



Independent News & Media PLC

Restatement of Financial Information under  
International Financial Reporting Standards (IFRS)

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## **1. GENERAL INFORMATION**

The European Union (EU) requires all EU listed companies to prepare consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) for accounting periods commencing on or after 1 January 2005. Independent News & Media PLC (“INM”) has adopted IFRS with effect from 1 January 2005. The Group’s transition date is 1 January 2004 as this is the start date of the earliest period for which full comparative information under IFRS will be presented in INM’s 2005 Annual Report and Accounts.

The following financial information is based on IFRS expected to be effective as at 31 December 2005 and presents the consolidated income statement, consolidated statement of changes in shareholders’ equity and consolidated cash flow statement for the year ended 31 December 2004 and consolidated balance sheets as at 1 January 2004, 31 December 2004 and 1 January 2005 on this basis. The consolidated financial statements for these periods were previously prepared under Irish Generally Accepted Accounting Principles (“Irish GAAP”). Also included are the unaudited consolidated income statement, consolidated statement of changes in shareholders’ equity, consolidated balance sheet and consolidated cash flow statement for the six months ended 30 June 2004 on this basis.

## 2. HIGH LEVEL OVERVIEW OF IMPACT OF IFRS ON INCOME STATEMENT AND BALANCE SHEET

The following is a high level overview of the impact of IFRS on the Income Statements for the year ended 31 December 2004, the six months ended 30 June 2005 and the extrapolated impact on the Income Statement for the year ended 31 December 2005. Also included is the impact on the Balance Sheets as at 31 December 2004 and as at 30 June 2005.

IFRS adjustments identified in this report have no impact on the Group's Operations, Cash Flows or capacity to pay dividends.

### Impact on Income Statement for Year Ended 31 December 2004

	Notes	Adjustment €m	Total €m	Per Share cent
<b>Profit after tax and minority interests under Irish GAAP</b>			<b>80.6</b>	<b>10.90c</b>
<b><u>IFRS Adjustments - Summary</u></b>				
Employee Benefits	1	(1.0)		
Goodwill Amortisation	2	9.8		
Business Combinations/Intangibles	3	(3.9)		
Share Options	4	(0.7)		
Other Adjustments		(0.5)		
Total IFRS Adjustments – Full Year 2004		<u>3.7</u>	<u>3.7</u>	
Basic EPS Impact – Full Year 2004				<u>0.50c</u>
<b>Profit after tax and minority interests under IFRS</b>			<b><u>84.3</u></b>	<b><u>11.40c</u></b>
<b>Adjusted EPS* under Irish GAAP</b>				<b>14.15c</b>
Goodwill amortisation excluded from Adjustments above		<u>(9.8)</u>		
Total IFRS adjustments – Full Year 2004 (excluding amortisation)		<u>(6.1)</u>		
Adjusted EPS* Impact – Full Year 2004				<u>(0.82c)</u>
<b>Adjusted EPS* under IFRS – Full Year 2004</b>				<b><u>13.33c</u></b>

\* Fully diluted earnings per share excluding exceptional items

Notes:

1. Reflects increase in defined benefit pension scheme charges.
2. Reflects cessation of amortisation of goodwill.
3. Reflects the expensing of once-off costs previously capitalised.
4. Reflects the charge for share options to be booked in the income statement.

## Impact on Income Statement for Six Months Ended 30 June 2005

	Notes	Adjustment €m	Total €m	Per Share cent
<b>Profit after tax and minority interests under Irish GAAP</b>			<b>91.2</b>	<b>12.23c</b>
<b><u>IFRS Adjustments - Summary</u></b>				
Employee Benefits – Pensions	1	(0.9)		
Employee Benefits – Holiday Pay	2	(2.9)		
Goodwill Amortisation	3	3.8		
Share Options	4	(0.8)		
Other Adjustments		(0.2)		
Total IFRS Adjustments – Half Year 2005		<u>(1.0)</u>	<u>(1.0)</u>	
Basic EPS Impact – Half Year 2005				<u>(0.14c)</u>
<b>Profit after tax and minority interests under IFRS</b>			<b><u>90.2</u></b>	<b><u>12.09c</u></b>
<b>Adjusted EPS* under Irish GAAP</b>				<b>7.35c</b>
Goodwill amortisation excluded from Adjustments above		<u>(3.8)</u>		
Total IFRS adjustments – Half Year 2005 (excluding amortisation)		<u>(4.8)</u>		
Adjusted EPS* Impact – Half Year 2005				<u>(0.64c)</u>
<b>Adjusted EPS* under IFRS – Half Year 2005</b>				<b><u>6.71c</u></b>

\* Fully diluted earnings per share excluding exceptional items

<b>Extrapolated Impact of IFRS on Adjusted EPS* for Full Year 2005</b>			
	Notes	Adjustment €m	Impact Per Share cent
Total IFRS Adjustments - Half Year 2005 (excluding amortisation)		(4.8)	
Exclude Holiday Pay Adjustment (see above)	2	<u>2.9</u>	
Impact of IFRS Adjustments (excluding Holiday Pay) - Half Year 2005		<u>(1.9)</u>	
Extrapolated Impact of IFRS Adjustments for Full Year 2005	5	<u>(3.8)</u>	
Extrapolated Impact on Adjusted EPS* for Full Year 2005 (compared to Irish GAAP)	5		<u>(0.50c)</u>

### Notes

1. Reflects increase in defined benefit pension scheme charges.
2. Accrual for holiday pay at half year. This charge will reverse completely in the second half of the year and will have no impact on the full year 2005 result.
3. Reflects cessation of amortisation of goodwill.
4. Reflects the charge for share options to be booked in the income statement.
5. The 2005 Full Year expected impact of IFRS (0.50c) is less than the 2004 Full Year impact (0.82c) due to a number of once-off costs in 2004, partly offset by higher charges for pensions, options and leases in 2005. The 2005 Full Year expected impact is based on current estimates. However, as explained more fully in section three below, such estimates are subject to change before the finalisation of the 2005 full year results.

## Impact on Balance Sheet as at 31 December 2004

	Notes	Adjustment €m	Total €m
<b>Total equity under Irish GAAP</b>			<b>1,017.4</b>
<b><u>IFRS Adjustments - Summary</u></b>			
Employee Benefits – Pensions	1	(74.2)	
Deferred Taxation	2	(260.0)	
Dividends	5	44.7	
Business Combinations/Intangibles	3	20.2	
Other Adjustments		<u>(5.8)</u>	
Total IFRS Adjustments – at 31 December 2004			(275.1)
<b>Total equity under IFRS</b>			<b><u>742.3</u></b>

## Impact on Balance Sheet as at 30 June 2005

	Notes	Adjustment €m	Total €m
<b>Total equity under Irish GAAP</b>			<b>1,068.6</b>
<b><u>IFRS Adjustments - Summary</u></b>			
Employee Benefits – Pensions	1	(75.2)	
Employee Benefits – Holiday Pay	4	(2.9)	
Deferred Taxation	2	(279.8)	
Dividends	5	28.1	
Business Combinations/Intangibles	3	24.0	
Other Adjustments		<u>(6.0)</u>	
Total IFRS Adjustments – at 30 June 2005			(311.8)
<b>Total equity under IFRS</b>			<b><u>756.8</u></b>

### Notes:

1. Recording of actuarial pension fund deficits (net of related deferred tax assets) arising on the Group's defined benefit pension schemes.
2. Recognition of deferred taxation liabilities on certain of the Group's assets (mainly acquired mastheads) where the book value of these assets exceeds their tax bases. While this adjustment is required under IFRS, the Group believes it is an illogical adjustment as it does not take into account the Board's future intention, which is to retain these assets, and the Group considers that the recognition of these liabilities under IFRS is not in line with the type of liability, if any, that might crystallise if a disposal of these assets were to occur. Also, the Group does not currently have a constructive or legal obligation for any such tax liability associated with these assets and therefore the required deferred tax liability in this case is inconsistent with the required treatment for other provisions.
3. Reflects cessation of amortisation of goodwill from 1 January 2004, write back of negative goodwill to retained earnings and the reversal of a previous revaluation deficit.
4. Accrual for holiday pay at half year date. This charge will reverse completely in the second half of the year and will have no impact on the full year 2005 result.
5. Dividends proposed are no longer recognised as a liability until they have been approved.

### **3. BASIS OF PREPARATION OF FINANCIAL INFORMATION UNDER IFRS**

Previously, the Group prepared its audited annual financial statements in accordance with Irish Generally Accepted Accounting Principles (“Irish GAAP”). In accordance with EU Regulations, the Group is required to present its annual consolidated financial statements for the year ended 31 December 2005 in accordance with IFRS issued by the International Accounting Standards Board (“IASB”) and adopted for use by the EU.

