

31 March 2005

**ELEMENTIS plc**

**STATEMENT ON THE TRANSITION TO INTERNATIONAL ACCOUNTING STANDARDS**

**Introduction**

Elementis plc will be reporting its financial results in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) with effect from 1 January 2005. This statement presents the results for the six months ended 30 June 2004 and the year ended 31 December 2004 restated to an IFRS basis.

**2004 Full Year Highlights**

- Sales unchanged at £389.2 million
- Underlying operating profit of £11.5 million<sup>1</sup> (UK Gaap: £11.8 million)
- Profit before tax of £3.3 million (UK Gaap: loss of £7.8 million)
- Underlying earnings per share 1.3p (UK Gaap: 1.4p)
- Group cash flow and net year end borrowings unchanged
- Net assets increased by £11.4 million and net year end gearing 29 per cent<sup>2</sup> (UK Gaap: 30 per cent)

1. Exceptional items are not defined under IFRS. Underlying profits exclude those items classified as exceptional under UK Gaap, together with any goodwill amortisation charged under UK Gaap.
2. The ratio of net borrowings to shareholders' funds plus net borrowings.

Brian Taylorson, Finance Director of Elementis plc, said:

"The main impact of the transition to IFRS is that goodwill arising on acquisition will no longer be amortised over 20 years. Profit before taxation in 2004 is increased by £11.1 million mainly due to this change. Underlying earnings per share which excluded goodwill amortisation and items classified as exceptional under UK Gaap is 1.3 pence per share under IFRS compared to 1.4 pence per share under UK Gaap".

– **Ends** –

On 31 March 2005 at 14.30 BST, Elementis will be holding a conference call for analysts and investors to discuss the implications of the transition to IFRS on the reported results. The conference call will be hosted by Brian Taylorson, Finance Director, and Stuart Kilpatrick, Group Financial Controller, and UK and international callers can participate by calling +44 (0)1452 561263. Should you be unable to attend this conference call, a replay facility will be available for 7 days on 0845 245 5205 from the UK or on +44 (0)1452 550 000 internationally, access code 491 0800#.

**Enquiries**

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# Restatement of financial information for International Accounting Standards and International Financial Reporting Standards

## Introduction

Elementis plc currently prepares its primary financial statements under UK Generally Accepted Accounting Practice (UK GAAP). From 1 January 2005 the Group is required to prepare its consolidated financial statements in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)\* and Interpretations as adopted by the European Union (EU). The first results prepared under IFRS will be the Group's interim results for the six months ending 30 June 2005. The Group's first Annual Report under IFRS will be for 2005.

## Basis of preparation

The restated financial information has been prepared in accordance with IFRS under the assumption that all existing standards in issue from the International Accounting Standards Board (IASB) will be fully endorsed by the EU. The failure of the EU to endorse all of these standards for financial reporting in 2005 could result in changes to the financial information presented in this document. The financial information for the six months ended 30 June 2004 and for the full year ended 31 December 2004, as prepared on the above basis, is unaudited.

## IFRS 1 exemptions

IFRS 1 'First Time Adoption of International Financial Reporting Standards', determines that the transition date for Elementis plc will be 1 January 2004. It permits those companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS during the transition period. Elementis plc has taken the following key exemptions:

- **Business combinations**  
The Group has not restated business combinations prior to the transition date to an IFRS basis.
- **Financial Instruments**  
The Group has taken the exemption not to restate comparatives for IAS 32 and IAS 39. As a result, the information in this restatement and the comparative information in the 2005 Financial Statements will be presented on the existing UK GAAP basis.
- **Cumulative translation differences**  
Under IAS 21, on disposal of a business, the cumulative amount of exchange differences previously recognised directly in equity for that business are charged or credited to the income statement as part of the profit or loss on disposal. The Group has adopted the exemption allowing these cumulative translation differences to be reset to zero at the transition date.
- **Share based payments**  
The Group has adopted the exemption to apply IFRS 2 'Share-based payments' only to awards made after 7 November 2002.

\* References to IFRS throughout this document refer to the application of International Accounting Standards and International Financial Reporting Standards.

## Accounting policy changes

### (a) IFRS 2 Share Based Payments

In accordance with IFRS 2, Elementis is required to recognise a charge to operating profit representing the fair value of share options granted to employees. The fair value has been calculated using a binomial valuation model and is charged to the income statement over the relevant vesting period. The charge is adjusted to reflect actual and expected levels of vesting, and for the expected achievement of any non-market performance conditions attached to each option. The impact in 2004 is a charge of £0.1 million for the six months ended 30 June 2004 and £0.2 million for the year ended 31 December 2004.

