable to ordinary shareholders	**(91.0)**	**43.8**	**(207.69)**	29.23
Effect of dilutive shares – options	**–**	**–**	**–**	(0.08)
Diluted (loss)/earnings per share	**(91.0)**	**43.8**	**(207.69)**	29.15
Basic (loss)/earnings per share from continuing operations	**(67.0)**	**43.8**	**(152.92)**	38.84
Provision for loss on subsidiary/loss on sale of subsidiary	**(3.2)**	**–**	**(7.30)**	(3.95)
Pre tax loss from discontinued operations	**(7.3)**	**–**	**(16.66)**	(11.84)
Goodwill impairment	**(12.3)**	**–**	**(28.07)**	–
Tax relating to discontinued operations	**(1.2)**	**–**	**(2.74)**	6.18
Basic (loss)/earnings per share from discontinuing operations	**(24.0)**	**43.8**	**(54.77)**	9.61
Diluted (loss)/earnings per share from continuing operations	**(67.0)**	**43.8**	**(152.92)**	38.74
Provision for loss on subsidiary/loss on sale of subsidiary	**(3.2)**	**–**	**(7.30)**	(3.94)
Pre tax loss from discontinued operations	**(7.3)**	**–**	**(16.66)**	(11.81)
Goodwill impairment	**(12.3)**	**–**	**(28.07)**	–
Tax relating to discontinued operations	**(1.2)**	**–**	**(2.74)**	6.16
Diluted (loss)/earnings per share from discontinuing operations	**(24.0)**	**43.8**	**(54.77)**	9.59
Basic (loss)/earnings per share	**(91.0)**	**43.8**	**(207.69)**	29.23
Business performance adjustments	**93.9**	**–**	**214.31**	10.07
Business performance earnings per share	**2.9**	**43.8**	**6.62**	39.30
Diluted (loss)/earnings per share	**(91.0)**	**43.8**	**(207.69)**	29.15
Business performance adjustments	**93.9**	**–**	**214.31**	10.04
Business performance diluted earnings per share	**2.9**	**43.8**	**6.62**	39.19

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.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two classes of dilutive potential ordinary shares: those share options granted to employees where the exercise prices 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 long-term incentive plan. At 31 December 2005 and 31 December 2004, the performance criteria for the vesting of the awards under the incentive scheme had not been met and consequently the shares in question are excluded from the diluted EPS calculation.

Business performance earnings per share and business performance diluted earnings per share are calculated by reference to earnings before the £69.9m exceptional items (2004: £0.2m) and the effect of excluding discontinued operations and the related tax, since the Directors consider that this gives a useful indication of underlying performance.

Earnings per share were calculated on 43.8m shares being in issue at 31 December 2005 (31 December 2004: 43.7m). Diluted earnings per share were calculated on 43.8m shares being in issue at 31 December 2005 (31 December 2004: 43.8m).

11 Goodwill

	2005	Restated 2004
	£'m	£'m
Cost		
At 1 January	**49.0**	48.7
Exchange difference	**(0.2)**	0.1
Additions	**–**	0.2
At 31 December	**48.8**	49.0
Aggregate impairment		
At 1 January	**–**	–
Impairment for the year	**(12.8)**	–
At 31 December	**(12.8)**	–
Net book value at 31 December	**36.0**	49.0

The impairment for the year relates to the £12.3m impairment of Walon France (note 31) and £0.5m in respect of Autolink Limited.

The recoverable amount of goodwill is determined from value in use calculations of each respective cash generating unit. The value in use calculations use budgeted cash flows for year one and cash flow projections for years two to five. Terminal cash flows are based on year five projections, assumed to grow perpetually at 1%.

The key assumptions forming inputs to the cash flows are in revenue which have been assessed by reference to existing contracts, and market volumes, which have been assessed by reference to publicly available market forecasts and information from vehicle manufacturers. The forecasts have been adjusted for downside sensitivities, and have then been discounted at a pre-tax discount rate of 9%.

12 Intangible Fixed Assets

	2005	Restated 2004
	£'m	£'m
Computer Software		
Cost		
At 1 January	**4.2**	3.6
Transferred to assets classified as held for sale	**(1.7)**	–
Additions	**0.3**	0.6
At 31 December	**2.8**	4.2
Amortisation		
At 1 January	**3.0**	1.9
Transferred to assets classified as held for sale	**(1.4)**	–
Charge for the year (2004 includes £0.2m relating to discontinued operations)	**0.7**	1.1
At 31 December	**2.3**	3.0
Net book value at 31 December	**0.5**	1.2

The 2005 figures for additions and amortisation charge are in respect of continuing operations only. In respect of discontinued operations, additions were £0.6m and amortisation charge £0.2m.

Notes to the Consolidated Financial Statements

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13 Property, Plant and Equipment

	Freehold land and buildings	Leasehold land and buildings	Plant and machinery	Motor vehicles	**Total**
	£'m	£'m	£'m	£'m	**£'m**
Cost					
At 1 January 2004 (restated)	43.4	13.3	2.7	57.3	**116.7**
Exchange difference	0.1	–	–	0.2	**0.3**
Additions	9.6	0.1	–	1.6	**11.3**
Disposals	(12.1)	(0.5)	(0.7)	(9.9)	**(23.2)**
At 1 January 2005 (restated)	41.0	12.9	2.0	49.2	**105.1**
Exchange difference	(0.5)	–	–	(0.1)	**(0.6)**
Transferred to assets classified as held for sale	(18.9)	(3.4)	(1.5)	(20.7)	**(44.5)**
Additions	0.8	–	1.2	1.0	**3.0**
Disposals	(4.7)	(0.3)	(0.2)	(7.0)	**(12.2)**
At 31 December 2005	**17.7**	**9.2**	**1.5**	**22.4**	**50.8**
Accumulated depreciation and impairment					
At 1 January 2004 (restated)	17.3	6.3	0.4	46.9	**70.9**
Charge for the year (including £2.6m relating to discontinued operations)	1.9	0.3	0.1	4.9	**7.2**
Disposals	(5.8)	(0.1)	–	(10.2)	**(16.1)**
At 1 January 2005 (restated)	13.4	6.5	0.5	41.6	**62.0**
Transferred to assets classified as held for sale	(10.1)	(0.7)	(0.7)	(18.0)	**(29.5)**
Charge for the year	0.5	0.2	1.1	1.0	**2.8**
Disposals	–	(0.3)	(0.2)	(6.7)	**(7.2)**
At 31 December 2005	**3.8**	**5.7**	**0.7**	**17.9**	**28.1**
Net book value					
At 31 December 2005	**13.9**	**3.5**	**0.8**	**4.5**	**22.7**
Net book value					
At 31 December 2004 (restated)	27.6	6.4	1.5	7.6	43.1

The 2005 figures for additions, disposals and depreciation charge are in respect of continuing operations only. In respect of discontinued operations, additions were £5.0m, disposals £7.5m and depreciation charge £2.2m.

Assets held under finance leases have the following net book value:

	2005	Restated 2004
	£'m	£'m
Cost	**0.2**	2.5
Accumulated depreciation	**(0.1)**	(1.5)
Net book value	**0.1**	1.0

14 Available for Sale Investments

	2005	2004
	£'m	£'m
At 1 January	**5.3**	5.6
Exchange differences	**0.6**	(0.3)
At 31 December	**5.9**	5.3

Investments consist of Series B Preferred Stock in Edmunds Holding Company Inc (a company incorporated in Delaware USA).

The investment is not publically traded and there have been no recent significant share sales. For these reasons the fair value cannot be reliably measured and the investment is therefore valued at cost plus adjustments for exchange rate differences.

15 Investments Accounted for Using the Equity Method

	2005	Restated 2004
	£'m	£'m
Interests in joint ventures and associates		
At 1 January	**69.5**	62.8
Additions	**–**	0.1
Post tax share of (loss)/profit	**(1.8)**	6.8
Interest becoming subsidiary undertaking in the year	**–**	(0.1)
Reserves eliminated on acquisition	**–**	(0.2)
Exchange (losses)/gains	**(1.6)**	0.1
Transferred to assets held for sale	**(2.0)**	–
Impairment of the Group interest in GAL (note 5)	**(64.0)**	–
At 31 December	**0.1**	69.5

Included in the 2004 comparative is £0.1m in respect of the Group's share of associates' retained profit for the year and £1.9m in respect of the Group's share of associates' net assets. In 2005 the Group's share of these interests are included as discontinued operations and classified as assets held for sale.

Reserves eliminated on acquisition relates to reserve movements due to Autolink Limited and AutoRiskManagement Limited changing from being joint ventures to 100% subsidiaries in 2004.

Details of principal subsidiary undertakings and joint ventures and associates of the Group at 31 December 2005 are shown on page 73.

As stated in note 5 the recoverable value of GAL's assets and liabilities has been assessed as £'nil. The Group's share of total joint ventures' and associates' net assets (principally GAL) can be analysed as follows:

	2005	2004
	£'m	£'m
Share of assets		
Goodwill	**101.4**	104.4
Property, plant and equipment	**6.7**	8.8
Current assets	**116.9**	108.7
	225.0	221.9
Share of liabilities		
Current liabilities	**(94.0)**	(101.8)
Non-current liabilities	**(66.9)**	(50.6)
	(160.9)	(152.4)
Share of net assets before impairment of GAL	**64.1**	69.5
Impairment of Group interest in GAL (note 5)	**(64.0)**	–
Share of net assets	**0.1**	69.5

In its last financial year ended 31 December 2005, (before the £64.0m charge for impairment and the £4.8m provision against the loan made by the Group to GAL) GAL contributed a loss of £1.8m (2004: profit £7.3m) to post tax share of results from interests in joint ventures.

16 Inventories

	2005	2004
	£'m	£'m
Parts and consumables	**0.9**	1.8

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for the year ended 31 December 2005

17 Trade and Other Receivables

	2005	Restated 2004
	£'m	£'m
Trade debtors	35.9	54.5
Less: Provision for impairment of receivables	(1.8)	(1.8)
Trade debtors – net	34.1	52.7
Amounts owed by joint ventures and associates	7.8	2.2
Less: Provision for impairment of receivables (note 5)	(4.8)	–
Amounts owed by joint ventures and associates - net	3.0	2.2
Other debtors	6.9	13.9
Prepayments	5.2	11.3
	49.2	80.1

18 Cash and Cash Equivalents

	2005	2004
	£'m	£'m
Cash at bank and in hand	15.2	18.7

19 Trade and Other Payables

	2005	Restated 2004
	£'m	£'m
Trade creditors	20.5	34.7
Amounts owed to joint ventures and associates	0.1	0.6
Other taxation and social security	6.2	12.6
Other creditors	6.9	6.7
Accruals	13.1	21.8
	46.8	76.4

20 Financial Liabilities

	2005	Restated 2004
	£'m	£'m
Current		
Bank loans	55.6	3.2
Finance lease obligations	0.3	0.8
	55.9	4.0
Non-current		
Bank loans	–	50.6
Finance lease obligations	2.3	3.0
	2.3	53.6

The Group's main borrowing facility incurs interest at a rate of between 0.9% and 1.5% above LIBOR. Group and Company bank loans are stated net of unamortised issue costs of £'nil (2004: £0.2m). The Company incurred issue costs of £1.0m in respect of the five year multi-currency facility entered into on 1 May 2001 under which amounts have been drawn down to fund acquisitions and to repay existing debt. These costs together with the interest expense are allocated to the Consolidated Income Statement over the five year term of the facility. The charge for the year includes £0.1m unamortised issue costs which have been written off following the Group's refinancing.

