



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

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

14 September 2005

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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 will be 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 preliminary 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.

The Restatement Document is subject to change as a result of changes to IFRS and interpretations of IFRS before the Group publishes its IFRS financial statements for the year ended 31 December 2005.

Overview of the impact of adopting IFRS

Year ended 31 December 2004	UK GAAP £'000	IFRS £'000	Change £'000
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	250,090	27,987
Net debt (Note 3)	98,318	104,943	6,625
Gearing	44.3%	42.0%	(2.3%)
Basic earnings per share (pence)	36.1p	39.9p	3.8p
Basic earnings per share before amortisation of goodwill and intangibles (pence)	40.7p	40.4p	0.3p
Six months ended 30 June 2004	UK GAAP £'000	IFRS £'000	Change £'000
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	235,587	23,062
Net debt	76,752	76,752	-
Gearing	36.1%	32.6%	(3.5%)
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 debt and 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.

Basis of preparation

The Restatement Document has been prepared on the basis of IFRS in issue that are effective or available for early adoption at the Group's first IFRS annual reporting date, 31 December 2005.

The IFRS that will be effective or available for adoption in the financial statements for the year ended 31 December 2005 are subject to review and amendment by the International Accounting Standards Board ("IASB") and subsequent endorsements by the European Union ("EU") and therefore are subject to change.

In determining the Group's IFRS accounting policies the Board of Directors has used its best endeavours in making assumptions about those IFRS expected to be effective or available for adoption when the first IFRS annual financial statements are prepared for the year ended 31 December 2005. Accordingly, the accounting policies as set out on pages 23 to 30 can only be finalised at that time.

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) IAS 19 "Employee benefits" – in accordance with the amendment to IAS 19 which was issued on 16 December 2004, the Group has elected to recognise actuarial gains and losses in full in the period in which they arise in the Consolidated Statement of Recognised Income and Expense.
- c) 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.
- d) 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.
- e) 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 financial statements (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 financial instruments were recorded at their fair value. The difference between the fair value and book value of all 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”. However, where no definitive guidance on presentation exists, a UK GAAP approach has been followed in order to maintain consistency with prior years. This format may require modification in the event that further guidance is issued and as best practice develops.

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 Republic of 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 and commercial interiors) 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 13 to 17.

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.

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

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

The Group’s restatement from UK GAAP to IFRS assumes that the exposure draft which proposes amendments to IAS 19 ‘Employee benefits’, allowing pension actuarial gains and losses to be recognised in full through reserves, will be incorporated into IFRS and endorsed by the EU by 31 December 2005. Under FRS 17, the Group has 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.

Operating profit impact	UK GAAP £'000	IFRS £'000	Change in profit £'000
Year ended 31 December 2004			
Other finance charges	470	474	(4)
Six months ended 30 June 2004			
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.

Operating profit impact	UK GAAP	IFRS	Change in profit
	£'000	£'000	£'000
Year ended 31 December 2004			
Amortisation of goodwill	5,653	-	5,653
Amortisation of intangibles	-	634	(634)
Six months ended 30 June 2004			
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 £'000	IFRS £'000
At 1 January 2005		
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.

On 1 January 2005, this additional liability of £6.625m has been recorded as a transitional adjustment through the Consolidated Statement of Recognised Income and Expense.

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.

The adjustment has an effect on the Group's gearing calculation as follows:

	UK GAAP £'000	IFRS £'000	Change £'000
At 1 January 2005			
Net debt	98,318	104,943	6,625
Net assets	222,103	250,090	27,987
Gearing (%)	44.3%	42.0%	2.3%

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 GAAP £'000	IAS 12 tax impact (adjustment “H”) £'000	Other* £'000	IFRS £'000
Year ended 31 December 2004				
Income tax expense	21,360	311	(246)	21,425
Six months ended 30 June 2004				
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.

