



HUNTING PLC

**2005 transition to international
financial reporting standards**
supplement to interim statement



**TRANSITION TO
INTERNATIONAL FINANCIAL
REPORTING STANDARDS**

2005

Introduction

Hunting PLC has adopted International Financial Reporting Standards (“IFRS”) with effect from 1 January 2004. This report accompanies the 2005 interim statements and provides the transitional financial information together with the principal accounting policies adopted under IFRS applied from 1 January 2004.

In compliance with IFRS, the reconciliations of the income statement, balance sheet and cash flow statements from previously published UK GAAP to the restated IFRS financial statements are contained in this report for the six months ended 30 June 2004 and the year ended 31 December 2004 including the balance sheet at 1 January 2004. The exemption permitting the deferral of the introduction of IAS 32 and IAS 39, the International Accounting Standards on Financial Instruments, until 1 January 2005 has been utilised. Other key exemptions and exceptions permitted under IFRS 1 *First-time adoption of International Financial Reporting Standards* and applied by Hunting PLC are set out on page 23. A reconciliation between the IFRS balance sheet excluding IAS 32 and IAS 39 at 31 December 2004 and the IFRS balance sheet including IAS 32 and IAS 39 at 1 January 2005 is included within this report.

The key changes to the financial statements arising from the transition to IFRS, which are presented in detail within this report, are:

- Under IFRS, accounting for pensions and employee benefits results in a lower credit to the income statement than under UK GAAP (SSAP 24).
- Goodwill under IFRS is not amortised and consequently the £2.7m charge for the year ended 31 December 2004 under UK GAAP is reversed.
- Under IFRS, share option costs for the year ended 31 December 2004 of £0.3m are charged to income compared to £nil under UK GAAP.
- The provision for deferred tax increases under IFRS as provisions are required on the revaluation surpluses and unremitted overseas earnings.

The impact of the change to IFRS on key ratios for the year ended 31 December 2004 are:

	IFRS	UK GAAP
Basic earnings per share (restated)	7.9p	5.9p
Basic EPS before exceptional items (restated)	13.1p	11.9p
Profit before tax	£16.5m	£15.4m
Shareholders’ funds	£108.2m	£114.2m

Dennis Clark
Finance Director

1 September 2005

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Understanding The Change

Summary of Key Changes

IFRS has no impact on corporate strategy, operating decisions, or the underlying value of the business.

The significant accounting changes for the Group are:

- 1) Recognising the full net pension surplus and retirement benefit items on the balance sheet. Under IFRS, the methodology for determining the net surplus of scheme assets and liabilities is different to UK GAAP (SSAP 24). At 31 December 2004, this has resulted in a £2.5m reduction in net assets.
- 2) Cessation of goodwill amortisation. For the year ended 31 December 2004, this has resulted in a £2.5m increase in net assets and profit after tax.
- 3) Dividends payable and receivable are now recognised in the period in which they are approved. At 31 December 2004, this has increased net assets by £3.0m.
- 4) Under IFRS, in respect of revalued property, plant and equipment, depreciation in excess of the historic cost basis is transferred from the revaluation reserve to retained earnings. No transfer was made under UK GAAP.
- 5) Deferred tax assets and liabilities are no longer offset. Deferred tax is recognised on all temporary differences, including the revaluation of non-monetary assets. At 31 December 2004, deferred tax assets and liabilities have increased by £11.2m and £20.0m respectively.
- 6) Under UK GAAP, goodwill written off to reserves prior to 1998 was reinstated and included in determining the profit or loss on disposal of a business. Under IFRS, this goodwill is not reinstated. Under UK GAAP, for the year ended 31 December 2004, £1.0m of goodwill previously written off to reserves was included in the loss on disposal, which under IFRS, is not reinstated and therefore gives rise to a £1.0m increase in profit in 2004.
- 7) Under IFRS, a foreign currency translation reserve is required to be separately measured and includes foreign currency translation differences arising on the translation of overseas equity investments. Under the transitional rules, the Company has opted to start the foreign currency translation reserve at the transition date.

At 1 January 2005, the adoption of IAS 32 and IAS 39 gives rise to the following significant changes:

- 8) The recognition of derivative assets and liabilities on the balance sheet at fair values. Derivative assets of £2.6m and derivative liabilities of £2.4m have been recognised under IFRS.
- 9) Bank overdrafts and bank deposits are recognised at gross values and now include accrued interest. At 1 January 2005, the effect is to increase cash and cash equivalents by £59.0m, increase bank borrowings by £59.8m, decrease trade and other receivables by £0.1m and decrease trade and other payables by £1.0m.

Please note that the standards currently in issue are subject to interpretations issued from time to time by the International Financial Reporting Interpretations Committee (IFRIC). Further standards may be issued by the IASB that may require adoption for financial years beginning on or after 1 January 2005. Due to a number of new and revised Standards included within the body of Standards that comprise IFRS, there is not yet significant established practice on which to draw in forming decisions regarding the interpretation and application of the Standards. Accordingly, practice is continuing to evolve. At this preliminary stage, therefore, the full financial effect of reporting under IFRS as it will be applied and reported on in the Company's first IFRS financial statements for the year ended 31 December 2005 may be subject to change. The IFRS results are unaudited.

