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UK RELEASE

COMPANY ANNOUNCEMENT

Guinness Peat Group plc (“GPG” or “the Company”)

Report on transition to International Financial Reporting Standards (“IFRS”)

The following release provides an analysis of the key changes to GPG consolidated reported results arising from the implementation of IFRS.

GPG is publishing in this separate Announcement a narrative explanation and reconciliations between IFRS and previously reported financial information under UK GAAP as at 1 January 2004, 30 June 2004 and 31 December 2004.

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INTRODUCTION

Transition to International Financial Reporting Standards.

In accordance with EU Regulations, Guinness Peat Group plc and its subsidiaries together (“the Group”) is required to adopt International Financial Reporting Standards (“IFRS”) for accounting periods beginning on or after 1 January 2005 and prepare its consolidated financial statements on an IFRS basis.

The Group will report under IFRS for the first time in its interim results for the six months to 30 June 2005 and its first full financial statements under IFRS will be in its 2005 Annual Report. The IFRS results for the 2005 half year and the 2005 full year will include comparative IFRS information for the relevant corresponding periods in 2004.

This statement includes the consolidated results of the Group converted from a UK Generally Accepted Accounting Principles (“UK GAAP”) basis to an IFRS basis for the year to 31 December 2004, six months to 30 June 2004 and an opening balance sheet as at 1 January 2004.

This document also contains the principal accounting policies adopted under IFRS.

The more significant changes arising from the restatement relate to:

- The recognition, on the balance sheet, of pension scheme liabilities and of brands.
- The cessation of goodwill amortisation.
- The de-recognition of proposed dividends as liabilities at the balance sheet date.

BASIS OF PREPARATION

The financial information has been prepared in accordance with IFRS. The accounting policies applied are consistent with those that the Directors expect to use in the 31 December 2005 financial statements and assume that all IFRS, including the interpretation of those standards, issued by the IASB effective for 2005 reporting will be endorsed by the European Commission. There is, however, a possibility that the Directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with IFRS at 31 December 2005.

The rules for first time adoption are set out in IFRS 1 - *First-time Adoption of International Financial Reporting Standards*. In general, a company is required to select IFRS accounting policies and apply these retrospectively to determine its opening balance sheet under IFRS. The standard allows a number of exceptions to this general principle to assist companies as they change to reporting under IFRS. The Group has taken advantage of certain of these exemptions as noted below:

Business combinations: business combinations prior to the IFRS transition date (1 January 2004) have not been restated onto an IFRS basis.

Financial instruments: financial instruments in the comparative period to be presented in the 2005 Annual Report are recorded on the existing UK GAAP basis, rather than in accordance with IAS 32 – *Financial Instruments: Disclosure and Presentation* and IAS 39 – *Financial Instruments: Recognition and Measurement*. Transition to IAS 32 and IAS 39 is effective from 1 January 2005.

Fair value or revaluation as deemed cost: the Group has not elected to fair value its property, plant and equipment at IFRS transition date and has adopted the UK GAAP values at the date of IFRS transition.

Share based payments: the Group has elected only to apply IFRS 2: *Share-based Payment* to equity instruments that were granted on or after 7 November 2002 and that vested after 1 January 2005.

Employee benefits: all cumulative actuarial gains and losses on the Group's defined benefit pension schemes have been recognised in equity at the IFRS transition date.

Cumulative translation difference: IAS 21: *The Effects of Changes in Foreign Exchange Rates* requires translation differences relating to net investments in foreign operations to be classified as a separate component of equity. In accordance with IFRS 1, the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition.

ACCOUNTING POLICIES ADOPTED UNDER IFRS

Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Commission, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Accounting Standards and Standing Interpretations Committee interpretations approved by the predecessor International Accounting Standards Committee that have been subsequently authorised by the IASB and remain in effect.

An explanation of how the transition to IFRS has affected the reported position, financial performance and cash flows of the Group is provided later in this document.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for accounting periods after 1 January 2005 where certain financial instruments have been measured at fair value. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transition to IFRS except for the accounting policies required by IAS 32 and IAS 39 which will not be adopted until 1 January 2005 when the Group adopts these standards.

Basis of consolidation

(i) Subsidiaries

Subsidiaries are consolidated from the date on which control over the operating and financial decisions is obtained and cease to be consolidated from the date on which control is transferred out of the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in determining the existence or otherwise of control.

(ii) Investment in associates

The Group's investment in associates is accounted for under the equity method of accounting. These are entities in which the Group has the ability to exert significant influence and which are neither subsidiaries nor joint ventures. The investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The income statement reflects the share of the results of operations of associates.

If the Group's share of losses exceeds the carrying amount of an associated undertaking, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the undertaking.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, where applicable, in the statement of recognised income and expenses.

(iii) Interest in joint ventures

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method as allowed under the 'alternative accounting rules' set out in IAS 31 - *Interests in Joint Ventures*

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with the other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Basis of consolidation continued:-

(iv) Transactions eliminated on consolidation

Intra-group balances, transactions, income and expenses are eliminated in full in preparing the consolidated financial statements.