The Group’s transition date from Irish GAAP to IFRS is 1 January 2004 and the comparative financial information for the year ended 31 December 2004 have been restated on a consistent basis with those accounting policies expected to be applied by the Group in preparing its first full financial statements in accordance with IFRS as at 31 December 2005, except where otherwise required or permitted by IFRS 1 “First time adoption of International Accounting Standards” (IFRS 1).

This financial information is based on the expected standards and interpretations, facts and circumstances, and accounting policies that will be applied when the Group prepares its first set of financial statements in accordance with IFRS issued by the IASB and adopted for use by the EU as of 31 December 2005. However, IFRS standards and interpretation of those standards by the International Financial Reporting Interpretations Committee are subject to ongoing review and possible amendment or interpretative guidance and therefore all financial information prepared under IFRS is subject to change.

The transition to IFRS is accounted for in accordance with IFRS 1. This standard sets out how to adopt IFRS for the first time and mandates that most standards are to be fully applied retrospectively. There are certain limited exemptions from this requirement. The significant decisions taken in respect of availing, or otherwise, of the exemptions available are outlined below in section four.

The Group has availed of the exemption contained in IFRS 1 to only apply International Accounting Standard (IAS) 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement” from 1 January 2005. The comparative financial information in relation to financial instruments for 2004 is presented in accordance with Irish GAAP.

Details of how the transition from Irish GAAP to IFRS has impacted the Group’s consolidated financial position, results and cash flows are set out in section six and discussed in section five below.

This financial information has been prepared on the historical cost basis, except for certain fixed assets where the fair value was regarded as deemed cost on transition to IFRS and the measurement at fair value of certain financial instruments on adoption of IAS 32 and IAS 39 on 1 January 2005.

#### 4. OPTIONAL EXEMPTIONS AVAILABLE ON TRANSITION TO IFRS

In accordance with IFRS 1, which establishes the framework for transition to IFRS by a first-time adopter such as INM, the Group has elected, in common with the majority of listed companies, to avail of a number of specified exemptions from the general principle of retrospective restatement as follows:

a. Business Combinations

The Group has not applied IFRS 3 “Business Combinations” retrospectively to business combinations prior to the transition date of 1 January 2004; accordingly, goodwill as at the transition date is carried forward at its carrying amount and, together with goodwill arising on business combinations subsequent to the transition date, is subject to annual impairment testing in accordance with IAS 36 “Impairment of Assets”. As required under IFRS 1, goodwill was assessed for impairment as at the transition date and no impairment resulted from this exercise.

b. Fair Value as Deemed Cost

The fixed asset revaluation performed as at 30 November 1981 and referred to in note 11 to the financial statements in the 2004 Annual Report has been regarded as deemed cost and therefore remains unadjusted on transition to IFRS.

c. Employee Benefits

The cumulative actuarial gains and losses applicable to the Group’s defined benefit pension schemes as at the transition date have been recognised in full in equity on the transition date.

d. Cumulative Translation Differences

INM has elected to set the previously accumulated foreign currency translation reserve to zero as at the transition date. This has no net impact on equity attributable to the Company’s equity holders as reflected in the Group’s balance sheet.

e. Restatement of Comparatives for IAS 32 and IAS 39

IFRS 1 includes specific transitional provisions for IAS 32 and IAS 39 whereby these standards do not need to be applied to the comparative period and the comparative information may be presented on the basis of Irish GAAP previously applied. The Group has elected to apply this exemption. Thus, for the 2004 comparatives, financial instruments are recognised using the measurement bases and disclosure requirements of Irish GAAP rules relating to such financial instruments, including derivatives, financial assets and financial liabilities and to hedging relationships.

The adjustments relating to IAS 32 and IAS 39 were made to equity as at 1 January 2005, which is the IAS 32/39 transition date for designation of financial assets and financial liabilities for the first time in accordance with IAS 32 and IAS 39.

IAS 32 requires an entity to split a compound financial instrument at inception into separate liability and equity components. If the liability component is no longer outstanding, retrospective application of IAS 32 requires separating two portions of equity. The first portion is in retained earnings and represents the cumulative interest accreted on the liability component. The other portion represents the original equity component. However, under IFRS 1, INM has elected not to separate these two portions where the liability component is no longer outstanding at the date of transition to IFRS.

f. Share-Based Payment Transactions

In line with the transitional provisions applicable to a first-time adopter of IFRS, as contained in IFRS 2 “Share-based Payment”, the Group has elected to implement the measurement requirements of this accounting standard in respect of only those equity-settled share options that were granted after 7 November 2002 and that had not vested as at 1 January 2005.

## 5. IMPACT OF TRANSITION TO IFRS

The adoption of IFRS will result in the following significant changes to the Group's accounting policies and the financial impact of each as at the date of transition to IFRS is summarised below. The overall impact on the Group's reported figures has been summarised in section two and the detailed reconciliation schedules can be found in section six.

### a. IAS 19 - Employee Benefits

In compliance with IAS 19 the net deficits in the Group's defined benefit pension schemes have been fully brought onto the Group's balance sheet on transition, giving rise to a liability of €81.6m at 1 January 2004. The related deferred tax asset (€8.3m) has also been recognised.

Actuarial gains and losses arising after the transition date will be recognised, as more fully described in the Group's Accounting Policies, over the remaining average service lives of the employees in the plan under the "corridor approach".

The implementation of IAS 19 results in an increased charge of €1.0m to the income statement for the year ended 31 December 2004.

### b. IAS 12 - Income Taxes - Deferred tax

Under Irish GAAP, the Group recognised deferred tax only on timing differences that arose from the inclusion of gains and losses in tax assessments in periods different from those in which they were recognised in the financial statements.

Under IFRS, deferred tax is recognised in respect of all taxable temporary differences arising between the tax base and the accounting base of balance sheet items. This means that deferred tax is recognised on certain temporary differences that would not have given rise to deferred tax under Irish GAAP.

The additional net deferred tax liability included in the balance sheet under IFRS amounted to €253.6m as at 1 January 2004. In the past, the Group has taken over very valuable mastheads as part of a number of acquisitions that have been made. However, often the share capital of the company was acquired rather than each of the individual assets which has resulted in a zero or minimal tax base attaching to many of the mastheads. This results in a large theoretical deferred tax liability being recorded under IFRS. This deferred tax liability is calculated on the basis of the taxation that would arise on sale of the mastheads because they are not amortised.

While this adjustment is required under IFRS, the Group believes it is an illogical adjustment as it does not take into account the Board's future intention which is to retain these assets and the Group considers that the recognition of these liabilities under IFRS is not in line with the type of liability, if any, that might crystallise if a disposal of these assets were to occur. Also, the Group does not currently have a constructive or legal obligation for any such tax liability associated with these assets and therefore the required deferred tax liability in this case is inconsistent with the required treatment for other provisions.

Normally, recognition of this deferred tax liability would lead to a corresponding increase in goodwill. However if an entity avails of the exemption applied under IFRS 1 relating to business combinations, as the Group has, then it is precluded from adjusting the carrying value of goodwill in respect of acquisitions prior to the transition date. Recognition of this new deferred tax liability under IFRS therefore results in an equivalent reduction in equity as at the transition date.

**c. IAS 10 - Events After the Balance Sheet Date**

Under Irish GAAP, the Company accounted for proposed dividends relating to a given accounting period in that period, even if the approval of that dividend took place after the balance sheet date. Under IFRS, proposed dividends do not meet the definition of a liability until such time as they have been approved. Thus, the Company will no longer recognise a liability in any period for proposed dividends not approved by the balance sheet date. This results in an increase in retained earnings of €38.0m as at 1 January 2004.

**d. IFRS 3 - Business Combinations/IAS 38 - Intangible Assets**

IFRS 3 has been implemented by the Group with effect from the transition date. The Group has availed of the exemption under IFRS 1 enabling non-restatement of business combinations undertaken prior to the transition date. The principal implications of IFRS 3 and IAS 38 for the Group are:

- Cessation of goodwill amortisation in respect of subsidiaries, joint ventures and associates as at the transition date. As required under IFRS 1, goodwill was assessed for impairment as at the transition date and no impairment resulted from this impairment review.
- Where an excess arises between the fair value of the identifiable assets, liabilities and contingent liabilities in an acquisition and the cost of the business combination (i.e. “negative goodwill” under Irish GAAP), IFRS 3 requires that this excess be credited to the income statement. Thus all negative goodwill existing as at the date of transition has been credited to retained earnings.
- Under IFRS, intangible assets are carried at the lower of cost or recoverable amount; impairment below cost must be charged to the income statement. The revaluation deficit in the balance sheet under Irish GAAP which had reflected fair value is reversed with all intangible assets under IFRS being carried at the lower of cost or recoverable amount.

As at 1 January 2004, the above items resulted in the elimination of the revaluation deficit of €73.7m, a reduction in retained earnings of €48.9m, a reduction in minority interests of €17.6m and an increase in intangible assets of €7.2m.

