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07 June 2005

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

1. Introduction

In accordance with European Union regulations, all groups listed within the European Union are required to report their financial statements in accordance with International Financial Reporting Standards (IFRS) for all accounting periods commencing on or after 1st January 2005.

In order to comply with this requirement, Cobham plc will publish its 2005 Interim Report for the period up to June 2005 on the basis of IFRS, including the restatement of June 2004 comparative information.

The purpose of this report is to provide guidance as to the impact of the initial transition balance sheet adjustments and the restatement of the 2004 published financial statements. Although our independent auditors have provided guidance and commented upon the process of transition, the numbers in this report are not audited. Appendices to this report give detail as to the impact of specific adjustments made in the transition from UK GAAP financial statements to amended statements prepared under IFRS. The numbers quoted in this press release and the appended tables are unaudited and could be subject to minor revisions when 2005 financial statements are actually published.

2. Implementation Process

A detailed review of the Group's accounts has been conducted at operating unit and consolidated levels, focusing on the differences between UK GAAP and IFRS which are expected to have a material impact for the Group. This process was assisted by consultation with professional bodies and our auditors and validated by participation in industry fora. A training programme was also developed and delivered to divisional and operating unit finance teams.

For those accounting standard changes which were identified as potentially impacting on the Cobham results, the specific quantitative changes were calculated at operating unit level, consolidated and overlaid onto the published UK GAAP results. A detailed review was undertaken of these operating unit inputs at both the divisional and group level and the process undertaken by the Group was separately reviewed by our independent auditors, without detailed work to examine the outputs.

3. Management of the Business

Cobham group will continue to run its business to maximise economic benefit to its shareholders with a particular eye to cash (which is unaffected by the transition to IFRS). In particular we will continue to manage foreign currency transaction exposure on a macro hedging basis, even though this does not qualify for the adoption of hedge accounting under IAS 39 (Financial Instruments: Recognition and Measurement).

We envisage no changes to the conduct of business as a result of adopting IFRS.



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4. Covenants

Covenants relating to borrowings are all framed within the context of UK GAAP accounting and are therefore unaffected by this change in accounting base. It is our intention, in consultation with the loan providers, to rebase these agreements to an IFRS framework.

5. Summary of Impacts to Financial Statements

5.1 Summary Profit and Loss Impacts

There are a number of accounting changes that impact on the reported profit within the consolidated income statement for the Group.

£ millions	Operating Profit		Profit After Tax	
UK GAAP		135.9		85.0
7.1 IAS 1 (reclassification of JV's)	(3.5)		-	
8.1 IAS 12 (taxes on income)	-		(1.5)	
8.2 IAS 18/23 (long term contracts)	(0.5)		(0.2)	
8.3 IAS 19 (employee benefits)	(0.6)		(0.4)	
8.5 IAS 38 (development costs)	0.2		0.1	
8.6 IFRS 2 (share incentives)	(1.7)		(1.6)	
8.7 IFRS 3 (goodwill amortisation)	21.0		21.0	
8.8 IFRS 3 (business combinations)	(1.7)		(1.2)	
IFRS (unaudited)		149.1		101.2

5.2 Reconciliation of Underlying Operating Profit Change

£ millions	UK GAAP		IFRS (unaudited)	
Group Operating Profit		135.9		149.1
Reverse goodwill amortisation	21.0		-	
Reverse IFRS 3 amortisation	-		1.7	
Underlying Operating Profit		156.9		150.8



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5.3 Summary Balance Sheet Impacts

Net Assets £ millions	Opening Adjustments		2004 Adjustments	
UK GAAP		456.9		509.7
Carry forward opening adjustments			13.9	
8.1 IAS 12 (taxes on income)	(4.6)		(1.6)	
8.2 IAS 18/23 (long term contracts)	(5.9)		(0.2)	
8.3 IAS 19 (employee benefits)	(1.5)		(0.5)	
8.4 IAS 21 (currency translation)	-		(2.8)	
8.5 IAS 38 (development costs)	1.9		0.1	
8.6 IFRS 2 (share incentives)	1.8		0.1	
8.7 IFRS 3 (goodwill amortisation)	-		21.0	
8.8 IFRS 3 (business combinations)	-		(1.2)	
8.9 IAS 10 (retiming dividend)	22.3		2.5	
Other	(0.1)		-	
IFRS (unaudited)		13.9		541.0

The impact of each of the material items above will be dealt with in more detail in following sections

* In adopting new standards for the 2005 financial year, it is necessary to restate the opening balance sheet for 2004 in order to correctly present the income statement effects of the standard change in the comparative year. The transition date for Cobham's adoption of IFRS standards is therefore defined as 1st January 2004. In order to more clearly show the impact of IFRS accounting changes on the balance sheet within the 2004 financial year, the total impact of opening balance sheet changes from the previous column is carried forward here.

