Independent auditor's report to the members of Uniq plc

We have audited the group and parent company financial statements (the 'financial statements') of Uniq plc for the 9 months ended 31 December 2006 which comprise the group income statement and the group and parent company balance sheets, cash flow statements and statements of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the report and accounts, the directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the statement of directors' responsibilities on page 25.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2006 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 the other information contained in the report and accounts and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 December 2006 and of its loss for the 9 month period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2006;
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the directors' report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
26 March 2007

Note:
The maintenance and integrity of the Uniq plc 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 or audit report since they were initially presented on the website.

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

Group income statement
for the 9 months ended 31 December 2006

	Note	9 months ended 31 Dec 2006 Before significant items £m	Significant items (note 7) £m	Total £m	Year ended 31 Mar 2006 (restated) Before significant items £m	Significant items (note 7) £m	Total £m
CONTINUING OPERATIONS							
Revenue	4	541.2	–	541.2	706.8	–	706.8
Cost of sales		(449.6)	(1.7)	(451.3)	(585.0)	7.0	(578.0)
Gross profit		91.6	(1.7)	89.9	121.8	7.0	128.8
Distribution expenses		(34.7)	–	(34.7)	(47.1)	(12.0)	(59.1)
Marketing and media expenses		(11.1)	–	(11.1)	(11.8)	–	(11.8)
Administrative expenses		(58.2)	(38.0)	(96.2)	(75.1)	(20.2)	(95.3)
Other operating income		–	3.1	3.1	–	1.0	1.0
Operating loss before financing costs	4,5	(12.4)	(36.6)	(49.0)	(12.2)	(24.2)	(36.4)
Finance income	8	1.8	–	1.8	1.6	–	1.6
Other finance costs		(11.7)	–	(11.7)	(8.4)	–	(8.4)
Net pension finance income/(costs)		0.4	–	0.4	(2.1)	–	(2.1)
Total finance costs	8	(11.3)	–	(11.3)	(10.5)	–	(10.5)
Loss before tax		(21.9)	(36.6)	(58.5)	(21.1)	(24.2)	(45.3)
Income tax credit	9	5.9	2.3	8.2	5.7	1.3	7.0
Loss from continuing operations		(16.0)	(34.3)	(50.3)	(15.4)	(22.9)	(38.3)
DISCONTINUED OPERATIONS							
Profit from discontinued operations (net of tax)	21	13.9	4.1	18.0	18.7	(6.0)	12.7
Loss for the period	28	(2.1)	(30.2)	(32.3)	3.3	(28.9)	(25.6)
Earnings per ordinary share	10						
Continuing operations				(44.2)p			(33.8)p
Discontinued operations				15.8 p			11.2 p
Basic and diluted				(28.4)p			(22.6)p
Proposed dividend per share	11			2.75p			4.5p
Average Euro exchange rate				1.47			1.46

The notes on pages 42 to 66 form part of these financial statements.

Balance sheets
at 31 December 2006

	Note	Group 31 Dec 2006 £m	Group 31 Mar 2006 £m	Company 31 Dec 2006 £m	Company 31 Mar 2006 £m
ASSETS					
Non-current assets					
Property, plant and equipment	12	**184.8**	195.3	**–**	–
Intangible assets	13	**46.2**	108.1	**–**	–
Deferred tax assets	14	**45.0**	46.3	**–**	–
Investments	15	**–**	–	**225.2**	225.2
		276.0	349.7	**225.2**	225.2
Current assets					
Inventories	16	**47.3**	52.3	**–**	–
Trade and other receivables	17	**123.7**	128.5	**48.5**	49.0
Cash and cash equivalents	18	**9.0**	22.3	**–**	6.7
Assets classified as held for sale	20	**22.7**	–	**–**	–
Income tax assets		**–**	–	**2.0**	1.9
		202.7	203.1	**50.5**	57.6
Total assets		**478.7**	552.8	**275.7**	282.8
LIABILITIES					
Non-current liabilities					
Borrowings	22	**91.3**	–	**–**	–
Retirement benefit obligations	26	**107.8**	125.1	**–**	–
Derivative financial liabilities	25	**1.0**	1.4	**1.0**	1.4
Provisions	24	**12.6**	19.8	**–**	–
Deferred tax liabilities	14	**6.4**	8.0	**–**	–
		219.1	154.3	**1.0**	1.4
Current liabilities					
Borrowings	22	**1.1**	96.8	**92.5**	93.6
Trade and other payables	23	**178.1**	198.8	**6.1**	2.3
Provisions	24	**18.4**	11.5	**–**	–
Income tax liabilities		**12.0**	16.3	**–**	–
Liabilities associated with assets classified as held for sale	20	**20.6**	–	**–**	–
		230.2	323.4	**98.6**	95.9
Total liabilities		**449.3**	477.7	**99.6**	97.3
Total assets less liabilities		**29.4**	75.1	**176.1**	185.5
EQUITY					
Shareholders' equity					
Total called up share capital	27	**11.5**	11.5	**11.5**	11.5
Share premium		**0.1**	0.1	**0.1**	0.1
Other reserves		**(324.6)**	(323.0)	**1.7**	(1.4)
Retained earnings		**342.4**	386.5	**162.8**	175.3
Total equity	28	**29.4**	75.1	**176.1**	185.5
Closing Euro exchange rate		**1.48**	1.43		

The financial statements were approved by the board of directors on 26 March 2007 and signed on its behalf by:
Geoff Eaton, chief executive
Martin Beer, finance director

The notes on pages 42 to 66 form part of these financial statements.

Cash flow statements

for the 9 months ended 31 December 2006

	Note	Group 9 months ended 31 Dec 2006 £m	Group Year ended 31 Mar 2006 (restated) £m	Company 9 months ended 31 Dec 2006 £m	Company Year ended 31 Mar 2006 £m
CONTINUING OPERATIONS					
Cash flows from operating activities					
Loss before tax		(58.5)	(45.3)	(6.6)	(3.3)
Net finance costs		9.5	8.9	6.7	2.5
Depreciation and amortisation		15.9	19.8	–	–
Goodwill impairment		28.6	–	–	–
Net asset write-down and impairment		–	0.7	–	–
Charge for share-based payments		0.6	0.9	–	–
Profit on disposal of property, plant and equipment		–	(1.0)	–	–
Pension curtailment gain		(3.1)	–	–	–
Difference between pension charge and cash contributions		(12.4)	(16.4)	–	–
Decrease/(increase) in inventory		0.2	(0.8)	–	–
(Increase)/decrease in accounts receivable		(23.1)	–	2.4	(19.6)
Increase/(decrease) in accounts payable		9.4	(3.3)	0.6	0.5
(Increase)/decrease in working capital		(13.5)	(4.1)	3.0	(19.1)
(Decrease)/increase in provisions		(2.0)	0.8	–	–
Cash (utilised by)/generated from operations		(34.9)	(35.7)	3.1	(19.9)
Interest paid		(14.1)	(5.7)	(13.6)	(6.7)
Interest received		1.8	1.3	2.3	4.2
Income tax received		0.7	2.7	–	–
Net cash utilised by operating activities		(46.5)	(37.4)	(8.2)	(22.4)
Cash flows from investing activities					
Purchases of property, plant and equipment		(15.5)	(35.8)	–	–
Proceeds from sale of property, plant and equipment		0.8	11.9	–	–
Purchases of intangible assets		(0.4)	(1.9)	–	–
Net cash outflow from investing activities		(15.1)	(25.8)	–	–
Cash flows from financing activities					
Proceeds from borrowings		2.9	41.4	3.7	41.0
Equity dividends paid	11	(5.1)	(8.0)	(5.1)	(8.0)
Share options exercised		0.1	–	–	–
Net cash (outflow)/inflow from financing activities		(2.1)	33.4	(1.4)	33.0
DISCONTINUED OPERATIONS					
Net cash from operating activities		17.0	20.0	–	–
Net cash from investing activities		35.1	5.6	–	–
Net cash from discontinued operations		52.1	25.6	–	–
Net (decrease)/increase in cash and cash equivalents		(11.6)	(4.2)	(9.6)	10.6
Cash and cash equivalents at beginning of period		19.6	24.2	6.5	(1.6)
Effect of foreign exchange rate changes		1.0	(0.4)	3.1	(2.5)
Cash and cash equivalents at end of period		9.0	19.6	–	6.5
Cash and cash equivalents consist of:					
Cash at bank and in hand	18	9.0	22.3	–	6.7
Bank overdrafts		–	(2.7)	–	(0.2)
		9.0	19.6	–	6.5

The notes on pages 42 to 66 form part of these financial statements.