For the year ended 31 December 2004, implementation of IFRS 3/IAS 38 resulted in an increase in profit for the year of €5.9m principally due to the cessation of the amortisation of goodwill.

**e. IFRS 2 - Share-based Payment**

The Group operates an equity-settled, share-based compensation plan for Directors and executives.

Under Irish GAAP, the charge to the income statement for share options was based on the difference between the market value of the shares at the date of grant and the exercise price, which resulted in a nil charge for the Group in respect of its share option scheme.

Under IFRS 2, the charge to the income statement in respect of share-based payments is based on the fair value of the options granted and is spread over the vesting period. Under IFRS 1, the Group has applied the measurement requirements of this accounting standard only in respect of those equity-settled share options that were granted after 7 November 2002 and that had not vested as at 1 January 2005.

The implementation of IFRS 2 results in a cumulative charge to retained earnings of €0.1m at 1 January 2004 and a net charge of €0.7m to the income statement for the year ended 31 December 2004.

**f. IAS 28 - Investments in Associates and IAS 31 - Interests in Joint Ventures**

In line with its treatment of associates and joint ventures under Irish GAAP, INM will equity account for its associates and joint ventures under IFRS. However, under Irish GAAP, results of associates and joint ventures were presented in the profit and loss account reflecting the reporting entity's share of operating profit, interest, tax and minority interest; in contrast, under IAS 28 and IAS 31 the Group's share of profit after interest, tax and minority interests of associates and joint ventures is shown as a single line item in the income statement. The implementation of IAS 28 and IAS 31 only results in the reclassification of items in the income statement, it has no impact on either the Group's profit for the year or on the Group's net assets.

**g. Reclassifications**

- As part of the transition exemptions available under IFRS 1, INM has elected to set the previously accumulated foreign currency translation reserve to zero as at the transition date. Thus, the debit balance of €241.9m in this reserve is transferred to retained earnings as at the transition date.
- Under Irish GAAP, all capitalised computer software was included within property, plant and equipment. Under IAS 38, only computer software that is integral to a related item of hardware should be included as property, plant and equipment. All other computer software should be recorded as an intangible asset. Thus a reclassification of certain software in the amount of €11.3m has been made from property, plant and equipment to intangible assets as at 1 January 2004.
- Under Irish GAAP, spare parts were carried as inventory. Under IAS 16, major spare parts qualify as property, plant and equipment when an entity expects to use them during more than one period. Similarly, if the spare parts can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment. Thus a reclassification of spares in the amount of €5.8m has been made from inventory to property, plant and equipment as at 1 January 2004.
- Under IAS 17, a lease of land does not qualify as a finance lease unless title to the land is expected to pass to the lessee at the end of the lease term. Under Irish GAAP, the title to the land did not have to pass to the lessee for it to qualify as a finance lease. Thus, finance leases of land to the value of €4.6m under which title to the land does not pass at the end of the lease are reclassified from finance leases to operating leases as at 1 January 2004. This results in a reduction of €4.6m in both finance leases and in property, plant and equipment as at 1 January 2004.
- Under IAS 19, an amount of €19.2m previously included within creditors in respect of post-retirement (healthcare) obligations has been reclassified to retirement benefit obligations as at 1 January 2004.
- Loans made to associates and joint ventures of €46.4m as at 1 January 2004 which were previously classified as part of the investment in associates and joint ventures are now classified in accordance with IAS 28 and IAS 31 as loans and receivables and shown within trade and other receivables.
- Under Irish GAAP, three types of exceptional items were required to be shown after operating profit – (i) profits / losses on sale or termination of an operation, (ii) costs of a fundamental reorganisation and (iii) profits / losses on disposal of fixed assets. Under IFRS, all exceptional items, apart from the results of discontinued operations, are disclosed in the appropriate operating line item before operating profit, with separate disclosure for items which are exceptional by virtue of their size or nature. This results in a reclassification of exceptional items reported by the Group for the year ended 31 December 2004.

**h. IAS 32 - “Financial Instruments: Disclosure and Presentation” and IAS 39 - “Financial Instruments: Recognition and Measurement”**

The Group has taken the option within IFRS 1 to apply IAS 32 and IAS 39 from 1 January 2005, thus, the transition adjustments that arise on the implementation of IAS 32 and IAS 39 arise as at this date. The IAS 32 and IAS 39 transition adjustments relate to the following:

- The Cumulative Exchangeable Preference Shares (€113.8m) previously classified as non-equity minority interest are compound financial instruments and are now classified within non-current liabilities. From 1 January 2005, in the income statement, the dividend arising on the Cumulative Exchangeable Preference Shares will no longer be included within minority interests, but will be included within finance costs.
- Amounts totalling €15.0m previously classified as investments are now classified as available-for-sale financial assets as at 1 January 2005. These represent investments in equity securities (listed and unlisted) that present the Group with an opportunity for return through dividend income and capital gains. They have no fixed maturity or coupon rate. The available-for-sale investments are remeasured to fair value resulting in an uplift of €0.6m. While these investments are classified as available-for-sale financial assets in accordance with IFRS, it is not currently the intention of management to sell these investments.
- IAS 39 requires all derivatives to be recognised at fair value. All cash flow hedges entered into by the Group are measured at fair value and brought onto the balance sheet. As at 1 January 2005, included within liabilities are amounts totalling €7.0m in respect of derivative financial instruments.

**i. Cash Flow Statement**

The IFRS cash flow statement is presented in a different format from that required by Irish GAAP, with cash flows split into three categories of activities – operating activities, investing activities and financing activities. The reconciling items between the Irish GAAP presentation and the IFRS presentation have no impact on the net cash flows generated.

In preparing the cash flow statement under IFRS, cash and cash equivalents include cash at bank and in hand, highly liquid interest bearing securities with original maturities of three months or less, and bank overdrafts.

## **6. DETAILED RECONCILIATIONS FROM IRISH GAAP TO IFRS**

- Summary balance sheets as at 1 January 2005, 31 December 2004, 30 June 2004 and 1 January 2004	14
- Detailed balance sheet as at 1 January 2004	15
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**GROUP BALANCE SHEET**

	1 January 2005	31 December 2004	30 June 2004 (unaudited)	1 January 2004
	€m	€m	€m	€m
<b>Assets</b>				
<b>Non-Current Assets</b>				
Intangible assets	1,701.6	1,701.6	1,719.7	1,679.8
Property, plant and equipment	341.7	341.7	331.3	326.6
Investments in associates and joint ventures	46.4	46.4	50.9	34.9
Deferred tax assets	89.3	89.3	81.7	68.1
Investments	-	15.0	14.8	18.2
Available-for-sale financial assets	15.6	-	-	-
Trade and other receivables	64.5	64.5	56.0	60.7
	<u>2,259.1</u>	<u>2,258.5</u>	<u>2,254.4</u>	<u>2,188.3</u>
<b>Current Assets</b>				
Inventories	16.9	16.9	16.1	19.5
Trade and other receivables	252.5	252.5	261.5	245.4
Current income tax assets	10.6	9.6	1.6	2.1
Cash and cash equivalents	123.8	123.8	99.1	188.9
	<u>403.8</u>	<u>402.8</u>	<u>378.3</u>	<u>455.9</u>
<b>Total Assets</b>	<u>2,662.9</u>	<u>2,661.3</u>	<u>2,632.7</u>	<u>2,644.2</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade and other payables	230.7	230.7	201.3	206.4
Derivative financial instruments	5.6	-	-	-
Current income tax liabilities	12.0	12.0	12.5	8.3
Borrowings	58.1	58.1	150.8	34.6
Dividends	-	-	38.0	-
	<u>306.4</u>	<u>300.8</u>	<u>402.6</u>	<u>249.3</u>
<b>Non-Current liabilities</b>				
Borrowings	1,046.9	1,046.9	942.5	1,127.9
Compound financial instruments	257.8	141.9	141.8	146.0
Derivative financial instruments	1.4	-	-	-
Other creditors	8.8	8.8	7.4	8.1
Retirement benefit obligations	106.5	106.5	104.3	100.8
Deferred taxation liabilities	279.9	279.9	281.9	270.6
Provisions for other liabilities and charges	34.2	34.2	47.7	69.6
	<u>1,735.5</u>	<u>1,618.2</u>	<u>1,525.6</u>	<u>1,723.0</u>
<b>Total Liabilities</b>	<u>2,041.9</u>	<u>1,919.0</u>	<u>1,928.2</u>	<u>1,972.3</u>
<b>Net Assets</b>	<u>621.0</u>	<u>742.3</u>	<u>704.5</u>	<u>671.9</u>
<b>Equity</b>				
<b>Capital and Reserves Attributable to Company's Equity Holders</b>				
Share capital	223.3	223.3	221.3	221.3
Other reserves	270.1	275.4	299.9	256.2
Retained earnings	(415.5)	(414.6)	(451.5)	(435.1)
	<u>77.9</u>	<u>84.1</u>	<u>69.7</u>	<u>42.4</u>
Minority interests	543.1	658.2	634.8	629.5
<b>Total Equity</b>	<u>621.0</u>	<u>742.3</u>	<u>704.5</u>	<u>671.9</u>