An amount of £15.0m (2004: £27.5m) is swapped to a fixed rate of interest at 5.995%. Finance leases incur interest at a weighted average rate of 9.6%.

21 Finance Leases

	2005 Land and buildings	2005 Plant and equipment	Restated 2004 Land and buildings	Restated 2004 Plant and equipment
	£'m	**£'m**	£'m	£'m
The minimum lease payments under finance leases fall due as follows:				
Within one year	**0.3**	**–**	0.3	0.8
In the second to fifth years inclusive	**1.1**	**–**	1.1	0.4
After five years	**15.6**	**–**	15.8	–
	17.0	**–**	17.2	1.2
Future finance charges on finance leases	**(14.4)**	**–**	(14.6)	–
Present value of finance lease liabilities	**2.6**	**–**	2.6	1.2

22 Financial Instruments

Transitional rules for financial instruments

The Group has elected to take advantage of the exemption in accordance with IFRS 1, which states that a first time adopter need not restate its comparative information in compliance with IAS 32 and IAS 39. The Group has adopted IAS 32 and IAS 39 with effect from 1 January 2005. For the year ended 31 December 2004, the Group continued to apply UK GAAP, and the following financial instrument disclosures for that period have been provided in accordance with FRS13 'Derivatives and other financial instruments: disclosures'. The impact of adopting IAS 32 and 39 is shown in note 26.

Financial year ended 31 December 2004

The Group's financial instruments comprises cash, borrowings and other items, such as trade debtors and trade creditors, that arise directly from its operations. The purpose of these instruments is to finance the Group's operations. The Group also enters into interest rate swaps to manage the interest rate risk arising from its sources of finance, into forward currency purchase agreements in order to manage the risk of exchange rate movements where there are significant purchases in a foreign currency and into currency swaps to protect against currency exposures on net investments overseas.

Short term debtors and creditors

Short term debtors and creditors have been excluded from all the following disclosures, other than the currency exposure disclosures.

Interest rate risk

The Group's policy on interest rate risk is to reduce the risk of exposure against adverse interest rate movements. This exposure is currently managed by the use of swap agreements and fixed rate loans. The Group borrows at both fixed and floating rates of interest, with fixed rate swaps being used to cover 25.0% of the floating rate exposure.

At the year end 26.1% of the Group's financial liabilities were at fixed rates after taking into account interest rate swaps.

Exchange rate risk

Individual business units have the responsibility for managing the risk of exchange rate fluctuations under which they conduct transactions with their suppliers and customers. The Group reviews this policy on a regular basis.

At 31 December 2004 no foreign currency balances were covered by forward contracts.

To mitigate the effect of the currency exposures arising from its net investments overseas the Group swaps other borrowings, using currency swaps, into local currencies. Swaps currently cover 48.7% of the currency exposure. Gains and losses arising on net investments overseas and the financial instruments used to hedge the currency exposures are recognised in the Consolidated Statement of Recognised Income and Expense.

The remaining exposures are regularly monitored, and appropriate action will be taken to mitigate these effects, using further currency swaps when deemed appropriate.

Liquidity risk

It is the Group's policy to ensure continuity of funding. Short term flexibility is achieved using overdraft facilities. At 31 December 2004 the Group had £19.2m of undrawn facilities available to it.

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for the year ended 31 December 2005

22 Financial Instruments (Continued)

Interest rate risk profile of financial liabilities

The interest rate risk profile of the Group's financial liabilities at 31 December 2004, after taking account of the interest rate and currency swaps used to manage the interest profile, was:

	Floating rate financial liabilities	Fixed rate financial liabilities	Financial liabilities on which no interest is paid	Total
	£'m	£'m	£'m	£'m
Sterling	–	–	3.9	3.9
Euro	38.8	15.1	–	53.9
At 31 December	38.8	15.1	3.9	57.8

All the Group's creditors falling due within one year (other than bank, other borrowings and finance leases) are excluded from the above table either due to the exclusion of short-term items or because they do not meet the definition of a financial liability, such as tax balances.

Joint venture companies had £1.3m of fixed rate financial liabilities. Joint venture companies had £70.6m fixed rates senior loan notes in issue due for maturity in 2009. In addition, joint venture companies had £77.6m of loans, of which £70.8m are hedged by a fixed rate swap and the remainder is hedged by an interest rate collar.

	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
	Weighted average interest rate	Weighted average period for which rate is fixed	Weighted average period until maturity
	%	Years	Years
Sterling	6.0	1.3	9.0
Euro	3.8	1.2	–
At 31 December	6.0	1.3	9.0

Floating rate financial liabilities bear interest at rates, based upon relevant national LIBOR equivalents, which are fixed in advance for periods of between one month and six months.

Interest rate profile of financial assets

	Investments	Cash	Total
	£'m	£'m	£'m
Sterling	–	15.4	15.4
Euro	–	3.3	3.3
US Dollar	5.3	–	5.3
At 31 December	5.3	18.7	24.0

Cash balances which earn no interest and those which earn a fixed rate of interest are held in instant access bank accounts. The assets which attract a floating rate are linked to local currency bank clearing rates.

Joint venture companies had £54.7m of cash balances earning interest at a floating market rate.

22 Financial Instruments (Continued)

Currency exposures

The tables below show the extent to which the Group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences on retranslation of these assets and liabilities are taken to the Consolidated Income Statement of the Group.

	Sterling	US Dollar	Total
	£'m	£'m	£'m
Functional currency of Group operation:			
Sterling	–	5.3	5.3
Euro	0.2	–	0.2
Total	0.2	5.3	5.5

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities, other than short term trade creditors and accruals was as follows:

	Debt	Finance lease	Other financial liabilities	Total
	£'m	£'m	£'m	£'m
Less than one year	3.2	0.1	0.4	3.7
Between one and two years	50.6	–	0.4	51.0
Between two and five years	–	–	1.2	1.2
Over five years	–	–	1.9	1.9
At 31 December	53.8	0.1	3.9	57.8

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at 31 December 2004.

	Floating rate
	£'m
Expiring between one and two years	19.2

The undrawn facilities relate primarily to the five year multi-currency facility which expired on 1 May 2006.

Joint venture companies had undrawn committed borrowing facilities of £28.2m of which all conditions precedent had been met. These facilities would incur a floating rate of interest if they were drawn upon.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

22 Financial Instruments (Continued)

Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and financial liabilities at 31 December 2004. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates.

	Book value	Fair value
	£'m	£'m
Primary financial instruments held or issued to finance the Group's operations:		
Debt	(53.8)	(53.8)
Finance leases	(0.1)	(0.1)
Other financial liabilities	(3.9)	(3.9)
Cash at bank and in hand	18.7	18.7
Investments	5.3	5.3

	Book value	Fair value
	£'m	£'m
Derivative financial instruments held to manage the interest rate and currency profile:		
Interest rate swaps	–	(0.2)
Currency swaps	(3.2)	(3.2)

Under the Group's accounting policy, foreign currency assets and liabilities that are hedged using foreign currency contracts are translated at the forward rate inherent in the contracts. Consequently, the book value of the relevant asset or liability effectively includes the fair value of the hedging instrument.

Summary of methods and assumptions

Interest rate swaps, currency swaps and forward foreign currency contracts	Fair value is based on the market price of comparable instruments at the balance sheet date.
Cash at bank, debt, finance leases, other financial assets and liabilities	The fair value of cash at bank and other financial assets approximates to the carrying amount because of the short maturity of these instruments. The fair value of fixed rate liabilities and liabilities not subject to interest have been calculated with reference to the money rate for deposits over one year. The fair value of investments approximates to the book value.

Hedges

The Group hedges interest rate risk using interest rate swaps and currency risk using forward contracts. The table below shows the extent to which the Group has unrecognised off-balance sheet positions in respect of financial instruments used as hedges at the beginning and end of the year. It also shows how they are expected to be included in the Consolidated Income Statement by year. Relative to the interest and exchange rates at the year end, the hedges increase the reported interest cost and cost of sales as follows:

	Losses
	£'m
Losses on hedges at 1 January 2004	(0.7)
Arising before 1 January 2004	–
Arising in 2004	0.5
Losses on hedges at 31 December 2004 of which:	(0.2)
Losses expected to be included in 2005 income	(0.2)
Losses expected to be included in 2006 income or later	–

22 Financial Instruments (Continued)

Financial instruments held for trading purposes
The Group does not trade in financial instruments.

Financial year ended 31 December 2005
As previously stated, the Group has adopted IAS 32 and IAS 39 with effect from 1 January 2005. The following disclosures for the financial year ended 31 December 2005 are made in accordance with those standards.

The financial risks and treasury management information has been disclosed in note 1. The impact of adopting IAS 32 and 39 is shown in note 26.

The book value and fair values of financial instruments used in interest rate risk management were as follows:

	Book value	Fair value
	£'m	£'m
Primary financial instruments		
Borrowings:		
– due within one year	(55.6)	(55.6)
Finance leases:		
– due within one year	(0.3)	(0.3)
– due after more than five years	(2.3)	(2.3)
Other financial liabilities	(0.4)	(0.4)
Derivative financial instruments held to manage interest rate and currency risk		
– interest rate swaps	(0.1)	(0.1)

Interest rate swaps
The notional principal amount of the interest rate swap outstanding at 31 December 2005 was £15.0m. The Group's interest rate swaps swap from floating rates to fixed rates.

The fair value of the interest rate swap has been calculated as the present value of the estimated future cash flows.

The Group's interest rate swap matures on 30 April 2006. The net losses on these swaps deferred in equity will reverse through interest in the Consolidated Income Statement over the life of the swaps.

Fair value of non derivative financial assets and liabilities
Investments consist of Series B Preferred Stock in Edmunds Holding Company Inc (a company incorporated in Delaware USA). As explained in note 14, it is not publically traded and there is currently no reliable measure of fair value, and therefore the investment is valued at cost plus adjustments for exchange rate differences.

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22 Financial Instruments (Continued)

Maturity and interest rate profiles of financial assets and liabilities
The maturity and interest rate profiles of financial assets and liabilities after taking account of the interest rate swap, swapped from floating to fixed rates, used to manage interest and currency profile were as follows:

	Fixed	Floating	Non-interest bearing	Total
	£'m	£'m	£'m	£'m
Sterling:				
Borrowings				
- due within one year	15.0	40.6	–	55.6
Finance leases				
- due after more than five years	2.6	–	–	2.6
Onerous leases				
- due within two to five years	–	–	0.4	0.4
Euro:				
Finance leases				
- due within less than one year	0.3	–	–	0.3
Financial liabilities	17.9	40.6	0.4	58.9
Sterling:				
- cash at bank and in hand	–	9.0	–	9.0
Euro:				
- cash at bank and in hand	–	8.9	–	8.9
Dollar:				
- investments	5.9	–	–	5.9
Financial assets	5.9	17.9	–	23.8

Joint venture companies had £1.2m of floating rate sterling financial liabilities. Joint venture companies had £68.7m fixed rate senior loan notes in issue due for maturity in 2009. In addition, joint venture companies have £68.7m of loans, of which £10.3m are hedged by a fixed rate swap and the remainder is hedged by an interest rate collar.

