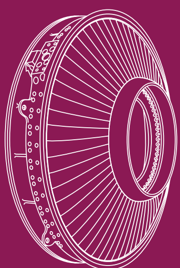
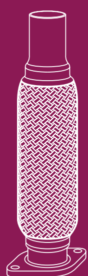
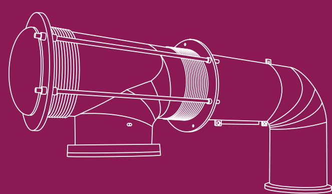
Senior plc Interim Report 2004



Aerospace



Automotive



Industrial

Interim Report 2004

Senior is an international manufacturing group with operations in twelve countries.

Senior designs, manufactures and markets high technology components and systems for the principal original equipment producers in the worldwide aerospace, automotive and specialised industrial markets.

Commenting on the results, James Kerr-Muir, Chairman of Senior plc, said:

"It is pleasing to report an increase in underlying earnings per share, a further reduction in net debt and continued progress being made in the development of new products, particularly in automotive. The results clearly demonstrate a further strengthening of the Group's future prospects."

	Notes	**Half-year June 2004**	Half-year June 2003
Turnover from continuing operations		**£173.7m**	£186.9m
Operating profit from continuing operations			
– before goodwill amortisation	5	**£8.2m**	£9.1m
– after goodwill amortisation		**£5.6m**	£6.4m
Profit before taxation		**£4.1m**	£3.7m
Free cash flow	5	**£7.1m**	£10.8m
Net borrowings		**£57.9m**	£79.1m
Underlying earnings per share	5	**1.85p**	1.77p
Interim dividend per share		**0.65p**	0.65p

In aerospace, aircraft build rates stabilised during the first half of 2004 and market optimism edged upwards as passenger volumes began to increase. In automotive, overall motor vehicle production remained steady with diesel engines continuing to gain market share in Europe and overseas manufacturers again increasing market share in North America.

Against this background, the Group delivered an improvement in underlying earnings per share and a further reduction in net debt despite the effects of significantly increased raw material pricing and adverse currency movements. Lower interest costs benefited the results.

Financial Results

In the six months to June 2004, Group sales from continuing operations were £173.7m (2003 – £186.9m) with adverse currency movements accounting for £12.2m of the £13.2m year-on-year reduction. The average rate for the US$, in which the majority of the Group's sales are made, was $1.82: £1 for the first half of 2004 (2003 – $1.61: £1) – a decline of 11.5%.

Operating profits from continuing operations before goodwill amortisation fell to £8.2m (2003 – £9.1m). On a constant currency basis (i.e. using 2004 average rates for both periods), operating profits were actually unchanged with adverse currency movements equating to all of the £0.9m year-on-year reduction. Operating profit is stated after charging reorganisation and redundancy costs of £1.1m (2003 – £0.6m). The operating margin, before goodwill amortisation, of 4.7% was marginally lower than the prior year (4.9%).

At £1.5m (2003 – £2.7m), net interest costs benefited from the weakening US$, reduced borrowings, lower interest rates and the receipt of £0.3m of interest associated with £1.4m of tax refunded by the US tax authorities in respect of prior years. Net interest cover, calculated on operating profit from continuing operations before goodwill amortisation, was 5.5 times (2003 – 3.4 times).

Profit on ordinary activities before taxation for the period was £4.1m (2003 – £3.7m) after goodwill amortisation of £2.6m (2003 – £2.7m). The underlying tax rate was 14.9% of taxable profits (2003 – 15.6%).

Underlying earnings per share (excluding goodwill amortisation) increased by 4.5% to 1.85p (2003 – 1.77p).

Cash Flow and Borrowings

Free cash flow (cash flow from operations after net capital expenditure, interest and tax but before acquisitions, disposals and dividend payments) was £7.1m (2003 – £10.8m). Total cash inflow, before financing, was £3.2m (2003 – £7.1m).

