



**Adoption of  
International Financial Reporting Standards  
("IFRS")**

**Final Restatement of  
2004 Financial Information  
("Restatement Document")**

**9 March 2006**

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## Introduction

In previous accounting periods, SIG plc and its subsidiaries (“the Group”) has prepared its financial statements using UK Generally Accepted Accounting Practices (“UK GAAP”). From 1 January 2005 onwards, the Group is required to prepare its financial statements in accordance with International Accounting Standards and International Financial Reporting Standards, herein after referred to as “IFRS”.

The first full set of audited annual financial statements prepared under IFRS is for the year ended 31 December 2005, and the first interim report prepared under IFRS is for the six months ended 30 June 2005.

This document is a final restatement of 2004 financial information and is herein after referred to as the “Restatement Document”. It explains how the Group’s reported performance for 2004 and financial position at 1 January 2004, 30 June 2004 and 31 December 2004 are affected by this change.

### Changes made since “Preliminary IFRS Restatement Document”

Two amendments have been made to the preliminary restated 1 January 2005 balance sheet, which when taken together increase net assets by £1.069m compared to the amount included in the preliminary document.

The amendments are as follows –

- In light of further guidance from the UK tax authorities regarding the tax treatment of transitional adjustments relating to derivative financial instruments and foreign currency exchange differences, a deferred tax asset of £3.869m has been booked as at 1 January 2005.
- In light of further interpretation and guidance relating to the basis of valuing inventory, early settlement discounts have also been included in the value of inventory. The effect is to reduce the value of inventory by £2.800m as at 1 January 2004.

Both of the amendments noted above also change SIG’s 30 June 2005 Balance Sheet, as reported to shareholders on 14 September 2005. The amendments do not change SIG’s Income Statement for the six months ended 30 June 2005. The amendments are as follows:

|                     | As previously<br>stated<br>£’000 | Restated<br>£’000 |
|---------------------|----------------------------------|-------------------|
| Deferred tax assets | 21,860                           | 25,729            |
| Inventories         | 120,821                          | 118,021           |
| Net assets          | 262,777                          | 263,846           |

## Overview of the impact of adopting IFRS

| <b>Year ended 31 December 2004</b>   | <b>UK GAAP<br/>£'000</b> | <b>IFRS<br/>£'000</b> | <b>Change<br/>£'000</b> |
|--|--------------------------|-----------------------|-------------------------|
| Turnover (Note 1)  | 1,398,237                | 1,398,237             | -                       |
| Operating profit pre amortisation of goodwill and intangibles                    | 77,326                   | 77,020                | (306)                   |
| Profit on ordinary activities before tax   | 65,520                   | 70,229                | 4,709                   |
| Tax on profit on ordinary activities (Note 2)                                    | 21,360                   | 21,425                | 65                      |
| Profit after tax   | 44,160                   | 48,804                | 4,644                   |
| Net assets (Note 3)  | 222,103                  | 251,159               | 29,056                  |
| Net debt (Note 4)  | 98,318                   | 104,943               | 6,625                   |
| Gearing  | 44.3%                    | 41.8%                 | (2.5%)                  |
| Basic earnings per share (pence)   | 36.1p                    | 39.9p                 | 3.8p                    |
| Basic earnings per share before amortisation of goodwill and intangibles (pence) | 40.7p                    | 40.3p                 | 0.4p                    |
| <b>Six months ended 30 June 2004</b>   | <b>UK GAAP<br/>£'000</b> | <b>IFRS<br/>£'000</b> | <b>Change<br/>£'000</b> |
| Turnover (Note 1)  | 649,494                  | 649,494               | -                       |
| Operating profit pre amortisation of goodwill and intangibles                    | 33,917                   | 33,772                | (145)                   |
| Profit on ordinary activities before tax   | 28,347                   | 30,650                | 2,303                   |
| Tax on profit on ordinary activities (Note 2)                                    | 9,241                    | 9,288                 | 47                      |
| Profit after tax   | 19,106                   | 21,362                | 2,256                   |
| Net assets   | 212,525                  | 232,787               | 20,262                  |
| Net debt   | 76,752                   | 76,752                | -                       |
| Gearing  | 36.1%                    | 33.0%                 | (3.1%)                  |
| Basic earnings per share (pence)   | 15.6p                    | 17.5p                 | 1.9p                    |
| Basic earnings per share before amortisation of goodwill and intangibles (pence) | 17.7p                    | 17.5p                 | (0.2p)                  |

Note 1 - referred to as "Revenue" under IFRS.

Note 2 - referred to as "Income tax" under IFRS.

Note 3 - Net assets are stated as at 1 January 2005, and therefore includes the additional fair value liability booked as a result of adopting IAS 32 and IAS 39 on 1 January 2005 of £6.625m and deferred tax asset of £3.869m.

Note 4 - Net debt is stated as at 1 January 2005, and therefore includes the additional fair value liability booked as a result of adopting IAS 32 and IAS 39 on 1 January 2005 of £6.625m.

### **Basis of preparation**

The Restatement Document has been prepared on the basis of IFRS issued for use in the European Union for the first time in the year ended 31 December 2005.

IFRS 1 permits those companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. The Group has taken advantage of the following exemptions:

- a) IFRS 3 “Business combinations” – the Group has elected not to apply IFRS 3 retrospectively to acquisitions that took place before 1 January 2004.
- b) IFRS 2 “Share based payments” – the Group has elected to apply IFRS 2 only to those share based payment options that were granted after 7 November 2002 and remained unvested at 1 January 2005.
- c) IAS 21 “The effects of changes in foreign exchange rates” – the Group has elected to reset the hedging and translation reserve to zero at 1 January 2004.
- d) IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement” – the Group has elected to apply UK GAAP to its comparative accounts (i.e 1 January 2004 to 31 December 2004) and implement IAS 32 and IAS 39 at 1 January 2005. On 1 January 2005, in accordance with IAS 32 and IAS 39, all derivative financial instruments are recorded at their fair value. The difference between the fair value and book value of all derivative financial instruments at 1 January 2005 has been recorded in 2005 through the Consolidated Statement of Recognised Income and Expense.

### **Format of primary statements**

The income statements (formerly referred to as profit and loss accounts) and balance sheets included in this Restatement Document are presented in accordance with IAS 1 “Presentation of Financial Statements”.

### **Cash flow statements**

The adoption of IFRS has no impact on the cash flows of the Group. However, the IFRS presentation of cash flows differs from that required under UK GAAP. IFRS requires that cash flows are reconciled to cash and cash equivalents as opposed to solely cash under UK GAAP. IFRS also requires that the cash flows of the Group be split into just three categories – operating activities, investing activities and financing activities, whereas UK GAAP required additional analysis into other categories.

### **Segment reporting**

IAS 14 “Segment reporting” is more prescriptive in its requirements for segmental information than UK GAAP and this will lead to an increase in the level of segmental information provided.

IAS 14 requires an entity to look to its organisational structure and internal reporting framework to identify its reportable segments. Accordingly, the Group’s primary basis of segmentation will continue to be by geography (being UK and Ireland, Mainland Europe and the USA) as this best reflects the way in which the Group is managed. Analysis by business segment (i.e. Insulation, Roofing, Commercial Interiors and Specialist Construction and Safety Products) will provide the secondary level of segmentation.

## Summary of changes to accounting policies under IFRS

The adoption of IFRS has resulted in the following changes to the Group's accounting policies. The adjustments arising are cross referred in the text below to the adjustment columns in the tables on pages 12 to 16.

### 1. IFRS 2 – Share based payments (adjustment “A”)

In accordance with IFRS 2, the Group has recognised an expense representing the fair value of outstanding employee share options spread over their vesting periods. As permitted by the transitional provisions, the Group has taken the option to apply IFRS 2 only to those share options granted after 7 November 2002 that remained unvested as at 1 January 2005.

The Group issues equity-settled share-based payment options on an annual basis in respect of which under IFRS a charge is required to be made in the Consolidated Income Statement. At the date of grant, these options are measured at fair value by using the Black-Scholes option pricing model. The fair value of each option is then applied to the number of options which are expected to vest. The estimate of the number of options that might vest is adjusted over the vesting period to reflect actual experience. The fair value determined at the grant date is then expensed on a straight-line basis over the vesting period.

Previously as required by UK GAAP, the Group accounted only for certain equity-settled share based payment options in its Consolidated Income Statement (i.e. in respect of its L-TIP schemes under UITF 17), whereby the difference between the share price on the date of grant and the share option price of 10p was spread over the vesting period.

IFRS 2 does not require an adjustment to the Group's net assets at 31 December 2004.

| <b>Operating profit impact</b>       | <b>UK GAAP<br/>£'000</b> | <b>IFRS<br/>£'000</b> | <b>Change in profit<br/>£'000</b> |
|--------------------------------------|--------------------------|-----------------------|-----------------------------------|
| <b>Year ended 31 December 2004</b>   |                          |                       |                                   |
| Share based payment charge           | 324                      | 448                   | (124)                             |
| <b>Six months ended 30 June 2004</b> |                          |                       |                                   |
| Share based payment charge           | 93                       | 177                   | (84)                              |

## 2. IAS 19 - Employee benefits (adjustment “B”)

Under FRS 17, the Group had already recognised the net pension deficit within its reserves.

Under FRS 17, the normal method of valuing listed investments and other investments with a market value is at the mid market price. Under IAS 19, assets are to be valued using the bid price.

The impact of IFRS is only a small change in the valuation assumptions which increases the deficit net of deferred tax (and reduces net assets) by £70,000 at 31 December 2004.

| <b>Operating profit impact</b>           | <b>UK GAAP<br/>£'000</b> | <b>IFRS<br/>£'000</b> | <b>Change in profit<br/>£'000</b> |
|--|--------------------------|-----------------------|-----------------------------------|
| <b>Year ended 31 December<br/>2004</b>   |                          |                       |                                   |
| Other finance charges                    | 470                      | 474                   | (4)                               |
| <b>Six months ended 30 June<br/>2004</b> |                          |                       |                                   |
| Other finance charges                    | 213                      | 216                   | (3)                               |

## 3. IFRS 3 - Business combinations

The method of accounting for business combinations under IFRS is different to that applied under UK GAAP. The key differences applicable to the Group are the cessation of goodwill amortisation and the recognition and amortisation of intangible assets within acquired businesses which is explained below.

Under the transitional arrangements of IFRS 1, the Group has taken the option to apply IFRS 3 to business combinations from the transition date only (i.e. 1 January 2004), and therefore has not restated acquisitions prior to this date.

### *a) Amortisation of goodwill (adjustment “C”)*

IFRS 3 prohibits the amortisation of goodwill and has therefore been removed from the 2004 financial statements.