Foreign currency

(i) Foreign currency translation

GPG's functional and the Group's presentation currency is the Pound Sterling. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All currency differences are taken to the income statement with the exception of differences on receivables and payables that represent a net investment in a foreign operation, which are taken directly to equity until disposal of the net investment, at which time they are recycled through the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

(ii) Group companies

Assets and liabilities of overseas subsidiaries are translated into the presentation currency of GPG at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rates for the year. The exchange differences arising on the retranslation since 1 January 2004 are taken to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement. Translation differences that arose before the date of transition to IFRS in respect of all foreign entities are not presented as a separate component.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are regarded as assets and liabilities of the foreign operation, expressed in the functional currency of the foreign operation and recorded at the exchange rate at the date of the transaction and subsequently retranslated at the applicable closing rates.

Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairments.

(ii) Leased assets

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(iii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of property, plant and equipment, and major components that are accounted for separately. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings - 50 years to 100 years

Leasehold buildings - 10 years to 25 years or over the term of the lease if shorter

Plant and equipment - 3 years to 50 years
Vehicles and office equipment - 2 years to 10 years

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Intangible assets

(i) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or joint venture at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

In respect of acquisitions prior to 1 January 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 January 2004 has not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2004.

(ii) Brands

Brands with finite useful lives are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their useful lives of up to 10 years. Brands with indefinite useful lives are carried at cost less impairment.

(iii) Computer software

Acquired computer software licences and computer software development costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are amortised over their estimated useful lives of up to 5 years.

(iv) Research and development

All research and development costs are expensed as they are incurred.

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials - purchase cost on a first-in, first-out basis;

Finished goods and work in progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for obsolete, slow moving and defective inventories.

Progress payments in excess of the value of the work performed are included in creditors as payments on account.

Land for resale, which is included in work in progress, is valued at the lower of cost and net realisable value. Cost includes capitalised interest and those costs necessary to prepare the land for sale.

Amounts recoverable on construction contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Cumulative costs incurred, net of the amounts transferred to cost of sales, after deducting foreseeable losses, provisions for contingencies and payments on account not matched with turnover, are included as construction contract balances in inventories.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Investments

Investments acquired with the intention of being held for the long term (excluding investments in subsidiaries, associates, joint ventures and joint arrangements) are recorded as fixed asset investments and are stated at cost or, where there has been a permanent diminution in value, at directors' valuation. Investments in art portfolios are valued at cost or, where there has been an impairment in value, at directors' valuation.

Listed investments held as current assets, including derivatives held as part of the Group's investment portfolio, are stated at market value.

Unlisted investments held as current assets are stated at the lower of cost and directors' valuation, including subsidiaries acquired with the intention of resale.

The following accounting policy will be adopted in the full year financial statements for 2005 when the Group adopts IAS 32 and IAS 39 on 1 January 2005:

Investments are recognised and derecognised on a trade date basis and are initially measured at fair value plus directly attributable transaction costs. Investments are classified as either held for trading or long-term investments (available-for-sale), and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For long-term investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as long-term investments are not subsequently reversed through profit or loss.

Borrowings

The following accounting policies will be adopted in the full year financial statements for 2005 when the Group adopts IAS 32 and IAS 39 on 1 January 2005.

(i) Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(ii) Convertible loan notes ("CLNs")

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loan note into equity of the Group, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity. Interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-

convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment or specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs, except where otherwise stated, are recognised in profit or loss in the period in which they are incurred.

Employee benefits

(i) Pension obligations

The retirement benefit obligation recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method, and includes administration costs in relation to pension scheme obligations. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged directly to equity. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expenses when they are due. Repaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Share-based compensation

The Group operates equity-settled compensation plans for the granting of non-transferable options to employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant dates of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions, with a corresponding increase in equity. For shares granted to employees, the fair value of the shares is measured at the market price of GPG shares, adjusted to take into account the terms and conditions upon which the shares were granted. The fair value of share options is measured using an adjusted version of the Black-Scholes pricing model to reflect the terms and conditions of the options granted, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

Employee benefits continued:-

(iv) Profit-sharing plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Short term employee benefits

Employee entitlements to salaries and wages and annual leave, to be settled within 12 months of the reporting date, represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition, management must be committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and their fair value less costs to sell.

Revenue recognition

Revenue comprises the fair value of the sale of goods and services, net of VAT, discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods

Sales of goods are recognised in revenue when the associated risks and rewards of ownership of the goods have been transferred to the buyer.

(ii) Sales of services

Sales of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Income from sales of property

Income from sales of property is recognised on completion when legal title of the land passes to the buyer.

(iv) Contracting revenue

Contracting revenue comprises the fair value of work executed during the year.

(v) Dividends

Income from equity investments is recognised when the legal entitlement vests. Dividends from UK companies are presented net of the attributable tax credit. Dividends received from overseas companies include any withholding taxes, but exclude any underlying tax paid by the investee company on its own profit. Special dividends arising from the Group's investments are included as income in the income statement and, where appropriate, an impairment provision is recognised against the investment.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxation is measured on a non-discounted basis. The following temporary differences are not provided for: goodwill not deducted for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

EXPLANATION OF IFRS ADJUSTMENTS

The following paragraphs explain the key adjustments made to the financial results for the opening balance sheet as at 1 January 2004, the six months to 30 June 2004 and for the year ended 31 December 2004.

The explanatory notes below should be read in conjunction with the appendices referred to below:

Appendix (a) - presents the previously published UK GAAP balance sheet as at 31 December 2003 in IFRS format.