Consolidated Income Statement

	Notes	Six months ended 30 June 2004			Year ended 31 December 2004		
		UK GAAP £m	Effect of transition to IFRS £m	IFRS £m	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
Revenue	7,8	580.6	(41.1)	539.5	1,255.1	(95.7)	1,159.4
Cost of sales	8	(538.4)	40.4	(498.0)	(1,161.5)	94.8	(1,066.7)
Gross profit		42.2	(0.7)	41.5	93.6	(0.9)	92.7
Other operating income	7	-	1.5	1.5	-	2.9	2.9
Operating expenses*	7	(29.5)	(1.6)	(31.1)	(66.7)	(3.1)	(69.8)
Share of profit in associates		-	-	-	0.1	(0.1)	-
Profit from operations before exceptional items		12.7	(0.8)	11.9	27.0	(1.2)	25.8
Exceptional items	7	-	-	-	(6.0)	1.0	(5.0)
Profit from operations		12.7	(0.8)	11.9	21.0	(0.2)	20.8
Net finance costs	1,7	(2.6)	0.9	(1.7)	(5.6)	1.2	(4.4)
Share of profits in associates		-	-	-	-	0.1	0.1
Profit before tax		10.1	0.1	10.2	15.4	1.1	16.5
Taxation	6	(4.0)	0.6	(3.4)	(6.3)	1.2	(5.1)
Profit for the period		6.1	0.7	6.8	9.1	2.3	11.4
Attributed to:							
Equity holders of the parent		6.0		6.7	8.6		10.9
Minority interests		0.1		0.1	0.5		0.5
Profit for the period		6.1		6.8	9.1		11.4
Basic earnings per share (restated)		3.7p		4.4p	5.9p		7.9p
Diluted earnings per share (restated)		3.6p		4.3p	5.7p		7.7p

Details of the effects of transition to IFRS are set out on page 11. Notes are set out on pages 15 and 16.

*Under UK GAAP and IFRS, operating expenses include a £3.8m exceptional charge for onerous leases in the year ended 31 December 2004.

Consolidated Balance Sheet

	Notes	At 30 June 2004			At 31 December 2004		
		UK GAAP £m	Effect of transition to IFRS £m	IFRS £m	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
ASSETS							
Non-current assets							
Property, plant and equipment	9	152.6	(2.2)	150.4	158.1	(2.3)	155.8
Goodwill	2	46.2	1.3	47.5	44.8	2.7	47.5
Intangible assets	9	–	3.0	3.0	–	3.1	3.1
Interests in associates		8.8	–	8.8	8.7	–	8.7
Investments		5.7	(0.2)	5.5	3.8	(0.2)	3.6
Retirement benefit assets	1	23.7	(0.1)	23.6	25.8	(2.0)	23.8
Receivables and other assets		1.4	1.7	3.1	3.4	(0.1)	3.3
Deferred tax assets	5,6	–	4.7	4.7	–	11.2	11.2
		<u>238.4</u>	<u>8.2</u>	<u>246.6</u>	<u>244.6</u>	<u>12.4</u>	<u>257.0</u>
Current assets							
Inventories		82.0	0.3	82.3	75.7	0.8	76.5
Trade and other receivables		140.6	(1.8)	138.8	140.5	(0.1)	140.4
Investments		1.3	(1.3)	–	–	–	–
Cash and cash equivalents		7.3	1.3	8.6	15.1	–	15.1
		<u>231.2</u>	<u>(1.5)</u>	<u>229.7</u>	<u>231.3</u>	<u>0.7</u>	<u>232.0</u>
LIABILITIES							
Current liabilities							
Trade and other payables	4	144.1	(2.8)	141.3	156.8	(4.0)	152.8
Current tax liabilities		4.5	(0.3)	4.2	1.5	(0.4)	1.1
Borrowings		7.5	–	7.5	16.4	–	16.4
Provisions		–	–	–	–	0.6	0.6
		<u>156.1</u>	<u>(3.1)</u>	<u>153.0</u>	<u>174.7</u>	<u>(3.8)</u>	<u>170.9</u>
Net current assets		<u>75.1</u>	<u>1.6</u>	<u>76.7</u>	<u>56.6</u>	<u>4.5</u>	<u>61.1</u>
Non-current liabilities							
Borrowings		100.0	–	100.0	129.3	–	129.3
Deferred tax liabilities	5,6	35.9	13.9	49.8	39.5	20.0	59.5
Retirement benefit obligations	1	–	1.5	1.5	–	1.9	1.9
Other payables		2.8	(1.1)	1.7	3.0	(1.1)	1.9
Provisions		12.3	2.4	14.7	11.5	2.1	13.6
		<u>151.0</u>	<u>16.7</u>	<u>167.7</u>	<u>183.3</u>	<u>22.9</u>	<u>206.2</u>
Net assets		<u>162.5</u>	<u>(6.9)</u>	<u>155.6</u>	<u>117.9</u>	<u>(6.0)</u>	<u>111.9</u>
Shareholders' funds							
Share capital		73.2	–	73.2	25.3	–	25.3
Share premium		41.5	–	41.5	41.5	–	41.5
Treasury shares		(0.1)	–	(0.1)	–	–	–
Revaluation reserve	5	15.9	(7.3)	8.6	16.6	(7.8)	8.8
Other reserves	3,9	–	12.1	12.1	–	13.6	13.6
Retained earnings	3,5	28.7	(11.7)	17.0	30.8	(11.8)	19.0
		<u>159.2</u>	<u>(6.9)</u>	<u>152.3</u>	<u>114.2</u>	<u>(6.0)</u>	<u>108.2</u>
Minority interests		<u>3.3</u>	<u>–</u>	<u>3.3</u>	<u>3.7</u>	<u>–</u>	<u>3.7</u>
Total equity		<u>162.5</u>	<u>(6.9)</u>	<u>155.6</u>	<u>117.9</u>	<u>(6.0)</u>	<u>111.9</u>

Details of the effects of transition to IFRS are set out on pages 12 and 13. Notes are set out on pages 15 and 16.

Consolidated Balance Sheet at 1 January 2004

(Date of transition to IFRS)

