

23 May 2005

UNIQ plc

**Announcement of Preliminary Results
for the year ended 31 March 2005**

Strong Continental performance and decisive action in UK

Uniq plc, the European convenience foods Group, today announced results for the year ended 31 March 2005. Highlights include:

- Strong performance from both Northern Europe, with operating profits⁽²⁾ up by 60 percent and Southern Europe with operating profits⁽²⁾ up 18 percent
- Group operating profit⁽²⁾ on continuing businesses down by 29 percent due to UK performance
- Actions being taken to tackle disappointing UK performance
- New 'Fit for Purpose' project commenced delivering an annualised cost reduction benefit of £20 million by 2007/08 with an expected cash cost of £30 million
- Exceptional costs include £63 million of goodwill and fixed asset write-offs and impairments

	2005	2004	Change
	<u>£m</u>	<u>£m</u>	
Turnover	879.0	949.1	
- of which continuing businesses ⁽¹⁾	879.0	891.8	-1%
Operating profit ⁽²⁾	28.0	35.3	
- of which continuing businesses ⁽¹⁾	28.0	39.5	-29%
Profit on ordinary activities before tax ⁽²⁾	22.5	24.7	-9%
- before pension finance charge	24.6	30.2	-19%
Goodwill amortisation and exceptional items	(93.1)	(40.3)	
Loss on ordinary activities before tax	(70.6)	(15.6)	
Loss per share on basic earnings	(73.7)p	(5.2)p	
Earnings per share on adjusted earnings ⁽²⁾	15.2p	16.7p	-9%
Dividend for year	7.0p	6.7p	+4%

(1) Excluding the discontinued UK Poultry business but including the Minsterley acquisition which contributed sales of £50.5 million and an operating loss of £3.4 million

(2) Before exceptional items and goodwill amortisation and for adjusted earnings per share, prior year tax items

Chairman, Nigel Stapleton commenting on the results said:

"It has been an extremely challenging year for the Group with the added uncertainty of being in an offer period for five months from October to March. We have made good progress during the year in our Continental Europe businesses, however trading in the UK has been poor.

We have taken decisive action to address this disappointing performance. Following the end of the offer period, we announced a highly focused strategy and a significant shift in management style to bring about a faster pace of change across the business.

The performance in the UK has now stabilised, and the prospects for our businesses in Continental Europe remain positive. Whilst we do not expect an immediate improvement in financial performance, we believe the actions taken will positively impact the second half of the year. These initiatives will help us achieve our objectives of creating a more focused business with improved long term prospects."

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Throughout the pages that follow and unless otherwise stated, operating profit refers to operating profit from continuing operations including the Minsterley acquisition, excluding goodwill and exceptional items. References to constant currency have been calculated by applying the 2004/05 average exchange rates to 2003/04 local currency amounts.

UNIQ PLC – PRELIMINARY RESULTS FOR THE YEAR TO 31 MARCH 2005

CHAIRMAN'S STATEMENT

OVERVIEW OF THE YEAR

It has been an extremely challenging year for the Group with the added uncertainty of being in an offer period for five months from October to March. We have made good progress in Continental Europe which now accounts for over 60 percent of our turnover, trading in the UK has been poor.

We have taken decisive action to address this disappointing performance. Following the end of the offer period, we announced a highly focused strategy and a significant shift in management style to bring about a faster pace of change across the business.

The proposals received last Autumn from potential acquirers of the Company were considered carefully by the Board to ascertain whether they could deliver an attractive outcome for shareholders. However, we had to conclude, after a long consultation with Uniq's Pension Fund Trustees, that the proposals did not provide an acceptable basis for the Company to progress discussions. This outcome was materially affected by the leveraged nature of the potential acquirer's capital structure and its impact on the pension position.

Now that these bid uncertainties are behind us, the management team is moving forward in implementing the new strategy. UK performance has now stabilised, and the prospect for our businesses in Continental Europe remain positive. Whilst we do not expect an immediate improvement in financial performance, we believe that the actions will positively impact the second half of the year. These initiatives will help us achieve our objectives of creating a more focused business with improved long term prospects.

GROUP STRATEGY

During the year, the Board finalised a detailed review of the Group's strategy. We concluded that in the light of the structure of our markets, our strategy to build a Pan European chilled foods business was no longer appropriate. Specifically this was because of the limited synergies between the three major businesses and recognition that the markets in which we operate are converging much more slowly than anticipated when this strategy was initiated. The Board decided, therefore, that improved shareholder returns could be achieved by focusing on building stronger product category positions in each of the Group's principal geographical regions, namely the UK, France, Spain and Germany/Benelux.

Chilled Food is a classic example of a fast moving consumer good. The products have a short shelf life and the consumer is only willing to pay a price premium if offered convenience and product innovation. As a result the key driver for value and growth in our businesses is the capacity to react swiftly to local market conditions and to meet changes in demand by being close to our customers and by constant innovation. This is precisely what has underpinned a major recovery in the French business over recent years and the lack of it is a leading factor explaining the significant setbacks experienced last year in the UK.

For these reasons, the Board has decided that the three Divisions should now be managed largely as free-standing businesses, with a Group linkage from centralised purchasing and strong financial management.

Re-alignment of our businesses behind this new strategy and management style is expected to deliver benefits in a number of ways. Firstly, it will secure significant savings in overheads: under the 'Fit for Purpose' programme we expect annualised cost savings of £20 million by 2007/08, through an exceptional cash outlay of £30 million. We have already incurred £2 million of these costs in 2004/05 and we expect to incur a further £15 million in 2005/06, bringing benefits of £6 million by the end of the current year. Secondly, there will be a major shift in management focus which, along with a higher marketing spend on branded products, should deliver a faster rate of revenue growth and improved margins. Employee numbers across the Group will be reduced by approximately 500, or 6 percent, by the end of the programme in 2007/08. We plan to reinvest about two thirds of the savings in supporting our brands and to offset other margin and cost pressures.

Our key priority will be to secure continued performance improvement from our existing portfolio. However, your Board is also committed to a more rigorous approach towards strengthening our market presence either by targeted acquisitions or through the disposal of sub-scale businesses. As a result we have concluded that the Nordic salad business is too small and unlikely to develop enough scale to bring attractive returns. A disposal programme has commenced.

FINANCIAL PERFORMANCE

Market conditions in the UK became still tougher as the year progressed and the financial performance for the year deteriorated from an operating profit of £12.8 million in the prior year to a loss of £5.8 million (including the £3.4 million operating loss from the Minsterley acquisition). Loss of retail market share by some of our major customers and loss of some major contracts to our competitors, who bettered our performance on product innovation, were major contributory factors to this deterioration in performance.

We initiated an ongoing restructuring of each of our Sandwiches, Salads and Desserts businesses, which has involved the closure or downsizing of under-performing sites. The sandwich plant at Devizes has been closed and the Spalding salads factory has been significantly downsized. The acquisition of the underutilised Minsterley Desserts plant in May 2004 resulted in a £3.4 million operating loss in the year, as expected, but helped consolidate the UK Desserts market, secure some important business wins and developed a market leading position which we are now developing into a profitable business.