Statements of recognised income and expense

for the 9 months ended 31 December 2006

	Group		Company	
	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 £m	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 £m
Actuarial gain recognised on the pension schemes	0.1	2.8	–	–
Movement on deferred tax relating to pensions				
– on actuarial gain	(0.1)	(0.9)	–	–
– excess tax relief on contributions paid	(4.6)	(3.9)	–	–
Period movement on hedging items				
– amount recognised in equity during the period	(0.6)	5.1	4.0	1.1
– amount removed from equity and included in the income statement	(0.9)	–	(0.9)	–
Exchange	(0.1)	(1.1)	–	–
Net (expense)/income recognised directly in equity	(6.2)	2.0	3.1	1.1
Loss for the period	(32.3)	(25.6)	–	(3.8)
Total recognised income and expense for the period	(38.5)	(23.6)	3.1	(2.7)

The notes on pages 42 to 66 form part of these financial statements.

Notes to the financial statements
for the 9 months ended 31 December 2006

1. Accounting policies

A. Accounting convention and basis of preparation
Uniq plc is a company incorporated in the UK. The group financial statements consolidate those of the company and its subsidiaries (together referred to as the group). The parent company financial statements present information about the company as a separate entity and not about its group.

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with the following:

International Financial Reporting Standards (IFRS);
International Accounting Standards (IAS); and
related IFRIC interpretations in issue

that have been endorsed by the European Commission and are effective at 31 December 2006, or where the group has chosen to adopt early at 31 December 2006 ('adopted IFRS') and also in accordance with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

In publishing the parent company financial statements here together with the group financial statements, the company has taken advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

The financial statements are prepared on the historical cost basis except for certain financial instruments that are stated at their fair values.

New accounting policies and future requirements
The following standards or interpretations, issued by the IASB or the IFRIC, that have been adopted by the European Commission, came into effect during the year and have been adopted by the group:

Amendment to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 4 Insurance Contracts
Amendment to IAS 19 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates
IFRIC 4 Determining whether an Arrangement contains a Lease
IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The standards listed above did not have a significant effect on the consolidated results or financial position of the group.

The following standards or interpretations, issued by the IASB or the IFRIC, have been adopted by the European Commission, but only become effective for accounting periods after 31 December 2006:

Amendment to IAS 1 Presentation of Financial Statements Capital Disclosures
IFRS 7 Financial Instruments: Disclosures
IFRIC 8 Scope of IFRS 2
IFRIC 9 Re-assessment of Embedded Derivatives

The group does not currently believe the adoption of these standards or interpretations, which are not yet effective, will have a significant effect on the consolidated results or financial position of the group.

The following standards or interpretations, issued by the IASB or the IFRIC, have not yet been adopted by the European Commission and only become effective for accounting periods beginning after 31 December 2006:

IFRS 8 Operating Segments
IFRIC 10 Interim Financial Reporting and Impairment
IFRIC 11 Group and Treasury Share Transactions

The group is currently assessing the impact of these standards or interpretations, which are not yet effective.

B. Financial year
The group changed its financial year to 31 December. The financial statements are prepared to reflect trading up to the Saturday nearest to the accounting reference date. This period's income statement covers the 39 week period ended 30 December 2006. Last year's income statement covered the 52 weeks ended 1 April 2006.

C. Consolidation
Subsidiaries are fully consolidated from the date on which control is transferred to the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

D. Foreign currency translation
The consolidated financial statements are presented in pounds sterling, which is the group and company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency (the currency of the primary economic environment in which an entity operates) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
(a) assets and liabilities are translated at the closing rate at the date of that balance sheet;
(b) income and expenses are translated at average exchange rates; and
(c) all resulting exchange differences are recognised as a separate component of equity.

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

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

E. Significant items
Significant items are those items of financial performance which, because of size or incidence, require separate disclosure to enable underlying trading performance to be assessed.

F. Revenue recognition
Revenue represents the value of sales to customers outside the group net of discounts, allowances, volume and promotional rebates and other payments to customers and excludes value-added tax. Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivable is reasonably assured.

G. Finance charges
Finance charges include the following:
- Exchange differences arising on cash and cash equivalents, borrowings, all fair value gains and losses on derivative financial instruments and corresponding adjustments to hedged items under designated fair value hedging relationships;
- Amortisation of finance arrangement fees;
- Discounting on long term balance sheet items;
- Interest payable/receivable on cash and cash equivalents and borrowings; and
- Pension finance costs comprising the expected return on pension fund assets less the interest on pension fund liabilities in accordance with IAS 19 Employee Benefits.

H. Property, plant and equipment
All property, plant and equipment is shown at cost, less subsequent depreciation and applicable impairment, except for land, which is shown at cost less impairment.

1. Accounting policies (continued)

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:
- Buildings: up to 50 years;
- Plant and machinery: up to 10 years;
- Equipment and motor vehicles: up to 6 years; and
- Land and assets in the course of construction are not depreciated.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

I. Intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Goodwill arising on acquisitions prior to 31 March 2004 has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated.

Research and development
Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when it meets the recognition criteria of IAS 38 Intangible Assets. Development costs that have a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit (not exceeding five years). Costs incurred in the creation and refinement of new recipes and products are not considered to fall into the definition of research and development.

Computer software
Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software and amortised using the straight-line method over their estimated useful lives (three to five years). Computer software development costs that are directly associated with the implementation of major business systems are recognised as intangible assets and are amortised using the straight-line method over their estimated useful lives.

J. Impairment of assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount being the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash-generating units.

K. Leases
Leases are classified as finance leases where substantially all the risks and rewards of ownership are transferred to the group. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Assets acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases other than finance leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

L. Inventories
Inventories are stated at the lower of cost, including attributable overhead expenditure, and net realisable value. Cost is determined using the first-in-first-out (FIFO) method.

M. Trade and other receivables
Trade and other receivables are stated at their cost less provision for doubtful debts.

N. Taxation
Current tax is based on taxable profit for the year and any adjustment to tax payable in respect of previous years. The group's liability for current tax is calculated using rates that have been enacted or substantially enacted at the balance sheet date. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or items for which there is no corresponding income statement charge, in which case it is recognised in equity.

Deferred tax is provided, using the liability method, on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are recognised for all deductible temporary differences except in respect of deductible temporary differences associated with investments in subsidiaries in which case deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

O. Cash and cash equivalents

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

P. Share-based compensation

In terms of IFRS 2 Share-based Payment, an expense is not recognised in respect of equity settled share options granted before 7 November 2002 and vested before 1 January 2005. The shares are recognised when the options are exercised and the proceeds received are allocated to reserves.

The group operates an equity-settled, share-based compensation plan. The fair value of the options granted under this plan are calculated using a Monte Carlo simulation model, which takes into account the probability of meeting the market based vesting conditions. The total amount to be expensed over the vesting period is determined by reference to the options granted and the estimated number of options expected to vest after adjusting for lapses due to leavers during the vesting period and achievement of any non-market based vesting conditions. At each balance sheet date prior to vesting of the relevant awards the group revises the estimates of the number of options that are expected to vest after adjusting for expected leavers and estimated achievement of non-market based vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

Q. Dividend distribution

Final dividends to shareholders of Uniq plc are recognised as a liability in the period that they are approved by the shareholders. Interim dividends are recognised as a liability in the period that they are approved by the directors.

R. Grants

Grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Grants relating to property, plant and equipment are separately disclosed on the balance sheet as deferred grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

S. Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits would be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost. A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan and announced its main provisions.

T. Retirement benefit obligations

The group's companies operate or contribute to various different types of pension schemes. These include both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and pay at or close to the time of retirement.

Actuarial gains and losses are recognised in full in the period in which they occur. As permitted by IAS 19 Employee Benefits, actuarial gains and losses are recognised outside profit or loss and presented in the statement of recognised income and expense. The liability recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of plan assets. The cost of providing benefits is determined using the Projected Unit Credit Method.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the group pays contributions to company administered or third party pension plans on a contractual basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1. Accounting policies (continued)

U. Financial Instruments

The group uses various derivative financial instruments to manage exposure to foreign exchange risks. These include forward currency contracts and currency swaps. The group also uses interest rate swaps to manage interest rate exposures. The group does not use derivative financial instruments for speculative trading purposes.

Derivatives are initially accounted and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. The accounting treatment of derivatives classified as hedging instruments depends on their designation, which occurs on the date that the derivative contract is committed to. The group designates derivatives as:

- A hedge of the exposure to changes in fair value of an asset or liability ('fair value hedge');
- A hedge of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or of a highly probable forecasted transaction or the foreign exchange risk of a firm commitment which could affect the profit or loss ('cash flow hedge');
- A hedge of a net investment in a foreign entity or operation; and
- A hedge of variable interest rate debt ('cash flow hedge').