	Notes	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
ASSETS				
Non-current assets				
Property, plant and equipment	9	160.5	0.9	161.4
Goodwill	2	49.1	(3.3)	45.8
Intangible assets	9	-	3.3	3.3
Interests in associates and joint ventures		13.0	(0.1)	12.9
Investments		5.6	-	5.6
Retirement benefit assets	1	21.7	(3.4)	18.3
Receivables and other assets		1.4	(0.1)	1.3
Deferred tax assets	5,6	-	5.8	5.8
		<u>251.3</u>	<u>3.1</u>	<u>254.4</u>
Current assets				
Inventories		93.2	0.2	93.4
Trade and other receivables		129.5	(0.5)	129.0
Current tax assets		5.8	0.4	6.2
Investments		0.4	(0.4)	-
Cash and cash equivalents		15.3	0.5	15.8
		<u>244.2</u>	<u>0.2</u>	<u>244.4</u>
LIABILITIES				
Current liabilities				
Trade and other payables	4	138.3	(3.7)	134.6
Borrowings		8.7	(0.1)	8.6
		<u>147.0</u>	<u>(3.8)</u>	<u>143.2</u>
Net current assets		<u>97.2</u>	<u>4.0</u>	<u>101.2</u>
Non-current liabilities				
Borrowings		133.6	-	133.6
Deferred tax liabilities	5,6	34.4	14.7	49.1
Retirement benefit obligations	1	-	1.3	1.3
Other payables		2.9	(0.9)	2.0
Provisions		12.8	2.4	15.2
		<u>183.7</u>	<u>17.5</u>	<u>201.2</u>
Net assets		<u>164.8</u>	<u>(10.4)</u>	<u>154.4</u>
Shareholders' funds				
Share capital		73.2	-	73.2
Share premium		41.5	-	41.5
Treasury shares		(0.1)	-	(0.1)
Revaluation reserve	5	17.8	(7.8)	10.0
Other reserves	3,9	-	12.3	12.3
Retained earnings	3,5	29.2	(14.9)	14.3
		<u>161.6</u>	<u>(10.4)</u>	<u>151.2</u>
Minority interests		<u>3.2</u>	<u>-</u>	<u>3.2</u>
Total equity		<u>164.8</u>	<u>(10.4)</u>	<u>154.4</u>

Details of the effects of transition to IFRS are set out on page 14. Notes are set out on pages 15 and 16.

Consolidated Cash Flow Statement

	Six months ended 30 June 2004			Year ended 31 December 2004		
	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
Operating activities						
Profit from operations	12.7	(0.8)	11.9	27.0	(1.2)	25.8
Depreciation of property, plant and equipment	9.3	(0.4)	8.9	18.6	(0.5)	18.1
Amortisation of goodwill	1.4	(1.4)	-	2.7	(2.7)	-
Amortisation of intangibles	-	0.3	0.3	-	0.6	0.6
Impairment of goodwill	-	-	-	0.8	-	0.8
(Profit) on disposal of investments	-	-	-	(0.4)	-	(0.4)
(Profit) on disposal of property, plant and equipment	-	-	-	(0.9)	-	(0.9)
Share of (profit) in associates	-	-	-	(0.1)	0.1	-
(Increase) in inventories	(15.7)	(0.1)	(15.8)	(8.3)	(1.7)	(10.0)
(Increase) in receivables	(16.1)	1.8	(14.3)	(17.0)	2.8	(14.2)
Increase in payables	12.0	-	12.0	20.2	(1.0)	19.2
Taxation received	8.6	-	8.6	6.6	-	6.6
Other non cash flow items	(0.8)	-	(0.8)	-	0.4	0.4
Net cash inflow from operating activities	11.4	(0.6)	10.8	49.2	(3.2)	46.0
Investing activities						
Dividends received from associates	3.5	-	3.5	3.5	-	3.5
Purchase of subsidiary and businesses	(0.5)	-	(0.5)	(1.5)	-	(1.5)
Purchase of minority interest in subsidiary	(0.4)	-	(0.4)	(0.1)	-	(0.1)
Purchase of associates and joint ventures	(0.2)	-	(0.2)	(0.2)	-	(0.2)
Proceeds from disposal of investments	-	-	-	2.4	-	2.4
Proceeds from disposal of subsidiary	22.9	-	22.9	19.9	-	19.9
Proceeds from disposal of property, plant and equipment	5.0	-	5.0	6.0	-	6.0
Purchase of property, plant and equipment	(11.5)	0.6	(10.9)	(22.1)	0.2	(21.9)
Purchase of intangible assets	-	(0.1)	(0.1)	-	(0.4)	(0.4)
Net cash inflow from investing activities	18.8	0.5	19.3	7.9	(0.2)	7.7

Consolidated Cash Flow Statement

(continued)

	Six months ended 30 June 2004			Year ended 31 December 2004		
	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
Financing activities						
Interest received	1.1	-	1.1	3.1	-	3.1
Interest paid	(4.0)	-	(4.0)	(8.7)	-	(8.7)
Equity dividends paid	(2.4)	0.1	(2.3)	(3.8)	-	(3.8)
Preference dividends paid	(2.0)	-	(2.0)	(2.4)	-	(2.4)
Cancellation and repayment of preference share capital	-	-	-	(47.9)	-	(47.9)
Increase in borrowings	(32.1)	32.1	-	1.6	(1.6)	-
Proceeds from borrowings	-	-	-	-	92.9	92.9
Repayment of borrowings	-	(32.1)	(32.1)	-	(87.9)	(87.9)
Capital element of finance leases	(0.2)	-	(0.2)	(0.3)	-	(0.3)
Movement in short term deposits	(0.9)	0.9	-	0.4	(0.4)	-
Net cash (outflow) from financing activities	<u>(40.5)</u>	<u>1.0</u>	<u>(39.5)</u>	<u>(58.0)</u>	<u>3.0</u>	<u>(55.0)</u>
Net (decrease) in cash, cash equivalents and bank overdrafts	<u>(10.3)</u>	<u>0.9</u>	<u>(9.4)</u>	<u>(0.9)</u>	<u>(0.4)</u>	<u>(1.3)</u>
Cash, cash equivalents and bank overdrafts at beginning of period			12.4			12.4
Effect of foreign exchange rate changes			(0.4)			(0.2)
Cash, cash equivalents and bank overdrafts at end of period			<u>2.6</u>			<u>10.9</u>

UK GAAP required cash flows to be presented under seven different headings whereas IAS 7 *Cash Flow Statements* requires cash flows to be presented under three headings: cash flows from operating, investing and financing activities. Consequently there are a number of re-classifications. Under IAS 7, foreign exchange differences on cash and cash equivalents are presented on the face of the cash flow statement. There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under UK GAAP.