There has been a significant strengthening of the UK management team over the past year, particularly in the areas of marketing and product innovation, and the new initiatives are beginning to win back the confidence of our major customers.

Outside the UK, performance has been most encouraging. Building on the momentum of the past three years, operating profits from Southern Europe grew from £21.0 million to £24.7 million. This was driven largely by a strong performance from the French Spreads & Health category and the Chilled Ready Meal business, whilst in Frozen Ready Meals we had again to contend with a decline in the branded market.

In Northern Europe turnover was down by 6 percent due to the combined effect of our initiatives to withdraw from unprofitable business and a shortage of fish raw materials during the summer months. However, operating profits showed an improvement from £5.7 million to £9.1 million, reflecting a major improvement in cost efficiencies, particularly in the operations area, the elimination of loss making businesses in the Sandwich category and a £1.6 million one-off positive movement arising from changes to the terms of the Dutch pension scheme.

For the Group, operating profit from continuing businesses at £28.0 million is 29 percent below the previous year. Exceptional operating charges of £83.1 million incurred during the year reflect the supply chain improvement programme (£31.8 million) and a write down of those assets in markets where we do not have significant scale (£48.5 million). Further details are set out in the Financial Review.

Adjusted earnings per share, which excludes goodwill amortisation, exceptional items and prior year tax items has reduced by 9 percent to 15.2 pence.

The cash outflow for the year of £15.8 million includes £19.3 million for the purchase of the Minsterley factory. The underlying operating cash flows funded both the dividends and the extra payments into the pension fund. The year end net debt at £28.3 million compared with £12.5 million at 31 March 2004.

SUPPLY CHAIN

The Supply Chain initiative announced last year is now well underway and has already started delivering ongoing annualised savings of £9 million. Specifically, within the financial year, we closed our Devizes sandwich plant in the UK and our Eeklo and Panningen salads plants in Benelux. The Newton Abbott desserts plant was closed in May 2005 and the production transferred to Minsterley. The next phase of the UK desserts consolidation is being planned as we focus on bringing on board the Tesco desserts business from May 2005.

The transfer of a large part of our fish production from Germany to an expanded plant in Poland will also be completed in 2005/06.

In the past financial year we have committed £17.7 million, of the £25 million total cash expenditure on the supply chain initiatives. Subject to the outcome of our review of the UK desserts consolidation, the balance will be spent in 2005/06. The full benefit of £17 million from this programme planned for 2006/07 is still anticipated. As with the 'Fit for Purpose' programme we plan to reinvest about two thirds of the savings in supporting our brands and to offset other margin and cost pressures.

PENSION SCHEME

The Group's obligations under its pension schemes, and in particular the main UK pension scheme (where we have closed the defined benefit scheme to new entrants), remain extremely significant in relation to the scale of the Group as a whole.

During the year, the Board re-evaluated the funding strategy for the UK scheme. We concluded that it would be in shareholders' and pensioners' best interests to increase the additional company contribution from £8.5 million to £15.0 million with effect from April 2005. These annual contributions should reduce the deficit and will secure a reduced exposure of the pension fund investments to the volatility in future equity returns.

CORPORATE GOVERNANCE

The Board has carried out a comprehensive review of the revised Combined Code on Corporate Governance. A full report on the extent of our compliance will be set out in the Corporate Governance and Remuneration report included within the Group's annual report and accounts.

DIVIDEND

The Board recommends a final dividend of 4.5 pence per share, up 2 percent on last year but representing a smaller increase than at the interim stage to reflect the difficult trading in the UK. This brings the total for the year to 7.0 pence, an increase of 4 percent.

BOARD

As part of the strategic review, the Board and Bill Ronald, who had been Chief Executive since February 2002, mutually concluded that successful execution of our new strategy requires a different set of leadership skills to drive through rapid change. As a result, Bill left the business in March 2005. An announcement about succession in the Executive leadership role will be made in due course.

Having both served on the Board for nine years, two of our Non-executive Directors, Victor Scherrer and Lord MacGregor of Pulham Market, will be retiring this year. In view of this, Margaret Young has taken over from Lord MacGregor as senior Non-executive Director and Martin George will, from 1 August 2005, chair the Remuneration Committee. Victor Scherrer will step down when the process to recruit a new Director has been completed and Lord MacGregor will retire after the Annual General Meeting on 26 July 2005.

The Board would like to thank, Bill Ronald, Lord MacGregor and Victor Scherrer for their valuable contribution to the Group and we wish them all well for the future.

OUTLOOK

Looking ahead, the Board believes that the new strategy of focussing on achieving in category and country scale can deliver a significant improvement in shareholder value. This will be achieved through improved focus in each division and through targeted corporate transactions.

In the final quarter of the year, the underlying financial performance in the UK stabilised and there was good progress versus the prior year in Continental Europe. The trend continued in the first month of the current year with trading slightly ahead of expectations. Whilst we do not expect an immediate improvement in financial performance, we believe that the actions will positively impact the second half of the year. These initiatives will help us achieve our objectives of creating a more focused business with improved long term prospects. The near term outlook for each of the three Divisions is as follows:

Southern Europe: The focus on investing behind brands and targeted innovations will continue. Growth in Chilled Foods and the Spreads & Health category, supported by higher media spend and will broadly offset the impact of the challenges in the Frozen Ready Meal category.

Northern Europe: Decisive actions from the management team, have enabled the cost base to be reduced significantly and our competitive position to be strengthened. Improvements to our sales and marketing teams are ongoing and during the coming year we expect to stabilise revenues, following last year's fall, and to capitalise on the reducing cost base.

United Kingdom: The key initiatives to support a turnaround in the UK performance, namely a more balanced customer profile, a stronger focus on product innovation and the pursuit of scale in category, are now firmly in place. During the coming year, we will also implement a reduction in our overhead cost. Although the Division is now well placed for growth, the results in the first half will be impacted adversely by the lower rate of sales experienced over the past several months. An improving trend should, however, be established by the second half, as the Minsterley Desserts plant reaches break-even and the measures taken by the new management team have their expected effect.

CONCLUDING REMARKS

Notwithstanding the good performance in Continental Europe, we look back on a most difficult year for our UK business but we look to the future with guarded optimism. Across the business, we have retained the confidence of our key customers, and in the UK we have won some important new customers. We thank our employees for their strong commitment and support during a period of uncertainty.

FINANCIAL REVIEW

TRADING RESULT SUMMARY

Turnover from continuing businesses was £879 million, down 1 percent compared with last year, with currency changes accounting for around half of this.

Operating profit was £28.0 million compared with £39.5 million last year. This reduction reflects an extremely disappointing performance from our UK business and includes the anticipated first year operating loss of £3.4 million from the newly acquired Minsterley business and a £1.3 million charge resulting from the downscaling of our Spalding salad factory.

The Group's accounts to 31 March 2005, reflect the results of a 53 week period compared with a standard 52 weeks. The effect on this additional week on turnover was £11.5 million, (1 percent of the total) and operating profit of £1.6 million (5 percent of the total).