6. Transitional Arrangements

Under the provisions of IFRS 1 (First Time Adoption of IFRS), specific exemptions either must or may be applied in certain areas as part of the transition of the financial statements to IFRS. Of the exemptions that may be adopted by election of the reporting entity, Cobham has taken advantage of the following;

- Business combinations completed prior to 1st January 2004 have not been restated under IFRS 3 (Business Combinations) provisions
- The opening fair values of fixed assets have been deemed to be their accounting values as at 1st January 2004, after reviewing for impairment as appropriate.
- IAS 21 (The Effects of Changes in Foreign Exchange Rates) requires the cumulative impact of movements in translation rates on the assets of the business to be tracked separately and, should that subsidiary subsequently be sold, that cumulative translation value is reversed as part of the sale transaction. IFRS 1 allows that the cumulative translation differences relating to overseas subsidiaries can be set to zero as at 1st January 2004, which has been adopted.
- The specific transitional provisions under IFRS 2 (Share-based Payments) only require share grants made after 7th November 2002 to be restated. Remaining outstanding awards prior to this period have continued to be accounted for under UK GAAP



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- As allowed by the specific provisions within IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement), transition to these standards is effective from the 1st January 2005 and no adjustments have been made in 2004.

7. Reclassification and Presentational Changes

There are a number of presentational changes specified for the output formats of IFRS financial statements compared to those prepared under pre-existing UK GAAP. Many of these changes only affect detailed disclosure requirements and are not dealt with in this report. However, there are a limited number that affect the presentation of the primary financial statements themselves:

7.1 Income from Joint Ventures

IAS 1 (Presentation of Financial Statements) requires that the income from equity accounted joint venture and associate partnerships is presented post tax within Group profit before interest and tax. The impact of this change is to reduce Group operating profit by the interest and tax element relating to joint ventures, with a corresponding decrease in net interest expense and tax on profit. This does not change the reported profit after tax or earnings per share.

For full year 2004 the impact for Cobham plc of this change is as follows:

£ millions	UK GAAP		IFRS (unaudited)
Group operating profit	129.6		129.6
Share of income from JV's & Associates	6.3	(3.5)	2.8
	135.9		132.4
Net interest	(10.5)	2.0	(8.5)
Other finance income	0.5	-	0.5
Group profit before taxation	125.9		124.4
Tax on profit	(40.9)	1.5	(39.4)
Profit after tax	85.0		85.0

7.2 Other Presentation Issues Affecting Primary Statements

IAS 1 also requires the separate presentation of interest income and expense on the face of the income statement and requires separate disclosure of certain assets and liabilities currently presented net on the balance sheet.

The material presentational changes to the Cobham plc consolidated balance sheet are:

- Debtors due after more than one year are now presented within non-current assets (as opposed to current assets under UK GAAP), as is the deferred tax asset.
- Corporation tax creditor is now separately disclosed on the face of the balance sheet, as are investment properties (shown net within tangible fixed assets under UK GAAP)
- Value of investment in joint ventures and associates may now be presented net (shown separately under UK GAAP)
- Gross pension deficit liability and gross deferred tax liabilities are now shown within the category of non-current creditors.



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These reclassifications do not affect the reported value of net assets including pension liability

7.3 Segmental Reporting

There will be no major changes to the primary segmental analysis presented by the Group as the current analysis already meets the requirements of IAS 14. It is probable that Australasia will be shown separately from the Rest of The World within the geographical analysis.

8. Detail on Changes Impacting on Published Results

8.1 Taxes on Income (IAS 12)

Under UK GAAP, FRS 19 requires deferred tax is recognised on the basis of timing differences between accounting and tax bases.

Under IFRS, the concept of "temporary differences" has been introduced which requires the consideration of potential deferred tax assets and liabilities for all differences between the accounting and tax bases. After reviewing the Group's tax position with respect to its accounting base, a number of specific areas for change were identified.

The Group has revalued an investment property on its books, requiring an adjustment under IAS 12 to its opening balance sheet position of £0.5m increase in deferred tax liabilities.

Acquired assets have been identified that are either UK non-qualifying assets or assets that were revalued before acquisition by the Cobham group. A deferred tax provision of £4.3 m has been booked to the balance sheet as at 1st January 2004. No charge has been accrued for the year.

A tax charge is required under IAS 12 where goodwill amortisation is chargeable for tax. An additional charge of £1.5m has been made to the 2004 income statement in respect of this. Where future acquisitions involve this sort of transaction (primarily US acquisitions which are either asset purchases or share purchases where a s338 election has been agreed), this differential is likely to be increased.

Under the application of our policy certain items have always been classified as tax. At the same time as changing the treatment of tax for IFRS, these items will also be reclassified. In general this will lead to a reclassification of approximately £1m per year being credited to the tax charge and debited to administrative expense.

8.2 Long Term Contracts (IAS 18/23)

Finance costs within one contract which are currently matched to revenue under the provisions of SSAP 9 have been reviewed will be written off as incurred under the provisions of IAS 23 (Borrowing Costs).

Under UK GAAP an item of revenue relating to income from a financing arrangement has been reviewed. Under IAS 18 (Revenue), the future revenue stream is required to be discounted, which has not been the case under UK GAAP.