Consolidated Income Statement – IFRS Adjustments

For the Six Months ended 30 June 2004

	Employee benefits	Goodwill	Share options	Deferred tax	Re- allocations	Other	Total adjust- ments
	IAS 19	IFRS 3	IFRS 2	IAS 12	Note 7	Note 8	
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 6</i>			
	£m	£m	£m	£m	£m	£m	£m
Revenue	-	-	-	-	(0.6)	(40.5)	(41.1)
Cost of sales	(0.1)	-	-	-	(0.1)	40.6	40.4
Gross profit	(0.1)	-	-	-	(0.7)	0.1	(0.7)
Other operating income	-	-	-	-	1.5	-	1.5
Operating expenses	(1.8)	1.4	(0.2)	-	(0.8)	(0.2)	(1.6)
Profit from operations	(1.9)	1.4	(0.2)	-	-	(0.1)	(0.8)
Net finance costs	0.9	-	-	-	-	-	0.9
Profit before tax	(1.0)	1.4	(0.2)	-	-	(0.1)	0.1
Taxation	0.3	(0.1)	-	0.3	-	0.1	0.6
Profit for the period	(0.7)	1.3	(0.2)	0.3	-	-	0.7

Consolidated Income Statement – IFRS Adjustments

For the Year ended 31 December 2004

	Employee benefits	Goodwill	Share options	Deferred tax	Re- allocations	Other	Total adjust- ments
	IAS 19	IFRS 3	IFRS 2	IAS 12	Note 7	Note 8	
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 6</i>			
	£m	£m	£m	£m	£m	£m	£m
Revenue	-	-	-	-	(0.7)	(95.0)	(95.7)
Cost of sales	(0.2)	-	-	-	(0.1)	95.1	94.8
Gross profit	(0.2)	-	-	-	(0.8)	0.1	(0.9)
Other operating income	-	-	-	-	2.9	-	2.9
Operating expenses	(3.9)	2.7	(0.3)	-	(1.8)	0.2	(3.1)
Share of profits in associates	-	-	-	-	(0.1)	-	(0.1)
Profit from operations before exceptional items	(4.1)	2.7	(0.3)	-	0.2	0.3	(1.2)
Exceptional items	-	1.0	-	-	-	-	1.0
Profit from operations	(4.1)	3.7	(0.3)	-	0.2	0.3	(0.2)
Net finance costs	1.7	-	-	-	(0.4)	(0.1)	1.2
Share of profits in associates	-	-	-	-	0.1	-	0.1
Profit before tax	(2.4)	3.7	(0.3)	-	(0.1)	0.2	1.1
Taxation	0.7	(0.2)	0.1	0.7	0.1	(0.2)	1.2
Profit for the year	(1.7)	3.5	(0.2)	0.7	-	-	2.3

Consolidated Balance Sheet – IFRS Adjustments

At 30 June 2004

	Employee benefits IAS 19 Note 1 £m	Goodwill IFRS 3 Note 2 £m	Dividends IAS 10 Note 4 £m	Revaluation reserve IAS 12, IAS 16 Note 5 £m	Deferred tax IAS 12 Note 6 £m	Re- allocations and other Note 9 £m	Total adjust- ments £m
ASSETS							
Non-current assets							
Property, plant and equipment	-	-	-	-	-	(2.2)	(2.2)
Goodwill	-	1.4	-	-	-	(0.1)	1.3
Intangible assets	-	-	-	-	-	3.0	3.0
Interests in associates	-	-	-	-	-	-	-
Investments	-	-	-	-	-	(0.2)	(0.2)
Retirement benefit assets	(0.1)	-	-	-	-	-	(0.1)
Receivables and other assets	(0.6)	-	-	-	-	2.3	1.7
Deferred tax assets	-	-	-	-	4.7	-	4.7
	<u>(0.7)</u>	<u>1.4</u>	<u>-</u>	<u>-</u>	<u>4.7</u>	<u>2.8</u>	<u>8.2</u>
Current assets							
Inventories	-	-	-	-	-	0.3	0.3
Trade and other receivables	-	-	-	-	-	(1.8)	(1.8)
Investments	-	-	-	-	-	(1.3)	(1.3)
Cash and cash equivalents	-	-	-	-	-	1.3	1.3
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1.5)</u>	<u>(1.5)</u>
LIABILITIES							
Current liabilities							
Trade and other payables	(1.3)	-	(1.5)	-	-	-	(2.8)
Current tax liabilities	-	-	-	-	(0.3)	-	(0.3)
Borrowings	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-
	<u>(1.3)</u>	<u>-</u>	<u>(1.5)</u>	<u>-</u>	<u>(0.3)</u>	<u>-</u>	<u>(3.1)</u>
Net current assets	<u>1.3</u>	<u>-</u>	<u>1.5</u>	<u>-</u>	<u>0.3</u>	<u>(1.5)</u>	<u>1.6</u>
Non-current liabilities							
Borrowings	-	-	-	-	-	-	-
Deferred tax liabilities	(0.1)	0.1	-	4.7	9.2	-	13.9
Retirement benefit obligations	1.5	-	-	-	-	-	1.5
Other payables	0.9	-	-	-	-	(2.0)	(1.1)
Provisions	(0.9)	-	-	-	-	3.3	2.4
	<u>1.4</u>	<u>0.1</u>	<u>-</u>	<u>4.7</u>	<u>9.2</u>	<u>1.3</u>	<u>16.7</u>
Net assets	<u>(0.8)</u>	<u>1.3</u>	<u>1.5</u>	<u>(4.7)</u>	<u>(4.2)</u>	<u>-</u>	<u>(6.9)</u>
Shareholders' funds							
Share capital	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-
Revaluation reserve	-	-	-	(7.2)	-	(0.1)	(7.3)
Other reserves	15.8	-	-	-	-	(3.7)	12.1
Retained earnings	(16.6)	1.3	1.5	2.5	(4.2)	3.8	(11.7)
	<u>(0.8)</u>	<u>1.3</u>	<u>1.5</u>	<u>(4.7)</u>	<u>(4.2)</u>	<u>-</u>	<u>(6.9)</u>
Minority interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity	<u>(0.8)</u>	<u>1.3</u>	<u>1.5</u>	<u>(4.7)</u>	<u>(4.2)</u>	<u>-</u>	<u>(6.9)</u>