Net finance charges (excluding FRS 17) fell for the second year, from £5.1 million in 2004 to £3.4 million this year, a reduction of 33 percent. This results from a lower average level of net debt for the year and a lower effective interest rate payable on this debt, following the maturity of one of the Group's interest rate swaps.

Profit before tax and after pension finance costs, was £22.5 million, 9 percent below last year.

Adjusted earnings per share reduced by 9 percent to 15.2 pence per share reflecting the fall in underlying profitability.

BUSINESS RATIONALISATION AND EXCEPTIONAL COSTS

Over the past three years we have systematically rationalised the cost base of our businesses. We are now entering the last stage of a four phase programme comprising projects to improve efficiency in our manufacturing base (manufacturing excellence project 02/03), centralised purchasing initiatives, supply chain rationalisation and business overheads reduction (the 'Fit for Purpose' project).

Our central purchasing function continues to provide the Group with significant benefits in terms of lower raw materials and direct costs. During the year, with an overall market price increasing by more than 1 percent, we have managed to reduce our overall costs by about 2 percent. This is a focused process which is well integrated with our overall business delivering in the region of £10 million year-on-year benefits much of which has been passed onto our customers.

We have made good progress in implementing supply chain improvements announced early in 2004. As a result we anticipate delivering significant benefits to the business as set out below.

<u>Supply Chain Projects</u>				
£m	2004/05	2005/06	2006/07	Total
<u>One-off costs to achieve</u>				
Cash charge	17.7	3.5	3.8	25.0
Asset write off	14.1	-	-	14.1
Total Charge	31.8	3.5	3.8	39.1
Capital expenditure	11.8	13.2	-	25.0
<u>Benefits</u>				
Cumulative annual cost reduction	0.2	9.0	17.0	17.0

Cost restructuring on our 'Fit for Purpose' programme is already underway following the announcement of our new strategy in March 2005. The Board is targeting a reduction in overhead costs of at least £6 million in 2005/2006 against current annual expenditure levels, rising to annual savings of more than £20 million per annum by 2007/2008. Costs arising from the restructuring exercise are estimated at £38 million over the next three years, of which around £30 million will be cash costs. This project covers all areas of the business, although the impact is most significant in Northern Europe where historically there has been the lowest level of change.

<u>'Fit for Purpose' Costs and Benefits</u>					
£m	2004/05	2005/06	2006/07	2007/08	Total
<u>One-off costs to achieve</u>					
Cash costs	2.0	14.5	9.0	4.5	30.0
Asset write off	-	8.0	-	-	8.0
Total Charge	2.0	22.5	9.0	4.5	38.0
<u>Benefits</u>					
Cumulative annual cost reduction	-	6.0	17.0	20.0	20.0

In Northern Europe we anticipate spending £18 million over the next three years to reduce headcount by over 200, about half of which are employed within sales and administration and the other half within operations. This will include rationalisation of the number of administrative entities and related facility write offs. The targeted result is to reduce the cost base by £10 million per annum in three years time and create a significantly fitter organisation capable of reacting more quickly and efficiently to changes in the market place.

In Southern Europe a major re-organisation was undertaken four years ago and so the scale of opportunity is therefore smaller. However we are still targeting a reduction in costs of £5 million driven by two key programmes. Firstly, we are merging our Chilled and Frozen sales and marketing organisations, which share the leading Marie brand and have a strategy to maximise the brand leverage by managing consistently across both categories. Secondly there is a three year rolling factory programme to simplify organisation around dedicated operational teams for each production line, thus focusing competence and reducing costs.

In the UK, we have, in line with the revised strategy which focuses on key categories, concluded that both the Group head office and the UK trading division will need to create efficiencies in both their administrative and production support functions. As a result we have targeted a reduction in costs of £5 million and a headcount reduction of over 100.

In addition to these restructuring projects we have reviewed the carrying value of certain of our assets. This has resulted in the write down of those assets in the markets where significant events have caused a reduction in the prospects for future profitability. The result has been the write off of the acquired goodwill and the write down of some of the assets relating to the Fish and Salad business in the UK and Salad business in Nordic. Finally we have reviewed the provision for our onerous Wincanton distribution contract and concluded that a further £8 million provision is required to cover penalties arising on lower future volumes. These costs have been partially offset by the profit made on the sale of the Wootton Bassett and Worthing sites.

<u>Exceptional Items</u>				
£m	Non Cash			Total
	Assets	Goodwill	Cash	
Impairment review	7.8	40.7	-	48.5
Supply chain projects	9.4	4.7	17.7	31.8
Fit for Purpose	-	-	2.0	2.0
Wincanton contract	-	-	8.0	8.0
Others (inc property disposals)	10.8	-	(18.0)	(7.2)
Total	28.0	45.4	9.7	83.1

TAXATION

This year's tax charge on ordinary activities of £15.7 million included a prior year charge of £10.4 million relating to £16.2 million of unclaimed capital allowances where the availability of suitable future profits is now uncertain offset by £5.8 million for the settlement of potential tax liabilities for amounts less than charged in previous years. The Group's underlying tax charge remains at 25 percent, the same as last year, although it reduces to 24 percent if allowance is made for the impact of the FRS 17 finance charge. Looking ahead however, the Group's effective tax rate is likely to increase to approximately 35 percent. However, while tax cash payments will resume on the Continent from next year, it is unlikely that tax will be paid in the UK for a number of years, principally due to making additional pension payments.

LOSS AFTER TAXATION

After goodwill amortisation, exceptional items and tax, the Group reported a loss of £83.7 million, compared with a loss of £5.9 million last year.

FINANCIAL POSITION

The Group's net debt increased in the year by £15.8 million, from £12.5 million to £28.3 million. Significant cash flows during the year included operating inflows of £33.8 million which includes the special pension contributions of £8.5 million (prior year £50.8 million and £5.9 million), offset by £31.3 million of capital expenditure, the acquisition of Minsterley for £19.3 million and dividends of £7.8 million.

DIVIDEND

The proposed final dividend of 4.5 pence per share, if approved by shareholders, will be paid on 2 August 2005 to those on the register at the close of business on 1 July 2005.

MOVEMENT IN SHAREHOLDERS' FUNDS

Shareholders' funds decreased from £193.3 million to £92.9 million due to the loss for the year of £83.7 million, dividends of £7.9 million and an actuarial loss on pension schemes of £12.4 million, with these being offset by a gain of £3.6 million on exchange.

PENSIONS

Under FRS 17 the accounts show a net pension liability of £97.3 million at 31 March 2005 compared with £93.7 million last year. This funding requirement has increased in the year partly due to changes in actuarial assumptions including the £13 million adverse impact of the revision to mortality assumptions as announced at the half year. The balancing reduction in the funding requirement of £9.4 million is the net result of reduced bond yields and the improvement in the equity market returns coupled with increased company contributions. The net FRS 17 funding requirement represents the following schemes:

<u>Pension Schemes</u>		
£m	2004/05	2003/04
UK pension schemes	(120.1)	(121.9)
Overseas pension schemes	(20.3)	(16.4)
Gross funding requirement	(140.4)	(138.3)
Deferred tax	43.1	44.6
Net funding requirement	(97.3)	(93.7)

The FRS 17 service charge to operating profit of £6.3 million compares with a charge of £7.1 million last year which included a £0.5 million charge for discontinued businesses.