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 UK GAAP £'000	Adjustments						2004 IFRS £'000
			A Share based payments £'000	B Employee benefits £'000	C Goodwill amortisation £'000	E Intangible amortisation £'000	H Taxation £'000	L Lease incentives £'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 costs		2,882	-	-	-	-	-	-	2,882
Other finance charges	2	213	-	3	-	-	-	-	216
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 UK GAAP £'000	Adjustments					2004 IFRS £'000	
			A Share based payments £'000	B Employee benefits £'000	C Goodwill amortisation £'000	E Intangible amortisation £'000	H Taxation £'000		L Lease incentives £'000
Revenue		1,398,237	-	-	-	-	-	-	1,398,237
Operating profit before amortisation of intangibles/goodwill		77,326	(124)	-	-	-	-	(182)	77,020
Amortisation of intangibles/goodwill		5,653	-	-	(5,653)	634	-	-	634
Operating profit	1	71,673	(124)	-	5,653	(634)	-	(182)	76,386
Finance costs		5,683	-	-	-	-	-	-	5,683
Other finance charges	2	470	-	4	-	-	-	-	474
Profit before tax		65,520	(124)	(4)	5,653	(634)	-	(182)	70,229
Income tax expense	3	21,360	-	(1)	-	(190)	311	(55)	21,425
Profit after tax		44,160	(124)	(3)	5,653	(444)	(311)	(127)	48,804
Attributable to:									
Equity holders of the Company		43,588	(124)	(3)	5,653	(444)	(311)	(127)	48,232
Minority interests		572	-	-	-	-	-	-	572

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

	Note	1 January 2004 UK GAAP £'000	Adjustments									1 January 2004 IFRS £'000	
			A	B	F	H	I	J	K	L	M		N
			Share based payments £'000	Employee benefits £'000	Goodwill retranslation £'000	Taxation £'000	Deferred tax reclassification £'000	Pensions deferred tax £'000	Dividends £'000	Lease incentives £'000	Exchange reserve reset £'000	Provisions reclassification £'000	
Non-current assets													
Property, plant and equipment		69,194	-	-	-	-	-	-	-	-	-	-	69,194
Goodwill	4	78,696	-	-	4,278	-	-	-	-	-	-	-	82,974
Intangible assets	5	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	6	-	-	25	-	2,754	10,652	5,872	-	218	-	-	19,521
		147,890	-	25	4,278	2,754	10,652	5,872	-	218	-	-	171,689
Current assets													
Inventories		93,035	-	-	-	-	-	-	-	-	-	-	93,035
Trade receivables		211,021	-	-	-	-	-	-	-	-	-	-	211,021
Other receivables		12,462	-	-	-	-	-	-	-	-	-	-	12,462
Cash and cash equivalents		55,417	-	-	-	-	-	-	-	-	-	-	55,417
		371,935	-	-	-	-	-	-	-	-	-	-	371,935
Total assets		519,825	-	25	4,278	2,754	10,652	5,872	-	218	-	-	543,624
Current liabilities													
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)
	7	(198,618)	-	-	-	1,823	-	-	9,983	(52)	-	(1,207)	(188,071)
Non-current liabilities													
Obligations under finance leases		(1,356)	-	-	-	-	-	-	-	-	-	-	(1,356)
Bank loans		(96,159)	-	-	-	-	-	-	-	-	-	-	(96,159)
Financial derivatives		-	-	-	-	-	-	-	-	-	-	-	-
Loan notes		-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	8	(1,068)	-	-	-	8,268	(10,652)	-	-	-	-	-	(3,452)
Other payables	9	(904)	-	-	-	-	-	-	-	(676)	-	-	(1,580)
Retirement benefit obligations	10	(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)
Total liabilities		(320,065)	-	(82)	-	10,091	(10,652)	(5,872)	9,983	(728)	-	-	(317,325)
Net assets		199,760	-	(57)	4,278	12,845	-	-	9,983	(510)	-	-	226,299
Capital and reserves													
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	-	176,207
Equity attributable to equity holders of the Company		199,313	-	(57)	4,278	12,845	-	-	9,983	(510)	-	-	225,852
Minority interests		447	-	-	-	-	-	-	-	-	-	-	447
Total equity		199,760	-	(57)	4,278	12,845	-	-	9,983	(510)	-	-	226,299