### (b) IAS 19 Employee Benefits

Elementis fully adopted FRS 17 'Retirement Benefits' for the year ended 31 December 2002. The Group's policy under FRS 17 is to recognise any actuarial gains and losses in full immediately in the statement of recognised gains and losses.

There is an option to account for actuarial gains and losses in this way within the IASB exposure draft "Actuarial Gains and Losses, Group Plans and Disclosures". The draft was adopted by the IASB in December 2004 and is effective from 1 January 2006 with earlier adoption allowed. Elementis will apply the revised standard voluntarily from the transition date. There is therefore no operating profit impact of the transition to IFRS in respect of pensions and post retirement benefits.

Under FRS 17 deferred tax assets and liabilities are netted against the gross pension asset and liability. They are classified separately under IFRS and as a result £25.8 million has been transferred from the pension liability reported under UK GAAP at 31 December 2003. At 30 June 2004 the transfer to deferred tax assets was £26.0 million and at 31 December 2004 the transfer was £16.9 million.

### (c) IFRS 3 Business Combinations

IFRS 3 prohibits merger accounting and the amortisation of goodwill. The standard requires goodwill to be carried at cost with an annual impairment review.

Under the transitional arrangements of IFRS 1:

- All prior business combination accounting is frozen at the transition date; and
- The value of goodwill is frozen at 1 January 2004 and treated as cost from that date.

The impact of removing the amortisation charge is to increase operating profit by £11.4 million in the year ended 31 December 2004 and by £5.6 million for the six months ended 30 June 2004. There are no net associated tax impacts in either period. However the tax benefit from the amortisation of goodwill in the computation of US taxable profits continues to accrue and this increases earnings per share before goodwill amortisation and exceptionals by 0.1 pence in the six months ended 30 June 2004 and by nil in the full year. Basic earnings per share included this tax benefit under UK GAAP.

### (d) IAS 32 and IAS 39 Financial Instruments

IAS 32 and IAS 39 address the accounting for, and financial reporting of, financial instruments. IAS 32 covers disclosure and presentation whilst IAS 39 covers recognition and measurement. The general principle of IAS 39 is that financial assets should be recognised at fair value and financial liabilities should be recognised at amortised cost although the IASB version has an option to fair value financial liabilities. Accounting for the movements in fair value is dependant on the designation of the relevant financial instrument and whether hedge accounting is applied. Under the transitional rules of IFRS 1, Elementis will adopt IAS 32 and IAS 39 with effect from 1 January 2005.

These standards impact Elementis in the following areas:

**(i) Transactional hedging**

Elementis uses forward foreign currency contracts to hedge transaction exposures where appropriate. It is unlikely that this process would qualify for hedge accounting under IAS 39 which means that all exchange differences would be taken to the profit and loss account. At 30 June 2004 and 31 December 2004 there were no forward contracts outstanding and therefore there would be no adjustment to the reported results in applying IAS 39 for transactional hedging.

**(ii) Balance sheet hedging**

Elementis borrows in USD and Euros to hedge the translation exposures on its overseas net assets. IFRS will require formal documentation of the hedge and regular monitoring to ensure that the hedge is effective and for hedge accounting to be available. With the documentation and monitoring in place, it is anticipated that all exchange gains or losses will be matched in equity against the gains or losses on the overseas net assets.

**(iii) Embedded derivatives**

Embedded derivatives arise in loan instruments, leases or commercial contracts. Embedded derivatives occur in contracts that incorporate either implicit or explicit terms that result in the contract behaving like a derivative. Where a contract includes an embedded derivative which is not closely related to the host contract, the derivative element must be accounted separately from the host contract.

Elementis has a number of commercial contracts which are settled in a currency that is not the primary currency in which either party operates or the currency in which the goods traded are routinely denominated. These are embedded derivatives which will require separation. In effect this means that the foreign currency gain or loss between the date of order and the date of the transaction will be recognised in the income statement. The foreign currency gain or loss between the transaction date and the settlement date will continue to be recognised under IFRS as it currently is under UK GAAP. Given the relatively short time period between order and delivery in most businesses, the impact is not expected to be material.

**(iv) Disclosure of B shares**

Due to the preferential rights attached to the redeemable B shares, under IFRS they will be classified as debt and the preference dividends paid classified as interest with effect from 1 January 2005. Under current UK GAAP the B shares are classified as equity and preference dividends are disclosed within dividends. The net book value of the B shares at 31 December 2004 was £2.2 million.

