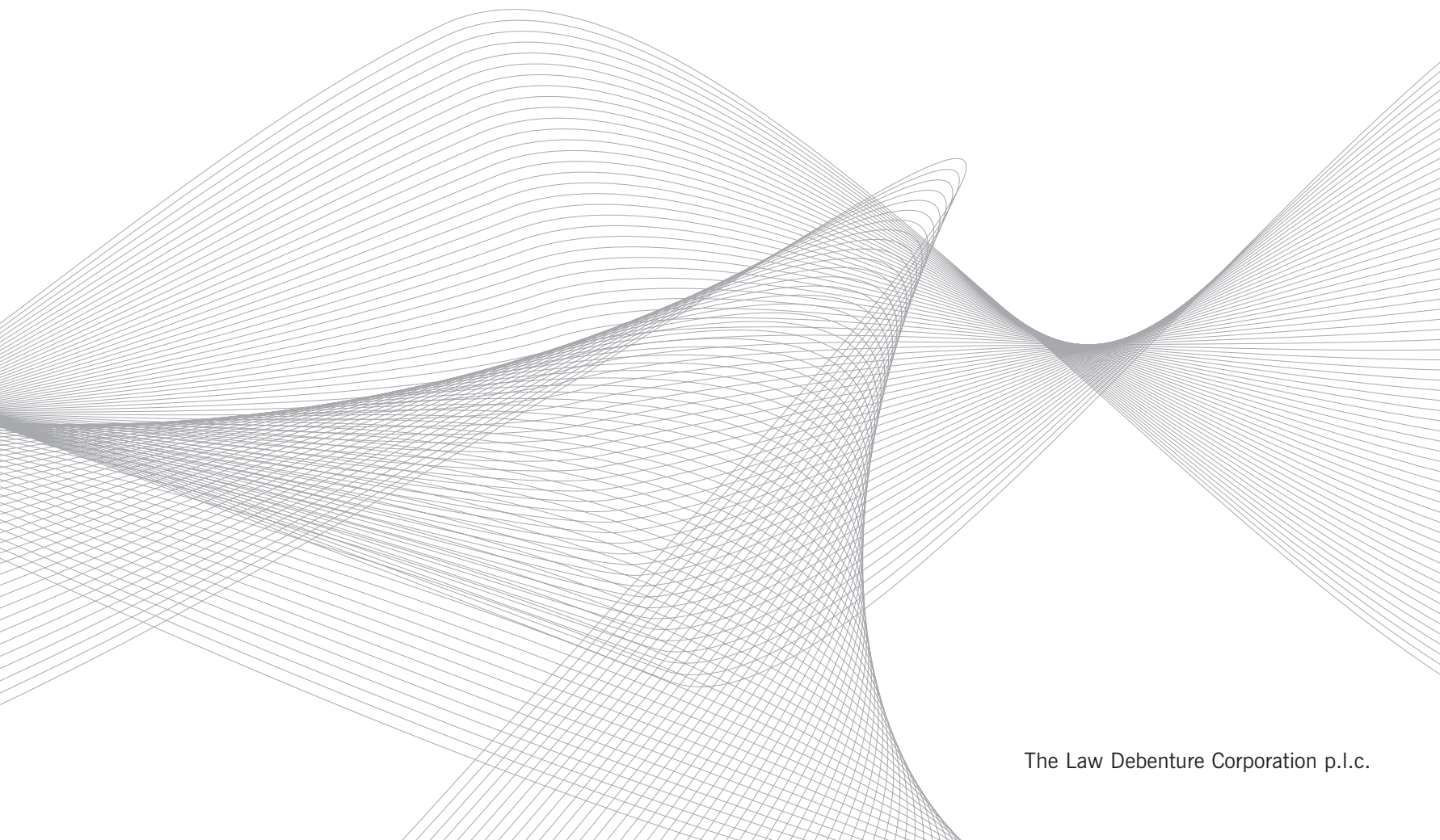


Law Debenture



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The Law Debenture Corporation p.l.c. (LDC) will be reporting its financial results in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union from 1 January 2005. This statement presents and explains the unaudited consolidated results of the LDC Group (“LDC” or “Group”) converted from UK Generally Accepted Accounting Principles (UK GAAP) onto an IFRS basis for the year ended 31 December 2004.

The transition date for adoption of IFRS determined in accordance with IFRS 1, *First Time Adoption of International Financial Reporting Standards*, is 1 January 2004.

