

International Financial Reporting Standards
Illustrative Interim Consolidated Financial Statements 2005
– for first-time adopters of IFRS



PricewaterhouseCoopers (www.pwc.com) is the world's largest professional services organisation. Drawing on the knowledge and skills of 125,000 people in 142 countries, we build relationships by providing services based on quality and integrity.

Other publications on IFRS

PricewaterhouseCoopers has published the following publications on International Financial Reporting Standards and corporate practices; they are available from your nearest PricewaterhouseCoopers office.

Acquisitions – Accounting and transparency under IFRS 3

Adopting IFRS – A step-by-step illustration of the transition to IFRS

Applying IFRS – Finding the right solution (available on Comperio IFRS¹)

Financial instruments under IFRS

Illustrative Consolidated Corporate Financial Statements 2004

Illustrative Consolidated Financial Statements 2004 – Banks

Illustrative Consolidated Financial Statements 2004 – Insurance

Illustrative Consolidated Financial Statements 2004 – Investment Funds

Illustrative Consolidated Financial Statements 2004 – Investment Property

IFRS Disclosure Checklist 2004

IFRS Measurement Checklist 2004

IFRS Pocket Guide 2004

Impact of improvements, amendments and new standards for continuing users of IFRS

Share-based Payments – A practical guide to applying IFRS 2

SIC-12 and FIN 46R – The substance of control

Similarities and Differences – A comparison of IFRS and US GAAP

Understanding IAS 29 – Financial Reporting in Hyperinflationary Economies

IFRS News – Shedding light on the IASB's activities

Ready to take the plunge? IFRS readiness survey 2004

Making the Change to International Financial Reporting Standards

World Watch – Governance and Corporate Reporting

Audit Committees – Good Practices for Meeting Market Expectations

Building the European Capital Market – Common Principles for a Capital Market

These publications and the latest news on IFRS can be found at www.pwc.com/ifrs

¹ Comperio IFRS can be purchased from the website – www.pwc.com/ifrs

Contacting PricewaterhouseCoopers

Please contact your local PricewaterhouseCoopers office to discuss how we can help you make the change to International Financial Reporting Standards or with technical queries. See inside back cover of this publication for further details of our IFRS products and services.

International Financial Reporting Standards Illustrative Interim Consolidated Financial Statements 2005 – for first-time adopters of IFRS

This publication provides an illustrative set of full consolidated financial statements for an entity's first interim period under IFRS. The financial statements are of a fictional entity, Wayne Holdings Inc ('Wayne Holdings' or 'the Group'). Wayne Holdings is involved in the manufacture, sale and installation of security systems and equipment.

Wayne Holdings will prepare its first annual IFRS financial statements for the year ended 31 December 2005. Its regulator, however, requires it to publish financial information in accordance with IAS 34 for the six months ended 30 June 2005.

IAS 34 and condensed financial information

IAS 34, Interim Financial Reporting, allows entities preparing interim financial reports under IFRS the choice of presenting full IFRS financial statements or condensed financial information. The guidance for condensed financial information included in IAS 34 presumes that the reporting entity has published full annual IFRS financial statements for the previous year. It therefore sets out the minimum information to be presented in the condensed financial report with a focus on providing detailed information on changes since the last annual financial statements.

An entity preparing its first interim report under IAS 34 without preparing full IFRS financial statements for a previous period will need to consider carefully whether it is able to condense any of its financial information. The focus in IAS 34 on explaining changes since the last annual financial statements means that full details will need to be provided where accounting policies or disclosure requirements have changed as a result of the transition from previous GAAP to IFRS.

An entity should consider the impact that condensing some of the information might have on the users' ability to understand the interim financial report. There are many differences between Wayne Holdings' local GAAP and IFRS. The Group believes that presentation of condensed (or partly condensed) information could undermine users' confidence in the interim report. Wayne Holdings therefore decided to present full financial statements for its first IAS 34 interim report.

Additional IFRS 1 requirements

IFRS 1 sets out additional disclosures that must be included in an entity's first interim IFRS report that is for part of the year covered by the entity's first annual IFRS financial statements.

These additional disclosures are reconciliations of the effect of transition to IFRS on net income and equity at various dates and information regarding the use of certain exemptions.

The reconciliations required of equity are at:

- the date of transition to IFRS;
- the end of the last annual period presented under previous GAAP; and
- the end of the comparable interim period.

The reconciliations required of net income are at:

- the end of the last annual period presented under previous GAAP; and
- the end of the comparable interim period.

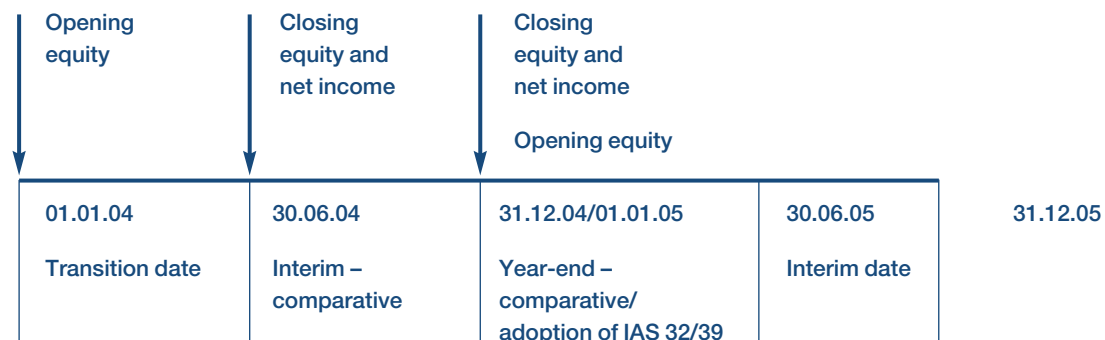
For cash flow statement:

- explanation of the material adjustments.

A reconciliation is also required of equity at the date of adoption of IAS 32 and IAS 39 where the exemption from restating comparatives for IAS 32 and IAS 39 is taken.

The reconciliations for Wayne Holdings are illustrated in the timeline below:

IFRS 1 reconciliations for Wayne Holdings



Applicable standards

IFRS 1 requires an entity to apply the IFRS standards that are in force at the closing balance sheet date of its first annual IFRS financial statements. This is 31 December 2005 for Wayne Holdings. However, Wayne Holdings is preparing its first interim financial statements before this date. It does not know with certainty whether it will need to change its accounting policies between its interim report and its first annual financial statements. Such changes may be made for:

- IFRIC interpretations issued after publication of the interim report that will be mandatory for 2005;
- New IFRSs or amendments to IASs issued after publication of the interim report that permit early adoption and that Wayne Holdings chooses to early adopt; and
- IFRIC interpretations issued after publication of the interim report that permit early adoption and that Wayne Holdings chooses to early adopt.

Wayne Holdings will need to explain that its accounting policies will be determined with certainty only once the Group issues its first annual IFRS financial statements for the year ended 31 December 2005.

The IFRS standards and IFRIC interpretations considered in preparing these illustrative interim financial statements are those issued by the IASB up to and including December 2004. These illustrative financial statements do not therefore reflect the effect of standards that may be issued between December 2004¹ and the illustrative reporting date of 30 June 2005.

This publication is not intended to reflect the effect of any actions that have been taken, or may be taken in the future, to adopt or otherwise make effective the IASB's standards and interpretations in specific national or regional jurisdictions. Further guidance may be issued in specific territories in due course.

¹ See Appendix, p77, for the list of standards and interpretations used as the basis for the accounting policies.

Format of Illustrative Interim Consolidated Financial Statements

The references in the left-hand margin of the financial statements represent the paragraph of the standards in which the disclosure appears – for example, ‘16p40’ indicates IAS 16 paragraph 40. The reference to IFRS appears in full – for example ‘IFRS2p6’ indicates IFRS 2 paragraph 6. The designation ‘DV’ (disclosure voluntary) indicates that the relevant IAS or IFRS encourages, but does not require, the disclosure. Additional notes and explanations are shown in footnotes.

Structure of the publication

	Page
Primary interim consolidated statements	5
Notes to the interim financial statements, including:	11
– Transition to IFRS – Basis of transition to IFRS	22
– Transition to IFRS – Reconciliations between IFRS and GAAP	23
– Reconciliation of equity at 1 January 2004	25
– Reconciliation of equity at 30 June 2004	31
– Reconciliation of equity at 31 December 2004	34
– Reconciliation of net income for the six months ended 30 June 2004	37
– Reconciliation of net income for the year ended 31 December 2004	39
– Reconciliation of equity at 1 January 2005	40
– Reconciliation of cash flows for the six months ended 30 June 2004	44
Report of the auditors	76
Appendix – Standards applicable for Wayne Holdings’ accounting policies	77

Wayne Holdings Inc Interim Consolidated Financial Statements

30 June 2005

Index to the consolidated interim financial statements

Note	Page	Note	Page
	7	8 Intangible assets	49
	8	9 Investments in associates	51
	9	10 Available-for-sale financial assets	52
	10	11 Derivative financial instruments	52
	11	12 Trade and other receivables	53
	11	13 Inventories	53
1 General information	11	14 Financial receivables	54
2 Summary of significant accounting policies:	11	15 Investments in other companies	54
2.1 Basis of preparation	11	16 Financial assets at fair value through profit or loss	55
2.2 Consolidation	11	17 Short-term securities	55
2.3 Segment reporting	12	18 Cash and cash equivalents	56
2.4 Foreign currency translation	12	19 Share capital	56
2.5 Property, plant and equipment	13	20 Fair value and other reserves	57
2.6 Intangible assets	13	21 Cumulative translation adjustment	57
2.7 Impairment of assets	14	22 Trade and other payables	57
2.8 Investments	14	23 Borrowings	58
2.9 Inventories	15	24 Deferred income tax	59
2.10 Trade receivables	15	25 Retirement benefit obligations	61
2.11 Cash and cash equivalents	15	26 Provisions and other liabilities	64
2.12 Share capital	15	27 Other operating income	65
2.13 Borrowings	16	28 Expenses by nature	65
2.14 Deferred income tax	16	29 Employee benefit expense	65
2.15 Employee benefits	16	30 Finance costs – net	66
2.16 Provisions	16	31 Income tax expense	66
2.17 Revenue recognition	16	32 Net foreign exchange gains/(losses)	66
2.18 Leases	18	33 Earnings per share	67
2.19 Dividend distribution	18	34 Dividends per share	67
2.20 Interim measurement note	18	35 Cash generated from operations	68
2.21 New accounting standards and IFRIC interpretations	18	36 Contingencies	68
3 Financial risk management	19	37 Commitments	69
4 Critical accounting estimates and judgements	21	38 Business combinations	69
5 Transition to IFRS	22	39 Related-party transactions	72
6 Segment information	45	40 Share-based payments	74
7 Property, plant and equipment	48	41 Joint ventures	75

Certain items may not apply to a particular reporting entity. For example, if the reporting entity does not have material operating leases, disclosure of the accounting policy for operating leases does not need to be included (IAS1p108, 110).

Certain items that apply to an entity may have not been included in these illustrative financial statements. Readers should refer to other PricewaterhouseCoopers publications where necessary.

Consolidated interim balance sheet

	Note	At 30 June 2005	At 31 December 2004	
1p68, 1p104				
1p51				
	ASSETS			
	Non-current assets			
1p68(a)	Property, plant and equipment	7	23,455	23,402
1p69	Goodwill	8	2,718	2,745
1p68(c)	Intangible assets	8	5,084	5,241
1p68(e)	Investment in associates	9	4,437	3,958
	Investments in other companies	15	–	14,377
1p68(n), 1p70	Deferred income tax assets	24	726	522
1p68(d)	Available-for-sale financial assets	10	15,250	–
1p68(d)	Derivative financial instruments	11	315	–
1p68(d)	Financial receivables	14	17,564	20,433
			<u>69,549</u>	<u>70,678</u>
1p51, 1p57	Current assets			
1p68(g)	Inventories	13	16,003	17,665
1p68(d)	Financial receivables	14	10,383	10,894
1p68(h)	Trade and other receivables	12	5,931	5,698
1p68(d)	Available-for-sale financial assets	10	1,700	–
1p68(d)	Derivative financial instruments	11	1,000	–
	Short-term securities	17	–	8,480
1p68(d)	Other financial assets at fair value through profit or loss	16	7,726	–
1p68(i)	Cash and cash equivalents	18	2,711	2,233
			<u>45,454</u>	<u>44,970</u>
	Total assets		<u>115,003</u>	<u>115,648</u>
	EQUITY			
1p68(p)	Capital and reserves attributable the Company's equity holders			
1p75(e)	Share capital	19	4,018	5,018
1p75(e)	Treasury shares	19	(200)	–
1p75(e)	Fair value and other reserves	20	2,190	200
1p75(e)	Cumulative translation adjustment	21	(209)	(279)
1p75(e)	Retained earnings		9,011	9,902
			<u>14,810</u>	<u>14,841</u>
1p68(o)	Minority interest		1,953	1,993
	Total equity		<u>16,763</u>	<u>16,834</u>
1p51	LIABILITIES			
	Non-current liabilities			
1p68(l)	Borrowings	23	19,200	18,362
1p68(d)	Derivative financial instruments	11	100	–
1p68(n), 1p70	Deferred income tax liabilities	24	5,641	5,477
1p68(k), 1p75(d)	Retirement benefit obligations	25	15,979	15,131
1p68(k), 1p75(d)	Provisions and other liabilities	26	13,214	15,542
			<u>54,134</u>	<u>54,512</u>
1p51, 1p60	Current liabilities			
1p68(j)	Trade and other payables	22	31,489	32,275
1p68(m)	Current income tax liabilities		375	442
1p68(l)	Borrowings	23	10,278	10,585
1p68(l)	Derivative financial instruments	11	264	–
1p68(k)	Provisions and other liabilities	26	1,700	1,000
			<u>44,106</u>	<u>44,302</u>
	Total liabilities		<u>98,240</u>	<u>98,814</u>
	Total equity and liabilities		<u>115,003</u>	<u>115,648</u>

The notes on pages 11 to 75 are an integral part of these consolidated interim financial statements.

Consolidated interim income statement

		Note	Six months ended 30 June	
			2005	2004
1p81(a)	Sales		23,418	24,144
1p92	Cost of sales	28	(16,620)	(17,559)
1p92	Gross profit		6,798	6,585
1p92	Other operating income	27	2,211	1,648
1p92	Selling and marketing costs	28	(2,485)	(2,381)
1p92	Administrative expenses	28	(2,717)	(2,468)
	Other operating expenses	28	(2,860)	(2,390)
1p83	Operating profit		947	994
1p81(b)	Finance costs – net	30	(1,370)	(1,546)
1p81(a)	Share of profit of associates	9	1,166	1,190
1p83	Profit before income tax		743	638
1p81(e), 12p77	Income tax expense	31	(298)	(238)
1p81(f)	Profit for the period		445	400
Attributable to:				
1p82				
1p82(b)	Equity holders of the Company		324	274
1p82(a)	Minority interest		121	126
			445	400
33p66	Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in € per thousand shares)			
	– basic	33	84.86	54.60
	– diluted	33	84.84	54.59

The notes on pages 11 to 75 are an integral part of these consolidated interim financial statements.

Consolidated interim statement of changes in shareholders' equity

	Note	Attributable to equity holders of the Company					Minority interest	Total equity
		Share capital	Treasury shares	Fair value and other reserves	Cumulative translation adjustments	Retained earnings		
		5,018	–	120	–	10,506	2,044	17,688
1p96(b), 21p52(b)								
	21	–	–	–	(60)	–	–	(60)
1p96(b)								
		–	–	–	(60)	–	–	(60)
1p96(a)								
		–	–	–	–	274	126	400
1p96(c)								
		–	–	–	(60)	274	126	340
1p97(a)								
		–	–	40	–	–	–	40
IFRS2p50	20	–	–	40	–	–	–	40
1p97(a)	34	–	–	–	–	(975)	(257)	(1,232)
		5,018	–	160	(60)	9,805	1,913	16,836
		5,018	–	160	(60)	9,805	1,913	16,836
1p96(b), 21p52(b)	21	–	–	–	(219)	–	–	(219)
1p96(b)								
		–	–	–	(219)	–	–	(219)
1p96(a)								
		–	–	–	–	200	171	371
1p96(c)								
		–	–	–	(219)	200	171	152
1p97(a)								
	20	–	–	40	–	–	–	40
IFRS2p50	20	–	–	40	–	–	–	40
1p97(a)	34	–	–	–	–	(103)	(91)	(194)
		5,018	–	200	(279)	9,902	1,993	16,834
	5.2.7	(1,000)	(200)	1,920	–	(460)	85	345
		4,018	(200)	2,120	(279)	9,442	2,078	17,179
1p96(b)								
	20	–	–	160	–	–	–	160
32p94(h)(ii)	20	–	–	(100)	–	–	–	(100)
1p96(b), 32p58, 59	20	–	–	(100)	–	–	–	(100)
1p96(b), 21p52(b)	21	–	–	–	70	–	–	70
1p96(b)								
		–	–	60	70	–	–	130
1p96(a)								
		–	–	–	–	324	121	445
1p96(c)								
		–	–	60	70	324	121	575
1p97(a)								
	20	–	–	10	–	–	–	10
IFRS2p50	20	–	–	10	–	–	–	10
1p97(a)	34	–	–	–	–	(755)	(246)	(1,001)
		4,018	(200)	2,190	(209)	9,011	1,953	16,763

The notes on pages 11 to 75 are an integral part of these consolidated interim financial statements.