Included in the 2005 cash balance above is £2.7m in relation to Walon France which has been included within assets held for sale. Cash balances which earn no interest and those which earn a fixed rate of interest are held in instant access bank accounts. The assets which attract a floating rate are linked to local currency bank clearing rates.

Joint venture companies had £55.7m of cash balances earning interest at a floating market rate.

Borrowing facilities
The Group has the following undrawn committed borrowing facilities available at 31 December 2005 in respect of which all conditions precedent had been met at that date:

	Floating rate
	£'m
Expiring in less than one year	11.7

The undrawn facilities expiring in less than one year relate primarily to the five year multi-currency facility which is due to expire on 30 April 2006.

Joint venture companies had undrawn committed borrowing facilities of £'nil at 31 December 2005 of which all conditions precedent had been met.

Market price risk
The Group estimates that a rise of 1.0 per cent in interest rates would have reduced pre tax profits by £0.4m for the year ended 31 December 2005.

23 Provisions

	Onerous leases and dilapidations	Termination of subsidiary	Service awards	Other	**Total**
	£'m	£'m	£'m	£'m	**£'m**
At 1 January 2005 (restated)	1.0	0.8	1.1	1.3	**4.2**
Utilised during the year	(0.2)	(0.4)	–	(0.4)	**(1.0)**
Credited to profit and loss account	(0.4)	–	–	–	**(0.4)**
Transferred to liabilities held for sale	–	–	(1.1)	(0.8)	**(1.9)**
At 31 December 2005	**0.4**	**0.4**	**–**	**0.1**	**0.9**

The onerous leases and dilapidation provision relates to future payments on an onerous lease and future leasehold property repairs from its current condition to the condition that the properties must be returned to as specified in the lease agreement. This lease will terminate in 2009. Where the effect of the time value of money is material, the current amount of the provision is the present value of the amount expected to settle obligations.

The provision for the termination of subsidiary relates to the closure and sale of the Acumen Group, the Parts Distribution division, and relates primarily to the vacant property.

The provision for service awards relates to long-service awards in France. Other provisions relate to various liabilities resulting from the normal operation of the business. Most of these provisions will crystallise within one to two years.

24 Deferred Taxation

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2004: 30%).

The movement on the deferred tax asset is shown below:

	2005	Restated 2004
	£'m	£'m
At 1 January	**6.2**	4.1
Transfer (to)/from the Consolidated Income Statement	**(0.5)**	2.4
Deferred tax asset transferred to assets held for sale and impaired	**(1.5)**	–
Actuarial loss/(gain) recognised directly in equity	**0.2**	(1.1)
Reclassification to corporation tax	**–**	0.8
Deferred taxation	**4.4**	6.2

Deferred tax assets have been recognised in respect of pension deficits, tax losses of the continuing Group and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

Deferred taxation provided for in the Financial Statements under non-current assets, and the unrecognised deferred tax assets are as follows:

	Amount provided 2005	Amount provided 2004	**Amount unprovided 2005**	Amount unprovided 2004
	£'m	£'m	**£'m**	£'m
Tax effects of timing differences due to:				
Accelerated capital allowances	**2.1**	2.4	**–**	–
Other short term timing differences	**(0.6)**	(0.5)	**–**	0.1
Losses	**0.3**	1.7	**0.1**	1.7
Revaluations	**(0.1)**	0.1	**–**	–
Pension schemes	**2.7**	2.5	**–**	–
	4.4	6.2	**0.1**	1.8

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25 Called Up Share Capital

	Number of ordinary shares of 5p each	**2005**	Number of ordinary shares of 5p each	2004
		£'m		£'m
Authorised	**100,000,000**	**5.0**	100,000,000	5.0
Allotted, called up and fully paid				
At 1 January	**43,753,048**	**2.2**	43,639,039	2.2
Allotted under share option scheme	**83,021**	**–**	114,009	–
At 31 December	**43,836,069**	**2.2**	43,753,048	2.2

The cash consideration received for the shares allotted under a share option scheme for the year ended 31 December 2005 was £0.1m (2004: £0.2m).

26 Statement of Changes in Shareholders' Equity

	Share capital	Share premium account	Merger reserve	Capital reserve	Translation reserve	Hedging reserve	Profit and loss account	**Total**	Minority interest	**Total equity**
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	**£'m**	£'m	**£'m**
At 1 January 2004	2.2	67.0	20.7	0.3	–	–	24.3	**114.5**	0.7	**115.2**
Net profit	–	–	–	–	–	–	12.9	**12.9**	0.2	**13.1**
Share issues	–	0.3	–	–	–	–	–	**0.3**	–	**0.3**
Dividends	–	–	–	–	–	–	(4.8)	**(4.8)**	–	**(4.8)**
Exchange adjustments	–	–	–	–	(0.3)	–	–	**(0.3)**	–	**(0.3)**
Reserves eliminated on acquisition	–	–	–	–	–	–	(0.2)	**(0.2)**	–	**(0.2)**
Purchase of existing minority interest	–	–	–	–	–	–	–	**–**	(0.6)	**(0.6)**
Actuarial gain on pension schemes (note 32)	–	–	–	–	–	–	2.6	**2.6**	–	**2.6**
At 31 December 2004	2.2	67.3	20.7	0.3	(0.3)	–	34.8	**125.0**	0.3	**125.3**
Adoption of IAS 32 and IAS 39	–	–	–	–	3.2	(3.2)	–	**–**	–	**–**
At 1 January 2005 as restated	2.2	67.3	20.7	0.3	2.9	(3.2)	34.8	**125.0**	0.3	**125.3**
Share based payments adjustment (note 33)	–	–	–	–	–	–	(0.1)	**(0.1)**	–	**(0.1)**
Exchange adjustments	–	–	–	–	(2.3)	–	–	**(2.3)**	–	**(2.3)**
Net investment hedge	–	–	–	–	–	1.2	–	**1.2**	–	**1.2**
Actuarial loss on pension schemes (note 32)	–	–	–	–	–	–	(0.4)	**(0.4)**	–	**(0.4)**
Net (loss)/profit	–	–	–	–	–	–	(91.0)	**(91.0)**	0.1	**(90.9)**
Total recognised income and expense for the year	**–**	**–**	**–**	**–**	**(2.3)**	**1.2**	**(91.5)**	**(92.6)**	**0.1**	**(92.5)**
Sale of overseas subsidiary (note 31)	–	–	–	–	(2.0)	2.0	–	**–**	–	**–**
Transfer from merger reserve (note 31)	–	–	(12.3)	–	–	–	12.3	**–**	–	**–**
Share issues	–	0.1	–	–	–	–	–	**0.1**	–	**0.1**
Dividends	–	–	–	–	–	–	(4.8)	**(4.8)**	–	**(4.8)**
At 31 December 2005	**2.2**	**67.4**	**8.4**	**0.3**	**(1.4)**	**–**	**(49.2)**	**27.7**	**0.4**	**28.1**

Dividends include an amount of £3.2m paid in 2005 but relating to the previous year in line with International Financial Reporting Standards.

27 Minority Interests

	2005	Restated 2004
	£'m	£'m
At 1 January	**0.3**	0.7
Purchase of existing minority interest	**–**	(0.6)
Consolidated Income Statement	**0.1**	0.2
At 31 December	**0.4**	0.3

28 Reconciliation of Net Profit to Net Cash inflow from Operating Activities

	2005	Restated 2004
	£'m	£'m
Continuing operations		
Net (loss)/profit	**(66.9)**	17.3
Adjustments for:		
Taxation	**4.1**	2.9
Depreciation and amortisation	**3.5**	5.5
Profit on disposal of property, plant and equipment	**(1.6)**	(6.8)
Impairment of goodwill	**0.5**	–
Impairment of Group interest in GAL	**64.0**	–
Net interest payable and similar charges	**2.9**	3.6
Share of results of joint ventures after taxation	**1.8**	(7.3)
Changes in working capital:		
Decrease in inventories	**–**	0.3
(Increase)/decrease in trade and other receivables	**(10.4)**	16.1
Increase/(decrease) in creditors and provisions for liabilities and charges	**5.9**	(11.3)
Foreign currency movement on investment held for sale	**(0.6)**	0.3
Cash generated from continuing operations	**3.2**	20.6
Discontinued operations		
Net loss	**(24.0)**	(4.2)
Adjustments for:		
Taxation	**1.2**	(2.7)
Depreciation and amortisation	**2.4**	2.8
Profit on disposal of property, plant and equipment	**(0.2)**	–
Impairment of goodwill	**12.3**	–
Provision for loss / loss on termination of subsidiary	**3.2**	1.7
Net interest payable and similar charges	**0.2**	0.1
Share of results of joint ventures after taxation	**(0.4)**	0.3
Changes in working capital:		
Decrease/(increase) in inventories	**0.3**	(0.5)
Decrease in trade and other receivables	**12.2**	0.6
(Decrease)/Increase in creditors and provisions for liabilities and charges	**(8.4)**	6.7
Cash (used by)/generated from discontinued operations	**(1.2)**	4.8
Cash generated from operations	**2.0**	25.4

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005

29 Reconciliation of Net Cash Flow to Movement in Net Debt

	2005	Restated 2004
	£'m	£'m
Net debt at 1 January	**(38.9)**	(55.1)
(Decrease)/increase in cash and cash equivalents in the year	**(0.8)**	4.1
Cash (inflow)/outflow from (increase)/decrease in debt	**(2.8)**	13.8
Cash outflow from repayment of finance leases	**0.8**	0.8
Changes in net debt resulting from cash flows	**(2.8)**	18.7
Other non-cash items:		
Exchange difference	**1.3**	(2.7)
Amortisation of debt issue costs	**(0.2)**	(0.1)
Early termination of finance leases	**–**	0.3
Net debt at 31 December	**(40.6)**	(38.9)

Included in the net debt above is cash of £2.7m and finance leases of £0.3m in relation to Walon France which have been included within assets/(liabilities) held for sale on the Consolidated Balance Sheet.

30 Analysis of Net Debt

	Restated 2004	Cash flow	Other non-cash changes	Exchange difference	Net debt including discontinued operations	Transfers	**2005**
	£'m	£'m	£'m	£'m	£'m	£'m	**£'m**
Cash at bank and in hand	18.7	(0.8)	–	–	17.9	(2.7)	**15.2**
Debt due within one year	(3.2)	(2.8)	(50.8)	1.2	(55.6)	–	**(55.6)**
Debt due after more than one year	(50.6)	–	50.6	–	–	–	**–**
Finance leases	(3.8)	0.8	–	0.1	(2.9)	0.3	**(2.6)**
Total	**(38.9)**	**(2.8)**	**(0.2)**	**1.3**	**(40.6)**	**(2.4)**	**(43.0)**

The amounts included in transfers relate to balances in relation to the proposed disposal of Walon France (note 31) which have been classified as held for sale.

Other non cash changes in respect of debt due within one year includes the amortisation of debt issue costs.

31 Disposal of Walon France

Shareholder approval was obtained on 28 April 2006 to sell Walon France to its senior management team (the "Purchasers"). The Purchasers include Gilles Guinchard, who was a Director of AutoLogic Holdings plc until 20 January 2006.