Where a derivative financial instrument is designated as a cash flow hedge of a recognised asset or liability, or a highly probable forecasted transaction, any gain or loss on the derivative financial instrument is recognised directly in equity. The cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

For a fair value hedge, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the income statement. Gains or losses from re-measuring the corresponding hedging instrument are recognised in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting and any portion deemed ineffective are recognised in the income statement as they arise.

Where the group hedges net investments in foreign entities through currency borrowing, the gains or losses on the retranslation of the borrowings (up to the opening net investment) are recognised in equity. If the group uses derivatives as the hedging instrument, the effective portion of the hedge is recognised in equity with any ineffective portion being recognised in the income statement. Gains and losses accumulated in equity are recycled through the income statement on disposal of the foreign entity.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting or the group revokes designation of the hedging relationship. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the highly probably forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period. If the forecast transaction is no longer 'highly probable' then the cumulative gain or loss on the hedging instrument recognised in equity is retained and further gains or losses are taken to the income statement.

Interest arising under interest rate swaps is recognised in the income statement in accordance with the group's accounting policy on interest. Interest rate derivatives are revalued to fair value through reserves at the balance sheet date.

Forward exchange contracts (FX contracts) which hedge currency assets and liabilities are recognised in the financial statements together with the assets and liabilities that they hedge. The contract rate is used for translation. Both realised and unrealised gains and losses on FX contracts which hedge future sales and purchases are recognised in the income statement.

The group accounts for financial instruments in terms of IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and measurement.

Gains and losses on financial instruments that are not related to the group's hedging activities are recognised as other income or expense. If a financial instrument ceases to be a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any subsequent gains or losses are recognised as other income or expense.

2. Derivatives and other financial instruments

Treasury Risk management

A discussion of the group's objectives, policies and strategies with regard to derivatives and other financial instruments is set out in the financial review on pages 16 to 19.

Through the ordinary course of business, at any one time, it will be necessary for the group to hold financial instruments and derivative financial instruments. The risks arising from the holding and management of these financial instruments typically include interest rate and foreign currency risk. These risks are managed centrally, following board approved policies. The group does not engage in holding speculative financial instruments or their derivatives.

Foreign Currency Risk
The group is exposed to foreign currency risk on sales, purchases, borrowings and the translation of earnings in a currency other than the functional currency of the business unit. Exposures are primarily to the Euro, Polish Zloty and US Dollar.

Transactional Hedging
Contracted transactional exposures are fully hedged at the point in time when they become contracted. Forecast transactional exposures are reviewed and hedged on a case by case basis. Hedging is achieved using forward foreign exchange contracts.

Hedge of net investment in foreign subsidiaries
Due to the group's investment in both UK and European operations, it operates a policy of maintaining liabilities split between these two currencies.

The ratio of Sterling : Euro liabilities mirrors the Sterling : Euro split of trading capital employed.

The group's Euro loan drawing and certain foreign exchange forwards or swaps are designated as a hedge on the group's investment in Euro based subsidiaries, with any foreign exchange gains and losses being taken to the hedge reserve account.

Interest Rate Risk
With regard to interest rate management, the group's objective is to minimise the impact of interest rate volatility on interest cost to protect earnings. This is achieved by reviewing both the amount of floating rate indebtedness over a certain period of time and its sensitivity to interest rate fluctuations.

The interest on £25m of the group's debt is fixed using an interest rate swap, and exposure to the movement in interest rates on floating debt is managed either through the use of derivatives or by management of the maturity of loan drawings on the group's revolving credit facility.

The interest rate swap is classified as a cash flow hedge. The fair value of this financial instrument and any subsequent changes to its value are recorded in the cash flow hedging reserve. At 31 December this swap had ceased to be effective due to the repayment of the group's borrowings on 16 January 2007. Cumulative fair value losses that had been deferred in equity were realised through the income statement at 31 December 2006. Changes to the value are now recorded in the income statement.

Credit Risk
The group has no significant concentrations of credit risk. Derivatives and cash transactions are limited to high credit quality financial institutions.

3. Critical accounting estimates and assumptions

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 estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Retirement benefit obligations
A number of accounting estimates and judgements are incorporated within the provision for post retirement obligations. These are described in more detail in note 26.

Share-based payments
A number of accounting estimates and judgements are incorporated within the provision for share-based payments. These are described in more detail in note 28.

Goodwill
A number of accounting estimates and judgements are incorporated within the valuation of goodwill. These are described in more detail in note 13.

Taxation
The group operates across Europe and there are many transactions and calculations for which the ultimate tax determination is uncertain. Significant judgement is required in determining the group's tax assets and liabilities. Deferred tax assets have been recognised to the extent they are recoverable based on profit projections for future years approved by senior management. Income tax liabilities for anticipated issues have been recognised based on estimates on whether additional tax will be due. Notwithstanding the above, the group believes that it will fully recover all tax assets and has adequate tax provisions to cover all risks across all business operations.

4. Segmental analysis

	Revenue		Operating profit/(loss) before significant items, interest and tax		Operating profit/(loss) before interest and tax	
	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 (restated) £m	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 (restated) £m	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 (restated) £m
By geographic segment						
United Kingdom	**258.0**	321.8	**(3.4)**	(12.5)	**(5.1)**	(30.9)
Northern Europe	**160.0**	205.0	**(3.6)**	(4.2)	**(29.1)**	(8.5)
France	**123.2**	180.0	**(5.4)**	4.5	**(14.8)**	3.0
Continuing operations	**541.2**	706.8	**(12.4)**	(12.2)	**(49.0)**	(36.4)
Discontinued operations	**78.4**	118.3	**21.1**	25.7	**25.2**	19.3
	619.6	825.1	**8.7**	13.5	**(23.8)**	(17.1)

As the group operates a central treasury function, finance costs cannot be meaningfully allocated to individual geographic segments and therefore segmental profit analysis is provided before finance costs. Central costs have not been allocated to discontinued operations and therefore comparatives have been restated accordingly.

Further details of the discontinued operations can be found in note 21.

In the Northern Europe segment, £28.6m asset impairment has been included in operating loss before interest and tax (31 March 2006: £6.4m relating to discontinued operations). An analysis of significant items is disclosed in note 7.

	Depreciation and amortisation		Capital expenditure	
	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 (restated) £m	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 (restated) £m
United Kingdom	**6.7**	8.0	**9.0**	23.3
Northern Europe	**3.6**	5.4	**2.0**	6.9
France	**4.9**	6.2	**4.0**	7.8
Corporate and other	**0.7**	0.2	**0.3**	0.2
Continuing operations	**15.9**	19.8	**15.3**	38.2
Discontinued operations	**2.0**	4.6	**0.8**	2.9
	17.9	24.4	**16.1**	41.1

	Segment assets		Segment liabilities	
	31 Dec 2006 £m	31 Mar 2006 £m	31 Dec 2006 £m	31 Mar 2006 £m
United Kingdom	**177.5**	165.6	**71.4**	80.7
Northern Europe	**110.2**	180.1	**62.5**	66.1
France	**105.0**	135.0	**67.9**	99.6
Corporate and other	**9.3**	3.5	**27.8**	8.4
Tax	**45.0**	46.3	**18.4**	24.3
Cash/borrowings	**9.0**	22.3	**92.4**	96.8
Retirement benefit obligations	**–**	–	**88.3**	101.8
Continuing operations	**456.0**	552.8	**428.7**	477.7
Discontinued operations	**22.7**	–	**20.6**	–
	478.7	552.8	**449.3**	477.7

4. Segmental analysis

The majority of the UK pension scheme's members are past employees and are not related to the United Kingdom segment. The UK IAS 19 pension deficit is therefore classed as a central item.

