

**UGC LIMITED**  
**(Registered No: 1994997)**

**Report and Financial Statements**

**For the year ended 31 December 2004**



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# DIRECTORS, OFFICERS & ADVISERS

DIRECTORS:	<p>Lord Sheppard KCVO KT (Chairman)*  J M Neill CBE (Deputy Chairman &amp; Group Chief Executive)  J D Clayton  C Etherington  K Jones  A J Mourgue  R C Tomkinson*  A M Vinton (Deputy Chairman)*</p>
	*Non Executive
SECRETARY:	M D Rimmer
REGISTERED OFFICE:	<p>Unipart House  Cowley  Oxford  OX4 2PG</p>
REGISTERED AUDITORS:	<p>PricewaterhouseCoopers LLP  Cornwall Court  19 Cornwell Street  Birmingham  B3 2DT</p>
SOLICITORS:	<p>Clifford Chance  10 Upper Bank Street  Canary Wharf  London  E14 5Jl</p>
REGISTRARS:	<p>Lloyds TSB Registrars  The Causeway  Worthing  West Sussex  BN99 6DA</p>
REGISTRATION:	<p>UGC Limited  England 1994997</p>

# DIRECTORS OF UGC LIMITED

## LORD SHEPPARD KCVO KT (Chairman)

Lord Sheppard was appointed non-executive Chairman of the Unipart Group of Companies in 1996 following 21 years as a director of Grand Metropolitan, which included positions as Group Chief Executive (1986-1993) and Chairman (1993-96). Knighted in 1990 Lord Sheppard had previously spent 18 years in the motor industry in finance, sales, marketing and the management with Ford, Rover and British Leyland.

He is also Chairman of Nantorian Resources plc, One-Click HR plc and Midvale plc, Chancellor of Middlesex University and a Governor of the London School of Economics (where he graduated in Business Administration and which in 2000 made him an honorary fellow). Lord Sheppard has been a key figure in the running of the Prince's Trust and is President of London First, which strives to improve and promote London.

## J. MNEILL CBE (Deputy Chairman & Group Chief Executive)

John Neill, Deputy Chairman and Group Chief Executive, joined Unipart in 1974. He became Managing Director in 1977 and in 1987 led the management buy-out upon which he became Deputy Chairman and Group Chief Executive. Together with the Board members and members of the Group Executive Committee he is responsible for the day-to-day management and overall performance of the group.

He holds a number of key positions within the motor industry including Vice President of the Society of Motor Manufacturers and Traders (SMMT), as well as being a Board member of the SMMT Industry Forum. His other offices include being a non-executive director of Charter plc and of Royal Mail Group plc. He is also a former member of the Court of the Bank of England and has been awarded honorary Doctorates in Business Administration from Oxford Brookes University, De Montfort University and more recently, from Middlesex University.

## A. J. MOURGUE

Group Finance Director Terry Mourgue is a Chartered Accountant having qualified in 1977 with Ernst & Young in London. After working with Ernst & Young in Paris, he joined Black & Decker in the UK with responsibilities in Europe, Africa and the Middle East. After joining Unipart in 1983 he was appointed Finance Director in 1986.

As well as managing the internal financial control of the Group, he has been responsible for executing the numerous acquisitions and disposals the Group has undertaken and has been closely involved with relationships with investors, including the original buy-out, a share buy back and share transactions between institutional shareholders. He is responsible for banking relationships and having led the process to reduce group debt, has put into place long term banking facilities for the Group.

## A. M. VINTON (Deputy Chairman)

Fred Vinton, who was appointed Deputy Chairman in 2004, is the Chairman of the international fund management company ElectroPartners, specialising in private equity, and Chairman of Lambert-Howard Group plc. He is also a director of Amerindo Internet Fund plc and a private family fund management company. He previously served as Chief Operating Officer at NIMRochechild & Sons and as Chief Executive responsible for financial assets of the Bernberg Family Group.

Born in Argentina, he graduated from Harvard in Economics and spent 25 years with J.P. Morgan in the US, South America and, latterly, London where he was Senior Vice President responsible for banking operations and UK business from 1980-86.

## R. C. TOMKINSON

Robert Tomkinson joined the Unipart Group of Companies in 1998. At the time of his appointment he had just retired as Group Finance Director of Europe's leading electronics and electrical distribution group, Electrocomponents plc.

Previously he held a similar position with Automotive Products, and his early career was spent in energy and merchant banking. He is a non-executive director of Barroworld Ltd of South Africa and was Chairman of the University of Buckingham.

## J. D. CLATON

John Clayton is responsible for the Group's rail business, which includes Railpart and NRS.

Since joining Unipart in 1983 he has held senior roles in most of the Group's major operating units. When Unipart took an equity stake in Railpart on that company's privatisation in March 1997 he was appointed Managing Director. Previous positions included director and General Manager of Jaguar Services in DC14, Managing Director of Edmunds Walker and Finnan and Business Development Director of Unipart International.

In his earlier career he qualified as a Chartered Accountant with Ernst & Young, before joining Black & Decker from where he moved to Unipart.

## K. JONES

Keith Jones, Managing Director of the Group's Logistics business, Unipart Logistics, joined the Group in 1984 after a number of years with the Ford Motor Company where he worked in Germany, France and Italy as well as the UK.

Since joining Unipart he has held a variety of senior positions in the Group. He has been actively involved in the development of the Group's automotive business in the UK, Europe and the Rest of the World. He also developed and expanded the Group's logistics business in the technology, retail and aerospace sectors of the market.

## C. EATHERINGTON

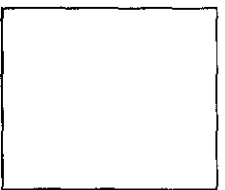
Managing Director of the Unipart Automotive business, Chris Eatherington joined the Unipart Group in April 2003 from the Board of Alliance Unichem plc, the FTSE 100 pan-European pharmaceutical distributor.

Over a period of 12 years at Alliance Unichem he held a number of senior positions including, latterly, UK Managing Director and Executive Director of Northern Europe. His early career was spent in operational roles with Smith's Food Group, Asda plc and in contract distribution within the grocery retail sector.

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UNIPART GROUP OF COMPANIES

# LETTER FROM THE CHAIRMAN



Lord Sheppard  
Chairman

Dear Shareholder

I am pleased to report that the Group has improved profitability in the year making an operating profit (before goodwill amortisation and exceptional items) of £24.1 million in the twelve months to 31 December 2004. This compares with £3.4 million for the 6 months to 31 December 2003. After charging goodwill, exceptional items, interest, tax and minority interests the Group achieved a profit of £23.6 million for the year.

Shareholders will recall that for 2004 we reverted to reporting on a calendar year basis and the Group is now back on this cycle after changing in prior periods to accommodate the conclusion of the Rover and Land Rover contracts.

In addition to improvements in profitability, I am also pleased to report further reductions in bank borrowings as cash continues to be carefully managed across the Group. This facilitated the refinancing of Unipart Rail facilities at the end of the year on more favourable terms and will have a positive impact on the interest charge to the Group.

In previous reports I have remarked on the significant transformation underway throughout the Group requiring all our businesses to continually respond to changing markets and increasing demands. This year has been no exception and the results demonstrate that our Group remains equal to this challenge.

Unipart Automotive continues to operate in an extremely competitive and declining market and has done well to maintain sales levels at the same time as making significant improvements in its operating cost base. These improvements in performance are a very positive sign that Unipart Automotive is now poised to take advantage of its position as the only national automotive parts provider in the UK. A lot more needs to be done to improve profitability but it is gratifying to see the significant progress that has already been achieved.

The Unipart Logistics business maintained its transformation by both improving existing customer relationships and developing new ones. The list of customers has again grown and Unipart Logistics now offers an extremely wide range of distribution and logistics solutions underpinned by the integrated Unipart Logistics System. The consultancy services arm of the Unipart Logistics business also expanded its customer base and the services it offers, strengthening the business proposition for potential new customers.

Within the Unipart Rail business, Railpart continues to operate in an uncertain market place with tightening market conditions. However, customers are increasingly coming to value the high level of service consistently delivered by Railpart and this, combined with improving supplier performance and cost improvement, puts Railpart in a competitive position in the industry. National Railway Supplies (NRS) again performed well at the same time as responding to Network Rail over the restructuring of rail maintenance requirements.

The board has not declared a dividend for the year as it is still focussed on reducing debt.

The 'Unipart Way' of working, underpinned by its tools and techniques, remains our defining force for competitive advantage. As an integral part of everyday life for Unipart people it continues to develop and change with the power to deliver improvements on a dynamic basis for both existing and potential customers.

In closing, I would like to thank all our people for the contribution they have made to the improvements in the Group's performance this year. I am confident that they will continue to build on this significant achievement and contribute to further successes in the future. The pace of change experienced in recent years is unlikely to diminish but with the Unipart spirit backing the 'Unipart Way' I am confident we will face up to the challenges successfully.

Lord Sheppard  
Chairman

# GROUP CHIEF EXECUTIVE'S REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2004



John M Neill CBE  
Deputy Chairman & Group Chief Executive.

## BACKGROUND

The year has seen an improvement in profitability with Group operating profit before goodwill and exceptional items growing from £34 million for the six months to 31 December 2003 to £24.1 million for the twelve months to 31 December 2004. The Group has also generated sufficient cash to reduce its net debt at 31 December 2004 by £17.8 million to £39.3 million.

## FINANCIAL OVERVIEW

### Turnover

Sales for the twelve months are reported at £1,064.7 million which, after adjusting for the successful completion and exit from the operational warehouse support contract for MG Rover at the end of the first quarter of 2004, shows a growth of 4.6% for the rest of the business compared to the comparable period last year. This increase has mainly been generated by the growth of new and existing contracts in Unipart Logistics and an expanded contract for NRS with Network Rail to supply product for the West Coast Main Line project.

### Operating profit

An operating profit of £24.1 million, before charging goodwill amortisation and exceptional items, has been reported for the twelve month period, which compares with an operating profit from continuing operations of £34 million, before charging goodwill amortisation and exceptional items, for the prior six month period.

This increase in profitability has come about primarily as a result of a significant improvement in Unipart Automotive profitability in the year. It has been supported by sustained profits from Unipart Rail during an increasingly difficult and uncertain period within the British rail industry, and by Unipart Logistics where the performance has been achieved against the background of successfully exiting completely from MG Rover, consolidating the Unipart Automotive warehousing into Cowley and implementing a number of new contracts with growing blue chip clients to utilise vacated facilities.

Goodwill and other intangible amortisation of £2.0 million has been charged in the year.

Exceptional items within operating profit contributed a net profit of £0.6 million for the year made up as follows:-

- The release of the balance of an onerous lease provision of £1.8 million following successful re-utilisation of the Weedon warehouse, much earlier than had been anticipated, as a result of a new contract.
- A deferred fee of £0.3 million became payable to the Group's banks in relation to a prior financing arrangement, the maximum amount payable being £2.0 million which had been provided, with the result that the balance of the provision of £1.7 million was therefore released in the year.
- A charge of £2.9 million on professional costs relating to legal issues.

After accounting for these costs and the inclusion of the Group's share of profits from joint ventures and associates of £2.7 million, the Group reported total operating profit of £25.4 million.