The initial price payable for the shares of the Company is €0.5m which shall be paid in cash on completion. In addition, the Purchasers have agreed to reimburse the total amount of existing inter-company debt which shall be due to the Group on completion (€19.5m). Repayment will be by way of an initial repayment of €10.0m payable in cash on completion, €2.0m payable in cash by no later than 31 December 2006 and a deferred repayment of €8.0m which is payable in cash as follows:

- a proportionate amount of the deferred repayment is to be paid to the Group within two months of any sale of all or substantially all of the activity or assets of Walon France to a third party
- 50% of any benefit arising from existing tax losses of the company is to be paid to the Group as part of the deferred repayment, and any amount of the deferred repayment which remains outstanding on the sixth anniversary of completion is to be repaid on that date.

Since Walon France was acquired in 2001, the Company has given a number of guarantees over its obligations. These guarantees relate to lease commitments undertaken by members of the Walon France Group in respect of certain key operating sites and vehicles used specifically for Walon France's major customers. The aggregate of the commitments under these leases to the end of the lease terms (which range from 2 to 18 years) is approximately €112.9 million. Although the Purchasers have undertaken to endeavour to procure the release of these guarantees in due course, it is anticipated that the guarantees will remain in place for the foreseeable future after Walon France ceases to be part of the AutoLogic Group.

31 Disposal of Walon France (Continued)

Amounts charged in arriving at loss on discontinued operations

	Year ended 31 December 2005	Year ended 31 December 2004
	£'m	£'m
Restructuring costs	**4.4**	0.9
Provision for loss on disposal	**3.2**	–
Impairment of goodwill	**12.3**	–
Taxation	**1.2**	–
	21.1	0.9

The restructuring costs incurred in the year, relate principally to the implementation of a social plan which resulted in the company's long distance distribution drivers and a number of associated support staff being made redundant (2004 – redundancy costs).

Adjustments have been made to the asset value in respect of this business in order that it is held at its estimated realisable value. The deferred consideration has been discounted at 10%, and a provision made for costs expected to be incurred of £1.1m. This has resulted in a provision for loss on disposal of £3.2m. Goodwill of £12.3m has been written off in full (£9.9m charged in the six months ended 30 June 2005). The final result on sale will be booked in the accounts for the year ended 31 December 2006.

The net assets of Walon France have been classified as held for sale. An analysis of the net assets is given below.

	£'m
Intangible assets	**0.7**
Property plant and equipment (net of £3.2m impairment)	**7.1**
Investments accounted for using the equity method	**2.4**
Inventories	**0.6**
Trade and other receivables	**27.9**
Cash and cash equivalents	**2.7**
Assets classified as held for sale	**41.4**
Trade payables and other payables	**(27.4)**
Financial liabilities	**(0.6)**
Provisions	**(1.9)**
Retirement benefit liability	**(0.9)**
Liabilities directly associated with assets classified as held for sale	**(30.8)**

During the year under review, Walon France utilised cash flows from operating activities of £2.7m, generated cash flows from investing activities of £1.1m and utilised cash flows from financing activities of £0.7m.

The total foreign currency translation on Walon France amounted to £2.0m. As an investment hedge was in place, this difference was offset against the net investment hedge.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

32 Pension Schemes

UK

Since 6 April 1992, the AutoLogic Holdings Group has operated a money purchase pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Contributions of £'nil (2004: £0.2m) were due to the scheme at 31 December 2005 and are included in other creditors. The pension costs for the year were £2.3m (2004: £2.7m).

Prior to 6 April 1992, a funded defined benefit pension scheme was in operation. Members of the scheme at that date remain entitled to the benefits earned before the change in nature of the scheme, and these are linked to their earnings at retirement or leaving. This scheme is now closed to new members. The pension cost of the defined benefit scheme is assessed in accordance with the advice of an independent qualified actuary using the minimum funding requirement basis plus a margin equivalent to the projected unit method with a six year control period. The latest actuarial valuation of the scheme was at 6 April 2004. The principal assumptions under IAS 19 that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries. For the projected unit method it was assumed that the investment return would be 6.5% per annum up to retirement age and 5.0% thereafter and that salaries would not increase. At the date of the latest actuarial valuation, the market value of the assets of the defined benefit scheme was £3.6m and the realisable value of the assets was sufficient to cover 90.7% of the minimum funding requirement value of benefits which had accrued to members. On the projected unit method basis the assets covered 51.5% of the value of benefits which had accrued to members.

Ansa Logistics Limited participates in a final salary pension scheme, which commenced on 29 October 1999 and was subject to a full actuarial valuation at 31 December 2005. The pension cost of the defined benefit scheme is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The principal assumptions under IAS 19 that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries. It was assumed that the investment return would be 6.6% per annum and that salary increases would average 2.5% per annum. At the date of the latest actuarial valuation, the market value of the assets of the defined benefit scheme was £13.8m (2004: £14.7m) and the actuarial value of the assets was sufficient to cover 80% of the benefits which had accrued to members. The assets of the scheme are held separately from those of the companies in the scheme in an independently administered fund. Total contributions payable for the year ended 31 December 2005 amounted to £1.4m (2004: £1.5m) being 8.3% of pensionable salaries (2004: 8.3%). Contributions of £'nil (2004: £0.1m) were due to the scheme at 31 December 2005.

In April 2002, the AutoLogic Holdings plc Senior Executive Pension Plan was established. The Plan is a money purchase occupational pension scheme with a normal pension age of 60 years. The assets of this Plan are held separately from those of the Group in an independently administered fund. Both the senior executives and the Company are required to make contributions to the Plan. Payment statements for the Plan are issued annually, on the anniversary of the Plan. Total contributions payable for the year ended 31 December 2005 amounted to £0.4m (2004: £0.2m). Contributions of £'nil (2004: £'nil) were due to the scheme at 31 December 2005.

Overseas

For employees overseas, pension arrangements are principally defined contribution plans. The costs to the Group in the year ended 31 December 2005 in respect of overseas employees of £0.2m (2004: £0.2m) were charged to the Consolidated Income Statement. Contributions of £'nil (2004: £'nil) were due to the scheme at 31 December 2005.

Walon France operates a defined benefit pension scheme that pays out lump sums to its employees. Part of the scheme is unfunded. The pension costs of the scheme are assessed in accordance with the advice of an independent qualified actuary under the projected unit method.

There are small defined benefit schemes operating in Belgium and the Netherlands. The total net liability of these schemes is £0.1m (2004: £0.1m).

32 Pension Schemes (Continued)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	AutoLogic Group scheme		Ansa Logistics scheme		Walon France scheme	
	2005 %	2004 %	**2005 %**	2004 %	**2005 %**	2004 %
Major assumptions						
Rate of general increase in salaries	**–**	–	**2.5**	2.5	**2.5**	2.5
Rate of increase in pension payment and deferred pensions	**–**	–	**2.5**	2.5	**2.5**	2.5
Discount rate for scheme liabilities	**4.8**	5.3	**4.8**	5.3	**4.3**	5.0
Inflation	**2.5**	2.5	**2.5**	2.5	**2.0**	2.5
Mortality table used	**PA 92**	PA 92	**PA 92**	PA 92	*****	*
Rate of return on plan assets:						
Equity	**5.2**	7.3	**6.8**	7.3	**–**	–
Bonds	**3.2**	5.3	**4.8**	5.3	**–**	–
Other (incl. cash)	**3.2**	4.0	**4.5**	4.0	**–**	–
Insurance	**–**	–	**–**	–	**4.0**	4.0

*Mortality table used for the Walon France scheme for 2005 and 2004 was INSEE TD/TV 1999-2001.

The amounts recognised in the Consolidated Balance Sheet are determined as follows:

	2005	Restated 2004
	£'m	£'m
Present value of funded obligations	**(36.5)**	(30.1)
Present value of unfunded obligations	**–**	(0.8)
Fair value of plan assets	**27.5**	21.1
Net liability recognised in the Consolidated Balance Sheet	**(9.0)**	(9.8)

The amounts recognised in the Consolidated Income Statement are as follows:

	2005	Restated 2004
	£'m	£'m
Current service cost	**1.7**	2.5
Interest cost	**1.5**	1.4
Expected return on plan assets	**(1.5)**	(1.1)
Net amount recognised in the Consolidated Income Statement	**1.7**	2.8

The amounts recognised in the Consolidated Statement of Recognised Income and Expense:

	2005	Restated 2004
	£'m	£'m
Actual return less expected return on pension scheme assets	**3.6**	3.3
Experience gains and losses arising on the scheme liabilities	**(0.1)**	(3.0)
Changes in assumptions underlying the present value of the scheme liabilities	**(4.1)**	3.4
	(0.6)	3.7
Deferred tax	**0.2**	(1.1)
Actuarial (loss)/gain recognised in the Consolidated Statement of Recognised Income and Expense	**(0.4)**	2.6

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005

32 Pension Schemes (Continued)

Actual return less expected return on pension assets:

	2005	Restated 2004
	£'m	£'m
Actual return on pension scheme assets	**5.1**	4.4
Expected return on pension scheme assets	**(1.5)**	(1.1)
	3.6	3.3

Cumulative amount of actuarial gains and losses recognised in equity:

	2005	Restated 2004
	£'m	£'m
Cumulative gains at 1 January	**2.6**	–
Amount recognised for the year	**(0.4)**	2.6
Cumulative gains at 31 December	**2.2**	2.6

Changes in the present value of the defined benefit obligation are as follows:

	2005	Restated 2004
	£'m	£'m
Opening defined benefit obligation	**30.9**	27.0
Transferred to liabilities held for sale	**(1.9)**	–
Current service cost	**1.7**	2.5
Interest cost	**1.5**	1.4
Actuarial losses/(gains)	**4.2**	(0.4)
Contributions made	**1.0**	1.4
Benefits paid	**(0.9)**	(1.0)
Closing defined benefit obligation	**36.5**	30.9

Changes in the fair value of plan assets are as follows:

	2005	Restated 2004
	£'m	£'m
Opening fair value of plan assets	**21.1**	14.7
Transferred to liabilities held for sale	**(0.6)**	–
Expected return	**1.5**	1.1
Actuarial gains	**3.6**	3.3
Contributions made	**2.7**	2.9
Benefits paid	**(0.8)**	(0.9)
Closing fair value of plan assets	**27.5**	21.1

The fair value of the plan assets at the balance sheet date is analysed as follows:

	2005	Restated 2004
	£'m	£'m
Equity instruments	**23.9**	19.1
Bonds	**2.9**	0.7
Other (incl. cash)	**0.7**	0.7
Insurance	**–**	0.6
	27.5	21.1

32 Pension Schemes (Continued)

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

History of the plan for the current and prior period as follows:

	2005	Restated 2004
	£'m	£'m
Present value of defined benefit obligation	(36.5)	(30.9)
Fair value of plan assets	27.5	21.1
Deficit	(9.0)	(9.8)
Experience adjustments on plan assets	3.6	3.3
Percentage of scheme assets	13.1%	15.6%
Experience adjustments on plan liabilities	–	(3.0)
Percentage of scheme liabilities	–	9.7%

In accordance with the transitional provisions for amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2004 reporting period.

The Group expects to contribute approximately £1.9m to its defined benefit plans in 2006.

33 Share Based Payments

All share based payments are equity-settled share option schemes.

Save As You Earn scheme
The SAYE scheme includes both approved and unapproved schemes open to UK employees. Options may be exercised after three, five or seven years after which the employee is given six months to exercise the option before it expires. Exercise of an option is subject to continued employment with specified exceptions. The exercise price is determined by the Committee based on the market value of the shares at the grant date.