	Revenue		Capital expenditure		Segment assets	
	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 (restated) £m	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 (restated) £m	31 Dec 2006 £m	31 Mar 2006 £m
By business segment						
Salads and dips	**128.7**	154.1	**1.2**	3.1	**95.5**	166.3
Desserts	**117.5**	156.0	**7.2**	19.7	**92.9**	86.1
Fish	**88.2**	110.7	**1.3**	4.4	**40.4**	36.4
Ready meals – frozen	**68.1**	105.0	**2.3**	3.8	**59.9**	61.7
Ready meals – chilled	**56.5**	83.6	**2.4**	4.5	**48.6**	44.4
Sandwiches and fillings	**82.2**	97.4	**0.6**	2.5	**55.4**	57.6
Spreads	**–**	–	**–**	–	**–**	28.2
Total reported segments	**541.2**	706.8	**15.0**	38.0	**392.7**	480.7
Corporate and other	**–**	–	**0.3**	0.2	**9.3**	3.5
Tax	**–**	–	**–**	–	**45.0**	46.3
Cash	**–**	–	**–**	–	**9.0**	22.3
	541.2	706.8	**15.3**	38.2	**456.0**	552.8
Discontinued operations	**78.4**	118.3	**0.8**	2.9	**22.7**	–
	619.6	825.1	**16.1**	41.1	**478.7**	552.8

5. Expenses and auditor's remuneration

	9 months ended 31 Dec 2006			Year ended 31 Mar 2006 (restated)		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
The group's results include charges for:						
Depreciation and amortisation	**15.9**	**2.0**	**17.9**	19.8	4.6	24.4
Asset write-down and impairment	**–**	**–**	**–**	6.2	2.1	8.3
Goodwill impairment	**28.6**	**–**	**28.6**	–	4.3	4.3
Operating lease rental payments:						
– plant and machinery	**3.2**	**0.2**	**3.4**	4.1	–	4.1
– other	**2.2**	**0.1**	**2.3**	2.2	0.3	2.5
Inventory write-down to net realisable value	**0.2**	**–**	**0.2**	2.3	–	2.3

	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 (restated) £m
Auditor's remuneration		
Audit of these financial statements	**0.1**	0.1
Audit of financial statements of subsidiaries pursuant to legislation	**0.4**	0.4
Other services pursuant to such legislation	**0.6**	0.1
Services relating to corporate debt refinancing	**0.8**	–
Other services relating to corporate finance transactions	**–**	0.5
Other	**–**	0.2
	1.9	1.3

6. Directors and employees

Directors' emoluments and share interests are given in the remuneration report on pages 31 to 35.

	9 months ended 31 Dec 2006			Year ended 31 Mar 2006 (restated)		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Aggregate payroll costs						
Wages and salaries	104.3	8.0	112.3	142.6	8.0	150.6
Social security costs	17.5	1.9	19.4	26.6	2.5	29.1
Pension costs – defined benefit schemes	3.0	–	3.0	4.9	–	4.9
Pension costs – defined contribution schemes	1.8	0.3	2.1	1.9	0.1	2.0
Share based payments charge	0.6	–	0.6	0.9	–	0.9
	127.2	10.2	137.4	176.9	10.6	187.5

	9 months ended 31 Dec 2006			Year ended 31 Mar 2006 (restated)		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Employee numbers						
Average:						
Full time	6,380	283	6,663	6,706	478	7,184
Part time	379	128	507	373	117	490
	6,759	411	7,170	7,079	595	7,674
At period end	6,620	268	6,888	7,104	545	7,649

7. Significant items

	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 (restated) £m
Goodwill impairment	(28.6)	–
French restructuring	(9.4)	–
Minsterley reorganisation costs	(1.7)	–
Pension curtailment gain	3.1	–
'Fit for purpose' programme	–	(17.8)
Wincanton contract	–	(12.0)
Group Supply Chain project	–	7.1
Property disposals	–	1.0
Other	–	(2.5)
	(36.6)	(24.2)
Tax credit on significant items	2.3	1.3
Continuing operations	(34.3)	(22.9)
Discontinued operations (net of tax)	4.1	(6.0)
	(30.2)	(28.9)

Goodwill impairment
The goodwill impairment resulted from an impairment test carried out on the Northern Europe segment and reflects the downturn in business seen in the German salads market and the impact of the sale of Uniq Belgium NV.

French restructuring
Following the confirmation of the sale of the French spreads business, a restructuring programme was announced in October 2006 to rationalise the remaining cost base principally including redundancy and associated legal costs.

Minsterley reorganisation costs
The reorganisation costs in the current period relate to the restructuring of the operations at the Minsterley site, comprising redundancy costs of £1.2m and other costs of £0.5m.

7. Significant items

Pension curtailment gain

The Dutch pension scheme is in the process of being transferred to an industry wide fund, the effective date of which is 1 January 2006. The assets will only physically be transferred in 2007, however a curtailment gain has been recognised in accordance with IAS 19.

Discontinued operations

This comprises £2.9m loss on the disposal of Andros Food SA and £7.0m gain on the disposal of Uniq Belgium NV. Further detail of the disposals are disclosed in note 19.

8. Net finance costs

	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 (restated) £m
Interest receivable		
Bank balances	1.8	1.3
Discount on long term debtors	–	0.3
	1.8	1.6
Interest payable and similar charges		
Bank loans	(7.7)	(5.6)
Finance leases	(0.1)	(0.1)
Discount on long term provisions	(1.0)	(0.9)
Net foreign exchange losses	(1.1)	(1.7)
Amortisation of finance arrangement costs	(1.8)	(0.1)
	(11.7)	(8.4)
Net pension finance costs		
Expected return on pension fund assets	27.4	32.6
Interest on pension fund liabilities	(27.0)	(34.7)
	0.4	(2.1)
Net finance costs	(9.5)	(8.9)

9. Income tax

The tax credit on the loss before significant items for continuing operations is £5.9m (31 March 2006: £5.7m) comprising UK £3.2m credit (31 March 2006: £1.0m) and continental Europe £2.7m credit (31 March 2006: £4.7m).

	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 (restated) £m
UK corporation tax		
– current	–	–
– prior	0.1	0.2
Overseas tax		
– current	2.3	(2.2)
– prior	0.6	2.8
Deferred tax		
– credit excluding temporary differences on pension costs	3.0	4.2
– (charge)/credit for temporary differences on pension costs	(0.1)	0.7
	5.9	5.7
Tax on significant items	2.3	1.3
Tax on continuing operations	8.2	7.0
Tax on discontinued operations	(7.2)	(6.6)
	1.0	0.4

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

9. Income tax (continued)

Reconciliation of the current tax charge to the 30% standard rate in the UK

	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 (restated) £m
Loss before tax	**(58.5)**	(45.3)
Tax credit at UK corporation tax rate of 30%	**17.6**	13.6
Tax credit	**8.2**	7.0
Difference	**9.4**	6.6
Explained by:		
Costs not deductible for tax purposes	**0.5**	0.4
Goodwill written off or impaired	**8.6**	–
Tax losses including capital allowances not recognised	**1.9**	10.5
Higher rates overseas	**(1.1)**	0.7
Prior year items	**(0.5)**	(5.0)
	9.4	6.6

10. Earnings per share

Basic and diluted loss per share

Basic earnings per ordinary share is calculated on the basis of the weighted average of 113.6m (31 March 2006: 113.5m) ordinary shares in issue and a loss for the financial period of £32.3m (31 March 2006: £25.6m). There were no dilutive potential shares in the current financial period (31 March 2006: Nil)

Adjusted loss per share

Adjusted loss per share is shown by reference to loss before significant items and related tax. It also excludes tax on prior year items and exchange gains and losses on non-permanent intercompany loans. Adjusted loss 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:

	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 £m
Adjusted EPS on total group		
Loss for the period	**(32.3)**	(25.6)
Significant items on continuing operations	**36.6**	24.2
Significant items on discontinued operations	**(4.1)**	6.4
Exchange gains and losses on non-permanent intercompany loans	**1.2**	1.5
Adjusted total	**1.4**	6.5
Related tax	**(2.3)**	(1.7)
Exclude tax charge on prior year items	**(0.5)**	(5.0)
Adjusted loss	**(1.4)**	(0.2)
	Pence per share	Pence per share
Adjusted loss per ordinary share	**(1.2)**	(0.2)

11. Dividends

	9 months ended 31 Dec 2006 Pence per share	Year ended 31 Mar 2006 Pence per share	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 £m
Dividends paid by Uniq plc:				
– final dividend	**4.5**	4.5	**5.1**	5.1
– interim dividend	**2.5**	2.5	**2.8**	2.9
	7.0	7.0	**7.9**	8.0
Proposed dividend per share	**2.75**	4.5	**3.1**	5.1

At 31 December 2006, the 2006 final dividend had not been approved by the shareholders and as such was not included as a liability. Subject to shareholders' approval at the AGM, the final dividend is payable on 31 May 2007, to shareholders on the register of shareholders at 4 May 2007.

