

1 September 2005

## Whatman plc

### Restatement of financial information under International Financial Reporting Standards

#### Adoption of International Financial Reporting Standards

##### Overview

Whatman announces that with effect from 1 January 2005 it has adopted International Financial Reporting Standards (IFRS). The first set of results to be published under IFRS will be the Interim financial statements for the six months ended 30 June 2005. These will be released on 12 September 2005. The Group's first Annual Report in accordance with IFRS will be for the year ended 31 December 2005.

This press release explains the impact of converting to IFRS on the Group's prior period results for 2004. These comparatives will form the base for 2005 performance in both the interim financial statements and the Annual Report. Restated comparatives are set out for the income statement and cash flow statement for the half year and full year ended 30 June 2004 and 31 December 2004. Balance sheet comparatives are restated as at 1 January 2004, 30 June 2004 and 31 December 2004. As 1 January 2004 is the start of the earliest period for comparison, this constitutes the date for transition to IFRS.

The overall impact of adopting IFRS was to increase full year 2004 Operating Profit from £1.8 million under UK GAAP to £1.9 million under IFRS. This arises as a result of reduced goodwill amortisation under IFRS 3 (Business combinations) £0.5 million, and other adjustments including IAS 21 (Foreign Exchange) totalling £0.1 million, offset by a charge for share options under IFRS 2 (Share based payments) £0.3 million and an increase in pension costs under IAS 19 (Employee benefits) £0.2 million.

##### Summary of changes

The table shows financial information for the full year ended 31 December 2004 and half year ended 30 June 2004. Information set out under UK GAAP is audited. Information set out under IFRS is unaudited. Sections VIII – XII of the appendix to this press release carry detailed reconciliations for the income statement and balance sheet for the periods ended 30 June 2004 and 31 December 2004 as well as the opening balance sheet at 1 January 2004.

<b>Summary of impact of IFRS on key performance indicators</b>	<b>UK GAAP H1 2004 £m</b>	<b>IFRS H1 2004 £m</b>	<b>Change H1 £m</b>	<b>UK GAAP 2004 £m</b>	<b>IFRS 2004 £m</b>	<b>Change 2004 £m</b>
Revenue	39.2	39.2	-	82.8	82.8	-
Operating profit	8.2	8.3	0.1	1.8	1.9	0.1
Profit / (loss) attributable to equity shareholders	6.1	5.9	(0.2)	(0.5)	(1.5)	(1.0)
Basic profit/(loss) per share (pence per share)	4.78p	4.63p	(0.15p)	(0.41p)	(1.20p)	(0.79p)
Diluted profit / (loss) per share (pence per share)	4.71p	4.56p	(0.15p)	(0.41p)	(1.18p)	(0.77p)
Basic earnings per share before exceptional items (pence per share)	4.78p	4.41p	(0.37p)	10.48p	8.98p	(1.50p)
Net assets	50.6	45.6	(5.0)	40.2	38.4	(1.8)

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## **Explanation of adjustments**

### **IFRS 2 Share based payments**

IFRS 2 requires shares and share options awarded to employees since November 2002 to be fair valued at the date of grant and charged to the income statement over the relevant vesting period. Under the exemption available in IFRS 1, IFRS 2 has not been applied to share options and share awards issued since November 2002 and vesting before 1 January 2005.

Awards were fair valued using the Black-Scholes valuation model for the SAYE scheme and Monte Carlo valuation model for all other schemes. This adjustment has given rise to a charge of £0.1m for the 6 months ended 30 June 2004 and £0.3m for the year ended 31 December 2004 in the income statement. The Group has recognised a share award reserve within retained earnings on the balance sheet which reflects the cumulative charge under IFRS 2 in respect of outstanding share awards. At 30 June 2004 this was £0.1m and at 31 December 2004 it was £0.3m.

Under UK GAAP, no recognition is required in the profit and loss account.

The deferred tax impact is a debit to deferred tax on the balance sheet of £0.1m at 31 December 2004. Income tax in the income statement is reduced by £0.1m for the year ended 31 December 2004. There is no material effect at 30 June 2004.

### **IFRS 3 Business combinations**

The Group acquired Schleicher & Schuell on 30 November 2004. Goodwill arising on acquisition was capitalised and amortised over its estimated useful life. In accordance with IFRS 3, goodwill is deemed to have an indefinite useful life and tested for impairment annually. Under UK GAAP, after 1 January 1998, goodwill is amortised over its estimated useful life. Before 1 January 1998, goodwill was written off against reserves until disposal of the asset when the profit or loss after disposal is recycled to the profit and loss account.

The credit of £0.5m in the income statement for the year ended 31 December 2004 is the write back of amortisation with a corresponding increase in goodwill and intangibles on the balance sheet. The credit of £0.2m in the income statement for the half year ended 30 June 2004 is the write back of amortisation with a corresponding increase in goodwill arising from other acquisitions on the balance sheet.

### **IAS 19 Employee benefits**

Under UK GAAP, the pension cost for defined benefit schemes is recognised in the profit and loss account over the remaining expected service lives of scheme members. Differences between the amounts charged or credited to the profit and loss account and payments made are classified as either assets or liabilities.

Under IFRS, the net pension obligation on the balance sheet is calculated by discounting the future pension benefit that employees have earned in return for their service in the current and prior periods and subtracting the plan assets. Costs recognised in the income statement are made up of two components, the current service cost and the interest cost. The current service cost is the present value of the future pension benefit earned by employees in the current period and is recognised within operating profit. The interest cost is the finance charge of the time value of the net pension liability and is included within net finance costs on the income statement.

In accordance with the exposure draft “Actuarial gains and losses, group plans and disclosures”, actuarial gains and losses are taken to equity in the year in which they arise.

The adjustments arising are a decrease in net assets of £5.8m as at 1 January 2004 of which £2.5m is a decrease in the deferred tax liability; £6.0m as at 30 June 2004 of which £2.5m is a decrease in the deferred tax liability; and £4.4m as at 31 December 2004 of which £1.9m is a decrease in the deferred tax liability.