### Profit on ordinary activities before interest and taxation

A profit of £26.3 million has been reported for the twelve month period. This compares to £0.9 million for the six month period to 31 December 2003.

Included in profit of £26.3 million is £0.9 million profit on the disposal of businesses. This relates to the disposal of the Group's interest in an associate, Holly Benson Communications, and additional recoveries in relation to Kellon, the manufacturing business disposed of in 2002.

### Interest

Net interest charges on debt for the twelve month period are £7.1 million, which includes £1.9 million of amortisation of issue costs on bank facilities (compared to £0.6 million in 2003). This compares to a net interest charge of £3.4 million for the six months to 31 December 2003. There is an underlying reduction in the level of interest incurred by the Group primarily driven by the reduction in borrowings achieved in the year, which has been partially offset by higher interest rates.

The net finance charge for the twelve month period at £8.3 million includes £1.2 million of other finance charges that include unwinding of discounting on provisions and following the adoption of FRS 17, the net finance charge on the pension schemes.

In December, Unipart Rail was refinanced with a more favourable three-year term facility reflecting the lower group borrowings and gearing. The lower interest rates will favourably impact 2005 onwards.

### Profit on ordinary activities before taxation

The improved operating profit, favourable exceptional items and reduced interest costs have resulted in the Group reporting a profit on ordinary activities before taxation of £18.0 million for the twelve month period to 31 December 2004 compared to a loss of £4.5 million for the six month period to 31 December 2003.

### Taxation

The tax credit for the period of £5.9 million primarily arises from the movement on deferred tax in the year. The improvement in current and future forecast profits has enabled the Group to recognise the majority of the full potential deferred tax asset. This has been partially offset by the tax charge on profits from overseas operations. The Group has sufficient UK tax losses available to offset the corporation tax liability arising on the profits from UK operations.

### Profit on ordinary activities after taxation

The profit for the year after charging interest and tax is £23.9 million (compared to a prior period loss of £2.2 million).

The Group has now fully implemented FRS 17 'Retirement benefits', restating prior-year results, which were based on SSAP24, accordingly. The impact of this can be seen in the Group statement of total recognised gains and losses which details movements in the actuarial valuation (offset by the deferred tax relating to it) and the prior period adjustment required along with the details in note 22 to the accounts.

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# GROUP CHIEF EXECUTIVE'S REVIEW

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## DEVELOPMENT OF THE BUSINESS

The Group operates principally in the provision of logistics services and the distribution of parts in the transport, IT and retail industry.

### Unipart Automotive

Unipart Automotive operates predominantly within the UK through over 300 branches trading as Autoparts, Brown Brothers and Serck. It serves the independent motor trade, national fast fit, roadside assistance, bodyshop, garage forecourt retail and commercial vehicle markets. It is the only business genuinely capable of providing a national proposition to all of these markets. In addition, it operates businesses in USA, Gulf, The Netherlands and Belgium.

During 2004 the emphasis continued to be on improving the operational performance of Unipart Automotive and developing the market-leading proposition. Cost base reductions achieved in 2003 contributed substantially to the improvement in the profitability of the business.

Unipart branded product is now the preferred brand through the Unipart Automotive networks and is increasingly being sold to independent distributors throughout Europe. During 2004 the penetration of the Unipart brand across the product ranges was increased. To support expansion of Unipart Automotive's proposition, all its products were consolidated from two separate warehouses into a dedicated area within the Group's 100,000 square metre distribution centre in Oxford, taking advantage of common warehousing and distribution processes. The use of regional distribution centres in 2005 will complete the delivery of a class leading parts distribution service.

During 2004 "Choices Plus" was launched as a comprehensive loyalty programme for all our customers for mechanical parts. This unique programme has been successful and will be further extended in 2005.

Unipart Automotive continues to increase the use of the proven tools and techniques of the 'Unipart Way' throughout every level of its operations. During 2004, the results have been continuous improvements in customer service and continued progress towards our goal of error free operations. Unipart Automotive has been particularly successful in improving stock management, resulting in a reduction in gross stock of £10.1 million in the year.

### Unipart Logistics

Unipart Logistics has both consolidated and developed its position in the logistics and business services market particularly in Automotive, Technology, Retail, Aerospace and Defence.

In the Automotive sector, a further extension of the strong relationship with Jaguar was agreed. Unipart Logistics provides a comprehensive range of demand chain management services to Jaguar for its parts aftermarket activities throughout the world including North America, Japan and Australia in addition to the UK and Europe. These services are underpinned by Unipart Logistics comprehensive, integrated systems (ULS). These systems, together with the Unipart Logistics business approach contained within the 'Unipart Way', has enabled Jaguar car owners to receive a consistent, high level of service, which convinced Jaguar to commit itself to working with Unipart Logistics at least until 2013. Similarly, London Taxi International (LTI) has extended its agreement with Unipart Logistics for a comparable range of

services. Unipart Logistics is delighted to have the opportunity to work with both these clients on a long term basis. During 2004 Unipart Logistics was also successful in developing its automotive business through securing a contract to provide parts services to Land Rover Classic vehicles.

Significant growth was achieved in 2004 in the technology sector, particularly with Vodafone. Unipart Logistics has developed a substantial partnership with Vodafone, which is reflected in the wide range of logistics services now provided to Vodafone and a further extension of the contractual relationship agreed between the two businesses. Growth has also been seen through the addition of clients such as BSkyB and BT.

Unipart Logistics is particularly pleased to welcome BSkyB to its group of clients. The transition of BSkyB logistics activities to Unipart was achieved through a level of mutual partnership that provided a sound foundation for the future.

Support for the growth of '3' has been a significant focus for Unipart Logistics in 2004. This has demanded the relocation of this business to a new warehouse in order to provide the necessary logistics capacity prior to peak Christmas demand.

Whilst significant developments have been achieved in the automotive and technology sectors, Unipart Logistics' most substantial progress has been achieved in the retail sector. Unipart Logistics expanded its business with Boots considerably and further developed the logistics services provided to Halfords. In addition both Jessops and Homebase were added as new clients in this sector.

Unipart Logistics has continued to develop its business in both the Aerospace and Defence sectors through its Airbus and Thales clients and 2004 saw an expansion of these relationships throughout the year.

Finally, Unipart Logistics expanded its consultancy services substantially during the twelve-month period. It now offers a range of services including process re-design and improvement, inventory management, change management and overall supply chain analysis to an increasing body of clients including Royal Mail, Shell, HVM, Chrysler, Argos, Littlewoods and MFI.

The achievements of 2004 provide Unipart Logistics with a sound foundation for the further development of its business in future years.

### Unipart Rail

Unipart Rail supplies a comprehensive range of parts, mainly to the aftermarket for the traction and rolling stock sector and the infrastructure market.

Despite tightening market conditions Unipart Rail produced a good performance in 2004. Good sales growth was achieved in support of the West Coast Route Modernisation project of Network Rail. Notable sales successes were also achieved with new products. For example, the Self Testing Current Rail Indicator Device is being supplied to Tube Lines for London Underground, whilst ground position lights and main line signals using LED technology have been developed with Network Rail. Good growth has also been achieved in the freight vehicle market and across a range of refurbishment products, although this was compensated by reductions in sales of heavy maintenance and older vehicles, which came out of service.

# GROUP CHIEF EXECUTIVE'S REVIEW

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## DEVELOPMENT OF THE BUSINESS (continued Unipart Rail)

The restructuring of the industry saw Network Rail continue its programme of taking direct responsibility for maintenance. The logistics, materials and supply chain management services for maintenance were tendered by Network Rail in the second half of 2004 and this was a major focus of attention for NRS. Although final contracts have yet to be signed, we expect that the role of NRS in the supply chain will move more towards buying and supplier management.

Service levels, already the best in the industry, were further improved in 2004 and supply chain developments continue at pace. Building on the successful supplier conferences, the performance of suppliers in the key areas of service, cost and quality continues to be improved.

The businesses continue to invest in IT systems, process improvements and staff development using the 'Unipart Way' as the foundation. Unipart Rail is now at the forefront of the Group in many applications of the 'Unipart Way' and the staff are justifiably proud of their achievements in this area.

## Burden

Burden witnessed some sales growth over 2003 despite the poor summer weather having depressed demand in its core leisure and marine chandlery business. The business continues to provide best available service levels, and enjoys the high regard of its customer base. The business is continuing to implement the 'Unipart Way' tools and gain synergies from other parts of the Group in order to sustain and improve these areas as a basis for further competitive advantage.

## Manufacturing Joint Ventures

### Unipart Eberspächer Exhaust Systems Limited

The Unipart and Eberspächer joint venture experienced significant growth in 2004, driven by the successful launch of the new Land Rover Discovery III, for which the business is the supplier of exhausts, catalysts and manifolds. This growth is expected to continue in 2005 as the new models reach full volume.

Unipart Eberspächer Exhaust Systems also launched the production of steel fuel tanks for the Aston Martin DB9 during 2004, and is working on the design, development and production facilities for Jaguar, Aston Martin and other new model launches. These programmes have further enhanced Unipart Eberspächer's position as the largest steel tank manufacturer in the United Kingdom, and the business continues to expand its design and test capabilities against the background of an ever-increasing level of interest in steel fuel tanks from European vehicle manufacturers.

### Kaurex Unipart Limited

The Kaurex and Unipart joint venture which now supplies the majority of vehicle manufacturers in the UK market has also enjoyed growth in the year under review working well with customers on the introduction of new products. Throughout the year development work took place with Land Rover for the introduction of a higher capacity Freelander tank and a model update on the Range Rover. In particular a new fuel system was launched



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enabling the introduction of the Mini Cabriolet, with extremely good delivery and quality performance. Considerable focus was devoted to reducing the plastic waste sent to landfill which, by using many of the 'Unipart Way' tools, has reduced the waste by over 1 tonne per day benefiting both the environment and improving cost competitiveness. Significant progress was made with the ongoing implementation of the 'Unipart Way' during the year and further developments are planned for 2005.

## THE FUTURE

The Group has successfully managed through a very significant transformation as it exited from the declining MG Rover business and devoted significant financial and management resource to improving the operational and financial performance of Unipart Automotive.

Unipart Logistics has demonstrated its ability to build on its deep technical and operational logistics knowledge to grow very quickly into the retail, telecommunications, IT and aerospace sectors by utilising the 'Unipart Way' know-how originally developed in the automotive logistics sector. Potentially under-utilised facilities are now substantially full and new warehousing space has been acquired to service new contracts. Unipart Logistics is poised for further growth.

Unipart Automotive has now passed through a heavy reorganisation phase and substantially reduced its cost base. Future success will flow from developing the Unipart brand and its customer proposition further to grow market share and margins. This will continue to be difficult in a very competitive and shrinking market.

The rail market is expected to remain uncertain. Unipart Rail will need to reorganise to take account of the impact of the outcome of the Network Rail tender for maintenance business and this is likely to adversely impact the ongoing profit of the business.

Overall the business has significantly improved profitability, reduced its borrowings and remains strongly cash positive. It is in good shape to address the demanding markets and customers that it serves.