Consolidated interim cash flow statement

7p10, 18(b) 1p104		Note	Six months ended 30 June	
			2005	2004
	Cash flows from operating activities			
	Cash generated from operations	35	867	(646)
7p31	Interest paid		(898)	(997)
7p35	Income tax paid		(165)	(170)
	Net cash used in operating activities		(196)	(1,813)
	Cash flows from investing activities			
7p21	Acquisition of subsidiary, net of cash acquired	38	(3,735)	(1,510)
7p39	Purchases of property, plant and equipment (PPE)	7	(953)	(484)
7p16(a)	Proceeds from sale of PPE	35	2,858	1,395
7p16(b)	Purchases of intangible assets	8	(59)	(2,185)
7p16(c)	Purchases of available-for-sale financial assets	10	(1,235)	–
	Proceeds from sale of available-for-sale financial assets	10	2,533	–
	Proceeds from sales of investments in other companies	15	–	2,623
7p16(c)	Purchase of short-term securities	17	–	(1,355)
7p16(e)	Loans granted to related parties	39	(360)	(150)
7p16(f)	Loan repayments received from related parties	39	330	772
7p31	Interest received		1,265	1,307
7p31	Dividends received		2,150	1,900
	Net cash generated from investing activities		2,794	2,313
	Cash flows from financing activities			
7p21	Proceeds from borrowings		3,212	3,000
7p17(c)	Repayments of borrowings		(4,042)	(1,725)
7p31	Dividends paid to Company's shareholders		(755)	(975)
7p31	Dividends paid to minority interests		(246)	(257)
	Net cash (used in)/generated from financing activities		(1,831)	43
	Net increase in cash and bank overdrafts		767	543
	Cash and bank overdrafts at beginning of period		1,162	998
	Exchange gains/(losses) on cash and bank overdrafts		(258)	(329)
	Cash and bank overdrafts at end of period	18	1,671	1,212

The notes on pages 11 to 75 are an integral part of these consolidated interim financial statements.

Notes to the consolidated interim financial statements

1. General information

- 1p126(b)** Wayne Holdings Inc (the Company) and its subsidiaries (together ‘Wayne Holdings’ or ‘the Group’) manufactures, sells and installs security systems and equipment. The Group has manufacturing plants around the world and sells mainly in countries within the eurozone, the UK and the US. During the first half of 2005, the Group acquired control of ‘Orozco Group’, a security equipment manufacturer and installer operating in the UK and most western European countries.
- 1p126(a)** The Company is a limited liability company incorporated and domiciled in Euravia. The address of its registered office is Bordeaux Grape Way, Castlebourg.
- The Company has its primary listing on the EuroMoney stock exchange.
- 10p17** These consolidated interim financial statements have been approved for issue by the Board of Directors on 30 July 2005.

2. Summary of significant accounting policies

2.1 Basis of preparation

- IFRS1.2(b)**
IFRS1,
Appdx A
IFRS1p7 These June 2005 interim consolidated financial statements of Wayne Holdings are for the six months ended 30 June 2005. They have been prepared in accordance IAS 34, Interim Financial Reporting, and are covered by IFRS 1, First-time Adoption of IFRS, because they are part of the period covered by the Group’s first IFRS financial statements for the year ended 31 December 2005. These interim financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (July 2005). The IFRS standards and IFRIC interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

The policies set out below have been consistently applied to all the years presented except for those relating to the classification and measurement of financial instruments. The Group has made use of the exemption available under IFRS 1 to only apply IAS 32 and IAS 39 from 1 January 2005. The policies applied to financial instruments for 2004 and 2005 are disclosed separately below.

Wayne Holdings’ consolidated financial statements were prepared in accordance with Euravia’s Generally Accepted Accounting Principles (GAAP) until 31 December 2004. GAAP differs in some areas from IFRS. In preparing Wayne Holdings’ 2005 consolidated interim financial statements, management has amended certain accounting, valuation and consolidation methods applied in the GAAP financial statements to comply with IFRS. The comparative figures in respect of 2004 were restated to reflect these adjustments, except as described in the accounting policies.

Reconciliations and descriptions of the effect of the transition from GAAP to IFRS on the Group’s equity and its net income and cash flows are provided in Note 5.

These consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated interim financial statements, are disclosed in Note 4.

1p110 2.2 Consolidation

- 27p12** (a) *Subsidiaries*
- 27p14** Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.
- 27p30**

- IFRS3p14**
IFRS3p24
IFRS3p28
IFRS3p36, 37
IFRS3p51
IFRS3p56 The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the group’s share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see Note 2.6).

Notes to the consolidated interim financial statements (continued)

- 27p24 Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.
- 27p28 Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.
- 1p110 (b) *Associates*
- 28p13 Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.
- 28p11 The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.6).
- 28p29 The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.
- 28p30
- 28p22 Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.
- 28p26
- 1p110 (c) *Joint ventures*
- 31p57 The Group's interests in jointly controlled entities are accounted for by proportionate consolidation.
- The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.
- The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. A loss on the transaction is recognised immediately if it provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. Joint ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.
- 1p110 **2.3 Segment reporting**
- 14p9 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. A geographical segment is engaged in providing products or 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.
- 1p110 **2.4 Foreign currency translation**
- (a) *Functional and presentation currency*
- 1p110 Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency.
- 21p17
- 21p9, 18
- 1p110 (b) *Transactions and balances*
- 21p21, 21p32 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. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedge accounting is applied as explained in Note 3.2.
- 39p95(a)
- 39p102(a)
- Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of their fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity from 1 January 2005.
- 1p110 (c) *Group companies*
- 21p39 The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- 21p39(a) (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

Notes to the consolidated interim financial statements (continued)

- 21p39(b)** (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- 21p39**
- 1p76(b)** (iii) all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment).
- 39p102** 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 shareholders' equity on consolidation. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.
- 21p47** Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.
- 1p110** **2.5 Property, plant and equipment**
- Land and buildings comprise mainly factories and offices. All property, plant and equipment (PPE) is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.
- From 1 January 2004 to 31 December 2004**
- The cost of PPE includes the net expense/income on maturity of forward currency contracts used to hedge the purchase of PPE.
- From 1 January 2005**
- Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of PPE.
- 16p12** 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.
- 16p73(b), 50**
16p73(c) Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:
- | | |
|--------------------------------|-------------|
| – buildings | 25-40 years |
| – plant and machinery | 10-15 years |
| – equipment and motor vehicles | 3-8 years |
- Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.
- 16p51** The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.
- 36p59** An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.7).
- 16p68, 71**
16p41 Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.
- 1p110** **2.6 Intangible assets**
- 1p110** (a) *Goodwill*
- IFRS3p51**
38p118(a)
IFRS3p54 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 at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.
- 38p118(a)**
- 36p80** Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment (Note 2.7).
- 1p110** (b) *Trademarks and licences*
- 38p74**
38p97
38p118(a)(b) Trademarks and licences are recognised at cost. They have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives (15-20 years).

Notes to the consolidated interim financial statements (continued)

- 1p110 (c) *Computer software*
38p4 Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).
- 38p4 Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred.
38p28 Costs that are directly associated with 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. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.
- 38p97 Computer software development costs recognised as assets are amortised over their estimated useful lives (not
38p118(a)(b) exceeding three years).
- 1p110 (d) *Research and development*
38p46 Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.
- 38p113(a)
38p113(b)
- 1p110 **2.7 Impairment of assets**
38p9 Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and
38p10 whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).
- 1p110 **2.8 Investments**
From 1 January 2004 to 31 December 2004
Financial fixed assets include investments in companies other than subsidiaries and associates, financial receivables held for investment purposes, treasury shares and other securities. Financial fixed assets are recorded at cost, including additional direct charges. A permanent impairment is provided as a direct reduction of the securities account.
Current assets also include investments and securities acquired as a temporary investment, which are valued at the lower of cost and market, cost being determined on a last-in-first-out (LIFO) basis.
- 32p60, 39p45 **From 1 January 2005**
39p9 The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, 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 initial recognition and re-evaluates this designation at every reporting date.
- 1p110 (a) *Financial assets at fair value through profit or loss*
39p9 This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit
1p57, 59 or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the
39p45 short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.
- 1p110 (b) *Loans and receivables*
39p9 Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (see Note 2.10).
- 1p110 (c) *Held-to-maturity investments*
39p9 Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group did not hold any investments in this category during the year.
- 1p110 (d) *Available-for-sale financial assets*
39p9 Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Notes to the consolidated interim financial statements (continued)

- 39p38 Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or
32p61 sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. 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.
- 39p43 Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. 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 securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.
- 39p46
39p55(a)
39p55(b)
- 39AG72 The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and
39AG73 for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent
39AG74 arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis refined to reflect the issuer's specific circumstances.
- 39p58 The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of
39p67 financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged
39p68 decline in the fair value of the security below its cost is considered in determining whether the securities are impaired.
39p70 If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference
39p69 between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement
- 1p110 **2.9 Inventories**
- 2p36(a) Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO)
92p10, 25 method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other
23p6, 7 direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.
2p28, 30 Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling
39p98(b) expenses.
- From 1 January 2004 to 31 December 2004**
The cost of the inventory includes the net expense/income on maturity of forward currency contracts used to hedge the purchase of the inventory.
- From 1 January 2005**
Inventory costs include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to inventory purchases.
- 1p110 **2.10 Trade receivables**
- 39p46(a), 32p60 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 the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.
- 39p59
- 1p110 **2.11 Cash and cash equivalents**
- 7p45 Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.
- 1p110 **2.12 Share capital**
- From 1 January 2004 to 31 December 2004**
Ordinary shares and mandatorily redeemable preference shares are classified as equity.
- From 1 January 2005**
Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (see Note 2.13).
- 32p18(a)
32p60(b)
- 32p37 Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.
- 32p33 Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the

Notes to the consolidated interim financial statements (continued)

Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

1p110 2.13 Borrowings

From 1 January 2004 to 31 December 2004

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

From 1 January 2005

32p60(b), 39p47
39p43 Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

32p60(b), 32p18 Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The non-discretionary dividends on these preference shares are recognised in the income statement as interest expense.

1p60 Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1p110 2.14 Deferred income tax

12p47, 24 Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it 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. Deferred income 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 income tax asset is realised or the deferred income tax liability is settled.

12p46 Deferred income 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.

12p24, 34 Deferred income 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.

1p110 2.15 Employee benefits

1p110 (a) Pension obligations

19p27 Group companies operate various pension schemes. The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The benefits paid to all employees in the Group's home country qualify as a post-employment defined benefit plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

19p79 The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

19p93 Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are spread to income over the employees' expected average remaining working lives.

19p120(a) Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Notes to the consolidated interim financial statements (continued)

- 19p44** For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.
- 1p110** (b) *Other post-employment benefit obligations*
- 19p120(a)(b)** Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the relevant employees to the extent that they exceed the 10% corridor. These obligations are valued annually by independent qualified actuaries.
- 19p127**
- 1p110** (c) *Termination benefits*
- 19p133** Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.
- 19p134**
- 19p139**
- 1p110** (d) *Profit-sharing and bonus plans*
- 19p17** The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.
- IFRS2p15(b)** (e) *Share-based plans*
- IFRS2p19** The Group's management awards high-performing employees bonuses in the form of share options, from time to time, on a discretionary basis. The options are subject to one-year service vesting condition, and their fair value is recognised as an employee benefits expense with a corresponding increase in other reserve equity over the 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.
- 1p110** **2.16 Provisions**
- 37p14, 24** Provisions for environmental restoration, restructuring costs and legal claims 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 has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.
- 37p72** 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. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.
- 37p63** Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date (see Note 4.1). the discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.
- 1p110** **2.17 Revenue recognition**
- 18p35(a)** Revenue comprises the fair value of the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:
- (a) *Sales of goods – wholesale*
- Sales of goods are recognised when a Group entity has delivered products to the customer; the customer has accepted the products; and collectibility of the related receivables is reasonably assured.
- (b) *Sales of services*
- Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.
- (c) *Interest income*
- Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues accreting the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

Notes to the consolidated interim financial statements (continued)(d) *Royalty income*

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(e) *Dividend income*

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

1p110 2.18 Leases

32p60(b)

(a) *The Group is the lessee*

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and 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 rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. 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. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

17p20

17p27

17p33

SIC-15p5

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

1p110

(b) *The Group is the lessor*

When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

32p60(b)

17p50

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

1p110 2.19 Dividend distribution

10p12

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

2.20 Interim measurement note

34p16(b)

34p.37

(a) *Seasonality of the business*

The maintenance and installation of security systems and equipment is subject to seasonal fluctuations, with peak demand in the second and third quarter of each year. This is due to better weather conditions. For the six months ended 30 June 2005, the level of maintenance and installation represented 64% of the annual level of maintenance and installation in the year ended 31 December 2004. For the six months ended 30 June 2004, the level of maintenance and installation represented approximately 59% of the annual level of maintenance and installation in the year ended 31 December 2004.

34p30(c)

(b) *Current income tax*

Current income tax expense is recognised in these interim consolidated financial statements based on management's best estimates of the weighted average annual income tax rate expected for the full financial year.

34p39

(c) *Costs*

Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

8p30 2.21 New accounting standards and IFRIC interpretations

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2006. The Group's assessment of the impact of these new standards and interpretations is set out below.

(a) *IFRS 6, Exploration for and Evaluation of Mineral Resources*

The Group does not have any exploration and evaluation assets. This standard will not affect the Group's financial statements.

(b) *IFRIC 3, Emission Rights*

The Group does not participate in an emission rights scheme. This interpretation will not affect the Group's financial statements.

Notes to the consolidated interim financial statements (continued)

(c) IFRIC 4, *Determining whether an Asset Contains a Lease*

IFRIC 4 is applicable to annual periods beginning on or after 1 January 2006. The Group has not elected to adopt IFRIC 4 early. It will apply IFRIC 4 in its 2006 financial statements and the IFRIC 4 transition provisions. The Group will therefore apply IFRIC 4 on the basis of facts and circumstances that existed at 1 January 2005. Implementation of IFRIC 4 is not expected to change the accounting for any of the Group's current arrangements.

(d) IFRIC 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

The Group does not have interests in decommissioning, restoration and environmental rehabilitation funds. This interpretation will not affect the Group's financial statements.

3. Financial risk management

3.1 Financial risk factors

- 32p52** The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.
- Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.
- (a) *Market risk*
- (i) *Foreign exchange risk*
- 32p60** The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- Entities in the Group use forward contracts, transacted with Group Treasury, to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each foreign currency by using external forward currency contracts.
- 39p73** For segment reporting purposes, each subsidiary designates contracts with Group Treasury as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.
- 32p60, 58** The Group's risk management policy is to hedge between 75% and 100% of anticipated transactions (mainly export sales) in each major currency for the subsequent 12 months. Approximately 90% (2004: 95%) of projected sales in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.
- 32p71(a)** The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
- (ii) *Price risk*
- 32p58** The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. The Group is not exposed to commodity price risk.
- (b) *Credit risk*
- 32p76(a-b)** The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.
- (c) *Liquidity risk*
- Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Notes to the consolidated interim financial statements (continued)

- (d) *Cash flow and fair value interest rate risk*
- 32p58, 67** The Group's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates of finance leases to which the Group is lessor or lessee are fixed at inception of the lease. These leases expose the Group to fair value interest rate risk. The Group's cash flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain approximately 33% of its borrowings in fixed rate instruments. At June 2005, 30% of borrowings were at fixed rates.
- The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Occasionally, the Group also enters into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates in excess of the 33% target.
- 3.2 Accounting for derivative financial instruments and hedging activities**
- From 1 January 2004 to 31 December 2004**
- Derivative financial instruments are designated 'hedging' or 'non-hedging' instruments. The transactions that can meet the conditions for hedge accounting, according to the Group's policy for risk management, are classified as hedging transactions; the others, although set up for the purpose of managing risk (since the Group's policy does not permit speculative transactions), have been designated as 'Trading'. The Group records derivative financial instruments at cost. The gains and losses on derivative financial instruments are included in the income statement on maturity to match the underlying hedged transactions where relevant.
- For foreign exchange instruments designated as hedges, the premium (or discount) representing the difference between the spot exchange rate at the inception of the contract and the forward exchange rate is included in the income statement, in finance costs, in accordance with the accrual method.
- For interest rate instruments designated as hedges, the interest rate differential is included in the income statement, in finance costs, in accordance with the accrual method, offsetting the effects of the hedged transaction. Derivative financial instruments designated as trading instruments are valued at year-end market value, and the difference between the nominal contract value and fair value is recorded in the income statement under finance costs.
- From 1 January 2005 onwards**
- 39p88** 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 method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); hedges of highly probable forecast transactions (cash flow hedge); or hedges of net investments in foreign operations.
- 32p56, 58**
32p59
32p88 The Group documents at the inception of the 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 whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.
- The fair values of various derivative instruments used for hedging purposes are disclosed in Note 11. Movements on the hedging reserve in shareholders' equity are shown in Note 20.
- 39p89** (a) *Fair value hedge*
- Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.
- 39p95**
39p97, 98 (b) *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.
- 39p100** Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.
- 39p101** 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 remains in equity and is recognised when the forecast transaction is ultimately 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.

Notes to the consolidated interim financial statements (continued)

- 39p102(a)(b)** (c) *Net investment hedge*
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.
- Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement.
- Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.
- (d) *Derivatives that do not qualify for hedge accounting*
Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified as at fair value through profit or loss, and changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

32p92 3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1p116 4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6 The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see Note 8).

36p124 If the revised estimated gross margin at 30 June 2005 had been 10% lower than management's estimates at 31 December 2004, the Group would need to reduce the carrying value of goodwill by €150.

If the revised estimated pre-tax discount rate applied to the discounted cash flows had been 10% higher than management's estimates, the Group would need to reduce the carrying value of goodwill by €100.

If the actual gross margin had been higher or the pre-tax discount rate lower than management's estimates, the Group would not be able to reverse any impairment losses that arose on goodwill.

(b) *Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Were the actual final outcome (on the judgement areas) to differ by 10% from management's estimates, the Group would need to:

- increase the income tax liability by €18 and the deferred tax liability by €57, if unfavourable; or
- decrease the income tax liability by €15 and the deferred tax liability by €45, if favourable.

Notes to the consolidated interim financial statements (continued)

(c) *Provision for environmental restoration*

The Group uses chemical substances to produce security systems. Environmental damage caused by such substances may require the Group to incur restoration costs to comply with the regulations in the various jurisdictions in which the Group operates, and to settle any legal or constructive obligation.