The adjustments to the income statement are an increase of £0.1m to operating profit, an increase of £0.4m to net finance costs and £0.1m to income tax for the 6 months ended 30 June 2004. For the year ended 31 December 2004, the adjustments are a decrease of £0.2m to operating profit, an increase of £1.0m to net finance costs and an increase of £0.4m to income tax.

### **IAS 32 and 39 Financial instruments**

IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement” have been adopted from 1 January 2005 and comparative information of 2004 has not been restated in accordance with the optional exemptions within IFRS 1 “First time adoption of International Financial Reporting Standards”. The following paragraph highlights the principal items that will be impacted by the adoption of this standard from 1 January 2005.

The principal derivative instruments used by the group are interest rate swaps and forward foreign exchange contracts. Under UK GAAP, fair values are not recognised on the balance sheet. Under IAS 39, the Group recognises the derivatives at fair value with movements going to the income statement at subsequent reporting dates.

The adoption of these two standards will result in an increase in net assets of £0.2m as at 1 January 2005 which reflects the fair values of the interest rate swaps and forward foreign exchange contracts as at that date.

### **IAS 10 Events after the balance sheet date**

In accordance with IAS 10, dividends declared after the balance sheet date are not recognised as a liability in the balance sheet. Under UK GAAP, proposed dividends are recognised as a liability in the balance sheet.

As at 1 January 2004, net assets increased by £3.4m, £2.2m as at 30 June 2004 and £3.7m as at 31 December 2004.

## **IAS 12 Income taxes**

In accordance with IAS 12, deferred tax has been fully provided on taxable temporary differences. Temporary differences are those differences between the carrying value of an asset or liability and its tax base. Under UK GAAP, deferred tax was fully provided on an incremental liability approach on timing differences. Timing differences are those differences between accounting profit that arises in the financial statements and taxable profits that arise in tax assessments. The changes to deferred tax arose as a result of the adoption of IAS 12.

Net assets decreased by £1.2m as at 1 January 2004, £0.8m as at 30 June 2004 and £1.2m as at 31 December 2004. For the year ended 31 December 2004, income tax expense increased by £0.6m. Income tax expense increased as a result of the recognition of a deferred tax asset in respect of gains on outstanding share options in the 1 January 2004 balance sheet.

## **Other adjustments**

### **IAS 16 Property plant & equipment**

In accordance with IAS 16 material components of assets with shorter useful lives have been depreciated separately. The depreciation charge was increased by £0.1m for both the half year to 30 June 2004 and the full year to 31 December 2004, with a corresponding decrease in net assets of £0.1m at each period end.

### **IAS 21 Foreign Exchange**

Under IAS 21 foreign currency monetary assets and liabilities are valued at spot rates not forward contract rates. This resulted in a decrease in net assets of £0.2m as at 1 January 2004, £0.1m as at 30 June 2004 with no change as at 31 December 2004.

### **IAS 38 Intangible assets**

Under UK GAAP, computer software was classified as tangible fixed assets. IAS 38 requires these to be classified as an intangible asset where they are not integral to the physical substance of the tangible fixed asset. As a result, £0.2m of computer software has been reclassified as at 1 January 2004, £0.1m as at 30 June 2004 and £0.1m as at 31 December 2004.

In addition, a prepaid royalty arising on the acquisition of intellectual property rights was classified as a prepayment under UK GAAP. IAS 38 requires this to be classified as an intangible asset. Previously, the prepayment was released to the profit and loss account in line with sales. £1.8m of the prepayment was reclassified to intangibles as at 1 January 2004; £1.8m as at 30 June 2004 and £1.7m as at 31 December 2004. The corresponding decrease in net income on the income statement was £0.1m for the 6 months ended 30 June 2004 and £0.1m for the year ended 31 December 2004 reflecting the change from releasing to the income statement in line with sales to a straight line amortisation over 16 years being the life of the intangible. The decrease to net assets at 1 January 2004 was £0.4m as a result of this

change; a decrease of £0.4m as at 30 June 2004 and a decrease of £0.4m as at 31 December 2004.

## **IAS 7 Cash flow statements**

The cash flow statement has been prepared in accordance with IAS 7. While this gives rise to a change in the reporting format, there are no changes to the Group's cash flow and cash balances. As required by IAS 7, short-term investments are presented separately from cash and cash equivalents. Short-term investments represent those deposits with a maturity greater than 3 months from inception.

## **Other**

Under IFRS, provisions are analysed as those expected to be utilised in less than one year and more than one year. As at 1 January 2004, £1.9m has been reclassified from non-current liabilities to current liabilities, £1.8m as at 30 June 2004 and £2.2m as at 31 December 2004. These changes have been reflected in the column headed 'Previously reported under UK GAAP'.

## **I Basis of preparation**

The historic financial information contained in this document has been prepared on the basis of all IFRS and Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) issued by the IASB effective for 2005 reporting.

In adopting current IFRS, the Group has assumed that the international accounting standard "Actuarial gains and losses, group plans and disclosures" which amends IAS 19 "Employee Benefits" will be endorsed by the EU.

As listed companies in a large number of countries are adopting IFRS for the first time, there is limited established practice upon which to draw in matters of interpretation and application. Furthermore, it is possible that new standards and new interpretations may be issued which will affect the Group. Consequently it is not possible at this stage to definitively quantify the impact of the adoption of IFRS and therefore the comparative information in subsequent reporting may differ from that presented in this document.