12. Property, plant and equipment

			31 Dec 2006			31 Mar 2006
	Land and buildings £m	Plant and equipment £m	Total £m	Land and buildings £m	Plant and equipment £m	Total £m
Cost or valuation						
Opening balance	117.3	287.2	404.5	116.8	267.7	384.5
Additions	2.4	12.4	14.8	5.1	34.1	39.2
Acquisitions	–	–	–	0.6	0.6	1.2
Disposals	(0.1)	(2.2)	(2.3)	(5.9)	(12.9)	(18.8)
Write-off	–	–	–	(1.4)	(4.1)	(5.5)
Transfer to assets held for sale	(6.2)	(12.1)	(18.3)	–	–	–
Exchange	(1.6)	(2.7)	(4.3)	2.1	1.8	3.9
Closing balance	111.8	282.6	394.4	117.3	287.2	404.5
Depreciation						
Opening balance	18.8	190.4	209.2	13.5	188.2	201.7
Provided in the year	2.8	11.9	14.7	3.9	17.2	21.1
Disposals	(0.1)	(1.5)	(1.6)	(1.1)	(12.0)	(13.1)
Asset write-off	–	–	–	(0.1)	(2.0)	(2.1)
Asset write-down	–	–	–	0.6	1.2	1.8
Impairment	–	–	–	0.1	2.0	2.1
Write-back	–	–	–	–	(5.2)	(5.2)
Transfer to assets held for sale	(1.5)	(9.7)	(11.2)	–	–	–
Exchange	–	(1.5)	(1.5)	1.9	1.0	2.9
Closing balance	20.0	189.6	209.6	18.8	190.4	209.2
Opening net book value	98.5	96.8	195.3	103.3	79.5	182.8
Closing net book value	91.8	93.0	184.8	98.5	96.8	195.3

13. Intangible assets

			31 Dec 2006			31 Mar 2006
	Goodwill £m	Software £m	Total £m	Goodwill £m	Software £m	Total £m
Cost or valuation						
Opening balance	105.8	15.6	121.4	110.1	18.7	128.8
Additions	–	0.5	0.5	–	1.9	1.9
Acquisitions during the year	–	–	–	1.3	–	1.3
Disposals	(29.5)	(0.3)	(29.8)	(2.8)	(0.5)	(3.3)
Impairment	(28.6)	–	(28.6)	(4.3)	–	(4.3)
Write-off	–	–	–	–	(5.0)	(5.0)
Transfer to assets held for sale	–	(1.6)	(1.6)	–	–	–
Exchange	(2.1)	–	(2.1)	1.5	0.5	2.0
Closing balance	45.6	14.2	59.8	105.8	15.6	121.4
Depreciation						
Opening balance	–	13.3	13.3	–	10.6	10.6
Provided in the year	–	1.2	1.2	–	3.3	3.3
Disposals	–	(0.3)	(0.3)	–	(0.4)	(0.4)
Write-off	–	–	–	–	(0.6)	(0.6)
Transfer to assets held for sale	–	(0.5)	(0.5)	–	–	–
Exchange	–	(0.1)	(0.1)	–	0.4	0.4
Closing balance	–	13.6	13.6	–	13.3	13.3
Opening net book value	105.8	2.3	108.1	110.1	8.1	118.2
Closing net book value	45.6	0.6	46.2	105.8	2.3	108.1

13. Intangible assets (continued)

Goodwill impairment: As a result of an impairment review carried out following the reclassification of Uniq Belgium NV to held for sale, it was identified that the carrying value of the Northern European goodwill was in excess of fair value.

Goodwill is allocated to the group's cash-generating units (CGUs) or groups of CGUs as set out below:

	31 Dec 2006 £m	31 Mar 2006 £m
United Kingdom	**32.8**	32.8
Northern Europe	**12.8**	73.0
	45.6	105.8

The recoverable amounts of CGUs were measured based on value in use and fair value less costs to sell. The cash flow projections used in these calculations were based on the financial budget for 2007 and the strategic plans for 2008 and 2009 approved by the board.

Cash flows beyond the three year period for the United Kingdom and Northern Europe were extrapolated using a growth rate of 2.5%. The pre-tax discount rate used for the United Kingdom and Northern Europe was 10%.

The key assumption in the recoverable amount calculation for sales and margins was based on historical trends adjusted for management views of future performance of each business unit. These future trends have been discussed and agreed at board level.

14. Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	31 Dec 2006 £m	31 Mar 2006 £m	31 Dec 2006 £m	31 Mar 2006 £m	31 Dec 2006 £m	31 Mar 2006 £m
Property, plant and equipment	**7.9**	5.5	**(5.1)**	(6.4)	**2.8**	(0.9)
Intangible assets	**–**	–	**–**	–	**–**	–
Retirement benefit obligations	**33.7**	39.6	**–**	–	**33.7**	39.6
Provisions	**3.4**	1.2	**–**	–	**3.4**	1.2
Other items	**–**	–	**(1.3)**	(1.6)	**(1.3)**	(1.6)
	45.0	46.3	**(6.4)**	(8.0)	**38.6**	38.3

Net deferred tax assets

	31 Dec 2006 £m	31 Mar 2006 £m
Opening balance	**38.3**	38.0
Income statement credit	**5.2**	5.0
Statement of recognised income and expense	**(4.7)**	(4.8)
Assets transferred to held for sale	**(0.3)**	–
Utilised	**0.1**	0.1
Closing balance	**38.6**	38.3

14. Deferred tax assets and liabilities

Unrecognised deferred tax assets

	31 Dec 2006 £m	31 Mar 2006 £m
Capital allowances in excess of depreciation	28.5	27.7
Provisions	7.1	7.1
Tax losses	9.0	6.1
Derivative financial liabilities	0.3	–
	44.9	40.9

Deferred tax assets have not been recognised in respect of these items because the availability of suitable taxable profits is uncertain.

15. Investments

Company

Investments in the company balance sheet of £225.2m (31 March 2006: £225.2m) represent shares in subsidiary undertakings.

16. Inventory

	31 Dec 2006 £m	31 Mar 2006 £m
Raw materials and consumables	28.4	32.1
Work in progress	2.4	2.4
Finished goods and goods for resale	16.5	17.8
	47.3	52.3

17. Trade and other receivables

	Group		Company	
	31 Dec 2006 £m	31 Mar 2006 £m	31 Dec 2006 £m	31 Mar 2006 £m
Trade debtors	94.2	102.5	–	–
Amounts owed by subsidiary undertakings	–	–	44.8	43.3
Other debtors	21.6	19.1	3.7	5.7
Prepayments and accrued income	7.9	6.9	–	–
	123.7	128.5	48.5	49.0

Included in trade debtors is £1.4m (31 March 2006: £1.8m) allowance for doubtful debts.

18. Cash and cash equivalents

	Group		Company	
	31 Dec 2006 £m	31 Mar 2006 £m	31 Dec 2006 £m	31 Mar 2006 £m
Cash at bank	1.9	6.1	–	–
Short term deposits	7.1	16.2	–	6.7
	9.0	22.3	–	6.7

19. Business disposals

During the period the group disposed of two businesses, Uniq Belgium NV and Andros Food SA. Following the fire at the group's Spanish business at its Madrid site in May 2005, Andros Food SA was disposed of on 9 August 2006 for €1. The sale of Uniq Belgium NV completed on 20 November 2006 to the Benelux investment group, Gilde, for a gross consideration of £40m.

	9 months ended 31 Dec 2006		
	Uniq Belgium NV £m	Andros Food SA £m	Total £m
Gain/(loss) on disposal			
Property, plant and equipment	2.3	–	2.3
Intangible assets	29.5	–	29.5
Working capital	0.7	2.2	2.9
Provisions	(0.1)	–	(0.1)
Tax	(2.4)	–	(2.4)
Net assets disposed	30.0	2.2	32.2
Net cash consideration received	38.0	–	38.0
Disposal costs	(1.0)	(0.7)	(1.7)
	37.0	(0.7)	36.3
Gain/(loss)	7.0	(2.9)	4.1

Included in the loss on sale of Andros Food SA of £2.9m is a payment of £0.6m that was made to assist the purchaser with its reorganisation of the business.

20. Assets held for sale

The group has classified the following businesses as held for sale following the commitment of the group's management to a plan to sell:

– St Hubert SAS (the French spreads business)
– Natural Food SA (the remaining Spanish salads business)

The decision to sell these businesses was made in order to crystallize their value, reduce the group's debt and match the pension liabilities. The sale of St Hubert SAS completed on 16 January 2007 for a gross consideration of £248m. The remaining disposal is expected to be finalised within the near future.

	31 Dec 2006 £m
Assets classified as held for sale	
Property, plant and equipment	5.2
Intangible assets	0.1
Inventory	2.5
Trade and other receivables	13.5
Cash	0.3
Tax	1.1
	22.7

	31 Dec 2006 £m
Liabilities classified as held for sale	
Trade and other payables	19.9
Retirement benefit obligations	0.7
	20.6

21. Discontinued operations

During the period, the group reclassified the French spreads, Belgian salads and Spanish businesses as held for sale. The comparative income statement and cash flow statements have been restated to show them as discontinued operations.