Appendix (b) - presents the reconciliation of equity as at 1 January 2004 from UK GAAP to IFRS.

Appendix (c) - presents the reconciliation of equity as at 31 December 2004.

Appendix (d) - presents the reconciliation of the income statement for the year ended 31 December 2004.

Appendix (e) - presents the reconciliation of equity as at 30 June 2004.

Appendix (f) - presents the reconciliation of the income statement for the six months ended 30 June 2004.

IFRS 1 exemptions

IFRS 1 – (*First Time Adoption of IFRS*), permits companies adopting IFRS for the first time to take exemptions from applying the full requirements of IFRS to certain items. In preparing the financial information in this document, the Group has taken the following exemptions:

a. Business combinations

Business combinations prior to the IFRS transition date (1 January 2004) have not been restated on to an IFRS basis. As a result, in the transition balance sheet, goodwill arising from past business combinations remains as stated under UK GAAP £1.4m. Negative goodwill of £9.7m has been derecognised.

b. Employee benefits

All cumulative actuarial gains and losses relating to employee benefit schemes have been recognised in equity at the date of transition to IFRS.

c. Cumulative translation reserves

IFRS requires amounts taken to reserves on the retranslation of foreign subsidiaries to be recorded in a separate translation reserve. The Group has taken the option to assume that cumulative translation differences are set to zero at the transition date. On future disposal of a business, the cumulative amount of exchange differences recognised for that business since the transition date will be transferred to the income statement as part of the profit or loss on disposal.

d. Financial instruments

As permitted, the implementation of IAS 32 - *Financial Instruments: Disclosure and Presentation*, and IAS 39 – *Financial Instruments: Recognition and Measurement*, will be first applied to the financial year ending 31 December 2005. As a result, financial instruments will continue to be accounted for and presented in accordance with UK GAAP for the year ended 31 December 2004.

Explanations of key IFRS adjustments

1. Intangible assets

a) Goodwill

UK GAAP required goodwill to be amortised over its estimated useful life, which the Group had determined to be 10 years. Under IFRS, goodwill is considered to have an indefinite life and so is not amortised. Instead it is subject to an annual test for impairment. Accordingly the £3.8m goodwill amortisation charge for the year ended 31 December 2004 under UK GAAP has been reversed. Under IFRS, negative goodwill is not recognised and so £9.7m and £7.4m of negative goodwill for subsidiaries and associates respectively has been derecognised as at 1 January 2004. The annual impairment test under IFRS during the year ended 31 December 2004 did not result in any reduction in the carrying value of goodwill.

b) Computer software

Under UK GAAP, all capitalised computer software was included within tangible fixed assets as plant and equipment. Under IFRS, only computer software that is integral to a related item of hardware should be included as plant and equipment. All other computer software should be recorded as intangible assets. Accordingly, a reclassification of £8.6m and £9.0m between property, plant and equipment and intangible assets has been made at 30 June 2004. and 31

December 2004 respectively. There is no profit and loss account impact as a result of this reclassification since, under both UK GAAP and IFRS, computer software is written down over its estimated useful life.

2. Share-based payments

The Group operates equity-settled compensation plans for the granting of non-transferable options to senior executives. For shares granted to employees, the fair value of the shares is measured at the market price of GPG shares, adjusted to take into account the terms and conditions upon which the shares were granted. The fair value of share options is measured using an adjusted version of the Black-Scholes pricing model to reflect the terms and conditions of the options granted, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioral considerations. The charge to income for the six months ended 30 June 2004 and year ended 31 December 2004 was £0.2m and £0.5m respectively. This charge has no impact on net assets since the credit is reflected in equity.

3. Pensions

Under UK GAAP, GPG accounted for pensions in accordance with SSAP 24. SSAP 24 adopted a profit and loss driven approach which spread the cost of providing benefits over the estimated average service lives of employees. This resulted in a stable, regular cost with the smoothing of assumptions and asset values. The SSAP 24 discount rate was based on the long-term estimate of the scheme's investment return. Typically, under SSAP 24, pension costs were reviewed triennially.

Under UK GAAP, the Group also provided the required disclosures in accordance with FRS 17 which detailed the pension fund surpluses and deficits and the assets and liabilities based on the valuation methodologies of that standard. FRS 17 is fundamentally different to SSAP 24 and adopts a balance sheet driven approach with market-based measures and thus there is no smoothing of assumptions. The discount rate under FRS 17 is based on the market yield of a high quality corporate bond at the valuation date. Valuations are updated annually. IAS 19 adopts a similar valuation approach to FRS 17. In addition, GPG has chosen to adopt the amendment to IAS 19 – *Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures*, from the transition date which allows actuarial gains and losses to be accounted through the Statement of Recognised Income and Expense, similar to FRS 17.

The impact of IAS 19 on the UK GAAP net assets is shown below:

Reduction in UK GAAP net assets (including deferred tax):

Transition balance sheet - 1 January 2004 – £90.4m;

30 June 2004 - £92.3m; and

31 December 2004 - £113.3m.

4. Taxation

Under UK GAAP deferred taxation was recognised on the basis of timing differences, being the difference between accounting profit and taxable profit. IFRS requires deferred taxation to be based on temporary differences, being the difference between the carrying value of an asset or liability and its tax base.

