



Geoff Eaton
Chief executive

Chief executive's review

'We have worked very hard to deliver the transforming corporate transactions in parallel with a huge amount of activity in the divisions.'

	12 months ended 31.12.06 £m	12 months ended 31.12.05 £m	9 months ended 31.12.06 £m	12 months ended 31.3.06 £m
Continuing businesses				
Sales				
UK	334.2	324.8	258.0	321.8
Northern Europe	207.0	208.9	160.0	205.0
France	171.4	184.1	123.2	180.0
Total	712.6	717.8	541.2	706.8
Operating profit before significant items				
UK	(4.0)	(14.9)	(3.4)	(12.5)
Northern Europe	(5.4)	(0.1)	(3.6)	(4.2)
France	(1.4)	3.9	(5.4)	4.5
Total	(10.8)	(11.1)	(12.4)	(12.2)

We set out to achieve a great deal in 2006 and I am pleased to report that we made good progress on a number of fronts and we are largely on schedule with our plans to unlock the true potential of Uniq.

We entered 2006 facing a number of challenges:

- **UK**
We were making substantial losses, had lost touch with our customers, had a particularly big challenge to sort out our desserts business in Minsterley and were in the process of reorganising the division into six new business units and removing the central infrastructure.

Delivered by March 2007

UK

- ✓ Established recovery plan at Minsterley
- ✓ Restored customer relationships
- ✓ Upgraded commercial NPD
- ✓ Best in class service and quality

Northern Europe

- ✓ Decentralised to country focused business units
- ✓ Sold Belgian salads for £40 million
- ✓ Appointed local Polish management team
- ✓ Established German recovery plan

France

- ✓ Separated St Hubert and Marie
- ✓ Sold St Hubert for £248 million
- ✓ Started Marie relaunch
- ✓ Social plan to improve competitiveness

Group

- ✓ Secured leadership in all divisions
- ✓ Repaid the banks
- ✓ Matched main UK IAS 19 pension deficit
- ✓ Finalised recovery plans

In progress

UK

- Deliver break-even at Minsterley
- Further increase margins
- Improve innovation and NPD
- Continue to strengthen management

Northern Europe

- Close Bremerhaven
- Continue cost reduction initiatives
- Reinvest in the brands
- Progress recovery in Germany

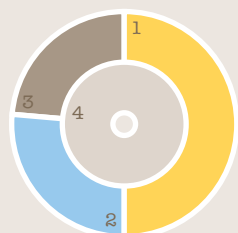
France

- Complete restructuring
- Build on Marie relaunch
- Stop the decline in frozen
- Increase marketing investment

Group

- Focus on delivery of recoveries
- Plan for longer term growth
- Agree scheme specific funding
- Resolve Wincanton dispute

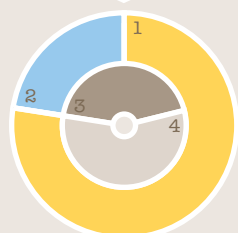
Enterprise value 31.03.06



1. Equity (@£1.41) £160m
2. Net Pensions deficit £85m
3. Net Debt £76m
4. Value of operations £320m



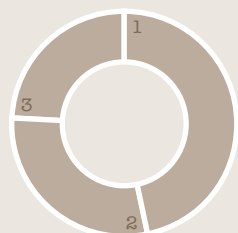
Pro-forma Enterprise value 31.12.06



1. Equity (@£2.27) £258m
2. Net Pensions deficit £74m
3. Cash £145m
4. Value of remaining operations £187m



Sales



1. UK convenience £334m
2. Northern Europe £207m
3. France £172m

new product development (NPD). We are starting to see smarter NPD backed by stronger commercial judgement and category management skills. This was evident in the relaunch of the wraps range by Northampton in the summer and the successful M&S Cook! products launched by Pinneys in the autumn. We expect this momentum in NPD to strengthen during the course of 2007.

We made it our priority to deliver excellent service and quality, particularly in the busy Christmas period. This cost more than anticipated, but it was the right priority to reinforce the confidence of our customers in our ability to deliver their demanding requirements. Minsterley delivered a particularly encouraging result at Christmas reinforcing the success of the structural changes we announced in November and increasing our confidence that we will achieve break-even during 2007.

To improve the efficiency of the supply chain we have agreed new transport arrangements with NFT and Culina. As a result we will cease using the Wincanton Gloucester distribution warehouse in April 2007. We are in discussions with Wincanton about our mutual obligations under the warehousing contract which expires in March 2009.

We are confident all the changes we have made in the UK will deliver the profit margins, growth and returns on capital these businesses are capable of generating. We start 2007 with better people, appropriate structures and customers wanting to do more business with us. We are also implementing a series of initiatives that will further reduce our costs and improve our margins. We expect these actions to show through in our performance in the second half of 2007.

Northern Europe

In Northern Europe, under Frans Rombouts' leadership, we decentralised the division to country focused business units at the end of the first quarter of 2006. This process has taken most of the last 12 months to bed-down and has generated cost savings of circa £1 million which have offset the costs incurred in implementation. In parallel with this process we managed the separation and sale of the Belgian salads business.