## **II Transitional arrangements**

IFRS 1, First Time Adoption of International Financial Reporting Standards, permits those companies adopting IFRS for the first time to take some exemptions from the full requirements of IFRS in the transition period. Whatman has taken advantage of the following exemptions:

- Business combinations: Business combinations prior to the transition date of 1 January 2004 have not been restated onto an IFRS basis
- Fair value or revaluation as deemed cost of fixed assets: the net book value of property, plant and equipment under UK GAAP has been adopted as the deemed cost in the opening balance sheet at the transition date

- Employee benefits: the exemption under IFRS 1 allows actuarial gains and losses on defined benefit schemes to be fully recognised on the opening balance sheet but gives the option of use of a “corridor” approach for future recognised gains and losses through the income statement. This has largely been superseded by the international accounting standard “Actuarial gains and losses, group plans and disclosures” that enables actuarial gains and losses to be recognised immediately through equity. This option has been adopted by Whatman but is subject to endorsement by the EU
- Cumulative translation differences: under IAS 21 foreign exchange gains and losses relating to translation differences on overseas operations are taken to a separate translation reserve. IFRS 1 allows a first time adopter an exemption from the need to calculate these cumulative translation differences prior to the transition date, consequently the differences have been set to zero at 1 January 2004 and exchange differences arising prior to this date will not be recycled to the income statement.
- Comparative information: IFRS 1 allows first time adopters to account for Financial Instruments for the prior year comparative as at 30 June 2004 and the opening balance sheet as at 1 January 2004 under UK GAAP. This exemption applies only to the requirements of IAS 32 and 39
- Share based payments: IFRS 2 has not been applied to share options and shares awarded which have been issued since November 2002 and vested before 1 January 2005 under the exemption available in IFRS 1

### **III Accounting policies**

The following are the principal accounting policies that the group has applied in preparing the restated financial information under IFRS contained in this document. The same policies are expected to be used in preparation of the 2005 interim and annual reports subject to amendments necessary to reflect the adoption of IAS 32 and 39 from 1 January 2005.

#### **Statement of compliance**

This statement of compliance will apply to the Group’s first Annual Report produced in accordance with IFRS for the year ended 31 December 2005.

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). In adopting current IFRS, the Group has assumed that the international accounting standard “Actuarial gains and losses, group plans and disclosures” which amends IAS 19 “Employee Benefits” will be endorsed by the EU.

## **Basis of preparation and accounting**

The financial information is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair values:

- Investments available for sale
- Financial assets and financial liabilities including derivative instruments

The accounting policies set out below have been applied consistently to all periods presented and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transition to IFRS.

The accounting policies have been applied consistently by Group entities.

The preparation of the financial information in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

## **Basis of consolidation**

The Group financial information is the consolidation of the financial information of the Company and all of its subsidiary undertakings. Entities over which the Group has the ability to exercise control are accounted for as subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Interests acquired in entities are consolidated from the effective date of acquisition, when control commences. Interests sold are consolidated up to the date of disposal, when control ceases.

Transactions and balances between subsidiaries are eliminated. No profit is taken on sales between subsidiaries until the products are sold to customers outside the Group. Deferred tax relief on unrealised intra-Group profit is accounted for only to the extent that it is considered recoverable.

Assets and liabilities of overseas subsidiaries are translated into sterling at rates of exchange ruling at the balance sheet date. The results and cash flows of overseas subsidiaries are translated into sterling using average rates of exchange.

After 1 January 2004, the date of transition to IFRS, exchange adjustments arising when the opening net assets and the profits for the year retained by overseas subsidiaries are translated into sterling, less exchange differences on related foreign currency borrowings which hedge the Group's net investment in these operations, are taken to a separate component of equity. Exchange adjustments arising before the date of transition to IFRS in respect of all overseas subsidiaries are not taken to a separate component of equity.

## **Foreign currency transactions**

Foreign currency transactions by Group companies are booked in functional currency at the exchange rate ruling on the date of the transaction. Foreign currency assets and liabilities are retranslated into the functional currency at rates of exchange ruling at the balance sheet date. Exchange differences are included in the income statement.

## **Revenue**

Revenue is recognised in the income statement when goods or services are despatched to external customers and generally when title and risk of loss passes to the customer. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due or the possible return of the goods.

Revenue represents net invoice value after the deduction of discounts and allowances given and accruals for estimated future rebates and returns. Estimates for rebates and returns are made on the basis of contractual and historical information and past experience. Revenue excludes value added tax and other sales taxes.

## **Expenditure**

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms.

Net financing costs include interest payable on borrowings, interest receivable on funds invested, foreign exchange gains and losses and gains and losses on hedging instruments that are recognised in the income statement. Interest income is recognised in the income statement as it accrues.

## **Research and development<sup>1</sup>**

Research and development expenditure is charged to the income statement in the period in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset are met. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Property, plant and equipment used for research and development is depreciated in accordance with the Group's policy.

## **Property, plant and equipment**

Property, plant and equipment is stated at cost of purchase, construction or revalued amount less accumulated depreciation and impairment losses. Financing costs are not capitalised.

Depreciation is calculated to write off the cost less any residual value of property, plant and equipment, using the straight line basis over its expected useful life. The normal expected useful lives of the major categories of property, plant and equipment are:

Freehold buildings	20 – 50 years
Leasehold land and buildings	Lease term or 20 – 50 years
Plant and machinery (excluding paper making machines)	4 – 10 years
Paper making machines	20 years

Certain items of property that had been revalued in 1996 are carried at the revalued amount. The Group has adopted a policy of not revaluing properties since the revaluations carried out in 1996.

### **Goodwill<sup>1</sup>**

Goodwill represents amounts arising on the acquisition of a business. For acquisitions since 1 January 2004, goodwill is the difference between the cost of the acquisition and the fair value of the identifiable net assets acquired less any subsequent impairments. Goodwill is deemed to have an indefinite useful life and is tested for impairment annually. Goodwill is no longer amortised.

For acquisitions prior to this date, goodwill is included at the amount recorded previously under UK GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 January 2004 has not been reconsidered in preparing the Group's opening balance sheet at 1 January 2004. Goodwill is stated at cost less provision for amortisation and impairment. Goodwill arising on acquisitions prior to 1 January 1998 was written off to reserves.

### **Intangible assets<sup>1</sup>**

Intangible assets comprise patents, licences, marketing rights, development costs and computer software.

Intangible assets acquired separately or as part of a business combination are stated at cost less provision for amortisation and impairment.

Amortisation is calculated to write off the cost of intangible assets in equal annual instalments over the lower of their legal and estimated useful lives. The carrying values of intangible assets together with their useful lives are subject to annual review and any impairment is charged to the income statement. The amortisation periods currently being used range from 10 to 20 years.