Under IFRS, deferred tax assets and deferred tax liabilities are, in certain circumstances, offset where legally enforceable rights exist. Net additional deferred tax liabilities of £8.1m have been recognised under IFRS for the year ended 31 December 2004 and £6.6m for the six months ended 30 June 2004 largely to reflect deferred tax on the undistributed reserves of subsidiaries.

5. Ordinary dividends

Under UK GAAP, proposed ordinary dividends were accounted for in the period to which they related even if the approval of that dividend took place after the balance sheet date. Under IFRS, proposed ordinary dividends do not meet the definition of a liability until such time as they have been approved. In the case of a final ordinary dividend this approval is by shareholders at the Annual General Meeting. The approval of an interim dividend takes place at a meeting of the Board of Directors. Under IFRS, ordinary dividends are no longer disclosed on the face of the profit and loss account but shown as a movement in equity. The final dividend for the year ended 31 December 2003 of £6.9m has been reversed in the transition balance sheet and charged to equity in 2004. The final dividend for the year ended 31 December 2004 of £8.7m has been reversed from the accounts for the period then ended.

6. Cash flow statements

An IFRS cash flow statement is similar to UK GAAP but presents various cash flows in different categories and in a different order from UK GAAP.

A significant difference between the classification of cash, under UK GAAP and IFRS frameworks is that IFRS includes “cash equivalents” in the cash flow statement. Therefore the Group has included significant short term deposits in the IFRS cash flow statement that were not included in the UK GAAP cash flow statement.

7. Foreign exchange

IAS 21 requires the income statement of foreign subsidiaries to be translated at average rates. GPG's policy prior to the transition of IFRS was to use the exchange rates ruling at the balance sheet date.

8. Discontinued operations

The adjustments to property, plant and equipment, investments in joint ventures, inventories, trade and other receivables, trade and other payables arise due to the reclassification under IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations* certain assets and liabilities as assets and liabilities held for sale and due to certain businesses being deconsolidated as they represent joint ventures

9. Revenue recognition

Under UK GAAP the Group accounted for revenue from property development contracts using the percentage of completion method and therefore recognised revenue and cost of sales during construction in line with performance on the contract. However, these contracts do not meet the definition of construction contracts under “IAS 11: *Construction Contracts*” and therefore are accounted for in accordance with “IAS 18: *Revenue*”. IAS 18 only allows revenue to be recognised on the sale of goods when the risks and rewards of ownership have been transferred to the buyer which occurs at completion when legal title passes.

Appendix (a) - Reconciliation of equity at 1 January 2004

(a) IFRS Balance Sheet as at 1 January 2004 (Opening Balance Sheet)
Effect of IAS 1, 'Presentation of Financial Statements' on UK GAAP balances

UK GAAP Balances in UK GAAP format						UK GAAP Balances in IFRS format
	£m	Debtors £m	Creditors £m	Investments £m	Provisions £m	
Fixed assets						Non current assets
Intangible assets	(8.3)					Intangible assets
Tangible assets	77.1					Property, plant and equipment
Investments	291.5			(253.2)		Investments in associated undertakings
				95.3		Investments in joint ventures
				157.9		Fixed asset investments
		3.6				Deferred tax assets
		1.6				Trade and other receivables
Total fixed assets	360.3	5.2	-	-	-	Total non-current assets
Current assets						Current assets
Stocks	28.2					Inventories
Debtors	93.2	(5.2)				Trade and other receivables
Investments	17.4					Current asset investments
Cash at bank	289.5					Cash and cash equivalents
Total current assets	428.3	(5.2)	-	-	-	
Creditors: Amounts falling due within one year						Current liabilities
Trade and other creditors	126.9		(6.9)			Trade and other payables
Convertible subordinated loan notes	6.0					Convertible subordinated loan notes
			6.9			Income tax liabilities
					2.4	Provisions
Other borrowings	0.8					Other borrowings
Total current liabilities	133.7	-	-	-	2.4	
Creditors: Amounts falling due after one year						Non-current liabilities
Trade and other creditors	1.6					Trade and other payables
Convertible subordinated loan notes	6.0					Convertible subordinated loan notes
Capital notes	166.5					Capital notes
					1.8	Deferred tax liabilities
Other borrowings	22.5					Other borrowings
					6.4	Provisions
Total long-term creditors	196.6	-	-	-	8.2	
Provisions for liabilities and charges	10.6	-	-	-	(10.6)	
Net assets	447.7	-	-	-	-	
Capital and reserves						Equity
Share capital	34.5					Share capital
Share premium account	3.4					Share premium account
Other reserves	261.1					Other reserves
Profit and loss account	130.9					Retained earnings
Equity shareholder's funds	429.9					
Minority interests	17.8					Minority interests
	447.7	-	-	-	-	

Appendix (b) - Reconciliation of equity at 1 January 2004

(b) IFRS Balance Sheet as at 1 January 2004 (Opening Balance Sheet)