Reconciliation of equity at 30 June 2004
Consolidated Balance Sheet

Note	Adjustments																30 June 2004 IFRS £'000
	30 June 2004 UK GAAP (as reported) £'000	Prior year restatement pensions £'000	30 June 2004 UK GAAP (as restated) £'000	A	B	C	D	E	F	H	I	J	K	L	M	N	
				Share based payments £'000	Employee benefits £'000	Goodwill amortisation £'000	Intangible assets recognition £'000	Intangible amortisation £'000	Goodwill retranslation £'000	Taxation £'000	Deferred tax reclassification £'000	Pensions deferred tax £'000	Dividends £'000	Lease incentives £'000	Exchange reserve reset £'000	Provisions reclassification £'000	
Non-current assets																	
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
Current assets																	
Inventories	109,990	-	109,990	-	-	-	-	-	-	-	-	-	-	-	-	-	109,990
Trade receivables	245,824	-	245,824	-	-	-	-	-	-	-	-	-	-	-	-	-	245,824
Other receivables	18,222	-	18,222	-	-	-	-	-	-	-	-	-	-	-	-	-	18,222
Cash and cash equivalents	30,877	-	30,877	-	-	-	-	-	-	-	-	-	-	-	-	-	30,877
	404,913	-	404,913	-	-	-	-	-	-	-	-	-	-	-	-	-	404,913
Total assets	558,823	-	558,823	-	26	2,475	1,222	(24)	2,604	3,121	10,297	5,781	-	237	-	-	584,562
Current liabilities																	
Trade and other payables	(199,256)	-	(199,256)	-	-	-	-	-	-	-	-	-	5,568	(66)	-	-	(193,754)
Obligations under finance leases	(2,050)	-	(2,050)	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,050)
Bank overdrafts and loans	(13,311)	-	(13,311)	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,311)
Current tax liabilities	(13,029)	-	(13,029)	-	-	-	-	-	-	1,406	-	-	-	-	-	-	(11,623)
Provisions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,215)	(1,215)
	(227,646)	-	(227,646)	-	-	-	-	-	-	1,406	-	-	5,568	(66)	-	(1,215)	(221,953)
Non-current liabilities																	
Obligations under finance leases	(679)	-	(679)	-	-	-	-	-	-	-	-	-	-	-	-	-	(679)
Bank loans	(91,589)	-	(91,589)	-	-	-	-	-	-	-	-	-	-	-	-	-	(91,589)
Loan notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	(2,165)	-	(2,165)	-	-	-	(1,222)	7	-	8,523	(10,297)	-	-	-	-	-	(5,154)
Other payables	(2,271)	-	(2,271)	-	-	-	-	-	-	-	-	-	-	(723)	-	-	(2,994)
Retirement benefit obligations	(13,488)	(1,141)	(14,629)	-	(92)	-	-	-	-	-	-	(5,781)	-	-	-	-	(20,502)
Provisions	(8,460)	1,141	(7,319)	-	-	-	-	-	-	-	-	-	-	-	-	1,215	(6,104)
	(118,652)	-	(118,652)	-	(92)	-	(1,222)	7	-	8,523	(10,297)	(5,781)	-	(723)	-	1,215	(127,022)
Total liabilities	(346,298)	-	(346,298)	-	(92)	-	(1,222)	7	-	9,929	(10,297)	(5,781)	5,568	(789)	-	-	(348,975)
Net assets	212,525	-	212,525	-	(66)	2,475	-	(17)	2,604	13,050	-	-	5,568	(552)	-	-	235,587
Capital and reserves																	
Called up share capital	12,056	-	12,056	-	-	-	-	-	-	-	-	-	-	-	-	-	12,056
Share premium account	15,678	-	15,678	-	-	-	-	-	-	-	-	-	-	-	-	-	15,678
Capital redemption reserve	347	-	347	-	-	-	-	-	-	-	-	-	-	-	-	-	347
Special reserve	22,113	-	22,113	-	-	-	-	-	-	-	-	-	-	-	-	-	22,113
Share option reserve	330	-	330	38	-	-	-	-	-	-	-	-	-	-	-	-	368
Hedging and translation reserve	(1,094)	-	(1,094)	-	-	-	-	-	2,604	-	-	-	-	-	(4,344)	-	(2,834)
Retained profits	162,816	-	162,816	(38)	(66)	2,475	-	(17)	-	13,050	-	-	5,568	(552)	4,344	-	187,580
Equity attributable to equity holders of the Company	212,246	-	212,246	-	(66)	2,475	-	(17)	2,604	13,050	-	-	5,568	(552)	-	-	235,308
Minority interests	279	-	279	-	-	-	-	-	-	-	-	-	-	-	-	-	279
Total equity	212,525	-	212,525	-	(66)	2,475	-	(17)	2,604	13,050	-	-	5,568	(552)	-	-	235,587