The net pension finance charge under FRS 17 is dependent on the relative balance between liabilities and the mix of bonds and equity at the start of the financial year. As the proportion of equity was significantly higher at the start of 2004/05 than the prior year the current charge of £2.1 million reduced significantly from £5.5 million in the prior year. We expect the charge in 2005/06 to be broadly similar to the current year based on this year's opening position.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group is well advanced in its preparation for the conversion of its Group accounts under International Financial Reporting Standards (IFRS) which is effective for financial years beginning after 1 January 2005. The working party, reporting to the Group Finance Director, has been evaluating the effect of IFRS conversion on the Group's accounting policies, and ensuring that underlying processes and controls are capable of supporting the new standards. As part of this work we have not identified any aspects which significantly adjusts the Group's profit before tax. In particular, having previously taken the decision to adopt FRS 17 early, we will not see any major change in our accounting for pensions. We are planning to issue an extract of these accounts restated to IFRS in conjunction with the Group's Annual General Meeting in July in advance of issuing both our Interim and full year accounts for the year ended 31 March 2006 under IFRS.

TREASURY RISK MANAGEMENT

The Group maintains a centralised treasury function which operates under Board approved treasury policies and guidelines covering funding and management of foreign exchange exposure and interest rate risk. All transactions entered into by the Group's treasury operations are required to be in support of, or as a consequence of, underlying commercial transactions.

The Group manages its exposure to interest rate fluctuations in part through the use of interest rate swaps and forward rate agreements. Objectives for the mix between fixed and floating rate borrowings are established by the Board so as to seek to reduce the impact of adverse variations in interest rates on the Group's profit and cash flow.

The Group has continued to manage its net debt position in a manner designed to minimise the after tax cost of debt and seeks to maintain the currency of its average gross borrowings in a proportion so as to broadly mirror the Sterling: Euro split of trading capital employed. The Group's net debt of £28.3 million comprised borrowings of £57.2 million offset by £28.9 million of cash and short term deposits. The Group's borrowings are financed by medium term committed bank facilities which were agreed during the prior year. These facilities amounted to £120.0 million of which £52.4 was drawn down as at 31 March 2005. The facilities are available until October 2006.

In order to reduce short term currency exchange uncertainty in relation to profitability for the 2004/05 financial year, the Board agreed to hedge up to 50 percent of the 12 month forecast Euro profit stream. Profit hedging for the year to 31 March 2005 resulted in a benefit to profit before tax of £0.3 million.

SOUTHERN EUROPE

	2005 <u>£m</u>	2004 <u>£m</u>
Turnover	272.9	274.1
Operating Profit	24.7	21.0
Gross Assets	142.4	146.0
Capital Expenditure	12.6	7.1

- **Another good result with operating profit up 18 percent**
- **Spreads & Health sector maintained good growth**
- **Both branded and own-label chilled meals continued to grow on back of new product launches**
- **Disappointing volumes within the frozen sector held sales back**
- **Exciting new frozen ready meal range, Hisséo, launched in September 2004**

Building on the momentum of the past three years, operating profit increased again, by 18 percent to £24.7 million. While sales on a constant currency basis were effectively flat at £272.9 million, performance of our Spreads & Health and Chilled businesses was robust with sales increasing by 11 percent. The Frozen business fared less positively with a sales decline of 10 percent as a result of a decline in the market size and more competitive conditions. Although Frozen sales declined, the vigorous action taken to control purchasing costs enabled operating profit margin to increase by 1 percent to 9 percent.

Investment in marketing declined year on year by £3.1 million to £18.3 million, although this decline was offset by an increase in promotions, including measures taken to successfully defend our Frozen brands in the face of increased competition. Pressure exerted by the French Government to bring down the price of branded products also had an impact, resulting in greater determination from key customers to reduce purchase costs. Despite these pressures, our businesses in France continued to perform well throughout the year, benefiting from the clear direction provided by a strong management team and high quality brands in the Spreads & Health, and Ready Meal segments.

The focus on investing behind brands and targeted innovations will continue. Growth in Chilled Foods and the Spread & Health category to be supported by higher media spend and will broadly offset the challenges in the Frozen Ready Meal category.

Spreads & Health: Sales @ £70 million

Performance of this segment was positive, with a growth in sales of 9 percent, driven primarily by the encouraging performance of our St Hubert Spreads product ranges, including the Ilô and Oméga health brands. Our share of the total French Spreads market, which grew at 1.7 percent year on year, was up by 0.6 percent to 31 percent. The French Health Spreads market continued to grow rapidly, by around 8 percent over the year and our market share kept pace with this growth. Extension of the Ilô and Oméga ranges into yoghurts did not produce the improvements in sales we had anticipated, but has increased overall St Hubert brand awareness.

Chilled: Sales @ £71 million

Growth in own label and Marie branded sales pushed sales ahead by 14 percent largely as the result of new product launches and the transfer from the UK of responsibility of £4 million of salmon business going into the French retailers. Despite the pressures of a competitive market, our branded market share increased by 0.5 percent over the year to a record 18 percent at the year end, making Marie the largest selling brand.

Frozen: Sales @ £114 million

A decline in overall brand and own label sales of 10 percent but saw market share remain at 23 percent reflecting a move from branded to own label sales. However, our continuing focus on cost reduction, particularly purchase costs of raw materials, produced improvements in profit margin of 2 percent. A decline in retail branded sales, which resulted from increased competition in the market, was partially offset by our success in winning new own label business. The first half saw the attempted re-entry of a competitor into the market, prompting us to defend our position and increase promotional spend. As a result, we prevented a potential competitor from re-entering the market and capturing significant volume. Our new frozen fish meal range, Hisséo, launched in September 2004, ended the year strongly with volumes more than 3 times higher than our expectation with new extensions to be rolled out in 2005.

Spain: Sales @ £18 million

Performance of this business showed signs of improvement during the year as measures put in place by new management to rationalise the product range started to deliver results. Partially as a result of de-listing unprofitable lines, year on year sales were down, by 3 percent. However, we now have the infrastructure in place to support further performance improvements during 2005, particularly in the healthy salad and sandwich markets.

NORTHERN EUROPE

	2005	2004
	<u>£m</u>	<u>£m</u>
Turnover	280.9	298.4
Operating Profit	9.1	5.7
Gross Assets	186.2	196.8
Capital Expenditure	6.7	4.6

- **Operating profits up 60 percent on sales down 6 percent**
- **Profits growth driven by much improved cost management**
- **Profit supported by one off movement of £1.6m due to a change in the Dutch pension scheme**
- **Completed the closure of Panningen and Eeklo sites during the year**

The second half of the year saw a promising improvement in overall performance despite a full year downturn in sales of 5 percent on a constant currency basis compared with 2004. This reflects the Division continuing to pursue quality of sales rather than quantity, with some contracts being surrendered due to low margins.