The Group continued to follow its policy of borrowing mainly in US$, as a match for its US$ assets. Consequently, the US$ weakening to $1.83: £1 at June 2004 (June 2003 – $1.65: £1; December 2003 – $1.79: £1), contributed the majority of the £3.4m beneficial impact to net debt arising from currency movements in the first six months of 2004.

This, together with the operating cash inflows, resulted in Group net debt declining to £57.9m at the period end (June 2003 – £79.1m; December 2003 – £64.2m). This represents gearing, measured on shareholders' funds, of 47% (June 2003 – 64%).

Dividend

The Board has declared an unchanged interim dividend of 0.65p. This will be paid on 26 November 2004 to shareholders on the register on 29 October 2004.

Aerospace

The sales and operating profit before goodwill amortisation of the Aerospace Division fell to £70.0m (2003 – £76.3m) and £4.0m (2003 – £4.1m) respectively due to the adverse effect that currency movements had on sales (£6.5m) and operating profits (£0.4m). On a constant currency basis Divisional sales and operating profit were each ahead of the prior period. The operating margin was 5.7% (2003 – 5.4%).

The aerospace industry began to show signs of recovery during the period. Build rates at the Group's main customers, for both aircraft and engines, stabilised and schedules were more reliable. The order book for the Division at the end of the first half, at June 2004 exchange rates, was £117.4m compared to £97.3m at June 2003. Ketema and SSP saw the biggest improvements. This 21% increase in Divisional order book was largely due to longer schedules being issued by customers, as a result of their greater market confidence, together with an increase in some monthly build rates.

Divisional operating profit benefited from lower development costs on the Airbus A380 and the Joint Strike Fighter ("JSF") and, at constant currency, was £0.3m higher in the first half of 2004 than in the same period of 2003. This was despite incurring redundancy costs of £0.5m (2003 – £0.3m) mainly as a result of a reduction in work at two operations – Jet Products in the USA and Bosman in Holland.

The other eight operations in the Division benefited from steady demand and there were notable improved performances at Metal Bellows and Calorstat as a result of volume increases and prior year cost reductions. SSP performed satisfactorily during its factory rebuild and, as its factory reorganisation comes to an end, an improvement in performance is anticipated.

The A380 is due to fly in 2005 but the JSF is still some time away. Development costs for the A380 at BWT and Composites are now coming to an end and this should assist the future profit performance of these two businesses. JSF development costs, principally at Ketema and Metal Bellows, are continuing and, as a result, the current percentage of Divisional defence content (27%) is expected to increase in the coming years. Quotations are currently being made for work on the new Boeing 7E7 which is due into service during 2008.

Capital expenditure for the Division, at 74% of depreciation, included the purchase of Metal Bellows' current property.

Automotive

Automotive Divisional sales declined to £64.9m (2003 – £69.5m) due to adverse currency movements (£3.8m) and programme losses in North America. Outside North America, sales were collectively 10.3% ahead of the prior year in sterling terms. Divisional operating profit before goodwill amortisation was £4.0m (2003 – £3.8m) as the steep decline in North American profitability (lower volumes and significantly higher raw material prices) was offset by improved operating profits elsewhere. Divisional operating margin was 6.2% for the six month period (2003 – 5.5%).

The six month period to June 2004 was heavily impacted by the demands of raw material suppliers for significant price rises, notably for steel where global demand led to a shortage in capacity. In particular, this adversely affected the US operation which also had the burden of heavy engineering expenditure on new programmes and products. The market place in the USA has been steady but the market share of the three domestic vehicle manufacturers (General Motors, Ford and Daimler Chrysler) has continued to decline.

Elsewhere, the operations in the UK, Germany, France, Brazil and India each improved their performance as a result of higher demand and the cost reductions made in 2003. The European automotive market remained steady but very competitive. In South Africa, the relocation to a larger factory at the beginning of the period went smoothly and its performance improved as a result of higher volumes and a more favourable Euro: Rand exchange rate. The operation in the Czech Republic moved into profit following the completion of the relocation of the water tube and air-conditioning tube product lines from France.