**Balance Sheet as at 1 January 2004 - Reconciliation from Irish GAAP to IFRS**

	<b>Irish GAAP</b>	<b>Employee Benefits</b>	<b>Deferred Tax</b>	<b>Dividends</b>	<b>Business Combinations/ Intangibles</b>	<b>Share Options</b>	<b>Reclassifications</b>	<b>Other</b>	<b>Total Adjustments</b>	<b>IFRS</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
<b>Assets</b>										
<b>Non-Current Assets</b>										
Intangible Assets	1,662.4	-	-	-	7.2	-	11.3	(1.1)	17.4	1,679.8
Property, plant and equipment	338.3	-	-	-	-	-	(10.1)	(1.6)	(11.7)	326.6
Investments in associates and joint ventures	81.3	-	-	-	-	-	(46.4)	-	(46.4)	34.9
Deferred tax assets	45.7	8.3	14.1	-	-	-	-	-	22.4	68.1
Investments	18.2	-	-	-	-	-	-	-	-	18.2
Trade and other receivables	14.3	-	-	-	-	-	46.4	-	46.4	60.7
	<b>2,160.2</b>	<b>8.3</b>	<b>14.1</b>	<b>-</b>	<b>7.2</b>	<b>-</b>	<b>1.2</b>	<b>(2.7)</b>	<b>28.1</b>	<b>2,188.3</b>
<b>Current Assets</b>										
Inventories	24.3	-	-	-	-	-	(5.8)	1.0	(4.8)	19.5
Trade and other receivables	245.4	-	-	-	-	-	-	-	-	245.4
Current income tax assets	2.1	-	-	-	-	-	-	-	-	2.1
Cash and cash equivalents	188.9	-	-	-	-	-	-	-	-	188.9
	<b>460.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5.8)</b>	<b>1.0</b>	<b>(4.8)</b>	<b>455.9</b>
<b>Liabilities</b>										
<b>Current Liabilities</b>										
Trade and other payables	225.6	-	-	-	-	-	(19.2)	-	(19.2)	206.4
Current income tax liabilities	8.3	-	0.1	-	-	-	-	(0.1)	-	8.3
Borrowings	34.6	-	-	-	-	-	-	-	-	34.6
Dividends	38.0	-	-	(38.0)	-	-	-	-	(38.0)	-
	<b>306.5</b>	<b>-</b>	<b>0.1</b>	<b>(38.0)</b>	<b>-</b>	<b>-</b>	<b>(19.2)</b>	<b>(0.1)</b>	<b>(57.2)</b>	<b>249.3</b>
<b>Non-Current Liabilities</b>										
Borrowings	1,132.5	-	-	-	-	-	(4.6)	-	(4.6)	1,127.9
Compound financial instruments	146.0	-	-	-	-	-	-	-	-	146.0
Other creditors	8.1	-	-	-	-	-	-	-	-	8.1
Retirement benefit obligations	-	81.6	-	-	-	-	19.2	-	100.8	100.8
Deferred taxation liabilities	2.9	-	267.6	-	-	-	-	0.1	267.7	270.6
Provisions for other liabilities and charges	69.6	-	-	-	-	-	-	-	-	69.6
	<b>1,359.1</b>	<b>81.6</b>	<b>267.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14.6</b>	<b>0.1</b>	<b>363.9</b>	<b>1,723.0</b>
<b>Net Assets</b>	<b>955.3</b>	<b>(73.3)</b>	<b>(253.6)</b>	<b>38.0</b>	<b>7.2</b>	<b>-</b>	<b>-</b>	<b>(1.7)</b>	<b>(283.4)</b>	<b>671.9</b>
<b>Equity</b>										
<b>Capital and Reserves Attributable to Company's Equity Holders</b>										
Share capital	221.3	-	-	-	-	-	-	-	-	221.3
Capital conversion reserve	4.5	-	-	-	-	-	-	-	-	4.5
Share premium	251.6	-	-	-	-	0.1	-	-	0.1	251.7
Revaluation reserve	(73.7)	-	-	-	73.7	-	-	-	73.7	-
Translation reserve	(241.9)	-	-	-	-	-	241.9	-	241.9	-
Retained earnings	78.4	(72.7)	(187.2)	38.0	(48.9)	(0.1)	(241.9)	(0.7)	(513.5)	(435.1)
	<b>240.2</b>	<b>(72.7)</b>	<b>(187.2)</b>	<b>38.0</b>	<b>24.8</b>	<b>-</b>	<b>-</b>	<b>(0.7)</b>	<b>(197.8)</b>	<b>42.4</b>
Minority interests	715.1	(0.6)	(66.4)	-	(17.6)	-	-	(1.0)	(85.6)	629.5
<b>Total Equity</b>	<b>955.3</b>	<b>(73.3)</b>	<b>(253.6)</b>	<b>38.0</b>	<b>7.2</b>	<b>-</b>	<b>-</b>	<b>(1.7)</b>	<b>(283.4)</b>	<b>671.9</b>

**Balance Sheet as at 30 June 2004 – Reconciliation from Irish GAAP to IFRS**

	<b>Irish GAAP</b>	<b>Employee Benefits</b>	<b>Deferred Tax</b>	<b>Dividends</b>	<b>Business Combinations/ Intangibles</b>	<b>Share Options</b>	<b>Reclassifications</b>	<b>Other</b>	<b>Total Adjustments</b>	<b>IFRS</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
<b>Assets</b>										
<b>Non-Current Assets</b>										
Intangible assets	1,695.3	-	-	-	14.9	-	10.6	(1.1)	24.4	1,719.7
Property, plant and equipment	343.6	-	-	-	-	-	(9.4)	(2.9)	(12.3)	331.3
Investments in associates and joint ventures	89.8	-	-	-	1.4	-	(40.4)	0.1	(38.9)	50.9
Deferred tax assets	58.9	8.5	14.3	-	-	-	-	-	22.8	81.7
Investments	14.8	-	-	-	-	-	-	-	-	14.8
Trade and other receivables	15.6	-	-	-	-	-	40.4	-	40.4	56.0
	<b>2,218.0</b>	<b>8.5</b>	<b>14.3</b>	<b>-</b>	<b>16.3</b>	<b>-</b>	<b>1.2</b>	<b>(3.9)</b>	<b>36.4</b>	<b>2,254.4</b>
<b>Current Assets</b>										
Inventories	21.9	-	-	-	-	-	(5.8)	-	(5.8)	16.1
Trade and other receivables	261.5	-	-	-	-	-	-	-	-	261.5
Current income tax assets	1.6	-	-	-	-	-	-	-	-	1.6
Cash and cash equivalents	99.1	-	-	-	-	-	-	-	-	99.1
	<b>384.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5.8)</b>	<b>-</b>	<b>(5.8)</b>	<b>378.3</b>
<b>Liabilities</b>										
<b>Current Liabilities</b>										
Trade and other payables	219.8	3.0	-	-	-	-	(21.5)	-	(18.5)	201.3
Current income tax liabilities	12.5	-	-	-	-	-	-	-	-	12.5
Borrowings	150.8	-	-	-	-	-	-	-	-	150.8
Dividends	60.2	-	-	(22.2)	-	-	-	-	(22.2)	38.0
	<b>443.3</b>	<b>3.0</b>	<b>-</b>	<b>(22.2)</b>	<b>-</b>	<b>-</b>	<b>(21.5)</b>	<b>-</b>	<b>(40.7)</b>	<b>402.6</b>
<b>Non-Current Liabilities</b>										
Borrowings	947.1	-	-	-	-	-	(4.6)	-	(4.6)	942.5
Compound financial instruments	141.8	-	-	-	-	-	-	-	-	141.8
Other creditors	7.4	-	-	-	-	-	-	-	-	7.4
Retirement benefit obligations	-	82.8	-	-	-	-	21.5	-	104.3	104.3
Deferred taxation liabilities	3.0	-	278.9	-	-	-	-	-	278.9	281.9
Provisions for other liabilities and charges	47.7	-	-	-	-	-	-	-	-	47.7
	<b>1,147.0</b>	<b>82.8</b>	<b>278.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16.9</b>	<b>-</b>	<b>378.6</b>	<b>1,525.6</b>
<b>Net Assets</b>	<b>1,011.8</b>	<b>(77.3)</b>	<b>(264.6)</b>	<b>22.2</b>	<b>16.3</b>	<b>-</b>	<b>-</b>	<b>(3.9)</b>	<b>(307.3)</b>	<b>704.5</b>
<b>Equity</b>										
<b>Capital and Reserves attributable to Company's Equity Holders</b>										
Share capital	221.3	-	-	-	-	-	-	-	-	221.3
Capital conversion reserve	4.5	-	-	-	-	-	-	-	-	4.5
Share premium	251.6	-	-	-	-	0.4	-	-	0.4	252.0
Revaluation reserve	(77.3)	-	-	-	77.3	-	-	-	77.3	-
Translation reserve	(200.8)	-	-	-	-	-	241.9	2.3	244.2	43.4
Retained earnings	91.0	(76.8)	(195.2)	22.2	(46.5)	(0.4)	(241.9)	(3.9)	(542.5)	(451.5)
	<b>290.3</b>	<b>(76.8)</b>	<b>(195.2)</b>	<b>22.2</b>	<b>30.8</b>	<b>-</b>	<b>-</b>	<b>(1.6)</b>	<b>(220.6)</b>	<b>69.7</b>
Minority interests	721.5	(0.5)	(69.4)	-	(14.5)	-	-	(2.3)	(86.7)	634.8
<b>Total Equity</b>	<b>1,011.8</b>	<b>(77.3)</b>	<b>(264.6)</b>	<b>22.2</b>	<b>16.3</b>	<b>-</b>	<b>-</b>	<b>(3.9)</b>	<b>(307.3)</b>	<b>704.5</b>