## OUR PEOPLE

The Group and its management have made a sustained commitment to growing and improving the business through training and developing its people in the 'Unipart Way' (our company university) and the Facilities on the Floor.

The 'Unipart Way' continues to be enthusiastically embraced throughout the Group and now represents a real and growing source of long term competitive advantage for all the Group companies. This advantage, coupled with our commitment to outstanding personal customer service, is evidenced by the many Plak in Action awards made in the year which now total over 2,050 since the programme was first launched.

I would like to take this opportunity of recognising and thanking all my colleagues for their contribution to the performance of our Group and for their hard work and dedication to continuous improvement.

I also look forward to the coming year as we all build on our personal understanding and expertise to broaden and deepen the implementation of the 'Unipart Way' for the benefit of all our stakeholders.

John M Neill CBE

# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report together with the audited financial statements for the year ended 31 December 2004. The comparative figures cover the six month period ended 31 December 2003.

## Principal activity

The Group is engaged in distribution and logistics management in the transport, information technology and retail industries.

The Company's principal activity is that of an ultimate holding company.

## Review of activities and future developments

These are set out in the Group Chief Executive's Review on pages 4 to 6.

During the year, there has been an issue of ordinary share capital, as shown in note 17 on page 27.

## Profit and loss account

The results for the year are set out in the Group profit and loss account on page 10.

## Directors

The current directors, as listed on page 1, served throughout the entire year.

## Directors' interests

The beneficial interests of the directors and their families in the share capital of the Company are shown below (those directors who are not listed do not have any such interests).

	31 December 2004		31 December 2003		31 December 2004		31 December 2003		31 December 2004		31 December 2003	
	Number		Number		Number		Number		Number		Number	
<b>Beneficial Holdings</b>												
Lord Sheppard	100,000		50,000		-		5,638,860		-		-	
JM Neill	1,627,222		509,515		-		5,638,860		-		-	
Al Mourgue	34,824		34,824		1,362,500		1,362,500		-		-	
K Jones	96,880		96,880		-		-		337,500		337,500	
JD Clayton	91,500		91,500		-		-		191,083		191,083	
AM Vinton	200,000		-		-		-		-		-	
RC Tomkinson	20,000		-		-		-		-		-	
C Etherington	10,000		-		-		-		-		-	
<b>Non-Beneficial Holdings</b>												
JM Neill	898,020		898,020		-		-		-		-	
<b>Ordinary 'A' shares under option in the company</b>												
					31 December 2004		Lapsed in year		31 December 2003			
					Number		Number		Number			
JM Neill					1,918,367		-		1,918,367			
Al Mourgue					1,122,449		(17,284)		1,139,733			
K Jones					200,000		-		200,000			
JD Clayton					200,000		-		200,000			

No options were granted or exercised during the financial year. Since the year-end, C Etherington has been granted options over 500,000 Ordinary 'A' shares in the Company.

Those directors who are employees or former employees of the Group are deemed by Section 324 of the Companies Act 1985 to be interested in the shares held by the Group Share Trust for the benefit of Group Employees.

The interest of the Group Share Trust in the shares of UGC Limited was as follows:

	31 December 2004		31 December 2003	
	Number		Number	
'A' Ordinary shares of 0.5p each	15,190,202		14,300,460	

None of the directors had any beneficial interest at any time during the year in the share capital of the Company's subsidiaries, or in any of the loan stock of the Company or its subsidiaries.

There was no contract with the Company or its subsidiaries subsisting during or at the end of the year in which any director of the Company had a material interest.

## Staff

The Group continues to involve employees in the decision-making process and communicates with all staff on various areas, including the economic and financial factors affecting the Group, via regular briefings on-site training, employee forums and through our in-house video, Grapevine. Staff involvement in the Group's performance is encouraged through employee bonus and share schemes and this involvement extends to the board of trustees of the main pension scheme on which there are employee representatives. The Group's aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job and to provide equal opportunity regardless of sex, religion or ethnic origin. The Group does all that is practicable to meet its responsibility towards the employment and training of disabled people. Where an employee becomes disabled every effort is made to provide continuity of employment in the same job or a suitable alternative.

## Group Share Trust

In order to enable employees to buy shares and have an interest in the Group, a Group Share Trust was set up at the time of the original buy-out in January 1987. It has independent trustees and during dealing periods it can offer to buy and sell shares. Periodically it may also participate in schemes that enable employees to acquire shares and share options.

The directors consider that it is not currently appropriate to consolidate the Group Share Trust in the Group's financial statements due to the terms of the trust deeds governing the Group Share Trust, which prevent the Group from having de facto control over the trust.

During the year the Group made a one-off additional pension contribution totalling £4.9 million, shared between the UGC Pension Scheme and the UGC Retirement Benefits Scheme. This additional contribution was used by the two schemes to acquire 12 million shares in the Company. The directors considered it inappropriate for the shares to be held by the schemes directly, instead UGC Pension Shareholdings Limited, an independent company, was set up to hold the shares on behalf of the schemes. See note 18 on page 27 for further details.

## Overseas branches

Details are set out in note 26 to the financial statements on page 33.



# REPORT OF THE DIRECTORS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## Donations

During the year the Group supported charities with donations of £7,300 (2003 - £2,000) of which £2,200 (2003 - £1,400) was for health and well-being purposes, £2,300 (2003 - £500) in respect of child welfare and youth development and £2,800 (2003 - £1,100) to other charitable purposes in support of employees in their fund-raising activities. The Group made no political donations during the year (2003 - £nil).

## Supplier payment policy

It is the Group's policy for each of its subsidiaries to establish its own policy with regard to the payment of suppliers. Provided there are no disputes concerning the supply of goods or services, it is the Group's normal practice to pay its suppliers within an acceptable period of time. The average number of days purchases in trade creditors at 31 December 2004 was 48 days (2003 - 45 days).

## Market value of land

In the opinion of the directors, the market value of land is approximately £10 million greater than its recorded value in the Group consolidated balance sheet.

## Dividends

The Company has not paid nor is it proposing to pay any dividends in respect of the financial year ended 31 December 2004 (2003 - £nil).

## Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements, on pages 10 to 33.

The Group is reporting a net liabilities position as a result of the adoption of FRS 17 'Retirement benefits' during the year. It is the view of the directors that the deficit on the pension schemes will be reversed over the necessary timeframes reflecting the long-term nature of such liabilities and therefore the going concern basis remains appropriate.

## Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company and Group will be proposed at the annual general meeting.

## Post balance sheet events

Details of post balance sheet events are shown in note 24 on page 32.

By order of the Board



M D RIMMER  
Secretary, Oxford, 23 March 2005

**Ugc**

UNIVERSITY GROUP OF COMPANIES

# DIRECTORS' STATEMENT OF RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Group for that year. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The directors confirm that the most appropriate accounting policies have been used and applied consistently with the exception of the Company's adoption of FRS 17 'Retirement benefits', and a revision of the revenue recognition policy as detailed on page 15. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed. The directors confirm that the going concern basis has been applied in preparing the financial statements.

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

By order of the Board



M D RIMMER  
Secretary, Oxford, 23 March 2005

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UGC LIMITED

We have audited the financial statements which comprise the Group profit and loss account, the balance sheet of the Group and the Company, the Group cash flow statement, the Group statement of total recognised gains and losses, the Group reconciliation of net cash flow to movement in net debt and the related notes.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Report and Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report, the letter from the Chairman, and the Group Chief Executive's Review.

## Basis of audit opinion

We conducted our audit in accordance with auditing standards 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. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Birmingham, 23 March 2005

# FINANCIAL STATEMENTS

	Notes	Year ended		6 months ended	
		31 December 2004		31 December 2003	
		Total	£m	Total	£m
<b>Group profit and loss account</b>					
Turnover					
- Group and share of joint ventures and associates		1,116.6		550.4	
- less: share of joint ventures' turnover		(50.6)		(23.4)	
- less: share of associates' turnover		(1.3)		(1.2)	
<b>Total turnover</b>	<b>2</b>	<b>1,064.7</b>		<b>525.8</b>	
<b>Operating profit/(loss)</b>					
Group operating profit before goodwill amortisation and exceptional items	9	24.1		3.4	
Goodwill and other intangible amortisation		(2.0)		(1.1)	
Exceptional items	4(a)	0.6		(5.0)	
- Group	3	22.7		(2.7)	
- share of joint ventures and associates		2.7		1.4	
<b>Total operating profit/(loss)</b>		<b>25.4</b>		<b>(1.3)</b>	
- Profit on disposal of businesses	4(b)	0.9		2.2	
<b>Profit on ordinary activities before interest and taxation</b>		<b>26.3</b>		<b>0.9</b>	
Net interest on net debt					
- Group		(6.9)		(3.3)	
- share of joint ventures and associates		(0.2)		(0.1)	
<b>Total net interest on net debt</b>	7(a)	<b>(7.1)</b>		<b>(3.4)</b>	
Other finance charges	7(b)	(1.2)		(2.0)	
<b>Net finance charge</b>		<b>(8.3)</b>		<b>(5.4)</b>	
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>18.0</b>		<b>(4.5)</b>	
Taxation on profit/(loss) on ordinary activities	8	5.9		2.3	
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>23.9</b>		<b>(2.2)</b>	
Equity minority interests		(0.3)		(0.2)	
<b>Profit/(loss) for the financial year/period</b>	19	<b>23.6</b>		<b>(2.4)</b>	

All results relate to continuing operations.

There is no difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial year/period shown above and their historical cost equivalents.

The notes on pages 14 to 33 form part of these financial statements.



# FINANCIAL STATEMENTS

CONTINUED

## Group balance sheet At 31 December

	Notes	2004	2005
		£m	£m
<b>Fixed assets</b>			
Intangible assets	9	12.0	14.0
Tangible assets	10	34.6	36.6
<b>Investments</b>			
Investments in joint ventures		22.0	20.5
Share of gross assets		(17.6)	(17.1)
Share of gross liabilities	11(a)	4.4	3.4
	11(a)	4.3	4.3
	11(b)	0.1	0.2
Loan notes		8.8	7.9
Other investments		55.4	58.5
<b>Current assets</b>			
Stock	12	159.6	160.7
Debtors - amounts falling due within one year	13	167.3	164.9
Debtors - amounts falling due after more than one year	13	23.0	14.8
Cash at bank and in hand		24.5	27.8
<b>Creditors - amounts falling due within one year</b>	14	374.4	368.2
		(267.9)	(259.0)
<b>Net current assets</b>		106.5	109.2
<b>Total assets less current liabilities</b>		161.9	167.7
<b>Creditors - amounts falling due after more than one year</b>	15	(56.4)	(78.8)
<b>Provisions for liabilities and charges</b>	16	(20.5)	(26.9)
<b>Net assets (excluding net pension liabilities)</b>		85.0	62.0
<b>Net pension liabilities</b>	22	(118.4)	(108.2)
<b>Net liabilities (including net pension liabilities)</b>		(33.4)	(46.2)
<b>Capital &amp; reserves</b>			
Called up share capital	17	0.4	0.4
Share premium account	19	4.4	1.9
Capital redemption reserve	19	11.5	11.5
Profit and loss account	19	(50.1)	(61.0)
<b>Total equity shareholders' funds</b>	20	(33.8)	(47.2)
Equity minority interests	19	0.4	0.5
<b>Capital employed</b>		(33.4)	(46.2)

The financial statements on pages 10 to 33 were approved by the Board of Directors on 23 March 2005 and were signed on its behalf by

J M Neill  
Group Chief Executive

A J Mourgue  
Group Finance Director

The notes on pages 14 to 33 form part of these financial statements.