The year-on-year fall in sales can be attributed to several factors: a general decline in retail sales across most North European markets; lower raw material costs feeding through into sales; and the impact of a poor summer compared with the previous year.

Continuing pressure on margin also exacerbated the situation. These negative pressures have been offset by improvements in production efficiency, our success in maximising synergies in the markets and the effect of removing loss-making businesses during both this and last year. These, combined with a one-off movement of £1.6 million accruing from changes made to our Dutch pension scheme arrangements, have allowed us to increase operating profit by 60 percent to £9.1 million.

Decisive actions from the management team, have enabled the cost base to be reduced significantly and our competitive position to be strengthened. Improvements to our sales and marketing teams are ongoing and during the coming year we expect to stabilise revenues, following this year's fall, and to capitalise on the reducing cost base.

Germany/ Poland: Sales @ £160 million

A poor summer and downward pressure on prices resulted in sales falling by 4 percent. While the market for fish declined by 3 percent, demand for salads grew by 8 percent. Our market share at the end of year was 17 percent in branded fish and 26 percent in branded salads. These figures down slightly on prior year, prompted the action taken to strengthen our management team in Germany through the appointment of a new commercial director. Actions taken following this new appointment to strengthen our sales and marketing resources and make it more 'fleet of foot', combined with improvements already achieved at production level, began to reverse the decline in performance during the second half.

Benelux: Sales @ £80 million

Overall sales declined by 5 percent, although profits rose significantly. In the Netherlands, we started to see some improvements in performance countering the significant decline in sales and market share recorded during 2004, although sales were overall down on the previous year. This was principally due to the de-listing of unprofitable lines (including the Gourmet range) with market share on our main Johma brand remaining in line with last year. This improvement comes as the result of sustained efforts made to control costs and a renewed focus on our sales and marketing operations. In Belgium, a market that is becoming increasingly competitive, with retailers now squarely focused on cost, sales fell by 2 percent. Nevertheless, the underlying strength of our brands and aggressive measures to reduce costs and build sales efficiency resulted in a profit increase of 27 percent. In April 2005 the business of Subliem BVBA, a salads business operating in Belgium, was acquired for Euro 4.25m.

Nordic: Sales @ £30 million

Sales were down by 6 percent, primarily as the result of loss of business in Sweden, where our share of the branded market declined to 16 percent at year end. This followed changes in distribution arrangements demanded by our major customers some time ago. In Denmark, performance was more encouraging, with our share of a growing branded market stable at around 42 percent. However, it seems clear to us that the Nordic region has now effectively become a single Scandinavian market, requiring operational scale and synergies we do not currently possess.

Sandwiches: Sales @ £11 million

Rationalisation of sandwich production in Germany, completed during the first half of the year, produced a turnaround in profit performance, despite the anticipated decline in sales associated with the rationalisation process. The business is now profitable but we need to achieve competitive growth in a fragmented market place.

United Kingdom

	2005 <u>£m</u>	2004 <u>£m</u>
Turnover	325.2	319.3
Operating (Loss)/Profit	(5.8)	12.8
Gross Assets	153.0	195.7
Capital Expenditure	12.5	10.9

- **Disappointing overall result with reported operating loss in the year of £5.8m**
- **Results include the anticipated operating loss of £3.4m from the Minsterley operation acquired in May 2004**
- **Results impacted by the £18m of lower sales from business lost in 2003/04**
- **Significant business gain with Tesco commencing May 2005**
- **Rationalisation of Desserts business progressing well**
- **Following a significant loss of salad business, decision taken to rationalise the Spalding site with the loss of 128 jobs at a cost of £1.3m**

Following a profit of £12.8 million in 2003/04, the business recorded an operating loss of £5.8 million for the year. During the second half of the year a series of actions were taken to restructure the business, including the rationalisation of under-performing sites. Results for the year were impacted by the acquisition of the Minsterley business in May 2004 which contributed £50.5 million in sales and incurred an operating loss of £3.4 million reflecting low utilisation of the acquired facilities. Excluding this acquisition, the Division recorded an operating loss of £2.4 million. Overall the UK's sales were up 2 percent at £325.2 million. Excluding the effect of Minsterley, sales fell 14 percent being the result of poor trading in our salad and fish business and a tough overall marketplace. It is this loss of sales, caused by business lost in prior years and the effect of a lower rate of sale of our products this year which is the main driver of reduced profitability.

The key initiatives to support a turnaround in the UK performance, namely a more balanced customer profile, a strong focus on product innovation and the pursuit of scale in category, are now firmly in place. During the coming year we will also implement a reduction in our overhead cost. Although the Division is now well placed for growth, the results in the first half will be impacted adversely by the lower rate of sales experienced over the past several months. An improving trend should, however, be established by the second half, as the Minsterley Desserts plant reaches break-even and the measures taken by the new management team have their expected effect.

Sandwiches & Salads: Sales @ £131 million

Overall sales were down 12 percent, a fall driven by two main factors: closure of the Devizes site in October 2004, with the loss of around £12 million of annualised sales which generated unacceptable levels of return; and the loss of a number of customer contracts at the Spalding site, worth in total close to £13 million in annualised sales. Spalding, which supplies salads largely to Asda and J Sainsbury, also suffered from the adverse impacts of unfavourable summer weather conditions compared with 2003.

In contrast, sales of sandwiches and wraps from our Northampton site grew strongly, although these did not reach anticipated levels due primarily to tough trading conditions for our key UK customer. Our Supplair business, which transferred to Northampton from Devizes in September 2004, also showed improved productivity and is now profit generating in its own right.

Rationalisation of our Sandwich & Salad operations, including cost savings made along the supply chain, has put us in an improved position to compete going forward. A regrettable consequence of the rationalisation process was a reduction in scale at Spalding which resulted in 128 redundancies.

Desserts: Sales @ £145 million

The acquisition of the Minsterley business drove sales up by 29 percent, giving us a clear lead position in the own-label chilled desserts market. The segment has been boosted further by a number of significant new contract 'wins' – including those with Tesco (desserts and cottage cheese) and Morrison (trifles and desserts) – which will add around £18 million in sales during 2005/06. There are further opportunities in the pipeline for 2005.

The Minsterley site performed in line with expectations, generating turnover of £51 million. One consequence of the new contracts won following the acquisition, has been a delay to the published timescale for transferring production to Minsterley from our other sites. The planned closure of Newton Abbot was delayed from March to May 2005 in order to fulfil these contracts. The optimum plant configuration to service these extra volumes is currently under review. This year also saw the successful transfer of sales and distribution activities of Cadbury products to Müller. Production of Cadbury products continued at Paignton as planned, although as part of the transfer, sales have been reduced by £8 million per annum.