**(e) IAS 12 Income Taxes**

IAS 12 changes the methodology used to calculate deferred tax on unrealised profit on inter-company sales. Under IFRS deferred tax is calculated at the receiving company's tax rate whilst under UK GAAP, deferred tax is calculated at the supplying company's tax rate. In respect of unrealised profit on inter-company sales, deferred tax assets have been increased by £0.1 million at 31 December 2004, and by £nil at 30 June 2004 and 31 December 2003 respectively.

Under IAS 12, deferred tax is always recognised on the difference between the book value of any revalued non-monetary assets and their tax base. Under UK GAAP deferred tax would only be provided if there was an intention to dispose of the asset. A subsidiary company of Elementis plc carries a non-sterling denominated investment and revalues it to the closing exchange rate at each period end. This gives rise to a deferred tax liability of £3.6 million at 31 December 2003, £0.7 million at 30 June 2004 and £4.0 million at 31 December 2004. The recognition of this liability enables the same subsidiary to account for an equal and opposite deferred tax asset in respect of previously unrecognised capital losses and there is therefore no impact on the income statement. There is no impact on the balance sheet as the asset and liability net off within deferred tax liabilities.

**(f) IAS 38 Intangible Assets**

Under IAS 38 Elementis is required to capitalise intangible assets subject to certain specified criteria. The Group's policy under UK GAAP in respect of research and development expenditure was to expense such costs. Under IAS 38 research expenditure is expensed whereas development costs must be capitalised where the criteria have been met. Following a review of the Group's research and development expenditure over the last five years, no material development costs met the IAS38 criteria and therefore no adjustment was required under IFRS.

Under IAS 38 there is a rebuttable presumption that the fair value of an intangible asset can be measured reliably on the acquisition of a business. IAS 38 has been applied to the acquisition accounting for Sasol Servo BV, which was acquired on 30 June 2004 and an intangible asset of £0.6 million has been recognised at that date and £0.5 million recognised at 31 December 2004. The intangible asset relates to a favourable supply contract, whereby the business can purchase raw materials at below market price from a supplier.

Amortisation of intangible assets under IAS 38 for the six months ended 30 June 2004 was £nil and £0.1 million for the full year. There was no effect on the tax charge of this change in accounting policy.

**(g) IFRS 5 Non current assets held for sale**

IFRS 5 requires, subject to certain criteria, non current assets held for sale to be presented separately in the balance sheet at fair value less costs to sell. Non current assets held for sale are not depreciated. As a result £3.4 million was transferred from non current assets to current assets at 30 June 2004 and £0.4 million at 31 December 2004 (31 December 2003 : £nil).

There was no impact on the income statement in the six months ended 30 June 2004 or in the full year.

**(h) IAS 14 Segmental Reporting**

Both UK GAAP and IFRS require statutory segmental reporting to match the internal reporting structure. Under UK GAAP, there is an exemption if the disclosure of a particular segment is considered by the directors to be prejudicial to the interests of the Company. Under IFRS there is no exemption and as a result, Elementis will be required to disclose segmental information for the Pigments business separately from the Specialties business, with effect from 1 January 2005.

**Conclusion**

The IFRS information in this document has been prepared on the basis set out above and, in particular, is subject to the completion of the EU endorsement process. The financial information presented sets out the adjustments between UK GAAP and IFRS for Elementis plc based on the information currently available. The financial information should not be used as indicators of future adjustments between UK GAAP and IFRS due to the risk and uncertainty surrounding events in the future. Net assets are impacted on the restatement from UK GAAP to IFRS, but there is no impact upon the underlying cash balances within the business.

The overall impact on earnings per share as set out below:

|  | Six months ended<br>30 June<br>2004<br>pence | Year<br>ended<br>31 December<br>2004<br>pence |
|--|--|---|
| <b>Basic and diluted</b>   |  |   |
| IFRS   | 0.6  | 0.8   |
| UK GAAP  | (0.7)  | (1.8)   |
| <b>Basic and diluted before goodwill amortisation and<br/>exceptionals</b> |  |   |
| IFRS   | 0.7  | 1.3   |
| UK GAAP  | 0.6  | 1.4   |