# FINANCIAL STATEMENTS CONTINUED

## Company balance sheet

At 31 December

	Notes	2004 £m	Restated 2003 £m
<b>Fixed assets</b>			
Investments	11(c)	77.8	74.1
<b>Current assets</b>			
Debtors	13	221.1	214.6
Cash at bank and in hand		0.2	-
<b>Creditors - amounts falling due within one year</b>	14	221.3	214.6
<b>Net current liabilities</b>		(252.3)	(241.3)
<b>Net assets</b>		(31.0)	(26.7)
<b>Capital &amp; reserves</b>		46.8	47.4
Called up share capital	17	0.4	0.4
Share premium account	19	4.4	1.9
Capital redemption reserve	19	11.5	11.5
Profit and loss account	19	30.5	33.6
<b>Total equity shareholders' funds</b>	20	46.8	47.4

The financial statements on pages 10 to 33 were approved by the Board of Directors on 23 March 2005 and were signed on its behalf by

  
J M Neill  
Group Chief Executive

  
A J Mourgue  
Group Finance Director

The notes on pages 14 to 33 form part of these financial statements.



UNIPART GROUP OF COMPANIES

# FINANCIAL STATEMENTS CONTINUED

## Group statement of total recognised gains and losses

	Notes	Year ended 31 December 2004	Restated 6 months ended 31 December 2003
Profit/(loss) for the financial year		£m	£m
Group		21.8	(3.5)
Share of joint ventures and associates	19	1.8	1.1
Actuarial (loss)/gain recognised on the pension schemes	22	23.6	(2.4)
Current tax relating to actuarial (loss)/gain on the pension schemes	22	(17.7)	31.2
Deferred tax relating to actuarial (loss)/gain on the pension schemes	22	0.2	-
Decrease in goodwill previously written off to reserves	22	5.1	(9.3)
Foreign exchange movements	19	0.1	-
Total gains and losses recognised relating to the year		(0.4)	(0.3)
Prior period adjustment	22	10.9	19.2
Total gains and losses recognised since last report		(116.3)	(105.4)

## Group cash flow statement

	Year ended 31 December 2004	6 months ended 31 December 2003
	£m	£m
Net cash flow from operating activities	21(a)	23.9
Dividends received from joint ventures and associates		0.7
Returns on investment and servicing of finance	21(b)	(6.5)
Taxation		0.2
Capital expenditure and financial investment	21(b)	(2.9)
Acquisitions and disposals	21(b)	1.1
Cash inflow before financing		16.5
Financing	21(b)	(19.9)
Decrease in cash	21(c)	(3.4)

## Group reconciliation of net cash flow to movement in net debt

	Year ended 31 December 2004	6 months ended 31 December 2003
	£m	£m
Decrease in cash	21(c)	(3.4)
Net cash outflow from a decrease in debt and lease financing	21(c)	22.4
Change in net debt resulting from cash flows	21(c)	19.0
Non-cash movements		
Currency translation differences	21(c)	0.1
Amortisation of capitalised bank fees	21(c)	(1.3)
Net debt at 1 January/1 July		(57.1)
Net debt at 31 December	21(c)	(39.3)
		(57.1)

The notes on pages 14 to 33 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

## 1 ACCOUNTING POLICIES

A summary of the more important accounting policies adopted by the Company and the Group is given in the following paragraphs. The policies have been consistently applied from the previous period, except for the adoption of FRS 17 'Retirement benefits' (for which details of the restatements are shown in note 22) and a revision of the revenue recognition policy relating to rebates payable (further details of which are shown in the turnover accounting policy on page 15).

### Basis of accounting

The financial statements have been prepared on a going concern basis in accordance with applicable United Kingdom law and accounting standards. The financial statements are prepared under the historical cost convention.

The Group is reporting a net liabilities position as a result of the adoption of FRS 17 'Retirement benefits' during the year. It is the view of the directors that the deficit on the pension scheme will be reversed over the necessary timeframes reflecting the long-term nature of such liabilities and therefore the going concern basis remains appropriate.

### Basis of consolidation

The Group financial statements comprise a consolidation of the accounts of the Company and all of its subsidiary undertakings and incorporate its share of the results of all joint ventures and associates. The results and fair value of the assets and liabilities of undertakings acquired are consolidated from the date the Group gains control. Where, in the view of the directors, the Group does not have de facto control over the related entities, these entities are excluded from the consolidation in the Group's financial statements. No profit and loss account is presented for the Company as permitted by Section 230 (3) of the Companies Act 1985.

### Goodwill

Goodwill, being the excess of the fair value of purchase consideration of businesses acquired over the Group's share of the fair value of assets and liabilities acquired, is written off to the profit and loss account on a straight line basis over periods which represent the useful economic lives of those assets, up to a maximum of twenty years. All goodwill arising prior to the adoption of FRS 10 'Goodwill and intangible assets' remains written off to reserves and will be charged to the profit and loss account on subsequent disposal or termination of the business to which it relates.

### Patents and trademarks

All expenditure in respect of patents and trademarks is charged to the profit and loss account in the year in which it is incurred.

### Deferred taxation

Deferred taxation is accounted for to recognise timing differences between the recognition of gains and losses in the financial statements and their recognition for taxation purposes, in accordance with FRS 19 'Deferred tax'. A deferred tax liability is recognised if transactions or events result in the Group having an obligation to pay more tax in future periods. A deferred tax asset is only recognised where transactions or events that have occurred before the balance sheet date give the Group the right to pay less tax in future, and it is considered reasonable to forecast that there will be future profits against which the deferred tax assets can be recovered. Deferred tax balances are not discounted.

### Tangible fixed assets

With the exception of freehold land, which is not depreciated, depreciation on the cost of tangible fixed assets is provided over the following periods on a straight-line basis, to write off the assets to their residual value over their estimated useful lives from the date they are brought into use:

Asset	Estimated Useful Life
Freehold buildings	40 years
Leasehold land and buildings	The period of the lease, up to a maximum of 40 years
Fixed plant, machine tools and major equipment	6 to 10 years
Computer controlled equipment	6 to 8 years
Office equipment and furniture	8 years
Works equipment, shop fittings and special tools	4 to 8 years
Computer equipment & software	1 to 4 years
Vehicles	3 years

The Group's policy is to capitalise as tangible fixed assets computer software expenditure only in respect of major systems changes.

### Finance and operating leases

Leasing arrangements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are capitalised in fixed assets and depreciated over the shorter of the lease term and the useful economic lives of equivalent owned assets. The capital element of the leasing commitment is shown as an obligation under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the profit and loss account in proportion to the reducing capital element.

Costs in respect of operating leases are charged to the profit and loss account, as incurred, on a straight-line basis over the lease term.

### Impairment of fixed assets and goodwill

Impairment provisions are calculated by comparing the net book value of fixed assets or goodwill with the higher of the post-tax net realisable value and the value in use of those assets. The value in use is calculated using forecast discounted cashflows over the economic life of the related fixed asset or goodwill.

### Investments

The Group's investment in associated undertakings and joint ventures is its interest in their net assets and goodwill plus loans. Other investments are stated at cost less provision for impairment.

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 1 ACCOUNTING POLICIES (CONTINUED)

### Diapidation provisions

Provision is made for the best estimate of property diapidation costs, on a discounted basis, at the date the obligation arises. The unwinding of the discount is included within interest expense. The provision is net of amounts recoverable in respect of diapidation costs for properties that have been sub-let to unrelated third parties.

### Onerous leases on vacant properties

Provision is made for the best estimate of unavoidable future lease payments, on a discounted basis where material, when the lease becomes onerous, net of amounts that can be reasonably expected to be recovered from sub-tenants to which the respective property is expected to be sub-let.

### Warranties

Provision is made for the best estimate of the costs of making good under warranty products sold before the balance sheet date, and discounted where material.

### Onerous contracts

When a contract becomes onerous, provision is made for the best estimate of the unavoidable losses that are expected to be incurred under the remainder of the contract term.

### Pension costs

Following the change in accounting policy during the year, the Group accounts for pension and other post retirement benefits schemes in accordance with FRS 17 Retirement benefits. For defined contribution schemes, contributions are charged to the profit and loss account as payable in respect of the accounting period.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included within staff costs and charged to the statutory profit and loss account headings to which they relate. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Where defined benefit schemes are funded, the assets of the scheme are held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred taxation is presented separately after other net assets on the face of the balance sheet.

Where it is not possible to split the scheme assets and liabilities between individual subsidiary companies, the relevant subsidiary companies account for pensions on a contributions basis.

### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost of finished products and work in progress includes, where appropriate, direct labour and materials and a proportion of factory overheads. Net realisable value is calculated, after taking into account provisions for obsolescence, as the actual selling price, net of trade discounts, less costs to completion and all related marketing, selling and distribution costs.

### Finance costs

Costs incurred in respect of obtaining new debt instruments are capitalised and reported against the respective debt within liabilities, and amortised to the profit and loss account over the term of the facility.

### Long term contracts

Profit includes the results attributable to long term contracts in progress where a profitable outcome can prudently be foreseen, after making provision for foreseeable future costs. The amount by which provisions for foreseeable future costs exceed costs incurred, after transfers to cost of sales is included within either provisions for liabilities and charges or creditors, as appropriate.

### Foreign currencies

The profit and loss accounts of overseas activities are translated into sterling at average rates of exchange. Balance sheets are translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising on the retranslation at closing rates of the opening balance sheets of overseas activities, together with the year end adjustment to closing rates of profit and loss accounts translated at average rates, are taken to reserves.

Exchange differences arising in the normal course of trading and on the translation of monetary assets and liabilities are taken through the profit and loss account. Differences arising on the translation of foreign currency borrowings are taken directly to reserves where there is a corresponding exchange difference on the translation of the related net investment.

### Turnover

Income is recognised on the invoiced value of goods and services supplied during the year including amounts received and receivable on management fee contracts. Turnover is reported net of VAT and other sales taxes.

In line with the requirements of FRS 18 'Accounting policies', the directors have reviewed the appropriateness of their accounting policies. As a result, the directors believe it would be more appropriate to classify conditional discounts paid to customers from cost of sales to a reduction in turnover. The impact of this change in policy is to reduce turnover and cost of sales by £22.9 million for the year ended 31 December 2004 and £7.8 million for the six months ended 31 December 2003. The comparatives have been restated accordingly and there has been no impact on the reported result for either period.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 1 ACCOUNTING POLICIES (CONTINUED)

### Significant estimation techniques

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure in the reporting period. Actual results could differ from those estimates. Estimates are principally used when accounting for pension costs, the useful economic lives of fixed and intangible assets, provisions and, in certain instances, in revenue recognition.

### Financial Instruments

The Group uses various derivative financial instruments to reduce exposure of foreign exchange risks. Authorised instruments include forward currency contracts and currency options. The Group also uses interest rate swaps and options to manage interest rate exposure.