Instead, all goodwill is subject to annual impairment tests. Impairment tests have been carried out against all goodwill held at 1 January 2004 and 31 December 2004. The Group confirms that no goodwill requires an impairment charge.

*b) Recognition and amortisation of intangible assets within acquired businesses (adjustments “D” and “E”)*

Under IFRS 3, the identification of assets and liabilities within acquired businesses will include intangible assets not previously recognised under UK GAAP on all acquisitions from 1 January 2004. Any intangible assets identified are to be amortised over their useful economic lives.

The Group recognised goodwill of £41.002m on its 2004 acquisitions under UK GAAP. Under IFRS, the Group has allocated the £41.002m premium as follows:

- goodwill - £30.258m;
- intangible assets - £15.348m; and
- deferred tax liabilities arising in respect of those intangible assets - £4.604m

The combined impact on the Consolidated Balance Sheet at 31 December 2004 of removing amortisation of goodwill and replacing this with amortisation of intangibles net of deferred tax was to increase net assets by £5.209m.

| <b>Operating profit impact</b>       | <b>UK GAAP</b> | <b>IFRS</b>  | <b>Change in profit</b> |
|--------------------------------------|----------------|--------------|-------------------------|
|                                      | <b>£'000</b>   | <b>£'000</b> | <b>£'000</b>            |
| <b>Year ended 31 December 2004</b>   |                |              |                         |
| Amortisation of goodwill             | 5,653          | -            | 5,653                   |
| Amortisation of intangibles          | -              | 634          | (634)                   |
| <b>Six months ended 30 June 2004</b> |                |              |                         |
| Amortisation of goodwill             | 2,475          | -            | 2,475                   |
| Amortisation of intangibles          | -              | 24           | (24)                    |

**4. IAS 21 – Goodwill (adjustment “F”)**

IAS 21 permits the retranslation of foreign currency denominated goodwill at each period end. Any movements in the carrying value of goodwill as a result of foreign exchange rate movements are recognised in the Consolidated Statement of Recognised Income and Expense.

Under UK GAAP, the Group opted to carry foreign currency denominated goodwill at its historic cost value. Under IFRS, the Group has chosen to retranslate this goodwill. The impact of retranslating foreign currency denominated goodwill is to increase net assets by £4.427m at 31 December 2004.

**5. IAS 32 and IAS 39 – Financial Instruments (adjustment “G”)**

These standards address the accounting for, and disclosure of, financial instruments. The general principle is that all financial assets and liabilities be recognised at fair value. Unless hedge accounting is achieved, IFRS requires movements in the fair value to be recognised directly in the Consolidated Income Statement.

The Group has taken the option in IFRS 1 that permits UK GAAP to be applied in 2004, with IAS 32 and IAS 39 being adopted for the first time on 1 January 2005.

The Group has derivative contracts associated with its US\$ senior loan notes, being interest and foreign currency contracts. These convert our interest and loan principal payments under the US\$ senior loan notes into Sterling and Euro currencies in order to fund the Group's UK and European operations. Previously under UK GAAP, the Group recognised the book value of its derivatives within the carrying value of its US\$ senior loan note debt. The table below shows the effect of including the fair value of these derivatives on the Consolidated Balance Sheet:

|                                   | UK GAAP<br>£'000 | IFRS<br>£'000 |
|-----------------------------------|------------------|---------------|
| <b>At 1 January 2005</b>          |                  |               |
| US\$ senior loan note debt        | 94,268           | 63,854        |
| US\$ senior loan note derivatives | -                | 37,039        |
| Total                             | 94,268           | 100,893       |
| Additional liability              |                  | 6,625         |

Under UK GAAP, the debt is valued as a composite liability by converting the Sterling and Euro principals featuring in the loan note derivatives at the closing rates of exchange at the balance sheet date. The value of this debt therefore moves with the Sterling:Euro exchange rate.

Under IFRS, the US\$ loan notes are valued at the closing US Dollar: Sterling exchange rate. The derivatives are valued at their fair market value at the balance sheet date.

It must be noted that the recognition of this additional liability as a result of adopting IFRS will not impact the cashflows of the Group. Upon expiry of these derivatives in 2008 and 2011, the value of the loan notes and the associated derivatives under IFRS will equal the UK GAAP book value of the composite debt at that time.

In addition, as a result of further guidance issued by the UK tax authorities regarding the tax treatment of transitional adjustments relating to derivative financial instruments and foreign currency exchange differences, the Group has recognised a deferred tax asset of £3.869m at 1 January 2005.

On 1 January 2005, both the £6.625m additional liability and the £3.869m additional asset have been recorded as transitional adjustments through the Consolidated Statement of Recognised Income and Expense.

The adjustments have an effect on the Group's gearing calculation as follows:

|                          | UK GAAP<br>£'000 | IFRS<br>£'000 | Change<br>£'000 |
|--------------------------|------------------|---------------|-----------------|
| <b>At 1 January 2005</b> |                  |               |                 |
| Net debt                 | 98,318           | 104,943       | 6,625           |
| Net assets               | 222,103          | 251,159       | 29,056          |
| Gearing (%)              | 44.3%            | 41.8%         | 2.5%            |

The Group does not trade in derivative contracts for speculative purposes. Where the Group can demonstrate a hedge relationship under the rules of IAS 32 and IAS 39, movements in the fair values of these derivatives will be recognised in the Consolidated Statement of Recognised Income and Expense. Where the Group does not meet these rules, movements in the fair value will be recognised in the Consolidated Income Statement.

## 6. IAS 12 – Income taxes (adjustments “H”, “I” and “J”)

The Group has made the following adjustments to its tax balances as a result of adopting IAS 12:

- a) Recalculation of deferred tax balances using the concept of temporary differences rather than timing differences under UK GAAP (adjustment “H”)
- b) Separate disclosure of deferred tax assets and liabilities on the Consolidated Balance Sheet (adjustment “I”)
- c) Separate disclosure of the deferred tax asset associated with the pension liability (adjustment “J”)

Under IAS 12, deferred tax is recognised on all temporary differences between income reported in the financial statements and that recognised in the respective tax computations. Temporary differences are generally more comprehensive than timing differences. However, IAS 12 does not allow temporary differences to be recognised on:

- a) Goodwill not deductible for taxation purposes;
- b) The initial recognition of assets and liabilities that affect neither accounting nor taxable profit; and
- c) Differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future

|                                      | UK<br>GAAP<br>£'000 | IAS 12 tax<br>impact<br>(adjustment “H”)<br>£'000 | Other*<br>£'000 | IFRS<br>£'000 |
|--------------------------------------|---------------------|---|-----------------|---------------|
| <b>Year ended 31 December 2004</b>   |                     |   |                 |               |
| Income tax expense                   | 21,360              | 311   | (246)           | 21,425        |
| <b>Six months ended 30 June 2004</b> |                     |   |                 |               |
| Income tax expense                   | 9,241               | 74  | (27)            | 9,288         |

\* being the tax effect of other IFRS transitional adjustments

The impact of adopting IAS 12 on the Consolidated Balance Sheet was to increase net assets by £14.271m at 31 December 2004.

The transitional adjustments above relate largely to deferred tax on goodwill. Under UK GAAP, there was a requirement to provide a deferred tax liability on goodwill deducted for tax purposes but offset against reserves for accounting purposes. This was because this goodwill was required to be brought into the calculation of profit or loss on any subsequent sale of the business to which it related, and the release of the deferred tax liability would eliminate a distorting impact on the consolidated tax charge. This requirement existed regardless of whether or not there was an intention to sell the business.

Under IFRS, goodwill written off to reserves in the Consolidated Balance Sheet is not recycled on disposal of a business. Accordingly, there is no requirement to continue to carry this goodwill deferred tax liability and it has therefore been released through reserves as a transitional adjustment.

#### **7. IAS 10 – Events after the balance sheet date (adjustment “K”)**

Under UK GAAP, the Group accrued for the estimated cost of dividends recommended by the Directors in respect of each accounting year. Under IFRS, a dividend is only recognised when it has been declared. As a result, proposed dividends are not recognised in the financial statements.

The impact of this is to increase net assets by £11.412m at 31 December 2004.

#### **8. IAS 17 – Lease incentives (adjustment “L”)**

Under UK GAAP, property lease incentives were recognised over the period to the first market rent review. Under IFRS, lease incentives are required to be spread over the entire lease term. As a result, the Group’s Consolidated Balance Sheet includes additional deferred income (gross of deferred tax) of £1.033m at 31 December 2004.

The operating profit impact for the year ended 31 December 2004 is an additional charge to profit of £0.182m (£0.061m for the six months ended 30 June 2004).

#### **9. Cumulative translation differences (adjustment “M”)**

Translation differences arise on the consolidation of the results of foreign operations at average rates of exchange and the balance sheet at year end rates of exchange. UK GAAP does not require these translation differences to be separately identified and accounted for in subsequent disposals of foreign operations. Under IFRS, these translation differences are separately reported in equity, net of the result of any related hedging instruments. On disposal of a foreign operation, the cumulative translation differences for that foreign operation are transferred to the income statement as part of the gain or loss on disposal.

The Group has taken the exemption permitted under IFRS 1 not to record translation differences prior to the transition date. As a result, all translation differences at 1 January 2004 are reset to zero by reclassifying £4.344m from the Hedging and translation reserve to the Retained profits reserve. All subsequent disposals will ignore translation differences prior to this date.

## **10. Provisions (adjustment “N”)**

IFRS requires that provisions for liabilities and charges expected to be settled within twelve months of the balance sheet date be shown as a current liability. At 31 December 2004, this has resulted in this balance being split as £1.735m due within one year and £8.714m due after more than one year.

## **11. Inventories (adjustment “O”)**

In light of further interpretation and guidance relating to the basis of valuing inventory, early settlement discounts have also been included in the value of inventory. The impact of this is to decrease net assets by £2.8m at 31 December 2004.

## **Current IFRS not impacting the Group during the restatement period**

### *a) Cash and cash equivalents*

Under IFRS, cash equivalents, being short term deposits with a maturity of less than three months, are to be reported together with cash at bank and in hand. This has no impact on the Group as no short-term deposits were in existence at either period end.

### *b) Development expenditure*

Under IAS 38 "Intangible assets", the Group is required to assess whether any development expenditure meets the criteria for capitalisation. If such criteria is met, capitalisation is mandatory under IAS 38 and capitalised amounts are amortised in the Consolidated Income Statement over their expected useful lives. The Group has reviewed all such expenditure, none of which meets the specific criteria for capitalisation and therefore, no adjustment has been made.