## Summarised Consolidated Income Statement

|  | IFRS<br>Six months ended<br>30 June 2004<br>Unaudited<br>£million | IFRS<br>Year ended<br>31 December 2004<br>Unaudited<br>£million |
|--|---|---|
| <b>Turnover</b>  | 176.8   | 389.2   |
| Operating profit   |   |   |
| - before exceptionals                                    | 5.6   | 11.5  |
| - exceptionals   | (1.0)   | (2.6)   |
| <b>Operating profit</b>                                  | 4.6   | 8.9   |
| Net finance costs  | (2.6)   | (5.6)   |
| <b>Profit before tax</b>                                 | 2.0   | 3.3   |
| Taxation   | 0.4   | 0.1   |
| <b>Profit after tax</b>                                  | 2.4   | 3.4   |
| Minority interest  | -   | -   |
| <b>Net profit for the period</b>                         | <u>2.4</u>  | <u>3.4</u>  |
| Basic and diluted earnings per share                     | <u>0.6p</u>   | <u>0.8p</u>   |
| Basic and diluted earnings per share before exceptionals | <u>0.7p</u>   | <u>1.3p</u>   |

## Summarised Consolidated Balance Sheet

|  | IFRS<br>30 June<br>2004<br>Unaudited<br>£million | IFRS<br>31 December<br>2004<br>Unaudited<br>£million |
|--|--|--|
| <b>ASSETS</b>  |  |  |
| Non-current assets   |  |  |
| Property, plant and equipment                              | 171.8  | 173.0  |
| Goodwill and intangible assets                             | 163.8  | 155.7  |
| Other investments  | 3.8  | 1.9  |
| Deferred tax assets  | 26.0   | 16.9   |
|  | <u>365.4</u>                                     | <u>347.5</u>   |
| <b>Current assets</b>                                      |  |  |
| Inventories  | 66.3   | 68.3   |
| Trade and other receivables                                | 91.9   | 84.0   |
| Cash and cash equivalents                                  | 32.4   | 11.5   |
| Assets classified as held for sale                         | 6.7  | 3.7  |
|  | <u>197.3</u>                                     | <u>167.5</u>   |
| <b>Total assets</b>  | <u>562.7</u>                                     | <u>515.0</u>   |
| <b>LIABILITIES</b>   |  |  |
| <b>Current liabilities</b>                                 |  |  |
| Short term borrowings and overdrafts                       | 8.7  | 4.4  |
| Other creditors  | 65.4   | 79.8   |
| Liabilities classified as held for sale                    | 1.3  | 1.3  |
|  | <u>75.4</u>                                      | <u>85.5</u>  |
| <b>Non-current liabilities</b>                             |  |  |
| Loans  | 129.9  | 97.3   |
| Deferred tax liabilities                                   | 0.9  | 2.9  |
| Retirement benefit obligations                             | 79.7   | 81.4   |
| Provisions   | 23.4   | 22.4   |
| Government grants  | 2.4  | 2.4  |
|  | <u>236.3</u>                                     | <u>206.4</u>   |
| <b>Total liabilities</b>                                   | <u>311.7</u>                                     | <u>291.9</u>   |
| <b>Net assets</b>  | <u>251.0</u>                                     | <u>223.1</u>   |
| <b>EQUITY</b>  |  |  |
| <b>Capital and reserves attributable to equity holders</b> |  |  |
| Share capital  | 23.6   | 23.8   |
| Share premium account                                      | 1.2  | 1.2  |
| Other reserves   | 66.9   | 71.5   |
| Retained earnings  | 157.4  | 124.8  |
|  | <u>249.1</u>                                     | <u>221.3</u>   |
| <b>Minority equity interests</b>                           | 1.9  | 1.8  |
| <b>Total equity and reserves</b>                           | <u>251.0</u>                                     | <u>223.1</u>   |