Details of share options outstanding during the year are as follows:

	2005		2004	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		pence		pence
Outstanding at the beginning of the year	305,037	408.68	392,089	414.81
Exercised during the year	(83,021)	200.23	(8,855)	200.23
Expired during the year	(32,357)	226.54	(78,197)	463.02
Outstanding at the end of the year	189,659	531.00	305,037	408.68
Exercisable at the end of the year	189,659		–	

The weighted average share price at the date of exercise for share options exercised during the year was 251.05 pence (2004: 356.30 pence). All outstanding options under the SAYE scheme at the year ended 31 December 2005 lapsed on 1 January 2006. No further options have been granted during the year or in the previous year. No SAYE schemes have been established since 7 November 2002 and they are therefore not subject to fair value assessment under IFRS.

Executive share option schemes
The Executive share option schemes are reserved for senior executives. Options may be exercised after three years provided pre-determined performance targets have been met after which the senior executive has seven years to exercise the option before it expires. Exercise of an option is subject to continued employment with specified exceptions. The exercise price is determined by the Committee based on the market value of the shares at the grant date.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

33 Share Based Payments (Continued)

Details of share options outstanding during the year are as follows:

	2005		2004	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
		pence		pence
Outstanding at the beginning of the year	**1,183,452**	**347.13**	813,919	350.81
Granted during the year	**–**	**–**	543,000	328.90
Forfeited during the year	**–**	**–**	(68,313)	392.96
Exercised during the year	**–**	**–**	(105,154)	251.70
Expired during the year	**(873,000)**	**329.51**	–	–
Outstanding at the end of the year	**310,452**	**396.66**	1,183,452	347.13
Exercisable at the end of the year	**65,452**		65,452	

There were no options granted in 2005. The weighted average share price at the date of exercise for share options exercised during 2004 was 321.77 pence. The options outstanding at the end of the year have a weighted average remaining contractual life of 7.5 years (2004: 8.5 years). In 2004 the estimated weighted average fair value of the options granted was 92.38 pence.

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model in 2004 were as follows:

	2004
Weighted average share price	324.26 pence
Weighted average exercise price	328.90 pence
Expected volatility	33%
Expected life	6.5 years
Risk free rate of return	5.0%
Expected dividend yield	3.4%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioural considerations. No performance conditions were included in the fair value calculations, and it is assumed that no participants will leave employment prior to vesting. In 2005 no participants were expected to achieve the scheme conditions (2004: 50%) and the prior year charge was reversed.

Long Term Incentive Plan

The LTIP scheme is designed to motivate its participants to improve the Group's performance over a longer term. The LTIP will only vest if challenging performance targets have been met at the end of a three year period. The participants then have six months to exercise their options once they have vested. No exercise price is payable in respect of shares vesting pursuant to the LTIP.

Details of share options outstanding during the year are as follows:

	2005		2004	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
		pence		pence
Outstanding at the beginning of the year	**860,627**	**–**	210,230	–
Granted during the year	**504,763**	**–**	650,397	–
Forfeited during the year	**(210,230)**	**–**	–	–
Outstanding at the end of the year	**1,155,160**	**–**	860,627	–
Exercisable at the end of the year	**–**		–	

There were no options exercised during either year. The options outstanding at the end of the year have a weighted average remaining contractual life of 8.7 years (2004: 9.2 years). The estimated fair value of the options granted in 2005 was 46.77 pence. In 2004 the estimated weighted average fair value of the options granted was 288.70 pence.

These fair values were calculated using the Monte-Carlo (2005 only) and Black-Scholes option pricing models (pre 2005).

33 Share Based Payments (Continued)

The inputs into the models were as follows:

	2005	2004
Weighted average share price	**201.00 pence**	322.28 pence
Weighted average exercise price	**–**	–
Expected volatility	**34%**	33%
Expected life	**3 years**	3 years
Risk free rate of return	**4.2%**	4.7%
Expected dividend yield	**5.5%**	3.5%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioural considerations. No participants are expected to leave employment prior to vesting. In schemes prior to 2005 no performance conditions were included in the fair value calculations. In respect of these schemes, in 2005 no performance conditions were expected to be achieved (2004: 15%).

The 2005 scheme includes market related performance conditions and the options were therefore priced using the Monte Carlo pricing model. At the end of 2005, none of the performance criteria were expected to be achieved.

34 Employees and Directors

The average number of persons (including Executive Directors) employed by the Group during the year was:

	Year ended 31 December 2005	Restated Year ended 31 December 2004
	Number	Number
Average monthly number of employees (including Executive Directors)		
Drivers	**948**	899
Hourly paid	**878**	899
Salaried	**1,040**	1,027
	2,866	2,825
	£'m	£'m
Staff costs for the Group during the year		
Wages and salaries	**79.4**	82.1
Social security costs	**9.4**	10.8
Other pension costs	**4.5**	5.4
	93.3	98.3
Directors		
Aggregate emoluments	**1.3**	0.9
Company pension contributions to money purchase schemes	**0.4**	0.2
	1.7	1.1

Detailed disclosures of Directors' individual remuneration and share options are given in the Directors' Remuneration Report on pages 12 to 16 which forms part of these Financial Statements. At 31 December 2005 and 2004, retirement benefits are accruing to one Director under the Group's defined benefit scheme and three Directors under the Group's money purchase schemes. Emoluments paid to the highest paid Director together with details of his pension arrangements are shown on pages 15 and 16.

Key management compensation

	Year ended 31 December 2005	Year ended 31 December 2004
	£'m	£'m
Salary (including bonus)	**2.4**	2.3
Pension	**0.5**	0.3
Other benefits	**0.2**	0.1
	3.1	2.7

Notes to the Consolidated Financial Statements
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35 Operating Lease Arrangements

	2005 Land and buildings	2005 Plant and equipment	Restated 2004 Land and buildings	Restated 2004 Plant and equipment
	£'m	**£'m**	£'m	£'m
Minimum lease payments under operating leases recognised as an expense in the year	**14.9**	**8.0**	12.8	8.9

Total future minimum lease payments by the Group under non-cancellable operating leases for each of the following years:

	2005 Land and buildings	2005 Plant and equipment	Restated 2004 Land and buildings	Restated 2004 Plant and equipment
Within one year	**12.7**	**9.0**	2.6	2.9
In the second to fifth years inclusive	**26.7**	**27.2**	26.3	10.6
After five years	**0.3**	**30.5**	1.5	40.9
	39.7	**66.7**	30.4	54.4

36 Capital Commitments and Contingent Liabilities

The Group has not contracted for any capital commitment during the year ended 31 December 2005 (2004: £'nil).

Following the disposal of Walon France (note 31) the Group retains guarantees in respect of key operating sites and vehicles used in that business. The aggregate commitment to the end of the lease term (which range from 2 to 18 years) is approximately £77.6m.

37 Related Party Disclosures

The Group contracted with Translogistix Limited, a joint venture in which it held a 50% interest. In addition the Group contracted with Compagne d'Affrètement et de Transport SA in which it held an indirect interest of 40%. The Group has entered into transactions with these companies, both of which have been at arms length and in the ordinary course of business.

	2005	2004
	£'m	£'m
Sales made to joint venture companies and associates	**19.8**	21.2
Management fees and interest charged	**0.8**	0.8

	2005	2004
The following amounts remained outstanding at the year end: Net amounts owed from joint venture companies and associates	**2.9**	1.6

During the year the Company entered into transactions totalling £0.3m (2004: £0.3m) with Blackbrooks LLP (a partnership in which Mr J Merry has an interest) for the provision of travel services. All such transactions were on arms length terms and in the ordinary course of business.

As a result of the agreed disposal of Walon France (note 31), Mr G Guinchard may become entitled to receive payments of up to £1.0m, should certain conditions become satisfied.

38 Post Balance Sheet Events

The Group announced on 31 March 2006 that it had signed agreements for the refinancing of its debt facilities. Drawdown under these new facilities took place on 28 April 2006 with the existing facilities being repaid on the same day. In addition, on 28 April 2006 the Company obtained shareholder approval to proceed with the disposal of Walon France (note 31) and completed this disposal on 17 May 2006.

On 17 May 2006 GAL was granted protection under the French Law *Procédure de Sauvegarde*. As explained in note 5, the Group's interest in GAL has been impaired to £'nil.

39 Reconciliation of Net Assets and Profit under UK GAAP to IFRS

AutoLogic Holdings plc reported under UK GAAP in it's previously published Financial Statements for the year ended 31 December 2004. The analysis below shows a reconcilation of net assets and profit as reported under UK GAAP as at 31 December 2004 to show the revised net assets and profit under IFRS as reported in these Financial Statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for the Group, being 1 January 2004. Notes explaining each adjustment are disclosed after the reconciliations.

Consolidated Income Statement
for the year ended 31 December 2004

	UK GAAP 2004	Presentation Adj (note 1)	Pension Adj (note 2)	Lease Adj (note 3)	Goodwill Adj (note 4)	Deferred tax fair value Adj (note 5)	Foreign exchange Adj (note 6)	IFRS 2004
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Turnover/Revenue	341.2	(94.2)						247.0
Operating profit	2.6	11.6	(0.8)	0.2	2.9	–	–	16.5
Net interest payable and similar charges	(10.0)	6.8	(0.3)	(0.1)	–	–	–	(3.6)
Post tax share of profits from interest in joint ventures and associates	10.9	(9.8)	–	–	6.0	–	0.2	7.3
Exceptional items	5.1	(5.1)	–	–	–	–		–
Profit before taxation	8.6	3.5	(1.1)	0.1	8.9	–	0.2	20.2
Taxation – Group	(4.1)	0.7	0.3	–	–	0.2	–	(2.9)
Profit from continuing operations	4.5	4.2	(0.8)	0.1	8.9	0.2	0.2	17.3
Loss from discontinued operations	–	(4.2)	–	–	–	–	–	(4.2)
Profit for the year	4.5	–	(0.8)	0.1	8.9	0.2	0.2	13.1
Profit attributable to minority interest	(0.2)	–	–	–	–	–	–	(0.2)
Profit attributable to equity shareholders	4.3	–	(0.8)	0.1	8.9	0.2	0.2	12.9
Dividends	(4.8)	–	–	–	–	–	–	(4.8)
Retained (loss)/profit for the financial year	(0.5)	–	(0.8)	0.1	8.9	0.2	0.2	8.1
Earnings attributable to ordinary shareholders	4.3							12.9
Number of shares	43.8							43.8
Basic earnings per share	9.87p							29.23p

note 1: presentation adjustments

The Group's primary Financial Statements have been presented in accordance with IAS 1 Presentation of Financial Statements which has resulted in several presentational changes with no impact on net assets:

The disclosure adjustments to the Consolidated Income Statement above are as follows:

- IFRS requires the Group's share of the results of joint ventures (which are accounted for using the equity method) to be shown as a single item. Under UK GAAP, the Group's shares of operating profit, interest charge (£6.7m) and tax charge (£3.4m) were reported separately. Upon transfer to IFRS the interest and taxation charges, together £10.1m, have been transferred to post tax share of profits from interest in joint ventures and associates.
- IFRS requires that discontinued operations are shown separately as one item after profit from continuing operations. Under UK GAAP Turnover (£94.2m), operating losses (£4.8m), interest charge (£0.1m), share of losses from joint ventures (£0.3m), exceptional losses (£1.7m) and associated tax credit (£2.7m) are shown against their respective line items in the profit and loss account. Under IFRS turnover is not reported in the Consolidated Income Statement and the loss after tax of £4.2m is transferred to loss from discontinued operations.