Analysis and estimates are performed by the Group, together with its legal advisers, in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimated restoration costs, for which disbursements are determined to be probable, are recognised as a provision in the Group's financial statements. When the final determination of such obligation amounts differs from the recognised provisions, the Group's income statement is impacted.

The overall impact on the Group's income statement, in case the actual amounts determined in respect to the environmental restoration obligations differ by 10% from management's estimates, would be:

- increase income statement by €981 (net of taxes), if favourable, or
- decrease income statement by €610 (net of taxes), if unfavourable.

4.2 Critical judgements in applying the entity's accounting policies

Revenue recognition

1p113 The Group has recognised revenue amounting to €950 for sales of goods to Excellence & Co in Euravia during the six months ended 30 June 2005. The buyer has the right to rescind the sale if there is 5% dissatisfaction with the quality of the first 1,000 units of safety equipment sold. The gross profit recognised for this sale was €665. The Group estimates that, based on past experience with similar sales, the dissatisfaction rate will not exceed 3%. It is therefore appropriate to recognise revenue on this transaction during the six months ended 30 June 2005. The Group will suffer an estimated loss of €700 if the sale is cancelled, €665 being the reversal of profits and €35 of costs connected with returning the stock to the warehouse.

5. Transition to IFRS

5.1 Basis of transition to IFRS

5.1.1 Application of IFRS 1

**IFRS1
Appdx A** The Group's financial statements for the year ended 31 December 2005 will be the first annual financial statements that comply with IFRS. These interim financial statements have been prepared as described in Note 2.1. The Group has applied IFRS 1 in preparing these consolidated interim financial statements.

**IFRS1
Appdx A** Wayne Holdings' transition date is 1 January 2004. The Group prepared its opening IFRS balance sheet at that date. The reporting date of these interim consolidated financial statements is 30 June 2005. The Group's IFRS adoption date is 1 January 2005.

In preparing these interim consolidated financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

IFRS1p13, 25 5.1.2 Exemptions from full retrospective application elected by the Group

Wayne Holdings has elected to apply the following optional exemptions from full retrospective application.

IFRS1 p15 (a) *Business combinations exemption*

Wayne Holdings has applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to the 1 January 2004 transition date. The application of this exemption is detailed in Note 5.2.2(b).

IFRS1p16, 19 (b) *Fair value as deemed cost exemption*

Wayne Holdings has elected to measure certain items of property, plant and equipment at fair value as at 1 January 2004. The application of this exemption is detailed in Note 5.2.2(a).

IFRS1p20 (c) *Employee benefits exemption*

Wayne Holdings has elected to recognise all cumulative actuarial gains and losses as at 1 January 2004. The application of this exemption is detailed in Note 5.2.2(q).

IFRS1p21, 22 (d) *Cumulative translation differences exemption*

Wayne Holdings has elected to set the previously accumulated cumulative translation to zero at 1 January 2004. This exemption has been applied to all subsidiaries in accordance with IFRS 1. The application of this exemption is detailed in Note 5.2.2(m).

IFRS1p23 (e) *Compound financial instruments exemption*

The Group has not issued any compound instruments; this exemption is not applicable.

Notes to the consolidated interim financial statements (continued)

- IFRS1p24, 25** (f) *Assets and liabilities of subsidiaries, associates and joint ventures exemption*
This exemption is not applicable, as the use of the exemption is made at the level of the subsidiary, associate or joint venture that adopts IFRS later than its parent company.
- IFRS1p36A** (g) *Exemption from restatement of comparatives for IAS 32 and IAS 39.*
The Group elected to apply this exemption. It applies previous GAAP rules to derivatives, financial assets and financial liabilities and to hedging relationships for the 2004 comparative information. The adjustments required for differences between GAAP and IAS 32 and IAS 39 are determined and recognised at 1 January 2005. The adjustments are detailed in Note 5.2.7.
- IFRS1p25A** (h) *Designation of financial assets and financial liabilities exemption*
The Group reclassified various securities as available-for-sale investments and as financial assets at fair value through profit and loss. The adjustments relating to IAS 32 and IAS 39 at the opening balance sheet date of 1 January 2005, the IAS 32/39 transition date, are detailed in Note 5.2.7.
- IFRS1p25B** (i) *Share-based payment transaction exemption*
The Group has elected to apply the share-based payment exemption. It applied IFRS 2 from 1 January 2004 to those options that were issued after 7 November 2002 but that have not vested by 1 January 2005. The application of the exemption is detailed in Note 5.2.2(l).
- IFRS1p25D** (j) *Insurance contracts exemption*
The Group does not issue insurance contracts; this exemption is not applicable.
- IFRS1p25E** (k) *Decommissioning liabilities included in the cost of property, plant and equipment exemption*
The Group recognises a provision in respect of environmental liabilities relating to contamination caused to land from the installation of assets and from its production processes.

The exemption provided in IFRS 1 from the full retrospective application of IFRIC 1 has been applied to determine the adjustment required to PPE in respect of the obligation to decommission existing production facilities. The application of this exemption is detailed in Note 5.2.2(a).
- IFRS1p25G** (l) *Fair value measurement of financial assets or liabilities at initial recognition*
The Group has not applied the exemption offered by the revision of IAS 39 on the initial recognition of the financial instruments measured at fair value through profit and loss where there is no active market. This exemption is therefore not applicable.
- 5.1.3 Exceptions from full retrospective application followed by the Group**
Wayne Holdings has applied the following mandatory exceptions from retrospective application.
- IFRS1 p27** (a) *Derecognition of financial assets and liabilities exception*
Financial assets and liabilities derecognised before 1 January 2004 are not re-recognised under IFRS. The application of the exemption from restating comparatives for IAS 32 and IAS 39 means that the Group recognised from 1 January 2005 any financial assets and financial liabilities derecognised since 1 January 2004 that do not meet the IAS 39 derecognition criteria. Management did not chose to apply the IAS 39 derecognition criteria to an earlier date.

The application of this exception at the opening balance sheet date of 1 January 2005 is detailed in Note 5.2.7.
- IFRS1p28, 30** (b) *Hedge accounting exception*
Management has claimed hedge accounting from 1 January 2005 only if the hedge relationship meets all the hedge accounting criteria under IAS 39. The application of this exception at the opening balance sheet date of 1 January 2005 is detailed in Note 5.2.7.
- IFRS1p31, 34** (c) *Estimates exception*
Estimates under IFRS at 1 January 2004 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error.
- IFRS1p34A, 34B** (d) *Assets held for sale and discontinued operations exception*
Management applies IFRS 5 prospectively from 1 January 2005. Any assets held for sale or discontinued operations are recognised in accordance with IFRS 5 only from 1 January 2005. Wayne Holdings did not have any assets that met the held-for-sale criteria during the period presented. No adjustment was required.

Notes to the consolidated interim financial statements (continued)**5.2 Reconciliations between IFRS and GAAP**

IFRS1p39 (a) (i) The following reconciliations provide a quantification of the effect of the transition to IFRS. The first reconciliation provides an overview of the impact on equity of the transition at 1 January 2004, 30 June 2004 and 31 December 2004. The following seven reconciliations provide details of the impact of the transition on:

- equity at 1 January 2004 (Note 5.2.2)
- equity at 30 June 2004 (Note 5.2.3)
- equity at 31 December 2004 (Note 5.2.4)
- net income 30 June 2004 (Note 5.2.5)
- net income 31 December 2004 (Note 5.2.6)
- equity at 1 January 2005 (Note 5.2.7)
- cash flows 30 June 2005 (Note 5.2.8)

IFRS1p45 (b) 5.2.1 Summary of equity

	1 Jan		30 June		31 Dec	
	2004	Note	2004	Note	2004	Note
Total equity under local GAAP	14,962		14,600		14,125	
Restatement of the PPE of the Russian subsidiary, in accordance with IAS 29	340	5.2.2 (a)	340	5.2.3 (a)	340	5.2.4 (a)
Restatement of accumulated depreciation to reflect PPE's useful lives rather than their tax lives	800	5.2.2 (a)	370	5.2.3 (a)	740	5.2.4 (a)
Recognition of impairment provisions against PPE using the guidance set out in IAS 36	(600)	5.2.2 (a)	(575)	5.2.3 (a)	(550)	5.2.4 (a)
Restatement of the New York office to fair value at transition	2,620	5.2.2 (a)	2,365	5.2.3 (a)	1,554	5.2.4 (a)
Capitalisation of the costs directly attributable to site preparation	–		510	5.2.3 (a)	520	5.2.4 (a)
Reset of the cumulative translation to zero at transition and adjustments to the calculation of currency translation reserves	300	5.2.2 (m)	510	5.2.3 (m)	779	5.2.4 (m)
Capitalisation of development costs	–		–		1,002	5.2.4 (c)
Write-off of deferred charges that do not meet the IFRS definition of an intangible asset	(1,230)	5.2.2 (c)	(1,354)	5.2.3 (c)	(1,932)	5.2.4 (c)
Reversal of restructuring provisions	–		780	5.2.3 (r)	780	5.2.4 (r)
Restatement of the provision for post-employment benefits on a projected unit credit method basis	310	5.2.2 (q)	280	5.2.3 (q)	89	5.2.4 (q)
Recognition of actuarial gains and losses	(825)	5.2.2 (q)	(924)	5.2.3 (q)	(1,018)	5.2.4 (q)
Reversal of proposed ordinary dividends payable	1,232	5.2.2 (s)	194	5.2.3 (s)	1,001	5.2.4(s)
Cumulative impact of other non-material items	159		193		(71)	
Deferred tax adjustments	(1,020)	5.2.2 (f, p)	(946)	5.2.2(f, p)	(1,081)	5.2.2(f, p)
Adjustment to minority interests	640		493		556	
Total equity under IFRS	17,688		16,836		16,834	

Notes to the consolidated interim financial statements (continued)

IFRS1p39(a)(i) IFRS1p45(b)	5.2.2 Reconciliation of equity at 1 January 2004			Effect of transition to IFRS	
		Note	GAAP		IFRS
ASSETS					
Non-current assets					
	Property, plant and equipment	a	41,221	(18,766)	22,455
	Goodwill	b	1,987	853	2,840
	Intangible assets	c	4,470	(1,090)	3,380
	Investments in associates		1,778	–	1,778
	Financial receivables	d	2,114	18,390	20,504
	Investments in unconsolidated subsidiaries	e	758	(758)	–
	Investments in other companies		14,124	–	14,124
	Deferred income tax assets	f	–	735	735
			66,452	(636)	65,816
Current assets					
	Inventories	g	16,182	505	16,687
	Trade and other receivables	h	7,790	520	8,310
	Financial receivables	i	5,444	5,644	11,088
	Short-term securities	j	6,043	50	6,093
	Cash and cash equivalents	k	2,200	120	2,320
			37,659	6,839	44,498
	Total assets		104,111	6,203	110,314
EQUITY					
Capital and reserves attributable to equity holders					
	Share capital		5,018	–	5,018
	Fair value and other reserves	l	–	120	120
	Cumulative translation adjustment	m	300	(300)	–
	Consolidated reserve	n	1,050	(1,050)	–
	Retained earnings and other reserves	v	7,190	3,316	10,506
			13,558	2,086	15,644
	Minority interest		1,404	640	2,044
	Total equity		14,962	2,726	17,688
LIABILITIES					
Non-current liabilities					
	Borrowings	o	13,814	730	14,544
	Deferred income tax liabilities	p	4,000	1,805	5,805
	Retirement benefit obligations	q	13,966	765	14,731
	Provisions	r	15,226	785	16,011
			47,006	4,085	51,091
Current liabilities					
	Trade and other payables	s	31,074	(1,003)	30,071
	Current income tax liabilities	t	200	45	245
	Borrowings	u	10,869	350	11,219
			42,143	(608)	41,535
	Total liabilities		89,149	3,477	92,626
	Total equity and liabilities		104,111	6,203	110,314

Notes to the consolidated interim financial statements (continued)

	Explanation of the effect of the transition to IFRS	
IFRS1p40	The following explains the material adjustments to the balance sheet and income statement.	
	(a) <i>Property, plant and equipment</i>	
	(i) Derecognition of assets leased out under finance leases	(24,014)
	(ii) Restatement of the New York office to fair value	2,620
	(iii) Consolidation of subsidiaries previously excluded from consolidation under GAAP	1,350
	(iv) Total impact of other items	<u>1,278</u>
	Total impact – decrease in PPE	<u>(18,766)</u>
	(i) Assets leased out under finance leases are treated as sold and derecognised under IFRS.	
IFRS1p44	(ii) Management has applied the fair value as deemed cost exemption in respect of the New York office building and land. The valuation of the property performed at 1 January 2004 assessed the fair value of the property as €8,900 for a carrying amount under GAAP of €6,280.	
	(iii) Subsidiaries excluded from consolidation under GAAP because their operations were not homogeneous with those of the Group or because it had not been practicable to obtain the necessary information on a timely basis have been consolidated under IFRS.	
	(iv) The total impact of other items includes an amount of €100 relating to the capitalisation of the decommissioning costs of certain production facilities. This amount has been determined in accordance with the exemption provided in IFRS 1 from the full retrospective application of IFRIC 1.	
	The total impact of other items also includes an amount of €340 relating to the PPE of the Russian subsidiary. Previous GAAP permitted the results of entities operating in those economies to be expressed in terms of a hard currency. This approach was applied to the Russian subsidiary for the periods when Russia had a hyperinflationary economy. The PPE of the Russian subsidiaries has been restated in accordance with IAS 29, for the periods when Russia had a hyperinflationary economy.	
	The total impact of other items also includes an amount of €800 relating to the restatement of accumulated depreciation to reflect PPE's useful lives rather than their tax lives. It also includes an amount of (€600) relating to the carrying amounts of property, plant and equipment in certain subsidiaries that may not be recoverable.	
IFRS1p39(c)	Information on impairment losses recognised at 1 January 2004	
IAS36p130(a-d)	The impairment charge of €600 arose in the manufacturing CGU 'Factory Blue' in Grow-Land (included in 'Eurozone' segment summary) following a decision to reduce the manufacturing output allocated to the operation in Grow Land.	
IAS36p134(a)	This was a result of a redefinition of the Group's allocation of manufacturing volumes across all CGUs in order to benefit from advantageous market conditions. The Group reassessed the depreciation policies in the CGU and estimated that the useful lives and residual values of PPE will not be affected following this decision.	
IAS36p130(e)	The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the manufacturing business in which the CGU operates.	
IAS36p134(c)		
IAS36p134(d)(iii)		
IAS36p134(c)	Key assumptions used for the value in use calculations	
IAS36p130(c)(ii)	Manufacturing	Eurozone
IAS36p134(d)	Gross margin ¹	30.0%
IAS36p134(d)(i)	Growth rate ²	1.8%
IAS36p134d(v)	Discount rate ³	10.5%
IAS36p124(g)		
	¹ Budgeted gross margin	
	² Weighted average growth rate used to extrapolate cash flows beyond the budget period	
	³ Pre-tax discount rate applied in cash flow projections.	
IAS36p134(ii)	Management determined the budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relation to the relevant CGU.	
IAS36p134(f)	If management changes the gross margin by 10% that will increase the impairment of €50. If management reduces the gross rate by 10% that will increase the impairment of €3. If management increases the discount rate by 10% that will increase impairment of €5.	

Notes to the consolidated interim financial statements (continued)

(b) <i>Goodwill</i>	
(i) Consolidation of subsidiaries previously excluded from consolidation under GAAP	350
(ii) Derecognition of the assembled workforce	350
Total impact of other items	153
Total impact – increase in goodwill	853

IFRS1
Appdx B 2(g)(iii) Goodwill had been tested for impairment at 1 January 2004. Goodwill was allocated to CGUs for the purpose of impairment testing. Each of those CGUs represented the Group's investment in each country of operation by primary reporting segment. No impairment has been identified at 1 January 2004. A segment-level summary of the goodwill allocation is presented below.

As at 1 January 2004

	Security systems	Maintenance and services	Total
Eurozone	870	385	1,255
US	284	176	460
UK	501	240	741
Other	202	182	384
	1,882	958	2,840

The recoverable amount of CGUs was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the security business in which the CGU operates.

Key assumptions used for value-in-use calculations are presented below.

	Security systems				Maintenance and services			
	Eurozone	US	UK	Other	Eurozone	US	UK	Other
Gross margin ¹	30.0%	29.0%	30.0%	26.0%	28.0%	36.0%	28.0%	27.0%
Growth rate ²	1.8%	1.8%	1.8%	1.9%	1.1%	1.3%	1.1%	1.4%
Discount rate ³	10.5%	10.0%	10.7%	12.8%	11.5%	11.0%	11.8%	13.5%

These assumptions have been used for the analysis of each cash CGU within the business segment.

¹ Budgeted gross margin

² Weighted average growth rate used to extrapolate cash flows beyond the budget period

³ Pre-tax discount rate applied to the cash flow projections

Management determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

- (i) Subsidiaries excluded from consolidation under GAAP because their operations were not homogeneous with those of the Group or because it had not been practicable to obtain the necessary information on a timely basis have been consolidated under IFRS.
- (ii) The Group acquired research business Ardito SA in 2000. Purchase accounting was applied under GAAP, and all of the Ardito assets and liabilities were restated at fair value. The Group has elected to benefit from the business combination exemption. However, the fair value attributed to the assembled workforce does not meet the criteria in IAS 38 for recognition as an asset. The asset has been excluded from the opening IFRS balance sheet, with a corresponding increase in goodwill.

(c) <i>Intangible assets</i>	
(i) Write-off of deferred charges that do not meet the IFRS definition of an asset	(1,230)
(ii) Total impact of other items	140
Total impact – decrease in intangible assets	(1,090)

Notes to the consolidated interim financial statements (continued)

- (i) Under GAAP, intangible assets and deferred charges expected to benefit future periods were recorded at cost, adjusted by amortisation on a straight-line basis over the period expected to benefit. These deferred charges did not meet the IFRS definition of an asset and have therefore been written off against retained earnings.
- (ii) Included in 'Other items' is the adjustment of €350 described in Note 5.2.2(b), relating to the fair value of Ardito's assembled workforce, which does not meet the definition of an intangible assets and has been reclassified to goodwill.