The standards giving rise to most significant changes to the consolidated results of the Group on transition from UK GAAP to IFRS were:

- IFRS 2 Share-based payments
- IAS 10 Events after the balance sheet date
- IAS 12 Income taxes
- IAS 19 Employee benefits
- IAS 21 The Effects of changes in foreign exchange rates
- IAS 32 Financial Instruments: disclosure and presentation
- IAS 39 Financial Instruments: recognition and measurement

Basis of preparation

The consolidated financial statements of The Law Debenture Corporation p.l.c. have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. The disclosures required by IFRS 1, First-time Adoption of IFRS, are covered by this document.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of The Law Debenture Corporation p.l.c. and entities controlled by the company (its subsidiaries) made up to the end of the financial period. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess consideration over the fair values of the identifiable net assets acquired is recognised as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. The financial statements of subsidiaries are adjusted, where necessary, to ensure the accounting policies used are consistent with those adopted by the group.

Segment reporting

A business segment is a group of assets and operations that are subject to risks and returns that are different from those of other business segments. The group comprises two business segments; the Investment trust and Trustee and related services, this is consistent with internal reporting. The overseas offices represent less than 10% of the assets and operations and consequently no separate geographical segment information is provided.

Foreign currencies

Transactions recorded in foreign currencies are translated into sterling at the exchange rate ruling on the date of the transaction.

Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rate ruling at that date. Gains and losses on retranslation are included in net profit or loss for the period, however exchange gains or losses on investments held at fair value through profit and loss are included as part of their fair value gain or loss.

The assets and liabilities of overseas subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expenses of overseas subsidiaries are translated at the average exchange rates for the period. Exchange differences arising from the translation of net investments in foreign subsidiaries are classified as equity and transferred to the group's translation reserve.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives as follows:

Leasehold improvements	over the remaining time period
Office furniture and equipment	3-10 years

Intangible assets

Computer software

Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of between three and five years.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. All goodwill was written off to reserves under UK GAAP prior to 1998 and has not been reinstated.

Impairment of assets

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Investments*Investments*

Listed investments, which comprise the investment trust portfolio, have been designated as investments held at fair value through profit or loss. Purchases and sales of listed investments are recognised on trade date, the date on which the group commits to purchase or sell the investment. Investments are initially recognised at fair value and transaction costs are expensed as incurred. Gains and losses arising from investments, as assets held at fair value through profit or loss, are included in the income statement in the period in which they arise.

The fair value of listed investments is based on quoted market prices at the balance sheet date. The quoted market price used is the bid price.

Gains and losses on investments and direct transaction costs are analysed within the income statement as capital. All other costs of the investment trust are treated as revenue items.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Share capital

Ordinary shares are classified as equity. The ordinary shares of the company which have been purchased by the Employee Share Ownership Trust to provide share based payments to employees are valued at cost and deducted from equity.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. The difference between the proceeds, net of transaction costs and the redemption value is recognised in the income statement over the term of the borrowings using the effective interest method, so as to generate a constant rate of return on the amount outstanding.

Taxation

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense which are either never taxable or deductible or are taxable or deductible in other periods. The group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to recover the asset. Deferred tax is calculated at the tax rates that are expected to apply in the period when

continued

the liability is expected to be settled or the asset is expected to be realised based on tax rates that have been enacted or substantially enacted at the balance sheet date.

Revenue recognition

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income

Interest income is accrued on a time basis using the effective interest rate applicable.

Sales of services

Revenue comprises the fair value of the sales of services net of value added tax and after eliminating sales within the group. Sales of services are recognised in the accounting period in which the services are rendered, provided that the outcome of the transaction can be estimated reliably. Where the outcome of a transaction can be estimated reliably, sales are assessed on the basis of the actual services provided as a proportion of the total services to be provided.

Where payments are received in advance for trusteeships which extend beyond the period end then the amount relating to future periods is deferred using an appropriate discount rate.

Employee benefits

Pension costs

The company operates a defined benefit pension plan. The cost of providing benefits is determined using the projected unit credit method, with independent actuarial calculations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur through equity. Past service cost is recognised immediately to the extent that benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the benefits become vested.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised past service costs.

Bonus schemes

The group recognises provisions in respect of its bonus schemes when contractually obliged or when there is a past practice that has created a constructive obligation.

Share based plans

The group has awarded share options to executives and the group makes equity based awards to executives.

In accordance with the transitional provisions for the implementation of the standard, the group has applied the requirements of IFRS 2 Share-based Payments to all grants of equity instruments made after 7 November 2002.

Share-based payments are measured at fair value at the date of grant using an appropriate option valuation technique, which is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

Provisions

These comprise liabilities of uncertain timing or amounts that arise from litigation and other risks. Provisions are recognised when there exists a legal or constructive obligation stemming from a past event and when future cash flows can be reliably estimated. Provisions are measured at the best estimate of expenditure required to settle a present obligation at the balance sheet date. The best estimate is the amount which the entity would rationally pay to settle an obligation.

Leases

Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases, net of incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease.