Consolidated Balance Sheet – IFRS Adjustments

At 31 December 2004

	Employee benefits IAS 19 Note 1 £m	Goodwill IFRS 3 Note 2 £m	Dividends IAS 10 Note 4 £m	Revaluation reserve IAS 12, IAS 16 Note 5 £m	Deferred tax IAS 12 Note 6 £m	Re- allocations and other Note 9 £m	Total adjust- ments £m
ASSETS							
Non-current assets							
Property, plant and equipment	-	-	-	-	-	(2.3)	(2.3)
Goodwill	-	2.7	-	-	-	-	2.7
Intangible assets	-	-	-	-	-	3.1	3.1
Interests in associates	-	-	-	-	-	-	-
Investments	-	-	-	-	-	(0.2)	(0.2)
Retirement benefit assets	(2.0)	-	-	-	-	-	(2.0)
Receivables and other assets	(0.6)	-	-	-	-	0.5	(0.1)
Deferred tax assets	-	-	-	-	11.2	-	11.2
	<u>(2.6)</u>	<u>2.7</u>	<u>-</u>	<u>-</u>	<u>11.2</u>	<u>1.1</u>	<u>12.4</u>
Current assets							
Inventories	-	-	-	-	-	0.8	0.8
Trade and other receivables	-	-	-	-	-	(0.1)	(0.1)
Investments	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.7</u>	<u>0.7</u>
LIABILITIES							
Current liabilities							
Trade and other payables	(1.4)	-	(3.0)	-	-	0.4	(4.0)
Current tax liabilities	-	-	-	-	(0.4)	-	(0.4)
Borrowings	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	0.6	0.6
	<u>(1.4)</u>	<u>-</u>	<u>(3.0)</u>	<u>-</u>	<u>(0.4)</u>	<u>1.0</u>	<u>(3.8)</u>
Net current assets	<u>1.4</u>	<u>-</u>	<u>3.0</u>	<u>-</u>	<u>0.4</u>	<u>(0.3)</u>	<u>4.5</u>
Non-current liabilities							
Borrowings	-	-	-	-	-	-	-
Deferred tax liabilities	(0.6)	0.2	-	4.4	16.2	(0.2)	20.0
Retirement benefit obligations	1.9	-	-	-	-	-	1.9
Other payables	-	-	-	-	-	(1.1)	(1.1)
Provisions	-	-	-	-	-	2.1	2.1
	<u>1.3</u>	<u>0.2</u>	<u>-</u>	<u>4.4</u>	<u>16.2</u>	<u>0.8</u>	<u>22.9</u>
Net assets	<u>(2.5)</u>	<u>2.5</u>	<u>3.0</u>	<u>(4.4)</u>	<u>(4.6)</u>	<u>-</u>	<u>(6.0)</u>
Shareholders' funds							
Share capital	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-
Revaluation reserve	-	-	-	(7.8)	-	-	(7.8)
Other reserves	15.8	-	-	-	-	(2.2)	13.6
Retained earnings	(18.3)	2.5	3.0	3.4	(4.6)	2.2	(11.8)
	<u>(2.5)</u>	<u>2.5</u>	<u>3.0</u>	<u>(4.4)</u>	<u>(4.6)</u>	<u>-</u>	<u>(6.0)</u>
Minority interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity	<u>(2.5)</u>	<u>2.5</u>	<u>3.0</u>	<u>(4.4)</u>	<u>(4.6)</u>	<u>-</u>	<u>(6.0)</u>

Consolidated Balance Sheet – IFRS Adjustments

At 1 January 2004

	Employee benefits IAS 19 <i>Note 1</i> £m	Dividends IAS 10 <i>Note 4</i> £m	Revaluation reserve IAS 12, IAS 16 <i>Note 5</i> £m	Deferred tax IAS 12 <i>Note 6</i> £m	Re- allocations and other <i>Note 9</i> £m	Total adjust- ments £m
ASSETS						
Non-current assets						
Property, plant and equipment	-	-	-	-	0.9	0.9
Goodwill	-	-	-	-	(3.3)	(3.3)
Intangible assets	-	-	-	-	3.3	3.3
Interests in associates and joint ventures	-	-	-	-	(0.1)	(0.1)
Investments	-	-	-	-	-	-
Retirement benefit assets	(3.4)	-	-	-	-	(3.4)
Receivables and other assets	-	-	-	-	(0.1)	(0.1)
Deferred tax assets	-	-	1.4	4.6	(0.2)	5.8
	<u>(3.4)</u>	<u>-</u>	<u>1.4</u>	<u>4.6</u>	<u>0.5</u>	<u>3.1</u>
Current assets						
Inventories	-	-	-	-	0.2	0.2
Trade and other receivables	-	-	-	-	(0.5)	(0.5)
Current tax assets	-	-	-	-	0.4	0.4
Investments	-	-	-	-	(0.4)	(0.4)
Cash and cash equivalents	-	-	-	-	0.5	0.5
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.2</u>	<u>0.2</u>
LIABILITIES						
Current liabilities						
Trade and other payables	(1.3)	(2.4)	-	-	-	(3.7)
Borrowings	-	-	-	-	(0.1)	(0.1)
	<u>(1.3)</u>	<u>(2.4)</u>	<u>-</u>	<u>-</u>	<u>(0.1)</u>	<u>(3.8)</u>
Net current assets	<u>1.3</u>	<u>2.4</u>	<u>-</u>	<u>-</u>	<u>0.3</u>	<u>4.0</u>
Non-current liabilities						
Borrowings	-	-	-	-	-	-
Deferred tax liabilities	(1.0)	(0.3)	6.5	9.5	-	14.7
Retirement benefit obligations	1.3	-	-	-	-	1.3
Other payables	(1.0)	-	-	-	0.1	(0.9)
Provisions	1.1	-	-	-	1.3	2.4
	<u>0.4</u>	<u>(0.3)</u>	<u>6.5</u>	<u>9.5</u>	<u>1.4</u>	<u>17.5</u>
Net assets	<u>(2.5)</u>	<u>2.7</u>	<u>(5.1)</u>	<u>(4.9)</u>	<u>(0.6)</u>	<u>(10.4)</u>
Shareholders' funds						
Share capital	-	-	-	-	-	-
Share premium	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-
Revaluation reserve	-	-	(7.7)	-	(0.1)	(7.8)
Other reserves	12.8	-	-	-	(0.5)	12.3
Retained earnings	(15.3)	2.7	2.6	(4.9)	-	(14.9)
	<u>(2.5)</u>	<u>2.7</u>	<u>(5.1)</u>	<u>(4.9)</u>	<u>(0.6)</u>	<u>(10.4)</u>
Minority interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity	<u>(2.5)</u>	<u>2.7</u>	<u>(5.1)</u>	<u>(4.9)</u>	<u>(0.6)</u>	<u>(10.4)</u>