(d) Receivables – non-current

Recognition of the finance lease receivables in respect of assets leased out under finance leases	18,390
Total impact – increase in receivables	18,390

(e) Investments in unconsolidated subsidiaries

Consolidation of subsidiaries previously excluded from consolidation under GAAP	(758)
Total impact – decrease in investments in unconsolidated subsidiaries	(758)

Subsidiaries excluded from consolidation under GAAP because their operations were not homogeneous with those of the Group or because it had not been practicable to obtain the necessary information on a timely basis have been consolidated under IFRS.

(f) Deferred income tax assets

Overall impact of recognising deferred tax in accordance with IAS 12	735
Total impact – increase in deferred income tax assets	735

The Group has recalculated deferred tax in accordance with IAS 12. IAS 12 allows a net presentation of deferred tax assets and liabilities only when certain criteria are met. This adjustment recognises the gross presentation required by IAS 12.

(g) Inventories

Consolidation of subsidiaries previously excluded from consolidation under GAAP	430
Total impact of other items	75
Total impact – increase in inventories	505

Subsidiaries excluded from consolidation under GAAP because their operations were not homogeneous with those of the Group or because it had not been practicable to obtain the necessary information on a timely basis have been consolidated under IFRS.

(h) Trade and other receivables

Consolidation of subsidiaries previously excluded from consolidation under GAAP	520
Total impact – decrease in trade and other receivables	520

Subsidiaries excluded from consolidation under GAAP because their operations were not homogeneous with those of the Group or because it had not been practicable to obtain the necessary information on a timely basis have been consolidated under IFRS.

(i) Financial receivables

Recognition of the finance lease receivable in respect of assets leased out under finance lease	5,644
Total impact – increase in financial receivables	5,644

A finance lease receivable has been recognised in respect of assets classified as PPE under GAAP and that are leased out under finance leases.

(j) Short-term securities

Consolidation of subsidiaries previously excluded from consolidation under GAAP	50
Total impact – increase in short-term securities	50

Subsidiaries excluded from consolidation under GAAP because their operations were not homogeneous with those of the Group or because it had not been practicable to obtain the necessary information on a timely basis have been consolidated under IFRS.

(k) Cash and cash equivalents

Consolidation of subsidiaries previously excluded from consolidation under GAAP	120
Total impact – increase in cash and cash equivalents	120

Subsidiaries excluded from consolidation under GAAP because their operations were not homogeneous with those of the Group or because it had not been practicable to obtain the necessary information on a timely basis have been consolidated under IFRS.

Notes to the consolidated interim financial statements (continued)

(l) <i>Fair value and other reserves</i>	
Recognition of share options issued after 7 November 2002 and not vested at 1 January 2005	120
Total impact – increase fair value and other reserves	120
The Group has issued share options to senior management. These were not recognised under GAAP.	
(m) <i>Cumulative translation adjustment</i>	
Reset of the cumulative currency translation adjustment reserve to zero	(300)
Total impact – decrease in cumulative translation adjustment	(300)
The Group has elected to use the exemption of setting the previously cumulated translation adjustment to zero. This exemption has been applied to all subsidiaries.	
(n) <i>Consolidated reserve</i>	
Reclassification of negative goodwill written off directly to reserves under GAAP from consolidation reserve to retained earnings	(1,050)
Total impact – decrease in consolidated reserve	(1,050)
Under GAAP, differences arising from the elimination of investments against the related shareholders' equity of the investment at the date of acquisition were allocated to the fair value of the assets and liabilities of the company being consolidated. The negative residual amount (negative goodwill) was recorded as a component of shareholders' equity in 'Consolidation reserve'. The negative goodwill written off directly to reserves under GAAP has been reclassified from 'Consolidation reserve' to retained earnings.	
(o) <i>Borrowings (non-current)</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	430
Recognition of finance leases that were treated as operating leases under GAAP	300
Total impact – increase in borrowings (non-current)	730
Subsidiaries excluded from consolidation under GAAP because their operations were not homogeneous with those of the Group or because it had not been practicable to obtain the necessary information on a timely basis have been consolidated under IFRS.	
The lease for the research facility leased by the Group's subsidiary, Ardito SA, qualifies as a finance lease under IFRS. The Group has therefore recognised the building as PPE and the corresponding lease liability.	
(p) <i>Deferred income tax liabilities</i>	
Overall impact of recognising deferred tax in accordance with IAS 12	1,805
Total impact – increase in deferred income tax liabilities	1,805
The Group has recalculated deferred tax in accordance with IAS 12. IAS 12 allows a net presentation of deferred tax assets and liabilities only when certain criteria are met. This adjustment recognises the gross presentation required by IAS 12.	
(q) <i>Retirement benefit obligations</i>	
(i) Recognition of actuarial gains and losses not recognised under GAAP at the date of transition for consistent application of the employee benefits exemption	825
(ii) Restatement of the provision for post-employment benefits on a projected unit credit method basis	(310)
(iii) Consolidation of subsidiaries previously excluded from consolidation under GAAP	250
Total impact – increase in retirement benefit obligations	765
(i) The Group has elected to apply the employee benefits exemption. The Group recognised all cumulative actuarial gains and losses at the date of transition to IFRS and applied the corridor approach to later actuarial gains and losses. All actuarial gains and losses not previously recognised through application of the corridor in GAAP financial statements have been recognised at the date of transition.	
(ii) The post-employment benefit paid to all employees in Wayne Holdings' home-country qualifies as a post-employment defined benefit plan. The liability in respect of this obligation has been remeasured using the project unit credit method.	
(iii) Subsidiaries excluded from consolidation under GAAP because their operations were not homogeneous with those of the Group or because it had not been practicable to obtain the necessary information on a timely basis have been consolidated under IFRS.	
(r) <i>Provisions</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	345
Total impact of other items	440
Total impact – increase in provisions	785

Notes to the consolidated interim financial statements (continued)

Subsidiaries excluded from consolidation under GAAP because their operations were not homogeneous with those of the Group or because it had not been practicable to obtain the necessary information on a timely basis have been consolidated under IFRS.

(s) <i>Trade and other payables (current)</i>	
(i) Consolidation of subsidiaries previously excluded from consolidation under GAAP	229
(ii) Reversal of proposed ordinary dividends payable	<u>(1,232)</u>
Total impact – decrease in trade and other payables (current)	<u>(1,003)</u>

- (i) Subsidiaries excluded from consolidation under GAAP because their operations were not homogeneous with those of the Group or because it had not been practicable to obtain the necessary information on a timely basis have been consolidated under IFRS.
- (ii) Dividends proposed after the balance sheet date but before the financial statements are finalised were treated as an adjusting post-balance sheet event under GAAP and accrued in the financial statements. Such dividends are treated as a non-adjusting balance sheet event under IFRS and are not accrued.

(t) <i>Current income tax liabilities (current)</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	<u>45</u>
Total impact – increase in current income tax liabilities	<u>45</u>

Subsidiaries excluded from consolidation under GAAP because their operations were not homogeneous with those of the Group or because it had not been practicable to obtain the necessary information on a timely basis have been consolidated under IFRS.

(u) <i>Borrowings (current)</i>	
(i) Consolidation of subsidiaries previously excluded from consolidation under GAAP	200
(ii) Recognition of a finance lease that had been treated as an operating lease under GAAP	<u>150</u>
Total impact – increase in borrowings (current)	<u>350</u>

- (i) Subsidiaries excluded from consolidation under GAAP because their operations were not homogeneous with those of the Group or because it had not been practicable to obtain the necessary information on a timely basis have been consolidated under IFRS.

- (ii) The lease for the research facility leased by the Group's subsidiary, Ardito SA, qualifies as a finance lease under IFRS. The Group has therefore recognised the building as PPE and the corresponding lease liability.

(v) *Retained earnings*

All above adjustments were recorded against the opening retained earnings at 1 January 2004. The total net impact is an increase in retained earnings of €3,316.

Notes to the consolidated interim financial statements (continued)

IFRS1p45a(i)

5.2.3 Reconciliation of equity at 30 June 2004

	Note	GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Non-current assets				
Property, plant and equipment	a	40,002	(18,236)	21,766
Goodwill	b	1,887	908	2,795
Intangible assets	c	6,340	(1,245)	5,095
Investments in associates		2,978	–	2,978
Receivables	d	2,632	18,719	21,351
Investments in unconsolidated subsidiaries	e	684	(684)	–
Investments in other companies		16,677	–	16,677
Deferred income tax assets	f	–	411	411
		71,200	(127)	71,073
Current assets				
Inventories				
	g	16,113	317	16,430
Trade and other receivables	h	5,722	241	5,963
Financial receivables	i	5,163	5,639	10,802
Short-term securities	j	7,288	10	7,298
Cash and cash equivalents	k	2,197	120	2,317
		36,483	6,327	42,810
Total assets		107,683	6,454	113,883
EQUITY				
Capital and reserves attributable to equity holders				
Share capital		5,018	–	5,018
Fair value and other reserves	l	–	160	160
Cumulative translation adjustment	m	450	(510)	(60)
Consolidated reserve	n	1,050	(1,050)	–
Retained earnings and other reserves	v	6,662	3,143	9,805
		13,180	1,743	14,923
Minority interest		1,420	493	1,913
Total equity		14,600	2,236	16,836
LIABILITIES				
Non-current liabilities				
Borrowings	o	16,522	448	16,970
Deferred income tax liabilities	p	3,256	1,357	4,613
Retirement benefit obligations	q	14,010	1,285	15,295
Provisions	r	14,492	53	14,545
		48,280	3,143	51,423
Current liabilities				
Trade and other payables	s	33,219	386	33,605
Current income tax liabilities	t	323	40	363
Borrowings	u	10,157	570	10,727
Provisions	r	1,104	(175)	929
		44,803	821	45,624
Total liabilities		93,083	3,964	97,047
Total equity and liabilities		107,683	6,200	113,883

Notes to the consolidated interim financial statements (continued)

The nature of the adjustments from GAAP to IFRS at 30 June 2004 is similar to those at 1 January 2004. There are two additional adjustments at 30 June 2004. These relate to PPE (see (a) below) and to provisions (see (r) below). Explanations of all other adjustments are disclosed in Note 5.2.2.

<i>(a) Property, plant and equipment</i>	
Derecognition of assets leased out under finance leases	(24,288)
Restatement of the New York office to fair value	2,360
Consolidation of subsidiaries previously excluded from consolidation under GAAP	2,054
Capitalisation of the costs directly attributable to site preparation	110
Total impact of other items	<u>1,528</u>
Total impact – decrease in PPE	<u>(18,236)</u>

The costs of site preparation to construct a new factory to produce fire extinguishers were incurred and expensed in accordance with GAAP. These costs have been capitalised in accordance with IAS 16.

<i>(b) Goodwill</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	340
Derecognition of the assembled workforce	315
Total impact of other items	<u>253</u>
Total impact – increase in goodwill	<u>908</u>

<i>(c) Intangible assets</i>	
Write-off of deferred charges that do not meet the IFRS definition of an asset	(1,354)
Total impact of other items	<u>109</u>
Total impact – decrease in intangible assets	<u>(1,245)</u>

<i>(d) Receivables</i>	
Recognition of the finance lease receivables in respect of assets under finance leases	<u>18,719</u>
Total impact – increase in receivables	<u>18,719</u>

<i>(e) Investments in unconsolidated subsidiaries</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	<u>(684)</u>
Total impact – decrease in investments in unconsolidated subsidiaries	<u>(684)</u>

<i>(f) Deferred income tax assets</i>	
Overall impact of recognising deferred tax in accordance with IAS 12	<u>411</u>
Total impact – increase in deferred income tax assets	<u>411</u>

<i>(g) Inventories</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	245
Total impact of other items	<u>72</u>
Total impact – increase in inventories	<u>317</u>

<i>(h) Trade and other receivables</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	<u>241</u>
Total impact – increase in trade and other receivables	<u>241</u>

<i>(i) Financial receivables</i>	
Recognition of the finance lease receivable in respect of assets leased out under finance lease	<u>5,639</u>
Total impact – increase in financial receivables	<u>5,639</u>

<i>(j) Short-term securities</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	<u>10</u>
Total impact – increase in short-term securities	<u>10</u>

<i>(k) Cash and cash equivalents</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	<u>120</u>
Total impact – increase in cash and cash equivalents	<u>120</u>

Notes to the consolidated interim financial statements (continued)

(l) <i>Fair value and other reserves</i>	
Recognition of share options issued after 7 November 2002 and not vested at 1 January 2005	160
Total impact – increase fair value and other reserves	<u>160</u>
(m) <i>Cumulative translation adjustment</i>	
Reset of the cumulative currency translation adjustment reserve to zero	(300)
Adjustments assessed on the basis of translation during the period	(210)
Total impact – decrease in cumulative translation adjustment	<u>(510)</u>
(n) <i>Consolidated reserve</i>	
Reclassification of negative goodwill written off directly to reserves under GAAP from consolidation reserve to retained earnings	(1,050)
Total impact – decrease in consolidated reserve	<u>(1,050)</u>
(o) <i>Borrowings (non-current)</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	300
Recognition of finance leases that were treated as operating leases under GAAP	148
Total impact – increase in borrowings (non-current)	<u>448</u>
(p) <i>Deferred income tax liabilities</i>	
Overall impact of recognising deferred tax in accordance with IAS 12	1,357
Total impact – increase in deferred income tax liabilities	<u>1,357</u>
(q) <i>Retirement benefit obligations</i>	
Recognition of actuarial gains and losses not recognised under GAAP for consistent application of the benefits exemption	825
Restatement of the provision for post-employment benefits on a projected unit credit method basis	(181)
Consolidation of subsidiaries previously excluded from consolidation under GAAP	641
Total impact – increase in retirement benefit obligations	<u>1,285</u>
(r) <i>Provisions</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	245
Reversal of the restructuring provision	(780)
Total impact of other items	413
Total impact – decrease in provisions	<u>(122)</u>
Increase in provisions, non-current portion	53
Decrease in provisions, current portion	(175)
A restructuring provision of €780 relating to the head office activities was recognised under GAAP in March 2004. It does not qualify for recognition as a liability under IAS 37 and has been reversed under IFRS.	
(s) <i>Trade and other payables</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	580
Reversal of proposed ordinary dividends	(194)
Total impact – increase in trade and other payables (current)	<u>386</u>
(t) <i>Current income tax liabilities (current)</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	40
Total impact – increase in current income tax liabilities	<u>40</u>
(u) <i>Borrowings (current)</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	520
Recognition of a finance lease that had been treated as an operating lease under GAAP	50
Total impact – increase in borrowings (current)	<u>570</u>
(v) <i>Retained earnings</i>	
The cumulative effect of all the above adjustments has resulted in an increase in retained earnings at 30 June 2004 of €3,143.	

Notes to the consolidated interim financial statements (continued)IFRS1p39(a)(ii) **5.2.4 Reconciliation of equity at 31 December 2004**

	Note	GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Non-current assets				
Property, plant and equipment	a	42,452	(19,050)	23,402
Goodwill	b	1,859	886	2,745
Intangible assets	c	6,021	(780)	5,241
Investments in associates		3,958	–	3,958
Receivables	d	1,822	18,611	20,433
Investments in unconsolidated subsidiaries	e	634	(634)	–
Investments in other companies		14,377	–	14,377
Deferred income tax assets	f	–	522	522
		71,123	(445)	70,678
Current assets				
Inventories	g	17,257	408	17,665
Trade and other receivables	h	5,539	159	5,698
Financial receivables	i	5,215	5,679	10,894
Short-term securities	j	8,440	40	8,480
Cash and cash equivalents	k	2,133	100	2,233
		38,584	6,386	44,970
Total assets		109,707	5,941	115,648
EQUITY				
Capital and reserves attributable to equity holders				
Share capital		5,018	–	5,018
Fair value and other reserves	l	–	200	200
Cumulative translation adjustment	m	500	(779)	(279)
Consolidated reserve	n	1,050	(1,050)	–
Retained earnings and other reserves	v	6,120	3,782	9,902
		12,688	2,153	14,841
Minority interest		1,437	556	1,993
Total equity		14,125	2,709	16,834
LIABILITIES				
Non-current liabilities				
Borrowings	o	17,830	532	18,362
Deferred income tax liabilities	p	3,874	1,603	5,477
Retirement benefit obligations	q	14,021	1,110	15,131
Provisions	r	15,091	451	15,542
		50,816	3,696	54,512
Current liabilities				
Trade and other payables	s	33,106	(831)	32,275
Current income tax liabilities	t	410	32	442
Borrowings	u	10,215	370	10,585
Provisions	r	1,035	(35)	1,000
		44,766	(464)	44,302
Total liabilities		95,582	3,232	98,814
Total equity and liabilities		109,707	5,941	115,648

The nature of the adjustments from GAAP to IFRS at 31 December 2004 is similar to that of the adjustments from GAAP to IFRS at 30 June 2004. There are two additional adjustments required at 31 December 2004. These relate to PPE (see (a) below) and intangible assets (see (c) below).