UK GAAP Balances in IFRS format	UK GAAP	Events after bs date	Income taxes	Leases	Revenue	Employee Benefits	Foreign exchange	Investments in assoc.	Impairment of assets	Agriculture	Share based payments	Business combinations	Discontinued operations	Total IFRS Adjs	IFRS
	£m	IAS 10	IAS 12	IAS 17	IAS 18	IAS 19	IAS 21	IAS 28	IAS 36	IAS 41	IFRS 2	IFRS 3	IFRS 5	£m	£m
Non current assets															
Intangible assets	(8.3)											9.7		9.7	1.4
Property, plant and equipment	77.1												(0.7)	(0.7)	76.4
Investments in associated undertakings	38.3		(0.4)	(0.1)	(0.9)	0.1		1.1	(0.3)		(1.0)	7.4		5.9	44.2
Investments in joint ventures	95.3		(5.6)			(49.4)	(0.1)					1.0		(54.1)	41.2
Fixed asset investments	157.9							(0.5)						(0.5)	157.4
Deferred tax assets	3.6		0.9											0.9	4.5
Trade and other receivables	1.6													-	1.6
Total non-current assets	365.5	-	(5.1)	(0.1)	(0.9)	(49.3)	(0.1)	0.6	(0.3)	-	(1.0)	18.1	(0.7)	(38.8)	326.7
Current assets															
Inventories	28.2				2.2									2.2	30.4
Trade and other receivables	88.0		(0.9)		(7.4)					0.1				(8.2)	79.8
Held for trading investments	17.4														17.4
Cash and cash equivalents	289.5														289.5
Total current assets	423.1	-	(0.9)	-	(5.2)	-	-	-	-	0.1	-	-	-	(6.0)	417.1
Non current assets Held-for-Sale													0.7	0.7	0.7
Total assets	788.6	-	(6.0)	(0.1)	(6.1)	(49.3)	(0.1)	0.6	(0.3)	0.1	(1.0)	18.1	-	(44.1)	744.5
Current liabilities															
Trade and other payables	120.0	(6.9)			(0.6)	(0.2)								(7.7)	112.3
Current income tax liabilities	6.9														6.9
Convertible subordinated loan notes	6.0														6.0
Provisions	2.4														2.4
Other borrowings	0.8														0.8
Total current liabilities	136.1	(6.9)	-	-	(0.6)	(0.2)	-	-	-	-	-	-	-	(7.7)	128.4
Non-current liabilities															
Trade and other payables	1.6														1.6
Convertible subordinated loan notes	6.0														6.0
Capital notes	166.5														166.5
Deferred tax liabilities	1.8		(1.0)											(1.0)	0.8
Other borrowings	22.5													-	22.5
Retirement benefit obligations						41.5								41.5	41.5
Provisions	6.4					(0.2)								(0.2)	6.2
Total Non-current liabilities	204.8	-	(1.0)	-	-	41.3	-	-	-	-	-	-	-	40.3	245.1
Total Liabilities	340.9	(6.9)	(1.0)	(0.1)	(0.6)	41.1	(0.1)	0.6	(0.3)	0.1	(1.0)	18.1	-	32.6	373.5
Net assets	447.7	6.9	(5.0)	(0.1)	(5.5)	(90.4)	(0.1)	0.6	(0.3)	0.1	(1.0)	18.1	-	(76.7)	371.0
Equity															
Share capital	34.5														34.5
Share premium account	3.4										0.1			0.1	3.5
Other reserves	261.1														261.1
Retained earnings	130.9	6.9	(5.3)	(0.1)	(3.8)	(90.4)	(0.1)	0.4	(0.3)	0.1	(1.1)	18.1		(75.6)	55.3
Total equity shareholders' funds	429.9	6.9	(5.3)	(0.1)	(3.8)	(90.4)	(0.1)	0.4	(0.3)	0.1	(1.0)	18.1	-	(75.5)	354.4
Minority interests	17.8		0.3		(1.7)			0.2						(1.2)	16.6
Total equity	447.7	6.9	(5.0)	(0.1)	(5.5)	(90.4)	(0.1)	0.6	(0.3)	0.1	(1.0)	18.1	-	(76.7)	371.0