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by shareholders.

for the year ended 31 December 2004

Basis of preparation

The restatement has been prepared on the basis of all IFRS and Standard Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) interpretations currently issued by the International Accounting Standards Board (IASB) effective for 2005 reporting and adopted by the European Union. In addition, the IASB issued an amendment to IAS 19 – ‘Employee Benefits’ in December 2004 which permits the full recognition of actuarial gains or losses that occur in the year outside the income statement in a similar way to FRS 17 under UK GAAP. Law Debenture has decided to adopt this amendment early and so has prepared this restatement on this basis. The IASB is still issuing standards and interpretations which Law Debenture may decide to adopt in the current year and so there may be further adjustments to the restatement of the results for the year ended 31 December 2004 which do not appear in this statement.

Major differences between UK GAAP and IFRS

- a) Under IFRS 2 – ‘Share-based Payment’; the group has to recognise a charge to income in respect of the fair value of outstanding share options granted to employees and shares allocated to employees under the long term incentive plan after 7 November 2002. The fair value has been calculated using a Black-Scholes option valuation model and is charged to income over the relevant vesting periods, adjusted to reflect actual and expected levels of vesting. The total cost of these options is shown on the income statement for 31 December 2004.
- b) Under IAS 10 – ‘Events after the Balance Sheet Date’; dividends declared after the balance sheet date are not recognised as a liability in the balance sheet and so the group’s final dividend has not been provided. The appropriate write back is shown on the revised balance sheets.
- c) Under IAS 12 – ‘Income taxes’; the group will be providing for deferred taxes on overseas subsidiary dividends and on other adjustments due to IFRS accounting changes, as necessary. These adjustments are shown on both balance sheet and income statements.

d) Under IAS 19 – ‘Employee benefits’; assets and liabilities and the appropriate deferred tax credits of the corporation’s pension plan are now fully recognised on the balance sheet. Actuarial gains and losses are recognised in full in the period in which they occur through equity.

The other adjustments under IAS 19 are to accrue for paid annual leave and other short and long term employee benefits. The net cost of these amendments are shown on the revised income statements.

e) Under IAS 21 – ‘The effects of foreign exchange rates’; the Group operates internationally and is exposed to foreign exchange risk, primarily with respect to the US dollar. Foreign exchange differences arise on net investments in foreign operations. The effect of this risk is shown in the income statement and changes in equity statement.

f) Under IAS 38 – ‘Intangible assets’; any capitalised software that is not an integral part of the related hardware is reclassified from property, plant and equipment to intangible assets. The effects of this reallocation are shown on the restated balance sheets.

g) Under IAS39 – ‘Financial instruments recognition and measurement’; investments previously reported at mid-market value are now shown at bid price and classified as “investments held at fair value through profit or loss”. Transaction costs of investments previously recognised as part of the cost of investment under UK GAAP are now expensed as incurred. The net costs of these changes are shown on the Income Statements of 30 June and 31 December 2004.

h) There are other reclassifications on the balance sheet mainly to separate out current and non-current assets and liabilities in accordance with IAS 1 – ‘Presentation of Financial Statements’.

6 Balance sheet

at 1 January 2004

UK GAAP balances in UK GAAP format	UK GAAP £000	IFRS format adjustments			UK GAAP balances in IFRS format £000	
		Debtors £000	Creditors £000	Investments £000		
Fixed assets						Non current assets
Tangible	1,327	–	–	–	1,327	Property, plant and equipment
Investments	280,573	–	–	–	280,573	Investments held at fair value through profit or loss
	–	9	–	–	9	Other assets
	281,900	9	–	–	281,909	Total non current assets
Current assets						Current assets
Debtors	8,461	(8,461)	–	–	–	
	–	6,385	–	–	6,385	Trade and other receivables
	–	2,065	–	–	2,065	Other accrued income and prepaid expenses
	–	2	–	–	2	Other current assets
Short term cash investments	3,167	–	–	(3,167)	–	
Bank balances and short term deposits	11,099	–	–	3,167	14,266	Cash and cash equivalents
Total assets	304,627	–	–	–	304,627	Total assets
Current liabilities						Current liabilities
Amounts falling due within one year	14,516	–	(14,516)	–	–	
	–	–	8,925	–	8,925	Trade and other payables
	–	–	383	–	383	Current tax payable
	–	–	5,208	–	5,208	Deferred income
Total current liabilities	14,516	–	–	–	14,516	Total current liabilities
Non current liabilities						Non current liabilities
Amounts falling due after more than one year	48,991	–	(9,815)	–	39,176	Long term borrowings
	–	–	77	–	77	Deferred tax
	–	–	9,738	–	9,738	Deferred income
Total non current liabilities	48,991	–	–	–	48,991	Total non current liabilities
Total net assets	241,120	–	–	–	241,120	Total net assets
Capital and reserves						Equity
Called up share capital	5,862	–	–	–	5,862	Called up share capital
Share premium	6,532	–	–	–	6,532	Share premium
Capital redemption	8	–	–	–	8	Capital redemption
Own shares	(567)	–	–	–	(567)	Own shares
Other reserves	215,172	–	–	–	215,172	Other reserves
Retained earnings	14,113	–	–	–	14,113	Retained earnings
Total equity shareholders' funds	241,120	–	–	–	241,120	Total equity shareholders' funds