Fish: Sales @ £49 million

This business provides smoked and fresh salmon, fillet and meal solutions principally to Marks & Spencer, but also to Asda and Tesco in the UK. In addition it supplies salmon which is sold through Southern Europe. Over the last two years it has suffered from the loss of £6 million of business from J Sainsbury and from the damage to consumer confidence in salmon in 2004. This results in sales falling 17 percent on 2004 but rallying significantly in the final quarter. The excellent facilities at Annan have spare capacity for future growth which we are actively seeking opportunities to fill.

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2005

	Before goodwill amorti- sation and except- ional items £m	Goodwill amorti- sation and except- ional items (note 3) £m	2005 Total £m	Before goodwill amorti- sation and except- ional items £m	Goodwill amorti- sation and except- ional items (note 3) £m	2004 Total £m
Turnover (note 1)						
Continuing operations	828.5		828.5	891.8		891.8
Acquired operation	50.5		50.5	-		-
Total continuing operations	879.0		879.0	891.8		891.8
Discontinued operations	-		-	57.3		57.3
	879.0		879.0	949.1		949.1
Operating (loss)/profit (note 1)						
Continuing operations	31.4	(101.6)	(70.2)	39.5	(18.5)	21.0
Acquired operation	(3.4)	(0.1)	(3.5)	-	-	-
Total continuing operations	28.0	(101.7)	(73.7)	39.5	(18.5)	21.0
Discontinued operations	-	-	-	(4.2)	(0.8)	(5.0)
	28.0	(101.7)	(73.7)	35.3	(19.3)	16.0
Non operating items						
Profit on disposal of fixed assets	-	8.6	8.6	-	-	-
Loss on disposal of businesses	-	-	-	-	(21.0)	(21.0)
Loss on ordinary activities before finance costs	28.0	(93.1)	(65.1)	35.3	(40.3)	(5.0)
Net finance costs	(3.4)	-	(3.4)	(5.1)	-	(5.1)
Net pension finance costs	(2.1)	-	(2.1)	(5.5)	-	(5.5)
Loss on ordinary activities before tax	22.5	(93.1)	(70.6)	24.7	(40.3)	(15.6)
Taxation	(15.7)	2.6	(13.1)	3.4	6.3	9.7
Loss on ordinary activities after tax	6.8	(90.5)	(83.7)	28.1	(34.0)	(5.9)
Dividends (note 13)			(7.9)			(7.6)
Retained loss for the financial year (note 11)			<u>(91.6)</u>			<u>(13.5)</u>
(Loss)/earnings per ordinary share (note 5)						
- on diluted and basic earnings			(73.7)p			(5.2)p
- on adjusted earnings			15.2p			16.7p
Average Euro exchange rate			1.46			1.45

GROUP BALANCE SHEET

AT 31 MARCH 2005

	2005 £m	2004 £m
Fixed assets		
Intangible assets: goodwill	101.1	154.1
Tangible fixed assets	<u>190.2</u>	<u>192.0</u>
	<u>291.3</u>	<u>346.1</u>
Current assets		
Stocks	52.9	52.8
Debtors	142.6	152.0
Cash and deposits	<u>28.9</u>	<u>33.8</u>
	<u>224.4</u>	<u>238.6</u>
Creditors - amounts falling due within one year		
Borrowings and finance leases	4.7	3.4
Other creditors	<u>232.6</u>	<u>237.8</u>
	<u>237.3</u>	<u>241.2</u>
Net current liabilities	<u>(12.9)</u>	<u>(2.6)</u>
Total assets less current liabilities	278.4	343.5
Creditors - amounts falling due after more than one year		
Borrowings and finance leases	52.5	42.9
Provisions for liabilities and charges	<u>35.7</u>	<u>13.6</u>
Net assets excluding pension liabilities	190.2	287.0
Pension liabilities	<u>97.3</u>	<u>93.7</u>
Net assets including pension liabilities	<u>92.9</u>	<u>193.3</u>
Capital and reserves		
Equity share capital	11.5	11.5
Non-equity share capital	<u>0.1</u>	<u>0.1</u>
Total called up share capital	11.6	11.6
Share premium account	0.1	0.1
Merger reserve	(330.2)	(330.2)
Profit and loss account	<u>411.4</u>	<u>511.8</u>
Shareholders' funds	<u>92.9</u>	<u>193.3</u>
Closing Euro exchange rate	1.46	1.50

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2005

	£m	2005 £m	£m	2004 £m
Cash inflow from operating activities (note 7)		33.8		50.8
Returns on investments and servicing of finance				
Net interest paid		(3.4)		(4.7)
Taxation				
UK corporation and overseas tax received		0.4		1.4
Capital expenditure				
Purchase of tangible fixed assets	(31.3)		(24.9)	
Sale of other tangible fixed assets	11.3		1.4	
Net cash outflow from capital expenditure		(20.0)		(23.5)
Acquisitions and disposals				
Acquisition of business (note 6)	(19.3)		-	
Disposal of businesses	-		11.8	
Net cash (outflow)/inflow from acquisitions and disposals		(19.3)		11.8
Equity dividends paid		(7.8)		(6.8)
Net cash (outflow)/inflow before use of liquid resources and financing		(16.3)		29.0
Management of liquid resources (note 9)		(0.5)		4.3
Financing (note 9)		10.0		(26.4)
(Decrease)/increase in cash in the year (note 8)		(6.8)		6.9

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2005

	2005	2004
	£m	£m
Loss for the financial year	(83.7)	(5.9)
Actuarial (loss)/gain recognised on the pension schemes	(10.1)	18.6
Movement on deferred tax relating to actuarial (loss)/gain on pensions	(2.3)	(4.4)
Currency translation differences on foreign currency net investments	3.6	(3.0)
	<hr/>	<hr/>
Total recognised gains and losses for the year	(92.5)	5.3
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RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 MARCH 2005

	2005	2004
	£m	£m
Loss for the financial year	(83.7)	(5.9)
Dividends	(7.9)	(7.6)
	<hr/>	<hr/>
Retained loss for the financial year	(91.6)	(13.5)
Currency translation differences on foreign currency net investments	3.6	(3.0)
Share option movements	-	0.3
Other recognised gains and losses relating to pensions	(12.4)	14.2
	<hr/>	<hr/>
Net reduction in shareholders' funds	(100.4)	(2.0)
Shareholders' funds at beginning of year	193.3	195.3
	<hr/>	<hr/>
Shareholders' funds at end of year	92.9	193.3
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005

1 ANALYSIS OF RESULTS

	Turnover		Operating profit before goodwill amortisation, exceptional items and taxation		Operating (loss)/profit before taxation and interest	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
By business segment						
- Continuing operations	274.7	319.3	(2.4)	12.8	(82.0)	(2.6)
- Acquired operation	50.5	-	(3.4)	-	(3.5)	-
United Kingdom	325.2	319.3	(5.8)	12.8	(85.5)	(2.6)
Rest of Europe						
- Southern Europe	272.9	274.1	24.7	21.0	23.4	23.1
- Northern Europe	280.9	298.4	9.1	5.7	(11.6)	0.5
Continuing operations	879.0	891.8	28.0	39.5	(73.7)	21.0
Discontinued operations	-	57.3	-	(4.2)	-	(5.0)
	879.0	949.1	28.0	35.3	(73.7)	16.0
By geographical area						
United Kingdom	325.2	376.6	(5.8)	8.6	(85.5)	(7.6)
Rest of Europe	553.8	572.5	33.8	26.7	11.8	23.6
	879.0	949.1	28.0	35.3	(73.7)	16.0