**Balance Sheet as at 31 December 2004 - Reconciliation from Irish GAAP to IFRS**

	<b>Irish GAAP</b>	<b>Employee Benefits</b>	<b>Deferred Tax</b>	<b>Dividends</b>	<b>Business Combinations/ Intangibles</b>	<b>Share Options</b>	<b>Reclassifications</b>	<b>Other</b>	<b>Total Adjustments</b>	<b>IFRS</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
<b>Assets</b>										
<b>Non-Current Assets</b>										
Intangible assets	1,676.8	-	-	-	17.3	-	10.7	(3.2)	24.8	1,701.6
Property, plant and equipment	354.8	-	-	-	-	-	(10.2)	(2.9)	(13.1)	341.7
Investments in associates and joint ventures	96.0	-	-	-	2.9	-	(52.6)	0.1	(49.6)	46.4
Deferred tax assets	64.4	8.3	16.6	-	-	-	-	-	24.9	89.3
Investments	15.0	-	-	-	-	-	-	-	-	15.0
Trade and other receivables	11.9	-	-	-	-	-	52.6	-	52.6	64.5
	<b>2,218.9</b>	<b>8.3</b>	<b>16.6</b>	<b>-</b>	<b>20.2</b>	<b>-</b>	<b>0.5</b>	<b>(6.0)</b>	<b>39.6</b>	<b>2,258.5</b>
<b>Current Assets</b>										
Inventories	22.0	-	-	-	-	-	(5.1)	-	(5.1)	16.9
Trade and other receivables	252.5	-	-	-	-	-	-	-	-	252.5
Current income tax assets	9.6	-	-	-	-	-	-	-	-	9.6
Cash and cash equivalents	123.8	-	-	-	-	-	-	-	-	123.8
	<b>407.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5.1)</b>	<b>-</b>	<b>(5.1)</b>	<b>402.8</b>
<b>Liabilities</b>										
<b>Current Liabilities</b>										
Trade and other payables	254.7	-	-	-	-	-	(24.0)	-	(24.0)	230.7
Current income tax liabilities	12.0	-	-	-	-	-	-	-	-	12.0
Borrowings	58.1	-	-	-	-	-	-	-	-	58.1
Dividends	44.7	-	-	(44.7)	-	-	-	-	(44.7)	-
	<b>369.5</b>	<b>-</b>	<b>-</b>	<b>(44.7)</b>	<b>-</b>	<b>-</b>	<b>(24.0)</b>	<b>-</b>	<b>(68.7)</b>	<b>300.8</b>
<b>Non-Current Liabilities</b>										
Borrowings	1,051.5	-	-	-	-	-	(4.6)	-	(4.6)	1,046.9
Compound financial instruments	141.9	-	-	-	-	-	-	-	-	141.9
Other creditors	8.8	-	-	-	-	-	-	-	-	8.8
Retirement benefit obligations	-	82.5	-	-	-	-	24.0	-	106.5	106.5
Deferred taxation liabilities	3.5	-	276.6	-	-	-	-	(0.2)	276.4	279.9
Provisions for other liabilities and charges	34.2	-	-	-	-	-	-	-	-	34.2
	<b>1,239.9</b>	<b>82.5</b>	<b>276.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19.4</b>	<b>(0.2)</b>	<b>378.3</b>	<b>1,618.2</b>
<b>Net Assets</b>	<b>1,017.4</b>	<b>(74.2)</b>	<b>(260.0)</b>	<b>44.7</b>	<b>20.2</b>	<b>-</b>	<b>-</b>	<b>(5.8)</b>	<b>(275.1)</b>	<b>742.3</b>
<b>Equity</b>										
<b>Capital and Reserves attributable to Company's Equity Holders</b>										
Share capital	223.3	-	-	-	-	-	-	-	-	223.3
Capital conversion reserve	4.5	-	-	-	-	-	-	-	-	4.5
Share premium	260.8	-	-	-	-	0.8	-	-	0.8	261.6
Revaluation reserve	(73.5)	-	-	-	73.5	-	-	-	73.5	-
Translation reserve	(240.6)	-	-	-	-	-	241.9	8.0	249.9	9.3
Retained earnings	96.9	(73.6)	(188.4)	44.7	(41.1)	(0.8)	(241.9)	(10.4)	(511.5)	(414.6)
	<b>271.4</b>	<b>(73.6)</b>	<b>(188.4)</b>	<b>44.7</b>	<b>32.4</b>	<b>-</b>	<b>-</b>	<b>(2.4)</b>	<b>(187.3)</b>	<b>84.1</b>
Minority interests	746.0	(0.6)	(71.6)	-	(12.2)	-	-	(3.4)	(87.8)	658.2
<b>Total Equity</b>	<b>1,017.4</b>	<b>(74.2)</b>	<b>(260.0)</b>	<b>44.7</b>	<b>20.2</b>	<b>-</b>	<b>-</b>	<b>(5.8)</b>	<b>(275.1)</b>	<b>742.3</b>

**Balance Sheet as at 1 January 2005 - Reconciliation from IFRS as at 31 December 2004 to IFRS as at 1 January 2005, to reflect adoption of IAS 32 and IAS 39**

	IFRS 31 December 2004	Effect of adoption of IAS 32 and IAS 39	IFRS 1 January 2005
	<u>€m</u>	<u>€m</u>	<u>€m</u>
<b>Assets</b>			
<b>Non-Current Assets</b>			
Intangible assets	1,701.6	-	1,701.6
Property, plant and equipment	341.7	-	341.7
Investments in associates and joint ventures	46.4	-	46.4
Deferred tax assets	89.3	-	89.3
Investments	15.0	(15.0)	-
Available-for-sale financial assets	-	15.6	15.6
Trade and other receivables	64.5	-	64.5
	2,258.5	0.6	2,259.1
<b>Current Assets</b>			
Inventories	16.9	-	16.9
Trade and other receivables	252.5	-	252.5
Current income tax assets	9.6	1.0	10.6
Cash and cash equivalents	123.8	-	123.8
	402.8	1.0	403.8
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	230.7	-	230.7
Derivative financial instruments	-	5.6	5.6
Current income tax liabilities	12.0	-	12.0
Borrowings	58.1	-	58.1
	300.8	5.6	306.4
<b>Non-Current liabilities</b>			
Borrowings	1,046.9	-	1,046.9
Compound financial instruments	141.9	115.9	257.8
Derivative financial instruments	-	1.4	1.4
Other creditors	8.8	-	8.8
Retirement benefit obligations	106.5	-	106.5
Deferred taxation liabilities	279.9	-	279.9
Provisions for other liabilities and charges	34.2	-	34.2
	1,618.2	117.3	1,735.5
<b>Net Assets</b>	<b>742.3</b>	<b>(121.3)</b>	<b>621.0</b>
<b>Equity</b>			
<b>Capital and Reserves Attributable to Company's Equity Holders</b>			
Share capital	223.3	-	223.3
Capital conversion reserve	4.5	-	4.5
Share premium	261.6	-	261.6
Translation reserve	9.3	-	9.3
Other reserves	-	(5.3)	(5.3)
Retained earnings	(414.6)	(0.9)	(415.5)
	84.1	(6.2)	77.9
Minority interests	658.2	(115.1)	543.1
<b>Total Equity</b>	<b>742.3</b>	<b>(121.3)</b>	<b>621.0</b>