Effects of IFRS	UK GAAP	IFRS adjustments							IFRS
		Financial instruments IAS32/39 £000	Dividends IAS32 £000	Retirement benefits IAS19 £000	Share based payments IFRS2 £000	Employee benefits IAS19 £000	Computer software IAS38 £000	Overseas earnings IAS12 £000	
Assets									
Non current assets									
Property, plant and equipment	1,327	–	–	–	–	–	(367)	–	960
Intangible assets	–	–	–	–	–	–	367	–	367
Investments held at fair value through profit or loss	280,573	(397)	–	–	–	–	–	–	280,176
Other assets	9	–	–	–	–	–	–	–	9
Deferred tax assets	–	–	–	1,684	–	–	–	–	1,684
Total non current assets	281,909	(397)	–	1,684	–	–	–	–	283,196
Current assets									
Trade and other receivables	6,385	–	–	–	–	–	–	–	6,385
Other accrued income and prepaid expenses	2,065	–	–	–	–	–	–	–	2,065
Other current assets	2	–	–	–	–	–	–	–	2
Cash and cash equivalents	14,266	–	–	–	–	–	–	–	14,266
Total current assets	22,718	–	–	–	–	–	–	–	22,718
Total assets	304,627	(397)	–	1,684	–	–	–	–	305,914
Current liabilities									
Trade and other payables	8,925	–	(4,957)	–	–	50	–	–	4,018
Current tax payable	383	–	–	–	–	–	–	–	383
Deferred income	5,208	–	–	–	–	–	–	–	5,208
Total current liabilities	14,516	–	(4,957)	5,613	–	50	–	–	9,609
Non current liabilities									
Long term borrowings	39,176	–	–	–	–	–	–	–	39,176
Retirement benefit obligations	–	–	–	5,613	–	–	–	–	5,613
Deferred tax	77	–	–	–	–	(18)	–	32	91
Deferred income	9,738	–	–	–	–	–	–	–	9,738
Total non current liabilities	48,991	–	–	5,613	–	–	–	32	54,618
Total net assets	241,120	(397)	4,957	(3,929)	–	(32)	–	(32)	241,687
Equity									
Called up share capital	5,862	–	–	–	–	–	–	–	5,862
Share premium	6,532	–	–	–	–	–	–	–	6,532
Capital redemption	8	–	–	–	–	–	–	–	8
Share based payments	–	–	–	–	19	–	–	–	19
Own shares	(567)	–	–	–	–	–	–	–	(567)
Other reserves	215,172	(397)	–	–	–	–	–	–	214,775
Retained earnings	14,113	–	4,957	(3,929)	(19)	(32)	–	(32)	15,058
Total equity shareholders' funds	241,120	(397)	4,957	(3,929)	–	(32)	–	(32)	241,687

8 Balance sheet

at 30 June 2004

UK GAAP balances in UK GAAP format	UK GAAP	IFRS format adjustments			UK GAAP balances in IFRS format	
	£000	Debtors £000	Creditors £000	Investments £000	£000	
Fixed assets						Non current assets
Tangible	1,198	–	–	–	1,198	Property, plant and equipment
Investments	284,952	–	–	–	284,952	Investments held at fair value through profit or loss
	–	7	–	–	7	Other assets
	286,150	7	–	–	286,157	Total non current assets
Current assets						Current assets
Debtors	8,584	(8,584)	–	–	–	
	–	5,870	–	–	5,870	Trade and other receivables
	–	2,652	–	–	2,652	Other accrued income and prepaid expenses
	–	55	–	–	55	Other current assets
Short term cash investments	12,235	–	–	(12,235)	–	
Bank balances and short term deposits	5,881	–	–	12,235	18,116	Cash and cash equivalents
Total assets	312,850	–	–	–	312,850	Total assets
Current liabilities						Current liabilities
Amounts falling due within one year	14,167	–	(14,167)	–	–	
	–	–	8,755	–	8,755	Trade and other payables
	–	–	139	–	139	Short term borrowings
	–	–	722	–	722	Current tax payable
	–	–	4,474	–	4,474	Deferred income
Total current liabilities	14,167	–	(77)	–	14,090	Total current liabilities
Non current liabilities						Non current liabilities
Amounts falling due after more than one year	48,707	–	(9,516)	–	39,191	Long term borrowings
	–	–	77	–	77	Deferred tax
	–	–	9,516	–	9,516	Deferred income
Total non current liabilities	48,707	–	77	–	48,784	Total non current liabilities
Total net assets	249,976	–	–	–	249,976	Total net assets
Capital and reserves						Equity
Called up share capital	5,876	–	–	–	5,876	Called up share capital
Share premium	7,026	–	–	–	7,026	Share premium
Capital redemption	8	–	–	–	8	Capital redemption
Own shares	(927)	–	–	–	(927)	Own shares
Other reserves	221,860	–	–	–	221,860	Other reserves
Retained earnings	16,133	–	–	–	16,133	Retained earnings
Total equity shareholders' funds	249,976	–	–	–	249,976	Total equity shareholders' funds