Reconciliation of equity at 31 December 2004
Consolidated Balance Sheet

Note	31 December 2004 UK GAAP £'000	Adjustments														31 December 2004 IFRS £'000	Recognition of derivatives £'000	1 January 2005 IFRS £'000	
		A	B	C	D	E	F	H	I	J	K	L	M	N	G				
		Share based payments £'000	Employee benefits £'000	Goodwill amortisation £'000	Intangible assets recognition £'000	Intangible amortisation £'000	Goodwill retranslation £'000	Taxation £'000	Deferred tax reclassification £'000	Pensions deferred tax £'000	Dividends £'000	Lease incentives £'000	Exchange reserve reset £'000	Provisions reclassification £'000					
Non-current assets																			
Property, plant and equipment	74,481	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74,481	-	74,481
Goodwill	114,045	-	-	5,653	(10,744)	-	4,427	-	-	-	-	86	-	-	-	-	113,467	-	113,467
Intangible assets	5	-	-	-	15,348	(634)	-	-	-	-	-	-	-	-	-	-	14,714	-	14,714
Deferred tax assets	6	-	29	-	-	-	-	4,512	8,700	7,904	-	310	-	-	-	-	21,455	-	21,455
	188,526	-	29	5,653	4,604	(634)	4,427	4,512	8,700	7,904	-	396	-	-	-	-	224,117	-	224,117
Current assets																			
Inventories	116,436	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116,436	-	116,436
Trade receivables	243,766	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	243,766	-	243,766
Other receivables	19,996	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,996	-	19,996
Cash and cash equivalents	19,467	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,467	-	19,467
	399,665	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	399,665	-	399,665
Total assets	588,191	-	29	5,653	4,604	(634)	4,427	4,512	8,700	7,904	-	396	-	-	-	-	623,782	-	623,782
Current liabilities																			
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)
Non-current liabilities																			
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	8 (2,279)	-	-	-	(4,604)	190	-	8,778	(8,700)	-	-	-	-	-	-	-	(6,615)	-	(6,615)
Other payables	9 (3,002)	-	-	-	-	-	-	-	-	-	-	(953)	-	-	-	-	(3,955)	-	(3,955)
Retirement benefit obligations	10 (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)
Total liabilities	(366,088)	-	(99)	-	(4,604)	190	-	9,759	(8,700)	(7,904)	11,412	(1,033)	-	-	-	-	(367,067)	(6,625)	(373,692)
Net assets	222,103	-	(70)	5,653	-	(444)	4,427	14,271	-	-	11,412	(637)	-	-	-	-	256,715	(6,625)	250,090
Capital and reserves																			
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	-	-	-	204,472	(6,625)	197,847
Equity attributable to equity holders of the Company	221,531	-	(70)	5,653	-	(444)	4,427	14,271	-	-	11,412	(637)	-	-	-	-	256,143	(6,625)	249,518
Minority interests	572	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	572	-	572
Total equity	222,103	-	(70)	5,653	-	(444)	4,427	14,271	-	-	11,412	(637)	-	-	-	-	256,715	(6,625)	250,090

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 30 June 2004 £'000	Year ended 31 December 2004 £'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. Other finance charges

	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
UK GAAP Other finance costs	213	470
Reduction in interest received on defined benefit pension assets	3	4
IFRS Other finance costs	<u>216</u>	<u>474</u>

3. Income tax expense

	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'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 2004 £'000	30 June 2004 £'000	31 December 2004 £'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 2004 £'000	30 June 2004 £'000	31 December 2004 £'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 2004 £'000	30 June 2004 £'000	31 December 2004 £'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. Current liabilities

	1 January 2004 £'000	30 June 2004 £'000	31 December 2004 £'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)
IFRS balance	<u>(188,071)</u>	<u>(221,953)</u>	<u>(219,565)</u>

8. Deferred tax liabilities

	1 January 2004 £'000	30 June 2004 £'000	31 December 2004 £'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
IFRS balance	<u>(3,452)</u>	<u>(5,154)</u>	<u>(6,615)</u>

9. Other payables due > 1yr

	1 January 2004 £'000	30 June 2004 £'000	31 December 2004 £'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>

10. Retirement benefit obligations

	1 January 2004 £'000	30 June 2004 £'000	31 December 2004 £'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)
IFRS balance	<u>(20,851)</u>	<u>(20,502)</u>	<u>(25,035)</u>