Profits attributable to the discontinued operations were as follows:

	9 months ended 31 Dec 2006 £m	Year ended 31 Mar 2006 (restated) £m
Results of discontinued operations		
Revenue	78.4	118.3
Expenses	(57.3)	(92.6)
Results from operating activities	21.1	25.7
Income tax expense	(7.2)	(7.0)
Profit after tax before significant items	13.9	18.7
Significant items	4.1	(6.4)
Tax on significant items	–	0.4
Profit for the period	18.0	12.7

22. Borrowings

	Group		Company	
	31 Dec 2006 £m	31 Mar 2006 £m	31 Dec 2006 £m	31 Mar 2006 £m
Current liabilities				
Bank loans and overdrafts	–	96.0	92.5	93.6
Obligations under finance leases	1.1	0.8	–	–
	1.1	96.8	92.5	93.6
Non-current liabilities				
Bank loans	91.3	–	–	–

	Cash at bank and in hand £m	Bank overdrafts £m	Cash and overdrafts £m	Borrowings due within one year £m	Borrowings due after one year £m	Borrowings £m	Net debt £m
Analysis of net debt							
Opening balance	22.3	(2.7)	19.6	(94.1)	–	(94.1)	(74.5)
Change in maturity	–	–	–	115.0	(115.0)	–	–
Effect of foreign exchange rate changes	1.0	–	1.0	–	–	–	1.0
Cash flow	(14.3)	2.7	(11.6)	(22.0)	23.7	1.7	(9.9)
Closing balance	9.0	–	9.0	(1.1)	(91.3)	(92.4)	(83.4)

During the year the group's previous £120m facility expired and was replaced by a committed, secured £160m facility. This facility decreased with the sale of the Belgian salads and as at 31 December 2006, the group had secured committed revolving credit facilities of £122.0m (31 March 2006: £120.0m) under which it may repay amounts borrowed at its option whilst retaining the flexibility to reborrow under the facilities. These facilities expired on 16 January 2007 on the completion of the sale of St Hubert SAS. They have been replaced with a £40m facility that expires in March 2010.

£25.0m (31 March 2006: £25.0m) of the group's debt drawings on the committed revolving credit facility, incurs interest that is fixed during the term of the debt, through the use of an interest rate swap, with an effective interest rate of 8.28%. Interest on all other debt drawings on the committed revolving credit facility are at floating rates based on LIBOR. Interest on overdrafts is based on either UK base rate or EONIA.

Borrowings under the committed facility are classified as non-current as the facility has been agreed for the period until March 2008. However, a condition of the facility is that proceeds from the sale of St Hubert SAS will be paid back and the facility then expires, and hence the borrowings were repaid in January 2007. As no binding agreement had been entered into at 31 December 2006 for the sale of St Hubert SAS, classification as current was therefore not appropriate.

23. Trade and other payables

	Group		Company	
	31 Dec 2006 £m	31 Mar 2006 £m	31 Dec 2006 £m	31 Mar 2006 £m
Trade payables	**88.0**	94.0	**–**	–
Other payables, including social security	**24.4**	26.9	**2.9**	0.1
Employee benefits	**3.7**	12.1	**–**	–
Accruals and deferred income	**62.0**	65.8	**3.2**	2.2
	178.1	198.8	**6.1**	2.3

24. Provisions

	31 Dec 2006			31 Mar 2006		
	Onerous contract £m	Other £m	Total £m	Onerous contract £m	Other £m	Total £m
Opening balance	**23.6**	**7.7**	**31.3**	17.3	12.1	29.4
Income statement charge	**1.0**	**9.5**	**10.5**	12.9	6.9	19.8
Utilised	**(5.4)**	**(5.3)**	**(10.7)**	(6.6)	(5.3)	(11.9)
Released	**–**	**–**	**–**	–	(6.0)	(6.0)
Disposals	**–**	**(0.1)**	**(0.1)**	–	–	–
Closing balance	**19.2**	**11.8**	**31.0**	23.6	7.7	31.3
Current liabilities	**7.5**	**10.9**	**18.4**	7.5	4.0	11.5
Non-current liabilities	**11.7**	**0.9**	**12.6**	16.1	3.7	19.8
	19.2	**11.8**	**31.0**	23.6	7.7	31.3

Onerous contract provision

Comprises the discounted value of a commitment in respect of an onerous contract relating to the Wincanton demerger of which £7.5m is expected to be utilised within the next financial year. The income statement charge represents the unwinding of the discount on the long term provision.

Other provisions

Following the announcement of the sale of St Hubert SAS, the group announced the restructuring of the remaining French businesses and a provision was raised for £7.4m. The group has provided for the following other provisions during the period; £1.2m of costs relating to the sale of Uniq Belgium NV and £1.2m relating to the reorganisation of Minsterley. Included in the remaining provision is a vacant property provision of £0.9m, the majority of which is expected to be utilised after the next financial period.

25. Derivatives and other financial instruments

Treasury risk management

A discussion of the group's objectives, policies and strategies with regard to derivatives and other financial instruments is set out in the financial review on pages 16 to 19.

Interest rate and other financial instruments

After taking into account the various interest rate and currency swaps and options entered into by the group, the effective currency and interest rate exposures of the group's net debt position at 31 December 2006 were as follows:

	31 Dec 2006				31 Mar 2006			
	Sterling £m	Euro £m	Polish Zloty £m	Total £m	Sterling £m	Euro £m	Polish Zloty £m	Total £m
Floating rate borrowings	29.3	37.0		66.3	30.0	41.0	–	71.0
Fixed rate borrowings	25.6	0.5	–	26.1	25.0	0.8	–	25.8
	54.9	37.5	–	92.4	55.0	41.8	–	96.8
Currency swaps	(33.7)	33.7	–	–	(27.9)	27.9	–	–
	21.2	71.2	–	92.4	27.1	69.7	–	96.8
Cash and liquid resources	(7.0)	(1.9)	(0.1)	(9.0)	(17.8)	(4.5)	–	(22.3)
Net borrowings	14.2	69.3	(0.1)	83.4	9.3	65.2	–	74.5

£25.0m (31 March 2006: £25.0m) of the Sterling fixed rate borrowings are underlying floating rate borrowings fixed by using an interest rate swap which has an interest rate of 8.28%. The fair value of the interest rate swap is £0.9m (31 March 2006: £1.4m). Due to the repayment of the group's borrowings on 16 January 2007, the swap ceased to be effective and as a result the balance in the hedging reserve has been realised through the income statement.

Currency analysis of net assets

The group's net assets by currency at 31 December 2006 were as follows:

	31 Dec 2006				31 Mar 2006			
	Sterling £m	Euro £m	Polish Zloty £m	Total £m	Sterling £m	Euro £m	Polish Zloty £m	Total £m
Net (borrowings)/deposits	(14.2)	(69.3)	0.1	(83.4)	(9.3)	(65.2)	–	(74.5)
Other net assets (excluding goodwill)	3.9	47.4	15.9	67.2	(34.9)	63.1	15.6	43.8
Goodwill	32.8	12.8	–	45.6	32.8	73.0	–	105.8
	22.5	(9.1)	16.0	29.4	(11.4)	70.9	15.6	75.1

In accordance with the group's policy, all of the group's assets and liabilities are denominated in, or are hedged to, the functional currency of the subsidiary concerned. At 31 December 2006 the group's Euro borrowings exceeded the Euro net assets by £9.1m. This is consistent with the group's policy of maintaining average gross borrowings denominated in both Sterling and Euros to broadly mirror the Sterling:Euro split of trading capital employed.

Fair values of financial instruments

All financial instruments are valued at fair value. Where available, market values have been used to determine fair values. Where market rates are not available, fair values have been calculated by discounting cash flows at prevailing interest and exchange rates. Other financial liabilities comprise provisions expected to be utilised after more than one year.

26. Retirement benefit obligations

The group operates pension schemes in the UK and continental Europe.

The main UK scheme is contributory for members and has two sections: the defined benefit section and the defined contribution section. The defined benefit section is closed to new members but provides benefits for existing and past employees based on final pensionable emoluments. The assets of the plan are held in a separate trustee administered fund. The UK also operates a small unfunded defined benefit pension scheme for overcap benefits.

The results of the formal actuarial valuation as at 31 March 2004 were updated to the accounting date by independent qualified actuaries in accordance with IAS 19. As required by IAS 19, the value of the defined benefit obligation and current service cost has been measured using the projected unit credit method.