Appendix (c) - Reconciliation of equity at 31 December 2004

(c) IFRS Balance Sheet as at 31 December 2004

UK GAAP Balances in IFRS format UK	UK GAAP	Events after BS date	Income taxes	Leases	Revenue Recognition	Employee benefits	Foreign exchange	Consolidated FS	Investments in assoc.	Impairment of assets	Intangible assets	Share based Payments	Business combinations	Discontinued operations	Total IFRS	IFRS
	£m	IAS 10	IAS 12	LAS 17	IAS 18	IAS 19	IAS 21	IAS 27	IAS 28	IAS 36	IAS 38	IFRS 2	IFRS 3	IFRS 5	IFRS Adjs	£m
Non current assets																
Intangible assets	137.9		2.7			8.6	(0.2)			5.3	9.0		(1.0)	(2.2)	22.2	160.1
Property, plant and equipment	399.3							(15.7)			(9.0)			(32.0)	(56.7)	342.6
Investments in associated undertakings	39.6		(0.1)	(0.1)	(0.2)	0.2			1.2	(0.9)		(1.0)	8.1		7.2	46.8
Investments in joint ventures	9.5					(6.6)		9.3		0.4					3.1	12.6
Available-for sale investments	159.2								(0.5)						(0.5)	158.7
Deferred tax assets	15.2		0.7			0.7									1.4	16.6
Trade and other receivables	50.8					(23.3)									(23.3)	27.5
Total non-current assets	811.5	-	3.3	(0.1)	(0.2)	(20.4)	(0.2)	(6.4)	0.7	4.8	-	(1.0)	7.1	(34.2)	(46.6)	764.9
Current assets																
Inventories	183.8				5.4			(2.3)						(1.1)	2.0	185.8
Trade and other receivables	273.4				(7.9)		(0.8)	3.7						(0.4)	(5.4)	268.0
Held for trading investments	27.3													(6.7)	(6.7)	20.6
Cash and cash equivalents	283.7							(1.1)							(1.1)	282.6
Total current assets	768.2	-	-	-	(2.5)	-	(0.8)	0.3	-	-	-	-	-	(8.2)	(11.2)	757.0
Non-current assets classified as held-for-sale														59.9	59.9	59.9
Total assets	1,579.7	-	3.3	(0.1)	(2.7)	(20.4)	(1.0)	(6.1)	0.7	4.8	-	(1.0)	7.1	17.5	2.1	1,581.8
Current liabilities																
Trade and other payables	278.1	(8.7)			(0.9)	0.1	(0.3)	4.5						(0.1)	(5.4)	272.7
Current income tax liabilities	23.5															23.5
Convertible subordinated loan notes	6.0															6.0
Provisions	98.7					6.6							(3.1)		3.5	102.2
Other borrowings	46.7							(1.3)							(1.3)	45.4
Total current liabilities	453.0	(8.7)	-	-	(0.9)	6.7	(0.3)	3.2	-	-	-	-	(3.1)	(0.1)	(3.2)	449.8
Non-current liabilities																
Trade and other payables	3.6															3.6
Capital notes	172.0															172.0
Deferred tax liabilities	5.4		9.6			(0.1)									9.5	14.9
Other borrowings	267.2															267.2
Retirement benefit obligation - funded						90.8									90.8	90.8
Retirement benefit obligation - unfunded						61.1									61.1	61.1
Provisions	100.2					(65.6)								(12.7)	(78.3)	21.9
Total Non-current liabilities	548.4	-	9.6	-	-	86.2	-	-	-	-	-	-	-	(12.7)	83.1	631.5
Liabilities directly associated with non-current assets classified as held-for-sale														30.5	30.5	30.5
Total liabilities	1,001.4	(8.7)	9.6	(0.1)	(0.9)	92.9	(0.3)	3.2	0.7	4.8	-	(1.0)	(3.1)	17.7	110.4	1,111.8
Net assets	578.3	8.7	(6.3)	(0.1)	(1.8)	(113.3)	(0.7)	(9.3)	0.7	4.8	-	(1.0)	10.2	(0.2)	(108.3)	470.0
Equity																
Share capital	43.5															43.5
Share premium account	10.6											0.4			0.4	11.0
Other reserves	304.9		0.2		0.2	(1.2)	(0.1)			(0.1)		(0.1)	(7.3)		(8.4)	296.5
Retained earnings	155.4	8.7	(6.1)	(0.1)	(1.4)	(112.1)	(0.6)		0.5	4.9		(1.4)	17.5	(0.2)	(90.3)	65.1
Total equity shareholders' funds	514.4	8.7	(5.9)	(0.1)	(1.2)	(113.3)	(0.7)	-	0.5	4.8	-	(1.1)	10.2	(0.2)	(98.3)	416.1
Minority interests	63.9		(0.4)		(0.6)			(9.3)	0.2			0.1			(10.0)	53.9
Total equity	578.3	8.7	(6.3)	(0.1)	(1.8)	(113.3)	(0.7)	(9.3)	0.7	4.8	-	(1.0)	10.2	(0.2)	(108.3)	470.0

Appendix (d) – Reconciliation of income statement for the year ended 31 December 2004