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8.3 Employee Benefits (IAS 19)

As permitted under UK GAAP, Cobham fully adopted FRS 17 into its primary financial statements in 2003. There is very little impact, therefore, from the change to IAS 19 with respect to post retirement benefits, as the provisions of these two standards are very similar. Cobham will elect to continue to charge actuarial gains and losses through the Statement of Recognised Income and Expenditure and will not use the corridor approach to revaluation of any surplus/deficit. The only material change, therefore, is that IAS 19 requires defined benefit scheme assets to be valued at bid price, as opposed to mid market price, as is required under FRS 17. The impact of this change is to reduce the value of combined scheme assets across the Group by £1.0m, increasing the overall pension deficit accordingly.

Under IAS 19 there is also a more rigorous requirement to recognise the monetary value of other employee benefit commitments not settled at the period end. Review of this across the Group has identified an opening balance sheet adjustment of £1.1m and a further £0.6m of charges attributable to the 2004 financial year.

8.4 Currency Conversion (IAS 21)

Under UK GAAP, the provisions of SSAP 20 applicable to foreign currency transactions and current assets/liabilities allow them to be translated to the reporting currency at an applicable forward currency contract rate, as an alternative for the spot rate applicable to the date of the transaction or the balance sheet.

Under IAS 21 all transactions and balances must be converted to reporting currency at the applicable spot rate. The ability to recognise the impact of forward currency contracts is governed by IAS 39, as described later. However, the provisions of IAS 39 are not required to be applied to 2004 and so application of IAS 21 reclassifies the impact of hedge accounting within the income statement but does not affect overall profitability for this period. The full implementation of IAS 32 and IAS 39 in 2005 will change this position, as described below.

For 2004, the implementation of IAS 21 resulted in the reclassification of £3.8m of revenue and £1.4m of cost of sales to administrative expense. Net assets at the end of 2004 were reduced by £2.8m, representing the retranslation of goodwill to spot rate, which was not required under UK GAAP.

8.5 Development Costs (IAS 38)

Under UK GAAP an entity may elect to capitalise development costs when certain conditions are met. The policy of Cobham plc under UK GAAP has been to write off all development costs not chargeable to customers as it has been incurred.

Under IFRS, provided that the overall criteria for recognising an intangible asset have been met, all development costs for a specific project incurred after a separate specific set of tests are passed must be capitalised and the asset amortised over its estimated useful life. Costs incurred before the tests are met remain written off as incurred.



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All material development projects have been examined. In many cases, particularly within the Chelton division of the business, developments which otherwise might have generated an asset under IAS 38 were determined to be adaptive engineering extensions of existing products or processes. No costs were capitalised in these cases as the general criteria for intangible asset recognition are not met. Within the Aerospace Systems division there were some specific projects that met the IAS 38 criteria for capitalisation, both prior to and subsequent to transition date.

At transition, a net intangible asset of £2.6m was recognised. For the 2004 financial year, a net improvement of £0.2m in operating profit was identified with capitalisation of costs previously written off slightly outweighing the cost of amortisation of development assets. However, it is our belief that the financial impact on underlying performance of the new reporting requirements of IAS 38 in this area will remain minimal as, even where projects meet all of the criteria for capitalisation of further costs, the key technical feasibility test is often not demonstrated until late in the development effort.

8.6 Share Incentives (IFRS 2)

Under UK GAAP, all Cobham share incentive programmes were accounted for under UITF 17, which is based on the intrinsic value of the awards. Approved, all-employee share saving schemes, however, were exempted from a charge under this standard and, as executive options have a strike price equal to the market value at the time of grant, the intrinsic value of these awards was calculated as zero and so no charge was made.

Under IFRS 2, charges are required for all share based remuneration schemes. These charges are designed to reflect the fair value of the option awarded as at the time of grant. Transitional arrangements for this standard require its application to all awards granted after 7th November 2002. Cobham's calculation of the valuation of the options utilises a methodology based on the Black-Scholes model, modified where required to allow for the impact of market related performance criteria.

The 2004 operating charge for all relevant schemes under this standard was £1.7m. Due to the 3, 5 and 7 year cycles associated with these types of award, future years are likely to increase by the same amount again in both 2005 and 2006.

8.7 Amortisation of Goodwill (IFRS 3)

Under UK GAAP, goodwill recognised on acquisitions made after 1997 was amortised over its useful life, which in most cases for Cobham's acquisitions was 20 years.

Under IFRS 3, goodwill, including residual goodwill from pre-transition acquisitions, is no longer amortised, but is required to be reviewed for impairment at least annually.

At transition, Cobham group held a net goodwill asset of £342.1m, which under the transitional arrangements laid out in IFRS 1 was deemed to be the fair value of these assets, following impairment reviews. It should be noted that the



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provisions of IFRS 1 require that judgements required to be made in reaching decisions regarding transitional items must be made only with the information that would have been available at that time. Under UK GAAP for 2004 an amortisation charge of £21.0m was taken, which is not charged under IFRS.

In presenting its underlying profit and earnings performance under UK GAAP, Cobham has previously reversed the goodwill amortisation charge. This change, therefore, better aligns the accounting treatment of goodwill with our presentation of the underlying performance of the business.