The group provides pensions under certain overseas schemes, some of which provide defined benefits. With the exception of the Dutch pension scheme, which is funded, all overseas schemes are unfunded. The Dutch pension scheme is in the process of being transferred to an industry wide fund, the effective date of which is 1 January 2006. The assets will only physically be transferred in 2007, however a curtailment gain has been recognised in accordance with IAS 19.

Total contributions made to defined contribution schemes in the year were £1.8m (31 March 2006: £1.9m). The group expects to contribute £4.1m to its defined benefit schemes in the next financial year.

The following table sets out the key IAS 19 assumptions used for the schemes. Overseas plans are quoted as a weighted average based on liabilities. The expected rate of return on assets is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the plan was invested in at 31 December 2006. The assumptions used by the actuaries have been chosen from a range of possible actuarial assumptions about the future, which may not necessarily be borne out in practice.

			UK			Overseas
	31 Dec 2006 %	31 Mar 2006 %	31 Mar 2005 %	**31 Dec 2006 %**	31 Mar 2006 %	31 Mar 2005 %
Assumptions						
Inflation	**3.0**	2.9	2.8	**1.8**	1.9	1.9
Pension increases	**3.0**	2.9	2.6	**2.3**	2.1	1.9
Salary growth	**4.5**	4.4	4.3	**2.7**	2.7	2.7
Discount rate	**5.3**	5.1	5.5	**4.4**	4.2	4.7
Expected return for:						
– equities	**7.5**	7.4	7.7	**8.0**	7.0	7.5
– bonds	**4.6**	4.4	5.1	**5.0**	5.0	5.0
– other	**4.3**	4.2	4.7	**5.0**	5.0	5.0

During the year the mortality assumptions for the UK schemes were changed to PA92MC+1. The mortality rates adopted assume that members currently aged 65 are expected to draw their pension for 1.3 years longer than in the prior year. Allowance has been made for future improvements in mortality at a rate equal to about ½ year per decade. The longevity assumptions are as follows:

	31 Dec 2006 years	31 Mar 2006 years
Life expectancy of a male aged 65 in 2006	**20.9**	19.6
Life expectancy of a male aged 65 in 2026	**22.0**	20.9

26. Retirement benefit obligations

The table below sets out the fair value of assets, the present value of the IAS 19 liabilities and the deficit of assets below the IAS 19 liabilities (which equals the net pension deficit). The fair value of the schemes' assets is not intended to be realised in the short term and may be subject to significant changes before realisation. The present value of the schemes' liabilities is derived from cash flow projections over long periods and is thus inherently uncertain.

			31 Dec 2006			31 Mar 2006
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Fair value of assets						
– equities	358.4	–	358.4	337.3	7.7	345.0
– bonds and gilts	246.2	–	246.2	246.6	10.6	257.2
– other	1.1	18.8	19.9	2.2	0.4	2.6
Fair value of plan assets	605.7	18.8	624.5	586.1	18.7	604.8
Defined benefit obligation						
Funded	(690.7)	(22.0)	(712.7)	(683.8)	(25.5)	(709.3)
Wholly unfunded	(3.3)	(16.3)	(19.6)	(4.1)	(16.5)	(20.6)
Present value of defined benefit obligation	(694.0)	(38.3)	(732.3)	(687.9)	(42.0)	(729.9)
Net liability in balance sheet	(88.3)	(19.5)	(107.8)	(101.8)	(23.3)	(125.1)

			31 Dec 2006			31 Mar 2006
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Movement in deficit during the period						
Opening balance	(101.8)	(23.3)	(125.1)	(121.6)	(20.3)	(141.9)
Current service cost	(2.6)	(0.4)	(3.0)	(3.7)	(1.2)	(4.9)
Past service cost	–	–	–	(0.1)	0.1	–
Curtailments and settlements	–	3.1	3.1	0.9	0.1	1.0
Contributions	14.0	–	14.0	18.9	1.4	20.3
Net finance credit/(charge)	0.7	(0.3)	0.4	(1.4)	(0.7)	(2.1)
Benefits paid	0.7	0.5	1.2	–	–	–
Actuarial gain/(loss)	0.7	(0.6)	0.1	5.2	(2.4)	2.8
Transferred to held for sale	–	0.5	0.5	–	–	–
Exchange	–	1.0	1.0	–	(0.3)	(0.3)
Closing balance	(88.3)	(19.5)	(107.8)	(101.8)	(23.3)	(125.1)

			31 Dec 2006			31 Mar 2006
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Amounts recognised in the income statement						
Current service cost	(2.6)	(0.4)	(3.0)	(3.7)	(1.2)	(4.9)
Past service cost	–	–	–	(0.1)	0.1	–
Gains on curtailments and settlements	–	3.1	3.1	0.9	0.1	1.0
Recognised in operating profit	(2.6)	2.7	0.1	(2.9)	(1.0)	(3.9)
Interest cost	(25.8)	(1.2)	(27.0)	(33.0)	(1.7)	(34.7)
Expected return on plan assets	26.5	0.9	27.4	31.6	1.0	32.6
Recognised in finance charges	0.7	(0.3)	0.4	(1.4)	(0.7)	(2.1)
Total income/(expense) recognised in the income statement	(1.9)	2.4	0.5	(4.3)	(1.7)	(6.0)

26. Retirement benefit obligations (continued)

	31 Dec 2006 UK £m	31 Dec 2006 Overseas £m	31 Dec 2006 Total £m	31 Mar 2006 UK £m	31 Mar 2006 Overseas £m	31 Mar 2006 Total £m
Cumulative actuarial gains and losses recognised directly in equity						
Opening balance	(0.7)	(6.7)	(7.4)	(5.9)	(4.3)	(10.2)
Actuarial gains/(losses)	0.7	(0.6)	0.1	5.2	(2.4)	2.8
Closing balance	–	(7.3)	(7.3)	(0.7)	(6.7)	(7.4)

The cumulative amount represents all actuarial gains and losses recognised directly in equity since transition date of 1 April 2004.

	31 Dec 2006 UK £m	31 Dec 2006 Overseas £m	31 Dec 2006 Total £m	31 Mar 2006 UK £m	31 Mar 2006 Overseas £m	31 Mar 2006 Total £m
Reconciliation of present value of defined benefit obligation						
Opening balance	(687.9)	(42.0)	(729.9)	(616.8)	(36.1)	(652.9)
Current service cost	(2.6)	(0.4)	(3.0)	(3.7)	(1.2)	(4.9)
Past service costs	–	–	–	(0.1)	0.1	–
Interest cost	(25.8)	(1.2)	(27.0)	(33.0)	(1.7)	(34.7)
Contributions	(0.6)	–	(0.6)	(0.8)	0.4	(0.4)
Actuarial losses	(1.9)	(0.6)	(2.5)	(69.9)	(3.2)	(73.1)
Benefits paid	24.8	0.7	25.5	35.5	0.2	35.7
Curtailments and settlements	–	3.1	3.1	0.9	0.1	1.0
Transferred to held for sale	–	0.5	0.5	–	–	–
Exchange	–	1.6	1.6	–	(0.6)	(0.6)
Closing balance	(694.0)	(38.3)	(732.3)	(687.9)	(42.0)	(729.9)

	31 Dec 2006 UK £m	31 Dec 2006 Overseas £m	31 Dec 2006 Total £m	31 Mar 2006 UK £m	31 Mar 2006 Overseas £m	31 Mar 2006 Total £m
Reconciliation of fair value of plan assets						
Opening balance	586.1	18.7	604.8	495.2	15.8	511.0
Expected return on plan assets	26.5	0.9	27.4	31.6	1.0	32.6
Actuarial gains	2.6	–	2.6	75.1	0.8	75.9
Contributions by the employer	13.9	–	13.9	18.7	0.6	19.3
Contributions by plan participants	0.7	–	0.7	1.0	0.4	1.4
Benefits paid	(24.1)	(0.2)	(24.3)	(35.5)	(0.2)	(35.7)
Transferred to held for sale	–	–	–	–	–	–
Exchange	–	(0.6)	(0.6)	–	0.3	0.3
Closing balance	605.7	18.8	624.5	586.1	18.7	604.8

Historical information	31 Dec 2006 £m	31 Mar 2006 £m	31 Mar 2005 £m	31 Mar 2004 £m
Fair value of plan assets	624.5	604.8	511.0	472.7
Present value of defined benefit obligation	(732.3)	(729.9)	(652.9)	(611.0)
Net pension deficit	(107.8)	(125.1)	(141.9)	(138.3)
Experience adjustments arising on plan assets	2.6	75.9	22.4	42.0
Experience adjustments arising on plan liabilities	4.3	1.7	4.6	(0.7)