Product and programme development effort continued and future capital expenditure requirements are currently being reviewed. The continued growth of diesel in Europe means the Group will be increasing capacity in its existing European factories in the coming months. In the USA, significant investment will be required to prepare for the production of new products for the heavy truck diesel engine market, which is due to the move to common rail technology in 2007. Capital expenditure in the Automotive Division, which has risen to 53% of depreciation in the period (2003 – 37%), is expected to be significantly higher in 2005 and 2006.

Industrial

Of the eight operations in the Industrial Division, the two largest experienced poor trading during the first half of the year. Pathway, in the USA, a world leader in the manufacture of metal and fabric expansion joints, experienced raw material price increases and a reduction in its on-site maintenance work as the oil refiners kept producing whilst oil prices remained high. Hargreaves, a UK based manufacturer and installer of air conditioning ducting, was adversely affected by the decline in new commercial office build as well as the delay in the commencement of a major contract. Both operations incurred redundancies in the period. Elsewhere, the operation in Canada and the group of five industrial hose companies (in an ongoing disposal process) each performed satisfactorily.

As a consequence, turnover of the Industrial Division fell slightly to £39.1m (2003 – £41.2m) whilst operating profits before goodwill amortisation fell more markedly, partially due to the effect of redundancies, to £0.2m (2003 – £1.2m).

International Accounting Standards

Work continues to ensure the Group is fully prepared for the implementation of International Accounting Standards with effect from 1 January 2005. There are a number of areas, such as financial instruments, the timing of the recognition of dividends payable, segmental reporting and the format of the accounts themselves, where it will be necessary to amend previously reported amounts or disclosures, but the principal impact to the Group is expected to arise from the adoption of IAS19 (Employee Benefits). In respect of retirement benefits, IAS19 is similar to, but not the same as, FRS17. Whilst the Group has continued to account for retirement benefits in accordance with SSAP24, the effect on the Group, if it had adopted FRS17, is fully disclosed in the Group's 2003 Annual Report and Accounts. This shows, inter alia, that under FRS17 the 2003 charge to the profit and loss account in respect of defined benefit schemes would have been £4.1m (the actual charge under SSAP24 was £3.0m) and the total scheme deficits at the year end, before deferred tax, were £40.7m (none are recognised under SSAP24).

Board Changes

Richard Turner retired from the Board on 1 July 2004 having completed eight years as a Non-Executive Director of the Company. On behalf of the Board, we would like to thank him for his dedication and wise counsel throughout his time with Senior.

Gordon Campbell was appointed as a Non-Executive Director on the day of Richard's retirement. Gordon (57) is Chairman of Babcock International Group PLC and British Nuclear Fuels plc and was formerly Chief Executive of Courtaulds plc. He is also the Non-Executive Chairman of ITI Scotland and a Non-Executive Director of Jupiter Split Trust plc. His significant international industrial experience will be of great value to the Group.

Outlook

The aerospace industry is expected to continue to make a slow but steady recovery. Airlines, whilst not universally profitable, are reporting increasing passenger numbers as global economic and political conditions improve. The Group's aerospace order book is continuing to strengthen.

Automotive markets are expected to continue to be stable in both the USA and Europe although challenging market conditions are anticipated to continue, particularly in the USA, where the three home manufacturers' market share continues to be eroded.

New programmes and products will increasingly provide profitable future growth for the Group. Ahead of their introduction, engineering expenditure will be required in both aerospace and automotive. In automotive, the growth of diesel opportunities means the Group is approaching a period of capital expenditure at a significantly higher level than has been required in the last three years.