8.8 Business Combinations (IFRS 3)

Under UK GAAP the criteria for recognition of specific intangible assets arising from acquisition were not well defined. Under IFRS 3 there is a specific requirement to recognise many types of intangible asset, such as acquired order backlog, customer relationships and acquired technology assets, at fair value on acquisition and to amortise these over an appropriate period. This reduces the amount of residual goodwill recognised.

Under the provisions of IFRS 1, business combinations completed before transition are not required to be restated. The scope of this adjustment within the transition exercise for Cobham group was therefore limited to the six acquisitions completed in 2004. Following a review of these acquisitions, total specific intangible assets were identified with a fair value at acquisition of £18.7m, out of a total goodwill addition under UK GAAP of £49.9m. An amortisation charge of £1.7m was taken during the year for the period between acquisition date and the end of the year.

Clearly, acquisitions in 2005 and beyond will increase the assets recognised in this category and the associated amortisation charge. It is our belief that this charge, being essentially a reclassification of costs associated with goodwill, which will potentially shorten the period of amortisation significantly. It will therefore be reversed in the presentation of the Group's underlying profitability and earnings results under IFRS, consistent with previous treatment of goodwill amortisation under UK GAAP.

8.9 Post Balance Sheet Events (IAS 10)

Under IAS 10, there is a requirement not to recognise a dividend creditor until it the dividend is fully authorised. It has therefore been necessary to reverse the final dividend booked into creditors under UK GAAP.

9 Accounting for Financial Instruments

Under UK GAAP, derivative financial instruments are not recognised on the face of the balance sheet, although valuations and other key information are disclosed in the notes to the accounts, presented under FRS 13. IAS 32 and IAS 39 require that all derivative financial instruments are recognised at fair value on the balance sheet and that movements in the fair values of these instruments are recorded through the income statement, unless certain specific criteria apply.

If derivative financial instruments are specifically matched against an individual financial exposure at their inception and the effectiveness of the hedge thus provided meets certain criteria, movements in the fair value of that instrument may be recycled through



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equity and released to the income statement at the same time and place as the base transaction. This process is known as "hedge accounting" under the principles of IAS 39 and effectively replicates the current UK GAAP accounting process.

Cobham holds a small number of interest rate derivatives and net asset hedges (foreign currency assets or liabilities held on the balance sheet matched against investment exposures in the same currency). There are also a substantial number of foreign exchange derivative instruments with which the forward foreign currency exposures of the Group are managed on a macro basis.

The Group will seek to apply hedge accounting to interest rate swap instruments and net asset hedges, as the IAS 39 treatment for these transactions is achievable, given the predictability of their outcome. However, the macro approach that Cobham adopts towards managing its foreign currency transaction exposures does not allow the adoption of hedge accounting in this area.

The lack of ability to apply hedge accounting to foreign exchange derivatives will potentially lead to significant volatility in the income statement. In order to continue to provide clarity on the underlying profitability and earnings of the Group, underlying profit under IFRS will be reported excluding the impact of movements in the fair value of financial derivatives, thereby effectively reporting transactions at hedged rates.

The transitional provisions of IAS 32 and 39, whilst coming into effect for the 2005 financial period, do not require 2004 comparatives to be restated. There is therefore no impact on the 2004 statements and UK GAAP hedging rules effectively still apply. Effective from 1st January 2005 a prior year balance sheet adjustment will be made to reflect the value of £21.2m additional assets on the balance sheet.

Under the provisions of IAS 32 and 39, there are requirements to identify and, in certain circumstances separately report and value, implied derivative instruments contained within business contracts. These are referred to as embedded derivatives. An examination of the material contracts which contain these sorts of instrument has indicated that the effect of this change is immaterial. However, there is still some debate both within the industry and the profession as to the specific application of the standards in these circumstances. Should these items generate a material impact, this would also be removed from the presentation of the Group's underlying performance.

This press release and the appended tables are also available on the Cobham web site at www.cobham.com.

NOTES TO EDITOR

Cobham plc – Cobham designs and manufactures equipment, specialised systems and components supplied to the aerospace, defence, homeland security, search and rescue and communications markets and operates, modifies and maintains aircraft for military training, special mission flight operations and outsourced freight and passenger services.