Effects of IFRS	UK GAAP	IFRS adjustments							IFRS
		Financial instruments IAS32/39 £000	Dividends IAS32 £000	Retirement benefits IAS19 £000	Share based payments IFRS2 £000	Employee benefits IAS19 £000	Computer software IAS38 £000	Overseas earnings IAS12 £000	
Assets									
Non current assets									
Property, plant and equipment	1,198	–	–	–	–	–	(272)	–	926
Intangible assets	–	–	–	–	–	–	272	–	272
Investments held at fair value through profit or loss	284,952	(291)	–	–	–	–	–	–	284,661
Other assets	7	–	–	–	–	–	–	–	7
Deferred tax assets	–	–	–	1,684	–	–	–	–	1,684
Total non current assets	286,157	(291)	–	1,684	–	–	–	–	287,550
Current assets									
Trade and other receivables	5,870	–	–	–	–	–	–	–	5,870
Other accrued income and prepaid expenses	2,652	–	–	–	–	–	–	–	2,652
Other current assets	55	–	–	–	–	–	–	–	55
Cash and cash equivalents	18,116	–	–	–	–	–	–	–	18,116
Total current assets	26,700	–	–	–	–	–	–	–	26,693
Total assets	312,850	(291)	–	1,684	–	–	–	–	314,243
Current liabilities									
Trade and other payables	8,755	–	(3,281)	–	–	106	–	–	5,580
Short term borrowings	139	–	–	–	–	–	–	–	139
Current tax payable	722	–	–	–	–	–	–	–	722
Deferred income	4,474	–	–	–	–	–	–	–	4,474
Total current liabilities	14,090	–	(3,281)	–	–	106	–	–	10,915
Non current liabilities									
Long term borrowings	39,191	–	–	–	–	–	–	–	39,191
Retirement benefit obligations	–	–	–	5,613	–	–	–	–	5,613
Deferred tax	77	–	–	–	–	(35)	–	32	74
Deferred income	9,516	–	–	–	–	–	–	–	9,516
Total non current liabilities	48,784	–	–	5,613	–	–	–	32	54,394
Total net assets	249,976	(291)	3,281	(3,929)	–	(71)	–	(32)	248,934
Equity									
Called up share capital	5,876	–	–	–	–	–	–	–	5,876
Share premium	7,026	–	–	–	–	–	–	–	7,026
Capital redemption	8	–	–	–	–	–	–	–	8
Share based payments	–	–	–	–	41	–	–	–	41
Own shares	(927)	–	–	–	–	–	–	–	(927)
Other reserves	221,860	(291)	–	–	–	–	–	–	221,569
Retained earnings	16,133	–	3,281	(3,929)	(41)	(71)	–	(32)	15,341
Total equity shareholders' funds	249,976	(291)	3,281	(3,929)	–	(71)	–	(32)	248,934

at 31 December 2004

UK GAAP balances in UK GAAP format	IFRS format adjustments			UK GAAP balances in IFRS format		
	UK GAAP £000	Debtors £000	Creditors £000	Investments £000	£000	
Fixed assets						Non current assets
Tangible	1,048	-	-	-	1,048	Property, plant and equipment
Investments	304,609	-	-	-	304,609	Investments held at fair value through profit or loss
	-	7	-	-	7	Other assets
	-	35	-	-	35	Deferred tax assets
	305,657	42	-	-	305,699	Total non current assets
Current assets						Current assets
Debtors	7,395	(7,395)	-	-	-	Trade and other receivables
	-	5,624	-	-	5,624	Other accrued income and prepaid expenses
	-	1,680	-	-	1,680	Other current assets
	-	49	-	-	49	
Short term cash investments	13,842	-	-	(13,842)	-	Cash and cash equivalents
Bank balances and short term deposits	10,491	-	-	13,842	24,333	
Total assets	337,385	-	-	-	337,385	Total assets
Current liabilities						Current liabilities
Amounts falling due within one year	16,463	-	(16,463)	-	-	Trade and other payables
	-	-	11,181	-	11,181	Short term borrowings
	-	-	144	-	144	Current tax payable
	-	-	898	-	898	Deferred income
	-	-	4,240	-	4,240	
Total current liabilities	16,463	-	-	-	16,463	Total current liabilities
Non current liabilities						Non current liabilities
Amounts falling due after more than one year	48,222	-	(9,018)	-	39,204	Long term borrowings
	-	-	9,018	-	9,018	Deferred income
Total non current liabilities	48,222	-	-	-	48,222	Total non current liabilities
Total net assets	272,700	-	-	-	272,700	Total net assets
Capital and reserves						Equity
Called up share capital	5,875	-	-	-	5,875	Called up share capital
Share premium	7,026	-	-	-	7,026	Share premium
Capital redemption	8	-	-	-	8	Capital redemption
Own shares	(927)	-	-	-	(927)	Own shares
Other reserves	245,542	-	-	-	245,542	Other reserves
Retained earnings	15,176	-	-	-	15,176	Retained earnings
Total equity shareholders' funds	272,700	-	-	-	272,700	Total equity shareholders' funds