#### Forward Currency Contracts

Forward currency contracts used to hedge transaction exposures are not revalued. Transactions to hedge translation exposures are revalued and the net unrealised difference taken to trading profit. All realised gains and losses are taken to trading profit.

#### Currency Options

Option premia are recognised at their historical cost in the Group balance sheet as other receivables. At maturity, the option premia together with any realised foreign exchange differences on exercise, are taken to trading profit.

#### Interest Rate Options

Option premia paid are recognised at their historical cost in the Group balance sheet as other receivables. Option premia are taken to net interest payable spread over the interest period covered by the relevant options.

#### Interest Rate Swaps

Amounts payable or receivable in respect of interest rate swap agreements used to manage interest rate exposure are recognised as adjustments to periodic interest expense over the duration of the contracts.



# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 2 SEGMENTAL REPORTING

The Group operates principally in the United Kingdom, where all significant operations are controlled and thus where turnover originates and from which profit arises. The Group exports, and holds assets overseas supporting its sales operations to numerous parts of the world. The geographical analysis of turnover and net assets by location of external customer is as follows.

	Turnover (Destination)		Net Assets (Location)	
	Year ended 31 December 2004	6 months ended 31 December 2003	As at 31 December 2004	As at 31 December 2003
	£m	£m	£m	£m
United Kingdom	787.9	382.4	64.3	71.1
Other Europe	107.0	55.7	25.7	22.8
North America	134.1	70.9	30.9	20.2
Rest of the world	35.7	16.8	3.4	5.1
Share of joint ventures' turnover (UK)	1,064.7	525.8	124.3	119.2
Share of associates' turnover (UK)	50.6	23.4	(157.7)	(165.9)
	1.3	1.2		
	1,116.6	550.4	(33.4)	(46.7)

Central net liabilities consist principally of the gross amount outstanding on the Group's bank loans and overdrafts, net of cash and capitalised issue costs together with the net pension liabilities that cannot practically be divided between the geographical locations.

The directors consider that the Group operates principally in one business segment: distribution and logistics management in the transport, information technology and retail industries. Other businesses are not considered sufficiently material to warrant separate disclosure as different business segments.

## 3 OPERATING PROFIT/(LOSS)

The Group operating profit/(loss) is calculated as follows:

	Year ended 31 December 2004	6 months ended 31 December 2003
	£m	£m
Turnover	1,064.7	525.8
Cost of sales	(638.3)	(333.8)
Gross profit	426.4	192.0
Distribution costs	(309.1)	(135.2)
Administrative expenses	(94.6)	(59.5)
Operating profit/(loss)	22.7	(2.7)

The Group operating profit/(loss) is stated after charging/(crediting):

	Year ended 31 December 2004	6 months ended 31 December 2003
	£m	£m
Depreciation of tangible fixed assets	6.4	5.0
(Includes net impairment release of £0.5m (2003 - £0.4m charge))		
Amortisation of goodwill and other intangibles (note 9)	2.0	1.1
Profit on the disposal of land and buildings	(0.5)	(0.2)
Profit on the disposal of other tangible fixed assets	(1.0)	(0.3)
Lease of land and buildings	16.6	9.0
Hire of plant and other items	8.7	4.9
Auditors' remuneration for audit work - Group (Company - £8,000; 2003 - £8,000)	0.5	0.4
Auditors' remuneration for non-audit work - Group (Company - £90,000; 2003 - £nil)	0.8	0.5

Included within 'lease of land and buildings' is a £1.8 million operating exceptional profit relating to the release of an onerous lease provision included within note 4(f) on page 18.  
Within the Group and Company Auditors' remuneration for non-audit work are £(0.1) million of operating exceptional costs, included within note 4(f)(ii) on page 18.

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 4 EXCEPTIONAL ITEMS

	Year ended 31 December 2004 £m	6 months ended 31 December 2003 £m
a) Recognised in arriving at operating profit/(loss)		
Continuing operations		
Re-organisation costs (i)	1.8	(1.7)
Refinancing costs (ii)	1.7	(2.7)
Claims/legal issues (iii)	(2.9)	(0.6)
Recognised in arriving at operating profit/(loss)	0.6	(5.0)
b) Recognised after operating profit/(loss)		
Discontinued operations		
Profit on disposal of businesses (iv)	0.9	2.2
Recognised after operating profit/(loss)	0.9	2.2

(i) During the year an exceptional operating credit of £1.8 million arose on the release of an onerous lease provision as a result of a new contract leading to the utilisation of the relevant leasehold property. In the prior period, the £1.7 million charge related to expected costs associated with the reorganisation of Unipart Automotive.

(ii) During the year a deferred fee of £0.3 million became payable to the Group's banks in relation to a prior financing arrangement, the maximum amount payable under the arrangement was £2.0 million, which had been provided for in a prior period. The balance of the provision of £1.7 million was therefore released to the profit and loss account during the year. In the prior period, a net exceptional operating charge of £2.7 million arose in respect of professional costs and bank fees relating to the renewal of banking facilities.

(iii) An exceptional operating charge of £2.9 million (2003 - £0.6 million) arose in respect of professional costs relating to legal issues which are not considered to be in the normal course of business.

(iv) During the year an exceptional profit on the disposal of businesses of £0.9 million (2003 - £2.2 million) has been recognised. This comprises a £0.5 million profit on the Group's sale of its entire interest in an associate, Holly Benson Communications Limited, together with net recoveries of £0.4 million (2003 - £0.7 million) in relation to the disposal of Kellon, a manufacturing business of Unipart Group Limited which was sold in 2002. In the prior period, exceptional income of £1.5 million was realised on the release of provisions for liabilities no longer expected to be incurred in relation to the sale of UniqueAir in 1999. There is no taxation charge arising on these exceptional profits either in the current year or the prior period.

## 5 STAFF NUMBERS AND COSTS

Group	Year ended 31 December 2004 Number	6 months ended 31 December 2003 Number
The average number of employees during the year was:		
Direct production	565	605
Indirect production and warehousing	2,020	1,779
Sales, marketing and administration	5,697	5,139
	8,282	7,523
The aggregate payroll cost was:		
Wages and salaries	£m 161.5	£m 72.7
Social security costs	14.5	6.8
Pension costs (note 22)	11.7	6.0
	187.7	85.5

The Company has three employees (2003 - three).



# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 6 DIRECTORS' EMOLUMENTS

	Year ended 31 December 2004	6 months ended 31 December 2003
	£'000	£'000
Aggregate emoluments of directors of the Company were:	2,345	1,197

During the financial year retirement benefits accrued to four (2003 - four) directors under a defined benefit scheme, and one director under a money purchase scheme (2003 - one). The contributions paid into money purchase scheme during the year totalled £42,622 (2003 - £7,100). In the year no options over shares in UGC Limited were exercised by the directors.

### Emoluments of the highest paid director were:

	£'000	£'000
Aggregate emoluments	723	332
Defined benefit pension scheme - accrued pension per annum at end of year/period	370	345

The Chairman received fees under a contract for services of £46,800 in the year (2003 - £22,500) plus expenses. Fees of £70,000 (2003 - £35,000) were paid in the year in respect of the other non-executive directors.

## 7 NET FINANCE CHARGE

	Year ended 31 December 2004	6 months ended 31 December 2003
	£m	£m
(a) Interest on net debt		
Payable in respect of:		
Bank loans and overdrafts	(5.6)	(3.3)
Share of joint ventures' interest	(0.3)	(0.1)
Share of joint ventures' interest	(1.9)	(0.6)
Amortisation of issue costs on bank facilities	(7.8)	(4.0)
Receivable in respect of:		
Trade bills, bank and other short-term deposits	0.6	0.6
Share of joint ventures' and associates' interest	0.1	-
	0.7	0.6
Interest on net debt	(7.1)	(3.4)
(b) Other finance charges		
Unwinding of discounting of provisions	(0.3)	(0.2)
Net finance charge on pension schemes (note 22)	(0.9)	(1.8)
Other finance charges	(1.2)	(2.0)

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 8 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	Year ended 31 December 2004 £m	Restated 6 months ended 31 December 2003 £m
<b>United Kingdom</b>		
Corporation tax on profit/(loss) for the year/period	(0.1)	0.3
Adjustments in respect of prior periods	0.5	0.1
<b>Foreign tax</b>		
Corporation taxes	(0.8)	(0.4)
Adjustments in respect of prior periods	0.1	0.1
Share of joint ventures	(0.4)	(0.4)
<b>Total current tax</b>	<b>(0.7)</b>	<b>(0.3)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	1.0	2.6
Adjustments in respect of prior periods	5.6	-
<b>Representing:</b>		
<b>United Kingdom</b>		
Foreign tax	7.2	2.2
Share of joint ventures	(0.2)	0.4
<b>Total deferred tax</b>	<b>6.6</b>	<b>2.6</b>
<b>Taxation on profit/(loss) on ordinary activities</b>	<b>5.9</b>	<b>2.3</b>

The UK standard rate of corporation tax for the year is 30% (2003 - 30%). The actual taxation charge for both the year ended 31 December 2004 and the prior period was different to the standard rate. The principal reconciling items are shown below:

	Year ended 31 December 2004 £m	Restated 6 months ended 31 December 2003 £m
<b>Profit/(loss) on ordinary activities before tax</b>	<b>18.0</b>	<b>(4.5)</b>
<b>Profit/(loss) on ordinary activities multiplied by standard rate in the UK 30% (2003 - 30%)</b>	<b>(5.4)</b>	<b>1.4</b>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	(0.5)	(2.5)
Accelerated capital allowances and other timing differences	4.3	0.6
Utilisation of tax losses	0.3	0.1
Adjustments to tax charge in respect of previous periods - Group	0.6	0.2
Adjustments to tax charge in respect of previous periods - Joint Ventures	(0.7)	(0.1)

The adjustments in respect of prior periods for deferred tax reflect the impact of improved performance in certain operations which has enabled the Group to recognise previously unrecognised deferred tax assets as reported in note 13.