### *c) Software*

Under UK GAAP, all capitalised software was included within tangible fixed assets. IAS 38 requires software that is not an integral part of an item of computer hardware be classified within intangible assets. The Group has performed a review of all such software and has concluded that the amount is insignificant and as such, no adjustment has been made.

### *d) Leases*

IAS 17 requires that the land and building elements of a lease are considered separately for the purposes of determining whether the lease is a finance or an operating lease. The Group has conducted a review of all relevant leases and concluded that any reclassification would be insignificant. Therefore, no adjustment has been made.

Reconciliation of profit for the six months ended 30 June 2004

|  | Note | 2004<br>UK GAAP<br>£'000 | Adjustments                           |                                    |  |  |                        | 2004<br>IFRS<br>£'000 |                                   |
|--|------|--------------------------|---------------------------------------|------------------------------------|--|--|------------------------|-----------------------|-----------------------------------|
|  |      |                          | A<br>Share based<br>payments<br>£'000 | B<br>Employee<br>benefits<br>£'000 | C<br>Goodwill<br>amortisation<br>£'000 | E<br>Intangible<br>amortisation<br>£'000 | H<br>Taxation<br>£'000 |                       | L<br>Lease<br>incentives<br>£'000 |
| Revenue  |      | 649,494                  | -                                     | -                                  | -                                      | -  | -                      | -                     | 649,494                           |
| Operating profit before amortisation of intangibles/goodwill |      | 33,917                   | (84)                                  | -                                  | -                                      | -  | -                      | (61)                  | 33,772                            |
| Amortisation of intangibles/goodwill                         |      | 2,475                    | -                                     | -                                  | (2,475)                                | 24                                       | -                      | -                     | 24                                |
| Operating profit   | 1    | 31,442                   | (84)                                  | -                                  | 2,475                                  | (24)                                     | -                      | (61)                  | 33,748                            |
| Finance income   |      | (2,538)                  | -                                     | -                                  | -                                      | -  | -                      | -                     | (2,538)                           |
| Finance costs  | 2    | 5,633                    | -                                     | 3                                  | -                                      | -  | -                      | -                     | 5,636                             |
| Profit before tax  |      | 28,347                   | (84)                                  | (3)                                | 2,475                                  | (24)                                     | -                      | (61)                  | 30,650                            |
| Income tax expense   | 3    | 9,241                    | -                                     | (1)                                | -                                      | (7)                                      | 74                     | (19)                  | 9,288                             |
| Profit after tax   |      | 19,106                   | (84)                                  | (2)                                | 2,475                                  | (17)                                     | (74)                   | (42)                  | 21,362                            |
| Attributable to:   |      |                          |                                       |                                    |  |  |                        |                       |                                   |
| Equity holders of the Company                                |      | 18,827                   | (84)                                  | (2)                                | 2,475                                  | (17)                                     | (74)                   | (42)                  | 21,083                            |
| Minority interests   |      | 279                      | -                                     | -                                  | -                                      | -  | -                      | -                     | 279                               |

Reconciliation of profit for the year ended 31 December 2004

|   | Note | 2004<br>UK GAAP<br>£'000 | Adjustments                           |                                    |  |  |                        | 2004<br>IFRS<br>£'000 |                                   |
|---|------|--------------------------|---------------------------------------|------------------------------------|--|--|------------------------|-----------------------|-----------------------------------|
|   |      |                          | A<br>Share based<br>payments<br>£'000 | B<br>Employee<br>benefits<br>£'000 | C<br>Goodwill<br>amortisation<br>£'000 | E<br>Intangible<br>amortisation<br>£'000 | H<br>Taxation<br>£'000 |                       | L<br>Lease<br>incentives<br>£'000 |
| <b>Revenue</b>  |      | 1,398,237                | -                                     | -                                  | -                                      | -  | -                      | -                     | <b>1,398,237</b>                  |
| <b>Operating profit before amortisation of intangibles/goodwill</b> |      | 77,326                   | (124)                                 | -                                  | -                                      | -  | -                      | (182)                 | <b>77,020</b>                     |
| Amortisation of intangibles/goodwill                                |      | 5,653                    | -                                     | -                                  | (5,653)                                | 634                                      | -                      | -                     | <b>634</b>                        |
| <b>Operating profit</b>   | 1    | 71,673                   | (124)                                 | -                                  | 5,653                                  | (634)                                    | -                      | (182)                 | <b>76,386</b>                     |
| Finance income  |      | (5,045)                  | -                                     | -                                  | -                                      | -  | -                      | -                     | <b>(5,045)</b>                    |
| Finance costs   | 2    | 11,198                   | -                                     | 4                                  | -                                      | -  | -                      | -                     | <b>11,202</b>                     |
| <b>Profit before tax</b>  |      | 65,520                   | (124)                                 | (4)                                | 5,653                                  | (634)                                    | -                      | (182)                 | <b>70,229</b>                     |
| Income tax expense  | 3    | 21,360                   | -                                     | (1)                                | -                                      | (190)                                    | 311                    | (55)                  | <b>21,425</b>                     |
| <b>Profit after tax</b>   |      | 44,160                   | (124)                                 | (3)                                | 5,653                                  | (444)                                    | (311)                  | (127)                 | <b>48,804</b>                     |
| <b>Attributable to:</b>   |      |                          |                                       |                                    |  |  |                        |                       |                                   |
| Equity holders of the Company                                       |      | 43,588                   | (124)                                 | (3)                                | 5,653                                  | (444)                                    | (311)                  | (127)                 | <b>48,232</b>                     |
| Minority interests  |      | 572                      | -                                     | -                                  | -                                      | -  | -                      | -                     | <b>572</b>                        |

**Reconciliation of equity at 1 January 2004 (transition date)**  
**Consolidated Balance Sheet**

|   | Note | 1 January 2004<br>UK GAAP<br>£'000 | Adjustments                      |                               |                                    |                   |   |                                   |                    |                              |                                    |   |                          | 1 January 2004<br>IFRS<br>£'000 |
|---|------|------------------------------------|----------------------------------|-------------------------------|------------------------------------|-------------------|---|-----------------------------------|--------------------|------------------------------|------------------------------------|---|--------------------------|---------------------------------|
|   |      |                                    | A                                | B                             | F                                  | H                 | I   | J                                 | K                  | L                            | M                                  | N                                       | O                        |                                 |
|   |      |                                    | Share based<br>payments<br>£'000 | Employee<br>benefits<br>£'000 | Goodwill<br>retranslation<br>£'000 | Taxation<br>£'000 | Deferred tax<br>reclassification<br>£'000 | Pensions<br>deferred tax<br>£'000 | Dividends<br>£'000 | Lease<br>incentives<br>£'000 | Exchange<br>reserve reset<br>£'000 | Provisions<br>reclassification<br>£'000 | Stock valuation<br>£'000 |                                 |
| <b>Non-current assets</b>                                   |      |                                    |                                  |                               |                                    |                   |   |                                   |                    |                              |                                    |   |                          |                                 |
| Property, plant and equipment                               |      | 69,194                             | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 69,194                          |
| Goodwill  | 4    | 78,696                             | -                                | -                             | 4,278                              | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 82,974                          |
| Intangible assets   | 5    | -                                  | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | -                               |
| Deferred tax assets   | 6    | -                                  | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | -                               |
|   |      | 147,890                            | -                                | 25                            | 4,278                              | 2,754             | 10,652                                    | 5,872                             | -                  | 218                          | -                                  | -                                       | -                        | 171,689                         |
| <b>Current assets</b>                                       |      |                                    |                                  |                               |                                    |                   |   |                                   |                    |                              |                                    |   |                          |                                 |
| Inventories   | 7    | 93,035                             | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | (2,800)                  | 90,235                          |
| Trade receivables   |      | 211,021                            | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 211,021                         |
| Other receivables   |      | 12,462                             | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 12,462                          |
| Cash and cash equivalents                                   |      | 55,417                             | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 55,417                          |
|   |      | 371,935                            | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | (2,800)                  | 369,135                         |
| <b>Total assets</b>   |      | <b>519,825</b>                     | -                                | 25                            | 4,278                              | 2,754             | 10,652                                    | 5,872                             | -                  | 218                          | -                                  | -                                       | (2,800)                  | <b>540,824</b>                  |
| <b>Current liabilities</b>                                  |      |                                    |                                  |                               |                                    |                   |   |                                   |                    |                              |                                    |   |                          |                                 |
| Trade and other payables                                    |      | (153,956)                          | -                                | -                             | -                                  | -                 | -   | -                                 | 9,983              | (52)                         | -                                  | -                                       | -                        | (144,025)                       |
| Obligations under finance leases                            |      | (3,258)                            | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | (3,258)                         |
| Bank overdrafts and loans                                   |      | (30,959)                           | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | (30,959)                        |
| Current tax liabilities                                     |      | (10,445)                           | -                                | -                             | -                                  | 1,823             | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | (8,622)                         |
| Provisions  |      | -                                  | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | (1,207)                                 | -                        | (1,207)                         |
|   | 8    | (198,618)                          | -                                | -                             | -                                  | 1,823             | -   | -                                 | 9,983              | (52)                         | -                                  | (1,207)                                 | -                        | (188,071)                       |
| <b>Non-current liabilities</b>                              |      |                                    |                                  |                               |                                    |                   |   |                                   |                    |                              |                                    |   |                          |                                 |
| Obligations under finance leases                            |      | (1,356)                            | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | (1,356)                         |
| Bank loans  |      | (96,159)                           | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | (96,159)                        |
| Financial derivatives                                       |      | -                                  | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | -                               |
| Loan notes  |      | -                                  | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | -                               |
| Deferred tax liabilities                                    | 9    | (1,068)                            | -                                | -                             | -                                  | 8,268             | (10,652)                                  | -                                 | -                  | -                            | -                                  | -                                       | -                        | (3,452)                         |
| Other payables  | 10   | (904)                              | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | (676)                        | -                                  | -                                       | -                        | (1,580)                         |
| Retirement benefit obligations                              | 11   | (14,897)                           | -                                | (82)                          | -                                  | -                 | -   | (5,872)                           | -                  | -                            | -                                  | -                                       | -                        | (20,851)                        |
| Provisions  |      | (7,063)                            | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | 1,207                                   | -                        | (5,856)                         |
|   |      | (121,447)                          | -                                | (82)                          | -                                  | 8,268             | (10,652)                                  | (5,872)                           | -                  | (676)                        | -                                  | 1,207                                   | -                        | (129,254)                       |
| <b>Total liabilities</b>                                    |      | <b>(320,065)</b>                   | -                                | (82)                          | -                                  | 10,091            | (10,652)                                  | (5,872)                           | 9,983              | (728)                        | -                                  | -                                       | -                        | <b>(317,325)</b>                |
| <b>Net assets</b>   |      | <b>199,760</b>                     | -                                | (57)                          | 4,278                              | 12,845            | -   | -                                 | 9,983              | (510)                        | -                                  | -                                       | (2,800)                  | <b>223,499</b>                  |
| <b>Capital and reserves</b>                                 |      |                                    |                                  |                               |                                    |                   |   |                                   |                    |                              |                                    |   |                          |                                 |
| Called up share capital                                     |      | 12,027                             | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 12,027                          |
| Share premium account                                       |      | 14,967                             | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 14,967                          |
| Capital redemption reserve                                  |      | 347                                | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 347                             |
| Special reserve   |      | 22,113                             | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 22,113                          |
| Share option reserve  |      | 237                                | (46)                             | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 191                             |
| Hedging and translation reserve                             |      | 66                                 | -                                | -                             | 4,278                              | -                 | -   | -                                 | -                  | -                            | (4,344)                            | -                                       | -                        | -                               |
| Retained profits  |      | 149,556                            | 46                               | (57)                          | -                                  | 12,845            | -   | -                                 | 9,983              | (510)                        | 4,344                              | -                                       | (2,800)                  | 173,407                         |
| <b>Equity attributable to equity holders of the Company</b> |      | <b>199,313</b>                     | -                                | (57)                          | 4,278                              | 12,845            | -   | -                                 | 9,983              | (510)                        | -                                  | -                                       | (2,800)                  | <b>223,052</b>                  |
| Minority interests  |      | 447                                | -                                | -                             | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 447                             |
| <b>Total equity</b>   |      | <b>199,760</b>                     | -                                | (57)                          | 4,278                              | 12,845            | -   | -                                 | 9,983              | (510)                        | -                                  | -                                       | (2,800)                  | <b>223,499</b>                  |