Effects of IAS standards	UK GAAP	IFRS adjustments							IFRS
		Financial instruments IAS32/39 £000	Dividends IAS32 £000	Retirement benefits IAS19 £000	Share based payments IFRS2 £000	Employee benefits IAS19 £000	Computer software IAS38 £000	Overseas earnings IAS12 £000	
Assets									
Non current assets									
Property, plant and equipment	1,048	-	-	-	-	-	(193)	-	855
Intangible assets	-	-	-	-	-	-	193	-	193
Investments held at fair value through profit or loss	304,609	(509)	-	-	-	-	-	-	304,100
Other assets	7	-	-	-	-	-	-	-	7
Deferred tax assets	35	-	-	2,204	-	-	-	-	2,239
Total non current assets	305,699	(509)	-	2,204	-	-	-	-	307,394
Current assets									
Trade and other receivables	5,624	-	-	-	-	-	-	-	5,624
Other accrued income and prepaid expenses	1,680	-	-	-	-	-	-	-	1,680
Other current assets	49	-	-	-	-	-	-	-	49
Cash and cash equivalents	24,333	-	-	-	-	-	-	-	24,333
Total current assets	31,686	-	-	-	-	-	-	-	31,686
Total assets	337,385	(509)	-	2,204	-	-	-	-	339,080
Current liabilities									
Trade and other payables	11,181	-	(5,571)	-	-	57	-	-	5,667
Short term borrowings	144	-	-	-	-	-	-	-	144
Current tax payable	898	-	-	-	-	-	-	-	898
Deferred income	4,240	-	-	-	-	-	-	-	4,240
Total current liabilities	16,463	-	(5,571)	-	-	57	-	-	10,949
Non current liabilities									
Long term borrowings	39,204	-	-	-	-	-	-	-	39,204
Retirement benefit obligations	-	-	-	7,348	-	-	-	-	7,348
Deferred tax	-	-	-	-	-	(17)	-	64	47
Deferred income	9,018	-	-	-	-	-	-	-	9,018
Total non current liabilities	48,222	-	-	7,348	-	-	-	64	55,617
Total net assets	272,700	(509)	5,571	(5,144)	-	(40)	-	(64)	272,514
Equity and liabilities									
Called up share capital	5,875	-	-	-	-	-	-	-	5,875
Share premium	7,026	-	-	-	-	-	-	-	7,026
Capital redemption	8	-	-	-	-	-	-	-	8
Share based payments	-	-	-	-	63	-	-	-	63
Own shares	(927)	-	-	-	-	-	-	-	(927)
Other reserves	245,542	(509)	-	-	-	-	-	-	245,033
Retained earnings	15,176	-	5,571	(5,144)	(63)	(40)	-	(64)	15,436
Total equity shareholders' funds	272,700	(509)	5,571	(5,144)	-	(40)	-	(64)	272,514