Based on current capital investment plans and the level of fixed asset timing differences included within the deferred tax asset (note 13) the Group expects to be able to continue to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 9 INTANGIBLE ASSETS

Group	Goodwill	Other	Total
Cost	£m	Intangibles £m	£m
At 1 January and 31 December 2004	181.3	0.2	181.5
Amortisation			
At 1 January 2004	167.4	0.1	167.5
Charge for the year	1.9	0.1	2.0
At 31 December 2004	169.3	0.2	169.5
Net book amount			
At 31 December 2004	12.0		12.0
At 31 December 2003	13.9	0.1	14.0

Other intangibles relate to amounts paid by the Group to acquire the rights to manufacture certain products, which are being amortised on a straight-line basis over 5 years. The continuing businesses to which the goodwill relates, and the period over which it is being amortised (being the estimated economic life of the assets acquired), are listed in the table below:

	Year of acquisition	Amortisation period (years)	Cost £m	Net book value £m
Hazefamous Limited	2002	10	0.9	0.7
National Railway Supplies (Holdings) Limited	2001	10	10.3	6.2
Unipart Rail Holdings Limited	1999	10	5.2	2.1
Unipart Eberspächer Exhaust Systems Limited	1998	10	1.8	0.5
Partco Group - underlying businesses	1999	20	3.8	2.5
Partco Group plc (fully amortised)	1999	-	159.3	-
			181.3	12.0

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 10 TANGIBLE FIXED ASSETS

Group	Land & buildings			Plant & Machinery		Total
	Freehold	Long leasehold	Short leasehold	Owned	Leased	
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2004	16.8	3.7	4.9	75.1	3.7	104.2
Additions	0.1	-	0.4	5.9	-	6.4
Disposals	(1.1)	(0.3)	(0.4)	(3.0)	-	(4.8)
Transfers	-	(0.2)	0.2	-	-	-
Exchange adjustment	-	-	-	(0.1)	-	(0.1)
At 31 December 2004	15.8	3.2	5.1	77.9	3.7	105.7
Accumulated depreciation						
At 1 January 2004	3.1	0.3	1.5	59.0	3.7	67.6
Charge	0.4	0.1	0.7	5.2	-	6.4
Disposals	(0.2)	-	(0.1)	(2.5)	-	(2.8)
Exchange adjustment	-	-	-	(0.1)	-	(0.1)
At 31 December 2004	3.3	0.4	2.1	61.6	3.7	71.1
Net book amount						
At 31 December 2004	12.5	2.8	3.0	16.3	-	34.6
At 31 December 2003	13.7	3.4	3.4	16.1	-	36.6

Included within the balance of accumulated depreciation at 1 January 2004 is an amount of £3.1 million relating to impairments of prior periods. The impairment charges have been made to reduce the assets of certain operations within the Group to their calculated value in use (a discount rate of 8% has been used in performing the calculations). The depreciation charge for the year is stated after a net impairment release of £0.5 million. An impairment release of £0.8m was made in respect of Unipart Automotive assets used in operations that have turned to profit in the year and a revised value in use calculation has meant the previous impairment should be released. Also in the year an impairment charge of £0.3 million has been charged against other plant and machinery used in the Group.

## 11 INVESTMENTS

(a) Joint Ventures				
Group		Share of net assets	Loans	Total
		£m	£m	£m
At 1 January 2004		3.4	4.3	7.7
Profit for the financial year		1.7	-	1.7
Dividends received		(0.7)	-	(0.7)
At 31 December 2004		4.4	4.3	8.7

The Group's interests in its principal joint ventures are 50% of the ordinary shares of each of KauteX Unipart Ltd and Unipart Eberspächer Exhaust Systems Ltd. The loan is from UGC Ltd to KauteX Unipart Ltd and interest is charged at 5%.

The Group provides services to its joint ventures for treasury management, property planning and personnel and payroll services. The amounts involved are not material.

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# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 11 INVESTMENTS (CONTINUED)

### (b) Other investments

Group	Associated undertaking	Other	Total
Share of net assets/Cost	£m	£m	£m
At 1 January 2004	0.2	-	0.2
Additions	-	0.2	0.2
Disposals	(0.2)	-	(0.2)
At 31 December 2004	-	0.2	0.2
<b>Provisions</b>			
At 1 January 2004	-	-	-
Impairment in the year	-	0.1	0.1
At 31 December 2004	-	0.1	0.1
<b>Net book amount</b>			
At 31 December 2004	-	0.1	0.1
At 31 December 2003	0.2	-	0.2

During the year the Group disposed of its interest in the associated undertaking Holly Benson Communications Limited (see note 4), for a maximum consideration of £1.1 million of which £0.6 million is contingent on Holly Benson Communications Limited meeting certain performance targets. Of the £0.5 million of consideration received during the year, £0.3 million was cash consideration and £0.2 million was in the form of shares in Real Affinity plc, an AIM listed company and the purchaser of Holly Benson Communications Limited. The Group recognised £0.2 million of the contingent consideration as at 31 December 2004 and in February 2005 received the full amount in the form of shares. These shares have been written down to their market value at 31 December 2004. The Group has not recognised the remaining £0.4 million contingent consideration, which will be receivable in 2006 if the performance targets are met.

### (c) Company

	Investments in subsidiaries	Investments in joint ventures and associates	Total
	Shares	Shares	Loans
	£m	£m	£m
<b>Cost</b>			
At 1 January 2004	64.0	6.0	4.3
Intragroup transfers	3.7	(0.2)	-
At 31 December 2004	67.7	5.8	4.3
<b>Provisions</b>			
At 1 January 2004	-	0.2	-
Intragroup transfers	-	(0.2)	-
At 31 December 2004	-	-	-
<b>Net book amount</b>			
At 31 December 2004	67.7	5.8	4.3
At 31 December 2003	64.0	5.8	4.3

In the opinion of the directors the values of the assets consisting of shares in subsidiaries, investments in joint ventures and loans to joint ventures are not less than the amount at which those assets are stated.

Details of the principal undertakings in the Group and the investments of the Company are shown in note 26 on page 33.



# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 12 STOCKS

	2004 £m	2003 £m
Raw materials and consumables	4.2	4.4
Work in progress	2.9	3.2
Finished goods and goods for resale	152.5	153.1
	159.6	160.7

## 13 DEBTORS

	Group 2004 £m	Group Restated 2003 £m	Company Restated 2003 £m
Amounts falling due within one year			
Trade debtors and bills receivable	127.7	129.5	-
Amounts owed by Group undertakings	-	-	207.9
Amounts owed by joint ventures	0.9	1.6	-
Other debtors	14.7	17.7	6.7
Corporation tax	-	-	-
Prepayments and accrued income	24.0	16.1	-
	167.3	164.9	214.6

Amounts falling due after more than one year			
Other debtors	1.1	0.9	-
Deferred taxation (see below)	17.2	9.3	-
Prepayments and accrued income	4.7	4.6	-
	23.0	14.8	-
	190.3	179.7	214.6

	Full potential asset £m	Recognised asset £m	Full potential asset £m	Recognised asset £m
Deferred taxation				
Group				
Accelerated capital allowances	9.6	9.6	9.1	4.6
Losses and timing differences	8.1	7.6	6.9	4.7
Deferred tax asset included within debtors	17.7	17.2	16.0	9.3
Related deferred tax asset included within the net pension liability (note 22)	50.8	50.8	46.6	46.6
	68.5	68.0	62.6	55.9

The Group has not recognised an asset of £0.5 million in respect of trading losses of a subsidiary which no longer trades but acts as an intermediate holding company and therefore it is unlikely that these losses will be utilised in the foreseeable future. The deferred tax assets have not been discounted.

	2004	2003
At 1 January/1 July - as originally reported	8.6	7.5
Prior year adjustment	47.3	55.1
At 1 January/1 July - as restated	55.9	62.6
Amounts credited to the profit and loss account (note 8)	7.0	2.6
Amounts credited/(charged) to the statement of total recognised gains and losses	5.1	(9.3)
At 31 December	68.0	55.9
Representing:		
Deferred tax asset included within debtors	17.2	9.3
Related deferred tax asset included within the net pension liability	50.8	46.6
	68.0	55.9

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# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 14 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2004	Restated 2003	2004	Restated 2003
	£m	£m	£m	£m
Bank loans and overdrafts	7.5	6.2	-	-
Trade creditors	131.4	132.0	-	-
Amounts owing to other Group undertakings	-	-	250.7	240.8
Corporation tax	2.1	1.8	-	-
Other taxes and social security costs	17.1	10.2	-	-
Other creditors	34.5	28.4	-	0.1
Accruals and deferred income	75.3	80.4	1.6	0.4
	<b>267.9</b>	<b>259.0</b>	<b>252.3</b>	<b>241.3</b>

The bank loans and overdrafts are secured by fixed and floating charges over certain of the Group's assets (see note 15).

## 15 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2004	2003	2004	2003
	£m	£m	£m	£m
Bank loans	56.3	78.7	-	-
Accruals and deferred income	0.1	0.1	-	-
	<b>56.4</b>	<b>78.8</b>	<b>-</b>	<b>-</b>

The bank loans are secured by fixed and floating charges over certain of the Group's assets, principally tangible fixed assets, stocks and debtors.

The bank loans reported of £56.3 million (2003 - £78.7 million) comprises £26.7 million (2003 - £28.1 million) under a working capital facility, £11.5 million (2003 - £20.0 million) under a revolving facility and a £27.5 million term loan (2003 - £40.0 million) (of which £7.5 million is reported within bank loans and overdrafts - amounts falling due within one year). Total bank loans are reported net of £2.1 million of issue costs (2003 - £3.4 million).

The maximum amount that might be available to the Group under the working capital facility is £120.0 million, committed until 31 December 2008. Issue costs of £1.9 million in respect of obtaining the facility will be allocated to the profit and loss account over the five year term of the facility. The amount amortised in the year ended 31 December 2004 was £0.4 million. Therefore at 31 December 2004 the unamortised issue costs were £1.5 million.

The maximum amount that might be available to the Group under the revolving facility is £22.5 million, committed until 31 December 2007.

The £27.5 million term loan, has repayments totalling £7.5 million due within the year ended 31 December 2005 and the remaining £20.0 million falls for repayment with £10.0 million in the year ending 31 December 2006 and £10.0 million in the year ending 31 December 2007. Issue costs of £0.6 million in respect of obtaining the facility and loan will be allocated to the profit and loss account over the three year term of the facility. No amount was amortised in the period ended 31 December 2004 as the facilities were only entered into in late December 2004, therefore at 31 December 2004 the unamortised issue costs were £0.6 million. Prior to this facility the Group incurred total costs of £1.5 million in respect of the two year committed facility entered into in December 2003. As a result of entering into the new financing arrangements all capitalised issue costs were charged to the profit and loss account in the year ended 31 December 2004.

Interest is chargeable under the facilities at rates between LIBOR plus 1.0% and 2.6%.

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 16 PROVISIONS FOR LIABILITIES AND CHARGES

Group	1 January 2004	Charged in year	Utilised	Released in year	31 December 2004
	£m	£m	£m	£m	£m
Litigation and indemnities	3.6	0.5	(0.6)	-	3.5
Warranty	2.7	-	(0.5)	(1.0)	1.2
Property	19.4	2.5	(3.0)	(3.1)	15.8
Other	1.2	-	(0.8)	(0.4)	-
	26.9	3.0	(4.9)	(4.5)	20.5

### Litigation and indemnities

The Group is negotiating a series of legal and contractual claims and has given legal indemnities on the sale of certain businesses. The directors have taken legal advice on the outcome of these claims and have made a provision for the expected liabilities arising with the expectation that the provided amounts will be utilised within five years from the balance sheet date. The directors consider that disclosure of further details of these claims would seriously prejudice the Group's negotiating position and, accordingly, further information on the nature of the obligations has not been provided.

### Warranty

The Group supplies product to customers on which it offers a warranty for a period of up to three years. The cost of warranties on sales made prior to the year end has been estimated based on past experience of warranty settlements. It is anticipated that the provision will be substantially utilised within the next two to three years.