Reconciliation of equity at 30 June 2004  
Consolidated Balance Sheet

| Note  | Adjustments                                       |  |   |                                  |                               |                                   |  |                                     |                                    |                   |   |                                   |                    |                              |                                    |                                |                          | 30 June 2004<br>IFRS<br>£'000 |
|---|---|--|---|----------------------------------|-------------------------------|-----------------------------------|--|-------------------------------------|------------------------------------|-------------------|---|-----------------------------------|--------------------|------------------------------|------------------------------------|--------------------------------|--------------------------|-------------------------------|
|   | 30 June 2004<br>UK GAAP<br>(as reported)<br>£'000 | Prior year<br>restatement<br>pensions<br>£'000 | 30 June 2004 UK<br>GAAP<br>(as restated)<br>£'000 | A                                | B                             | C                                 | D  | E                                   | F                                  | H                 | I   | J                                 | K                  | L                            | M                                  | N                              | O                        |                               |
|   |   |  |   | Share based<br>payments<br>£'000 | Employee<br>benefits<br>£'000 | Goodwill<br>amortisation<br>£'000 | Intangible<br>assets<br>recognition<br>£'000 | Intangible<br>amortisation<br>£'000 | Goodwill<br>retranslation<br>£'000 | Taxation<br>£'000 | Deferred tax<br>reclassification<br>£'000 | Pensions deferred<br>tax<br>£'000 | Dividends<br>£'000 | Lease<br>incentives<br>£'000 | Exchange<br>reserve reset<br>£'000 | Provisions<br>reclassification | Stock valuation<br>£'000 |                               |
| <b>Non-current assets</b>                                   |   |  |   |                                  |                               |                                   |  |                                     |                                    |                   |   |                                   |                    |                              |                                    |                                |                          |                               |
| Property, plant and equipment                               | 68,820  | -  | 68,820  | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | -                        | 68,820                        |
| Goodwill  | 85,090  | -  | 85,090  | -                                | -                             | 2,475                             | (2,851)                                      | -                                   | 2,604                              | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | -                        | 87,318                        |
| Intangible assets   | -   | -  | -   | -                                | -                             | -                                 | 4,073  | (24)                                | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | -                        | 4,049                         |
| Deferred tax assets   | -   | -  | -   | -                                | 26                            | -                                 | -  | -                                   | -                                  | 3,121             | 10,297                                    | 5,781                             | -                  | 237                          | -                                  | -                              | -                        | 19,462                        |
|   | 153,910   | -  | 153,910   | -                                | 26                            | 2,475                             | 1,222  | (24)                                | 2,604                              | 3,121             | 10,297                                    | 5,781                             | -                  | 237                          | -                                  | -                              | -                        | 179,649                       |
| <b>Current assets</b>                                       |   |  |   |                                  |                               |                                   |  |                                     |                                    |                   |   |                                   |                    |                              |                                    |                                |                          |                               |
| Inventories   | 109,990   | -  | 109,990   | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | (2,800)                  | 107,190                       |
| Trade receivables   | 245,824   | -  | 245,824   | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | 0                        | 245,824                       |
| Other receivables   | 18,222  | -  | 18,222  | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | 0                        | 18,222                        |
| Cash and cash equivalents                                   | 30,877  | -  | 30,877  | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | 0                        | 30,877                        |
|   | 404,913   | -  | 404,913   | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | (2,800)                  | 402,113                       |
| <b>Total assets</b>   | <b>558,823</b>                                    | <b>-</b>                                       | <b>558,823</b>                                    | <b>-</b>                         | <b>26</b>                     | <b>2,475</b>                      | <b>1,222</b>                                 | <b>(24)</b>                         | <b>2,604</b>                       | <b>3,121</b>      | <b>10,297</b>                             | <b>5,781</b>                      | <b>-</b>           | <b>237</b>                   | <b>-</b>                           | <b>-</b>                       | <b>(2,800)</b>           | <b>581,762</b>                |
| <b>Current liabilities</b>                                  |   |  |   |                                  |                               |                                   |  |                                     |                                    |                   |   |                                   |                    |                              |                                    |                                |                          |                               |
| Trade and other payables                                    | (199,256)   | -  | (199,256)   | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | 5,568              | (66)                         | -                                  | -                              | 0                        | (193,754)                     |
| Obligations under finance leases                            | (2,050)   | -  | (2,050)   | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | 0                        | (2,050)                       |
| Bank overdrafts and loans                                   | (13,311)  | -  | (13,311)  | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | 0                        | (13,311)                      |
| Current tax liabilities                                     | (13,029)  | -  | (13,029)  | -                                | -                             | -                                 | -  | -                                   | -                                  | 1,406             | -   | -                                 | -                  | -                            | -                                  | -                              | 0                        | (11,623)                      |
| Provisions  | -   | -  | -   | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | (1,215)                        | 0                        | (1,215)                       |
|   | (227,646)   | -  | (227,646)   | -                                | -                             | -                                 | -  | -                                   | -                                  | 1,406             | -   | -                                 | 5,568              | (66)                         | -                                  | (1,215)                        | 0                        | (221,953)                     |
| <b>Non-current liabilities</b>                              |   |  |   |                                  |                               |                                   |  |                                     |                                    |                   |   |                                   |                    |                              |                                    |                                |                          |                               |
| Obligations under finance leases                            | (679)   | -  | (679)   | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | 0                        | (679)                         |
| Bank loans  | (91,589)  | -  | (91,589)  | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | 0                        | (91,589)                      |
| Loan notes  | -   | -  | -   | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | 0                        | -                             |
| Deferred tax liabilities                                    | (2,165)   | -  | (2,165)   | -                                | -                             | -                                 | (1,222)                                      | 7                                   | -                                  | 8,523             | (10,297)                                  | -                                 | -                  | -                            | -                                  | -                              | 0                        | (5,154)                       |
| Other payables  | (2,271)   | -  | (2,271)   | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | (723)                        | -                                  | -                              | 0                        | (2,994)                       |
| Retirement benefit obligations                              | (13,488)  | (1,141)  | (14,629)  | -                                | (92)                          | -                                 | -  | -                                   | -                                  | -                 | -   | (5,781)                           | -                  | -                            | -                                  | -                              | 0                        | (20,502)                      |
| Provisions  | (8,460)   | 1,141  | (7,319)   | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | 1,215                          | 0                        | (6,104)                       |
|   | (118,652)   | -  | (118,652)   | -                                | (92)                          | -                                 | (1,222)                                      | 7                                   | -                                  | 8,523             | (10,297)                                  | (5,781)                           | -                  | (723)                        | -                                  | 1,215                          | 0                        | (127,022)                     |
| <b>Total liabilities</b>                                    | <b>(346,298)</b>                                  | <b>-</b>                                       | <b>(346,298)</b>                                  | <b>-</b>                         | <b>(92)</b>                   | <b>-</b>                          | <b>(1,222)</b>                               | <b>7</b>                            | <b>-</b>                           | <b>9,929</b>      | <b>(10,297)</b>                           | <b>(5,781)</b>                    | <b>5,568</b>       | <b>(789)</b>                 | <b>-</b>                           | <b>-</b>                       | <b>0</b>                 | <b>(348,975)</b>              |
| <b>Net assets</b>   | <b>212,525</b>                                    | <b>-</b>                                       | <b>212,525</b>                                    | <b>-</b>                         | <b>(66)</b>                   | <b>2,475</b>                      | <b>-</b>                                     | <b>(17)</b>                         | <b>2,604</b>                       | <b>13,050</b>     | <b>-</b>                                  | <b>-</b>                          | <b>5,568</b>       | <b>(552)</b>                 | <b>-</b>                           | <b>-</b>                       | <b>(2,800)</b>           | <b>232,787</b>                |
| <b>Capital and reserves</b>                                 |   |  |   |                                  |                               |                                   |  |                                     |                                    |                   |   |                                   |                    |                              |                                    |                                |                          |                               |
| Called up share capital                                     | 12,056  | -  | 12,056  | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | 0                        | 12,056                        |
| Share premium account                                       | 15,678  | -  | 15,678  | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | 0                        | 15,678                        |
| Capital redemption reserve                                  | 347   | -  | 347   | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | 0                        | 347                           |
| Special reserve   | 22,113  | -  | 22,113  | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | 0                        | 22,113                        |
| Share option reserve  | 330   | -  | 330   | 38                               | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | 0                        | 368                           |
| Hedging and translation reserve                             | (1,094)   | -  | (1,094)   | -                                | -                             | -                                 | -  | -                                   | 2,604                              | -                 | -   | -                                 | -                  | -                            | (4,344)                            | -                              | 0                        | (2,834)                       |
| Retained profits  | 162,816   | -  | 162,816   | (38)                             | (66)                          | 2,475                             | -  | (17)                                | -                                  | 13,050            | -   | -                                 | 5,568              | (552)                        | 4,344                              | -                              | (2,800)                  | 184,780                       |
| <b>Equity attributable to equity holders of the Company</b> | <b>212,246</b>                                    | <b>-</b>                                       | <b>212,246</b>                                    | <b>-</b>                         | <b>(66)</b>                   | <b>2,475</b>                      | <b>-</b>                                     | <b>(17)</b>                         | <b>2,604</b>                       | <b>13,050</b>     | <b>-</b>                                  | <b>-</b>                          | <b>5,568</b>       | <b>(552)</b>                 | <b>-</b>                           | <b>-</b>                       | <b>(2,800)</b>           | <b>232,508</b>                |
| Minority interests  | 279   | -  | 279   | -                                | -                             | -                                 | -  | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                              | 0                        | 279                           |
| <b>Total equity</b>   | <b>212,525</b>                                    | <b>-</b>                                       | <b>212,525</b>                                    | <b>-</b>                         | <b>(66)</b>                   | <b>2,475</b>                      | <b>-</b>                                     | <b>(17)</b>                         | <b>2,604</b>                       | <b>13,050</b>     | <b>-</b>                                  | <b>-</b>                          | <b>5,568</b>       | <b>(552)</b>                 | <b>-</b>                           | <b>-</b>                       | <b>(2,800)</b>           | <b>232,787</b>                |