Notes to the consolidated interim financial statements (continued)

<i>(a) Property, plant and equipment</i>	
Derecognition of assets leased out under finance leases	(24,200)
Restatement of the New York office to fair value	1,554
Consolidation of subsidiaries previously excluded from consolidation under GAAP	2,067
Capitalisation of the costs directly attributable to a site preparation	520
Total impact of other items	<u>1,009</u>
Total impact – decrease in PPE	<u>(19,050)</u>
Management has applied the fair value as deemed cost exemption in respect of the New York office building and land. The valuation of the property performed at 1 January 2004 assessed the fair value of the property as €8,900 for a carrying amount under GAAP of €6,280.	
The entity sold part of its New York building in September 2004.	
<i>(b) Goodwill</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	330
Derecognition of the assembled workforce	300
Total impact of other items	<u>256</u>
Total impact – increase in goodwill	<u>886</u>
<i>(c) Intangible assets</i>	
Write-off of deferred charges that do not meet the IFRS definition of an asset	(1,932)
Recognition of development cost of new alarm system intangible asset	1,002
Total impact of other items	<u>150</u>
Total impact – decrease in intangibles	<u>(780)</u>
Research and development costs for the new alarm system were charged to the income statement under GAAP in the period incurred. The subsidiary 'Ribollet SA' incurred development costs in July 2004 for the launch of the new product 'Felipe Alert'. It is probable that 'Felipe Alert' will be successful, considering the commercial and technological feasibility of the project. The production of 'Felipe Alert' began in 1 December 2004. These development expenses are recognised as intangible assets under IFRS.	
<i>(d) Receivables</i>	
Recognition of the finance lease receivables in respect of assets under finance leases	<u>18,611</u>
Total impact – increase in receivables	<u>18,611</u>
<i>(e) Investments in unconsolidated subsidiaries</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	<u>(634)</u>
Total impact – decrease in investments in unconsolidated subsidiaries	<u>(634)</u>
<i>(f) Deferred income tax assets</i>	
Overall impact of recognising deferred tax in accordance with IAS 12	<u>522</u>
Total impact – increase in deferred income tax assets	<u>522</u>
<i>(g) Inventories</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	366
Total impact of other items	<u>42</u>
Total impact – increase in inventories	<u>408</u>
<i>(h) Trade and other receivables</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	<u>159</u>
Total impact – increase in trade and other receivables	<u>159</u>
<i>(i) Financial receivables</i>	
Recognition of the finance lease receivable in respect of assets leased out under finance lease	<u>5,679</u>
Total impact – increase in financial receivables	<u>5,679</u>
<i>(j) Short-term securities</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	<u>40</u>
Total impact – increase in short-term securities	<u>40</u>

Notes to the consolidated interim financial statements (continued)

(k) <i>Cash and cash equivalents</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	100
Total impact – increase in cash and cash equivalents	100
(l) <i>Fair value and other reserves</i>	
Recognition of share options issued after 7 November 2002 and not vested at 1 January 2005	200
Total impact – increase fair value and other reserves	200
(m) <i>Cumulative translation adjustment</i>	
Reset of the cumulative currency translation adjustment reserve to zero at transition	(300)
Adjustments during the period	(479)
Total impact – decrease in cumulative translation adjustment	(779)
(n) <i>Consolidated reserve</i>	
Reclassification of negative goodwill written off directly to reserves under GAAP from consolidation reserve to retained earnings	(1,050)
Total impact – decrease in consolidated reserve	(1,050)
(o) Borrowings (non-current)	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	330
Recognition of finance leases that were treated as operating leases under GAAP	202
Total impact – increase in borrowings (non-current)	532
(p) <i>Deferred income tax liabilities</i>	
Overall impact of recognising deferred tax in accordance with IAS 12	1,603
Total impact – increase in deferred income tax liabilities	1,603
(q) <i>Retirement benefit obligations</i>	
Recognition of actuarial gains and losses not recognised under GAAP for consistent application of the benefits exemption	1,018
Restatement of the provision for post-employment benefits on a projected unit credit method basis	(89)
Consolidation of subsidiaries previously excluded from consolidation under GAAP	181
Total impact – increase in retirement benefit obligations	1,110
(r) <i>Provisions</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	145
Reversal of the head office restructuring provision	(780)
Total impact of other items	219
Total impact – increase in provisions	416
Decrease in provisions, current portion	(35)
Increase in provisions, non current portion	451
(s) <i>Trade and other payables (current)</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	170
Reversal of proposed dividends on ordinary shares	(1,001)
Total impact – decrease in trade and other payables (current)	(831)
(t) <i>Current income tax liabilities (current)</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	32
Total impact – increase in current income tax liabilities	32
(u) <i>Borrowings (current)</i>	
Consolidation of subsidiaries previously excluded from consolidation under GAAP	320
Recognition of a finance lease that had been treated as an operating lease under GAAP	50
Total impact – increase in borrowings (current)	370
(v) <i>Retained earnings</i>	
The cumulative effect of all of the above adjustments has resulted in an increase in retained earnings at 31 December 2004 of €3,782.	

Notes to the consolidated interim financial statements (continued)**IFRS1p45(a)(ii) 5.2.5 Reconciliation of net income for six months ended 30 June 2004**

	Note	GAAP	Effect of transition to IFRS	IFRS
Sales	a	25,109	(965)	24,144
Cost of sales	b	(17,323)	(236)	(17,559)
Gross profit		7,786	(1,201)	6,585
Other operating income	c	1,578	70	1,648
Selling and marketing costs	d	(2,318)	(63)	(2,381)
Administrative expenses	e	(2,459)	(9)	(2,468)
Other operation expenses	f	(2,470)	80	(2,390)
Operating profit/(loss)		2,117	(1,123)	994
Finance costs – net	g	(1,661)	115	(1,546)
Share of profit of associates	h	–	1,190	1,190
Profit before tax		456	182	638
Income tax expense	i	(177)	(61)	(238)
Profit from ordinary activities after tax		279	121	400
Extraordinary item	j	(59)	59	–
Profit for the period		220	180	400

(a) Sales

(i) Consolidation of subsidiaries previously excluded from consolidation under GAAP	200
(ii) Adjustment to revenues recognised on sale of assets under finance leases	(1,192)
Total impact of other items	27
Total impact decrease in sale	(965)

(i) Subsidiaries excluded from consolidation under GAAP because their operations were not homogeneous with those of the Group or because it had not been practicable to obtain the necessary information on a timely basis have been consolidated under IFRS.

(ii) Assets leased by the Group to lessees of finance leases are recognised as outright sales at normal selling prices under IFRS. The treatment under GAAP was to recognise revenue on a rentals due basis. The Group's revenue has been adjusted to reflect this change in accounting.

(b) Cost of sales

(i) Consolidation of subsidiaries previously excluded from consolidation	(90)
(ii) Adjustments to cost of sales relating to the sale of assets under finance leases	(40)
(iii) Reclassification of extraordinary items	(59)
(iv) Capitalisation of the costs directly attributable to site preparation	110
(v) Write-off of deferred charges that do not meet the IFRS definition of an asset	(124)
(vi) Additional depreciation of New York building	(135)
Total impact of other items	(102)
Total impact increase in cost of sale	(236)

(i) Subsidiaries excluded from consolidation under GAAP because their operations were not homogeneous with those of the Group or because it has not been practicable to obtain the necessary information on a timely basis have been consolidated under IFRS.

(ii) Assets leased by the Group to lessees on finance leases are recognised as outright sales at normal selling prices under IFRS, with the cost of the asset recognised in cost of sales. The treatment under GAAP was to recognise revenue on rentals due basis and a depreciation charge in cost of sales. The Group's cost of sales has been adjusted to reflect this change in accounting.

(iii) The cost of the extraordinary item under GAAP has been reclassified to 'Cost of sales' under IFRS.

(iv) Site preparation costs written off under GAAP have been capitalised under IFRS in accordance with IAS 16.

(v) Costs capitalised as deferred charges during the period under GAAP have been included in cost of sales under IFRS because the costs do not meet the IFRS definition of an asset.

(vi) The New York building was restated to fair value at transition date using the fair value as deemed cost exemption. The restatement to fair value has resulted in a higher depreciation charge under IFRS.

Notes to the consolidated interim financial statements (continued)

(c) <i>Other operating income</i>	
(i) Reclassification of the share of profit in associates	(1,190)
(ii) Finance income on assets leased out under finance leases	<u>1,260</u>
Total impact – increase in other operating income	<u>70</u>

- (i) Under GAAP, the share of profit in associates was recognised in 'Other operating income'. This presentation does not comply with IFRS. The share of profit in associates is presented in a separate line item under IFRS (see Note (h) below).
- (ii) IAS 17 has been applied to calculate the amount of finance income earned on assets leased out under finance leases. The finance income has been calculated to reflect a constant periodic rate of return on the Group's net investment in the finance leases.

(d) <i>Selling and marketing costs</i>	
Total impact of minor items	<u>(63)</u>
Total impact – increase in selling and marketing costs	<u>(63)</u>

The adjustments to distribution costs reflect the effects of minor adjustments, each less than €100, including the effect of the consolidation of subsidiaries that were excluded from consolidation under GAAP.

(e) <i>Administrative expenses</i>	
Cumulated impact of minor items	<u>(9)</u>
Total impact – increase in administrative expenses	<u>(9)</u>

The adjustments to administrative expenses reflect the effects of adjustments, each less than €100, including the effect of the consolidation of subsidiaries that were excluded from consolidation under GAAP.

(f) <i>Other operating expenses</i>	
Total impact of minor items	<u>80</u>
Total impact – decrease in other operating expenses	<u>80</u>

The adjustments to other operating expenses reflects the effect of adjustments, each less than €100, including the effect of consolidation of subsidiaries that were excluded from consolidation under GAAP.

(g) <i>Finance costs</i>	
Total impact of minor items	<u>(115)</u>
Total impact – decrease in finance costs	<u>(115)</u>

The adjustments to finance costs reflect the effect of consolidation of subsidiaries that were excluded from consolidation under GAAP.

(h) <i>Share of profit in associates</i>	
Reclassification of the share of profit in associates	<u>1,190</u>
Total impact – increase of profit of associates	<u>1,190</u>

Under GAAP, the share of profit in associates was recognised in 'Other operating income' (see (c) above). This presentation does not comply with IFRS. 'Share of profit in associates' is presented as a separate line item under IFRS.

(i) <i>Income tax expense</i>	
Total effect of tax adjustments	<u>(61)</u>
Total impact – increase of income tax expenses	<u>(61)</u>

The total adjustment to income tax expense reflects the effect of consolidating subsidiaries that were excluded from consolidation under GAAP. It also reflects the total effect of measuring deferred tax in accordance with IAS 12.

(j) <i>Extraordinary item</i>	
Reclassification of extraordinary item	<u>(59)</u>
Total impact – decrease in extraordinary item	<u>(59)</u>

Under GAAP, €59 was recognised as an extraordinary item for the costs incurred following a burglary in a factory. There are no extraordinary items under IFRS. The €59 has been reclassified to 'Cost of sales' (see (b) above).

Notes to the consolidated interim financial statements (continued)

IFRS1p39(b) 5.2.6 Reconciliation of net income for year ended 31 December 2004

	Note	GAAP	Effect of transition to IFRS	IFRS
Sales	a	49,302	(1,056)	48,246
Cost of sales	b	(34,993)	(175)	(35,168)
Gross profit		14,309	(1,231)	13,078
Other operating income	c	3,314	(715)	2,599
Selling and marketing costs	d	(4,560)	13	(4,547)
Administrative expenses	e	(4,847)	(60)	(4,907)
Other operating expenses	f	(5,366)	(20)	(5,386)
Operating profit/(loss)		2,850	(2,013)	837
Finance costs – net	g	(1,972)	5	(1,967)
Share of profit of associates	h	–	2,200	2,200
Profit before tax		878	192	1,070
Income tax expense	i	(294)	(5)	(299)
Profit from ordinary activities after tax		584	187	771
Extraordinary item	j	(135)	135	–
Profit for the period		449	322	771

The nature of the adjustments from GAAP to IFRS at 31 December 2004 is similar to the adjustments from GAAP to IFRS at 30 June 2004. There is one additional adjustment required during this period. This relates to intangible assets and cost of sales (see (b) below).

(a) Sales

Consolidation of subsidiaries previously excluded from consolidation	380
Adjustment to revenues recognised on sale of assets under finance leases	(1,554)
Total impact of other items	118
Total impact – decrease in sales	(1,056)

(b) Cost of sales

Consolidation of subsidiaries previously excluded from consolidation	(308)
Adjustment to cost of sales relating to the sale of assets under finance leases	114
Reclassification of extraordinary items	(135)
Write-off of deferred charges that do not meet the IFRS definition of an asset	(702)
Capitalisation of development costs that meet the IAS 38 intangible asset capitalisation criteria but that were expensed under GAAP	1,002
Additional depreciation of New York building	(250)
Total impact of other items	104
Total impact – increase in cost of sales	(175)

The Group recognised as an expense under GAAP the development costs of its new product Felipe Alert. These development costs have been capitalised as an intangible asset under IAS 38.

(c) Other operating income

Reclassification of the share of profit in associates	(2,200)
Finance income on assets leased out under finance lease	1,485
Total impact – decrease in other operating income	(715)

(d) Selling and marketing costs

Total impact of minor items	13
Total impact – decrease in selling and marketing costs	13

(e) Administrative expenses

Total impact of minor items	(60)
Total impact – increase in administrative expenses	(60)

(f) Other operating expenses

Total impact of minor items	(20)
Total impact – increase in other operation expenses	(20)

Notes to the consolidated interim financial statements (continued)

(g) <i>Finance costs</i>	
Cumulated impact of minor items	5
Total impact – decrease in finance costs	5
(h) <i>Share of profit of associates</i>	
Reclassification of the share of profit in associates	2,200
Total impact – increase of profit of associates	2,200
(i) <i>Income tax expense</i>	
Total effect of tax adjustments	(5)
Total impact – increase of income tax expenses	(5)
(j) <i>Extraordinary item</i>	
Reclassification of extraordinary item	135

IFRS1p40
IFRS1p36A
5.2.7 Reconciliation of equity at 1 January 2005

	Note	IFRS 31 Dec 2004	Effect of adoption of IAS 32 and IAS 39	IFRS 1 Jan 2005
ASSETS				
Non-current assets				
Property, plant and equipment		23,402	–	23,402
Goodwill		2,745	–	2,745
Intangible assets		5,241	–	5,241
Investments in associates		3,958	–	3,958
Investments in other companies	d	14,377	(14,377)	–
Deferred income tax assets	e	522	80	602
Available-for-sale financial assets	a	–	15,287	15,287
Derivative financial instruments	b	–	1,000	1,000
Financial receivables	c	20,433	30	20,463
		70,678	2,020	72,698
Current assets				
Inventories		17,665	–	17,665
Financial receivables		10,894	–	10,894
Trade and other receivables	f	5,698	50	5,748
Available-for-sale financial assets	g	–	1,936	1,936
Derivative financial instruments	h	–	264	264
Short-term securities	j	8,480	(8,480)	–
Financial assets at fair value through profit or loss	i	–	6,480	6,480
Cash and cash equivalents		2,233	–	2,233
		44,970	250	45,220
Total assets		115,648	2,270	117,918
Capital and reserves attributable to equity holders				
Share capital	k	5,018	(1,000)	4,018
Treasury shares	l	–	(200)	(200)
Fair value and other reserves	m	200	1,920	2,120
Cumulative translation adjustment		(279)	–	(279)
Retained earnings	r	9,902	(460)	9,442
		14,841	260	15,101
Minority interest		1,993	85	2,078
Total equity		16,834	345	17,179

Notes to the consolidated interim financial statements (continued)

	Note	IFRS 31 Dec 2004	Effect of adoption of IAS 32 and IAS 39	IFRS 1 Jan 2005
LIABILITIES				
Non-current liabilities				
Borrowings	n	18,362	770	19,132
Deferred income tax liabilities	o	5,477	450	5,927
Retirement benefit obligations		15,131	–	15,131
Provisions		15,542	–	15,542
		54,512	1,220	55,732
Current liabilities				
Trade and other payables		32,275	–	32,275
Current income tax liabilities		442	–	442
Borrowings	p	10,585	475	11,060
Derivative financial instruments	q	–	230	230
Provisions		1,000	–	1,000
		44,302	705	45,007
Total liabilities		98,814	1,925	100,739
Total equity and liabilities		115,648	2,270	117,918

The Group took the exemption not to restate its comparative information for IAS 32 and IAS 39. It therefore adopted IAS 32 and IAS 39 at 1 January 2005.

The following notes explain the adjustments made at 1 January 2005 to the Group's balance sheet at 31 December 2004 to reflect the adoption of IAS 32 and IAS 39.

(a) *Available-for-sale financial assets – non-current*

Reclassification from investments in other companies	12,177
– remeasurement to fair value	1,710
Reclassification from short-term securities	2,000
– remeasurement to fair value	(600)
Total adjustment to available-for-sale financial assets – non-current	15,287

Reclassification of investments from GAAP classifications to available for sale under IFRS and restatement to fair value.

(b) *Derivative financial assets – non-current*

Recognition of derivative financial assets at fair value	1,000
Total adjustment to derivative financial assets	1,000

Recognition at fair value of derivatives with a positive fair value. These were held at historical cost under GAAP.

(c) *Financial receivables*

Recognition of previously derecognised receivables	30
Total adjustment to derivative financial assets	30

Re-recognition of receivables that were derecognised under GAAP since 1 January 2004 that do not meet the IAS 39 derecognition criteria.

(d) *Investments in other companies*

Reclassification to available-for-sale financial assets – non-current	(14,177)
Reclassification to available-for-sale financial assets – current	(200)
Total adjustment investments in other companies	(14,377)

Reclassification of investments from GAAP classification to available-for-sale classification under IFRS.

(e) *Deferred income tax assets*

Total impact of IAS 32 and IAS 39 on deferred tax assets	80
---	-----------

Deferred tax has been recalculated to reflect the impact of the adoption of IAS 32 and IAS 39.

Notes to the consolidated interim financial statements (continued)

(f) <i>Trade and other receivables</i>	
Recalculation of impairment provision	(450)
Recognition of previously derecognised receivables	500
Total adjustment to trade and other receivables	50

The provision for impairment of receivables has been recalculated to reflect the time value of money in accordance with IAS 39.

Rerecognition of receivables sold with full recourse since 1 January 2004.

(g) <i>Available-for-sale financial assets – current</i>	
Reclassification from investments in other companies	200
Reclassification from short-term securities	2,000
– remeasurement	(264)
Total adjustment to available-for-sale financial assets – current	1,936

Reclassification of investments from GAAP classifications to available for sale under IFRS and remeasurement.

(h) <i>Derivative financial assets – current</i>	
Rerecognition of derivative financial assets at fair value	264
Total adjustment to derivative financial assets	264

Rerecognition at fair value of derivatives with a positive fair value. These were not recognised under GAAP.