The decentralisation process has exposed the issues we faced in Germany. This is a challenging food market with a high penetration of hard discounters and consumers that are generally very price conscious. Our organisation in Germany had lost touch with customers, lost the ability to develop new products and did not have proper accountability or responsibility for its results. The Nadler salad brand lost market share and this situation was exacerbated by a change in packaging that did not deliver the benefits planned.

In January 2007 the following restructuring actions were announced in Germany:

- Closure of the Bremerhaven factory transferring the remaining German fish production to Poland;
- Renegotiation of German labour force pay and benefits;
- Consolidation of potato salad production from Bottrop in Germany to Losser in the Netherlands; and
- Further decentralisation into locally focused dedicated business units.

This is expected to generate £4 million of annual cost savings by the end of 2007. We are also reviewing the sales organisation, the discounts and allowances structure and logistics to improve further the efficiency of the Nadler business. In addition, we have created regional centres of excellence for fish NPD in Poland and for salads NPD in the Netherlands. This additional focus on fish has already delivered an increase in market share and a good pipeline of product launches.

In Poland we have successfully installed a local Polish management team which has improved the efficiency of the factory and stimulated sales growth in this exciting emerging market.

In the Netherlands we have invested behind the strong Johma brand, which has brought an end to an extended period of under investment. We have invested in more flexible equipment which will deliver better quality new products during the course of 2007. Our sandwich business has reduced its cost base and on the back of an improved product range has been winning new contracts to replace lost business.

We enter 2007 with a new confidence in Northern Europe and a clear set of plans for recovery. There is a lot to do and the German market will not get any easier. However, we are confident that we are on an improving path.

France

In France, the easy choice would have been to carry on as we were. The division was generating double digit margins and was stable. However, by March 2006 it was clear the rate of decline in the frozen business had accelerated – a more radical approach was necessary to turn around this business to avoid undermining the opportunity in the growing chilled market. Marie convenience is a very different business from the St Hubert health spreads and we decided we would concentrate our efforts on improving the returns in Marie and sell Spreads.

In June 2006, Giampaolo Schiratti joined as the new divisional managing director responsible for Marie. He has extensive experience of restructuring in France and has directly relevant chilled food manufacturing general management experience gained at Bonduelle. His first task was to develop a new strategic plan for Marie and arrange the separation of Marie and Spreads. This was achieved by the end of September.

As a result of the separation of these businesses and the need to improve the competitiveness of Marie, we embarked on a restructuring plan for the whole business. As part of this, in October 2006, consultations commenced regarding a social plan to reduce the number of employees in the Marie frozen factories and the head office by 218. This represented 14% of the workforce. The consultation process was concluded in February 2007, combining more flexible work patterns, relocation and replacement of temporary workers, natural wastage and redundancies. The cost charged in 2006 for the divisional restructuring was £9.4 million with targeted annual cost savings in excess of £7 million.

£3 million of the benefits of the social plan will be reinvested in increased media and marketing as part of a comprehensive relaunch of the Marie brand. This relaunch involves the appointment of a new advertising agency, the development of a new and modernised brand positioning and a new advertising campaign on both TV and billboards. The packaging has also been redesigned and has delivered a fresh and consistent style which communicates the key

messages around natural ingredients, healthy recipes and quality convenient food.

The first evidence of the success of this relaunch has been in the new products introduced in the autumn including 'come-pasta' and 'fruits adorés' and the positive response from the trade in the recent 2007 listings negotiations. The competitive scene in France is made even more intense with the next phase of the Loi Jacob. We have restructured the terms of trade in the frozen business to improve the relative attractiveness of the product range to the retailer. The combination of this initiative and the price competitiveness of the marketplace has made it very difficult to pass on inflationary pressures in the business.

Overall we are very pleased with the progress we have made in France. The continuing convenience business was loss making in 2006, however the trends in the early part of 2007 show continuing growth in chilled and a slower rate of decline in frozen. The cost savings from the social plan will start to impact in the second quarter and the 2007 trade negotiations should further improve the frozen revenue from April.

Outlook

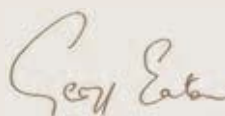
The board expects that the significant actions taken over the last year in all three divisions will deliver benefits in 2007. We go into 2007 with clear plans across the business. Each division is at a different stage in its recovery and we continue to manage significant change across the group.

The UK recovery will be led by Minsterley which is anticipated to get to a break-even run-rate by the end of the year. The rest of the UK will be impacted in the first half by the recent pressure on margins. However, we expect the run-rate in the second half of the year to be much improved.

The most recent evidence would suggest that the actions taken in Northern Europe are just starting to turn around performance, but Germany will constrain the pace of recovery.

In France both the relaunch of the Marie brand and the restructuring of the business are continuing in line with our plan and we anticipate the recovery will pick up from the second quarter, boosted by increased marketing investment.

We therefore remain confident of achieving significant margin improvement in 2007, although much of this will come in the second half.



Geoff Eaton
Chief executive
26 March 2007

Fish for health

Eating just one portion of LochMuir™ salmon will give you all your omega-3 requirements for the week. Farmed in the Gulf of Fonseca Honduran Peeled King Prawns have a luxuriously meaty and firm texture.