**Reconciliation of Profit**  
**For the six months ended**  
**30 June 2004**

|   | Previously reported under UK GAAP | IFRS 2 Share based payments (a) | IFRS 3 Business combinations (c) | Total effect of transition to IFRS | Restated under IFRS Unaudited |
|---|-----------------------------------|---------------------------------|----------------------------------|------------------------------------|-------------------------------|
|   | £million                          | £million                        | £million                         | £million                           | £million                      |
| <b>Sales</b>  | <b>176.8</b>                      | -                               | -                                | -                                  | <b>176.8</b>                  |
| <b>Operating profit:</b>  |                                   |                                 |                                  |                                    |                               |
| - before goodwill amortisation & exceptionals                             | 5.7                               | (0.1)                           | -                                | (0.1)                              | 5.6                           |
| - goodwill amortisation   | (5.6)                             | -                               | 5.6                              | 5.6                                | -                             |
| - exceptionals  | (1.0)                             | -                               | -                                | -                                  | (1.0)                         |
| <b>Operating (loss)/profit</b>  | <b>(0.9)</b>                      | <b>(0.1)</b>                    | <b>5.6</b>                       | <b>5.5</b>                         | <b>4.6</b>                    |
| <b>Net finance costs</b>  | <b>(2.6)</b>                      | -                               | -                                | -                                  | <b>(2.6)</b>                  |
| <b>(Loss)/profit before tax</b>   | <b>(3.5)</b>                      | <b>(0.1)</b>                    | <b>5.6</b>                       | <b>5.5</b>                         | <b>2.0</b>                    |
| <b>Taxation</b>   | <b>0.4</b>                        | -                               | -                                | -                                  | <b>0.4</b>                    |
| <b>(Loss)/profit after tax</b>  | <b>(3.1)</b>                      | <b>(0.1)</b>                    | <b>5.6</b>                       | <b>5.5</b>                         | <b>2.4</b>                    |
| <b>Minority interest</b>  | -                                 | -                               | -                                | -                                  | -                             |
| <b>(Loss)/profit for the period</b>                                       | <b>(3.1)</b>                      | <b>(0.1)</b>                    | <b>5.6</b>                       | <b>5.5</b>                         | <b>2.4</b>                    |
| <b>(Loss)/earnings per share</b>  | <b>(0.7)p</b>                     | -                               | 1.3                              | 1.3                                | <b>0.6p</b>                   |
| <b>Earnings per share before goodwill amortisation &amp; exceptionals</b> | <b>0.6p</b>                       | -                               | 0.1                              | 0.1                                | <b>0.7p</b>                   |

**Reconciliation of Equity as at 30 June 2004**

|   | Previously reported under UK GAAP | Re-classifications | IFRS 12 Shared based payments (a) | IFRS 3 Business combinations (c) | IFRS 5 Non-current assets (g) | Total effect of transition to IFRS | Restated under IFRS Unaudited |
|---|-----------------------------------|--------------------|-----------------------------------|----------------------------------|-------------------------------|------------------------------------|-------------------------------|
|   | £million                          | £million           | £million                          | £million                         | £million                      | £million                           | £million                      |
| <b>ASSETS</b>   |                                   |                    |                                   |                                  |                               |                                    |                               |
| <b>Non-Current assets</b>                                       |                                   |                    |                                   |                                  |                               |                                    |                               |
| Property, plant & equipment                                     | 175.2                             | -                  | -                                 | -                                | (3.4)                         | (3.4)                              | 171.8                         |
| Goodwill & intangible assets                                    | 158.2                             | -                  | -                                 | 5.6                              | -                             | 5.6                                | 163.8                         |
| Other investments   | 3.8                               | -                  | -                                 | -                                | -                             | -                                  | 3.8                           |
| Deferred tax assets   | -                                 | 26.0               | -                                 | -                                | -                             | 26.0                               | 26.0                          |
|   | <b>337.2</b>                      | <b>26.0</b>        | <b>-</b>                          | <b>5.6</b>                       | <b>(3.4)</b>                  | <b>28.2</b>                        | <b>365.4</b>                  |
| <b>Current Assets</b>   |                                   |                    |                                   |                                  |                               |                                    |                               |
| Inventories   | 68.1                              | -                  | -                                 | -                                | (1.8)                         | (1.8)                              | 66.3                          |
| Trade & other receivables                                       | 93.4                              | -                  | -                                 | -                                | (1.5)                         | (1.5)                              | 91.9                          |
| Short term investments, cash & cash equivalents                 | 32.4                              | -                  | -                                 | -                                | -                             | -                                  | 32.4                          |