27. Share capital

	Group 31 Dec 2006 £m	Group 31 Mar 2006 £m	Company 31 Dec 2006 £m	Company 31 Mar 2006 £m
Authorised				
995,906,427 ordinary shares of 10p each	99.6	99.6	99.6	99.6
Called up and allotted				
114,833,817 ordinary shares of 10p each	11.5	11.5	11.5	11.5

28. Shareholders' equity

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 1 April 2005	11.6	0.1	(330.2)	(2.5)	5.7	420.7	105.4
Loss for the year	–	–	–	–	–	(25.6)	(25.6)
Redemption of preference shares	(0.1)	–	–	–	–	–	(0.1)
Share-based compensation charge	–	–	–	–	–	0.9	0.9
Share options exercised	–	–	–	–	–	0.5	0.5
Dividends	–	–	–	–	–	(8.0)	(8.0)
Gains and losses deferred in equity	–	–	–	5.1	–	–	5.1
Net actuarial loss on pension schemes	–	–	–	–	–	(2.0)	(2.0)
Exchange	–	–	–	–	(1.1)	–	(1.1)
At 31 March 2006	11.5	0.1	(330.2)	2.6	4.6	386.5	75.1
At 1 April 2006	**11.5**	**0.1**	**(330.2)**	**2.6**	**4.6**	**386.5**	**75.1**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(32.3)**	**(32.3)**
Share-based compensation charge	**–**	**–**	**–**	**–**	**–**	**0.6**	**0.6**
Share options exercised	**–**	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Dividends	**–**	**–**	**–**	**–**	**–**	**(7.9)**	**(7.9)**
Gains and losses deferred in equity	**–**	**–**	**–**	**(1.5)**	**–**	**–**	**(1.5)**
Actuarial loss on pension schemes (net of tax)	**–**	**–**	**–**	**–**	**–**	**(4.6)**	**(4.6)**
Exchange	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
At 31 December 2006	**11.5**	**0.1**	**(330.2)**	**1.1**	**4.5**	**342.4**	**29.4**

Merger reserve
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 the 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.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the company's net investment in a foreign subsidiary.

Employee Share Ownership Trust
Retained earnings includes the Employee Share Ownership Trust ('ESOT') which 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 ESOT have been waived. At 31 December 2006 the ESOT held 1,223,825 (31 March 2006: 1,298,825) shares in the company which had a market value of £2.8m (31 March 2006: £1.6m).

Refer to page 32 in the remuneration report for the general terms and conditions that relate to share option schemes.

28. Shareholders' equity (continued)

	Share capital £m	Share premium £m	Hedging reserve £m	Retained earnings £m	Total £m
Company					
At 1 April 2005	11.6	0.1	(2.5)	187.1	196.3
Loss for the year	–	–	–	(3.8)	(3.8)
Redemption of preference shares	(0.1)	–	–	–	(0.1)
Dividends	–	–	–	(8.0)	(8.0)
Gains and losses deferred in equity	–	–	1.1	–	1.1
At 31 March 2006	11.5	0.1	(1.4)	175.3	185.5
At 1 April 2006	**11.5**	**0.1**	**(1.4)**	**175.3**	**185.5**
Loss for the year	**–**	**–**	**–**	**(4.6)**	**(4.6)**
Dividends	**–**	**–**	**–**	**(7.9)**	**(7.9)**
Gains and losses deferred in equity	**–**	**–**	**3.1**	**–**	**3.1**
At 31 December 2006	**11.5**	**0.1**	**1.7**	**162.8**	**176.1**

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Share option schemes

The number of outstanding share options are as follows:

	31 Dec 2006 Number of options	31 Dec 2006 Weighted average exercise price	31 Mar 2006 Number of options	31 Mar 2006 Weighted average exercise price
Opening balance	**1,662,603**	**238.4**	3,092,210	225.5
Exercised during the period	**(75,000)**	**161.5**	–	–
Lapsed during the period	**(362,744)**	**234.3**	(1,429,607)	210.5
Closing balance	**1,224,859**	**244.3**	1,662,603	238.4

	Weighted average contractual life	Exercise price range	Dates of grant	Average exercise price
Executive option scheme	3.75 years	161p-514p	1998-2002	244.3p

All options are settled by physical delivery of shares. The total consideration receivable if all options outstanding were exercised would be £3.0m.

The weighted average share price at the date of exercise of share options exercised during the period was 191.5p (31 March 2006: no options exercised).

Uniq Performance Incentive Plan

	Remaining contractual life (years)	Outstanding shares
Equity settled awards granted in:		
Year ended 31 March 2005	7.4	505,898
Year ended 31 March 2006	8.6	841,152
9 months ended 31 December 2006	9.4	990,036
		2,337,086

The exercise price for the above shares is £nil.

28. Shareholders' equity

The fair value of services received in return for Performance Incentive Plan shares (PIPs) granted are measured by reference to the fair value of PIPs granted. The estimate of the fair value of services received is measured based on a Monte Carlo model. Assumptions used in the Monte Carlo model for PIPs granted during the period are as follows:

	31 Dec 2006	31 Mar 2006
Expected volatility	26.2%	27.0%
Risk free interest rate	4.3%	4.4%
Dividend yield	3.5%	3.5%
Correlation coefficient	4.4%	5.5%

The expected volatility is wholly based on the historic volatility, calculated based on the weighted average remaining life of the PIPs.

The total expenses recognised for the period arising from share based payments are as follows:

	9 months ended 31 Dec 2006 £m	12 months ended 31 Mar 2006 £m
Equity, settled, share based payment charge	0.7	0.9
Total carrying amount of liabilities	2.3	1.6

29. Commitments

	31 Dec 2006 £m	31 Mar 2006 £m
Capital commitments contracted, but not provided	7.2	2.8

	31 Dec 2006			31 Mar 2006 (restated)		
	Land & buildings £m	Other leases £m	Total £m	Land & buildings £m	Other leases £m	Total £m
Operating lease commitments expiring:						
Within one year	2.1	2.4	4.5	1.8	2.2	4.0
Between one and five years	5.7	1.8	7.5	4.0	2.3	6.3
After five years	8.9	–	8.9	2.9	-	2.9
	16.7	4.2	20.9	8.7	4.5	13.2

30. Contingent liabilities

Guarantees and contingencies exist in the ordinary course of business. Certain guarantees are performance related.

31. Related party transactions

The group has a related party relationship with its subsidiaries (these are listed in note 32) and with its key management personnel.

Key management personnel are classed as the directors (including the non-executive directors). Directors' compensation is disclosed in table 1 on page 34.

32. Principal subsidiaries at 31 December 2006

Subsidiary undertakings	Principal activity	Country of incorporation and principal operation
Uniq (Holdings) Limited	Investment holding company	United Kingdom
Uniq Prepared Foods Limited	Principal trading company for the UK chilled convenience food manufacture business	United Kingdom
Marie Frais SAS	Chilled convenience food manufacture and sale	France
Marie Surgeles SAS	Chilled convenience food manufacture and sale	France
St Hubert SAS	Manufacture and sale of spreads	France
Uniq Deutschland GmbH	Chilled convenience food manufacture and sale	Germany
Uniq Convenience Foods Nederland BV	Chilled convenience food manufacture and sale	Netherlands
Uniq Lisner Sp.zo.o	Chilled convenience food manufacture and sale	Poland
Natural Food SA	Chilled convenience food manufacture and sale	Spain

Notes:
All subsidiary undertakings are 100% owned by the group. Uniq (Holdings) Limited is owned by Uniq plc and the remainder are held through subsidiary undertakings. Companies incorporated in the United Kingdom are registered in England and Wales.

33. Events after balance sheet date

On 16 January 2007 the group sold St Hubert SAS for a gross consideration of £248m realising a gain on disposal in excess of £200m. On the same date the existing bank facility was repaid and replaced with a £40m committed working capital facility that expires in March 2010. An amount of cash equal to the UK main funds net IAS 19 pension deficit as at 31 December 2006 has been placed into a secure account in favour of the UK pension fund. This arrangement has been cleared with the Pensions Regulator.

Subsequent to the year end, the group has announced the closure of its Bremerhaven factory in Germany transferring fish production to Poznan in Poland and potato salad production to Losser in the Netherlands. Additionally the group has committed to some further actions in the Marie business in France. The total cost of these events is expected to be in the order of £8m.

The changes to UK corporate tax rates announced in the Budget on 21 March 2007 mean that the deferred tax asset, representing tax relief available on retirement benefits payable in the future, will be reduced by £2m reflecting the proposed cut in the rate of 30% to 28% from April 2008 onwards. The reduction for other deferred tax assets is £0.5m.