(i) <i>Financial assets at fair value through profit or loss</i>	
Reclassification and designation from short-term securities	6,280
– remeasurement	200
Total adjustment to financial assets at fair value through profit or loss	6,480

Reclassification of investments from GAAP classifications to financial assets at fair value through profit or loss and remeasurement.

(j) <i>Short-term securities</i>	
Reclassification to available-for-sale financial assets – non-current	(2,000)
Reclassification and designation to financial assets at fair value through profit or loss	(6,280)
Reclassification to treasury shares	(200)
Total adjustment to short-term securities	(8,480)

Reclassification of investments from GAAP classification to appropriate classification under IFRS.

(k) <i>Share capital</i>	
Reclassification of preference shares to borrowings – non-current	(1,000)
Total adjustment to share capital	(1,000)

Reclassification of perpetual redeemable preference shares from equity share capital to borrowing – non-current under IFRS

(l) <i>Treasury shares</i>	
Reclassification from short-term securities	(200)
Total adjustment to treasury shares	(200)

Reclassification of treasury shares from short-term securities under GAAP to equity under IFRS.

(m) <i>Fair value and other reserves</i>	
Revaluation of available-for-sale financial assets	2,110
Deferred tax impact of revaluation of available-for-sale financial assets	(190)
Total adjustments to fair value and other reserves	1,920

Recognition in the available-for-sale reserve of the revaluation of available-for-sale investments from historical cost to fair value net of impairment since acquisition.

Recognition of deferred tax impact of revaluation of available-for-sale investments.

Notes to the consolidated interim financial statements (continued)

(n) <i>Borrowings – non-current</i>	
Reclassification of preference shares from share capital	1,000
Reversal of GAAP hedge accounting for hedge of a net position	(150)
Recognition of opening position of interest rate fair value hedge	<u>(80)</u>
Total adjustments to borrowings – non-current	<u>770</u>
Reclassification of perpetual redeemable preference shares from equity share capital under GAAP to borrowings – non-current under IFRS.	
Reversal of GAAP hedge accounting of a foreign currency hedge of a net position that was not appropriately designated by 1 January 2005.	
Recognition of the opening position under IFRS of a GAAP hedge of interest rate fair value.	
(o) <i>Deferred income tax liabilities</i>	
Total impact of IAS 32 and IAS 39 on deferred tax liabilities	<u>450</u>
Total adjustments to deferred income tax liabilities	<u>450</u>
Deferred tax has been recalculated to reflect the impact of the adoption of IAS 32 and IAS 39.	
(p) <i>Borrowings – current</i>	
Recognition of borrowings related to securitised receivables	25
Recognition of borrowings related to receivables sold with full recourse	<u>450</u>
Total adjustment to borrowings – current	<u>475</u>
Recognition of borrowings related to securitised receivables derecognised under GAAP since 1 January 2004 that failed the IAS 39 derecognition criteria.	
Recognition of borrowings relating to receivables that were sold with full recourse since 1 January 2004 and fail derecognition under IAS 39.	
(q) <i>Derivative financial liabilities</i>	
Recognition of foreign currency exchange contracts	150
Recognition of interest rate swaps	<u>80</u>
Total adjustment to derivative financial liabilities	<u>230</u>
Recognition at fair value of derivatives with a negative fair value. These were not recognised under GAAP.	
(r) <i>Retained earnings</i>	
The cumulative effect of all of the above adjustments has resulted in a decrease in retained earnings at 1 January 2005 of (€460).	

Notes to the consolidated interim financial statements (continued)IFRS1p45(a)(i) **5.2.8 Reconciliation of cash flows for the six months ended 30 June 2004**

	GAAP	Effect of transition to IFRS	IFRS
Cash flows from operating activities			
Cash generated from operations	2,048	(71)	1,977
Interest paid	(978)	(19)	(997)
Income tax paid	(167)	(3)	(170)
Net cash generated from operating activities	903	(93)	810
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	(1,510)	-	(1,510)
Purchases of property, plant and equipment (PPE)	(543)	59	(484)
Proceeds from sale of PPE	1,395	-	1,395
Purchases of intangible assets	(2,162)	(23)	(2,185)
Purchases of short term securities	(1,355)	-	(1,355)
Loans granted to related parties	(150)	-	(150)
Loan repayments received from related parties	772	-	772
Interest received	1,296	11	1,307
Dividends received	1,900	-	1,900
Net cash used in investing activities	(357)	47	(310)
Cash flows from financing activities			
Proceeds from borrowings	2,979	21	3,000
Repayments of borrowings	(2,006)	281	(1,725)
Dividends paid to Company's shareholders	(962)	(13)	(975)
Dividends paid to minority interests	(252)	(5)	(257)
Net cash (used in) generating from financing activities	(241)	284	43
Net increase in cash and bank overdrafts			
	305	238	543
Cash and bank overdrafts at beginning of year	2,200	(1,202)	998
Exchange gains/(losses) on cash and bank overdrafts	(308)	(21)	(329)
Cash and bank overdrafts at end of year	2,197	(985)	1,212

The main IFRS transition effects presented by the Group in its statement of cash flow for the six months ended 30 June 2004, were:

- under GAAP, borrowings included 'Bank overdrafts'. Bank overdrafts under IFRS should be classified as part of 'Cash and cash equivalents' because they form an integral part of the entity's cash management; and
- the net effects of consolidation of subsidiaries that had not been consolidated under GAAP, totalling €120.

Notes to the consolidated interim financial statements (continued)**6. Segment information**14p50 (a) *Primary reporting format – business segments*

14p81 At 30 June 2005, the Group is organised on a worldwide basis into two main business segments: manufacture and sale of security systems; and installation and maintenance of security systems.

Other Group operations mainly comprise royalty income from the use of Wayne Holdings' technology from other companies, independent providers of security services and goods transportation services to utilise fleet spare capacity. None of these constitutes a separately reportable segment.

The segment results for the 6 months ended 30 June 2005 are as follows:

		Security systems	Installation and maintenance	Other	Unallocated	Group
14p51	Total gross segment sales	17,205	9,234	1,792	–	28,231
14p52, 67	Inter-segment sales	(4,813)	–	–	–	(4,813)
	Sales	<u>12,392</u>	<u>9,234</u>	<u>1,792</u>	<u>–</u>	<u>23,418</u>
14p64	Operating profit	646	210	50	41	947
	Finance costs – net					(1,370)
	Share of profit of associates (Note 9)	865	201	100	–	<u>1,166</u>
14p67	Profit before income tax					743
	Income tax expense					<u>(298)</u>
	Profit for the period					<u>445</u>

The segment results for the six months ended 30 June 2004 are as follows:

		Security systems	Installation and maintenance	Other	Unallocated	Group
14p51	Total gross segment sales	19,510	9,000	1,504	–	30,014
14p51	Inter-segment sales	(5,870)	–	–	–	(5,870)
14p51	Sales	<u>13,640</u>	<u>9,000</u>	<u>1,504</u>	<u>–</u>	<u>24,144</u>
14p52, 67	Operating loss	652	240	70	32	994
	Finance costs – net					(1,546)
14p64	Share of profit of associates (Note 9)	833	238	119	–	<u>1,190</u>
	Profit before tax					638
	Income tax expense					<u>(238)</u>
14p67	Profit for the period					<u>400</u>

Notes to the consolidated interim financial statements (continued)

Other segment items included in the income statement are as follows:

		<u>Six months ended 30 June 2005</u>				<u>Six months ended 30 June 2004</u>			
		Security systems	Installation and maintenance	Other	Group	Security systems	Installation and maintenance	Other	Group
14p55	Depreciation (Note 7)	981	270	161	1,412	1,002	317	109	1,428
14p66	Amortisation (Note 8)	436	127	112	675	275	146	29	450
14p67	Impairment of goodwill (Note 8)	1,288	–	–	1,288	255	–	–	255
	Reversal of inventory impairment (Note 13)	(103)	(80)	(20)	(203)	–	–	–	–
14p56, 67	Impairment of trade receivables (Note 12)	50	24	–	74	40	11	10	61
	Environmental costs (Note 26)	194	–	–	194	–	–	–	–

Segment result includes gains and losses from foreign currency derivatives that have been recycled in the income statement in cash flow hedges of sales and purchases.

Finance costs include results from cash flow hedges of interest-bearing borrowings that have been reported in the income statement during the period. They also include gains and losses from remeasuring interest rate derivatives designated as fair value hedges. Unallocated costs represent corporate expenses, including gains and losses of derivative financial instruments held for trading.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

The segment assets and liabilities at 30 June 2005 and capital expenditure for the six months then ended are as follows:

	Security systems	Maintenance	Other	Unallocated	Group
Assets	58,231	28,324	13,810	9,201	109,566
Associates	1,742	1,795	900	–	4,437
Total assets	59,973	30,119	14,710	9,201	114,003
Liabilities	49,603	36,212	9,216	3,209	98,240
Capital expenditure (Notes 7 and 8)	3,221	1,216	667	–	5,104

The segment assets and liabilities at 31 December 2004 and capital expenditure for the period ended at June 2004 then ended are as follows:

	Security systems	Maintenance	Other	Unallocated	Group
Assets	59,013	25,217	12,316	12,644	109,190
Associates	1,212	1,513	1,233	–	3,958
Total assets	60,225	26,730	13,549	12,644	113,148
Liabilities	48,232	35,740	10,270	2,072	96,314
Capital expenditure (Notes 7 and 8)	2,726	1,062	534	–	4,316

14p57 Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, derivatives designated as hedges of future commercial transactions, receivables and operating cash. They exclude deferred taxation, investments and derivatives held for trading or designated as hedges of borrowings.

Segment liabilities comprise operating liabilities (including derivatives designated as hedges of future transactions). They exclude items such as taxation and corporate borrowings and related hedging derivatives.

Capital expenditure comprises additions to property, plant and equipment (Note 7) and intangible assets (Note 8), including additions resulting from acquisitions through business combinations (Notes 7, 8 and 38).

Notes to the consolidated interim financial statements (continued)(b) *Secondary reporting format – geographical segments***14p69** The home-country of the Company – which is also the main operating company – is Euravia. The areas of operation are principally the manufacturing and installing of security systems and equipment.**14p69** The Group's sales are mainly in countries within the eurozone, the UK and the US.

Sales	Six months ended 30 June 2005	Six months ended 30 June 2004
Eurozone	12,124	13,226
UK	6,216	5,746
US	4,217	3,946
Other countries	861	1,226
	<hr/> 23,418	<hr/> 24,144

Sales are allocated based on the country in which the customer is located.

Total assets	At 30 June 2005	At 31 December 2004
Eurozone	36,010	2,004
UK	29,973	34,210
US	14,420	13,315
Other countries	19,962	24,804
	<hr/> 100,365	<hr/> 96,546
Associates (Note 8)	4,437	3,958
Unallocated assets	9,200	12,644
	<hr/> 114,002	<hr/> 113,148

Total assets are allocated based on where the assets are located.

Capital expenditure	Six months ended 30 June 2005	Six months ended 30 June 2004
Eurozone	3,110	1,410
UK	1,840	1,213
US	154	1,221
Other countries	–	472
	<hr/> 5,104	<hr/> 4,316

Capital expenditure is allocated based on where the assets are located.

Analysis of sales by category	Six months ended 30 June 2005	Six months ended 30 June 2004
Sales of goods	17,392	13,640
Revenue from services	4,234	9,000
Royalty income	1,792	1,504
	<hr/> 23,418	<hr/> 24,144

Notes to the consolidated interim financial statements (continued)**7. Property, plant and equipment**

1p75(a)		Land & buildings	Vehicles & machinery	Furniture, fittings and equipment	Total
16p73(d)	At 1 January 2004				
	Cost or valuation	15,603	10,358	7,972	33,933
	Accumulated depreciation	(5,390)	(3,268)	(2,820)	(11,478)
	Net book amount	10,213	7,090	5,152	22,455
16p73(e)	Six months ended 30 June 2004				
	Opening net amount at 1 January 2004	10,213	7,090	5,152	22,455
	Exchange differences	175	110	53	338
	Acquisition of subsidiary (Note 38)	732	–	510	1,242
	Additions	144	–	340	484
	Disposals (Note 35)	(620)	(685)	(20)	(1,325)
	Depreciation charge	(710)	(289)	(429)	(1,428)
	Closing net book amount at 30 June 2004	9,934	6,226	5,606	21,766
16p73(e)	Six months ended 31 December 2004				
	Opening net book amount at 1 July 2004	9,934	6,226	5,606	21,766
	Exchange differences	426	325	462	1,213
	Acquisition of subsidiary (Note 38)	2,224	867	434	3,525
	Additions	1,804	925	661	3,390
	Disposals (Note 35)	(2,648)	(1,267)	(1,207)	(5,122)
	Depreciation charge	(620)	(260)	(490)	(1,370)
	Closing net book amount at 31 December 2004	11,120	6,816	5,466	23,402
16p73(d)	At 31 December 2004				
	Cost or valuation	17,840	10,005	8,397	36,242
	Accumulated depreciation	(6,720)	(3,189)	(2,931)	(12,840)
	Net book amount	11,120	6,816	5,466	23,402
16p73(e)	Six months ended 30 June 2005				
	Opening net book amount at 1 January 2005	11,120	6,816	5,466	23,402
	Exchange differences	286	196	127	609
	Acquisition of subsidiary (Note 38)	1,432	963	326	2,721
	Additions	338	436	179	953
	Disposals (Note 35)	(1,824)	(407)	(587)	(2,818)
	Depreciation charge	(640)	(162)	(610)	(1,412)
	Closing net book amount at 30 June 2005	10,712	7,842	4,901	23,455
	At 30 June 2005				
	Cost or valuation	18,072	11,193	8,442	37,707
	Accumulated depreciation	(7,360)	(3,351)	(3,541)	(14,252)
	Net book amount	10,712	7,842	4,901	23,455

Depreciation expense of €899 (June 2004: €898) has been charged in cost of goods sold, €246 (2004: €220) in selling and marketing costs and €267 (2004: €310) in administrative expenses.

17p35(c) Lease rentals amounting to €160 (June 2004: €147) and €90 (2004: €88) relating to the lease of machinery and property, respectively, are included in the income statement.

Bank borrowings are secured on land and buildings for the value of €6,780 (2004: €5,944) (Note 23).

Notes to the consolidated interim financial statements (continued)

8. Intangible assets

		Trademarks & licences	Other ¹	Subtotal	Goodwill	Total
38p118(c)	At 1 January 2004					
IFRS3p75(a)	Cost	4,047	387	4,434	2,840	7,274
	Accumulated amortisation and impairment	(1,047)	(7)	(1,054)	–	(1,054)
	Net book amount	3,000	380	3,380	2,840	6,220
	Six months ended 30 June 2004					
	Opening net amount at 1 January 2004	3,000	380	3,380	2,840	6,220
	Exchange differences	(35)	(115)	(150)	(320)	(470)
	Additions	2,095	90	2,185	–	2,185
	Acquisition of subsidiary (Note 38)	110	20	130	275	405
	Amortisation charge	(350)	(100)	(450)	–	(450)
	At 30 June 2004	4,820	275	5,095	2,795	7,890
38p118(e)	Six months ended 31 December 2004					
IFRS3p74	Opening net amount at 1 July 2004	4,820	275	5,095	2,795	7,890
IFRS3p75(f)	Exchange differences	(135)	(45)	(180)	(250)	(430)
	Additions	577	71	648	–	648
	Acquisition of subsidiary (Note 38)	20	–	20	200	220
	Amortisation charge ²	(200)	(142)	(342)	–	(342)
	At 31 December 2004	5,082	159	5,241	2,745	7,986
38p118(c)	At 31 December 2004					
IFRS3p75(a)	Cost	6,679	408	7,087	2,745	9,832
	Accumulated amortisation and impairment	(1,597)	(249)	(1,846)	–	(1,846)
	Net book amount	5,082	159	5,241	2,745	7,986
8p118(e)	Six months ended June 2005					
IFRS3p74	Opening net amount at 1 January 2005	5,082	159	5,241	2,745	7,986
IFRS3p75(f)	Exchange differences	56	13	69	280	349
36p130(b)	Additions	50	9	59	–	59
	Acquisition of subsidiary (Note 38)	310	80	390	981	1,371
IFRS3p75(e)	Impairment charge ³	–	–	–	(1,288)	(1,288)
	Amortisation charge ²	(515)	(160)	(675)	–	(675)
	At 30 June 2005	4,983	101	5,084	2,718	7,802
38p118(c)	At 30 June 2005					
IFRS3p75(a)	Cost	7,095	510	7,605	4,006	11,611
	Accumulated amortisation and impairment	(2,112)	(409)	(2,521)	(1,288)	(3,809)
	Net book amount	4,983	101	5,084	2,718	7,802

¹ Other intangibles include internally generated capitalised software development costs and other costs.² Amortisation of €425 (2004: €310) is included in the cost of goods sold the income statement; €180 (2004: €90) in selling, and marketing costs; and €70 (2004: €50) in administrative expenses.³ The carrying amount of the segment – security system has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This loss has been included in cost of goods sold in the income statement.

Wayne Holdings Inc – 30 June 2005
(All amounts in euro thousands unless otherwise stated)

Notes to the consolidated interim financial statements (continued)

36p134(d) (a) *Impairment tests for goodwill*
Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment.

36p134(a) A segment-level summary of the goodwill allocation is presented below.

	At 30 June 2005			At 30 June 2004		
	Security systems	Installation and maintenance	Total	Security systems	Installation and maintenance	Total
Eurozone	865	331	1,196	870	290	1,160
US	384	270	654	284	176	460
UK	488	127	615	501	240	741
Other	145	108	253	202	222	434
	1,882	836	2,718	1,857	928	2,795

36p134(c) The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow

36p134(d)(iii) projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the security business in which the CGU operates.