In addition, the Group is expected to benefit from a recovery in the remaining industrial markets in which it participates as well as from the lower cost base that the rationalisations, currently being effected at Pathway and Hargreaves, will provide. The disposal of the five industrial hose businesses continues to make encouraging, albeit slow, progress.

The Group remains committed to the strategy of operational improvement, cost and debt management and improving the value of the Group through product and process design and development.

As previously stated, the Group anticipates that 2004 will be the bottom of the cycle for Senior. Accordingly, the Directors view the medium-term prospects for the Group with confidence.

James Kerr-Muir
Chairman
4 August 2004

Graham Menzies
Chief Executive

Group Profit and Loss Account

for the half-year ended 30 June 2004 (unaudited)

	Notes	**Half-year June 2004 £m**	Half-year June 2003 £m	Year 2003 *restated £m
Turnover				
Continuing operations	1	**173.7**	186.9	354.9
Operating profit				
Continuing operations before amortisation of goodwill		**8.2**	9.1	17.5
Amortisation of goodwill		**(2.6)**	(2.7)	(5.4)
Total continuing operations	1	**5.6**	6.4	12.1
Profit on sale of fixed assets		**–**	–	0.4
Profit on ordinary activities before interest and taxation		**5.6**	6.4	12.5
Other interest receivable and similar income		**1.0**	0.5	1.2
Interest payable and similar charges		**(2.5)**	(3.2)	(6.1)
Profit on ordinary activities before taxation		**4.1**	3.7	7.6
Tax on profit on ordinary activities	2	**(1.0)**	(1.0)	(1.9)
Profit for the financial period		**3.1**	2.7	5.7
Dividends		**(2.0)**	(2.0)	(6.1)
Profit/(loss) for the period		**1.1**	0.7	(0.4)
Earnings per share	3			
Basic		**1.01p**	0.88p	1.86p
Diluted		**1.00p**	0.88p	1.84p
Underlying		**1.85p**	1.77p	3.49p
Dividends per share		**0.65p**	0.65p	2.00p

*2003 results have been restated to reflect the adoption of the Urgent Issues Task Force Abstract No. 38, "Accounting for ESOP Trusts". See Note 6 for details.

Group Balance Sheet
as at 30 June 2004 (unaudited)

	30 June 2004	30 June 2003 restated	31 Dec 2003 restated
	£m	£m	£m
Fixed assets			
Intangible assets – goodwill	**73.2**	82.6	76.7
Tangible assets	**74.8**	85.4	79.1
	148.0	168.0	155.8
Current assets			
Stocks	**41.8**	43.5	40.1
Debtors: Amounts falling due after more than one year	**1.9**	1.6	2.5
Debtors: Amounts falling due within one year	**67.5**	71.5	66.9
Cash at bank and in hand	**12.4**	11.2	11.6
	123.6	127.8	121.1
Creditors: Amounts falling due within one year	**(77.5)**	(106.0)	(79.0)
Net current assets	**46.1**	21.8	42.1
Total assets less current liabilities	**194.1**	189.8	197.9
Creditors: Amounts falling due after more than one year	**(68.2)**	(63.4)	(73.4)
Provisions for liabilities and charges	**(2.6)**	(2.8)	(2.7)
Net assets	**123.3**	123.6	121.8
Capital and reserves			
Called-up share capital	**30.7**	30.7	30.7
Share premium	**3.5**	3.5	3.5
Other reserves	**17.7**	17.7	17.7
Profit and loss account	**72.7**	73.0	71.2
Investment in own shares	**(1.3)**	(1.3)	(1.3)
Equity shareholders' funds	**123.3**	123.6	121.8

Reconciliation of Movements in Shareholders' Funds
for the half-year ended 30 June 2004 (unaudited)

	Half-year June 2004	Half-year June 2003 restated	Year 2003 restated
	£m	£m	£m
At beginning of period	**121.8**	121.1	121.1
Profit for the financial period	**3.1**	2.7	5.7
Dividends	**(2.0)**	(2.0)	(6.1)
Currency variations	**0.4**	1.8	1.1
At end of period	**123.3**	123.6	121.8