Reconciliation of equity at 31 December 2004  
Consolidated Balance Sheet

| Note  | 31 December 2004<br>UK GAAP<br>£'000 | Adjustments                      |                               |                                   |   |                                     |                                    |                   |   |                                   |                    |                              |                                    |   |                          | 31 December 2004<br>IFRS<br>£'000 | Recognition of<br>derivatives<br>£'000 | 1 January 2005<br>IFRS<br>£'000 |
|---|--------------------------------------|----------------------------------|-------------------------------|-----------------------------------|---|-------------------------------------|------------------------------------|-------------------|---|-----------------------------------|--------------------|------------------------------|------------------------------------|---|--------------------------|-----------------------------------|--|---------------------------------|
|   |                                      | A                                | B                             | C                                 | D   | E                                   | F                                  | H                 | I   | J                                 | K                  | L                            | M                                  | N                                       | O                        |                                   |  |                                 |
|   |                                      | Share based<br>payments<br>£'000 | Employee<br>benefits<br>£'000 | Goodwill<br>amortisation<br>£'000 | Intangible assets<br>recognition<br>£'000 | Intangible<br>amortisation<br>£'000 | Goodwill<br>retranslation<br>£'000 | Taxation<br>£'000 | Deferred tax<br>reclassification<br>£'000 | Pensions deferred<br>tax<br>£'000 | Dividends<br>£'000 | Lease<br>incentives<br>£'000 | Exchange<br>reserve reset<br>£'000 | Provisions<br>reclassification<br>£'000 | Stock valuation<br>£'000 |                                   |  |                                 |
| <b>Non-current assets</b>                                   |                                      |                                  |                               |                                   |   |                                     |                                    |                   |   |                                   |                    |                              |                                    |   |                          |                                   |  |                                 |
| Property, plant and equipment                               | 74,481                               | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | -                                 | -                                      |                                 |
| Goodwill  | 114,045                              | -                                | -                             | 5,653                             | (10,744)                                  | -                                   | 4,427                              | -                 | -   | -                                 | -                  | 86                           | -                                  | -                                       | -                        | -                                 | -                                      |                                 |
| Intangible assets   | -                                    | -                                | -                             | -                                 | 15,348                                    | (634)                               | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | -                                 | -                                      |                                 |
| Deferred tax assets   | -                                    | -                                | 29                            | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | -                                 | -                                      |                                 |
|   | 188,526                              | -                                | 29                            | 5,653                             | 4,604                                     | (634)                               | 4,427                              | 4,512             | 8,700                                     | 7,904                             | -                  | 310                          | -                                  | -                                       | -                        | -                                 | -                                      |                                 |
| <b>Current assets</b>                                       |                                      |                                  |                               |                                   |   |                                     |                                    |                   |   |                                   |                    |                              |                                    |   |                          |                                   |  |                                 |
| Inventories   | 116,436                              | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | (2,800)                  | -                                 | -                                      |                                 |
| Trade receivables   | 243,766                              | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | -                                 | -                                      |                                 |
| Other receivables   | 19,996                               | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | -                                 | -                                      |                                 |
| Cash and cash equivalents                                   | 19,467                               | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | -                                 | -                                      |                                 |
|   | 399,665                              | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | (2,800)                  | -                                 | -                                      |                                 |
| <b>Total assets</b>   | <b>588,191</b>                       | <b>-</b>                         | <b>29</b>                     | <b>5,653</b>                      | <b>4,604</b>                              | <b>(634)</b>                        | <b>4,427</b>                       | <b>4,512</b>      | <b>8,700</b>                              | <b>7,904</b>                      | <b>-</b>           | <b>396</b>                   | <b>-</b>                           | <b>-</b>                                | <b>(2,800)</b>           | <b>620,982</b>                    | <b>3,869</b>                           | <b>624,851</b>                  |
| <b>Current liabilities</b>                                  |                                      |                                  |                               |                                   |   |                                     |                                    |                   |   |                                   |                    |                              |                                    |   |                          |                                   |  |                                 |
| Trade and other payables                                    | (200,565)                            | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | 11,412             | (80)                         | -                                  | -                                       | -                        | (189,233)                         | -                                      | (189,233)                       |
| Obligations under finance leases                            | (1,391)                              | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | (1,391)                           | -                                      | (1,391)                         |
| Bank overdrafts and loans                                   | (13,211)                             | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | (13,211)                          | -                                      | (13,211)                        |
| Current tax liabilities                                     | (14,976)                             | -                                | -                             | -                                 | -   | -                                   | -                                  | 981               | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | (13,995)                          | -                                      | (13,995)                        |
| Provisions  | -                                    | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | (1,735)                                 | -                        | (1,735)                           | -                                      | (1,735)                         |
|   | (230,143)                            | -                                | -                             | -                                 | -   | -                                   | -                                  | 981               | -   | -                                 | 11,412             | (80)                         | -                                  | (1,735)                                 | -                        | (219,565)                         | -                                      | (219,565)                       |
| <b>Non-current liabilities</b>                              |                                      |                                  |                               |                                   |   |                                     |                                    |                   |   |                                   |                    |                              |                                    |   |                          |                                   |  |                                 |
| Obligations under finance leases                            | (564)                                | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | (564)                             | -                                      | (564)                           |
| Bank loans  | (95,613)                             | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | (95,613)                          | -                                      | (95,613)                        |
| Financial derivatives                                       | -                                    | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | -                                 | (6,625)                                | (6,625)                         |
| Loan notes  | (7,006)                              | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | (7,006)                           | -                                      | (7,006)                         |
| Deferred tax liabilities                                    | (2,279)                              | -                                | -                             | -                                 | (4,604)                                   | 190                                 | -                                  | 8,778             | (8,700)                                   | -                                 | -                  | -                            | -                                  | -                                       | -                        | (6,615)                           | -                                      | (6,615)                         |
| Other payables  | (3,002)                              | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | (953)                        | -                                  | -                                       | -                        | (3,955)                           | -                                      | (3,955)                         |
| Retirement benefit obligations                              | (17,032)                             | -                                | (99)                          | -                                 | -   | -                                   | -                                  | -                 | -   | (7,904)                           | -                  | -                            | -                                  | -                                       | -                        | (25,035)                          | -                                      | (25,035)                        |
| Provisions  | (10,449)                             | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | 1,735                                   | -                        | (8,714)                           | -                                      | (8,714)                         |
|   | (135,945)                            | -                                | (99)                          | -                                 | (4,604)                                   | 190                                 | -                                  | 8,778             | (8,700)                                   | (7,904)                           | -                  | (953)                        | -                                  | 1,735                                   | -                        | (147,502)                         | (6,625)                                | (154,127)                       |
| <b>Total liabilities</b>                                    | <b>(366,088)</b>                     | <b>-</b>                         | <b>(99)</b>                   | <b>-</b>                          | <b>(4,604)</b>                            | <b>190</b>                          | <b>-</b>                           | <b>9,759</b>      | <b>(8,700)</b>                            | <b>(7,904)</b>                    | <b>11,412</b>      | <b>(1,033)</b>               | <b>-</b>                           | <b>-</b>                                | <b>-</b>                 | <b>(367,067)</b>                  | <b>(6,625)</b>                         | <b>(373,692)</b>                |
| <b>Net assets</b>   | <b>222,103</b>                       | <b>-</b>                         | <b>(70)</b>                   | <b>5,653</b>                      | <b>-</b>                                  | <b>(444)</b>                        | <b>4,427</b>                       | <b>14,271</b>     | <b>-</b>                                  | <b>-</b>                          | <b>11,412</b>      | <b>(637)</b>                 | <b>-</b>                           | <b>-</b>                                | <b>(2,800)</b>           | <b>253,915</b>                    | <b>(2,756)</b>                         | <b>251,159</b>                  |
| <b>Capital and reserves</b>                                 |                                      |                                  |                               |                                   |   |                                     |                                    |                   |   |                                   |                    |                              |                                    |   |                          |                                   |  |                                 |
| Called up share capital                                     | 12,139                               | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 12,139                            | -                                      | 12,139                          |
| Share premium account                                       | 16,793                               | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 16,793                            | -                                      | 16,793                          |
| Capital redemption reserve                                  | 347                                  | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 347                               | -                                      | 347                             |
| Special reserve   | 22,113                               | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 22,113                            | -                                      | 22,113                          |
| Share option reserve  | 554                                  | 85                               | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 639                               | -                                      | 639                             |
| Hedging and translation reserve                             | (356)                                | -                                | -                             | -                                 | -   | -                                   | 4,427                              | (87)              | -   | -                                 | -                  | -                            | (4,344)                            | -                                       | -                        | (360)                             | -                                      | (360)                           |
| Retained profits  | 169,941                              | (85)                             | (70)                          | 5,653                             | -   | (444)                               | -                                  | 14,358            | -   | -                                 | 11,412             | (637)                        | 4,344                              | -                                       | (2,800)                  | 201,672                           | (2,756)                                | 198,916                         |
| <b>Equity attributable to equity holders of the Company</b> | <b>221,531</b>                       | <b>-</b>                         | <b>(70)</b>                   | <b>5,653</b>                      | <b>-</b>                                  | <b>(444)</b>                        | <b>4,427</b>                       | <b>14,271</b>     | <b>-</b>                                  | <b>-</b>                          | <b>11,412</b>      | <b>(637)</b>                 | <b>-</b>                           | <b>-</b>                                | <b>(2,800)</b>           | <b>253,343</b>                    | <b>(2,756)</b>                         | <b>250,587</b>                  |
| Minority interests  | 572                                  | -                                | -                             | -                                 | -   | -                                   | -                                  | -                 | -   | -                                 | -                  | -                            | -                                  | -                                       | -                        | 572                               | -                                      | 572                             |
| <b>Total equity</b>   | <b>222,103</b>                       | <b>-</b>                         | <b>(70)</b>                   | <b>5,653</b>                      | <b>-</b>                                  | <b>(444)</b>                        | <b>4,427</b>                       | <b>14,271</b>     | <b>-</b>                                  | <b>-</b>                          | <b>11,412</b>      | <b>(637)</b>                 | <b>-</b>                           | <b>-</b>                                | <b>(2,800)</b>           | <b>253,915</b>                    | <b>(2,756)</b>                         | <b>251,159</b>                  |

## Notes to the restated financial information

These notes provide details of the adjustments tabled on pages 13 to 17 with the notes cross referenced to those tables.