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Consolidated Balance Sheet

as at 31 December 2003

	Under UK GAAP £m	Reformat to IFRS £m	UK GAAP under IFRS presentation £m		Development costs £m	Employment benefits £m	Long term contracts £m	Post balance sheet events £m	Taxation £m	Other £m	Unaudited IFRS £m
Fixed Assets				Non-Current Assets							
Intangible assets	345.9		345.9	Intangible assets	2.6	-	-	-	-	-	348.5
Tangible assets	228.1	(4.1)	224.0	Property, plant and equipment						0.9	224.9
		4.1	4.1	Investment properties							4.1
Investments in joint ventures:	14.9	1.6	16.5	Investments in joint ventures and associates			(4.2)			-	12.3
Investment in associate	1.6	(1.6)	-	Other investments							-
Investment	-	-	-	Other debtors			(2.4)			-	3.9
		6.3	6.3	Deferred taxation assets							21.1
		21.1	21.1								
	590.5	27.4	617.9		2.6	-	(6.6)	-	-	0.9	614.8
Current Assets				Current Assets							
Stocks	190.0	-	190.0	Inventories							190.0
Debtors:				Trade and other receivables	-	0.0	-				184.5
Amounts falling due within one year	184.5		184.5	Available for sale investments							0.1
Amounts falling due after more than one year	6.3	(6.3)	-	Cash at bank and in hand							106.1
Investments	0.1		0.1								
Cash at bank and in hand	106.1		106.1								
	487.0	(6.3)	480.7		-	-	-	-	-	-	480.7
				Current Liabilities							
Creditors: Amounts falling due within one year				Loans and overdrafts						(0.1)	(80.5)
Borrowings	(80.4)		(80.4)	Trade and other payables	-	(1.1)		22.3		(0.1)	(204.9)
Other creditors	(259.8)	33.8	(226.0)	Corporation tax	-	-		-		-	(33.8)
		(33.8)	(33.8)								
	(340.2)	-	(340.2)		-	(1.1)	-	22.3		(0.2)	(319.2)
Net Current Assets	146.8	(6.3)	140.5								
Total Assets less Current Liabilities	737.3	21.1		Non-Current Liabilities							
Creditors: Amounts falling due after more than one year				Borrowings							(180.2)
Borrowings	(180.2)	-	(180.2)	Other creditors						(0.8)	(12.5)
Other creditors	(11.7)		(11.7)	Deferred taxation liabilities	(0.7)	0.6	0.7		(4.6)	1.8	(20.6)
		(18.4)	(18.4)	Provisions for Liabilities and Charges						-	(20.9)
		(20.9)	(20.9)	Retirement benefit obligation		(1.0)				-	(71.3)
		(70.3)	(70.3)								
	(191.9)	(109.6)	(301.5)		(0.7)	(0.4)	0.7	-	(4.6)	1.0	(305.5)
Provisions for Liabilities and Charges	(39.3)	39.3	-								
Net assets excluding pension liabilities	506.1	(49.2)	456.9								
Deficit on group pension schemes	(49.2)	49.2	-								
Net assets including pension liabilities	456.9	-	456.9	Net Assets	1.9	(1.5)	(5.9)	22.3	(4.6)	1.7	470.8
Capital and Reserves including non equity interests				Capital and Reserves including non equity interests							
Called up share capital	27.8	-	27.8	Called up share capital							27.8
Share premium account	76.8		76.8	Share premium account							76.8
				Retranslation reserve						0.2	0.2
Revaluation reserve	1.7		1.7	Revaluation reserve					(0.5)		1.2
Other reserve	0.7		0.7	Other reserve							0.7
Profit and loss account	348.8		348.8	Profit and loss account	1.9	(1.5)	(5.9)	22.3	(4.1)	1.5	363.0
	455.8	-	455.8	Shareholders' Funds	1.9	(1.5)	(5.9)	22.3	(4.6)	1.7	469.7
Minority interest (equity)	1.1		1.1	Minority interest (equity)							1.1
	456.9	-	456.9		1.9	(1.5)	(5.9)	22.3	(4.6)	1.7	470.8