**Statement of Changes in Shareholders' Equity for Six Months Ended 30 June 2004**

	Share Capital	Share Premium	Translation Reserve	Capital Conversion Reserve Fund	Retained Earnings	Attributable to Equity Holders of the Parent	Minority Interests	Total Equity
	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>
At 1 January 2004	221.3	251.7	-	4.5	(435.1)	42.4	629.5	671.9
Profit for the period	-	-	-	-	33.4	33.4	34.9	68.3
Dividends	-	-	-	-	(38.0)	(38.0)	(29.9)	(67.9)
Issue of share capital	-	-	-	-	-	-	9.6	9.6
Share based payment	-	0.3	-	-	-	0.3	-	0.3
Currency translation adjustments	-	-	43.4	-	(11.8)	31.6	(9.3)	22.3
<b>At 30 June 2004</b>	<b>221.3</b>	<b>252.0</b>	<b>43.4</b>	<b>4.5</b>	<b>(451.5)</b>	<b>69.7</b>	<b>634.8</b>	<b>704.5</b>

**Statement of Changes in Shareholders' Equity for Year Ended 31 December 2004 and as at 1 January 2005**

	Share Capital	Share Premium	Translation Reserve	Capital Conversion Reserve Fund	Other Reserves	Retained Earnings	Attributable to Equity Holders of the Parent	Minority Interests	Total Equity
	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>
At 1 January 2004	221.3	251.7	-	4.5	-	(435.1)	42.4	629.5	671.9
Profit for the year	-	-	-	-	-	84.3	84.3	78.9	163.2
Dividends	-	-	-	-	-	(60.2)	(60.2)	(63.7)	(123.9)
Issue of share capital	2.0	9.2	-	-	-	-	11.2	21.1	32.3
Share based payment	-	0.7	-	-	-	-	0.7	-	0.7
Currency translation adjustments	-	-	9.3	-	-	(3.6)	5.7	(7.6)	(1.9)
<b>At 31 December 2004</b>	<b>223.3</b>	<b>261.6</b>	<b>9.3</b>	<b>4.5</b>	<b>-</b>	<b>(414.6)</b>	<b>84.1</b>	<b>658.2</b>	<b>742.3</b>
Adoption of IAS 32 and IAS 39	-	-	-	-	(5.3)	(0.9)	(6.2)	(115.1)	(121.3)
<b>At 1 January 2005</b>	<b>223.3</b>	<b>261.6</b>	<b>9.3</b>	<b>4.5</b>	<b>(5.3)</b>	<b>(415.5)</b>	<b>77.9</b>	<b>543.1</b>	<b>621.0</b>

**Income Statement for Six Months Ended 30 June 2004**

	<b>IFRS €m</b>
<b>Revenue</b>	<b><u>733.0</u></b>
Operating profit before exceptional items	125.4
Exceptional items	<u>(11.3)</u>
<b>Operating profit after exceptional items</b>	<b>114.1</b>
Share of results of associates and joint ventures	2.3
Finance costs	(38.5)
	<hr/>
<b>Profit before taxation</b>	<b>77.9</b>
Taxation	<u>(9.6)</u>
<b>Profit for the period</b>	<b><u>68.3</u></b>
 <b>Attributable to:</b>	
Minority interests	34.9
Equity holders of the parent	<u>33.4</u>
	<b><u>68.3</u></b>
 <b>Earnings per ordinary share (cent)</b>	
- Basic	<u>4.53c</u>
- Fully diluted	<u>4.51c</u>

**Income Statement for Six Months Ended 30 June 2004 – Reconciliation from Irish GAAP to IFRS**

	<b>Irish GAAP</b>	<b>Employee Benefits</b>	<b>Business Combinations/ Intangibles</b>	<b>Associates &amp; Joint Ventures</b>	<b>Dividends</b>	<b>Share Options</b>	<b>Other</b>	<b>Total Adjustments</b>	<b>IFRS</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
Revenue	736.9	-	-	-	-	-	(3.9)	(3.9)	733.0
Operating profit	129.4	(3.8)	4.2	(2.7)	-	(0.4)	(1.3)	(4.0)	125.4
Exceptional items	(11.3)	-	-	-	-	-	-	-	(11.3)
Operating profit	118.1	(3.8)	4.2	(2.7)	-	(0.4)	(1.3)	(4.0)	114.1
Share of results of associates and joint ventures	-	-	1.3	1.0	-	(0.1)	0.1	2.3	2.3
Finance costs	(39.3)	-	-	0.8	-	-	-	0.8	(38.5)
Profit before taxation	78.8	(3.8)	5.5	(0.9)	-	(0.5)	(1.2)	(0.9)	77.9
Taxation	(10.7)	0.2	-	0.9	-	-	-	1.1	(9.6)
Profit after taxation	68.1	(3.6)	5.5	-	-	(0.5)	(1.2)	0.2	68.3
Minority interest	(33.7)	-	(2.0)	-	-	0.2	0.6	(1.2)	(34.9)
Net profit before dividends	34.4	(3.6)	3.5	-	-	(0.3)	(0.6)	(1.0)	33.4
Dividends	(22.2)	-	-	-	(15.8)	-	-	(15.8)	(38.0)
Retained profit/(loss)	12.2	(3.6)	3.5	-	(15.8)	(0.3)	(0.6)	(16.8)	(4.6)
<b>Earnings per ordinary share (cent)</b>									
- Basic	4.67c								4.53c
- Fully diluted	4.64c								4.51c
- Fully diluted excluding exceptionals & amortisation	6.59c								5.85c

## Income Statement for Year Ended 31 December 2004

	<b>IFRS</b>		
	<b>Before exceptional items €m</b>	<b>Exceptional items €m</b>	<b>Total €m</b>
<b>Revenue</b>	<b>1,557.4</b>	-	<b>1,557.4</b>
Cost of sales	(826.6)	(8.5)	(835.1)
Gross profit	730.8	(8.5)	722.3
Distribution expenses	(101.6)	(1.4)	(103.0)
Administration expenses	(146.4)	(2.7)	(149.1)
Other operating expenses	(203.1)	(1.0)	(204.1)
<b>Operating profit/(loss)</b>	<b>279.7</b>	<b>(13.6)</b>	<b>266.1</b>
Share of results of associates and joint ventures			8.3
Finance costs	(79.1)	(2.9)	(82.0)
<b>Profit before taxation</b>			<b>192.4</b>
Taxation			(29.2)
<b>Profit for the year</b>			<b>163.2</b>
<b>Attributable to:</b>			
Minority interests			78.9
Equity holders of the parent			84.3
			<b>163.2</b>
<b>Earnings per ordinary share (cent)</b>			
- Basic			11.40c
- Fully diluted			11.34c

**Income Statement for Year Ended 31 December 2004 – Reconciliation from Irish GAAP to IFRS**

	<b>Irish GAAP</b>	<b>Employee Benefits</b>	<b>Business Combinations/ Intangibles</b>	<b>Associates &amp; Joint Ventures</b>	<b>Dividends</b>	<b>Share Options</b>	<b>Reclass- ifications</b>	<b>Other</b>	<b>Total Adjustments</b>	<b>IFRS</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
Revenue	1,557.4	-	-	-	-	-	-	-	-	1,557.4
Operating profit	285.7	(1.0)	6.3	(9.4)	-	(0.9)	-	(1.0)	(6.0)	279.7
Exceptional items	(15.8)	-	-	(0.3)	-	-	2.5	-	2.2	(13.6)
Operating profit	269.9	(1.0)	6.3	(9.7)	-	(0.9)	2.5	(1.0)	(3.8)	266.1
Other exceptional items	2.5	-	-	-	-	-	(2.5)	-	(2.5)	-
	272.4	(1.0)	6.3	(9.7)	-	(0.9)	-	(1.0)	(6.3)	266.1
Share of results of associates and joint ventures	-	-	2.9	5.4	-	(0.2)	-	0.2	8.3	8.3
Finance costs	(80.4)	-	-	1.3	-	-	-	-	1.3	(79.1)
Exceptional finance costs	(2.9)	-	-	-	-	-	-	-	-	(2.9)
Profit before taxation	189.1	(1.0)	9.2	(3.0)	-	(1.1)	-	(0.8)	3.3	192.4
Taxation	(31.8)	-	-	3.0	-	-	-	(0.4)	2.6	(29.2)
Profit after taxation	157.3	(1.0)	9.2	-	-	(1.1)	-	(1.2)	5.9	163.2
Minority interest	(76.7)	-	(3.3)	-	-	0.4	-	0.7	(2.2)	(78.9)
Net profit before dividends	80.6	(1.0)	5.9	-	-	(0.7)	-	(0.5)	3.7	84.3
Dividends	(66.9)	-	-	-	6.7	-	-	-	6.7	(60.2)
Retained profit	13.7	(1.0)	5.9	-	6.7	(0.7)	-	(0.5)	10.4	24.1
<b>Earnings per ordinary share (cent)</b>										
- Basic	10.90c									11.40c
- Fully diluted	10.84c									11.34c
- Fully diluted excluding exceptionals & amortisation	14.15c									13.33c