IFRS does not analyse exceptional items after operating profit. Under UK GAAP Exceptional items are presented after operating profit, and these have therefore been reanalysed. In addition to exceptional losses on discontinued activities explained above, exceptional profit on disposal of fixed assets of £6.8m has been transferred to operating profit under IFRS.

The disclosure adjustments relating to the Consolidated Balance Sheets on the following pages are as follows:

- Under IFRS, capitalised software costs that are not an integral part of the associated hardware are required to be classified as intangible assets. The Group has previously capitalised eligible software costs within tangible fixed assets.
- Under IFRS, deferred tax is reanalysed on the face of the Consolidated Balance Sheet out of trade and other receivables and disclosed separately under non-current assets as a deferred tax asset.
- Under IFRS, current tax liabilities are reanalysed on the face of the Consolidated Balance Sheet out of trade and other payables and disclosed separately under current liabilities.
- Under IFRS, exchange differences on consolidation of overseas investments as from 1 January 2004 have been reanalysed from retained earnings to other reserves.

Further notes explaining the IFRS adjustments follow the Consolidated Balance Sheet tables on pages 64 and 65.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

Consolidated Balance Sheet
At 1 January 2004

	UK GAAP 2003	Presentation Adj (note 1)	Pension Adj (note 2)	Lease Adj (note 3)	Deferred tax fair value Adj (note 5)	Dividend (note 7)	IFRS 2003
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Assets							
Non-current assets							
Goodwill	48.7	–	–	–	–	–	48.7
Intangible assets	–	1.7	–	–	–	–	1.7
Property, plant and equipment	46.1	(1.7)	–	1.4	–	–	45.8
Financial assets							
- Available for sale investments	5.6	–	–	–	–	–	5.6
Investments accounted for using the equity method	63.2	–	(0.4)	–	–	–	62.8
Deferred tax asset	–	1.7	3.2	–	(0.8)	–	4.1
	163.6	1.7	2.8	1.4	(0.8)	–	168.7
Current assets							
Inventories	1.6	–	–	–	–	–	1.6
Trade and other receivables	101.1	(1.7)	–	–	–	–	99.4
Cash and cash equivalents	14.6	–	–	–	–	–	14.6
	117.3	(1.7)	–	–	–	–	115.6
Liabilities							
Current liabilities							
Trade and other payables	(100.2)	1.1	–	(0.7)	–	3.2	(96.6)
Current tax liabilities	–	(1.1)	–	–	–	–	(1.1)
	(100.2)	–	–	(0.7)	–	3.2	(97.7)
Net current assets	17.1	(1.7)	–	(0.7)	–	3.2	17.9
Non-current liabilities							
Other non-current liabilities	(51.8)	–	–	(3.6)	–	–	(55.4)
Retirement benefit liability	–	–	(12.3)	–	–	–	(12.3)
Provisions	(7.0)	–	0.6	2.7	–	–	(3.7)
	(58.8)	–	(11.7)	(0.9)	–	–	(71.4)
Net assets	121.9	–	(8.9)	(0.2)	(0.8)	3.2	115.2
Shareholders' equity							
Ordinary shares	2.2	–	–	–	–	–	2.2
Share premium	67.0	–	–	–	–	–	67.0
Other reserves	21.0	–	–	–	–	–	21.0
Retained earnings	31.0	–	(8.9)	(0.2)	(0.8)	3.2	24.3
Total shareholders' equity	121.2	–	(8.9)	(0.2)	(0.8)	3.2	114.5
Minority interest in equity	0.7	–	–	–	–	–	0.7
Total equity	121.9	–	(8.9)	(0.2)	(0.8)	3.2	115.2

Consolidated Balance Sheet
At 31 December 2004

	UK GAAP 2004	Presentation Adj (note 1)	Pension Adj (note 2)	Lease Adj (note 3)	Goodwill Adj (note 4)	Deferred tax fair value Adj (note 5)	Dividend Adj (note 7)	IFRS 2004
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Assets								
Non-current assets							–	
Goodwill	46.1	–	–	–	2.9	–	–	49.0
Intangible assets	–	1.2	–	–	–	–	–	1.2
Property, plant and equipment	43.4	(1.2)	–	0.9	–	–	–	43.1
Financial assets								
- Available for sale investments	5.3	–	–	–	–	–	–	5.3
Investments accounted for using the equity method	63.9	–	(0.4)	–	6.0	–	–	69.5
Deferred tax asset	–	4.4	2.4	–	–	(0.6)	–	6.2
	158.7	4.4	2.0	0.9	8.9	(0.6)	–	174.3
Current assets								
Inventories	1.8	–	–	–	–	–	–	1.8
Trade and other receivables	84.5	(4.4)	–	–	–	–	–	80.1
Cash and cash equivalents	18.7	–	–	–	–	–	–	18.7
	105.0	(4.4)	–	–	–	–	–	100.6
Liabilities								
Current liabilities								
Trade and other payables	(84.5)	1.6	–	(0.7)	–	–	3.2	(80.4)
Current tax liabilities	–	(1.6)	–	–	–	–	–	(1.6)
	(84.5)	–	–	(0.7)	–	–	3.2	(82.0)
Net current assets	20.5	(4.4)	–	(0.7)	–	–	3.2	18.6
Non-current liabilities								
Other non-current liabilities	(50.6)	–	–	(3.0)	–	–	–	(53.6)
Retirement benefit liability	–	–	(9.8)	–	–	–	–	(9.8)
Provisions	(7.6)	–	0.7	2.7	–	–	–	(4.2)
	(58.2)	–	(9.1)	(0.3)	–	–	–	(67.6)
Net assets	121.0	–	(7.1)	(0.1)	8.9	(0.6)	3.2	125.3
Shareholders' equity								
Ordinary shares	2.2	–	–	–	–	–	–	2.2
Share premium	67.3	–	–	–	–	–	–	67.3
Other reserves	21.0	(0.3)	–	–	–	–	–	20.7
Retained earnings	30.2	0.3	(7.1)	(0.1)	8.9	(0.6)	3.2	34.8
Total shareholders' equity	120.7	–	(7.1)	(0.1)	8.9	(0.6)	3.2	125.0
Minority interest in equity	0.3	–	–	–	–	–	–	0.3
Total equity	121.0	–	(7.1)	(0.1)	8.9	(0.6)	3.2	125.3

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

note 2: pension adjustments

Under UK GAAP, the Group accounted for defined benefit pension schemes in accordance with the Statement of Standard Accounting Practice 24 Accounting for Pension Costs (SSAP 24). The Group also reported the transitional disclosures required in accordance with Financial Reporting Standard 17 Retirement Benefits (FRS 17), including the adjustment from the figures reported under SSAP 24 which would be required if FRS 17 was adopted in the Financial Statements.

The methodology and assumptions used to calculate the value of pension assets and liabilities under FRS 17 are substantially consistent with the requirements of IAS 19 Employee Benefits (IAS 19).

The Consolidated Balance Sheet adjustment establishes a liability within non-current liabilities in respect of the Group's IAS 19 pension deficit (also transferring an existing provision established as a fair value adjustment upon the acquisition of a subsidiary), and the associated deferred tax asset within non-current assets. In addition, the Group's share within joint ventures of the net effect of the IAS 19 deficit and associated deferred tax is an adjustment within Investments accounted for using the equity method.

The Consolidated Income Statement adjustment reflects the difference between the existing SSAP 24 operating charge and the Group's IAS 19 pension charge and net pension financing credit.

note 3: lease adjustment

Under UK GAAP, the Group accounted for leases in accordance with SSAP 21, Accounting for Leases and Hire Purchase Contracts. IAS 17 requires a slightly different analysis of leases, and as a consequence two types of lease previously recorded as operating leases have been classified as finance leases.

In respect of plant and machinery, assets with a net book value of £0.9 million at 31 December 2004 (£1.4m at 1 January 2004) have been assessed as finance leases. Consequently these assets have been brought onto the Consolidated Balance Sheet as property, plant and equipment. The corresponding finance lease liability of £1.0 million (£1.6 million at 1 January 2004) has also been brought onto the Consolidated Balance Sheet, analysed between current and non-current liabilities. The adjustment to the Consolidated Income Statement has eliminated the operating lease costs and brought in fixed asset depreciation and finance lease interest charges.

In respect of property leases under IFRS the elements relating to land and buildings were analysed separately. In one lease the building element was assessed as a finance lease, where previously under UK GAAP it had been assessed as an operating lease. This property is vacant and the costs associated with the lease had previously been fully provided under UK GAAP as an onerous lease. The IFRS adjustment therefore reflected that the property would have been brought into property, plant and equipment upon inception of the lease, but subsequently impaired to £'nil value prior to 1 January 2004. The onerous lease provision was replaced with the finance lease liability. The adjustment to the Consolidated Income Statement reflects that the onerous lease provision discount unwind (through interest charge) has been replaced by finance lease interest.

note 4: goodwill adjustment

Under UK GAAP, the Group's policy was to capitalise goodwill in respect of businesses acquired and amortise it on a straight line basis over its estimated useful economic life, which had been assessed as 20 years for all recent significant acquisitions. On transition to IFRS, IFRS 1 requires the Group to conduct an impairment review of the carrying value of capitalised goodwill at 1 January 2004 for potential impairments. No further impairments above those made under UK GAAP were required at 1 January 2004.

In accordance with IFRS 3 Business Combinations, no amortisation of goodwill is charged in the Group's consolidated IFRS accounts from 1 January 2004. Instead, annual reviews of the goodwill are performed to test for impairments. The adjustment reverses the amortisation charged in the year under UK GAAP of £2.9 million in respect of subsidiaries and £6.0 million of goodwill held within joint ventures, shown against Investments accounted for using the equity method.

note 5: deferred tax

Under UK GAAP, deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date and which could give rise to a future obligation to pay more or less tax. Under IAS 12, Income Taxes, deferred tax is recognised in respect of all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their accounting carrying value.

Deferred tax fair value adjustments result in a decrease in net assets of £0.8m at 1 January 2004. The movement on those adjustments in 2004 results in a credit to the Consolidated Income Statement, reducing the net asset adjustment to £0.6m at 31 December 2004.

note 6: foreign exchange
Under UK GAAP, foreign exchange gains on disposal of joint venture interest in 2004 was treated as an equity adjustment in accordance with SSAP 20, Foreign currency translation. Under IAS 21 this exchange gain is shown in the Consolidated Income Statement. There is no effect on net assets.

note 7: dividend adjustment
Under UK GAAP, in accordance with SSAP 17, Post Balance Sheet Events, proposed dividends were accrued for as an adjusting post balance sheet event in the accounting period to which they relate. Under IAS 10 Events after the Balance Sheet Date, dividends are recognised in the accounting period in which they are declared. Accordingly, the Group has reversed the accrual for its proposed dividends.

Consolidated cash flow statement
The transition from UK GAAP to IFRS has no effect on the reported cash flows generated by the Group. The IFRS cash flow statement is presented in a different format from that required under UK GAAP, with cash flows analysed into three categories of operating activities, investing activities and financing activities.