Group Cash Flow Statement

for the half-year ended 30 June 2004 (unaudited)

	Notes	**Half-year June 2004 £m**	Half-year June 2003 £m	Year 2003 £m
Net cash inflow from operating activities	4a)	**12.5**	18.0	32.9
Returns on investments and servicing of finance				
Interest received		**1.3**	0.7	1.2
Interest paid		**(2.5)**	(3.3)	(6.2)
Net cash outflow from returns on investments and servicing of finance		**(1.2)**	(2.6)	(5.0)
Taxation				
UK corporation tax (paid)/recovered		**–**	–	–
Overseas tax recovered/(paid)		**0.7**	(1.3)	(0.8)
Net cash inflow/(outflow) from taxation		**0.7**	(1.3)	(0.8)
Capital expenditure and financial investments				
Purchase of tangible fixed assets		**(4.7)**	(3.5)	(8.0)
Sale of property, plant and equipment		**0.1**	0.2	1.1
Net cash outflow from capital expenditure and financial investments		**(4.6)**	(3.3)	(6.9)
Acquisitions and disposals				
Purchase of subsidiary undertakings – deferred consideration		**(0.1)**	(0.2)	(0.3)
Sale of subsidiary undertakings		**–**	0.6	0.7
Net cash (outflow)/inflow from acquisitions and disposals		**(0.1)**	0.4	0.4
Dividends paid on ordinary shares		**(4.1)**	(4.1)	(6.1)
Net cash inflow before financing		**3.2**	7.1	14.5
Financing				
New loans initiated by the Group	4b)	**5.0**	6.0	18.4
Repayments of existing loans	4b)	**(11.3)**	(13.2)	(33.5)
Cash inflow on forward exchange contracts		**4.3**	3.2	4.5
		(2.0)	(4.0)	(10.6)
Increase in cash in the period	4c)	**1.2**	3.1	3.9

Group Statement of Total Recognised Gains and Losses

for the half-year ended 30 June 2004 (unaudited)

	Half-year June 2004 £m	Half-year June 2003 £m	Year 2003 restated £m
Profit for the financial period	**3.1**	2.7	5.7
Currency translation differences on overseas net investments including goodwill	**–**	1.3	0.5
Tax benefits on foreign exchange losses	**0.4**	0.5	0.6
Total recognised gains and losses relating to the period	**3.5**	4.5	6.8

There is no material difference between the profits as reported and those profits restated on an historical cost basis.

Notes to the Interim Financial Statements
for the half-year ended 30 June 2004 (unaudited)

1 Segmental Information in respect of Turnover and Operating Profit

Group turnover and operating profit are analysed below. The reconciliation of operating profit to profit before taxation is shown on the Group Profit and Loss Account. The reconciling items are considered to be of a Group nature, and not directly attributable to individual segments.

a) By class of business	Turnover			Operating profit		
	Half-year June 2004	Half-year June 2003	Year 2003	**Half-year June 2004**	Half-year June 2003	Year 2003 restated
	£m	£m	£m	**£m**	£m	£m
Aerospace	**70.0**	76.3	143.8	**2.3**	2.4	3.7
Automotive	**64.9**	69.5	129.6	**3.7**	3.4	6.7
Industrial	**39.1**	41.2	82.0	**(0.4)**	0.6	1.7
Total	**174.0**	187.0	355.4	**5.6**	6.4	12.1
Inter-segment sales	**(0.3)**	(0.1)	(0.5)	**–**	–	–
Total continuing operations	**173.7**	186.9	354.9	**5.6**	6.4	12.1

Operating profits shown above are stated after charging £2.6m (2003 half-year – £2.7m; 2003 year – £5.4m) of goodwill amortisation. This is attributed to the segments as follows:

	Goodwill amortisation		
	Half-year June 2004	Half-year June 2003	Year 2003
	£m	£m	£m
Aerospace	**1.7**	1.7	3.5
Automotive	**0.3**	0.4	0.7
Industrial	**0.6**	0.6	1.2
Total continuing operations	**2.6**	2.7	5.4

b) By geographical market	Turnover by origin			Operating profit by origin		
	Half-year June 2004	Half-year June 2003	Year 2003	**Half-year June 2004**	Half-year June 2003	Year 2003 restated
	£m	£m	£m	**£m**	£m	£m
North America	**90.8**	105.9	198.5	**2.5**	5.6	10.7
United Kingdom	**34.0**	34.9	67.7	**0.5**	–	(0.3)
Rest of Europe	**41.2**	39.3	76.0	**0.9**	0.2	0.5
Rest of World	**11.4**	9.6	18.8	**1.7**	0.6	1.2
Total	**177.4**	189.7	361.0	**5.6**	6.4	12.1
Inter-segment sales	**(3.7)**	(2.8)	(6.1)	**–**	–	–
Total continuing operations	**173.7**	186.9	354.9	**5.6**	6.4	12.1

Notes to the Interim Financial Statements continued
for the half-year ended 30 June 2004 (unaudited)

1 Segmental Information in respect of Turnover and Operating Profit continued
Operating profits shown above are stated after charging £2.6m (2003 half-year – £2.7m; 2003 year – £5.4m) of goodwill amortisation. This is attributed to the segments as follows:

	Goodwill amortisation		
	Half-year June 2004 £m	Half-year June 2003 £m	Year 2003 £m
North America	**1.2**	1.3	2.7
United Kingdom	**1.2**	1.2	2.4
Rest of Europe	**0.1**	0.1	0.1
Rest of World	**0.1**	0.1	0.2
Total continuing operations	**2.6**	2.7	5.4

2 Tax on profit on ordinary activities for the half-year to 30 June 2004 has been charged at 14.9% on profit before amortisation of goodwill and the effect of the disposal of fixed assets, being the estimated rate applicable for the year ended 31 December 2004 (2003 half-year – 15.6%; 2003 year – 14.9%), and includes £1.0m in respect of overseas taxation (2003 half-year – £1.0m; 2003 year – £2.3m).

3 The calculations of basic earnings per share and underlying earnings per share are shown below and have been based on the weighted average number of ordinary shares in issue and ranking for dividend during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive potential ordinary shares, being those share options granted where the exercise price is less than the average price of the Company's ordinary shares during the period.

The provision of an underlying earnings per share has been included to identify the performance of operations before amortisation of goodwill and the effect of the disposal of fixed assets.

	Earnings per share			Earnings		
	Half-year June 2004 pence	Half-year June 2003 pence	Year 2003 restated pence	**Half-year June 2004 £m**	Half-year June 2003 £m	Year 2003 restated £m
Basic profit on ordinary activities after taxation	**1.01**	0.88	1.86	**3.1**	2.7	5.7
Adjust:						
Amortisation of goodwill	**0.84**	0.89	1.77	**2.6**	2.7	5.4
Profit arising on sale of fixed assets	**–**	–	(0.14)	**–**	–	(0.4)
Underlying earnings	**1.85**	1.77	3.49	**5.7**	5.4	10.7

Weighted average number of shares	– basic	**306.5m**	306.5m	306.5m
	– diluted	**310.9m**	307.1m	308.9m
	– underlying	**306.5m**	306.5m	306.5m
Earnings per share	– basic	**1.01p**	0.88p	1.86p
	– diluted	**1.00p**	0.88p	1.84p
	– underlying	**1.85p**	1.77p	3.49p

4 Group Cash Flow Statement

a) Reconciliation of operating profit to net cash inflow from operating activities