### Property

The property provision is in respect of contractual obligations primarily in relation to onerous leases on vacant properties and in relation to dilapidations. Included within the £2.5 million charged in the year is an amount of £0.3 million relating to the unwinding of the discount, the charge in respect of which is included in interest payable (note 7). Included within the release in the year is £1.8 million relating to a warehouse which is now occupied following the start of a new contract and has been included as an operating exceptional credit (note 4). These provisions are expected to be utilised at the end of the respective leases, which vary between 1 and 25 years.

### Other

Amounts provided for under 'Other' included £0.5 million in relation to onerous contracts and £0.7 million in respect of redundancy costs, both of which have been utilised in the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 17 SHARE CAPITAL

	2004 Number	2003 Number	2004 £000	2003 £000
'A' Ordinary shares of 0.5p each Issued and fully paid	71,864,171	65,123,761	359	326
Authorised	190,277,907	190,186,807		
'D' Ordinary shares of 0.5p each Issued and fully paid	7,001,360	7,001,360	35	35
Authorised	7,001,363	7,001,363		
'E' Ordinary shares of 0.5p each Issued and fully paid	2,720,730	2,811,830	14	14
Authorised	2,720,730	2,811,830		
Total Ordinary shares Issued and fully paid	81,586,261	74,936,951	408	375
Authorised	200,000,000	200,000,000		

During the year the Company issued 6,649,310 new 'A' Ordinary shares of 0.5p at a premium of 39.5p.

Each share, irrespective of class, has the same dividend entitlement and has one vote at a general meeting. On a return of capital on liquidation or otherwise, the assets of the Company available for distribution amongst shareholders shall be applied in paying pro-rata to the holders of the 'A' Ordinary shares the sum of 0.5p per share and to the holders of the 'D' Ordinary shares and the 'E' Ordinary shares the sum of 1p per share and thereafter pro-rata to the nominal value of shares held by them.

Pursuant to the Company's Articles of Association certain 'E' Ordinary shares, which were transferred during the Company's share dealing period in the financial year, were converted to 'A' Ordinary shares upon transfer.

The shareholders with over 5% of the issued share capital at 31 December 2004 are Mr J M Neill, UGC Share Trustees Limited, Electra Investment Trust plc, 3i plc, Standard Life and UGC Pension Shareholdings Limited ('UGCPSL'). No individual shareholder owns greater than 20% of the issued share capital and as a result there is no ultimate controlling party.

During the year the Group made a one-off, additional pension contribution totalling £4.9 million, shared between the UGC Pension Scheme and the UGC Retirement Benefits Scheme. This additional contribution was used by the two schemes to acquire 12 million shares in the Company. The directors considered it inappropriate for the shares to be held by the schemes directly, instead UGCPSL, an independent company was set up to hold the shares on behalf of the schemes. Whilst the schemes have the economic interest in the shares (so that they will benefit directly from any increase in their value and will receive any dividends paid by the Company on those shares), the schemes do not actually hold the shares in their own names, nor are they able to exercise voting rights on them prior to any liquidity opportunity (as defined in an agreement between UGCPSL and the schemes).

UGCPSL is subject to contractual controls including as to how and when it exercises the voting rights attached to the shares it holds, under which it must act as required by the Board of UGC Limited, only with the approval of the Company's 'D' shareholders and the majority of the Company's institutional investors. As a result of these arrangements, the directors do not consider it appropriate to consolidate UGCPSL because they do not have de facto control over it. The pension contribution and the associated arrangement were approved at a general meeting of the shareholders on 4 September 2004.

## 18 SHARE OPTION SCHEMES

The Group Share Trust has granted options to employees over a number of shares which have already been issued and are owned by the Group Share Trust. The directors consider that it is not currently appropriate to consolidate the Group Share Trust in the Group's financial statements due to the terms of the Trust deeds governing the Group Share Trust, which prevent the Group from having de facto control over the Trust.

The number of shares held by the Trust are disclosed within the Report of the Directors on page 7.

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 19 PROFIT AND LOSS ACCOUNT, OTHER RESERVES AND MINORITY INTERESTS

	Group				Company			
	Profit and loss account	Share premium account	Capital redemption reserve	Minority interests	Profit and loss account	Share premium account	Capital redemption reserve	
	£m	£m	£m	£m	£m	£m	£m	
At 1 January 2004 (as previously reported)	55.3	1.9	11.5	0.5	35.6	1.9	-	
Prior year adjustment (note 22)	(116.3)	-	-	-	(2.0)	-	-	
At 1 January 2004 (as restated)	(61.0)	1.9	11.5	0.5	33.6	1.9	-	
Profit/(loss) for the financial year	23.6	-	-	0.3	(3.1)	-	-	
Premium on shares issued (net of £0.1m expenses)	-	2.5	-	-	-	2.5	-	
Actuarial loss recognised on the pension schemes	(17.7)	-	-	-	-	-	-	
Current tax relating to actuarial loss on the pension schemes	0.2	-	-	-	-	-	-	
Deferred tax relating to actuarial loss on the pension schemes	5.1	-	-	-	-	-	-	
Decrease in goodwill previously written off to reserves	0.1	-	-	-	-	-	-	
Foreign exchange movements	(0.4)	-	-	-	-	-	-	
Dividend paid to minorities	-	-	-	(0.3)	-	-	-	
At 31 December 2004	(50.1)	4.4	11.5	0.4	30.5	4.4	11.5	

Net pension liabilities  
Profit and loss reserve excluding pension liability

118.4  
68.3

The cumulative amount of goodwill written off directly to reserves prior to the implementation of FRS 10, 'Goodwill and intangible assets', is £17.7 million (2003 - £17.8 million) in respect of the acquisition of continuing businesses.

The Company has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The Company's loss for the year was £3.1 million (2003 - £4.1 million profit as restated).

Directly attributable costs of £0.1 million have been written off against the share premium created during the year.

## 20 MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group		Company	
	2004	Restated 2003	2004	Restated 2003
	£m	£m	£m	£m
Profit/(loss) for the financial year/period	23.6	(2.4)	(3.1)	4.1
Net proceeds of issue of ordinary share capital (note 17)	2.5	-	2.5	-
Actuarial (loss)/gain recognised on the pension schemes	(17.7)	31.2	-	-
Current tax relating to actuarial loss on the pension schemes	0.2	-	-	-
Deferred tax relating to actuarial (loss)/gain on the pension schemes	5.1	(9.3)	-	-
Decrease in goodwill previously written off to reserves	0.1	-	-	-
Foreign exchange movements	(0.4)	(0.4)	-	-
Movements in equity shareholders' funds	13.4	19.1	(0.6)	4.1
At 1 January/1 July - as originally reported	69.1	67.3	49.4	43.3
Prior year adjustment (note 22)	(116.3)	(133.6)	(2.0)	-
At 1 January/1 July - as restated	(47.2)	(66.3)	47.4	43.3
At 31 December	(33.8)	(47.2)	46.8	47.4

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# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 21 NOTES TO THE CASH FLOW STATEMENT

	Year ended 31 December 2004 £m	Restated 6 months ended 31 December 2003 £m
<b>(a) Reconciliation of operating profit/(loss) to net cash inflow from operating activities</b>		
Operating profit/(loss)	22.7	(2.7)
Non-cash movement in exceptional items	(3.5)	-
Depreciation of tangible fixed assets	6.4	5.0
Amortisation of goodwill	2.0	1.1
Difference between pension service charge and cash contributions	(4.7)	1.0
Profit on the disposal of fixed assets	(1.5)	(0.5)
Decrease/(increase) in stocks	1.1	(2.0)
(Increase)/decrease in debtors	(2.8)	28.6
Increase/(decrease) in creditors	9.0	(16.9)
(Decrease)/increase in provisions	(4.8)	0.2
<b>Net cash flow from operating activities</b>	<b>23.9</b>	<b>13.8</b>
<b>(b) Analysis of cash flows for headings netted in the cash flow statement</b>		
<b>Returns on investment and servicing of finance</b>	<b>Year ended 31 December 2004 £m</b>	<b>6 months ended 31 December 2003 £m</b>
Interest received	0.6	0.5
Interest paid	(6.2)	(4.9)
Issue costs of new bank loan	(0.6)	(3.4)
Dividends paid to minority shareholders in subsidiary undertakings	(0.3)	(0.1)
<b>Net cash flow for returns on investment and servicing of finance</b>	<b>(6.5)</b>	<b>(7.9)</b>
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(6.4)	(3.9)
Receipts from the sales of tangible fixed assets	3.5	1.2
<b>Net cash flow for capital expenditure</b>	<b>(2.9)</b>	<b>(2.7)</b>
<b>Acquisitions and Disposals</b>		
Disposal of subsidiaries and associates	1.1	-
<b>Net cash flow for acquisitions and disposals</b>	<b>1.1</b>	<b>-</b>
<b>Financing</b>		
Debt due within a year	-	-
Repayment of secured facility	(6.0)	(97.3)
New secured loans	7.5	6.0
Debt due beyond a year	-	-
Repayment of secured facility	(37.9)	-
New secured loans	31.5	78.7
Facility repayments	(17.5)	-
Issue of new Company shares during the year	2.5	-
Capital element of finance lease payments	-	(0.1)
<b>Net cash outflow from financing</b>	<b>(19.9)</b>	<b>(12.7)</b>

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 21 NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(c) Analysis of net debt	At 1 January 2004 £m	Cashflow £m	Non-cash movements £m	At 31 December 2004 £m
Cash	27.8	(3.4)	0.1	24.5
Overdrafts	(0.2)	-	-	(0.2)
	27.6	(3.4)	0.1	24.3
Debt due within a year	(6.0)	(1.5)	0.2	(7.3)
Debt due after one year	(78.7)	23.9	(1.5)	(56.3)
	(84.7)	22.4	(1.3)	(63.6)
Total	(57.1)	19.0	(1.2)	(39.3)

Non-cash movements relate to amortisation of issue costs and foreign exchange movements. There were no other material non-cash movements in the year (2003 - £nil).

The Group has adopted FRS 17 'Retirement benefits' for the year ended 31 December 2004. The adoption of FRS 17 has led to a restatement of the Group's prior period profit and loss account, statement of total recognised gains and losses, reconciliation of movements in equity shareholders' funds and balance sheet. The effect of the adjustment is:

## 22 PENSION COMMITMENTS

Net reduction in equity shareholders' funds at 1 July 2003				
6 months ended 31 December 2003				
- Profit and loss account adjustment				
- Actuarial gain on net pension liabilities (net of deferred tax)				
Net impact on equity shareholders' funds as at 31 December 2003				
			Group £m	Company £m
			(133.6)	-
			(4.5)	(2.0)
			21.8	-
			(116.3)	(2.0)
The impact on the profit and loss account is as follows:				
	Year ended 31 December 2004 £m	6 months ended 31 December 2003 £m	Year ended 31 December 2004 £m	6 months ended 31 December 2003 £m
Adjustment to staff costs	8.0	(4.3)	3.3	(2.7)
Other finance charges recognised	(0.9)	(1.8)	-	-
	7.1	(6.1)	3.3	(2.7)
Deferred tax	1.0	1.6	(0.8)	0.7
	8.1	(4.5)	2.5	(2.0)

The Group operates several pension schemes in the United Kingdom, the principal ones being the UGC Pension Scheme and the UGC Retirement Benefits Scheme. The assets of these pension schemes are held separately from those of the Group in trustee administered funds. The schemes are principally funded defined benefit schemes for which contributions are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. In addition there is a small defined contribution section.