36p134(c) (b) *Key assumptions used for value-in-use calculations*

	Security systems				Installation and maintenance			
	Eurozone	US	UK	Other	Eurozone	US	UK	Other
36p134(d) Gross margin ¹	30.0%	29.0%	30.0%	26.0%	28.0%	36.0%	28.0%	27.0%
36p134(d)(i) Growth rate ²	1.8%	1.8%	1.8%	1.9%	1.1%	1.3%	1.1%	1.4%
36p134(d)(v) Discount rate ³	10.5%	10.0%	10.7%	12.8%	11.5%	11.0%	11.8%	13.5%

36p134(ii) These assumptions have been used for the analysis of each cash-generating unit (CGU) within the business segment.

¹ Budgeted gross margin

² Weighted average growth rate used to extrapolate cash flows beyond the budget period

³ Pre-tax discount rate applied to the cash flow projections

36p55 Management determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

36p130(a) The impairment charge arose in security systems CGU in Secure-land (included in the 'Eurozone' segment summary) following a decision to reduce the manufacturing output allocated to these operations (see Note 26). This was a result of a redefinition of the Group's allocation of manufacturing volumes across all CGUs in order to benefit from advantageous market conditions. Following this decision taken in March 2005, the Group reassessed the depreciation policies of its property, plant and equipment in this country and estimated that their useful lives will not be affected following this decision.

Quantification of sensitivity of the goodwill impairment calculation is given in Note 4.

Notes to the consolidated interim financial statements (continued)**9. Investments in associates**

At 1 January 2004	1,778
Acquisition of subsidiary	120
Share of profit ¹	1,190
Exchange differences	290
Dividends received	(380)
Other equity movements	(20)
At 30 June 2004	<u>2,978</u>
Acquisition of subsidiary	–
Share of profit	1,010
Exchange differences	170
Other equity movements	(200)
At 1 January 2005	<u>3,958</u>
Acquisition of subsidiary	120
Share of (loss)/profit	1,166
Exchange differences	(167)
Dividends received	(700)
Other equity movements	60
At 30 June 2005	<u>4,437</u>

164 ¹Share of profit is after tax and minority interest of associates

IFRS3p29, 28p23 Investments in associates at 30 June 2005 include goodwill of €1,020 (December 2004: €1,020).

28p37(b) The summarised financial information of principal associates, all of which are unlisted, is as follows:

Name	Country of incorporation	Assets	Liabilities	% interest held
At 31 December 2004				
Alpha Limited	UK	8,231	6,233	25
Beta SA	France	6,250	5,805	35
Gama SA	Spain	3,755	2,184	40
		<u>18,236</u>	<u>14,222</u>	
At 30 June 2005				
Alpha Limited	UK	9,250	8,255	25
Beta SA	France	7,255	5,105	35
Gama SA	Spain	2,905	1,002	40
Omega Limited	UK	1,350	1,400	40
Delta	France	2,500	2,300	40
Giga Limited	US	1,400	1,300	40
		<u>24,660</u>	<u>19,362</u>	
At 30 June 2004				
		Revenues	Profit/(loss)	% interest held
Alfa Limited	UK	8,210	425	25
Beta SA	France	5,310	310	35
Gama SA	Spain	2,581	455	40
		<u>16,101</u>	<u>1,190</u>	
At 30 June 2005				
Alfa Limited	UK	7,315	390	25
Beta SA	France	5,212	420	35
Gama SA	Spain	1,700	430	40
Giga Limited	US	7,977	230	40
Omega Limited	UK	2,463	(120)	40
Delta SA	France	1,537	(184)	40
		<u>26,204</u>	<u>1,166</u>	

28p37(g) The Group has not recognised losses amounting to €20 (2004: nil) for Delta Limited. The accumulated losses not recognised were €20 (2004: nil)

Wayne Holdings Inc – 30 June 2005
(All amounts in euro thousands unless otherwise stated)

Notes to the consolidated interim financial statements (continued)

10. Available-for-sale financial assets

At 31 December 2004	–
Impact of IAS 32/39 adoption (Note 5)	17,223
At 1 January 2005	17,223
Acquisition of subsidiary (Note 38)	720
Additions	1,235
Disposals	(2,533)
Revaluation surplus	232
Exchange differences	73
At 30 June 2005	16,950
Less non-current portion	(15,250)
Current portion	1,700

This line item is only used from 1 January 2005, the IAS 32/39 transition date.

32p92(b)	Available-for-sale financial assets include the following:	30 June 2005
39AG71-73	Listed securities:	
	– equity securities – eurozone countries	5,993
	– equity securities – US	5,850
	– equity securities – UK	4,550
32p67	– debentures with fixed interest of 6.5% and maturity date of 27 August 2010 ¹	210
39pAG74-79	Unlisted securities:	
	– debt securities traded on inactive markets and of private issuers	347
		16,950

¹Effective interest rate was 7.3%

11. Derivative financial instruments

	30 June 2005		31 December 2004	
	Assets	Liabilities	Assets	Liabilities
Interest-rate swaps – cash flow hedges	426	145	–	–
Interest-rate swaps – fair value hedges	104	44	–	–
Forward foreign exchange contracts – cash flow hedges	471	45	–	–
Forward foreign exchange contracts – held-for-trading	314	130	–	–
Total	1,315	364	–	–
Less non-current portion:				
Interest-rate swaps – cash flow hedges	215	50	–	–
Interest-rate swaps – fair value hedges	100	50	–	–
	315	100	–	–
Current portion	1,000	264	–	–

32p58(d) **39p100** Gains and losses in equity on forward foreign exchange contracts as of 30 June 2005 will be released to the income statement at various dates between six months to one year from the balance sheet date.

32p67 (a) *Interest-rate swaps*
The notional principal amounts of the outstanding interest-rate swap contracts at 30 June 2005 were €1,489 (December 2004: €1,796).

32p56(b) At 30 June 2005, the fixed interest rates vary from 6.9% to 7.4% (December 2004: 6.7% to 7.2%) and the main floating rates are EURIBOR and LIBOR.

32p58(b) (b) *Hedge of net investment in foreign entity*
The Group's US dollar-denominated borrowing is designated as a hedge of the net investment in the Group's US subsidiary. The fair value of the borrowing at 30 June 2005 was €840 (December 2004: €760). The foreign exchange loss of €45 (June 2004: gain of €40) on translation of the borrowing to euros at the balance sheet date was recognised in 'Other reserves' in shareholders' equity.

Notes to the consolidated interim financial statements (continued)**12. Trade and other receivables**

		30 June 2005	31 December 2004
1p75(b)	Trade receivables	4,871	4,070
32p94(i)	Less provision for impairment of receivables	(109)	(70)
	Trade receivables – net	4,762	4,000
	Prepayments	447	996
1p74	Receivables from related parties (Note 39)	54	64
1p74	Loans to related parties (Note 39)	668	638
		<u>5,931</u>	<u>5,698</u>

All non-current receivables are due within five years from the balance sheet date.

32p86 The fair values of trade and other receivables are as follows:

	30 June 2005	31 December 2004
Trade and other receivables	4,762	4,000
Prepayments	447	996
Receivables from related parties	54	64
Loans to related parties	722	630
	<u>5,985</u>	<u>5,690</u>

The fair values are based on cash flows discounted using a rate based on the borrowings rate of 7.5% (December 2004: 7.2%).

32p67(b) The effective interest rates on non-current receivables were as follows:

	June 2005	December 2004
Loans to related parties (Note 39)	6.5-7.0%	6.5-7.0%

32p76(a-b) There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers.

32p94(a) Certain European subsidiaries of the Group transferred receivable balances amounting to €1,010 to a bank in exchange for cash during the six months ended 30 June 2005. The transaction has been accounted for as a collateralised borrowing (Note 23).

32p94(i) The Group has recognised a loss of €74 (June 2004: €61) for the impairment of its trade receivables during the six months ended 30 June 2005. The loss has been included in 'Selling and marketing costs' in the income statement.

13. Inventories

	June 2005	December 2004
2p36(b), 1p75(c)		
Raw materials	7,672	7,612
Work in progress	1,810	1,721
Finished goods ¹	6,521	8,332
	<u>16,003</u>	<u>17,665</u>

2p36(d), 38 The cost of inventories recognised as expense and included in 'Cost of sale' amounted to €3,324 (June 2004: €2,836).

2p36(f)(g) The Group reversed €203 of a previous inventory write-down in March 2005. The Group has sold all the goods that were written down to an independent retailer in Australia at original cost. The amount reversed has been included in 'Cost of goods sold' in the income statement.

36p126(b)
36p130(a)

¹ Separate disclosure of finished goods at fair value less cost to sell is required, where applicable.

Notes to the consolidated interim financial statements (continued)**14. Financial receivables**

		June 2005	December 2004
1p75(b)	Non-current receivables		
	Finance leases – gross receivables	17,486	19,575
	Unearned financial income	(922)	(813)
		<u>16,564</u>	<u>18,762</u>
1p75(b)	Current receivables	11,273	11,594
	Financial leases – gross receivables	(890)	(700)
	Unearned financial income	<u>10,383</u>	<u>10,894</u>
17p47(a)	Gross receivables from finance leases:		
	No later than 1 year	11,273	11,594
	Later than 1 year and no later than 5 years	18,486	19,575
	Later than 5 years	–	–
		<u>29,759</u>	<u>31,169</u>
17p47(b)	Unearned future income on finance leases	(1,812)	(1,513)
	Net investment in finance leases	<u>27,947</u>	<u>29,656</u>
17p47(a)	The net investment in finance leases may be analysed as follows:		
32p67(a)	No later than 1 year	10,383	10,894
	Later than 1 year and no later than 5 years	17,564	20,433
	Later than 5 years	<u>27,947</u>	<u>31,327</u>

15. Investments in other companies

At 30 June 2004	16,677
Aquisition of subsidiary	730
Disposal	(2,781)
Exchange differences	(249)
End of the six months period 31 December 2004	<u>14,377</u>
At 31 December 2004 as originally stated	14,377
Adoption of IAS 32/39 – reclassification in Available-for-sale at 1 January 2005 (see note 5.2.7.d)	<u>(14,377)</u>
Balance at 1 January 2005	<u>–</u>

This line item is no longer used from 1 January 2005, the IAS 32/39 transition date.

Notes to the consolidated interim financial statements (continued)**16. Financial assets at fair value through profit or loss**

	2005	2004
At 31 December 2004	–	–
Adoption of IAS 32/39 (Note 5.7.2.(i))	6,480	–
At 1 January 2005	6,480	–
Additions	2,683	–
Disposal	(390)	–
Fair value adjustment	(1,013)	–
Exchange differences	(34)	–
End of the six month period to 30 June 2005	<u>7,726</u>	–
Listed securities:		
– equity securities – eurozone	3,225	–
– equity securities – US	2,540	–
– equity securities – UK	1,961	–
	<u>7,726</u>	–
The carrying amounts of the above financial assets are classified as follows:		
Held for trading	7,726	–
	<u>7,726</u>	–

This line item is only used from 1 January 2005, the IAS 32/39 transition date.

17. Short-term securities

Opening balance – 1 January 2004	6,093
Additions	1,355
Disposals	–
Exchange differences	(23)
Closing balance – 30 June 2004	<u>7,425</u>
Opening balance – 1 July 2004	7,425
Additions	2,710
Disposals	(1,276)
Exchange differences	(379)
Closing balance – 31 December 2004	<u>8,480</u>
31 December 2004	8,480
Adoption of IAS 32/39: reclassification (Note 5.7.2.(g))	(8,480)
1 January 2005	<u>–</u>

This line item is no longer used from 1 January 2005, the IAS 32/39 transition date.

Notes to the consolidated interim financial statements (continued)**18. Cash and cash equivalents**

	30 June 2005	31 December 2004
Cash at bank and in hand	1,775	1,409
Short-term bank deposits	936	824
	<u>2,711</u>	<u>2,233</u>

32p67 The effective interest rate on short-term bank deposits was 5.9% (December 2004: 5.6%). These deposits have an average maturity of 20 days.

7p45 Cash and bank overdrafts include the following for the purposes of the cash flow statement:

	30 June 2005	31 December 2004
Cash and cash equivalents	2,711	2,233
Bank overdrafts (Note 23)	(1,040)	(1,071)
	<u>1,671</u>	<u>1,162</u>

19. Share capital

	Number of shares (thousands)	Ordinary shares	Treasury shares	Total
At 1 January 2004	5,018	5,018	–	5,018
Balance at 30 June 2004	5,018	5,018	–	5,018
Balance at 31 December 2004	5,018	5,018	–	5,018
Adoption of IAS 32 and IAS 39 (Note 5)	(1,200)	(1,000)	(200)	(1,200)
Balance at 1 January 2005	<u>3,818</u>	<u>4,018</u>	<u>(200)</u>	<u>3,818</u>

1p76(a) The total authorised number of ordinary shares is 10 million shares (December 2004: 10 million shares) with a par value of €1 per share (December 2004: €1 per share). All issued shares are fully paid.

1p76(a) The Company acquired 200 of its own shares through purchases on the EuroMoney stock exchange on 18 April 2002. The total amount paid to acquire the shares, net of income tax, was €200 and has been deducted from shareholders' equity on adoption of IAS 32 and IAS 39 as of 1 January 2005. The shares are held as treasury shares. The Company has the right to reissue¹ these shares at a later date. All shares issued by the Company were fully paid.

¹ Depending on the local legislation, the Company could have the right to resell.

Notes to the consolidated interim financial statements (continued)

20. Fair value and other reserves

		Fair value and other reserves
	As at 1 January 2004	120
1p97(a)	Employee share options _ value of services provided	40
IFRS2p50	Balance at 30 June 2004	160
1p97(a)	Employee share options _ value of services provided	40
IFRS2p50	Balance at 31 December 2004	200
	Adoption of IAS 32 and IAS 39 (Note 5)	1,920
	Balance at 1 January 2005	2,120
1p96(b)	Available-for-sale assets	
32p94(h)(ii)	– fair value gains in the period	232
12p61	– tax on fair value gains	(35)
	– transfer to net profit	(45)
	– tax on transfer to net profit	8
1p96(b)	Cash flow hedges	
39p59(a)	– fair value losses in the period	(126)
12p61	– tax on fair value losses	27
39p59(b)	– transfer to net profit	(1)
1p97(a)	Employee share options _ value of services provided	10
IFRS2p50	Balance at 30 June 2005	2,190

21. Cumulative translation adjustment

		Translation
	1 January 2004	–
	Currency translation differences:	
21p52(b)	– group	(40)
28p39	– associates	(20)
	Balance at 30 June 2004	(60)
	Currency translation differences:	
21p52(b)	– group	(19)
28p39	– associates	(200)
	Balance at 31 December 2004	(279)
	Currency translation differences:	
21p52(b)	– group	10
28p39	– associates	60
	Balance at 30 June 2005	(209)

22. Trade and other payables

	30 June 2005	31 December 2004
Trade payables	25,802	29,292
Amounts due to related parties (Note 39)	2,202	1,195
Social security and other taxes	2,002	960
Accrued expenses	1,483	828
	<u>31,489</u>	<u>32,275</u>

Notes to the consolidated interim financial statements (continued)**23. Borrowings**

	30 June 2005	31 December 2004
Non-current		
Bank borrowings	15,121	15,879
Redeemable preference shares (Note 36)	1,000	–
Debentures and other loans	3,079	2,483
	<u>19,200</u>	<u>18,362</u>
Current		
Bank overdrafts (Note 10)	1,040	1,071
Bank borrowings	7,876	7,246
Debentures and other loans	1,362	2,268
	<u>10,278</u>	<u>10,585</u>
Total borrowings	<u>29,478</u>	<u>28,947</u>

Total borrowings include secured liabilities (bank and collateralised borrowings) of €6,780 (2004: €5,944). Bank borrowings are secured by the land and buildings of the Group (Note 7). Collateralised borrowings are secured by trade receivables (Note 7).

32p15 The Group issued one thousand redeemable preference shares with a per value of €1 per share on 4 January 2002.

32p18(a) The shares are mandatorily redeemable at their per value on 4 January 2012, and pay dividends at 6.5%.

32p67(a-b)

32p71 The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

32p67(a)	6 months or less	6-12 months	1-5 years	Over 5 years	Total
At 30 June 2005					
Total borrowings	9,545	833	15,454	3,646	29,478
Effect of interest-rate swaps (Note 11)	(610)	(92)	(510)	(277)	(1,489)
	<u>8,935</u>	<u>741</u>	<u>14,944</u>	<u>3,369</u>	<u>27,989</u>

32p67(a) The maturity of non-current borrowings is as follows:

	30 June 2005	31 December 2004
Between 1 and 2 years	9,563	12,324
Between 2 and 5 years	5,627	4,396
Over 5 years	4,010	1,642
	<u>19,200</u>	<u>18,362</u>

32p67(b) The effective interest rates at the balance sheet date were as follows:

	30 June 2005				31 December 2004			
	€	US\$	£	Other	€	US\$	£	Other
Bank overdrafts	7.6%	6.2%	6.4%	8.5%	7.3%	6.0%	6.3%	8.5%
Bank borrowings	7.0%	6.3%	6.9%	–	6.8%	6.2%	6.6%	–
Debentures and other loans	7.2%	6.5%	–	–	7.1%	6.3%	–	–

Notes to the consolidated interim financial statements (continued)

32p86 The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
Bank borrowings	16,937	16,401	17,302	16,804
Debentures and other loans	2,263	1,961	2,320	2,201
	19,200	18,362	19,622	19,005

32p92 The fair values are based on cash flows discounted using a rate based on the borrowings rate of 7.5% (2004: 7.2%).

32p86 The carrying amounts of short-term borrowings approximate their fair value.

32p60(a), 32p63(h) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	30 June 2005	31 December 2004
Euro	16,856	16,233
US dollar	6,210	7,240
UK pound	5,080	5,213
Other currencies	1,332	261
	29,478	28,947

DV, 7p50(a) The Group has the following undrawn borrowing facilities:

	30 June 2005	31 December 2004
– expiring within one year	1,510	1,390
– expiring beyond one year	1,410	1,210
Fixed rate		
– expiring within one year	1,280	1,350
	4,200	3,950

The facilities expiring within one year are annual facilities subject to review at various dates during 2005. The other facilities have been arranged to help finance the proposed expansion of the Group's activities in Europe.