Independent Auditors' Report to the members of AutoLogic Holdings plc

We have audited the parent Company Financial Statements of AutoLogic Holdings plc for the year ended 31 December 2005 which comprise the Balance Sheet and the related notes. These parent Company Financial Statements have been prepared under the accounting policies set out on page 70. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Group Financial Statements of AutoLogic Holdings plc for the year ended 31 December 2005.

Respective Responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent Company Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the parent Company Financial Statements give a true and fair view and whether the parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the parent Company Financial Statements, if 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 read other information contained in the Annual Report and consider whether it is consistent with the audited parent Company Financial Statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operating and Financial Review and the Statement of Directors' Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company 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 parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent Company Financial Statements, and of whether the accounting policies are appropriate to the 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 parent Company 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 parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited.

Opinion
In our opinion:
- the parent Company Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005; and
- the parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
2 June 2006

Company Balance Sheet

at 31 December 2005

	Note	2005 £'m	Restated 2004 £'m
Fixed assets			
Tangible assets	41	**0.1**	0.2
Investments	42	**72.8**	99.4
		72.9	99.6
Currents assets			
Debtors	43	**18.2**	77.5
Cash at bank		**3.1**	–
		21.3	77.5
Creditors: amounts falling due within one year	44	**(84.5)**	(13.9)
Net current (liabilities)/assets		**(63.2)**	63.6
Total assets less current liabilities		**9.7**	163.2
Creditors: amounts falling due after more than one year	45	**–**	(50.6)
Net assets		**9.7**	112.6
Capital and reserves			
Called-up share capital	25	**2.2**	2.2
Share premium account	46	**67.4**	67.3
Merger reserve	46	**–**	20.7
Profit and loss account	46	**(59.9)**	22.4
Equity shareholders' funds		**9.7**	112.6

This Balance Sheet should be read in conjunction with the notes to the Company Balance Sheet on pages 70 to 73 and the notes to the Consolidated Financial Statements set out on pages 27 to 67.

The Financial Statements on pages 69 to 73 were approved by the Board of Directors on 2 June 2006 and signed on its behalf by:

John Hodges
Russell Brown

Notes to the Company Balance Sheet
for the year ended 31 December 2005

40 Principal Accounting Policies

These Financial Statements for the Company have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom (UK GAAP). The Directors consider that the accounting policies set out below are suitable, are supported by reasonable judgements and estimates and have been consistently applied except where stated below. The going concern basis has been applied in these accounts. A summary of the more important accounting policies are set out below.

In the Company's Financial Statements, dividends received and receivable are credited to the Company's profit and loss account.
In accordance with section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. The result for the financial year of the Company is disclosed in note 46 to these Financial Statements.

Cash flow statement
The Company is exempt under the terms of Financial Reporting Standard 1, paragraph 5a, from the requirement to publish its own Cash Flow Statement, as its cash flows are included within the Consolidated Cash Flow Statement of the Group.

Adoption of FRS 21
For accounting periods beginning on or after 1 January 2005, the Company is required to account for events occurring after the Balance Sheet date in accordance with Financial Reporting Standard 21 Events after the balance sheet date (FRS 21), and is required to apply the requirements of FRS 21 retrospectively. Accordingly, the 2004 final equity dividend of £3.2m previously recognised at 31 December 2004 within creditors due within one year has been reversed since it was not declared at the balance sheet date. This has increased net assets at 31 December 2004 by £3.2m.

Foreign currencies
Trading transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling when the transations were entered into. Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the exchange rates ruling at the Balance Sheet date except where rates are fixed by contract. Exchange gains or losses are included in operating profit.

Investments
The Company's investment in shares in group companies are stated at cost less provision for impairment. Overseas investments are translated at the exchange rate ruling at the year end date less any provision for permanent diminution in value.

Tangible fixed assets
The costs of tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal life used for this purpose is 5 years.

Deferred taxation
Deferred taxation is recognised in respect of timing differences which have originated but not reversed at the Balance Sheet date. Deferred tax assets are recognised when their recovery is assessed as more likely than not. Deferred tax assets and liabilities are not discounted.

Borrowings
All borrowings are initially states at the fair value of the consideration received after deduction of issue costs. Issue costs together with other finance costs are charged to the Profit and Loss Account over the period of the term of the borrowings at a constant rate. Accrued finance charges and issue costs are added to the carrying value of those borrowings

Financial instruments
The Group uses financial instruments to hedge its exposures to fluctuations in interest rates and exchange rates. Instruments accounted for as hedges are structured so as to reduce the risk associated with the underlying transaction are designated as a hedge at their inception. Interest rate swaps are used to manage the interest basis of borrowings. Income and expenditure arising from such transactions is recognised over the term of the swap and included in interest receivable and similar income and interest payable and similar charges respectively.

Employees
There are no direct employees of the Company in either 2005 or 2004.

41 Tangible Fixed Assets

	Fixtures and fittings
	£'m
Cost	
At 1 January 2005	0.8
Additions	–
At 31 December 2005	**0.8**
Depreciation	
At 1 January 2005	0.6
Charge for the year	0.1
At 31 December 2005	**0.7**
Net Book Value	
At 31 December 2005	**0.1**
At 31 December 2004	0.2

42 Fixed Asset Investments

	Fixed asset investments	Subsidiary undertakings	Joint ventures	**2005**	2004
	£'m	£'m	£'m	**£'m**	£'m
Interest in Group undertakings					
At 1 January	5.3	91.7	2.4	**99.4**	99.5
Additions	–	0.1	–	**0.1**	0.5
Disposals	–	–	–	**–**	(0.1)
Provision for loss on disposal of subsidiary	–	–	–	**–**	(0.1)
Impairment	–	(25.2)	(2.1)	**(27.3)**	–
Exchange difference	0.6	–	–	**0.6**	(0.4)
At 31 December	5.9	66.6	0.3	**72.8**	99.4

Details of principal subsidiary undertakings and joint ventures of the Group and Company at 31 December 2004 are shown on page 73.

The impairment of investments in subsidiary undertakings and in joint ventures is principally a consequence of both the disposal of Walon France, as explained in note 31, and the impairment of the Group's interest in GAL, as explained in note 5. Neither investment is held directly by the Company, but the consequential impairments in the Group results in the Company making provisions against Amounts owed by Group undertakings (note 43) and those impairments above.

43 Debtors: Amounts Falling Due Within One Year

	2005	2004
	£'m	£'m
Amounts owed by Group undertakings	**12.1**	73.2
Amounts owed by joint ventures and associates	**0.9**	0.1
Other debtors	**–**	0.7
Corporation Tax (including group relief due from Group undertakings)	**5.0**	2.6
Prepayments	**0.2**	0.9
	18.2	77.5

Provisions of £69.4m and £4.8m have been made against Amounts owed by Group undertakings and joint ventures respectively.

Notes to the Company Balance Sheet
for the year ended 31 December 2005

44 Creditors: Amounts Falling Due Within One Year

	2005	Restated 2004
	£'m	£'m
Bank loans and overdraft (note 20)	**55.6**	4.4
Trade creditors	**0.3**	0.4
Amounts owed to Group undertakings	**27.1**	8.9
Accruals	**0.1**	0.2
Other creditors	**1.4**	–
	84.5	13.9

The overdraft of AutoLogic Holdings plc, included above, is subject to a right of set off with certain other Group cash balances.

45 Creditors: Amounts Falling Due After More Than One Year

	2005	2004
	£'m	£'m
Bank loans (note 20)	**–**	50.6
Repayable between one and two years	**–**	50.6

46 Share Capital, Share Premium Account, Profit and Loss Account and Reconciliation of Movements in Equity Shareholders' Funds

	Share capital	Share premium account	Merger reserve	Restated Profit and loss account	**2005 Total equity shareholders' funds**	Restated 2004 Total equity shareholders' funds
	£'m	£'m	£'m	£'m	**£'m**	£'m
At 1 January	2.2	67.3	20.7	19.2	**109.4**	109.6
Adoption of IAS 21	–	–	–	3.2	**3.2**	3.2
At 1 January as restated	2.2	67.3	20.7	22.4	**112.6**	112.8
Share issues	–	0.1	–	–	**0.1**	0.3
(Loss)/profit for the financial year	–	–	–	(98.2)	**(98.2)**	4.7
Dividends	–	–	–	(4.8)	**(4.8)**	(4.8)
Transfers			(20.7)	20.7	**–**	–
Exchange difference	–	–	–	–	**–**	(0.4)
At 31 December	**2.2**	**67.4**	**–**	**(59.9)**	**9.7**	112.6

As permitted by Section 230 of the Companies Act 1985, the parent Company's Profit and Loss Account has not been included in these Financial Statements. The parent Company's loss after taxation for the financial year was £98.2m (2004: profit £4.7m).

47 Contingent Liabilities

The Company has given an unlimited multilateral cross company guarantee to its bankers in respect of certain of its UK subsidiary companies.

The Company is a participant in a Group banking arrangement under which surplus cash balances are held as collateral for bank facilities advanced to Group members. In addition the Company has issued an unlimited guarantee to the bank to support these facilities.

Following the disposal of Walon France (note 31) the Company retains guarantees in respect of key operating sites and vehicles used in that business. The aggregate commitment to the end of the lease term (which range from 2 to 18 years) is approximately £77.6m.

Interests in Group Undertakings

for the year ended 31 December 2005

Advantage has been taken of section 231(5) of the Companies Act 1985 not to disclose all subsidiary undertakings on the basis that such information would be of excessive length. The subsidiary undertakings of the Group whose results or financial position, in the opinion of the Directors, principally affect the consolidated results are set out below. All subsidiaries are wholly owned unless otherwise indicated and those marked* are indirect subsidiaries of AutoLogic Holdings plc.

	Proportion issued shares held	Country of incorporation
Subsidiary undertakings		
Ansa Logistics Limited		England
Autocar Logistics Limited		England
Autolink Limited*		England
AutoRiskManagement Limited		England
Autoteq Limited		England
Axial Logistics Limited*		England
Axial Technical Services Limited*		England
Walon Limited*		England
Walon Automotive Services Limited*		England
Walon BV*		Netherlands
Walon CZ s.r.o*		Czech Republic
Walon France SAS		France
Walon Nellessen NV*		Belgium
Walon Iberia, SL		Spain
Joint ventures		
Global Automotive Logistics SAS*	40%	France
Translogistix Limited*	50%	England
Transport-Service Klingels-Willems NV	50%	Belgium
Vehicle Logistics Corporation BV	50%	Netherlands

All of the above companies operate in their country of incorporation and their principal activity is the provision of support services to vehicle manufacturers, importers, fleet operators and dealers.

A full list of subsidiary undertakings will be annexed to the Company's next annual return.