Notes to the IFRS Adjustments

KEY INCOME STATEMENT AND BALANCE SHEET ADJUSTMENTS:

1. Employee benefits

Under UK GAAP, the Group accounted for pension costs in accordance with SSAP 24 and provided disclosures as required by FRS 17. The expected cost of defined benefit pensions was charged against operating profit and actuarial gains and losses were spread evenly over the remaining service lives of current employees as a credit or charge to the operating profit

In accordance with IAS 19 *Employee Benefits*, the expected cost of defined benefit pensions is charged against operating profit whilst the net return from scheme assets and liabilities is recognised within net finance costs in the income statement. Under the 16 December 2004 amendment to IAS 19, which has not yet been endorsed by the EU, the Group has adopted the option of recognising all actuarial gains and losses immediately, directly in reserves. In the year ended 31 December 2004, an actuarial gain of £3.5m has been recognised in the statement of recognised income and expense.

2. Goodwill

Goodwill is not amortised under IFRS 3 *Business Combinations*, but is subject to an annual impairment review.

Under UK GAAP, goodwill written off to reserves prior to 1998 was reinstated and included in determining the profit or loss on disposal of a business. The Company has applied the exemption within IFRS 1 *First-time adoption of International Financial Reporting Standards* not to restate its business combinations prior to the transition date. Consequently, under IFRS, goodwill written off to reserves is not reinstated. For the year ended 31 December 2004, £1.0m of goodwill previously written off to reserves has not been reinstated.

3. Share options

UK GAAP required that there was no charge to the income statement for share options where the exercise price was equal to the market price at the grant date. In accordance with IFRS 2 *Share-based Payments*, all share-based payments, including share option costs are recognised as an expense over the vesting period. This has resulted in a £0.1m transfer from retained earnings to other reserves at 1 January 2004.

At 30 June 2004 the charge to the income statement was £0.2m, with a charge of £0.3m for the full year.

In accordance with the IFRS transitional provisions, IFRS 2 has been applied to grants of equity instruments issued after 7 November 2002 that had not vested as of 1 January 2005. No charge is recognised in respect of grants to which IFRS 2 do not apply.

4. Dividends

IFRS requires dividends to be recognised within equity in the period in which they are approved. Under UK GAAP, dividends were recognised within the income statement in the period in which they were declared.

5. Revaluation reserve

A transfer has been made from the revaluation reserve to retained earnings amounting to the difference between the depreciation charged on property, plant and equipment on a revaluation basis and an historical cost basis.

In accordance with UK GAAP, no provision was made for deferred taxation on the revaluation reserve. For IFRS, deferred taxation is provided on the revaluation gains. The revaluation reserve includes the related deferred taxation.

6. Deferred taxation

UK GAAP required deferred taxation to be recognised on timing differences whereas IFRS requires that deferred taxation is provided on all temporary differences including the revaluation of non-monetary assets and on unremitted overseas earnings to the extent that a tax charge is foreseeable.

Under UK GAAP, deferred tax assets and liabilities were shown on a net basis. IFRS requires separate disclosure of deferred tax assets and liabilities.

7. Income statement reallocations

For UK GAAP, royalty, sub-lease and commission income were included in operating expenses or revenue, as appropriate. Under IFRS, these are included in other operating income.

UK GAAP requires the share of operating profits in associates to be included in total profits from operations, whereas under IFRS the share of profits after tax in associates is included in the Group's profit before tax.

Notes to the IFRS Adjustments

(continued)

8. Other

Under IAS 18, revenue is not recognised for barter transactions that involve the exchange of goods or services which are of a similar nature and value. These transactions were recognised as revenue under UK GAAP. The impact for the six months ended 30 June 2004 is a reduction in sales and cost of sales of £42.5m (year ended 31 December 2004: £89.9m). These reductions have no impact on profits.

Other differences comprise a number of adjustments that are not individually significant.

9. Balance sheet reallocations and other

The Company has taken advantage of the exemption in IFRS 1, whereby the cumulative translation differences for all foreign operations that existed at the date of transition to IFRS are deemed to be zero. The cumulative translation differences from 1 January 2004 are recorded as a separate component of equity.

Under UK GAAP, capitalised computer software was included within property, plant and equipment. In accordance with IFRS, capitalised computer software not integral to plant and equipment, is classified as an intangible asset. The net book value of computer software reclassified as intangible assets was £3.3m at 1 January 2004, £3.0m at 30 June 2004 and £3.1m at 31 December 2004.

Other differences comprise a number of adjustments that are not individually significant.