### 1. Operating profit

|                                     | Six months ended<br>30 June<br>2004<br>£'000 | Year ended<br>31 December<br>2004<br>£'000 |
|-------------------------------------|--|--|
| UK GAAP Operating profit            | 31,442                                       | 71,673                                     |
| Share based payments                | (84)   | (124)                                      |
| Removal of amortisation of goodwill | 2,475  | 5,653                                      |
| Amortisation of intangibles         | (24)   | (634)                                      |
| Lease incentives                    | (61)   | (182)                                      |
|                                     | <u>2,306</u>                                 | <u>4,713</u>                               |
| IFRS Operating profit               | <u>33,748</u>                                | <u>76,386</u>                              |

### 2. Finance costs

|  | Six months ended<br>30 June<br>2004<br>£'000 | Year ended<br>31 December<br>2004<br>£'000 |
|--|--|--|
| UK GAAP finance costs  | 5,633  | 11,198                                     |
| Reduction in interest received on defined benefit pension assets | 3  | 4  |
| IFRS finance costs   | <u>5,636</u>                                 | <u>11,202</u>                              |

### 3. Income tax expense

|  | Six months ended<br>30 June<br>2004<br>£'000 | Year ended<br>31 December<br>2004<br>£'000 |
|--|--|--|
| UK GAAP Tax on profit on ordinary activities | 9,241  | 21,360                                     |
| Amortisation of intangibles                  | (7)  | (190)                                      |
| Temporary versus timing differences          | 74   | 311  |
| Other  | (20)   | (56)                                       |
|  | <u>47</u>                                    | <u>65</u>                                  |
| IFRS Income tax                              | <u>9,288</u>                                 | <u>21,425</u>                              |

### 4. Goodwill

|   | 1 January<br>2004<br>£'000 | 30 June<br>2004<br>£'000 | 31 December<br>2004<br>£'000 |
|---|----------------------------|--------------------------|------------------------------|
| UK GAAP Net book value  | 78,696                     | 85,090                   | 114,045                      |
| Retranslation of goodwill   | 4,278                      | 2,604                    | 4,427                        |
| Removal of amortisation of goodwill                               | -                          | 2,475                    | 5,653                        |
| Additional goodwill on recognition of deferred tax on intangibles | -                          | 1,222                    | 4,604                        |
| Recognition of lease incentives                                   | -                          | -                        | 86                           |
| Reclassification to intangibles                                   | -                          | (4,073)                  | (15,348)                     |
|   | <u>4,278</u>               | <u>2,228</u>             | <u>(578)</u>                 |
| IFRS Net book value   | <u>82,974</u>              | <u>87,318</u>            | <u>113,467</u>               |

### 5. Intangible assets

|                                | 1 January<br>2004<br>£'000 | 30 June<br>2004<br>£'000 | 31 December<br>2004<br>£'000 |
|--------------------------------|----------------------------|--------------------------|------------------------------|
| UK GAAP Net book value         | -                          | -                        | -                            |
| Reclassification from goodwill | -                          | 4,073                    | 15,348                       |
| Amortisation of intangibles    | -                          | (24)                     | (634)                        |
| IFRS Net book value            | <u>-</u>                   | <u>4,049</u>             | <u>14,714</u>                |

**6. Deferred tax assets**

|   | 1 January<br>2004<br>£'000 | 30 June<br>2004<br>£'000 | 31 December<br>2004<br>£'000 |
|---|----------------------------|--------------------------|------------------------------|
| UK GAAP balance                                     | -                          | -                        | -                            |
| Reclassification from deferred tax liabilities      | 10,652                     | 10,297                   | 8,700                        |
| Deferred tax on defined benefit pension schemes     | 5,872                      | 5,781                    | 7,904                        |
| Deferred tax on additional pension scheme liability | 25                         | 26                       | 29                           |
| Temporary versus timing differences                 | 2,754                      | 3,121                    | 4,512                        |
| Deferred tax on lease incentives                    | 218                        | 237                      | 310                          |
| IFRS balance  | <u>19,521</u>              | <u>19,462</u>            | <u>21,455</u>                |

**7. Inventories**

|                            | 1 January<br>2004<br>£'000 | 30 June<br>2004<br>£'000 | 31 December<br>2004<br>£'000 |
|----------------------------|----------------------------|--------------------------|------------------------------|
| UK GAAP balance            | 93,035                     | 109,990                  | 116,436                      |
| Stock valuation adjustment | (2,800)                    | (2,800)                  | (2,800)                      |
| IFRS balance               | <u>90,235</u>              | <u>107,190</u>           | <u>113,636</u>               |

**8. Current liabilities**

|  | 1 January<br>2004<br>£'000 | 30 June<br>2004<br>£'000 | 31 December<br>2004<br>£'000 |
|--|----------------------------|--------------------------|------------------------------|
| UK GAAP balance  | (198,618)                  | (227,646)                | (230,143)                    |
| Reclassification between tax categories                  | 1,823                      | 1,406                    | 981                          |
| Proposed dividend  | 9,983                      | 5,568                    | 11,412                       |
| Reclassification of provisions from due >1yr to due <1yr | (1,207)                    | (1,215)                  | (1,735)                      |
| Lease incentives   | (52)                       | (66)                     | (80)                         |
|  | <u>10,547</u>              | <u>5,693</u>             | <u>10,578</u>                |
| IFRS balance   | <u>(188,071)</u>           | <u>(221,953)</u>         | <u>(219,565)</u>             |

**9. Deferred tax liabilities**

|  | 1 January<br>2004<br>£'000 | 30 June<br>2004<br>£'000 | 31 December<br>2004<br>£'000 |
|--|----------------------------|--------------------------|------------------------------|
| UK GAAP balance  | (1,068)                    | (2,165)                  | (2,279)                      |
| Deferred tax liabilities on acquisitions and subsequent amortisation | -                          | (1,215)                  | (4,414)                      |
| Reclassification between tax categories                              | (1,823)                    | (1,406)                  | (981)                        |
| Reclassification to deferred tax assets                              | (10,652)                   | (10,297)                 | (8,700)                      |
| Temporary versus timing differences                                  | 10,091                     | 9,929                    | 9,759                        |
|  | <u>(2,384)</u>             | <u>(2,989)</u>           | <u>(4,336)</u>               |
| IFRS balance   | <u>(3,452)</u>             | <u>(5,154)</u>           | <u>(6,615)</u>               |

**10. Other payables due > 1yr**

|                  | 1 January<br>2004<br>£'000 | 30 June<br>2004<br>£'000 | 31 December<br>2004<br>£'000 |
|------------------|----------------------------|--------------------------|------------------------------|
| UK GAAP balance  | (904)                      | (2,271)                  | (3,002)                      |
| Lease incentives | (676)                      | (723)                    | (953)                        |
| IFRS balance     | <u>(1,580)</u>             | <u>(2,994)</u>           | <u>(3,955)</u>               |

**11. Retirement benefit obligations**

|  | 1 January<br>2004<br>£'000 | 30 June<br>2004<br>£'000 | 31 December<br>2004<br>£'000 |
|--|----------------------------|--------------------------|------------------------------|
| UK GAAP balance                          | (14,897)                   | (14,629)                 | (17,032)                     |
| Reduction in fair value of scheme assets | (82)                       | (92)                     | (99)                         |
| Reclassification of deferred tax assets  | (5,872)                    | (5,781)                  | (7,904)                      |
|  | <u>(5,954)</u>             | <u>(5,873)</u>           | <u>(8,003)</u>               |
| IFRS balance                             | <u>(20,851)</u>            | <u>(20,502)</u>          | <u>(25,035)</u>              |

### Consolidated Statement of Recognised Income and Expense

For the six months ended 30 June 2004

|   | UK GAAP<br>£'000 | Change<br>£'000 | IFRS<br>£'000 |
|---|------------------|-----------------|---------------|
| Profit after tax  | 19,106           | 2,256           | 21,362        |
| Exchange difference on retranslation of foreign currency goodwill and intangibles                     | -                | (1,674)         | (1,674)       |
| Exchange difference on retranslation of overseas net investments (excluding goodwill and intangibles) | (5,159)          | -               | (5,159)       |
| Exchange difference on foreign currency borrowings  | 3,999            | -               | 3,999         |
| Deferred tax on share options   | -                | 280             | 280           |
| Actuarial loss relating to pension schemes  | -                | (7)             | (7)           |
| <b>Total recognised income and expense</b>  | <b>17,946</b>    | <b>855</b>      | <b>18,801</b> |
| Attributable to:  |                  |                 |               |
| Equity holders of the Company   | 17,667           | 855             | 18,522        |
| Minority interest   | 279              | -               | 279           |
|   | <b>17,946</b>    | <b>855</b>      | <b>18,801</b> |

### Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2004

|   | UK GAAP<br>£'000 | Change<br>£'000 | IFRS<br>£'000 |
|---|------------------|-----------------|---------------|
| Profit after tax  | 44,160           | 4,644           | 48,804        |
| Exchange difference on retranslation of foreign currency goodwill and intangibles                     | -                | 149             | 149           |
| Exchange difference on retranslation of overseas net investments (excluding goodwill and intangibles) | (532)            | (87)            | (619)         |
| Exchange difference on foreign currency borrowings  | (1,676)          | -               | (1,676)       |
| Tax credit on exchange difference arising on foreign currency borrowings                              | 1,786            | -               | 1,786         |
| Deferred tax on share options   | -                | 1,824           | 1,824         |
| Actuarial loss relating to pension schemes  | (8,728)          | (13)            | (8,741)       |
| Deferred tax movement associated with actuarial loss  | 2,534            | 3               | 2,537         |
| <b>Total recognised income and expense</b>  | <b>37,544</b>    | <b>6,520</b>    | <b>44,064</b> |
| Attributable to:  |                  |                 |               |
| Equity holders of the Company   | 36,972           | 6,520           | 43,492        |
| Minority interest   | 572              | -               | 572           |
|   | <b>37,544</b>    | <b>6,520</b>    | <b>44,064</b> |