The cost of acquiring and developing computer software for internal use and internet sites for external use are capitalised as intangible assets where the software supports a significant business system. ERP systems software is amortised over 5 years and other computer software over 3 – 5 years.

## **Impairment of assets**

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

## **Taxation<sup>1</sup>**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method, and is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply to the year of realisation or settlement based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill not deductible for tax purposes, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## **Inventories**

Inventories are included in the financial information at the lower of cost and net realisable value. Cost includes the direct cost of raw materials, direct labour, other direct costs and related production overheads. Cost is determined on a first in first out basis.

## **Available for sale investments**

Available for sale investments are initially recorded at cost and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses are recognised directly in equity.

On disposal or impairment of the investments, the gains and losses in equity are recycled into the income statement.

Equity investments are recorded in non current assets unless they are expected to be sold within one year of the reporting date.

## **Provisions**

A provision is recognised when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

A provision for restructuring is recognised in respect of the direct expenditures of a business reorganisation where the plans are sufficiently detailed and well advanced and where the appropriate communication to those affected has been undertaken at the balance sheet date. Future operating costs are not provided.

A provision for an onerous contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

## **Leases**

Lease agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as finance leases, as if the asset had been purchased outright.

The assets are included in property, plant and equipment. The capital elements of the leasing commitments are shown as obligations under finance leases. Assets held under finance leases are depreciated on a basis consistent with similar owned assets or the lease term if shorter. The interest element of the lease rental is included in the income statement.

All other leases are operating leases and the annual rentals are included in the income statement on a straight line basis over the lease term.

Land and buildings leased to third parties under operating leases have been capitalised at fair value under the acquisition method of accounting. Operating lease income is recognised in the income statement on a straight line basis with any rental increases recognised in any period to which they relate.

### **Employee benefits<sup>1</sup>**

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on AAA credit rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

All actuarial gains and losses as at 1 January 2004, the date of transition to IFRS, were recognised. After 1 January 2004 all cumulative actuarial gains or losses are taken directly to equity in the year in which they arise.

Incentives in the form of shares are provided to employees under share option and share award schemes. These options and awards are fair valued at their grant dates and the cost is charged to the income statement over the relevant vesting periods.

### **Financial risk management**

The Group is exposed to a number of risks through its multi-national operations and significant debt financing. The most significant of these include interest rate risks, liquidity risks and effects of foreign currency exchange rates.

Derivative financial instruments are used to hedge the Group's exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The principal derivative instruments used are interest rate swaps and forward foreign exchange contracts. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

The Board considers each of these risks on a regular basis and the Group's policy towards each of these risks has remained unchanged during the year.

## **Interest rate risk**

The Group finances its operations through a mixture of equity capital, retained profits, cash, bank overdrafts and bank borrowings. The Group finances its acquisitions primarily through bank borrowings. The Group borrows in the desired currencies mainly at floating rates of interest and uses interest rate swaps, as deemed appropriate, to manage the Group's exposure to interest rate fluctuations.

## **Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank borrowings. The Group predominantly uses a medium term credit facility incorporating a term loan facility and a revolving credit facility from a London bank. In addition, the Group maintains undrawn committed borrowing facilities, after taking into account anticipated expenditure on acquisitions, of at least 10% of borrowing facilities, in order to provide flexibility in the management of the Group's liquidity. Short term flexibility is achieved by the use of bank overdrafts.

## **Foreign currency risk**

The Group has a significant investment in overseas operations, primarily in the US and Continental Europe. As a result, the Group's sterling balance sheet can be significantly affected by movements in the US Dollar and Euro exchange rates. The Group seeks to reduce the effect of these currency exposures by matching its currency borrowings with the overseas foreign currency assets to the extent that total borrowings do not significantly exceed funding requirements. Approximately 60% of the Group's investments in non-sterling operations are hedged in this way.

The Group also has a transactional exposure with significant sales and a smaller element of purchases being made in a currency other than the functional currency of the operating units. In addition, the Group has an exposure in translating the profits of overseas operations into sterling. The Group's policy is to actively manage the currency risk by covering 100% of the anticipated exposures in major foreign currencies for a period of between one and two years using forward foreign exchange contracts.

## **Credit risk**

The Group has no significant credit risk. Policies have been implemented which require the assessment of the credit worthiness of potential customers prior to a sale.

## **Derivative financial instruments**

The following UK GAAP policies for financial instruments have been applied in the preparation of the group's 2004 comparative information.

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. The results of overseas subsidiary undertakings are translated at average rates of exchange. Differences on the translation of the opening balance sheets of overseas subsidiary undertakings are taken directly to reserves, net of differences on related currency borrowings.

## Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits repayable on demand, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

<sup>1</sup>Policy change to align with requirements of IFRS.

## IV Consolidated income statement

<b>Consolidated income statement</b>	Unaudited	Unaudited
<b>For the periods ended 30 June 2004 and 31 December 2004</b>	Half Year 2004	Full Year 2004
	£m	£m
Continuing operations		
Revenue	39.2	82.8
Cost of sales	(19.2)	(48.4)
<b>Gross profit</b>	<b>20.0</b>	<b>34.4</b>
Distribution costs	(5.8)	(14.3)
R & D costs	(0.8)	(1.9)
Amortisation of intangibles	(0.2)	(0.5)
Administrative expenses	(4.9)	(15.8)
<b>Operating profit</b>	<b>8.3</b>	<b>1.9</b>
Interest payable & similar charges	(1.4)	(3.1)
Interest receivable	0.8	1.7
<b>Profit before tax</b>	<b>7.7</b>	<b>0.5</b>
Income tax expense	(1.8)	(2.0)
<b>Profit / (loss) attributable to equity shareholders</b>	<b>5.9</b>	<b>(1.5)</b>
Basic earnings/(loss) per share	4.63p	(1.20p)
Diluted earnings/(loss) per share	4.56p	(1.18p)

Operating profit for the full year 2004 is after charging £15.4 million of exceptional charges comprising a restructuring provision for Schleicher & Schuell of £11.4 million, other restructuring and onerous lease provisions of £1.9 million, ongoing litigation against Biometra of £1.1 million, a stock write down of £0.8 million arising from the product rationalisation programme and other items of £0.2 million. Operating profit for the half year 2004 includes a £0.4 million write back of restructuring provisions.