Consolidated Balance Sheet
as at 30 June 2004

	Under UK GAAP £m	Reformat to IFRS £m	UK GAAP under IFRS presentation £m		Opening balance adjustments £m	Development costs £m	Business combinations £m	Goodwill amortisation £m	Foreign exchange £m	Share-based payments £m	Taxation £m	Other £m	Unaudited IFRS £m
Fixed Assets				Non-Current Assets									
Intangible assets	362.7		362.7	Intangible assets	2.6	0.1	1.4	10.3	-	-	-	0.1	377.1
Tangible assets	242.9	(4.1)	238.8	Property, plant and equipment	0.9								239.8
		4.1	4.1	Investment properties									4.1
Investments in joint ventures:	12.1	1.0	13.1	Investments in joint ventures and associates	(4.2)			0.1	-	-	-	(0.2)	8.8
Investment in associate	1.0	(1.0)	-										-
Investment	-		-	Other investments									-
		4.9	4.9	Other debtors	(2.4)								2.5
		20.4	20.4	Deferred taxation assets									20.4
	618.7	25.3	644.0		(3.1)	0.1	1.4	10.4	-	-	-	(0.1)	652.7
Current Assets				Current Assets									
Stocks	200.9	-	200.9	Inventories									200.9
Debtors:				Trade and other receivables	0.0				0.0	-	-	-	194.5
Amounts falling due within one year	194.5		194.5										-
Amounts falling due after more than one year	4.9	(4.9)	-	Available for sale investments									-
Investments	-		-	Cash at bank and in hand	(0.0)				(0.0)	-	-	-	65.2
Cash at bank and in hand	65.2		65.2										-
	465.5	(4.9)	460.6		-	-	-	-	-	-	-	-	460.6
				Current Liabilities									
Creditors: Amounts falling due within one year				Loans and overdrafts	(0.1)								(58.3)
Borrowings	(58.2)		(58.2)	Trade and other payables	21.0				0.0	-	-	(13.8)	(235.1)
Other creditors	(287.9)	45.6	(242.3)	Corporation tax	-				(0.0)	-	-	-	(45.6)
		(45.6)	(45.6)										-
	(346.1)	-	(346.1)		20.9	-	-	-	-	-	-	(13.8)	(339.0)
Net Current Assets	119.4	(4.9)	114.5										
Total Assets less Current Liabilities	738.1	20.4		Non-Current Liabilities									
Creditors: Amounts falling due after more than one year				Borrowings	(0.0)								(167.0)
Borrowings	(167.0)	-	(167.0)	Other creditors	(0.8)								(18.1)
Other creditors	(17.3)		(17.3)	Deferred taxation liabilities	(2.1)	(0.0)	(2.0)			0.1	(0.8)	0.3	(16.8)
		(12.3)	(12.3)	Provisions for Liabilities and Charges	-								(11.1)
		(11.1)	(11.1)	Retirement benefit obligation	(1.0)								(69.1)
		(68.1)	(68.1)										-
	(184.3)	(91.5)	(275.8)		(3.9)	-	(2.0)	-	-	0.1	(0.8)	0.3	(282.1)
Provisions for Liabilities and Charges	(23.4)	23.4	-										
Net assets excluding pension liabilities	530.4	(47.7)	482.7										
Deficit on group pension schemes	(47.7)	47.7	-										
Net assets including pension liabilities	482.7	-	482.7	Net Assets	13.9	0.1	(0.6)	10.4	-	0.1	(0.8)	(13.6)	492.2
				Capital and Reserves including non equity interests									
Capital and Reserves including non equity interests				Called up share capital	-								27.9
Called up share capital	27.9	-	27.9	Share premium account	0.2					0.2	-	-	82.0
Share premium account	81.6		81.6	Retranslation reserve	-		0.0		(7.0)	-	(0.0)	-	(7.0)
				Revaluation reserve	(0.5)								1.2
Revaluation reserve	1.7		1.7	Other reserve	-								0.9
Other reserve	0.9		0.9	Profit and loss account	14.2	0.1	(0.6)	10.4	7.0	(0.1)	(0.8)	(13.6)	386.1
Profit and loss account	369.5		369.5										
Shareholders' Funds	481.6	-	481.6	Shareholders' Funds	13.9	0.1	(0.6)	10.4	-	0.1	(0.8)	(13.6)	491.1
Minority interest (equity)	1.1		1.1	Minority interest (equity)									1.1
	482.7	-	482.7		13.9	0.1	(0.6)	10.4	-	0.1	(0.8)	(13.6)	492.2

amended 19/8/05: IAS21 not applicable pre 1/1/05

Net assets at 31/12/03	470.8
P&L in year	19.4
Share mvts	0.1
Share premium mvts	5.2
Other reserve mvt	0.2
Forex on taxation	(0.0)
Forex on goodwill	-
Mvt in DT relating to pension	(0.5)
Forex on foreign net investments	(2.8)
Closing net assets	<u>492.4</u>
Difference	(0.2)