2 ANALYSIS OF NET ASSETS

	Net assets		Capital expenditure	
	2005 £m	2004 £m	2005 £m	2004 £m
Continuing operations	271.9	323.2	(32.2)	(22.6)
Discontinued operations	9.0	8.7	-	(1.8)
	280.9	331.9	(32.2)	(24.4)
Provisions, tax and dividends	(62.4)	(32.4)		
Trading capital employed	218.5	299.5		
Net debt	(28.3)	(12.5)		
Net assets excluding pension liabilities	190.2	287.0		
Pension liabilities	(97.3)	(93.7)		
Net assets	92.9	193.3		

3 GOODWILL AMORTISATION AND EXCEPTIONAL ITEMS

	Goodwill amorti- sation 2005 £m	Except -ional items 2005 £m	Total 2005 £m	Goodwill amorti- sation 2004 £m	Except -ional items 2004 £m	Total 2004 £m
Operating items						
Continuing operations – other (a)	(10.0)	(43.2)	(53.2)	(10.1)	(8.4)	(18.5)
Continuing operations - impairments (b)	-	(48.5)	(48.5)	-	-	-
	(10.0)	(91.7)	(101.7)	(10.1)	(8.4)	(18.5)
Discontinued operations	-	-	-	(0.8)	-	(0.8)
	(10.0)	(91.7)	(101.7)	(10.9)	(8.4)	(19.3)
Non operating items						
Discontinued operations (c)	-	8.6	8.6	-	(21.0)	(21.0)
	(10.0)	(83.1)	(93.1)	(10.9)	(29.4)	(40.3)
Taxation credit on exceptional items (d)	-	2.6	2.6	-	6.3	6.3
	(10.0)	(80.5)	(90.5)	(10.9)	(23.1)	(34.0)

(a) Operating exceptional costs comprise the following:

- (i) £31.8m representing the significant restructuring of the Group's Supply Chain. Specific projects relating to the Group's Supply Chain include: £16.3m in respect of the restructuring of the UK Desserts business, including the planned closure of the Evercreech and Newton Abbot factories and integration into Minsterley; and £9.3m in respect of the closure of the Devizes sandwich factory, including £4.7m of goodwill written off. The balance of £6.2m relates mainly to the site rationalisation programme in Northern Europe including the integration of the VH Salades business into the remaining Belgian business and the commencement of the project to rationalise parts of the fish processing infrastructure.

These operating exceptional costs can alternatively be analysed as £9.4m of fixed asset impairments, principally in the UK and £4.7m of goodwill written off. The balance of £17.7m represents current or future committed cash costs, comprising redundancy £11.0m, manufacturing site closure and integration costs £3.8m, onerous lease and other contract commitment provisions £2.1m and legal fees of £0.8m.

- (ii) £2.0m redundancy costs representing the initial costs resulting from the Group's 'Fit for Purpose' project which is expected to incur total costs of £38.0m (£30.0m cash costs and £8.0m of assets write offs) over a four year period to rationalise the Group's cost base and focus on the growth of its three core business divisions.
- (iii) £8.0m relating to further penalty charges payable under the contract entered into with Wincanton plc, on demerger from Uniq plc, for distribution by Wincanton of Uniq products, to reflect the under-utilisation of the distribution facilities managed by Wincanton.
- (iv) The balance represents £1.1m relating to bid defence costs and £0.3m relating to business previously disposed.
- (b) Following the major loss of business at Spalding and the failure of the Annan seafood and Nordic salad businesses to recover previously lost business, the Directors have written down the associated assets to their estimated recoverable amount.

As a result a write off of £48.5m has been booked, comprising £40.7m of goodwill relating to these businesses and £7.8m relating to tangible assets of the UK businesses. The discount rate used for the impairment reviews was 10%.

- (c) The profit on disposal of fixed assets is in respect of the Wootton Bassett and Worthing sites and represents the excess of the present value of the acquisition proceeds over the book value of the sites, net of selling costs. The balance of the gross consideration for the Wootton Bassett site of £9.5m, is receivable on 15 March 2006.
- (d) The taxation credit of £2.6m represents tax relief available on the rationalisation costs in Northern Europe.

4 TAXATION	2005 £m	2004 £m
Credit/(charge) on (loss)/profit on ordinary activities		
UK Corporation tax at 30% (2004 : 30%)	-	-
- prior year items	5.2	4.9
Overseas tax	(7.0)	(2.8)
- prior year items	0.6	2.3
Total current tax (charge)/credit	<u>(1.2)</u>	4.4
Deferred tax		
- (charge)/credit excluding timing differences on pension costs	(12.7)	4.0
- credit for timing differences on pension costs	0.8	1.3
Taxation (charge)/credit	<u><u>(13.1)</u></u>	<u>9.7</u>
Classified as:		
Trading activities:		
- current	(5.3)	(5.8)
- adjustment relating to prior periods	(10.4)	9.2
	<u>(15.7)</u>	3.4
Exceptional items (note 3)	2.6	6.3
	<u><u>(13.1)</u></u>	<u>9.7</u>

The adjustment relating to prior periods of £10.4m represents £16.2m of unclaimed capital allowances where the availability of suitable future taxable profits is uncertain, less £5.8m of potential tax liabilities that have been settled for less than amounts charged in previous years.

The Group has used tax losses to reduce tax payments in respect of the current and prior years.

5 EARNINGS PER ORDINARY SHARE

BASIC AND DILUTED EARNINGS PER SHARE

Earnings per ordinary share is calculated on the basis of the weighted average of 113.5m (2004: 113.3m) ordinary shares in issue during the year and the loss for the financial year of £83.7m (2004: £5.9m). The effect of dilutive potential shares on earnings per share was not material.

ADJUSTED EARNINGS PER SHARE

Adjusted earnings per share is shown by reference to earnings before goodwill amortisation, exceptional items and related tax and is calculated on the basis of the weighted average of 113.5m (2004: 113.3m) ordinary shares in issue during the year. It also excludes prior year tax items. Adjusted earnings per share is presented as the Directors consider that this gives valuable additional information about the ongoing earnings performance of the Group, and is calculated as follows:

	2005 £m	2004 £m
Loss before tax	(70.6)	(15.6)
Goodwill amortisation	10.0	10.9
Exceptional items (note 3)	83.1	29.4
Profit before tax, goodwill amortisation and exceptional items	22.5	24.7
Related taxation	(15.7)	3.4
Exclude taxation charge/(credit) on prior year items	10.4	(9.2)
Earnings before goodwill amortisation, exceptional items and prior year tax items	<u>17.2</u>	<u>18.9</u>

6 BUSINESS ACQUISITION

	Book value at acquisition £m	Fair value adjustment £m	Accounting policy alignment £m	Fair value £m
Fixed assets	19.0	(2.1)	-	16.9
Working capital	0.3	-	(0.2)	0.1
Net assets acquired at fair value	19.3	(2.1)	(0.2)	17.0
Goodwill on acquisition				2.3
Cost of acquisition				19.3
Purchase consideration				18.9
Expenses of acquisition				0.4
Cash flows on acquisition				19.3

On 22 May 2004, the Group acquired the Minsterley Desserts business for £16.5m. Following agreement of adjustments based on completion accounts, the final cost, including acquisition expenses, was £19.3m. This transaction has been accounted for as an acquisition and consolidated in the financial statements from the date of acquisition.