## V Statement of recognised income and expense

<b>Statement of recognised income and expense</b>	Unaudited	Unaudited
<b>For the periods ended 30 June 2004 and 31 December 2004</b>	Half year	Full year
	2004	2004
	£m	£m
Currency translation adjustments	(1.9)	(2.0)
Net investment hedge	1.3	(0.1)
Tax on net investment hedge	(0.4)	(0.1)
Actuarial gains and losses	-	2.2
Net (expense)/income recognised directly in equity	(1.0)	-
Income/(expense) for the period	5.9	(1.5)
Total recognised income/(expense) for the period	4.9	(1.5)

## VI Consolidated balance sheet

<b>Consolidated balance sheet</b>	Unaudited	Unaudited
<b>As at 30 June 2004 and 31 December 2004</b>	Half year	Full year
	2004	2004
	£m	£m
<b>Assets</b>		
Property, plant and equipment	28.1	31.5
Goodwill	5.2	34.4
Other intangible assets	3.7	5.7
Deferred tax assets	6.0	5.4
Trade & other receivables	0.3	0.9
<b>Total non current assets</b>	<b>43.3</b>	<b>77.9</b>
<b>Current assets</b>		
Inventories	12.1	16.7
Trade and other receivables	14.6	21.0
Other current assets	4.5	3.4
Available for sale investments	-	5.1
Cash & cash equivalents	4.8	9.1
<b>Total current assets</b>	<b>36.0</b>	<b>55.3</b>
<b>Total assets</b>	<b>79.3</b>	<b>133.2</b>
<b>Non current liabilities</b>		
Borrowings	(1.5)	(39.3)
Employee benefits	(4.1)	(9.7)
Deferred tax	(0.1)	(0.5)
Provisions	(9.6)	(2.2)
<b>Total non current liabilities</b>	<b>(15.3)</b>	<b>(51.7)</b>
<b>Current liabilities</b>		
Borrowings	(5.5)	(0.1)
Trade and other payables	(11.1)	(21.6)
Provisions	(1.8)	(21.4)
<b>Total current liabilities</b>	<b>(18.4)</b>	<b>(43.1)</b>
<b>Total liabilities</b>	<b>(33.7)</b>	<b>(94.8)</b>
<b>Net assets</b>	<b>45.6</b>	<b>38.4</b>
<b>Equity</b>		
Share capital	16.0	17.4
Other reserves	4.8	5.8
Retained earnings	24.8	15.2
<b>Total equity</b>	<b>45.6</b>	<b>38.4</b>

## VII Consolidated cash flow statement

<b>Consolidated cash flow statement</b>	Unaudited	Unaudited
<b>For the periods ended 30 June 2004 and 31 December 2004</b>	Half year	Full year
	2004	2004
	£m	£m
<b>Cash flows from operating activities</b>		
Cash generated from operations	6.0	14.0
Interest received	-	0.1
Interest paid	(0.1)	(1.0)
Tax paid	(0.4)	(0.4)
<b>Net cash from operating activities</b>	<b>5.5</b>	<b>12.7</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries (net of cash acquired)	-	(28.9)
Purchase of property, plant and equipment	(2.3)	(4.3)
Purchase of intangible fixed assets	-	(0.3)
<b>Net cash used in investing activities</b>	<b>(2.3)</b>	<b>(33.5)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of ordinary share capital	0.9	1.7
Net proceeds from issue of new bank loan	5.5	39.1
Repayment of borrowings	(9.4)	(13.0)
Dividends	(3.4)	(5.6)
<b>Net cash used in financing activities</b>	<b>(6.4)</b>	<b>22.2</b>
<b>Net (decrease)/increase in cash &amp; cash equivalents</b>	<b>(3.2)</b>	<b>1.4</b>
Effects of exchange rate changes	(0.3)	(0.6)
Cash and cash equivalents at 1 January	8.2	8.2
<b>Cash and cash equivalents at period end</b>	<b>4.7</b>	<b>9.0</b>

## VIII Reconciliation of consolidated income statement for the half year ended 30 June 2004

<b>Consolidated income statement For the half year ended 30 June 2004</b>	Previously reported under UK GAAP £m	IFRS 2 Share based payments £m	IFRS 3 Business combinations £m	IAS 19 Employee benefits £m	IAS 10 After balance sheet £m	IAS 12 Income taxes £m	Other £m	Total IFRS adjustments £m	Restated under IFRS Unaudited £m
Continuing operations									
Revenue	39.2	-	-	-	-	-	-	-	39.2
Cost of sales	(19.1)	-	-	-	-	-	(0.1)	(0.1)	(19.2)
<b>Gross profit</b>	<b>20.1</b>	-	-	-	-	-	<b>(0.1)</b>	<b>(0.1)</b>	<b>20.0</b>
Distribution costs	(5.8)	-	-	-	-	-	-	-	(5.8)
R & D costs	(0.8)	-	-	-	-	-	-	-	(0.8)
Amortisation of intangibles	(0.3)	-	0.2	-	-	-	(0.1)	0.1	(0.2)
Administrative expenses	(5.0)	(0.1)	-	0.1	-	-	0.1	0.1	(4.9)
<b>Operating profit</b>	<b>8.2</b>	<b>(0.1)</b>	<b>0.2</b>	<b>0.1</b>	-	-	<b>(0.1)</b>	<b>0.1</b>	<b>8.3</b>
Interest payable	(0.1)	-	-	(1.2)	-	-	(0.1)	(1.3)	(1.4)
Interest receivable	-	-	-	0.8	-	-	-	0.8	0.8
<b>Profit before tax</b>	<b>8.1</b>	<b>(0.1)</b>	<b>0.2</b>	<b>(0.3)</b>	-	-	<b>(0.2)</b>	<b>(0.4)</b>	<b>7.7</b>
Income tax expense	(2.0)	-	-	0.1	-	-	0.1	0.2	(1.8)
<b>Profit attributable to equity shareholders</b>	<b>6.1</b>	<b>(0.1)</b>	<b>0.2</b>	<b>(0.2)</b>	-	-	<b>(0.1)</b>	<b>(0.2)</b>	<b>5.9</b>
Basic earnings/(loss) per share	4.78p	(0.04p)	0.15p	(0.16p)	-	-	(0.10p)	(0.15p)	4.63p
Diluted earnings/(loss) per share	4.71p	(0.04p)	0.15p	(0.16p)	-	-	(0.10p)	(0.15p)	4.56p