Consolidated Balance Sheet – Adoption of IAS 32 and IAS 39

At 1 January 2005

	IFRS 31 December 2004 £m	Derivatives <i>Note i</i> £m	Gross up borrowings <i>Note ii</i> £m	Other <i>Note iii</i> £m	IFRS 1 January 2005 £m
ASSETS					
Non-current assets					
Property, plant and equipment	155.8	–	–	–	155.8
Goodwill	47.5	–	–	–	47.5
Intangible assets	3.1	–	–	–	3.1
Interests in associates	8.7	–	–	–	8.7
Investments	3.6	–	–	–	3.6
Retirement benefit assets	23.8	–	–	–	23.8
Receivables and other assets	3.3	–	–	–	3.3
Deferred tax assets	11.2	0.4	–	–	11.6
	<u>257.0</u>	<u>0.4</u>	<u>–</u>	<u>–</u>	<u>257.4</u>
Current assets					
Inventories	76.5	–	–	–	76.5
Trade and other receivables	140.4	2.6	(0.2)	–	142.8
Cash and cash equivalents	15.1	–	59.0	–	74.1
	<u>232.0</u>	<u>2.6</u>	<u>58.8</u>	<u>–</u>	<u>293.4</u>
LIABILITIES					
Current liabilities					
Trade and other payables	152.8	2.4	(1.0)	–	154.2
Current tax liabilities	1.1	–	–	–	1.1
Borrowings	16.4	–	59.3	–	75.7
Provisions	0.6	–	–	–	0.6
	<u>170.9</u>	<u>2.4</u>	<u>58.3</u>	<u>–</u>	<u>231.6</u>
Net current assets	<u>61.1</u>	<u>0.2</u>	<u>0.5</u>	<u>–</u>	<u>61.8</u>
Non-current liabilities					
Borrowings	129.3	–	0.5	–	129.8
Deferred tax liabilities	59.5	0.6	–	–	60.1
Retirement benefit obligations	1.9	–	–	–	1.9
Other payables	1.9	–	–	–	1.9
Provisions	13.6	–	–	–	13.6
	<u>206.2</u>	<u>0.6</u>	<u>0.5</u>	<u>–</u>	<u>207.3</u>
Net assets	<u>111.9</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>111.9</u>
Shareholders' funds					
Share capital	25.3	–	–	–	25.3
Share premium	41.5	–	–	–	41.5
Revaluation reserve	8.8	–	–	–	8.8
Other reserves	13.6	0.3	–	0.2	14.1
Retained earnings	19.0	(0.3)	–	(0.2)	18.5
	<u>108.2</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>108.2</u>
Minority interests	<u>3.7</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3.7</u>
Total equity	<u>111.9</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>111.9</u>

Adoption of IAS 32 and IAS 39 – notes

At 1 January 2005

(i) Derivatives

Under IAS 32 and IAS 39, all derivatives are recognised at fair value, with changes in the value recognised in the income statement immediately unless cash flow hedge accounting is adopted.

The portion of the cash flow hedge which is effective is recognised directly in the hedging reserve included in other reserves. The gain or loss is released to the income statement when the underlying transaction impacts the income statement.

Deferred taxation is provided on derivative gains and losses held in the hedging reserve. The hedging reserve includes the related deferred taxation.

(ii) Gross up borrowings

Under UK GAAP, cash and bank overdrafts which are subject to a common legal right of set-off are shown net. Under IAS 32, these are required to be shown gross. The Company is required to include accrued interest within bank balances and borrowings, whilst under UK GAAP, accrued interest was included in accruals.

(iii) Other

Other differences comprise a number of adjustments that are not individually significant.

Principal Accounting Policies

The principal accounting policies of the Group under IFRS are set out below. These have been applied with effect from 1 January 2004.

Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, available for sale investments, financial assets and financial liabilities held for trading.

The interim report that accompanies this document has been prepared in accordance with IAS 34 *Interim Financial Reporting* and IFRS 1 *First-time adoption of International Financial Reporting Standards*, as it is part of the period covered by the Group's first IFRS financial statements for the year ended 31 December 2005. Those interim financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations which are effective, or have been adopted early, as at 1 September 2005. The IFRS standards and IFRIC interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing those interim financial statements.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies.

The Group accounts include the financial statements of the Company and its subsidiaries, together with its share of associates. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date control ceases.

(b) Associates

An associate is an entity in which the Group has an effective interest of not less than 20% and over which it has the ability to exercise significant influence and that is not a subsidiary.

The Group's share of after tax results of associates is included separately in the income statement.

Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given exceeds the fair value of the net assets acquired.

Goodwill is recognised as an asset and is reviewed for impairment at least annually. Impairments are recognised immediately in the income statement. Goodwill is allocated to cash generating units for the purpose of impairment testing.

On the disposal of a business, goodwill relating to that business remaining on the balance sheet is included in the determination of the profit or loss on disposal.

Goodwill written off to reserves prior to 1998 has not been reinstated and will not be included in determining any subsequent profit or loss on disposal.

Revenue

Revenue represents the invoiced amount, excluding sales related taxes, of goods sold and services provided and is recognised when title passes to the customer or when the service has been rendered.

Revenue on long term contracts is recognised by reference to the value of the work done during the period.

Revenue is not recognised for barter transactions that involve the exchange of goods or services which are of a similar nature and value.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation and depreciated to their expected residual values on a straight line basis over their estimated useful lives, at the following rates:

Freehold property	2% – 10%
Leasehold land and buildings	life of lease
Oil and gas exploration and equipment	unit of production
Pipelines, tanks and associated equipment	4% – 20%
Plant and equipment	6% – 33 $\frac{1}{3}$ %

Principal Accounting Policies

(continued)

Freehold property and long leasehold land and buildings and terminals are revalued with sufficient regularity, at least every five years, such that the carrying amount does not differ materially from the fair value at the balance sheet date.

Computer software integral to an item of machinery is capitalised as part of the hardware.

Property, plant and equipment are impaired if their recoverable amount falls below their carrying value. Impairment losses are charged to the income statement immediately unless they arise on previously revalued assets, in which case they are recognised in the statement of recognised income and expense up to the amount of the revaluation and thereafter in the income statement.

Intangible Assets

Intangible assets are stated at cost. Intangible assets that have an indefinite useful life are not amortised but are reviewed annually for impairment. Those assets that have a finite life are amortised in accordance with the pattern of expected future economic benefits, or when this cannot be reliably estimated, by using the straight-line method. General computer software is capitalised as an intangible asset.

Foreign Currencies

Assets and liabilities of overseas subsidiaries and associates are translated into Sterling at the market rates ruling at the balance sheet date. Trading results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets of overseas subsidiaries and on foreign currency borrowings used to finance overseas net equity investments are dealt with through the foreign currency translation reserve, whilst those arising from trading transactions are dealt with in the income statement.

On disposal of a business, the cumulative exchange differences previously recognised in the foreign currency translation reserve relating to that business are transferred to the income statement as part of the gain or loss on disposal.