| Non current assets held for sale                                | -                                 | -                  | -                                 | -                                | 6.7                           | 6.7                                | 6.7                           |
|   | <b>193.9</b>                      | <b>-</b>           | <b>-</b>                          | <b>-</b>                         | <b>3.4</b>                    | <b>3.4</b>                         | <b>197.3</b>                  |
| <b>Total assets</b>   | <b>531.1</b>                      | <b>26.0</b>        | <b>-</b>                          | <b>5.6</b>                       | <b>-</b>                      | <b>31.6</b>                        | <b>562.7</b>                  |
| <b>LIABILITIES</b>  |                                   |                    |                                   |                                  |                               |                                    |                               |
| <b>Current liabilities</b>                                      |                                   |                    |                                   |                                  |                               |                                    |                               |
| Short term borrowings overdrafts & current instalments of loans | (8.7)                             | -                  | -                                 | -                                | -                             | -                                  | (8.7)                         |
| Other creditors   | (66.6)                            | -                  | -                                 | -                                | 1.2                           | 1.2                                | (65.4)                        |
| Liabilities held for sale                                       | -                                 | -                  | -                                 | -                                | (1.3)                         | (1.3)                              | (1.3)                         |
|   | <b>(75.3)</b>                     | <b>-</b>           | <b>-</b>                          | <b>-</b>                         | <b>(0.1)</b>                  | <b>(0.1)</b>                       | <b>(75.4)</b>                 |
| <b>Non-current liabilities</b>                                  |                                   |                    |                                   |                                  |                               |                                    |                               |
| Loans   | (129.9)                           | -                  | -                                 | -                                | -                             | -                                  | (129.9)                       |
| Net pension liability   | (53.7)                            | (26.0)             | -                                 | -                                | -                             | (26.0)                             | (79.7)                        |
| Provisions  | (24.4)                            | 0.9                | -                                 | -                                | 0.1                           | 1.0                                | (23.4)                        |
| Government Grants   | (2.4)                             | -                  | -                                 | -                                | -                             | -                                  | (2.4)                         |
| Deferred tax liabilities  | -                                 | (0.9)              | -                                 | -                                | -                             | (0.9)                              | (0.9)                         |
|   | <b>(210.4)</b>                    | <b>(26.0)</b>      | <b>-</b>                          | <b>-</b>                         | <b>0.1</b>                    | <b>(25.9)</b>                      | <b>(236.3)</b>                |
| <b>Total liabilities</b>  | <b>(285.7)</b>                    | <b>(26.0)</b>      | <b>-</b>                          | <b>-</b>                         | <b>-</b>                      | <b>(26.0)</b>                      | <b>(311.7)</b>                |
| <b>Net assets</b>   | <b>245.4</b>                      | <b>-</b>           | <b>-</b>                          | <b>5.6</b>                       | <b>-</b>                      | <b>5.6</b>                         | <b>251.0</b>                  |
| <b>EQUITY</b>   |                                   |                    |                                   |                                  |                               |                                    |                               |
| <b>Capital &amp; reserves attributable to equity holders</b>    |                                   |                    |                                   |                                  |                               |                                    |                               |
| Share capital   | 23.6                              | -                  | -                                 | -                                | -                             | -                                  | 23.6                          |
| Share premium   | 1.2                               | -                  | -                                 | -                                | -                             | -                                  | 1.2                           |
| Capital redemption reserve                                      | 66.9                              | -                  | -                                 | -                                | -                             | -                                  | 66.9                          |
| Profit & loss account   | 151.8                             | -                  | -                                 | 5.6                              | -                             | 5.6                                | 157.4                         |
|   | <b>243.5</b>                      | <b>-</b>           | <b>-</b>                          | <b>5.6</b>                       | <b>-</b>                      | <b>5.6</b>                         | <b>249.1</b>                  |
| <b>Minority equity interests</b>                                | <b>1.9</b>                        | <b>-</b>           | <b>-</b>                          | <b>-</b>                         | <b>-</b>                      | <b>-</b>                           | <b>1.9</b>                    |
| <b>Total equity &amp; reserves</b>                              | <b>245.4</b>                      | <b>-</b>           | <b>-</b>                          | <b>5.6</b>                       | <b>-</b>                      | <b>5.6</b>                         | <b>251.0</b>                  |