The latest actuarial valuation of the schemes was made as at 5 April 2004 by Hewitt Bacon & Woodrow Ltd. The value of the schemes' liabilities at 5 April 2004 have been updated by Hewitt Bacon & Woodrow Ltd to assess the liabilities of the schemes at 31 December 2004 for the purposes of FRS 17. Scheme assets are stated at their market value at 31 December 2004.

The disclosures for all of the Group's defined benefit arrangements are aggregated below. Overseas assets and liabilities are included, but are not material to the totals.

No separate pension disclosures have been made in respect of the Company because it is not possible to separately identify its share of the underlying assets and liabilities of the Group's pension schemes.

**UGC**

UNITPAC GROUP OF COMPANIES

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 22 PENSION COMMITMENTS (CONTINUED)

The financial assumptions used to calculate scheme liabilities under FRS 17 are:	31 December 2004	31 December 2003	30 June 2003
Rate of general increase in salaries	3.9%	4.3%	4.1%
Rate of increase in pensions in payment	2.7%	2.8%	2.6%
Discount rate	5.4%	5.4%	5.3%
Inflation assumption	2.9%	2.8%	2.6%

The assets in the schemes and the expected rates of return were:	Value of assets in scheme				Expected long-term rate of return			
	31 December 2004	31 December 2003	30 June 2003		31 December 2004	31 December 2003	30 June 2003	
	£m	£m	£m		%	%	%	%
Equities	355.6	320.3	287.1		8.5	7.8	7.5	7.5
Government bonds	4.2	3.9	2.7		4.5	4.8	4.5	4.5
Corporate bonds	78.9	71.6	66.1		5.0	5.3	5.0	5.0
Property	17.5	14.4	14.2		7.5	6.8	6.5	6.5
Other	6.2	3.8	3.8		3.5	3.8	3.5	3.5
Total market value of assets	462.4	414.0	373.9					
Present value of funded pension plans liabilities	(630.1)	(562.8)	(557.3)					
Deficit in funded plans	(167.7)	(153.8)	(183.4)					
Liability for unfunded pension plans	(0.2)	(0.2)	(0.3)					
Liability for post-retirement healthcare plans	(1.3)	(1.3)	-					
Total deficit in plans	(169.2)	(155.3)	(183.7)					
Related deferred tax asset	50.8	46.6	55.1					
Net pension liabilities	(118.4)	(108.7)	(128.6)					

Deferred taxation at a rate of 30% has been applied to the net pension liabilities. As a result of the fact that the Group's net pension liabilities will be recognised over approximately the next fourteen years, a similar period of projection of the Group's profitability was used in assessing the rate at which deferred taxation should be applied.

Movement in deficit during the year/period	Year ended		6 months ended	
	31 December 2004	31 December 2003	31 December 2004	31 December 2003
Deficit in scheme at beginning of year/period	£m	£m	£m	£m
Current service cost	(155.3)	(117.7)	(183.7)	(6.0)
Contributions	16.4	16.4	5.0	5.0
Other finance charge	(0.9)	(1.8)	(1.8)	31.2
Actuarial (loss)/gain	(17.7)	(169.2)	(155.3)	(155.3)
At 31 December				

The financial statements include the following amounts:

Amounts charged to operating profit/(loss)	Year ended		6 months ended	
	31 December 2004	31 December 2003	31 December 2004	31 December 2003
Current service cost (note 5)	£m	£m	£m	£m
	11.7			6.0

Analysis of amount charged to other finance income	Year ended		6 months ended	
	31 December 2004	31 December 2003	31 December 2004	31 December 2003
Expected return on pension scheme assets	£m	£m	£m	£m
Interest on pension scheme liabilities	28.7	29.6	12.5	12.5
Net charge	(0.9)	(1.8)	(1.8)	(1.8)



# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 22 PENSION COMMITMENTS (CONTINUED)

	Year ended 31 December 2004	Year ended 31 December 2003	6 months ended 30 June 2002
<b>Amounts included within the statement of total recognised gains and losses</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Actual return less expected return on pension scheme assets	12.5	20.9	20.9
Experience gains and losses arising on the scheme liabilities	(15.0)	0.6	0.6
Changes in assumptions underlying the present value of the scheme liabilities	(15.2)	9.7	9.7
<b>Actuarial (loss)/gain recognised in the statement of total recognised gains and losses</b>	<b>(17.7)</b>	<b>31.2</b>	<b>31.2</b>
Current tax on actuarial (loss)/gain recognised in the statement of total recognised gains and losses	0.2	-	-
Deferred tax on actuarial (loss)/gain recognised in the statement of total recognised gains and losses	5.1	(9.3)	(9.3)
<b>Net actuarial (loss)/gain recognised in the statement of total recognised gains and losses</b>	<b>(12.4)</b>	<b>21.9</b>	<b>21.9</b>

	Year ended 31 December 2004	6 months ended 31 December 2003	Year ended 30 June 2003	18 months ended 30 June 2002
<b>History of experience gains and losses</b>				
Actual return less expected return on pension scheme assets	£m	20.9	(48.4)	(126.2)
As a % of scheme assets	12.5	5%	(13%)	(32%)
Experience gains and losses on scheme liabilities	£m	0.6	13.0	3.3
As a % of present value of scheme liabilities	(15.0)	0%	2%	1%
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	(17.7)	31.2	(114.3)	(140.5)
As a % of present value of scheme liabilities	(3%)	6%	(21%)	(30%)

## 23 COMMITMENTS

(a) Capital commitments	2004	2003
Contracted as at the year end but not provided for in the financial statements	£m	£m
	0.6	1.3

### (b) Contingent liabilities and financial commitments

	2004	2003	2004	2003
	£m	£m	£m	£m
Guarantees for export trading and loan facilities	5.8	7.5	3.5	5.0

Under the Group bank arrangements the Company, together with certain of its subsidiary undertakings, has given security, by way of fixed and floating charges over certain assets, to guarantee bank loans provided to the Group. The amount guaranteed by the Company and the Group outstanding at 31 December 2004 was £65.8 million (2003 - £88.1 million).

### (c) Operating lease commitments

	2004	2003	2004	2003
	£m	£m	£m	£m
<b>Annual amounts payable on agreements expiring:</b>				
Within one year	2.3	2.7	8.1	3.7
After one year but within five years	5.9	3.9	3.9	4.2
After five years	15.8	13.9	-	-
	24.0	20.5	12.0	7.9

The logistics, materials and supply chain management services for maintenance provided by NRS (part of Unipart Rail) was tendered by Network Rail in the second half of 2004. Subsequent to the year end, NRS have been notified by Network Rail that, subject to contract, it will provide an extended procurement service for maintenance contracts. However, the inventory management and distribution work will be reduced. As the negotiations have not been completed the financial impact cannot yet be quantified.

The Group has taken the exemption under FRS 8, 'Related party disclosures', from disclosing related party transactions between entities within the Group. Related party transactions with associates and joint ventures are disclosed in note 11.

## 24 POST BALANCE SHEET EVENTS

## 25 RELATED PARTY TRANSACTIONS



UNIPART GROUP OF COMPANIES

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2004

## 26 PRINCIPAL UNDERTAKINGS

Subsidiary undertakings:	Country of incorporation	% of equity capital held as at 31 December 2004	Principal activity
Dorman Traffic Products Limited	England	100	Manufacture of LED lighting products for road and rail markets
EW (Holdings) Limited	England	100	Marketing, sales and distribution of commercial vehicle parts, components and accessories
H. Burden Limited (i)	England	100	Marketing, sales and distribution of caravan, camping and marine parts and accessories
Intertruck Benelux BV	Netherlands	100	Marketing, sales and distribution of commercial vehicle parts, components and accessories
National Railway Supplies Limited	England	100	Servicing, repair and distribution of parts for track maintenance, signalling and telecommunications in the railway sector
Unipart Automotive Limited (formerly Partco Limited)	England	100	Distribution of automotive components, consumables, paint and bodyshop supplies, garage equipment and finishing goods to the automotive market
Railpart (UK) Limited	England	100	Marketing, sales and distribution of parts for passenger and freight rolling stock
Serck Services (Bahrain) EC	Bahrain	100	Sale and repair of radiators, heating and cooling equipment
Serck Services Inc.	USA	100	Sale and repair of radiators, heating and cooling equipment
Serck Services (Gulf) Limited	UAE	49 (ii)	Sale and repair of radiators, heating and cooling equipment
Serck Services (Oman) LLC	Oman	49 (ii)	Sale and repair of radiators, heating and cooling equipment
Serck Services Company LLC	UAE	49 (ii)	Sale and repair of radiators, heating and cooling equipment
TECE Unipart BV	Netherlands	100	Marketing, sales and distribution of commercial vehicle parts, components and accessories
UGC Europe Limited	England	100	Holding company
UGC Holdings BV	Netherlands	100	Holding company
UGC Properties Limited (i)	England	100	Property holding company
Unipart Automotive Holdings Limited (i)	England	100	Holding company
Unipart Exports Limited	England	100	Export of automotive parts, components and accessories
Unipart Fleet Services Limited	England	100	Vehicle leasing company
Unipart Group Limited (i)	England	100	Marketing, sales, distribution and logistics management of parts, components and accessories mainly within the automotive, IT and retail sectors
Unipart Kabushiki Kaisha	Japan	100	Marketing, sales, distribution and logistics management of parts, components and accessories mainly within the automotive, IT and retail sectors
Unipart Logistics Limited (i)	England	100	Marketing, sales, distribution and logistics management of parts, components and accessories mainly within the automotive, IT and retail sectors
Unipart North America Limited	England	100	Marketing, sales and distribution of parts for passenger and freight rolling stock
Unipart Rail Holdings Limited (i)	England	100	Marketing, sales and distribution of automotive parts and components
Unipart Rail Logistics Limited	England	100	Marketing, sales and distribution of automotive parts and components
Unipart Service GmbH	Germany	100	Marketing, sales and distribution of automotive parts and components
Unipart Services America Inc	USA	100	Marketing, sales and distribution of automotive parts and components
Unipart Services BV	Netherlands	100	Marketing, sales and distribution of automotive parts and components
Unipart Services Canada Inc	Canada	100	Marketing, sales and distribution of automotive parts and components
Van Wezel Autoparts NV	Belgium	100	Marketing, sales and distribution of automotive parts and components
<b>joint ventures:</b>			
Kautex Unipart Limited (i)	England	50	Design, development & manufacture of automotive parts
Unipart Eberspächer Exhaust Systems Limited (i)	England	50	Design, development & manufacture of automotive parts

(i) These principal undertakings are directly held by the Company; all other principal undertakings are indirectly held.

(ii) These companies have been treated as subsidiaries under section 258(4) of the Companies Act 1985. The investments are held for the long term and the Group's management takes an active role in the operational and strategic management of these companies. These operations are effectively controlled by the Group with a dominant influence being exercised over their activities.

As well as those undertakings listed above the Group also has branches in Australia, Belgium, France, Italy, Japan, Spain, Middle East, The Netherlands and USA.