**Cash Flow Statement for Six Months Ended 30 June 2004**

	<b>Irish GAAP</b> <b>€m</b>	<b>Adjustments</b> <b>€m</b>	<b>IFRS</b> <b>€m</b>
<b>Operating profit before exceptional items</b>	<b>129.4</b>	<b>(4.0)</b>	<b>125.4</b>
Cash exceptional items	(11.3)	-	(11.3)
Depreciation/amortisation	26.3	(5.2)	21.1
Unrealised foreign exchange movements	(1.4)	-	(1.4)
Profit from joint ventures	(1.0)	1.0	-
Profit from associates	(1.1)	1.1	-
Non-cash share based payment	-	0.7	0.7
<b>Profit from operations before changes in working capital and provisions</b>	<b>140.9</b>	<b>(6.4)</b>	<b>134.5</b>
Decrease in stocks	2.4	-	2.4
Increase in short term and medium term debtors	(4.6)	-	(4.6)
(Decrease)/increase in short term and long term creditors	(3.5)	4.4	0.9
Increase in provisions (excluding restructuring payments)	0.9	-	0.9
Restructuring payments	(23.5)	-	(23.5)
<b>Net cash provided by operating activities</b>	<b>112.6</b>	<b>(2.0)</b>	<b>110.6</b>
Income tax paid	(17.9)	-	(17.9)
<b>Net cash generated from operating activities</b>	<b>94.7</b>	<b>(2.0)</b>	<b>92.7</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	(23.8)	-	(23.8)
Proceeds from sale of property, plant and equipment	4.2	-	4.2
Purchase of intangible assets	(5.1)	2.0	(3.1)
Purchase of available-for-sale financial assets	(0.2)	-	(0.2)
Advances to joint ventures and associates	0.7	-	0.7
Purchase of associates and joint ventures	(6.1)	-	(6.1)
Interest received	3.6	-	3.6
Dividends received	0.5	-	0.5
<b>Net cash used in investing activities</b>	<b>(26.2)</b>	<b>2.0</b>	<b>(24.2)</b>
<b>Cash flows from financing activities</b>			
Interest paid	(54.0)	-	(54.0)
Repayment of borrowings	(56.6)	-	(56.6)
Payment of finance lease liabilities	(17.7)	-	(17.7)
Issue of equity minority interests	1.1	-	1.1
Dividends paid to minority interests	(25.3)	-	(25.3)
<b>Net cash used in financing activities</b>	<b>(152.5)</b>	<b>-</b>	<b>(152.5)</b>
Net decrease in cash and bank overdrafts	(84.0)	-	(84.0)
Cash and bank overdrafts at beginning of the year	188.9	-	188.9
Exchange gains on cash and bank overdrafts	(7.0)	-	(7.0)
<b>Cash and bank overdrafts at end of period</b>	<b>97.9</b>	<b>-</b>	<b>97.9</b>

Note: The format under Irish GAAP above has been reconfigured to match the format under IFRS.

## Cash Flow Statement for Year Ended 31 December 2004

	Irish GAAP €m	Adjustments €m	IFRS €m
<b>Operating profit before exceptional items</b>	<b>285.7</b>	<b>(6.0)</b>	<b>279.7</b>
Exceptional Items	(15.8)	2.2	(13.6)
Depreciation/amortisation	53.4	(9.6)	43.8
Unrealised foreign exchange movements	(6.8)	-	(6.8)
Profit from joint ventures	(3.8)	3.8	-
Profit from associates	(3.8)	3.8	-
Non-cash share based payment	-	1.0	1.0
<b>Profit from operations before changes in working capital and provisions</b>	<b>308.9</b>	<b>(4.8)</b>	<b>304.1</b>
Decrease in stocks	2.1	-	2.1
Increase in short term and medium term debtors	(6.3)	0.7	(5.6)
Increase in short term and long term creditors	24.6	2.0	26.6
Increase in provisions (excluding restructuring payments)	2.0	-	2.0
Restructuring payments	(36.8)	-	(36.8)
<b>Net cash provided by operating activities</b>	<b>294.5</b>	<b>(2.1)</b>	<b>292.4</b>
Income tax paid	(50.2)	-	(50.2)
<b>Net cash generated from operating activities</b>	<b>244.3</b>	<b>(2.1)</b>	<b>242.2</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	(64.4)	7.4	(57.0)
Proceeds from sale of property, plant and equipment	7.1	-	7.1
Purchase of intangible assets	(10.4)	(5.3)	(15.7)
Purchase of available-for-sale financial assets	(0.6)	-	(0.6)
Advances to joint ventures and associates	(9.3)	-	(9.3)
Purchase of associates and joint ventures	(0.2)	-	(0.2)
Interest received	16.9	-	16.9
Dividends received	1.2	-	1.2
<b>Net cash used in investing activities</b>	<b>(59.7)</b>	<b>2.1</b>	<b>(57.6)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares	2.1	-	2.1
Debt issue costs	(1.7)	-	(1.7)
Interest paid	(97.5)	-	(97.5)
Proceeds from borrowings	65.0	-	65.0
Repayment of borrowings	(63.9)	-	(63.9)
Dividends paid to Company's shareholders	(51.2)	-	(51.2)
Payment of finance lease liabilities	(60.5)	-	(60.5)
Issue of equity minority interests	5.0	-	5.0
Dividends paid to minority interests	(47.6)	-	(47.6)
<b>Net cash used in financing activities</b>	<b>(250.3)</b>	<b>-</b>	<b>(250.3)</b>
Net decrease in cash and bank overdrafts	(65.7)	-	(65.7)
Cash and bank overdrafts at beginning of the year	188.9	-	188.9
Exchange gains on cash and bank overdrafts	0.6	-	0.6
<b>Cash and bank overdrafts at end of the year</b>	<b>123.8</b>	<b>-</b>	<b>123.8</b>

Note: The format under Irish GAAP above has been reconfigured to match the format under IFRS.

## 7. PROVISIONAL IFRS ACCOUNTING POLICIES

### **Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

- a. Subsidiary undertakings are included in the financial statements from the date on which control over the operating and financial policies is obtained and cease to be consolidated from the date on which control is transferred out of the Group. Control exists when the Group 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.
- b. Minority interests represent the proportion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent company.

### **Joint Ventures**

Joint ventures are entities which the Group jointly controls with one or more entities/companies. The Group's share of the results and net assets of joint ventures are included based on the equity method of accounting. The results of joint ventures are included from the effective date on which the Group obtains joint control and are excluded from the effective date on which the Group ceases to have joint control.

### **Associates**

Associates are entities, not being subsidiary undertakings or joint ventures, over which the Group has the ability to exercise significant influence over the operating and financial policies. The Group's share of the results and net assets of associates are included based on the equity method of accounting. The results of associates are included from the effective date on which the Group's significant influence arises until the date on which such significant influence ceases.

### **Segment Reporting**

A geographical segment is engaged in providing products and services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Group's primary format for segment reporting is geographical segments and the secondary format is business segments. The risks and returns of the Group's operations are primarily determined by the different geographical locations of the Group's operations rather than the different business segments the Group operates in. This is reflected by the Group's management and organisational structure and the Group's internal financial reporting systems. The Group's subsidiaries operate in four geographical areas; Ireland, United Kingdom, South Africa and Australasia. The Group has three business segments: Printing, publishing and distribution of newspapers and magazines and commercial printing; Radio; and Outdoor advertising.

### **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and Value Added Tax.

Circulation and printing revenue is recognised when control of the goods passes to the buyer. Advertising revenue from publishing is recognised when a newspaper or magazine is published, from radio when the advertisement is broadcast and from outdoor over the period that the advertisement is displayed. Distribution revenue is recognised when the newspaper or magazine has been delivered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate over the period to expected maturity.

Dividend income is recognised when the right to receive payment is established.

### **Property, Plant and Equipment**

As set out in section four the revaluation of certain land and buildings in 1981 and referred to in note 11 to the financial statements in the 2004 Annual Report has been regarded as deemed cost on transition date.

All other property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is charged so as to write off the cost of assets, other than land, over their estimated useful lives, using the straight-line method as follows:

Buildings	40-100 years
Plant, equipment and other	3-25 years
Vehicles	4-6 years

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Borrowing costs directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of those assets.