## IX Reconciliation of consolidated income statement for the year ended 31 December 2004

Consolidated income statement For the year ended 31 December 2004	Previously reported under UK GAAP		IFRS 2 Share based payments	IFRS 3 Business combinations	IAS 19 Employee benefits	IAS 10 After balance sheet	IAS 12 Income taxes	Other	Total IFRS adjustments	Restated under IFRS Unaudited
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations										
Revenue	82.8		-	-	-	-	-	-	-	82.8
Cost of sales	(48.4)		-	-	-	-	-	-	-	(48.4)
<b>Gross profit</b>	<b>34.4</b>		-	-	-	-	-	-	-	<b>34.4</b>
Distribution costs	(14.3)		-	-	-	-	-	-	-	(14.3)
R & D	(1.9)		-	-	-	-	-	-	-	(1.9)
Amortisation of intangibles	(0.7)		-	0.5	-	-	-	(0.3)	0.2	(0.5)
Administrative expenses	(15.7)		(0.3)	-	(0.2)	-	-	0.4	(0.1)	(15.8)
<b>Operating profit</b>	<b>1.8</b>		<b>(0.3)</b>	<b>0.5</b>	<b>(0.2)</b>	-	-	<b>0.1</b>	<b>0.1</b>	<b>1.9</b>
Interest payable	(0.5)		-	-	(2.6)	-	-	-	(2.6)	(3.1)
Interest receivable	0.1				1.6				1.6	1.7
<b>Profit before tax</b>	<b>1.4</b>		<b>(0.3)</b>	<b>0.5</b>	<b>(1.2)</b>	-	-	<b>0.1</b>	<b>(0.9)</b>	<b>0.5</b>
Income tax expense	(1.9)		0.1	-	0.4	-	(0.6)	-	(0.1)	(2.0)
<b>Loss attributable to equity shareholders</b>	<b>(0.5)</b>		<b>(0.2)</b>	<b>0.5</b>	<b>(0.8)</b>	-	<b>(0.6)</b>	<b>0.1</b>	<b>(1.0)</b>	<b>(1.5)</b>
Basic (loss)/earnings per share	(0.41p)		(0.14p)	0.39p	(0.66p)	-	(0.49p)	0.11p	(0.79p)	(1.20p)
Diluted (loss)/earnings per share	(0.41p)		(0.14p)	0.39p	(0.65p)	-	(0.48p)	0.11p	(0.77p)	(1.18p)

## X Reconciliation of consolidated balance sheet as at 1 January 2004

<b>Consolidated balance sheet As at 1 January 2004</b>	Previously reported under UK GAAP	IFRS 2 Share based payments £m	IFRS 3 Business combinations £m	IAS 19 Employee benefits £m	IAS 10 After balance sheet £m	IAS 12 Income taxes £m	Other £m	Total IFRS adjustments £m	Restated under IFRS Unaudited £m
<b>Assets</b>									
Property, plant and equipment	28.0	-	-	-	-	-	(0.2)	(0.2)	27.8
Goodwill	4.9	-	0.1	-	-	0.4	(0.1)	0.4	5.3
Other intangible assets	2.0	-	(0.1)	-	-	-	2.1	2.0	4.0
Deferred tax assets	7.2	-	-	-	-	0.1	-	0.1	7.3
Trade & other receivables	4.7	-	-	(4.4)	-	-	-	(4.4)	0.3
<b>Total non current assets</b>	<b>46.8</b>	-	-	<b>(4.4)</b>	-	<b>0.5</b>	<b>1.8</b>	<b>(2.1)</b>	<b>44.7</b>
<b>Current assets</b>									
Inventories	11.1	-	-	-	-	-	-	-	11.1
Trade and other receivables	16.5	-	-	-	-	-	(2.6)	(2.6)	13.9
Other current assets	6.8	-	-	-	-	-	-	-	6.8
Cash & cash equivalents	8.5	-	-	-	-	-	-	-	8.5
<b>Total current assets</b>	<b>42.9</b>	-	-	-	-	-	<b>(2.6)</b>	<b>(2.6)</b>	<b>40.3</b>
<b>Total assets</b>	<b>89.7</b>	-	-	<b>(4.4)</b>	-	<b>0.5</b>	<b>(0.8)</b>	<b>(4.7)</b>	<b>85.0</b>
<b>Non current liabilities</b>									
Employee benefits	-	-	-	(4.1)	-	-	-	(4.1)	(4.1)
Deferred tax	(1.0)	-	-	2.5	-	(1.7)	0.2	1.0	-
Provisions	(1.9)	-	-	-	-	-	-	-	(1.9)
<b>Total non current liabilities</b>	<b>(2.9)</b>	-	-	<b>(1.6)</b>	-	<b>(1.7)</b>	<b>0.2</b>	<b>(3.1)</b>	<b>(6.0)</b>
<b>Current liabilities</b>									
Borrowings	(11.3)	-	-	-	-	-	-	-	(11.3)
Trade and other payables	(15.9)	-	-	0.2	3.4	-	0.1	3.7	(12.2)
Provisions	(12.6)	-	-	-	-	-	-	-	(12.6)
<b>Total current liabilities</b>	<b>(39.8)</b>	-	-	<b>0.2</b>	<b>3.4</b>	-	<b>0.1</b>	<b>3.7</b>	<b>(36.1)</b>
<b>Total liabilities</b>	<b>(42.7)</b>	-	-	<b>(1.4)</b>	<b>3.4</b>	<b>(1.7)</b>	<b>0.3</b>	<b>0.6</b>	<b>(42.1)</b>
<b>Net assets</b>	<b>47.0</b>	-	-	<b>(5.8)</b>	<b>3.4</b>	<b>(1.2)</b>	<b>(0.5)</b>	<b>(4.1)</b>	<b>42.9</b>
<b>Equity</b>									
Share capital	14.5	-	-	-	-	0.5	(0.2)	0.3	14.8
Other reserves	6.6	-	-	-	-	(0.9)	0.1	(0.8)	5.8
Retained earnings	25.9	-	-	(5.8)	3.4	(0.8)	(0.4)	(3.6)	22.3
<b>Total equity</b>	<b>47.0</b>	-	-	<b>(5.8)</b>	<b>3.4</b>	<b>(1.2)</b>	<b>(0.5)</b>	<b>(4.1)</b>	<b>42.9</b>