**Reconciliation of Profit**  
For the year ended 31 December 2004

|   | Previously reported under UK Gaap | Reclassification | IFRS 2 Share based payments (a) | IFRS 3 Business combinations (c) | IAS 38 Intangible assets (f) | IAS 12 Income tax (e) | Total effect of transition to IFRS | Restated under IFRS Unaudited |
|---|-----------------------------------|------------------|---------------------------------|----------------------------------|------------------------------|-----------------------|------------------------------------|-------------------------------|
|   | £million                          | £million         | £million                        | £million                         | £million                     | £million              | £million                           | £million                      |
| <b>Sales</b>  | <b>389.2</b>                      | -                | -                               | -                                | -                            | -                     | -                                  | <b>389.2</b>                  |
| <b>Operating profit:</b>  |                                   |                  |                                 |                                  |                              |                       |                                    |                               |
| - before goodwill amortisation & exceptionals                             | 11.8                              |                  | (0.2)                           | -                                | (0.1)                        | -                     | (0.3)                              | 11.5                          |
| - goodwill amortisation   | (11.4)                            | -                | -                               | 11.4                             | -                            | -                     | 11.4                               | -                             |
| - exceptionals  | (2.9)                             | 0.3              | -                               | -                                | -                            | -                     | 0.3                                | (2.6)                         |
| <b>Operating (loss)/profit</b>  | <b>(2.5)</b>                      | 0.3              | (0.2)                           | 11.4                             | (0.1)                        | -                     | 11.4                               | <b>8.9</b>                    |
| <b>Non operating exceptionals</b>   | <b>0.3</b>                        | (0.3)            | -                               | -                                | -                            | -                     | (0.3)                              | <b>-</b>                      |
| <b>Net finance costs</b>  | <b>(5.6)</b>                      | -                | -                               | -                                | -                            | -                     | -                                  | <b>(5.6)</b>                  |
| <b>(Loss)/profit before tax</b>   | <b>(7.8)</b>                      | -                | (0.2)                           | 11.4                             | (0.1)                        | -                     | 11.1                               | <b>3.3</b>                    |
| <b>Taxation</b>   | <b>-</b>                          | -                | -                               | -                                | -                            | 0.1                   | 0.1                                | <b>0.1</b>                    |
| <b>(Loss)/profit after tax</b>  | <b>(7.8)</b>                      | -                | (0.2)                           | 11.4                             | (0.1)                        | 0.1                   | 11.2                               | <b>3.4</b>                    |
| <b>Minority interest</b>  | <b>-</b>                          | -                | -                               | -                                | -                            | -                     | -                                  | <b>-</b>                      |
| <b>(Loss)/profit for the year</b>   | <b>(7.8)</b>                      | -                | (0.2)                           | 11.4                             | (0.1)                        | 0.1                   | 11.2                               | <b>3.4</b>                    |
| <b>(Loss)/earnings per share</b>  | <b>(1.8)p</b>                     | -                | -                               | 2.6                              | -                            | -                     | 2.6                                | <b>0.8p</b>                   |
| <b>Earnings per share before goodwill amortisation &amp; exceptionals</b> | <b>1.4p</b>                       | -                | (0.1)                           | -                                | -                            | -                     | (0.1)                              | <b>1.3p</b>                   |