Financial record

for the year ended 31 December 2005

Consolidated Income Statement

	2005	2004	2003	2002	2001
	£'m	£'m	£'m	£'m	£'m
Revenue	**244.8**	247.0	365.6	363.7	280.7
Operating profit	**10.7**	16.5	5.3	17.1	12.4
(Loss)/profit on ordinary activities before taxation	**(62.8)**	20.2	4.4	18.0	13.9
(Loss)/profit on ordinary activities after taxation	**(66.9)**	17.3	(5.9)	10.4	8.5

Summary of Consolidated Balance Sheet information

	2005	2004	2003	2002	2001
	£'m	£'m	£'m	£'m	£'m
Non current assets	**69.6**	174.3	163.6	179.4	182.9
Current assets	**106.7**	100.6	117.3	114.3	111.3
Current liabilities	**(136.0)**	(82.0)	(100.2)	(100.7)	(101.9)
Non current liabilities	**(12.2)**	(67.6)	(58.8)	(72.6)	(82.7)
Shareholders' funds	**28.1**	125.3	121.9	120.4	109.6

Summary of Consolidated Cash Flow

	2005	2004	2003	2002	2001
	£'m	£'m	£'m	£'m	£'m
Cash flows from operating activities	**(3.4)**	19.1	1.7	22.0	2.4
Cash flows from investing activities	**5.5**	4.2	17.5	(3.6)	(117.7)
Cash flows from financing activities	**(2.7)**	(19.2)	(15.7)	(12.8)	116.5
Effects of exchange rates	**(0.2)**	–	–	–	–
Net (decrease)/increase in cash	**(0.8)**	4.1	3.5	5.6	1.2

Years prior to 2004 have not been restated for the effects of the implementation of International Financial Reporting Standards (IFRS) and are shown under UK GAAP.

Notice of Meeting

Notice is hereby given that the ninth Annual General Meeting ("AGM") of AutoLogic Holdings plc will be held at 78 Cannon Street, London EC4N 6HH on 29 June 2006 at 10.00am for the following purpose:

Ordinary Business

1. To receive and, if approved, adopt the Report of the Directors, the Accounts for the year ended 31 December 2005 and the Report of the Auditors thereon.

2. To receive and approve the Directors' Remuneration Report for the year ended 31 December 2005.

3. To elect Mr N Johnson, previously appointed by the Board in accordance with Article 100 of the Articles of Association, as a Director of the Company.

4. To re-elect Mr J Hodges, who retires in accordance with Article 105 of the Articles of Association, as a Director of the Company.

5. To re-elect Mr J Merry, who retires in accordance with Article 105 of the Articles of Association, as a Director of the Company.

6. To note the retirement of Mr J Alexander as a Director of the Company, with effect from the conclusion of the Meeting.

7. To note the retirement of Mr P Nuttall as a Director of the Company, with effect from the conclusion of the Meeting.

8. To appoint PricewaterhouseCoopers LLP, as auditors to hold office from the conclusion of the Meeting until the next AGM and to authorise the Directors to fix their remuneration.

Special Business

9. Allotment of Shares – Authority to Allot

   To consider and, if thought fit, pass as a special resolution:

   THAT:
   The Directors be and they are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of that Act) up to an aggregate nominal amount of £729,870 provided that this authority shall expire at the conclusion of the AGM of the Company to be held in 2011 or 29 June 2011 (whichever should occur first), 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 pursuant to any such offer or agreement as if the authority hereby granted had not expired.

10. Allotment of Shares – Modification of Pre-emption Rights

    To consider and, if thought fit, pass as a special resolution:

    THAT:
    The Directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of that Act) for cash, as if section 89(1) of that Act did not apply to any such allotment provided that this power shall:

    (a) be limited to the allotment of equity securities in connection with or pursuant to any arrangement whereby the holders of ordinary shares at a record date or dates adopted for the purposes of the arrangement are entitled to acquire any of the securities of the Company issued for cash pursuant to such arrangement, in proportion (as nearly as may be) to such holders' holdings of ordinary shares (or, as appropriate, to the number of such shares which such holders are for the purpose deemed to hold) subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or record dates or legal or practical problems arising under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory;

    (b) be limited to the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal amount of £109,595; and

    (c) expire at the conclusion of the AGM of the Company to be held in 2007 or 29 June 2007 (whichever shall occur first), 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 pursuant to any such offer or agreement as if the power hereby granted had not expired.

Notice of Meeting

11. Purchase of Own Shares

To consider and, if thought fit, pass as a special resolution:

THAT:
In accordance with section 166 of the Companies Act 1985, the Company be and is hereby generally authorised to make market purchases (as defined in section 163(3) of that Act) of ordinary shares of 5p each in its capital (‘ordinary shares’) provided that:

(a) the maximum aggregate number of ordinary shares which may be so purchased is 4,383,600;

(b) the maximum price at which ordinary shares may be so purchased is an amount equal to 105% of the average of the middle market quotations taken from the London Stock Exchange Daily Official List (or its equivalent in respect of any other investment exchange on which the securities of the Company may be listed from time to time) for the five business days immediately preceding the day of purchase and the minimum price is 5p per ordinary share;

(c) this authority shall expire at the conclusion of the AGM of the Company to be held in 2007 or 29 June 2007 (whichever shall occur first), save that the Company may, before such expiry, make contracts for purchases of ordinary shares which would or might be completed wholly or partly after such expiry as if such authority had not expired; and

(d) the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of 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 in pursuance of any such contract or contracts.

By order of the Board

C N Armstrong
Company Secretary

2 June 2006

AutoLogic Holdings plc
Orion House
5 Upper St. Martin’s Lane
London WC2H 9EA

1. A member of the Company entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company. To be valid the form of proxy and (unless previously registered with the Company) the power of attorney (if any) under which it is signed (or a duly certified copy thereof) must be delivered to Capita Registrars plc, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 48 hours before the Meeting.

2. The Directors’ service contracts are available for inspection by members at the Company’s registered office at Orion House, 5 Upper St Martin’s Lane, London WC2H 9EA between 9.30 am and 5.30pm on any weekday (Saturdays and public holidays excluded) from the date of this Notice until the date of the Meeting and will be available for inspection at the place of the Meeting from 15 minutes prior to the Meeting until its conclusion.

3. Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001 and Article 64 of the Company’s Articles of Association, only those shareholders registered on the Register of Members as at 10.00am on 27 June 2006 shall be entitled to attend or vote at the Meeting in respect of the number of ordinary shares registered in their names as at that date. Changes to entries in the Register after 10.00am on 27 June 2006 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

Advisers' Details and Investor Information

Financial Adviser and Stockbroker
JP Morgan Cazenove Limited
20 Moorgate, London EC2R 6DA

Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
31 Great George Street, Bristol BS1 5QD

Principal Bankers
Royal Bank of Scotland plc
135 Bishopsgate, London EC2M 3UR

Secretary and Registered Office
C N Armstrong
Orion House, 5 Upper St Martin's Lane, London WC2H 9EA
Company Number 3252504

Registrar
Administrative enquiries about the holding of AutoLogic Holdings plc shares should be directed in the first instance to the Registrar:

Capita Registrars
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Annual General Meeting
The Annual General Meeting will be held at 78 Cannon Street, London, EC4N 6HH on 29 June 2006 at 10.00am.

CREST Share Settlement System
The company entered the CREST system on flotation and the ordinary shares are available for settlement in CREST. As the membership system is voluntary, shareholders not wishing to participate can continue to hold their own share certificates.

Group Contact Details

Ansa Logistics
Highway House, 171 Kings Road, Brentwood, Essex CM14 4EJ, United Kingdom
Tel: +44 (0) 1277 237 400 Fax: +44 (0) 1277 237 444

Autocar Logistics
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Tel: +44 (0) 1277 237 400 Fax: +44 (0) 1277 237 444

AutoTeq
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AutoTrax
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Enable
337 Heyford Park, Upper Heyford, Bicester, Oxfordshire OX25 5HB, United Kingdom
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First Fleet
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Tel: +44 (0) 207 420 0555 Fax: +44 (0) 207 420 0566

Groupe CAT
82 Rue du Point de Jour, 92100 Boulogne Billancourt, Paris, France
Tel: +33 (0) 1 41 037 444 Fax: +33 (0) 1 41 037 037

Transport-Service Klingels-Willems
Transport-Service Klingels-Willems NV
Eikelaarstraat 28, 3600 Genk, Belgium
Tel: +32 (0) 89 300 950 Fax: +32 (0) 89 352 345

VLC
Vehicle Logistics Corporation BV
Energieweg 2, 4906 CG Oosterhout, Netherlands
Tel: +32 (0) 89 300 979 Fax: +32 (0) 89 300 985

VLI
Vehicle Logistics Ireland
Park House, The Quay, New Ross, Co. Wexford, Ireland
Tel: +35 (3) 514 45 513 Fax: +35 (3) 514 45 911

VMEX
Vehicle Movement Exchange
Unit 200, Worle Parkway, Weston Super Mare, BS22 6WA
Tel: +44 (0) 870 240 9016 Fax: +44 (0) 870 701 566

Walon BNL
Energieweg 2, 4906 CG Oosterhout, Netherlands
Tel: +31 (0) 162 447 140 Fax: +31 (0) 162 438 007

Walon CZ
Pripotocni ulice c.p. 1519/10°, Prague 10, Czech Republic
Tel: +42 (0) 2672 166 70 Fax: +42 (0) 2672 166 71

Walon Iberia
Carretera de la Estacion, 28880 Meco, Madrid, Spain
Tel: +34 (0) 91 887 7031 Fax: +34 (0) 91 887 6710

Walon UK
Boundary Way, Lufton, Yeovil, Somerset BA22 8HZ, United Kingdom
Tel: +44 (0) 1935 429 111 Fax: +44 (0) 1935 425 291

Form of Proxy

AutoLogic

I/We (Name)

(Please use block capitals)

of (Address)

being (a) member(s) of AutoLogic Holdings plc ("the Company") hereby appoint the Chairman of the Meeting or

(Please insert name of proxy in block capitals, if not the Chairman)

as my/our proxy to vote for me/us on my/our behalf as indicated below at the Annual General Meeting of the Company to be held on 29 June 2006 and at any adjournment thereof.

Please indicate with an 'X' in the spaces below how you wish your votes to be cast. Unless otherwise instructed the proxy will vote or abstain as he/she thinks fit.

Ordinary Business	**For**	**Against**	**Vote Withheld**
1. To receive and, if approved, adopt the Report of the Directors, the Accounts for the year ended 31 December 2005 and the Report of the Auditors thereon			
2. To receive and approve the Directors' Remuneration Report for the year ended 31 December 2005			
3. To elect Mr N Johnson as a Director of the Company			
4. To re-elect Mr J Hodges as a Director of the Company			
5. To re-elect Mr J Merry as a Director of the Company			
6. To note the retirement of Mr J Alexander as a Director of the Company, with effect from the conclusion of the Meeting			
7. To note the retirement of Mr P Nuttall as a Director of the Company, with effect from the conclusion of the Meeting			
8. To re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the Directors to fix their remuneration			
Special Business			
9. Allotment of Shares – Authority to Allot			
10. Allotment of Shares – Modification of Pre-emption Rights			
11. Authority to Purchase Own Shares			

Dated the day of 2006 Signature

Notes

1. If you wish to appoint a proxy other than the Chairman of the Meeting please insert his/her name and address and delete 'the Chairman of the Meeting or'.
2. To be valid this proxy and (unless previously registered with the Company) the power of attorney (if any) under which it is signed (or a duly certified copy thereof), must be delivered to Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR not later than 48 hours before the time appointed for holding the Meeting.
3. In the case of a corporation this proxy shall be executed under its Common Seal, if any, and, if none, under the hand of an officer or attorney duly authorised in that behalf.
4. Any one of several joint holders may sign this proxy. The vote of the first-named holder on the Register of Members, whether tendered in person or proxy, shall be accepted to the exclusion of the vote of any other holder.
5. A vote withheld does not constitute a vote and therefore does not affect the passing of a resolution.

Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No MB122

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Capita Registrars plc
Proxy Department
PO Box 25
Beckenham
Kent
BR3 4BR

Second fold

First fold

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