12 Income statement

for the period ended 30 June 2004

	2004 UK GAAP			Effect of transition			2004 IFRS		
	Revenue £000	Capital £000	Total £000	Revenue employee benefits IAS19 £000	Revenue share based payments IFRS2 £000	Capital investments IAS32/39 £000	Revenue £000	Capital £000	Total £000
UK dividends	4,404	–	4,404	–	–	–	4,404	–	4,404
Special dividends	25	–	25	–	–	–	25	–	25
Overseas dividends	1,039	–	1,039	–	–	–	1,039	–	1,039
Interest from securities	168	–	168	–	–	–	168	–	168
Bank deposit interest	5,636	–	5,636	–	–	–	5,636	–	5,636
Trustee and other related fees	211	–	211	–	–	–	211	–	211
Other income	9,626**	–	9,626	–	–	–	9,626	–	9,626
	66	–	66	–	–	–	66	–	66
Total revenue	15,539	–	15,539	–	–	–	15,539	–	15,539
Net gain on investments held at fair value through profit or loss	–	6,696	6,696	–	–	200	–	6,896	6,896
Gross income and capital gains	15,539	6,696	22,235	–	–	200	15,539	6,896	22,435
Cost of sales	(2,275)**	–	(2,275)	–	–	–	(2,275)	–	(2,275)
Administrative expenses	(6,207)	–	(6,207)	(56)	(22)	(94)	(6,285)	(94)	(6,379)
Operating profit	7,057	6,696	13,753	(56)	(22)	106	6,979	6,802	13,781
Finance costs:									
Interest payable on debenture stock	(1,225)	–	(1,225)	–	–	–	(1,225)	–	(1,225)
Profit before taxation	5,832	6,696	12,528	(56)	(22)	106	5,754	6,802	12,556
Taxation	(531)	–	(531)	17	–	–	(514)	–	(514)
Profit for period	5,301	6,696	11,997	(39)	(22)	106	5,240	6,802	12,042
Return per ordinary share (pence)*	4.50	5.70	10.20	–	–	–	4.47	5.81	10.28
Diluted return per ordinary share (pence)	4.50	5.70	10.20	–	–	–	4.47	5.81	10.28

* No dilutive effect.

** Restated to include legal expenses as turnover and cost of sales.

Statement of total recognised income and expense

for the period ended 30 June 2004

	2004 UK GAAP			Effect of transition			2004 IFRS		
	Revenue £000	Capital £000	Total £000	Revenue £000	Revenue £000	Capital £000	Revenue £000	Capital £000	Total £000
Profit for the financial period	5,301	6,696	11,997	(39)	(22)	106	5,240	6,802	12,042
Total income and expenses relating to the period	5,301	6,696	11,997	(39)	(22)	106	5,240	6,802	12,042

for the year ended 31 December 2004

	2004 UK GAAP			Effect of transition					2004 IFRS		
	Revenue £000	Capital £000	Total £000	Revenue employee benefits IAS19 £000	Revenue retirement benefits IAS19 £000	Revenue share based payments IFRS2 £000	Revenue overseas earnings £000	Capital investments IAS32/39 £000	Revenue £000	Capital £000	Total £000
UK dividends	8,021	–	8,021	–	–	–	–	–	8,021	–	8,021
Special dividends	159	–	159	–	–	–	–	–	159	–	159
Overseas dividends	1,482	–	1,482	–	–	–	–	–	1,482	–	1,482
Interest from securities	299	–	299	–	–	–	–	–	299	–	299
Bank deposit interest	9,961	–	9,961	–	–	–	–	–	9,961	–	9,961
Trustee and other related fees	646	–	646	–	–	–	–	–	646	–	646
Other income	19,892**	–	19,892	–	–	–	–	–	19,892	–	19,892
	54	–	54	–	–	–	–	–	54	–	54
Total revenue	30,553	–	30,553	–	–	–	–	–	30,553	–	30,553
Net gain on investments held at fair value through profit or loss	–	30,370	30,370	–	–	–	–	91	–	30,461	30,461
Gross income and capital gains	30,553	30,370	60,923	–	–	–	–	91	30,553	30,461	61,014
Cost of sales	(4,983)**	–	(4,983)	–	–	–	–	–	(4,983)	–	(4,983)
Administrative expenses	(11,916)	–	(11,916)	(7)	31	(44)	–	(203)	(11,936)	(203)	(12,139)
Operating profit	13,654	30,370	44,024	(7)	31	(44)	–	(112)	13,643	30,258	43,892
Finance costs:											
Interest payable on Debenture stock	(2,456)	–	(2,456)	–	–	–	–	–	(2,456)	–	(2,456)
Profit before taxation	11,198	30,370	41,568	(7)	31	(44)	–	(112)	11,178	30,258	41,436
Taxation	(1,106)	–	(1,106)	(1)	(9)	–	(32)	–	(1,148)	–	(1,148)
Profit for year	10,092	30,370	40,462	(8)	22	(44)	(32)	(112)	10,030	30,258	40,288
Return per ordinary share (pence)*	8.62	25.94	34.55	–	–	–	–	–	8.57	25.84	34.41
Diluted return per Ordinary share (pence)	8.62	25.94	34.55	–	–	–	–	–	8.57	25.84	34.41