Reconciliation of Recognised Income and Expense

For the six months ended 30 June 2004

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

Reconciliation of Recognised Income and Expense

For the year ended 31 December 2004

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

Movement in equity for the six months ended 30 June 2004

	Called up share capital £'000's	Share premium account £'000's	Capital redemption reserve £'000's	Special reserve £'000's	Share option reserve £'000's	Hedging and translation reserve £'000's	Retained profits £'000's	Total £'000's	Minority interests £'000's	Total equity £'000's
At 1 January 2004 - UK GAAP	12,027	14,967	347	22,113	237	66	149,556	199,313	447	199,760
IFRS adjustments										
Reverse proposed dividend	-	-	-	-	-	-	9,983	9,983	-	9,983
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	-	-	-
At 1 January 2004 - IFRS	12,027	14,967	347	22,113	191	-	176,207	225,852	447	226,299
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 currency goodwill	-	-	-	-	-	(1,674)	-	(1,674)	-	(1,674)
Exchange difference on retranslation of overseas net investments (excluding goodwill)	-	-	-	-	-	(5,159)	-	(5,159)	-	(5,159)
Exchange difference on foreign currency 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 schemes	-	-	-	-	-	-	(7)	(7)	-	(7)
Payment to minority interest shareholder	-	-	-	-	-	-	-	-	(447)	(447)
At 30 June 2004 - IFRS	12,056	15,678	347	22,113	368	(2,834)	187,580	235,308	279	235,587

Movement in equity for the year ended 31 December 2004

	Called up share capital £'000's	Share premium account £'000's	Capital redemption reserve £'000's	Special reserve £'000's	Share option reserve £'000's	Hedging and translation reserve £'000's	Retained profits £'000's	Total £'000's	Minority interests £'000's	Total equity £'000's
At 1 January 2004 - UK GAAP	12,027	14,967	347	22,113	237	66	149,556	199,313	447	199,760
IFRS adjustments										
Reverse proposed dividend	-	-	-	-	-	-	9,983	9,983	-	9,983
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	-	-	-
At 1 January 2004 - IFRS	12,027	14,967	347	22,113	191	-	176,207	225,852	447	226,299
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
Tax (debit)/credit on exchange difference arising on foreign currency borrowings	-	-	-	-	-	1,786	-	1,786	-	1,786
Exchange difference on retranslation of foreign currency goodwill	-	-	-	-	-	149	-	149	-	149
Exchange difference on retranslation of overseas net investments (excluding goodwill)	-	-	-	-	-	(619)	-	(619)	-	(619)
Exchange difference on foreign currency borrowings	-	-	-	-	-	(1,676)	-	(1,676)	-	(1,676)
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 actuarial loss	-	-	-	-	-	-	2,537	2,537	-	2,537
Payment to minority interest shareholder	-	-	-	-	-	-	-	-	(447)	(447)
At 31 December 2004 - IFRS	12,139	16,793	347	22,113	639	(360)	204,472	256,143	572	256,715

Statement of Significant Accounting Policies

The significant accounting policies adopted in the Group's interim financial information for the six months ended 30 June 2005 approved by the Board on 14 September 2005 and this Restatement Document (together "Financial Information") are set out below.

Basis of preparation

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

The Financial Information has been prepared on the basis of IFRS in issue that are effective or available for early adoption at the Group's first IFRS annual reporting date, 31 December 2005.

The IFRS that will be effective or available for adoption in the financial statements for the year ended 31 December 2005 are subject to review and amendment by the International Accounting Standards Board ("IASB") and subsequent endorsements by the European Union ("EU") and therefore are subject to change.

In determining the Group's IFRS accounting policies the Board of Directors has used its best endeavours in making assumptions about these IFRS expected to be effective or available for adoption when the first IFRS annual financial statements are prepared for the year ended 31 December 2005. Accordingly, the accounting policies as set out below can only be finalised at that time.

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) IAS 19 "Employee benefits" – in accordance with the amendment to IAS 19 which was issued on 16 December 2004, the Group has elected to recognise actuarial gains and losses in full in the period in which they arise in the Consolidated Statement of Recognised Income and Expense.
- c) 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.
- d) 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.
- e) 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 financial statements (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 financial instruments are recorded at their fair value. The difference between the fair value and book value of all financial instruments at 1 January 2005 has been recorded in 2005 through the Consolidated Statement of Recognised Income and Expense.

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.

Goodwill

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 the Group's interest in the fair value of identifiable assets (including intangible assets), liabilities and contingent liabilities of the subsidiary.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is no longer amortised but is tested annually for impairment.

In respect of business combinations prior to the IFRS transition date (1 January 2004), goodwill is included on the basis of its deemed cost, which represents the net book value amount recorded under UK GAAP.

On disposal of a subsidiary, the carrying amount of goodwill relating to the entity disposed of is included in the net assets disposed in calculating the profit or loss on disposal.