## Reconciliation of Equity as at 31 December 2004

|   | Previously reported under UK GAAP | Re-classifications | IFRS 2 Share based payments | IFRS 3 Business combinations | IAS 38 Intangible assets | IAS 12 Income tax | IFRS 5 Non-current assets | Total effect of transition to IFRS | Restated under IFRS   |
|---|-----------------------------------|--------------------|-----------------------------|------------------------------|--------------------------|-------------------|---------------------------|------------------------------------|-----------------------|
|   | £million                          | £million           | (a)<br>£million             | (c)<br>£million              | (f)<br>£million          | (e)<br>£million   | (g)<br>£million           | £million                           | Unaudited<br>£million |
| <b>ASSETS</b>   |                                   |                    |                             |                              |                          |                   |                           |                                    |                       |
| <b>Non-Current assets</b>                                       |                                   |                    |                             |                              |                          |                   |                           |                                    |                       |
| Property, plant & equipment                                     | 173.4                             | -                  | -                           | -                            | -                        | -                 | (0.4)                     | (0.4)                              | 173.0                 |
| Goodwill & intangible assets                                    | 144.4                             | -                  | -                           | 11.4                         | (0.1)                    | -                 | -                         | 11.3                               | 155.7                 |
| Other investments   | 1.9                               | -                  | -                           | -                            | -                        | -                 | -                         | -                                  | 1.9                   |
| Deferred tax assets   | -                                 | 16.9               | -                           | -                            | -                        | -                 | -                         | 16.9                               | 16.9                  |
|   | <b>319.7</b>                      | <b>16.9</b>        | <b>-</b>                    | <b>11.4</b>                  | <b>(0.1)</b>             | <b>-</b>          | <b>(0.4)</b>              | <b>27.8</b>                        | <b>347.5</b>          |
| <b>Current Assets</b>   |                                   |                    |                             |                              |                          |                   |                           |                                    |                       |
| Inventories   | 70.1                              | -                  | -                           | -                            | -                        | -                 | (1.8)                     | (1.8)                              | 68.3                  |
| Trade & other receivables                                       | 85.5                              | -                  | -                           | -                            | -                        | -                 | (1.5)                     | (1.5)                              | 84.0                  |
| Short term investments, cash & cash equivalents                 | 11.5                              | -                  | -                           | -                            | -                        | -                 | -                         | -                                  | 11.5                  |
| Non current assets held for sale                                | -                                 | -                  | -                           | -                            | -                        | -                 | 3.7                       | 3.7                                | 3.7                   |
|   | <b>167.1</b>                      | <b>-</b>           | <b>-</b>                    | <b>-</b>                     | <b>-</b>                 | <b>-</b>          | <b>0.4</b>                | <b>0.4</b>                         | <b>167.5</b>          |
| <b>Total assets</b>   | <b>486.8</b>                      | <b>16.9</b>        | <b>-</b>                    | <b>11.4</b>                  | <b>(0.1)</b>             | <b>-</b>          | <b>-</b>                  | <b>28.2</b>                        | <b>515.0</b>          |
| <b>LIABILITIES</b>  |                                   |                    |                             |                              |                          |                   |                           |                                    |                       |
| <b>Current liabilities</b>                                      |                                   |                    |                             |                              |                          |                   |                           |                                    |                       |
| Short term borrowings overdrafts & current instalments of loans | (4.4)                             | -                  | -                           | -                            | -                        | -                 | -                         | -                                  | (4.4)                 |
| Other creditors   | (81.0)                            | -                  | -                           | -                            | -                        | -                 | 1.2                       | 1.2                                | (79.8)                |
| Liabilities held for sale                                       | -                                 | -                  | -                           | -                            | -                        | -                 | (1.3)                     | (1.3)                              | (1.3)                 |
|   | <b>(85.4)</b>                     | <b>-</b>           | <b>-</b>                    | <b>-</b>                     | <b>-</b>                 | <b>-</b>          | <b>(0.1)</b>              | <b>(0.1)</b>                       | <b>(85.5)</b>         |
| <b>Non-current liabilities</b>                                  |                                   |                    |                             |                              |                          |                   |                           |                                    |                       |
| Loans   | (97.3)                            | -                  | -                           | -                            | -                        | -                 | -                         | -                                  | (97.3)                |
| Net pension liability   | (64.5)                            | (16.9)             | -                           | -                            | -                        | -                 | -                         | (16.9)                             | (81.4)                |
| Provisions  | (25.5)                            | 3.0                | -                           | -                            | -                        | -                 | 0.1                       | 3.1                                | (22.4)                |
| Government Grants   | (2.4)                             | -                  | -                           | -                            | -                        | -                 | -                         | -                                  | (2.4)                 |
| Deferred tax liabilities  | -                                 | (3.0)              | -                           | -                            | -                        | 0.1               | -                         | (2.9)                              | (2.9)                 |
|   | <b>(189.7)</b>                    | <b>(16.9)</b>      | <b>-</b>                    | <b>-</b>                     | <b>-</b>                 | <b>0.1</b>        | <b>0.1</b>                | <b>(16.7)</b>                      | <b>(206.4)</b>        |
| <b>Total liabilities</b>  | <b>(275.1)</b>                    | <b>(16.9)</b>      | <b>-</b>                    | <b>-</b>                     | <b>-</b>                 | <b>0.1</b>        | <b>-</b>                  | <b>(16.8)</b>                      | <b>(291.9)</b>        |
| <b>Net assets</b>   | <b>211.7</b>                      | <b>-</b>           | <b>-</b>                    | <b>11.4</b>                  | <b>(0.1)</b>             | <b>0.1</b>        | <b>-</b>                  | <b>11.4</b>                        | <b>223.1</b>          |
| <b>EQUITY</b>   |                                   |                    |                             |                              |                          |                   |                           |                                    |                       |
| <b>Capital &amp; reserves attributable to equity holders</b>    |                                   |                    |                             |                              |                          |                   |                           |                                    |                       |
| Share capital   | 23.8                              | -                  | -                           | -                            | -                        | -                 | -                         | -                                  | 23.8                  |
| Share premium   | 1.2                               | -                  | -                           | -                            | -                        | -                 | -                         | -                                  | 1.2                   |
| Capital redemption reserve                                      | 71.5                              | -                  | -                           | -                            | -                        | -                 | -                         | -                                  | 71.5                  |
| Profit & loss account   | 113.4                             | -                  | -                           | 11.4                         | (0.1)                    | 0.1               | -                         | 11.4                               | 124.8                 |
|   | <b>209.9</b>                      | <b>-</b>           | <b>-</b>                    | <b>11.4</b>                  | <b>(0.1)</b>             | <b>0.1</b>        | <b>-</b>                  | <b>11.4</b>                        | <b>221.3</b>          |
| <b>Minority equity interests</b>                                | <b>1.8</b>                        | <b>-</b>           | <b>-</b>                    | <b>-</b>                     | <b>-</b>                 | <b>-</b>          | <b>-</b>                  | <b>-</b>                           | <b>1.8</b>            |
| <b>Total equity &amp; reserves</b>                              | <b>211.7</b>                      | <b>-</b>           | <b>-</b>                    | <b>11.4</b>                  | <b>(0.1)</b>             | <b>0.1</b>        | <b>-</b>                  | <b>11.4</b>                        | <b>223.1</b>          |