**Movement in equity for the six months ended 30 June 2004**

|   | Called up<br>share<br>capital<br>£'000's | Share<br>premium<br>account<br>£'000's | Capital<br>redemption<br>reserve<br>£'000's | Special<br>reserve<br>£'000's | Share option<br>reserve<br>£'000's | Hedging and<br>translation<br>reserve<br>£'000's | Retained<br>profits<br>£'000's | Total<br>£'000's | Minority<br>interests<br>£'000's | Total<br>equity<br>£'000's |
|---|--|--|---|-------------------------------|------------------------------------|--|--------------------------------|------------------|----------------------------------|----------------------------|
| At 1 January 2004 - UK GAAP   | 12,027                                   | 14,967                                 | 347   | 22,113                        | 237                                | 66   | 149,556                        | 199,313          | 447                              | 199,760                    |
| <b>IFRS adjustments</b>   |  |  |   |                               |                                    |  |                                |                  |                                  |                            |
| Reverse proposed dividend   | -  | -                                      | -   | -                             | -                                  | -  | 9,983                          | 9,983            | -                                | 9,983                      |
| Stock valuation adjustment  | -  | -                                      | -   | -                             | -                                  | -  | (2,800)                        | (2,800)          | -                                | (2,800)                    |
| Deferred tax  | -  | -                                      | -   | -                             | -                                  | -  | 12,845                         | 12,845           | -                                | 12,845                     |
| Lease incentives  | -  | -                                      | -   | -                             | -                                  | -  | (510)                          | (510)            | -                                | (510)                      |
| Retranslation of goodwill   | -  | -                                      | -   | -                             | -                                  | 4,278  | -                              | 4,278            | -                                | 4,278                      |
| Exchange reserve reset  | -  | -                                      | -   | -                             | -                                  | (4,344)  | 4,344                          | -                | -                                | -                          |
| Adjustment to pension asset valuation   | -  | -                                      | -   | -                             | -                                  | -  | (57)                           | (57)             | -                                | (57)                       |
| Adjustment for IFRS 2 Share based payments  | -  | -                                      | -   | -                             | (46)                               | -  | 46                             | -                | -                                | -                          |
| <b>At 1 January 2004 - IFRS</b>   | 12,027                                   | 14,967                                 | 347   | 22,113                        | 191                                | -  | 173,407                        | 223,052          | 447                              | 223,499                    |
| Profit for the period   | -  | -                                      | -   | -                             | -                                  | -  | 21,083                         | 21,083           | 279                              | 21,362                     |
| Dividend  | -  | -                                      | -   | -                             | -                                  | -  | (9,983)                        | (9,983)          | -                                | (9,983)                    |
| New share capital issued  | 29                                       | 711                                    | -   | -                             | -                                  | -  | -                              | 740              | -                                | 740                        |
| Exchange difference on retranslation of foreign<br>currency goodwill and intangibles                        | -  | -                                      | -   | -                             | -                                  | (1,674)  | -                              | (1,674)          | -                                | (1,674)                    |
| Exchange difference on retranslation of<br>overseas net investments (excluding goodwill<br>and intangibles) | -  | -                                      | -   | -                             | -                                  | (5,159)  | -                              | (5,159)          | -                                | (5,159)                    |
| Exchange difference on foreign currency<br>borrowings   | -  | -                                      | -   | -                             | -                                  | 3,999  | -                              | 3,999            | -                                | 3,999                      |
| Deferred tax on share options   | -  | -                                      | -   | -                             | -                                  | -  | 280                            | 280              | -                                | 280                        |
| Credit to share option reserve  | -  | -                                      | -   | -                             | 177                                | -  | -                              | 177              | -                                | 177                        |
| Actuarial loss on defined benefit pension<br>schemes  | -  | -                                      | -   | -                             | -                                  | -  | (7)                            | (7)              | -                                | (7)                        |
| Payment to minority interest shareholder  | -  | -                                      | -   | -                             | -                                  | -  | -                              | -                | (447)                            | (447)                      |
| <b>At 30 June 2004 - IFRS</b>   | 12,056                                   | 15,678                                 | 347   | 22,113                        | 368                                | (2,834)  | 184,780                        | 232,508          | 279                              | 232,787                    |

## Movement in equity for the year ended 31 December 2004

|  | Called up<br>share<br>capital<br>£'000's | Share<br>premium<br>account<br>£'000's | Capital<br>redemption<br>reserve<br>£'000's | Special<br>reserve<br>£'000's | Share option<br>reserve<br>£'000's | Hedging and<br>translation<br>reserve<br>£'000's | Retained<br>profits<br>£'000's | Total<br>£'000's | Minority<br>interests<br>£'000's | Total<br>equity<br>£'000's |
|--|--|--|---|-------------------------------|------------------------------------|--|--------------------------------|------------------|----------------------------------|----------------------------|
| At 1 January 2004 - UK GAAP  | 12,027                                   | 14,967                                 | 347   | 22,113                        | 237                                | 66   | 149,556                        | 199,313          | 447                              | 199,760                    |
| <b>IFRS adjustments</b>  |  |  |   |                               |                                    |  |                                |                  |                                  |                            |
| Reverse proposed dividend  | -  | -                                      | -   | -                             | -                                  | -  | 9,983                          | 9,983            | -                                | 9,983                      |
| Stock valuation adjustment   | -  | -                                      | -   | -                             | -                                  | -  | (2,800)                        | (2,800)          | -                                | (2,800)                    |
| Deferred tax   | -  | -                                      | -   | -                             | -                                  | -  | 12,845                         | 12,845           | -                                | 12,845                     |
| Lease incentives   | -  | -                                      | -   | -                             | -                                  | -  | (510)                          | (510)            | -                                | (510)                      |
| Retranslation of goodwill  | -  | -                                      | -   | -                             | -                                  | 4,278  | -                              | 4,278            | -                                | 4,278                      |
| Exchange reserve reset   | -  | -                                      | -   | -                             | -                                  | (4,344)  | 4,344                          | -                | -                                | -                          |
| Adjustment to pension asset valuation  | -  | -                                      | -   | -                             | -                                  | -  | (57)                           | (57)             | -                                | (57)                       |
| Adjustment for IFRS 2 Share based payments   | -  | -                                      | -   | -                             | (46)                               | -  | 46                             | -                | -                                | -                          |
| <b>At 1 January 2004 - IFRS</b>  | 12,027                                   | 14,967                                 | 347   | 22,113                        | 191                                | -  | 173,407                        | 223,052          | 447                              | 223,499                    |
| Profit for the year  | -  | -                                      | -   | -                             | -                                  | -  | 48,232                         | 48,232           | 572                              | 48,804                     |
| Dividend   | -  | -                                      | -   | -                             | -                                  | -  | (15,587)                       | (15,587)         | -                                | (15,587)                   |
| New share capital issued   | 112                                      | 1,826                                  | -   | -                             | -                                  | -  | -                              | 1,938            | -                                | 1,938                      |
| Exchange difference on retranslation of foreign<br>currency goodwill and intangibles                     | -  | -                                      | -   | -                             | -                                  | 149  | -                              | 149              | -                                | 149                        |
| Exchange difference on retranslation of overseas net<br>investments (excluding goodwill and intangibles) | -  | -                                      | -   | -                             | -                                  | (619)  | -                              | (619)            | -                                | (619)                      |
| Exchange difference on foreign currency borrowings   | -  | -                                      | -   | -                             | -                                  | (1,676)  | -                              | (1,676)          | -                                | (1,676)                    |
| Tax (debit)/credit on exchange difference arising on<br>foreign currency borrowings                      | -  | -                                      | -   | -                             | -                                  | 1,786  | -                              | 1,786            | -                                | 1,786                      |
| Deferred tax on share options  | -  | -                                      | -   | -                             | -                                  | -  | 1,824                          | 1,824            | -                                | 1,824                      |
| Credit to share option reserve   | -  | -                                      | -   | -                             | 448                                | -  | -                              | 448              | -                                | 448                        |
| Actuarial loss on defined benefit pension schemes  | -  | -                                      | -   | -                             | -                                  | -  | (8,741)                        | (8,741)          | -                                | (8,741)                    |
| Deferred tax movement associated with<br>actuarial loss  | -  | -                                      | -   | -                             | -                                  | -  | 2,537                          | 2,537            | -                                | 2,537                      |
| Payment to minority interest shareholder   | -  | -                                      | -   | -                             | -                                  | -  | -                              | -                | (447)                            | (447)                      |
| <b>At 31 December 2004 - IFRS</b>  | 12,139                                   | 16,793                                 | 347   | 22,113                        | 639                                | (360)  | 201,672                        | 253,343          | 572                              | 253,915                    |

## Statement of Significant Accounting Policies

The significant accounting policies adopted in the Group's Annual Report and Accounts for the year ended 31 December 2005 approved by the Board on 8 March 2006 and this Restatement Document (together "Financial Information") are set out below.

### Basis of preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued for use in the European Union for the first time in the year ended 31 December 2005.

The Financial Information has been prepared under the historical cost convention except for derivative financial instruments that are stated at their fair value.

IFRS 1 permits those companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. SIG has taken advantage of the following exemptions:

- a) IFRS 3 "Business combinations" – SIG has elected not to apply IFRS 3 retrospectively to acquisitions that took place before 1 January 2004.
- b) IFRS 2 "Share-based payments" – SIG has elected to apply IFRS 2 only to those share-based payment options that were granted after 7 November 2002 and remained unvested at 1 January 2005.
- c) IAS 21 "The effects of changes in foreign exchange rates" – SIG has elected to reset the hedging and translation reserve to zero at 1 January 2004.
- d) IAS 32 "Financial instruments: Disclosure and presentation" and IAS 39 "Financial instruments: Recognition and measurement" – SIG has elected to apply UK GAAP to its comparative Accounts (i.e. 1 January 2004 to 31 December 2004) and implement IAS 32 and IAS 39 at 1 January 2005. On 1 January 2005, in accordance with IAS 32 and IAS 39, all derivative financial instruments were recorded at their fair value. The difference between the fair value and book value of all derivative financial instruments at 1 January 2005 has been recorded in 2005 through the Consolidated Statement of Recognised Income and Expense.