* No dilutive effect

** Restated to include legal expenses as turnover and cost of sales.

Statement of total recognised income and expenses

for the year ended 31 December 2004

	2004 UK GAAP			Effect of transition					2004 IFRS		
	Revenue £000	Capital £000	Total £000	Revenue £000	Revenue £000	Revenue £000	Revenue £000	Capital £000	Revenue £000	Capital £000	Total £000
Profit for the financial year	10,092	30,370	40,462	(8)	22	(44)	(32)	(112)	10,030	30,258	40,288
Pension cost actuarial loss	–	–	–	–	(1,766)	–	–	–	(1,766)	–	(1,766)
Taxation on actuarial loss	–	–	–	–	529	–	–	–	529	–	529
Foreign exchange	(177)	–	(177)	–	–	–	–	–	(177)	–	(177)
Total income and expenses relating to the year	9,915	30,370	40,285	(8)	(1,215)	(44)	(32)	(112)	8,616	30,258	38,874

Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities 31 December 2004

	2004 £000	IFRS Adjustments £000	2004 IFRS £000
Operating profit	13,654	(20)	13,634
Depreciation of property, plant and equipment	170	–	170
Depreciation of intangible assets	130	–	130
Loss on sale of property, plant and equipment	35	–	35
Share based payments	–	44	44
Decrease in debtors	806	–	806
Decrease in creditors	(37)	(24)	(61)
Transfer from capital reserves	(193)	–	(193)
UK and overseas withholding tax deducted at source	(153)	–	(153)
Net cash inflow from operating activities	14,412	–	14,412

Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities 30 June 2004

	2004 £000	IFRS Adjustments £000	2004 IFRS £000
Operating profit	7,057	(78)	6,979
Depreciation of property, plant and equipment	166	–	166
Share based payments	–	22	22
Decrease in debtors	(154)	–	(154)
Increase in creditors	463	56	519
UK and overseas withholding tax deducted at source	(132)	–	(132)
Net cash inflow from operating activities	7,400	–	7,400

	30 June 2004 £000	31 December 2004 £000
Operating activities		
Net cash inflow from operating activities	7,400	14,412
Taxation	31	(236)
Interest paid	(1,224)	(2,456)
Operating cash flow	6,207	11,720
Investing activities		
Capital expenditure	(23)	(37)
Expenditure on intangible assets	(13)	(20)
Purchase of investments	(23,844)	(49,917)
Sale of investments	26,197	56,444
Other movements	–	1
Cash flow from investing activities	2,317	6,471
Financing activities		
Dividends paid	(4,961)	(8,238)
Proceeds of increase in share capital	508	507
Purchase of own shares	(360)	(360)
Net cash flow from financing activities	(4,813)	(8,091)
Net increase/(decrease) in cash and cash equivalents	3,711	10,100
Cash and cash equivalents at beginning of period	14,266	14,266
Exchange gains/(losses) on cash and cash equivalents	–	(177)
Cash and cash equivalents at end of period	17,977	24,189
Cash and cash equivalents comprise		
Cash and cash equivalents at end of period	18,116	24,333
Bank overdrafts	(139)	(144)
	17,977	24,189

16 Statement of changes in equity

	Share capital £000	Share premium £000	Own shares £000	Capital redemption £000	Share based payments £000	Foreign exchange £000	Other reserves £000	Retained earnings £000	Total 2004 £000
Balance at 31 December 2003	5,862	6,532	(567)	8	–	–	215,172	14,113	241,120
Change in accounting policy	–	–	–	–	19	–	(397)	945	548
Restated balance	5,862	6,532	(567)	8	19	–	214,775	15,058	241,687
Equity at 1 January 2004	5,862	6,532	(567)	8	19	–	214,775	15,058	241,687
Net profit	–	–	–	–	–	–	6,794	5,240	12,034
Total Income and expenditure	–	–	–	–	–	–	6,794	5,240	12,034
Issue of shares	14	494	–	–	–	–	–	–	508
Dividend relating to 2003	–	–	–	–	–	–	–	(4,957)	(4,957)
Share based payment	–	–	–	–	22	–	–	–	22
Movement in own shares	–	–	(360)	–	–	–	–	–	(360)
Total equity shareholders' funds at 30 June 2004	5,876	7,026	(927)	8	41	–	221,569	15,341	248,934
Balance at 1 July 2004	5,876	7,026	(927)	8	41	–	221,569	15,341	248,934
Net profit	–	–	–	–	–	–	23,464	4,790	28,254
Foreign exchange	–	–	–	–	–	(177)	–	–	(177)
Actuarial loss on pension scheme (net of tax)	–	–	–	–	–	–	–	(1,237)	(1,237)
Total income and expenditure	–	–	–	–	–	(177)	23,464	3,553	26,840
Issue of shares	(1)	–	–	–	–	–	–	–	–
Dividend relating to 2004	–	–	–	–	–	–	–	(3,281)	(3,281)
Share based payment	–	–	–	–	22	–	–	–	22
Total equity shareholders' funds at 31 December 2004	5,875	7,026	(927)	8	63	(177)	245,033	15,613	272,514

Other reserves comprises realised and unrealised gains on investments held at fair value through profit or loss.

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