### **Leases**

Leases of property, plant and equipment where the Group has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the outset of the lease at the fair value of the leased property, plant and equipment or if lower, at the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate on the balance of the liability outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the

remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over a useful economic life consistent with that for depreciable assets that are owned. If there is no reasonable certainty that title to the asset will transfer to the lessee at the end of the lease period the asset shall be depreciated over the shorter of the lease term and its useful life.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

## **Intangible Assets**

### **a. Goodwill**

Goodwill arising in respect of acquisitions completed prior to 1 January 2004 is included at its carrying amount as recorded under Irish GAAP. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/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 the income statement and is not subsequently reversed. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures. When calculating gains and losses on the disposal of an entity, the carrying value of goodwill relating to that entity is included in the carrying amount of the entity sold. Goodwill acquired in a business combination is allocated, from the acquisition date, to the respective cash generating units.

### **b. Mastheads, Radio Licences, Transit and Electronic Systems and Brands**

Mastheads, radio licences, transit and electronic systems and brands are initially recorded at cost. Where these assets have been acquired through a business combination, cost will be the fair value allocated in acquisition accounting.

An intangible asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Based on an analysis of relevant factors, (such as the stability of the industry, actions of competitors and typical product life cycles), most of the Group's mastheads, radio licences, transit and electronic systems and brands are regarded as having an indefinite useful life. This is supported by a range of factors, including, their proven value over long periods, their sustainable position in the market and, durability because they are expected to maintain market share and profitability over a long period. This is also supported by the barriers to entry that exist, the nature of competition in these industries, the intellectual property rights and the quality of branding associated with these mastheads, radio licences, transit and electronic systems and brands.

These mastheads, radio licences, transit and electronic systems and brands are subject to an annual impairment review to identify any diminution in recoverable amount.

A small number of the Group's mastheads, radio licences, transit and electronic systems and brands are considered to have a finite economic life and these are amortised on a straight-line basis over their estimated useful economic lives.

Internally generated mastheads, radio licences, transit and electronic systems and brands are not capitalised and any expenditure on such assets is charged to the income statement in the year in which the expenditure is incurred.

**c. Computer Software**

Acquired computer software licences are capitalised as intangible assets on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly attributable to the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Directly attributable costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software costs are amortised over their estimated useful lives (ranging in most cases from three to five years).

Other costs in respect of computer software are recognised as an expense as incurred.

**Impairment of Assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually and whenever there is an indication that the asset may be impaired. 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.

The impairment loss recognised is 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 value in use.

Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

If an impairment loss is recognised for a cash generating unit, it is allocated to reduce the carrying amount of the assets of the unit in the following order:

- a) first, to reduce the carrying amount of any goodwill allocated to the cash generating unit; and
- b) then, to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

**Business Combinations**

The Group applies the purchase method of accounting for all business combinations.

The Group has availed of the IFRS 1 exemption in relation to business combinations and has not re-stated business combinations prior to the date of transition. IFRS 3 will be applied prospectively by the Group from transition date and goodwill amortisation ceased from transition date.

The cost of a business combination is the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, equity instruments issued by the acquirer and any directly attributable costs. Adjustments to the business combination's cost that are

contingent on future events are included in the combination's cost at the acquisition date if the adjustment is probable and has been reliably measured.

At the date of acquisition, acquiree's identifiable net assets and contingent liabilities are measured at their fair values.

Adjustments to the initial accounting for a business combination are recognised within twelve months of the acquisition date and are effected prospectively from that date.

The interest of minority shareholders is calculated based on fair values of assets and liabilities at the acquisition date.

## **Employee Benefits**

### **(a) Pension Obligations**

The company operates a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee administered funds.

#### **Defined Contribution Plans**

Contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

#### **Defined Benefit Plans**

The Group has taken the option to recognise in full in equity at the transition date the cumulative actuarial gains and losses applicable to the Group's defined benefit pension schemes. From 1 January 2004, the Group will apply the "corridor approach" in relation to the recognition of actuarial gains and losses applicable to the Group's defined benefit pension schemes.

Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions. The "corridor approach" refers to a threshold being the higher of 10% of the fair value of the plan assets or 10% of the present value of the defined benefit obligations at the end of the previous reporting period. Actuarial gains and losses at the end of the previous reporting period in excess of this threshold are recognised as income or expense over the average remaining service lives of employees participating in the plan. Other than these and the actuarial deficit recognised on transition to IFRS, the actuarial gain or loss is not recognised.

The amount 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 the plan assets together with adjustments for unrecognised actuarial gains and losses.

The amounts charged to the income statement in respect of defined benefit plans consist of current service cost, interest cost, the expected return on any plan assets, actuarial gains and losses (under the "corridor approach"), the effect of any curtailments or settlements and past service costs.

The pension obligations are measured at the present value of the estimated future cash outflows using interest rates of high quality corporate bonds, which have terms to maturity

approximating the terms of the related liability. Plan assets are measured at bid values. The recognition of actuarial gains and losses is determined separately for each defined benefit plan.

Past service costs are recognised as an expense over the average period until the benefits become vested, unless they are already vested, in which case the past service costs are recognised as an expense immediately.

#### **(b) Share-Based Compensation**

The Group operates an equity-settled, share-based compensation plan for Directors and executives.

In accordance with IFRS 1, the Group has elected to implement the measurement requirements of IFRS 2 in respect of only those equity-settled share options that were granted after 7 November 2002 and that had not vested as at 1 January 2005.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the grant date. At each balance sheet date, the Group revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The fair value of share options has been assessed using the Binomial Model.

#### **(c) Termination Benefits**

Termination benefits are payable when employment is terminated before normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises these benefits when it is demonstrably committed to terminating the employment of current employees in line with a formal plan, or providing termination benefits as a result of an acceptance of an offer for voluntary redundancy.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Cost comprises cost of purchase, i.e. supplier's invoice price with the addition of charges such as freight or duty where appropriate.

Net realisable value comprises the actual or estimated selling price (net of discounts), less all costs to be incurred in marketing, selling and distribution.

#### **Dividends**

Dividends are recognised as a liability in the Group's financial statements in the period in which the dividends are approved. Dividends proposed or declared after the balance sheet date are not recognised as a liability at that balance sheet date, but are disclosed in a note to the financial statements.

## **Taxation**

The tax expense represents the sum of current and deferred tax.

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences that exist at the balance sheet date. A temporary difference is a difference arising between the tax bases of all assets (except goodwill) and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax income or expense is reported in the income statement if it relates to items that are reported in the income statement. For items that are recognised in equity the related deferred tax is also recognised in equity.

## **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

The Group also has post-retirement (healthcare) obligations in respect of certain former employees. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans and determined by independent qualified actuaries.

## **Financial Assets**

### **1. From 1 January 2004 to 31 December 2004**

Financial fixed assets include investments in companies other than subsidiaries, associates and joint ventures. Such financial fixed assets are recorded at cost less provision for impairment.

### **2. From 1 January 2005**

The Group classifies its investments in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at

the transition date (i.e. 1 January 2005 in the case of financial instruments) and subsequently at initial recognition.

a. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Those loans and receivables with a maturity greater than 12 months are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

b. Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative assets. They mainly include investments in equity securities in which the Group does not have significant influence or control. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date; the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When non-monetary securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments, previously recognised in equity, are included in the income statement as gains and losses. The fair values of quoted investments are based on current bid prices.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists on available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement is removed from equity and recognised in the income statement.

### **Accounting for Derivative Financial Instruments and Hedging Activities**

Derivative financial instruments are mainly used to manage exposures to foreign exchange and interest rate risks. Hedge accounting is applied to derivative financial instruments that are effective in offsetting the changes in fair value or in cash flows of the hedged items. The effectiveness of such hedges is verified at regular intervals.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The Group designates certain derivatives as hedges of the variability in cash flow attributable to a particular risk associated with assets and/or liabilities or highly probable forecast transactions (cash flow hedges). The

Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of the effectiveness of the hedge in offsetting changes in fair values or cash flows of hedged items.

**a. Cash Flow Hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

**Bank Borrowings**

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of issue costs. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of issue costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

**Convertible Loan Notes and Cumulative Exchangeable Preference Shares**

**1. From 1 January 2004 to 31 December 2004**

Convertible loan notes are classified as long term creditors within liabilities. Cumulative exchangeable preference shares are classified as a component of non-equity minority interest within capital and reserves.

**2. From 1 January 2005**

Convertible loan notes and cumulative exchangeable preference shares are regarded as compound financial instruments, consisting of a liability component and an equity component. The fair value of the liability component is estimated using the prevailing market interest rate at the date of issue for similar non-convertible debt and is included in liabilities. The difference between the fair value of the liability and the fair value of the compound financial instrument as a whole represents equity.

**Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments, with maturities of three months or less, and bank overdrafts.

**Trade Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying

amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

## **Foreign Currency Translation**

### **(a) Functional and Presentation Currency**

Items included in the financial statements of each of the Group's entities are measured using the currency that reflects the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency.

### **(b) Transactions and Balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or hedges of net investments in foreign entities.

### **(c) Group Companies**

The results and financial position of all of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences, previously recognised in equity, are recognised in the income statement as part of the gain or loss on sale.