Consolidated Balance Sheet

as at 31 December 2004

	Under UK GAAP £m	Reformat to IFRS £m	UK GAAP under IFRS presentation £m		Opening balance adjustments £m	Development costs £m	Business combinations £m	Goodwill amortisation £m	Foreign exchange £m	Share-based payments £m	Taxation £m	Other £m	Unaudited IFRS £m
Fixed Assets				Non-Current Assets									
Intangible assets	373.8		373.8	Intangible assets	2.6	0.2	3.2	20.9	(2.8)	-	-	-	397.9
Tangible assets	241.0	(4.1)	236.9	Property, plant and equipment	0.9								237.8
		4.1	4.1	Investment properties									4.1
Investments in joint ventures:	16.3	1.0	17.3	Investments in joint ventures and associates	(4.2)			0.1	-	-	-	1.0	14.2
Investment in associate	1.0	(1.0)	-										-
Investment	-	-	-	Other investments									-
		9.6	9.6	Other debtors	(2.4)				(0.0)	-	-	0.1	7.3
		20.4	20.4	Deferred taxation assets									20.4
	632.1	30.0	662.1		(3.1)	0.2	3.2	21.0	(2.8)	-	-	1.1	681.7
Current Assets				Current Assets									
Stocks	183.9	-	183.9	Inventories									183.9
Debtors:			-										
Amounts falling due within one year	227.7		227.7	Trade and other receivables	0.0				(0.0)	-	-	(1.3)	226.4
Amounts falling due after more than one year	9.6	(9.6)	-										
Investments	-		-	Available for sale investments									-
Cash at bank and in hand	101.3		101.3	Cash at bank and in hand	(0.0)				0.0	-	-		101.3
	522.5	(9.6)	512.9		-	-	-	-	-	-	-	(1.3)	511.6
				Current Liabilities									
Creditors: Amounts falling due within one year				Loans and overdrafts	(0.1)								(116.2)
Borrowings	(116.1)		(116.1)	Trade and other payables	21.0			(0.0)	0.0	-	-	2.0	(209.7)
Other creditors	(281.1)	48.4	(232.7)	Corporation tax	-				(0.0)	-	-	-	(48.4)
		(48.4)	(48.4)										
	(397.2)	-	(397.2)		20.9	-	-	-	-	-	-	2.0	(374.3)
Net Current Assets	125.3	(9.6)	115.7										
Total Assets less Current Liabilities	757.4	20.4		Non-Current Liabilities									
Creditors: Amounts falling due after more than one year				Borrowings	(0.0)								(151.3)
Borrowings	(151.3)	-	(151.3)	Other creditors	(0.8)								(11.4)
Other creditors	(10.6)		(10.6)	Deferred taxation liabilities	(2.1)	(0.1)	(4.4)			0.1	(1.6)	0.2	(28.1)
		(20.2)	(20.2)	Provisions for Liabilities and Charges	-								(17.9)
		(17.9)	(17.9)	Retirement benefit obligation	(1.0)								(69.1)
		(68.1)	(68.1)										
	(161.9)	(106.2)	(268.1)		(3.9)	(0.1)	(4.4)	-	-	0.1	(1.6)	0.2	(277.8)
Provisions for Liabilities and Charges	(38.1)	38.1	-										
Net assets excluding pension liabilities	557.4	(47.7)	509.7										
Deficit on group pension schemes	(47.7)	47.7	-										
Net assets including pension liabilities	509.7	-	509.7	Net Assets	13.9	0.1	(1.2)	21.0	(2.8)	0.1	(1.6)	2.0	541.2
				Capital and Reserves including non equity interests									
Capital and Reserves including non equity interests				Called up share capital									27.9
Called up share capital	27.9	-	27.9	Share premium account	0.2					1.7	-		83.5
Share premium account	81.6		81.6	Retranslation reserve	-		0.0		(11.4)	-	0.0		(11.4)
			-	Revaluation reserve	(0.5)								1.2
Revaluation reserve	1.7		1.7	Other reserve	-								0.3
Other reserve	0.3		0.3	Profit and loss account	14.2	0.1	(1.2)	21.0	8.6	(1.6)	(1.6)	1.8	438.4
Profit and loss account	397.1		397.1										
Shareholders' Funds	508.6	-	508.6	Shareholders' Funds	13.9	0.1	(1.2)	21.0	(2.8)	0.1	(1.6)	1.8	539.9
Minority interest (equity)	1.1		1.1	Minority interest (equity)								0.2	1.3
	509.7	-	509.7		13.9	0.1	(1.2)	21.0	(2.8)	0.1	(1.6)	2.0	541.2

Profit and Loss Account

for the period ended 30 June 2004

	Under UK GAAP £m	Reformat to IFRS £m	UK GAAP under IFRS presentation £m		Development costs £m	Business combinations £m	Goodwill amortisation £m	Foreign exchange £m	Long term contracts £m	Employee benefits £m	Share-based payments £m	Other £m	Unaudited IFRS £m
Continuing Operations													
Group Turnover	461.5	-	461.5	Revenue				(1.6)	(0.1)				459.8
Cost of sales	(335.6)		(335.6)	Cost of sales	0.1	-		0.6		(0.5)	-	-	(335.4)
Gross Profit	125.9	-	125.9	Gross Profit	0.1	-	-	(1.0)	(0.1)	(0.5)	-	-	124.4
Selling and distribution costs	(25.3)		(25.3)	Selling and distribution costs	-	-	-	-		(0.1)	-	-	(25.4)
Administrative expenses	(45.7)		(45.7)	Administrative expenses	-	(0.8)	10.4	1.0		(0.6)	-	-	(35.7)
				Other operating expenses		-	-	-		-	-	-	-
Group Operating Profit	54.9	-	54.9	Group Operating Profit	0.1	(0.8)	10.4	-	(0.1)	(1.2)	-	-	63.3
Share of operating profit in joint ventures	3.2	(2.0)	1.2	Share of post tax profits from joint ventures and associates			0.1		(0.2)			-	1.1
Share of operating loss in associates	(0.4)	0.4	-										
Net interest	57.7	(1.6)	56.1		0.1	(0.8)	10.5	-	(0.3)	(1.2)	-	-	64.4
Group	(5.1)	7.6	2.5										
Joint ventures	(1.0)	1.0	-										
	(6.1)	8.6	2.5	Finance income					0.2				2.7
		(7.4)	(7.4)	Finance expense								-	(7.4)
Other finance income/(charges)	0.2	(0.2)	-										
Profit on Ordinary Activities before Taxation	51.8	(0.6)	51.2	Profit on Continuing Operations before Taxation	0.1	(0.8)	10.5	-	(0.1)	(1.2)	-	-	59.7
Tax on profit on ordinary activities	(17.4)	0.6	(16.8)	Tax on continuing operations	(0.0)	0.3	-	(0.0)	(0.0)	0.2	-	(0.8)	(17.1)
Profit on Ordinary Activities after Taxation before Minority Interests	34.4	-	34.4	Profit on Continuing Operations after Taxation before Minority Interests	0.1	(0.5)	10.5	-	(0.1)	(1.0)	-	(0.8)	42.6
Minority Interests	(0.2)		(0.2)	Minority Interests									(0.2)
Profit on Ordinary Activities after Taxation attributable to Shareholders	34.2	-	34.2	Profit on Continuing Operations after Taxation attributable to Equity Shareholders	0.1	(0.5)	10.5	-	(0.1)	(1.0)	-	(0.8)	42.4
Dividends	(10.3)		(10.3)	Dividends								(12.7)	(23.0)
Retained profit/(loss) for the year	23.9	-	23.9	Retained profit/(loss) for the year	0.1	(0.5)	10.5	-	(0.1)	(1.0)	-	(13.5)	19.4
Earnings per Ordinary Share													
-basic			30.8p										38.1p
-fully diluted			30.6p										37.8p
-underlying			40.2p										38.5p
Group Operating Profit	57.7	(1.6)	56.1		0.1	(0.8)	10.5	-	(0.3)	(1.2)	-	-	64.4
Adjust for													
Goodwill Amortisation	10.5		10.5				(10.5)						0.8
IFRS 3 Amortisation						0.8							
Underlying Operating Profit	68.2	(1.6)	66.6		0.1	-	-	-	(0.3)	(1.2)	-	-	65.2