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 (1 January 2004), and therefore, has not restated previous acquisitions prior to this date. Any goodwill written off to reserves under UK GAAP prior to 1 January 1998 has not been reinstated and will not be included when determining any future profit or loss on disposal of the relevant entity.

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 directly in the Consolidated Income Statement.

Intangibles

IFRS 3 requires the separate recognition of intangible assets from goodwill on all business combinations from 1 January 2004. Intangible assets are recognised at cost less accumulated amortisation and impairment losses. Intangible assets are to be amortised on a straight line basis over their useful economic lives as follows:

Customer relationships	Life of the relationship
Brand	Indefinite
Non compete contracts	Life of the contract
Specific customer contract	Life of the contract
Order-book	Life of the order-book

Brands will be reviewed for impairment on an annual basis.

Investments

Fixed asset investments are shown at cost less provision for any impairment in value.

Revenue recognition

Revenue represents the invoiced value of sales net of allowances and value added tax in the normal course of business.

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

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs, or the possible return of goods.

Pension costs

The Company 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.

When 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 shown as a net amount of other finance charges or credits on the face of the Consolidated Income Statement.

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.

The accounting policy above assumes that the exposure draft which proposes amendments to IAS 19 'Employee Benefits', allowing actuarial gains and losses to be recognised in full through reserves, will be incorporated into IFRS and endorsed by the EU by 31 December 2005.

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 shown as either accruals or prepayments in the Consolidated Balance Sheet.

Share-based payment transactions

On 1 January 2005, the Group applied the requirement of IFRS 2 Share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants after 7 November 2002 that remained unvested as of 1 January 2005.

The Group issues equity-settled share-based payments only. Equity-settled share-based payments 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 are 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 comprises 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 statement of cash flows.

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates at the date of the transaction.

At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the period end.

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, the closing rate method is used. 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.

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, derivatives, 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 in the Consolidated Income Statement.

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 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 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 in 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 directly in equity. The ineffective portion is recognised immediately in 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 re-measuring the derivative are recognised immediately in 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 equity.

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:

- 1/ goodwill not deductible for taxation purposes;
- 2/ the initial recognition of assets or liabilities that affect neither accounting or taxable profit and;
- 3/ 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 the 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

Tangible fixed assets are 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 fixed assets 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.

Stocks

Stocks are stated at the lower of cost (including an appropriate proportion of attributable overheads and supplier rebates) 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 and the finance costs are charged in arriving at the profit on ordinary activities.

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

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 PRELIMINARY FULL YEAR COMPARATIVE IFRS FINANCIAL INFORMATION

We have audited the preliminary full year comparative IFRS consolidated financial information of SIG plc which comprises the Consolidated Balance Sheets as at 1 January 2004 (included on page 15), 31 December 2004 (included on page 17) and 1 January 2005 (included on page 17), the Consolidated Income Statement (included on page 14), the Consolidated Statement of Changes in Equity (included on page 22) and the Consolidated Statement of Recognised Income and Expense (included on page 20) for the year ended 31 December 2004, the Statement of Significant Accounting Policies (included on pages 23 to 30) and the related notes 1 to 10 excluding half year information.

This report is made solely to the Board of Directors, in accordance with our engagement letter engagement dated 9 September 2005 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 preliminary full year comparative IFRS financial information on the basis set out in the Statement of Significant Accounting Policies (included on pages 23 to 30), which describes how IFRS will be applied under IFRS 1, including the assumptions the directors have made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the Company prepares its first complete set of IFRS financial statements as at 31 December 2005. Our responsibility is to audit the preliminary 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 preliminary full year comparative IFRS financial information is prepared, in all material respects, on the basis set out in note 1.

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 preliminary full year comparative IFRS financial information. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the preliminary 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 preliminary 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 preliminary full year comparative IFRS financial information.

Without qualifying our opinion, we draw attention to the fact that Statement of Significant Accounting Policies (included on pages 23 to 30) explains why there is a possibility that the accompanying preliminary full year comparative IFRS comparative financial information may require adjustment before constituting the final comparative IFRS financial information. Moreover, 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 preliminary full year comparative IFRS financial information is prepared, in all material respects, on the basis set out in Statement of Significant Accounting Policies (included on pages 23 to 30) which describes how IFRS will be applied under IFRS 1, including the assumptions the Directors have made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the Company prepares its first complete set of IFRS financial statements as at 31 December 2005.

Deloitte & Touche LLP

Chartered Accountants
Leeds

14th September 2005