## XI Reconciliation of consolidated balance sheet as at 30 June 2004

<b>Consolidated balance sheet As at 30 June 2004</b>	Previously reported under UK GAAP	IFRS 2 Share based payments £m	IFRS 3 Business combinations £m	IAS 19 Employee benefits £m	IAS 10 After balance sheet £m	IAS 12 Income taxes £m	Other £m	Total IFRS adjustments £m	Restated under IFRS Unaudited £m
<b>Assets</b>									
Property, plant and equipment	28.3	-	-	-	-	-	(0.2)	(0.2)	28.1
Goodwill	4.7	-	0.2	-	-	0.4	(0.1)	0.5	5.2
Other intangible assets	1.8	-	-	-	-	-	1.9	1.9	3.7
Deferred tax assets	6.1	-	-	-	-	(0.1)	-	(0.1)	6.0
Trade & other receivables	4.9	-	-	(4.6)	-	-	-	(4.6)	0.3
<b>Total non current assets</b>	<b>45.8</b>	-	<b>0.2</b>	<b>(4.6)</b>	-	<b>0.3</b>	<b>1.6</b>	<b>(2.5)</b>	<b>43.3</b>
<b>Current assets</b>									
Inventories	12.1	-	-	-	-	-	-	-	12.1
Trade and other receivables	17.1	-	-	-	-	-	(2.5)	(2.5)	14.6
Other current assets	4.5	-	-	-	-	-	-	-	4.5
Cash & cash equivalents	4.8	-	-	-	-	-	-	-	4.8
<b>Total current assets</b>	<b>38.5</b>	-	-	-	-	-	<b>(2.5)</b>	<b>(2.5)</b>	<b>36.0</b>
<b>Total assets</b>	<b>84.3</b>	-	<b>0.2</b>	<b>(4.6)</b>	-	<b>0.3</b>	<b>(0.9)</b>	<b>(5.0)</b>	<b>79.3</b>
<b>Non current liabilities</b>									
Borrowings	(1.5)	-	-	-	-	-	-	-	(1.5)
Employee benefits	-	-	-	(4.1)	-	-	-	(4.1)	(4.1)
Deferred tax	(1.5)	-	-	2.5	-	(1.4)	0.3	1.4	(0.1)
Provisions	(9.6)	-	-	-	-	-	-	-	(9.6)
<b>Total non current liabilities</b>	<b>(12.6)</b>	-	-	<b>(1.6)</b>	-	<b>(1.4)</b>	<b>0.3</b>	<b>(2.7)</b>	<b>(15.3)</b>
<b>Current liabilities</b>									
Borrowings	(5.5)	-	-	-	-	-	-	-	(5.5)
Trade and other payables	(13.8)	-	-	0.2	2.2	0.3	-	2.7	(11.1)
Provisions	(1.8)	-	-	-	-	-	-	-	(1.8)
<b>Total current liabilities</b>	<b>(21.1)</b>	-	-	<b>0.2</b>	<b>2.2</b>	<b>0.3</b>	-	<b>2.7</b>	<b>(18.4)</b>
<b>Total liabilities</b>	<b>(33.7)</b>	-	-	<b>(1.4)</b>	<b>2.2</b>	<b>(1.1)</b>	<b>0.3</b>	-	<b>(33.7)</b>
<b>Net assets</b>	<b>50.6</b>	-	<b>0.2</b>	<b>(6.0)</b>	<b>2.2</b>	<b>(0.8)</b>	<b>(0.6)</b>	<b>(5.0)</b>	<b>45.6</b>
<b>Equity</b>									
Share capital	15.4	0.1	-	-	-	0.8	(0.3)	0.6	16.0
Other reserves	6.6	-	-	-	-	(0.8)	(0.9)	(1.7)	4.9
Retained earnings	28.6	(0.1)	0.2	(6.0)	2.2	(0.8)	0.6	(3.9)	24.7
<b>Total equity</b>	<b>50.6</b>	-	<b>0.2</b>	<b>(6.0)</b>	<b>2.2</b>	<b>(0.8)</b>	<b>(0.6)</b>	<b>(5.0)</b>	<b>45.6</b>