There are a number of standards issued but not yet effective which the Group has not applied in the Financial Information. These include IFRS 7 "Financial instruments: Disclosures". As this standard relates solely to disclosure, the adoption of this standard would have no impact on the Financial Information of the Group except for additional disclosure requirements on capital and derivative financial instruments.

### **Basis of consolidation**

The Consolidated Accounts incorporate the Accounts of the Company and each of its subsidiary undertakings after eliminating all significant inter-company transactions and balances. The results of subsidiary undertakings acquired or sold are consolidated for the periods from or to the date on which control passed.

Minority interests in the net assets of consolidated subsidiaries are identified separately therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interest of SIG except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

### **Goodwill and business combinations**

All business combinations are accounted for by applying the purchase method.

Goodwill arising on consolidation represents the excess of the cost of the acquisition over SIG's interest in the fair value of identifiable assets (including intangible assets) and liabilities of the businesses acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment, or more frequently when there is an indication that goodwill may be impaired. For the purposes of impairment testing, goodwill is allocated to each of SIG's cash-generating units ("CGU") expected to benefit from the synergies of the combination. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of remaining goodwill relating to the entity disposed of is included in the determination of any profit or loss on disposal.

Under the transitional arrangements of IFRS 1, SIG has taken the option to apply IFRS 3 to business combinations from the transition date only (1 January 2004), and therefore, has not restated previous acquisitions prior to this date. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1 January 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Goodwill recorded in foreign currency is retranslated at each period end. Any movements in the carrying value of goodwill as a result of foreign exchange rate movements are recognised in the Consolidated Statement of Recognised Income and Expense.

Negative goodwill arising on an acquisition is recognised immediately in the Consolidated Income Statement.

## Intangibles

SIG recognises intangible assets at cost less accumulated amortisation and impairment losses. SIG recognises two types of intangible assets: acquired and purchased. Acquired intangible assets arise as a result of applying IFRS 3 which requires the separate recognition of intangible assets from goodwill on all business combinations from 1 January 2004. Purchased intangible assets relate primarily to software that is separable from any associated hardware.

Intangible assets are amortised on a straight line basis over their useful economic lives as follows:

|                             | Amortisation period      | Weighted average period of amortisation |
|-----------------------------|--------------------------|---|
| Customer relationships      | Life of the relationship | 7.5 years                               |
| Brands                      | Indefinite               | N/A                                     |
| Non compete contracts       | Life of the contract     | 3 years                                 |
| Specific customer contracts | Life of the contract     | 1 year                                  |
| Order-books                 | Life of the order-book   | 6 months                                |
| Software                    | Useful life of software  | N/A (see Note 12)                       |

An indefinite useful life has been determined for brands on the basis that the brand is expected to be maintained indefinitely and is expected to continue to drive value for the Group. Brands will be reviewed for impairment on at least an annual basis.

## Revenue recognition

Revenue represents amounts receivable for goods net of allowances and value added tax.

Revenue from the sale of goods is recognised when the goods have been received by the customer and title has passed.

## Borrowing costs

All borrowing costs are recognised in the Consolidated Income Statement in the period in which they are incurred.

## **Pension costs**

SIG operates six defined benefit pension schemes.

The Group's net obligation in respect of these defined benefit pension schemes is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in both current and prior periods. That benefit is discounted using an appropriate discount rate to determine its present value, and the fair value of any plan assets is deducted.

Where the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Consolidated 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.

The full service cost of the pension schemes is charged to operating profit. The finance cost of liabilities and expected return on assets are included within finance charges and finance income respectively in the Consolidated Income Statement and shown separately in Note 3.

The actuarial gain/loss arising is charged through the Consolidated Statement of Recognised Income and Expense and is made up of the difference between the expected return on assets and those actually achieved, the difference between the actuarial assumptions for liabilities and actual experience in the period and any changes in the assumptions used in the valuations.

The pension scheme deficit is recognised in full and presented on the face of the Consolidated Balance Sheet. The associated deferred tax asset is recognised within non-current assets in the Consolidated Balance Sheet.

For defined contribution schemes the amount charged to the Consolidated Income Statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are included within either accruals or prepayments in the Consolidated Balance Sheet.

### **Share-based payment transactions**

In accordance with the transitional provisions, IFRS 2 has been applied to all share options granted after 7 November 2002 that remained unvested as of 1 January 2005. IFRS 2 has also been applied to all share options granted in 2005.

The Group issues equity-settled share-based payments only (share options). Share options are measured at fair value at the date of grant based on the Group's estimate of shares that will eventually vest. The fair value determined is then expensed in the Consolidated Income Statement on a straight line basis over the vesting period, with a corresponding increase in equity. The fair value of the options is measured by use of the Black-Scholes option pricing model.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the Consolidated Cash Flow Statement.

### **Trade receivables and trade payables**

Trade receivables and trade payables are measured initially at fair value and then subsequently at amortised cost.

With regard to trade receivables, when there is objective evidence of impairment appropriate allowances are made for estimated irrecoverable amounts based upon expected future cash flows discounted by an appropriate interest rate where applicable.

### **Foreign currency**

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates at the date of the transaction or where appropriate at the rate of exchange in a related forward exchange contract.

At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at that date or where appropriate at the rate of exchange in a related forward exchange contract.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Consolidated Income Statement.

For the purpose of consolidation, income statements of overseas subsidiary undertakings are translated at the average rate and their balance sheets at the rates ruling at the balance sheet date.

Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are reported in the Consolidated Statement of Recognised Income and Expense.

### **Derivative financial instruments**

The Group uses derivative financial instruments to hedge its exposure to foreign currency exchange risks arising from operational and financial activities. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. However derivative financial instruments, or part thereof, that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised immediately at cost. Subsequent to their initial recognition, derivative financial instruments are then stated at their fair value. Unless hedge accounting is achieved, the gain or loss on remeasurement to fair value is recognised immediately as hedge ineffectiveness and is disclosed separately on the face of the Consolidated Income Statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Consolidated Income Statement for the period.

### **Cash flow hedges**

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the Consolidated Statement of Recognised Income and Expense (i.e. equity). When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or financial liability, then the associated gains or losses that were previously recognised in the Consolidated Statement of Recognised Income and Expense (equity) are reclassified into the Consolidated Income Statement in the same period or periods during which the asset acquired or liability assumed affects the Consolidated Income Statement.

For cash flow hedges, the ineffective portion of any gain or loss is recognised immediately as hedge ineffectiveness and is disclosed separately on the face of the Consolidated Income Statement.

### **Hedge of net investment in foreign operations**

The portion of any gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in the Consolidated Statement of Recognised Income and Expense (equity). The ineffective portion of any gain or loss is recognised immediately as hedge ineffectiveness and is disclosed separately on the face of the Consolidated Income Statement.

### **Fair value hedges**

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the Consolidated Income Statement. Gains or losses from remeasuring the derivative financial instruments are recognised immediately in the Consolidated Income Statement.

## **Taxation**

Income tax on the profit or loss for the periods presented comprises both current and deferred tax. Income tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the Consolidated Statement of Recognised Income and Expense.

Current tax is the expected tax payable on the taxable income for the year, using tax rates that have been enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

In accordance with IAS 12, the following temporary differences are not provided for:

- a) goodwill not deductible for taxation purposes;
- b) the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
- c) differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## **Property, plant and equipment**

Property, plant and equipment is shown at original cost to the Group less accumulated depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of property, plant and equipment on a straight line basis over their estimated useful lives as follows:

- Freehold buildings – 50 years
- Leasehold buildings – period of lease
- Plant and machinery – 3 to 8 years

Residual values, which are based on market rates, are reassessed annually.

**Inventories**

Inventories are stated at the lower of cost (including an appropriate proportion of attributable overheads, supplier rebates and discounts) and net realisable value.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving, or defective items where appropriate.

**Leases and hire purchase agreements**

The cost of assets held under finance leases and hire purchase agreements is capitalised with an equivalent liability categorised as appropriate under current liabilities or non-current liabilities. The asset is depreciated over its useful life.

Rentals under finance leases and hire purchase agreements are apportioned between finance costs and reduction of the liability. The finance costs are charged in arriving at the profit before tax.

Rentals under operating leases are charged to the Consolidated Income Statement on a straight line basis over the lease term.

Lease incentives are recognised on a straight line basis over the lease term in the Consolidated Income Statement.

**Property provisions**

The Group makes provisions in respect of onerous leasehold property contracts and leasehold dilapidation commitments where it is probable that a transfer of economic benefits will be required to settle a present obligation.

## **INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF SIG PLC ON THE FULL YEAR COMPARATIVE IFRS FINANCIAL INFORMATION**

We have audited the full year comparative IFRS consolidated financial information of SIG plc which comprises the Consolidated Balance Sheets as at 1 January 2004 (included on page 14), 31 December 2004 (included on page 16) and 1 January 2005 (included on page 16), the Consolidated Income Statement (included on page 13), the Consolidated Statement of Changes in Equity (included on page 21) and the Consolidated Statement of Recognised Income and Expense (included on page 19) for the year ended 31 December 2004, the Statement of Significant Accounting Policies (included on pages 22 to 29) and the related notes 1 to 11 excluding half year information.

This report is made solely to the Board of Directors, in accordance with our engagement letter engagement dated 7 March 2006 and solely for the purpose of assisting with the transition to IFRS. Our audit work will be undertaken so that we might state to the Company's Board of Directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Company for our audit work, for our report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The Company's Directors are responsible for ensuring that the Company and the Group maintains proper accounting records and for the preparation of the full year comparative IFRS financial information on the basis set out in the Statement of Significant Accounting Policies (included on pages 22 to 29), which describes how IFRS has been applied. Our responsibility is to audit the full year comparative financial information in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards and report to you our opinion as to whether the full year comparative IFRS financial information is prepared, in all material respects, on the basis set out in the Statement of Significant Accounting Policies (included on pages 22 to 29).

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 full year comparative IFRS financial information. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the full year comparative IFRS financial information and of whether the

accounting policies are appropriate to the circumstances of the Group, 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 full year comparative IFRS financial information is 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 full year comparative IFRS financial information.

Without qualifying our opinion, we draw attention to the fact that, under IFRSs, only a complete set of financial statements comprising a balance sheet, income statement, statement of changes in equity, cash flow statement, together with comparative financial information and explanatory notes, can provide a fair presentation of the Company's financial position, results of operations and cash flows in accordance with IFRSs.

### **Opinion**

In our opinion the full year comparative IFRS financial information is prepared, in all material respects, on the basis set out in the Statement of Significant Accounting Policies (included on pages 22 to 29) which describes how IFRS has been applied.

Deloitte & Touche LLP

Chartered Accountants  
Leeds  
8 March 2006