Profit and Loss Account

for the year ended 31 December 2004

	Under UK GAAP £m	Reformat to IFRS £m	UK GAAP under IFRS presentation £m		Development costs £m	Business combinations £m	Goodwill amortisation £m	Foreign exchange £m	Long term contracts £m	Employee benefits £m	Share-based payments £m	Other £m	Unaudited IFRS £m
Continuing Operations													
Group Turnover	983.0	-	983.0	Revenue				(3.8)	(0.2)				979.0
Cost of sales	(714.6)		(714.6)	Cost of sales	0.2			1.4		(0.4)			(713.4)
Gross Profit	268.4	-	268.4	Gross Profit	0.2	-	-	(2.4)	(0.2)	(0.4)	-	-	265.6
Selling and distribution costs	(55.5)		(55.5)	Selling and distribution costs						(0.1)			(55.6)
Administrative expenses	(83.3)		(83.3)	Administrative expenses		(1.7)	20.9	2.4		(0.1)	(1.7)	-	(63.5)
Group Operating Profit	129.6	-	129.6	Group Operating Profit	0.2	(1.7)	20.9	-	(0.2)	(0.6)	(1.7)	-	146.5
Share of operating profit in joint ventures	6.4	(3.6)	2.8	Share of post tax profits from joint ventures and associates			0.1		(0.3)				2.6
Share of operating loss in associates	(0.1)	0.1	-										
Net interest	135.9	(3.5)	132.4		0.2	(1.7)	21.0	-	(0.5)	(0.6)	(1.7)	-	149.1
Group	(8.5)	31.7	23.2										
Joint ventures	(2.0)	2.0	-										
	(10.5)	33.7	23.2	Finance income					0.3				23.5
		(31.2)	(31.2)	Finance expense									(31.2)
Other finance income/(charges)	0.5	(0.5)	-										
Profit on Ordinary Activities before Taxation	125.9	(1.5)	124.4	Profit on Continuing Operations before Taxation	0.2	(1.7)	21.0	-	(0.2)	(0.6)	(1.7)	-	141.4
Tax on profit on ordinary activities	(40.9)	1.5	(39.4)	Tax on continuing operations	(0.1)	0.5	(0.0)	-	(0.0)	0.2	0.1	(1.5)	(40.2)
Profit on Ordinary Activities after Taxation before Minority Interests	85.0	-	85.0	Profit on Continuing Operations after Taxation before Minority Interests	0.1	(1.2)	21.0	-	(0.2)	(0.4)	(1.6)	(1.5)	101.2
Minority Interests	(0.3)		(0.3)	Minority Interests									(0.3)
Profit on Ordinary Activities after Taxation attributable to Shareholders	84.7	-	84.7	Profit on Continuing Operations after Taxation attributable to Equity Shareholders	0.1	(1.2)	21.0	-	(0.2)	(0.4)	(1.6)	(1.5)	100.9
Dividends	(34.6)		(34.6)	Dividends								2.5	(32.1)
Retained profit/(loss) for the year	50.1	-	50.1	Retained profit/(loss) for the year	0.1	(1.2)	21.0	-	(0.2)	(0.4)	(1.6)	1.0	68.8
Earnings per Ordinary Share													
-basic			76.0p										90.5p
-fully diluted			75.5p										89.9p
-underlying			94.8p										91.6p
Group Operating Profit	135.9	(3.5)	132.4		0.2	(1.7)	21.0	-	(0.5)	(0.6)	(1.7)	-	149.1
Adjust for													
Goodwill Amortisation	21.0		21.0			1.7	(21.0)						1.7
IFRS 3 Amortisation													
Underlying Operating Profit	156.9	(3.5)	153.4		0.2	-	-	-	(0.5)	(0.6)	(1.7)	-	150.8