(d) IFRS Income statement for the year ended 31 December 2004

UK GAAP Balances in IFRS format	UK GAAP £m	Presentation of FS IAS 1 £m	Inventories IAS 2 £m	Events after BS date IAS 10 £m	Income taxes IAS 12 £m	Revenue recognition IAS 18 £m	Employee benefits IAS 19 £m	Foreign exchange IAS 21 £m	Consolidated FS IAS 27 £m	Investments in assoc. IAS 28 £m	Impairment of assets IAS 36 £m	Agriculture IAS 41 £m	Share based payments IFRS 2 £m	Business combinations IFRS 3 £m	Discontinued operations IFRS 5 £m	Total IFRS Adjs £m	IFRS £m
Continuing operations																	
Revenue	1,194.8					(0.9)		(8.1)							(265.9)	(274.9)	919.9
Cost of sales	(874.5)		0.6			3.2		6.8	(4.1)						222.8	229.3	(645.2)
Gross profit	320.3	-	0.6	-	-	2.3	-	(1.3)	(4.1)						(43.1)	(45.6)	274.7
Profit on disposal of investments and other net investment income	64.8							0.1	(0.1)								64.8
Distribution costs	(140.3)							2.5	0.1						1.0	3.6	(136.7)
Administrative expenses	(169.9)					0.3	(6.6)	1.1	2.8		5.1	(0.1)	(0.5)	(1.3)	35.2	36.0	(133.9)
Operating profit	74.9	-	0.6	-	-	2.6	(6.6)	2.4	(1.3)	-	5.1	(0.1)	(0.5)	(1.3)	(6.9)	(6.0)	68.9
Share of profit/(loss) of joint ventures	3.0	(4.9)			0.3		(1.4)	(0.3)	0.1		0.8				0.8	(4.6)	(1.6)
Share of profit/(loss) of associated undertakings	(2.2)	(4.4)			0.3	0.7		0.2		(0.1)	(0.7)			0.8	(0.5)	(3.7)	(5.9)
Finance costs	(43.5)	3.7	(0.6)				4.1	1.0	0.5							8.7	(34.8)
Profit before tax	32.2	(5.6)	-	-	0.6	3.3	(3.9)	3.3	(0.7)	(0.1)	5.2	(0.1)	(0.5)	(0.5)	(6.6)	(5.6)	26.6
Taxes	(8.0)	5.6			(1.4)		0.6	0.1	0.2	0.3					2.9	8.3	0.3
Profit from continuing operations	24.2	-	-	-	(0.8)	3.3	(3.3)	3.4	(0.5)	0.2	5.2	(0.1)	(0.5)	(0.5)	(3.7)	2.7	26.9
Discontinued operations																	
Gain on discontinued operations	1.8														3.4	3.4	5.2
Net profit	26.0	-	-	-	(0.8)	3.3	(3.3)	3.4	(0.5)	0.2	5.2	(0.1)	(0.5)	(0.5)	(0.3)	6.1	32.1
Attributable to:																	
Equity holders of the Company	25.3	-	-	-	(0.8)	2.2	(3.1)	2.9	0.1	0.2	5.1	(0.1)	(0.5)	(0.5)	(0.4)	5.1	30.4
Equity minorities interests	0.7					1.1	(0.2)	0.5	(0.6)		0.1				0.1	1.0	1.7

Appendix (e) - Reconciliation of equity at 30 June 2004

(e) IFRS Balance Sheet as at 30 June 2004

UK GAAP Balances in IFRS format	UK GAAP	Fair value adjustments	Revised UK GAAP figures	Income Statement										Share based payments		Business combinations		Discontinued operations	Total Adj	IFRS
	previously presented			IAS 12	Leases	Revenue	Employee	Foreign	Consolidated	Investments	Impairment	Intangible	Assets	Assets	IFRS 2	IFRS 3	IFRS 5			
	£m	£m	£m	IAS 17	IAS 18	IAS 19	IAS 21	IAS 27	IAS 28	IAS 36	IAS 38	IAS 41	IFRS 2	IFRS 3	IFRS 5	£m	£m	£m	£m	
Non current assets																				
Intangible assets	35.6	99.8	135.4	2.8		9.2	(0.2)			0.4	8.6				7.8	(1.8)	26.8		162.2	
Property, plant and equipment	405.4	(11.8)	393.6					(17.2)		0.2	(8.6)					(27.3)	(52.9)		340.7	
Investments in associated undertakings	43.2	(2.3)	40.9	(0.4)	(0.1)	(0.5)	0.3			1.1	(0.3)		(0.9)	8.2			7.4		48.3	
Investments in joint ventures	9.0		9.0			(6.4)		10.1	(0.2)	0.2							3.7		12.7	
Available-for-sale investments	161.8		161.8						(0.5)								(0.5)		161.3	
Deferred tax assets	2.3		2.3	1.8														1.8	4.1	
Trade and other receivables	42.1		42.1				(24.8)											(24.8)	17.3	
Total non-current assets	699.4	85.7	785.1	4.2	(0.1)	(0.5)	(21.7)	(0.2)	(7.1)	0.4	0.5	-	-	(0.9)	16.0	(29.1)	(38.5)		746.6	
Current assets																				
Inventories	260.3	(13.4)	246.9			3.0		(5.2)								(20.5)	(22.7)		224.2	
Trade and other receivables	* 315.8	(1.8)	314.0	(0.9)		(4.4)	2.5	0.8	3.0			0.1				(9.0)	(7.9)		306.1	
Held for trading investments	50.3	0.3	50.6																50.6	
Cash and cash equivalents	211.5	0.4	211.9														1.3	1.3	213.2	
Total current assets	837.9	(14.5)	823.4	(0.9)	-	(1.4)	2.5	0.8	(2.2)	-	-	-	0.1	-	-	(28.2)	(29.3)		794.1	
Non-current assets classified as held-for-sale																		55.9	55.9	
Total assets	1,537.3	71.2	1,608.5	3.3	(0.1)	(1.9)	(19.2)	0.6	(9.3)	0.4	0.5	-	0.1	(0.9)	16.0	(1.4)	(11.9)		1,596.6	
Current liabilities																				
Trade and other payables	* 298.6	(12.5)	286.1				0.1	(0.1)	2.8									(11.0)	(8.2)	277.9
Current income tax liabilities	14.6		14.6																14.6	
Convertible subordinated loan notes	6.0		6.0																6.0	
Other borrowings	82.5		82.5						(2.0)										(2.0)	80.5
Provisions	24.7	76.1	100.8				6.1								(3.3)			2.8	103.6	
Total current liabilities	426.4	63.6	490.0	-	-	-	6.2	(0.1)	0.8	-	-	-	-	-	(3.3)	(11.0)	(7.4)		482.6	
Non-current liabilities																				
Trade and other payables	1.1		1.1				35.8												35.8	36.9
Capital notes	159.5		159.5																	159.5
Deferred tax liabilities	14.0	(4.6)	9.4	8.4															8.4	17.8
Other borrowings	309.9		309.9																	309.9
Retirement benefit obligation - Funded		(0.6)	(0.6)				36.1												36.1	35.5
Retirement benefit obligation - Unfunded							59.5												59.5	59.5
Provisions	85.1	11.7	96.8				(64.5)											(20.4)	(84.9)	11.9
Total Non-current liabilities	569.6	6.5	576.1	8.4	-	-	66.9	-	-	-	-	-	-	-	-	(20.4)	54.9		631.0	
Liabilities directly associated with non-current assets classified as held-for-sale																		29.7	29.7	29.7
Total liabilities	996.0	70.1	1,066.1	8.4	-	-	73.1	(0.1)	0.8	-	-	-	-	-	(3.3)	(1.7)	77.2		1,143.3	
Net assets	541.3	1.1	542.4	(5.1)	(0.1)	(1.9)	(92.3)	0.7	(10.1)	0.4	0.5	-	0.1	(0.9)	19.3	0.3	(89.1)		453.3	
Equity																				
Share capital	42.8		42.8																	42.8
Share premium account	* 5.9		5.9										0.2						0.2	6.1
Other reserves	* 304.9		304.9	0.2		0.4	1.2	(14.1)		0.2			0.1	1.1				(10.9)	294.0	
Retained earnings	127.5		127.5	(4.9)	(0.1)	(1.7)	(93.5)	14.8		0.2	0.3		0.1	(1.2)	18.2	0.3	(67.5)		60.0	
Total equity shareholders' funds	481.1	-	481.1	(4.7)	(0.1)	(1.3)	(92.3)	0.7	-	0.2	0.5	-	0.1	(0.9)	19.3	0.3	(78.2)		402.9	
Minority interests	60.2	1.1	61.3	(0.4)		(0.6)			(10.1)	0.2									(10.9)	50.4
Total equity	541.3	1.1	542.4	(5.1)	(0.1)	(1.9)	(92.3)	0.7	(10.1)	0.4	0.5	-	0.1	(0.9)	19.3	0.3	(89.1)		453.3	