## XII Reconciliation of consolidated balance sheet as at 31 December 2004

<b>Consolidated balance sheet As at 31 December 2004</b>	Previously reported under UK GAAP	IFRS 2 Share based payments £m	IFRS 3 Business combinations £m	IAS 19 Employee benefits £m	IAS 10 After balance sheet £m	IAS 12 Income taxes £m	Other £m	Total IFRS adjustments £m	Restated under IFRS Unaudited £m
<b>Assets</b>									
Property, plant and equipment	31.8	-	-	-	-	-	(0.3)	(0.3)	31.5
Goodwill	32.7	-	0.6	-	-	1.1	-	1.7	34.4
Other intangible assets	3.9	-	(0.1)	-	-	-	1.9	1.8	5.7
Deferred tax assets	7.5	-	-	-	-	(2.2)	0.1	(2.1)	5.4
Trade & other receivables	8.0	-	-	(4.9)	-	-	(2.2)	(7.1)	0.9
<b>Total non current assets</b>	<b>83.9</b>	-	<b>0.5</b>	<b>(4.9)</b>	-	<b>(1.1)</b>	<b>(0.5)</b>	<b>(6.0)</b>	<b>77.9</b>
<b>Current assets</b>									
Inventories	16.7	-	-	-	-	-	-	-	16.7
Trade and other receivables	21.2	-	-	-	-	-	(0.2)	(0.2)	21.0
Other current assets	3.4	-	-	-	-	-	-	-	3.4
Available for sale investments	5.1	-	-	-	-	-	-	-	5.1
Cash & cash equivalents	9.1	-	-	-	-	-	-	-	9.1
<b>Total current assets</b>	<b>55.5</b>	-	-	-	-	-	<b>(0.2)</b>	<b>(0.2)</b>	<b>55.3</b>
<b>Total assets</b>	<b>139.4</b>	-	<b>0.5</b>	<b>(4.9)</b>	-	<b>(1.1)</b>	<b>(0.7)</b>	<b>(6.2)</b>	<b>133.2</b>
<b>Non current liabilities</b>									
Borrowings	(39.3)	-	-	-	-	-	-	-	(39.3)
Employee benefits	(8.2)	-	-	(1.5)	-	-	-	(1.5)	(9.7)
Deferred tax	(2.6)	0.1	-	1.9	-	(0.1)	0.2	2.1	(0.5)
Provisions	(2.2)	-	-	-	-	-	-	-	(2.2)
<b>Total non current liabilities</b>	<b>(52.3)</b>	<b>0.1</b>	-	<b>0.4</b>	-	<b>(0.1)</b>	<b>0.2</b>	<b>0.6</b>	<b>(51.7)</b>
<b>Current liabilities</b>									
Borrowings	(0.1)	-	-	-	-	-	-	-	(0.1)
Trade and other payables	(25.4)	-	-	0.1	3.7	-	-	3.8	(21.6)
Provisions	(21.4)	-	-	-	-	-	-	-	(21.4)
<b>Total current liabilities</b>	<b>(46.9)</b>	-	-	<b>0.1</b>	<b>3.7</b>	-	-	<b>3.8</b>	<b>(43.1)</b>
<b>Total liabilities</b>	<b>(99.2)</b>	<b>0.1</b>	-	<b>0.5</b>	<b>3.7</b>	<b>(0.1)</b>	<b>0.2</b>	<b>4.4</b>	<b>(94.8)</b>
<b>Net assets</b>	<b>40.2</b>	<b>0.1</b>	<b>0.5</b>	<b>(4.4)</b>	<b>3.7</b>	<b>(1.2)</b>	<b>(0.5)</b>	<b>(1.8)</b>	<b>38.4</b>
<b>Equity</b>									
Share capital	16.0	0.3	-	-	-	1.1	-	1.4	17.4
Other reserves	6.4	-	-	2.2	-	(0.8)	(2.0)	(0.6)	5.8
Retained earnings	17.8	(0.2)	0.5	(6.6)	3.7	(1.5)	1.5	(2.6)	15.2
<b>Total equity</b>	<b>40.2</b>	<b>0.1</b>	<b>0.5</b>	<b>(4.4)</b>	<b>3.7</b>	<b>(1.2)</b>	<b>(0.5)</b>	<b>(1.8)</b>	<b>38.4</b>

### XIII Reconciliation of movement in equity for the half year ended 30 June 2004

Reconciliation in movement of equity Half year ended 30 June 2004	Previously reported under UK GAAP £m	IFRS 2 Share based payments £m	IFRS 3 Business combinations £m	IAS 19 Employee benefits £m	IAS 10 After balance sheet £m	IAS 12 Income taxes £m	Other £m	Total IFRS adjustments £m	Restated under IFRS Unaudited £m
Profit attributable to equity shareholders	6.1	(0.1)	0.2	(0.2)	-	-	(0.1)	(0.2)	5.9
Dividends	(2.2)	-	-	-	(1.2)	-	-	(1.2)	(3.4)
Other recognised losses for the half year	(1.1)	-	-	-	-	0.1	-	0.1	(1.0)
Employee share option schemes	0.8	0.1	-	-	-	0.3	-	0.4	1.2
<b>Net increase in equity shareholders' funds for half year</b>	<b>3.6</b>	<b>-</b>	<b>0.2</b>	<b>(0.2)</b>	<b>(1.2)</b>	<b>0.4</b>	<b>(0.1)</b>	<b>(0.9)</b>	<b>2.7</b>
Equity shareholders funds at 1 January	47.0	-	-	(5.8)	3.4	(1.2)	(0.5)	(4.1)	42.9
Equity shareholders' funds at 30 June	50.6	-	0.2	(6.0)	2.2	(0.8)	(0.6)	(5.0)	45.6

#### XIV Reconciliation of movement in equity for the year ended 31 December 2004

Reconciliation in movement of equity Year ended 31 December 2004	Previously reported under UK GAAP £m	IFRS 2 Share based payments £m	IFRS 3 Business combinations £m	IAS 19 Employee benefits £m	IAS 10 After balance sheet £m	IAS 12 Income taxes £m	Other £m	Total IFRS adjustments £m	Restated under IFRS Unaudited £m
Loss attributable to equity shareholders	(0.5)	(0.2)	0.5	(0.8)	-	(0.6)	0.1	(1.0)	(1.5)
Dividends	(5.9)	-	-	-	0.3	-	-	0.3	(5.6)
Other recognised losses for the year	(2.1)	-	-	2.2	-	-	(0.1)	2.1	-
Employee Benefit Trust Shares	(0.4)	-	-	-	-	-	-	-	(0.4)
Employee share option schemes	2.1	0.3	-	-	-	0.6	-	0.9	3.0
<b>Net decrease in equity shareholders' funds for half year</b>	<b>(6.8)</b>	<b>0.1</b>	<b>0.5</b>	<b>1.4</b>	<b>0.3</b>	<b>-</b>	<b>-</b>	<b>2.3</b>	<b>(4.5)</b>
Equity shareholders funds at 1 January	47.0	-	-	(5.8)	3.4	(1.2)	(0.5)	(4.1)	42.9
Equity shareholders' funds at 31 December	40.2	0.1	0.5	(4.4)	3.7	(1.2)	(0.5)	(1.8)	38.4