	Half-year June 2004	Half-year June 2003	Year 2003 restated
	£m	£m	£m
Group operating profit	**5.6**	6.4	12.1
Depreciation of tangible fixed assets	**7.2**	8.6	16.1
Amortisation of goodwill	**2.6**	2.7	5.4
(Increase)/decrease in working capital	**(2.9)**	0.3	(0.7)
Net cash inflow from operating activities	**12.5**	18.0	32.9

b) New loans initiated by the Group include new draw downs under the existing revolving credit facility. Likewise, repayments of existing loans include the repayment of amounts previously drawn down under the same facility.

c) Analysis of net debt

	At 1 Jan 2004	**Cash flow**	**Non cash items**	**Exchange movement**	**At 30 June 2004**
	£m	**£m**	**£m**	**£m**	**£m**
Cash	**11.6**	**1.2**	**–**	**(0.4)**	**12.4**
Overdrafts	**(0.1)**	**–**	**–**	**–**	**(0.1)**
	11.5	**1.2**	**–**	**(0.4)**	**12.3**
Debt due within one year	**(5.8)**	**2.7**	**–**	**0.2**	**(2.9)**
Debt due after one year	**(71.2)**	**3.5**	**–**	**1.9**	**(65.8)**
Finance leases	**(2.0)**	**0.1**	**(0.3)**	**0.1**	**(2.1)**
Forward exchange contract gains	**3.3**	**(4.3)**	**–**	**1.6**	**0.6**
Total	**(64.2)**	**3.2**	**(0.3)**	**3.4**	**(57.9)**

Debt due within one year shown above includes short-term bank borrowings of £2.9m (1 January 2004 – £3.0m).

Forward exchange contract gains shown above are included within debtors falling due within one year.

Non cash items represent an additional finance lease liability entered into in the period.

5 Non Statutory Information

In the commentary on the period's results reference is made to non statutory financial information. Such information includes:

- Operating profit before goodwill amortisation – this is used to illustrate the underlying trading performance of the Group. The Group Profit and Loss Account provides the information to reconcile this to operating profit with segmental detail provided in Note 1.

- Underlying earnings per share – this indicates the overall performance of the Group before the effects of goodwill amortisation and the disposal of assets. Note 3 reconciles this to basic earnings per share.

- Free cash flow – this highlights the total net cash generated by the Group prior to corporate activity such as acquisitions, disposals and dividend payments. Free cash flow is the net cash inflow before financing of £3.2m (2003 half-year – £7.1m; 2003 year – £14.5m), before the net outflow from acquisitions and disposals of £0.1m (2003 half-year – £0.4m inflow; 2003 year – £0.4m inflow) and dividends paid on ordinary shares of £4.1m (2003 half-year – £4.1m; 2003 year – £6.1m), but after all capital expenditure, including that financed under finance leases of £0.3m (2003 half-year – £nil; 2003 year – £nil).

6 Status of Financial Information

These Interim Financial Statements, which were approved by the Board of Directors on 4 August 2004, have been prepared in accordance with the accounting policies set out in the Group's 2003 Annual Accounts and, in addition, reflect the adoption of the Urgent Issues Task Force Abstract No. 38, "Accounting for ESOP Trusts". Accordingly the prior period results have been restated with the effect of its adoption on current and prior periods being £nil (2003 half-year – £nil; 2003 year – £0.1m reduction) in respect of profits and a reduction of £0.3m (30 June 2003 – £0.2m; 31 December 2003 – £0.3m) in net assets.

These Interim Financial Statements have not been audited or reviewed by the Auditors.

The financial information for the year ended 31 December 2003 as set out above does not constitute the Group's statutory accounts for the year ended 31 December 2003 but is derived from those accounts. Statutory accounts for 2003 have been delivered to the Registrar of Companies. The Auditors have reported on those accounts; their reports were unqualified and did not contain statements under Sections 237(2) or (3) of the Companies Act 1985.

Designed by Sheppard Day

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