The Company has taken advantage of the exemption in IFRS 1 *First-time adoption of International Financial Reporting Standards*, whereby the cumulative translation differences for all foreign operations that existed at the date of transition to IFRS are deemed to be zero.

Deferred Taxation

Full provision is made for deferred taxation on all taxable temporary differences. Deferred tax assets and liabilities are recognised separately on the balance sheet. Deferred tax assets are recognised only to the extent that they are expected to be recoverable.

Deferred taxation is recognised in the income statement unless it relates to taxable transactions taken directly to equity, in which case the deferred tax is also recognised in equity. The deferred tax is released to the income statement at the same time as the taxable transaction is recognised in the income statement.

Deferred taxation on unremitted overseas earnings is provided for to the extent a tax charge is foreseeable.

Inventories and Construction Contracts

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method and net realisable value is the estimated selling price less costs of disposal in the ordinary course of business.

Construction contracts are stated at the lower of cost and estimated net realisable value less payments received and receivable on account. Cost includes production overheads and a proportion of administrative overheads in addition to direct labour and material costs.

Employee Benefits

Payments to defined contribution retirement schemes are charged to the income statement as they fall due.

For defined benefit retirement schemes, the expected cost of providing benefits is determined using the Projected Unit Credit Method, with qualified independent actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur, in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise amortised on a straight line basis over the average period until the benefits become vested.

As permitted by IFRS 1, all cumulative actuarial gains and losses have been recognised in reserves at the transition date.

The expected cost of post-employment benefit obligations are spread evenly over the period of service of the employees.

Principal Accounting Policies

(continued)

Share-based Payments

In accordance with the IFRS transitional provisions, IFRS 2 *Share-based Payments* has been applied from 1 January 2004 to grants of equity instruments issued after 7 November 2002 that had not vested by 1 January 2005. The derived cost of these instruments is spread evenly over the vesting period.

Leases

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset. Assets acquired under finance leases are recorded in the balance sheet as property, plant and equipment at their fair value and depreciated over the shorter of their estimated useful lives and their lease terms. All other leases are operating leases, and the rental of these is charged to the income statement as incurred over the life of the lease. Operating lease income is recognised in the income statement as it is earned.

Research and Development

Research costs and development costs ineligible for capitalisation are written off as incurred.

Principal Accounting Policies Adopted with IAS 32 and IAS 39

The following are the key accounting policies adopted in the preparation of the balance sheet at 1 January 2005, to reflect the adoption of IAS 32 and IAS 39:

Financial Assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available for sale financial assets. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. Financial assets cease to be recognised when the right to receive cash flows has expired or has been transferred and the Group has transferred substantially all the risks and rewards of ownership

(a) *Financial assets at fair value through profit or loss*

Gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise.

(b) *Loans and receivables*

Loans and receivables are carried at amortised cost.

(c) *Available for sale financial assets*

Investments are initially recognised at fair value plus transaction costs. Unrealised gains and losses arising from changes in the fair value are recognised in equity. Realised gains and losses including accumulated fair value adjustments are included in the income statement.

Financial Liabilities

The Group classifies all of its financial liabilities at amortised cost other than long term loans subject to fair value hedges. Long term loans which have been designated as part of a fair value hedging relationship are adjusted by the fair value of the hedging instrument to the extent that it meets the hedge accounting criteria.

Derivatives and Financial Instruments

Derivatives are initially recognised at fair value and are subsequently re-measured at their fair value at each balance sheet date. Recognition of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if it is, the nature of the item being hedged.

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

The Group designates derivatives that qualify for hedge accounting as either:

(a) *Fair value hedge*

Hedges of the fair value of recognised assets or liabilities are fair value hedges. Changes in the fair values of these derivatives are recorded in the income statement, together with changes in the fair values of the hedged items that are attributable to the hedged risk.

(b) *Cash flow hedge*

Hedges of highly probable forecast transactions are cash flow hedges. The effective portion of changes in the fair value of these derivatives are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are dealt with in the income statement at the same time as the gains or losses on the hedged items. When a forecast transaction is no longer expected to occur, the cumulative gains or losses that were reported in equity are immediately transferred to the income statement.

(c) *Net investment hedge in foreign operations*

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in equity; gains or losses relating to the ineffective portion are recognised immediately in the income statement. Gains and losses accumulated in equity are released to the income statement when the foreign operation is sold.

The fair value of forward foreign exchange contracts and commodity based derivatives which are traded in active markets is based on quoted market prices at the balance sheet date. The fair value of other financial instruments that are not traded in an active market is determined by using valuation techniques, predominantly discounted cash flows.

Key Exemptions and Exceptions

In adopting IFRS, the principal exemptions and exceptions applied by the Company, as set out within IFRS 1 are as follows:

1. Business combinations – the Company has elected not to restate business combinations prior to 1 January 2004.
2. Fair value or revaluation as deemed cost – the Company has elected not to fair value its property, plant and equipment at 1 January 2004.
3. Employee benefits – the Company has elected to recognise all cumulative actuarial gains and losses on its defined benefit pension schemes as at 1 January 2004.
4. Foreign currency translation differences – the Company has elected to commence the foreign currency translation reserve at 1 January 2004.
5. Share based payments – the Company has elected to apply the exemption whereby IFRS 2 only applies to share options granted after 7 November 2002 but that have not vested by 1 January 2005.
6. Restatement of comparatives for IAS 32 and IAS 39 – the Company has elected to adopt IAS 32 and IAS 39 with effect from 1 January 2005. Comparative information for 2004 has not been restated.

SHARE INFORMATION

The Ordinary shares of the Company are quoted on London Stock Exchange plc.
Telephone information on the latest share price is available on 0906 003 2942.

Lloyds TSB Registrars offers a range of shareholder information and dealing services on www.shareview.co.uk

MARKET MAKERS

The following companies have indicated to the London Stock Exchange that they make a market in the Company's Ordinary shares:

ABN Amro Bank NV
Merrill Lynch International
Numis Securities
Williams de Broë
Winterflood Securities



3 Cockspur Street, London SW1Y 5BQ
Tel: 020 7321 0123 Fax: 020 7839 2072
www.hunting.plc.uk