* Restated to reflect presentation adopted in December 2004.

Appendix (f) - Reconciliation of income statement for the six months ended 30 June 2004

(f) IFRS Income statement for the six months ended 30 June 2004

UK GAAP Balances in IFRS format	UK GAAP £m	Presentation of FS IAS 1 £m	Inventories IAS 2 £m	Income taxes IAS 12 £m	Revenue recognition IAS 18 £m	Employee benefits IAS 19 £m	Foreign exchange IAS 21 £m	Consolidated FS IAS 27 £m	Investments in assoc. IAS 28 £m	Impairment of assets IAS 36 £m	Share based payments IFRS 2 £m	Business combinations IFRS 3 £m	Discontinued operations IFRS 5 £m	Total IFRS Adjs £m	IFRS £m
Continuing operations															
Revenue	478.6				1.6		2.5						(144.0)	(139.9)	338.7
Cost of sales	(349.7)		0.2		1.0		(2.3)	(1.4)					116.3	113.8	(235.9)
Gross profit	128.9	-	0.2	-	2.6	-	0.2	(1.4)	-	-	-	-	(27.7)	(26.1)	102.8
Profit on disposal of investments and other net investment income	28.5														28.5
Distribution costs	(50.9)												7.4	7.4	(43.5)
Administrative expenses	(78.1)				0.1	(1.8)	0.7	0.9		0.1	(0.2)	(0.6)	18.4	17.6	(60.5)
Operating profit	28.4	-	0.2	-	2.7	(1.8)	0.9	(0.5)	-	0.1	(0.2)	(0.6)	(1.9)	(1.1)	27.3
Share of profit/(loss) of joint ventures	3.9	(5.0)		0.3		(1.5)	(0.2)			0.7			0.2	(5.5)	(1.6)
Share of profit/(loss) of associated undertakings	(0.5)	(1.1)			0.4		0.1			0.1		0.8		0.3	(0.2)
Finance costs	(19.1)	3.9	(0.2)			(0.1)	1.2	0.2	(0.2)				0.1	4.9	(14.2)
Profit before tax	12.7	(2.2)	-	0.3	3.1	(3.4)	2.0	(0.3)	(0.2)	0.9	(0.2)	0.2	(1.6)	(1.4)	11.3
Taxes	(7.1)	2.2		0.1			0.1	0.1					0.7	3.2	(3.9)
Profit from continuing operations	5.6	-	-	0.4	3.1	(3.4)	2.1	(0.2)	(0.2)	0.9	(0.2)	0.2	(0.9)	1.8	7.4
Discontinued operations															
Gain on discontinued operations													1.3	1.3	1.3
Net profit	5.6	-	-	0.4	3.1	(3.4)	2.1	(0.2)	(0.2)	0.9	(0.2)	0.2	0.4	3.1	8.7
Attributable to:															
Equity holders of the Company	5.3	-	-	0.3	2.0	(3.2)	1.7	-	(0.2)	0.8	(0.2)	0.2	0.3	1.7	7.0
Equity minorities interests	0.3			0.1	1.1	(0.2)	0.4	(0.2)		0.1			0.1	1.4	1.7