Following the acquisition, the Group has made an assessment of the fair value of the fixed assets acquired. Land and buildings were valued by an external surveyor and plant and machinery was valued on a depreciated replacement cost basis. In addition, minor adjustments have been made to working capital to align the accounting policies previously adopted by Minsterley with those of the Group.

The operating profit, before allocation of central costs and turnover for the last full financial period, ended 31 March 2004, prior to acquisition was £3.8m and £58.6m respectively.

7 RECONCILIATION OF OPERATING (LOSS)/PROFIT TO OPERATING CASH FLOWS

	2005 £m	2005 £m	2004 £m	2004 £m
Operating (loss)/profit		(73.7)		16.0
Depreciation		26.6		29.6
Goodwill amortisation, write-down and impairment		55.4		10.9
Exceptional asset write-down and impairment		17.2		10.5
Difference between pension charge and cash contributions		(10.6)		(8.6)
(Increase)/decrease in stocks	(1.9)		3.6	
Decrease in debtors	21.5		10.9	
Decrease in creditors	(15.6)		(14.3)	
		4.0		0.2
Increase/(decrease) in provisions		14.9		(7.8)
Cash inflow from operating activities		33.8		50.8

8 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2005 £m	2004 £m
(Decrease)/increase in cash	(6.8)	6.9
(Increase)/decrease in borrowings	(10.0)	26.4
Increase/(decrease) in short term deposits	0.5	(4.3)
(Increase)/decrease in net debt resulting from cash flows	(16.3)	29.0
Currency translation differences	0.5	0.1
(Increase)/decrease in net debt in the year	(15.8)	29.1
Net debt at beginning of year	(12.5)	(41.6)
Net debt at end of the year	(28.3)	(12.5)

9 ANALYSIS OF CASH FLOWS FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING

	2005 £m	2004 £m
Management of liquid resources*		
Net (increase)/decrease in short term deposits	(0.5)	4.3
Financing		
Decrease in unsecured loan stock	-	(40.5)
Increase in long term borrowings	10.0	14.1
Net cash inflow/(outflow) from financing activities	10.0	(26.4)

* Liquid resources comprise short term cash deposits maturing within one year

10 ANALYSIS OF NET DEBT

	At beginning of year £m	Cash flow £m	Currency translation differences £m	At end of year £m
Cash at bank	15.7	(5.7)	0.3	10.3
Overdrafts	(3.4)	(1.1)	-	(4.5)
	<u>12.3</u>	<u>(6.8)</u>	<u>0.3</u>	<u>5.8</u>
Borrowings due within one year	-	(0.2)	-	(0.2)
Borrowings due after one year	(42.9)	(9.8)	0.2	(52.5)
	<u>(42.9)</u>	<u>(10.0)</u>	<u>0.2</u>	<u>(52.7)</u>
Short term deposits	18.1	0.5	-	18.6
Net debt	<u>(12.5)</u>	<u>(16.3)</u>	<u>0.5</u>	<u>(28.3)</u>

11 SHARE CAPITAL AND RESERVES

	Share capital £m	Share premium £m	Merger reserve £m	Profit and loss account £m	Total £m
At 31 March 2004	11.6	0.1	(330.2)	511.8	193.3
Retained loss for the financial year	-	-	-	(91.6)	(91.6)
Net actuarial loss on pension schemes	-	-	-	(12.4)	(12.4)
Exchange	-	-	-	3.6	3.6
At end of year	<u>11.6</u>	<u>0.1</u>	<u>(330.2)</u>	<u>411.4</u>	<u>92.9</u>

Goodwill arising on businesses acquired prior to 1 April 1998 amounting to £59.4m (2004: £59.4m) has been written off to reserves in prior years.

The reserve for own shares has been reclassified as part of the profit and loss account during the year and represents the Employee Share Ownership Trust ('ESOT') that was established in June 1997. It is empowered to purchase and hold shares in Uniq plc (the Company) in order to meet certain future obligations of the Group in respect of options or shares awarded under Share Option Schemes and long term incentive plans operated by the Group from time to time. Dividends receivable on the shares owned by the Trust have been waived. At 31 March 2005 the ESOT held 1,298,825 (2004: 1,442,354) shares in the Company which had a market value of £1.9m (2004: £2.4m).

The merger reserve arose as a result of a Group reconstruction carried out in 2000. Under a Scheme of Arrangement approved by the High Court and shareholders at that time, all shares in the then quoted Group company were cancelled and new shares were issued to shareholders in Uniq plc, the new quoted company. The merger reserve is the difference arising on consolidation between the nominal value of the new shares and the nominal value of the shares previously held, together with the associated share premium. The merger reserve arises only on consolidation and therefore does not impact the individual Uniq plc Company accounts or distributable reserves.

12 **PENSIONS**

	2005 £m	2004 £m
Movement in liability in the year		
Gross pension liability at start of year	(138.3)	(162.3)
Movement in the year:		
Current service cost	(6.0)	(7.1)
Past service cost	(0.3)	-
Curtailments and settlements	2.1	1.3
Contributions	14.7	16.1
Net finance charge	(2.1)	(5.5)
Actuarial (loss)/gain	(10.1)	18.6
Exchange adjustment	(0.4)	0.6
	<hr/>	<hr/>
Gross pension liability at end of year	(140.4)	(138.3)
Deferred tax	43.1	44.6
	<hr/>	<hr/>
Net pension liability at end of year	(97.3)	(93.7)

13 **DIVIDENDS**

Subject to shareholders' approval at the AGM, the final dividend of 4.5p per share is proposed to be paid on 2 August 2005 to shareholders on the register of shareholders at 1 July 2005.

14 **ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards all of which have been applied consistently throughout the year and the preceding year.

15 **FINANCIAL INFORMATION**

The financial information set out in the preliminary announcement does not constitute the Group's statutory accounts for the years 2004 and 2005. The statutory accounts for the year ended 31 March 2005 have been audited, and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The financial information for the year ended 31 March 2004 has been derived from the statutory accounts for 2004 which have been delivered to the Registrar of Companies. The auditors have reported on the accounts for the year ended 31 March 2004; their report was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

The Annual General Meeting of Uniq plc will be held at 12 noon on 26 July 2005, at the Insurance Hall, 20 Aldermanbury, London EC2V 7HY.