24. Deferred income tax

12p74 Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	30 June 2005	31 December 2004
– deferred tax asset to be recovered after more than 12 months	(530)	(370)
– deferred tax asset to be recovered within 12 months	(196)	(152)
	(726)	(522)
Deferred tax liabilities:		
– deferred tax liability to be recovered after more than 12 months	4,212	3,313
– deferred tax liability to be recovered within 12 months	1,429	2,164
	5,641	5,477
	4,915	4,955

Wayne Holdings Inc – 30 June 2005
(All amounts in euro thousands unless otherwise stated)

Notes to the consolidated interim financial statements (continued)

The gross movement on the deferred income tax account is as follows:

	1 January 2004	5,070
	Exchange differences	(989)
	Acquisition of subsidiary (Note 38)	(29)
	Income statement charge (Note 31)	150
	End of the six month period 30 June 2004	4,202
	1 July 2004	4,202
	Exchange differences	(18)
	Acquisition of subsidiary	531
	Income statement charge	240
	End of the six month period 31 December 2004	4,955
	Deferred tax effects on adoption of IAS 32 and IAS 39 (Note 5.2.7)	370
	1 January 2005	5,325
	Exchange differences	(605)
	Acquisition of subsidiary (Note 38)	(21)
	Income statement charge (Note 31)	200
12p81(a)	Tax charged to equity (Note 20)	16
	End of the six month period 30 June 2005	4,915

12p81(g)(i) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of
12p81(g)(ii) balances within the same tax jurisdictions, is as follows:

		Accelerated tax depreciation	Fair value gains	Other	Total
	Deferred tax liabilities				
	At 1 January 2004	4,943	394	468	5,805
12p81(g)(ii)	Charged/(credited) to income statement	130	–	20	150
	Acquisition of subsidiary	–	–	–	–
	Exchange differences	(615)	(380)	(347)	(1,342)
12p81(g)(i)	At 30 June 2004	4,458	14	141	4,613
12p81(g)(ii)	Charged/(credited) to income statement	365	80	280	725
	Acquisition of subsidiary	71	414	114	599
	Exchange differences	(104)	–	(356)	(460)
12p81(g)(i)	At 31 December 2004	4,790	508	179	5,477
	Deferred tax effects on adoption of IAS 32 and IAS 39	–	370	–	370
	At 1 January 2005	4,790	878	179	5,847
12p81(g)(ii)	Charged/(credited) to income statement	120	–	80	200
	Charged to equity	–	(16)	–	(16)
	Acquisition of subsidiary	80	10	–	90
	Exchange differences	(430)	–	(50)	(480)
12p81(g)(i)	At 30 June 2005	4,560	872	209	5,641

Notes to the consolidated interim financial statements (continued)

	Deferred tax assets	Provisions of assets	Impairment loss	Tax loss	Other	Total
	At 1 January 2004	(315)	(6)	(397)	(17)	(735)
12p81(g)(ii)	Charged/(credited) to income statement	55	–	(24)	(5)	26
	Acquisition of subsidiary	–	–	(21)	(8)	(29)
	Exchange differences	121	1	200	5	327
	At 30 June 2004	(139)	(5)	(242)	(25)	(411)
	Charged/(credited) to income statement	(20)	(30)	(395)	(40)	(485)
	Acquisition of subsidiary	(58)	(10)	–	–	(68)
	Exchange differences	172	70	150	50	442
12p81(g)(i)	At 31 December 2004	(45)	25	(487)	(15)	(522)
	Charged/(credited) to income statement	(87)	(50)	(46)	(50)	(233)
	Acquisition of subsidiary	(47)	(59)	–	(5)	(111)
	Exchange differences	60	3	72	5	140
12p81(g)(i)	At 30 June 2005	(119)	(81)	(461)	(65)	(726)

12p81(e) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of €333 (December 2004: €660) in respect of losses amounting to €1,000 (December 2004: €2,294) that can be carried forward against future taxable income. Losses amounting to €900 (2004: €2,294) and €100 (2004: €0) expire in 2007 and 2008 respectively.

12p81(f) Deferred income tax liabilities of €2,141 (2004: €1,016) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled €20,671 at 30 June 2005 (2004: €13,294).

25. Retirement benefit obligations

	30 June 2005	31 December 2004
Balance sheet obligations for:		
Pension benefits	10,755	9,900
Post-employment medical benefits	5,224	5,231
	<u>15,979</u>	<u>15,131</u>
Income statement charge for (Note 29):		
Pension benefits	763	496
Post-employment medical benefits	149	107
	<u>912</u>	<u>603</u>
19p120(c)		
(a) <i>Pension benefits</i>		
The amounts recognised in the balance sheet are determined as follows:		
Present value of funded obligations	15,216	14,077
Fair value of plan assets	(15,008)	(13,832)
	<u>208</u>	<u>245</u>
Present value of unfunded obligations	11,834	10,632
Unrecognised actuarial losses	(432)	(245)
Unrecognised past service cost	(855)	(732)
Liability in the balance sheet	<u>10,755</u>	<u>9,900</u>

19p120(d) Pension plan assets include the Company's ordinary shares with a fair value of €136 (2004: €126) and a building occupied by the Group with a fair value of €612 (2004: €609).

Notes to the consolidated interim financial statements (continued)

19p120(f)	The amounts recognised in the income statement are as follows:	30 June 2005	30 June 2004
	Current service cost	751	498
	Interest cost	431	214
	Expected return on plan assets	(510)	(240)
	Net actuarial losses recognised during the year	–	–
	Past service cost	91	24
	Total included in staff costs (Note 29)	<u>763</u>	<u>496</u>
19p120(f)	Of the total charge, €521 (2004: €324) and €241 (2004: €172) were included in 'Cost of goods sold' and 'Administrative expenses' respectively.		
19p120(g)	The actual return on plan assets was €495 (2004: €235).		
19p120(e)	The movement in the liability recognised in the balance sheet is as follows:		
	Beginning of the six-month period 1 January 2004		9,999
	Exchange differences		(102)
	Liabilities acquired in a business combination (Note 38)		794
	Total expense charged in the income statement		496
	Contributions paid		<u>(1,003)</u>
	End of the six month period 30 June 2004		<u>10,184</u>
	Beginning of the six-month period 1 July 2004		10,184
	Exchange differences		(92)
	Liabilities acquired in a business combination (Note 38)		720
	Total expense charged in the income statement		540
	Contributions paid		<u>(1,452)</u>
	End of the six month period 31 December 2004		<u>9,900</u>
	Beginning of the six-month period 1 January 2005		9,900
	Exchange differences		(163)
	Liabilities acquired in a business combination (Note 38)		1,020
	Total expense charged in the income statement		763
	Contributions paid		<u>(765)</u>
	End of the six month period 30 June 2005		<u>10,755</u>
19p120(h)	The principal annual actuarial assumption used were as follows:	30 June 2005	31 December 2004
	End of the six month period		
	Discount rate (p.a)	7.0%	6.8%
	Expected return on plan assets (p.a)	6.5%	6.3%
	Future salary increases (p.a)	5.0%	4.5%
	Future pension increases (p.a)	3.0%	2.5%
19p122(b)	(b) <i>Post-employment medical benefits</i> The Group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.		
19p120(h)	The main actuarial assumption is a long-term increase in health costs of 8.0% a year (2004: 7.6%).		

Notes to the consolidated interim financial statements (continued)

19p120(c)	The amounts recognised in the balance sheet were determined as follows:		
		30 June 2005	31 December 2004
	Present value of funded obligations	705	340
	Fair value of plan assets	(620)	(302)
		85	38
	Present value of unfunded obligations	5,178	5,287
	Unrecognised actuarial losses	(39)	(94)
	Liability in the balance sheet	5,224	5,231
19p120(f)	The amounts recognised in the income statement were as follows:		
		30 June 2005	30 June 2004
	Current service cost	153	107
	Interest cost	49	25
	Expected return on plan assets	(53)	(25)
	Net actuarial losses recognised in year	1	–
	Total included in staff costs (Note 29)	150	107
19p120(f)	Of the total charge, €102 (2004: €71) and €48 (2004: €36) respectively were included in cost of goods sold and administrative expenses.		
19p120(g)	The actual return on plan assets was €51 (2004: €24).		
19p120(e)	Movement in the liability recognised in the balance sheet:		
	Beginning of the six month period 1 January 2004		4,732
	Exchange differences		(50)
	Liabilities acquired in business combination (Note 38)		422
	Total expense – charged in the income statement		107
	Contributions paid		(100)
	End of the six month period 30 June 2004		5,111
	Exchange differences		(329)
	Liabilities acquired in business combination (Note 38)		382
	Total expense – as shown above		147
	Contributions paid		(80)
	End of the six month period 31 December 2004		5,231
	Exchange differences		(144)
	Liabilities acquired in business combination (Note 38)		7
	Total expense – as shown above		150
	Contributions paid		(20)
	End of the six month period 30 June 2005		5,224

Notes to the consolidated interim financial statements (continued)

26. Provisions and other liabilities

1p75(d)		Environmental restoration	Restructuring	Total
37p84(a)	At 1 January 2004	15,429	582	16,011
37p84(b)	Charged in the income statement:			
	– additional provisions	–	–	–
37p84(d)	– unused amounts reversed	–	–	–
37p84(c)	Used during the year	–	(235)	(235)
	Exchange differences	(452)	–	(452)
37p84(c)	Accretion of discount	150	–	150
37p84(a)	At 30 June 2004	15,127	347	15,474
37p84(b)	Charged to consolidated income statement:			
	– additional provisions	225	453	678
37p84(d)	– unused amounts reversed	–	–	–
	Exchange differences	(300)	–	(300)
37p84(c)	Accretion of discount	690	–	690
	At 31 December 2004	15,742	800	16,542
37p84(b)	Charged to consolidated income statement:			
	– additional provisions	194	101	295
37p84(d)	– unused amounts reversed	–	–	–
37p84(c)	Used during the year	(2,500)	–	(2,500)
	Exchange differences	37	–	37
37p84(c)	Accretion of discount	540	–	540
	At 30 June 2005	14,013	901	14,914
	Analysis of total provisions:	30 June 2005	31 December 2004	
	– non-current	13,214	15,542	
	– current	1,700	1,000	
		14,914	16,542	

(a) *Environmental restoration*

37p85(a) The Group uses various chemicals to manufacture security systems. A provision is recognised for the costs to be incurred for the restoration of the manufacturing sites. It is expected that the provision of €5,703 will be used after 2007.

In 1999, the Group discontinued one of its business segments that was involved in the production of security gases. However, in 2009 it will have to finance the restoration of the land on which the production of the gas took place. The provisions are discounted at 7.5% at June 2005 (2004: 7.2%), being the Group's average borrowing rate

The overall impact on the Group's income statement, in case the actual amounts determined in respect to the environmental restoration obligations differ by 10% from managements estimates, would be:

- increase income statement by €981 (net of taxes), if favourable, or
- decrease income statement by €610 (net of taxes), if unfavourable.

(b) *Restructuring*

37p85(a) The reduction of the volumes assigned to manufacturing operations in Fireland will result in the reduction of a total of 155 jobs at two factories. An agreement has been reached with the local union representatives that specifies the number of staff involved, and the voluntary redundancy compensation package offered by the Group, as well as amounts payable to those made redundant. The full amount of the estimated costs to be incurred has been recognised in 2005. The provision of €672 at 30 June 2005 is expected to be fully utilised during the second half of 2005.

The reduction of the volumes assigned to manufacturing operations in Waterland will result in the reduction of a total of 20 jobs at two factories. An agreement has been reached with the local union representatives that specifies the number of staff involved, and the voluntary redundancy compensation package offered by the Group, as well as amounts payable to those made redundant. The full amount of the estimated costs to be incurred has been recognised in 2005. The provision of €129 at 30 June 2005 is expected to be fully utilised during the second half of 2005.

36p130 A goodwill impairment charge of €1,288 was recognised in the cash-generating unit relating to wholesale in Waterland as a result of this restructuring (Note 8).

Notes to the consolidated interim financial statements (continued)**27. Other operating income**

		30 June 2005	30 June 2004
32p94(h)	Other financial assets at fair value through profit or loss:		
	– fair value losses (realised and unrealised)	(1,623)	–
	– fair value gains (realised and unrealised)	610	–
	Derivative instruments (Note 10):		
32p59(b)	– forward contracts: cash flow hedges (transfer from equity)	(18)	–
32p94(h)	– forward contracts: transactions not qualifying as hedges	(68)	–
32p94(h)(i)	Interest income	990	273
	Interest income – finance lease receivables	1,170	1,260
	Loss on sale on investments in other companies (Note 15)	–	(158)
18p35(b)(v)	Dividend income	1,150	273
		<u>2,211</u>	<u>1,648</u>

The insurance reimbursement relates to the excess of insurance proceeds over the carrying values of goods damaged.

28. Expenses by nature

		30 June 2005	30 June 2004
1p93	Depreciation, amortisation and impairment charges (Notes 7, 8 and 22)	3,115	3,075
1p93	Employee benefit expense (Note 29)	14,120	11,676
1p93	Changes in inventories of finished goods and work in progress	2,740	2,950
1p93	Raw materials and consumables used	1,981	2,295
1p93	Transportation	1,216	1,997
1p93	Advertising costs	910	2,020
1p93	Other expenses	600	785
	Total	<u>24,682</u>	<u>24,798</u>
	Classified as:		
	– cost of sales	16,620	17,559
	– selling and marketing costs	2,485	2,381
	– administrative expenses	2,717	2,468
	– other operating expenses	2,860	2,390
		<u>24,682</u>	<u>24,798</u>

29. Employee benefit expense

		30 June 2005	30 June 2004
19p142	Wages and salaries, including restructuring costs €58 (2004: nil) (Note 26) and termination benefits €43 (2004: nil)	9,363	7,803
	Social security costs	3,078	2,998
IFRS2p51(a)	Share options granted to directors and employees	10	40
19p46	Pension costs – defined contribution plans	756	232
19p120(f)	Pension costs – defined benefit plans (Note 25)	763	496
19p131	Other post-employment benefits (Note 25)	150	107
		<u>14,120</u>	<u>11,676</u>

Notes to the consolidated interim financial statements (continued)**30. Finance costs – net**

		30 June 2005	30 June 2004
32p94(h)(i)	Interest expense:		
	– bank borrowings	(889)	(1,033)
	– accretion of discount on provisions	(540)	(450)
		<u>(1,429)</u>	<u>(1,483)</u>
	Interest income:		
	– other	70	80
		<u>(1,359)</u>	<u>(1,403)</u>
21p52(a)	Net foreign exchange transaction gains/(losses) (Note 27)	(20)	(100)
	Fair value gains on financial instruments:		
	– fair value gains on trading investments ¹	–	26
	– fair value losses on trading investments ¹	–	(69)
	– fair value gains on available for sale investments	45	–
32p59(b)	– interest-rate swaps: cash flow hedges, transfer from equity	19	–
32p94(h)	– interest-rate swaps: fair value hedges	(55)	–
		<u>(11)</u>	<u>(143)</u>
		<u>(1,370)</u>	<u>(1,546)</u>

¹ This line item is no longer used from 1 January 2005, the IAS 32/39 transition date.

31. Income tax expense

		30 June 2005	30 June 2004
12p79	Current tax	98	88
12p79	Deferred tax (Note 24)	200	150
		<u>298</u>	<u>238</u>

12p81(c) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	30 June 2005	30 June 2004
Profit before tax	742	638
Tax calculated at domestic tax rates applicable to profits in the respective countries	245	191
Income not subject to tax	(68)	(86)
Expenses not deductible for tax purposes	98	95
Utilisation of previously unrecognised tax losses	(10)	(5)
Tax losses for which no deferred income tax asset was recognised	33	43
Tax charge	<u>298</u>	<u>238</u>

12p81(d) The weighted average applicable tax rate was 33% (2004: 30%). The increase is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

32. Net foreign exchange gains/(losses)

21p52(a) The exchange differences (charged)/credited to the income statement are included as follows:

	30 June 2005	30 June 2004
Sales	470	555
Cost of goods sold	(120)	(140)
Selling and marketing costs	(70)	(40)
Administration expenses	85	135
Finance costs – net (Note 30)	(20)	(100)
	<u>345</u>	<u>410</u>

Notes to the consolidated interim financial statements (continued)**33. Earnings per share***Basic*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares (Note 19).

		30 June 2005	30 June 2004
33p70(a)	Profit attributable to equity holders of the Company	324	274
33p70(b)	Weighted average number of ordinary shares in issue (thousands)	3,818	5,018
	Basic earnings per share (€ per thousand share)	84.86	54.48

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: share options.

The calculation is performed for the share options to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

		30 June 2005	30 June 2004
33p70(a)	Profit attributable to equity holders of the Company	324	274
	Weighted average number of ordinary shares in issue (thousands)	3,818	5,018
	Adjustment for share options (thousands)	1	1
33p70(b)	Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,819	5,019
	Diluted earnings per share (€ per thousand share)	84.84	54.59

34. Dividends per share

1p95	The dividends paid in June 2005 and June 2004 were €1,001 (€0.26 per share) and €1,232 (€0.24 per share) respectively.
1p125(a)	An interim dividend in respect of 2005 of €0.04 per share, amounting to a total dividend of €160, was declared by the directors at their meeting on 15 July 2005. These financial statements do not reflect this dividend payable.
10p12	

Notes to the consolidated interim financial statements (continued)**35. Cash generated from operations**

	30 June 2005	30 June 2004
7p18(b), 20 Profit for the period	445	400
Adjustments for:		
– tax (Note 31)	298	238
– depreciation (Note 7)	1,412	1,428
– amortisation (Note 8)	675	450
– goodwill impairment charge (Note 8)	1,288	255
– profit on sale of property, plant and equipment (see below)	(40)	(70)
– gain on available for sale investments (Note 30)	(45)	–
– net movements in provisions for liabilities and charges (Note 26)	835	150
– net fair value gains/(losses) on derivative financial instruments (Note 30)	36	43
– fair value losses (including loss on disposal) on other financial assets at fair value through profit or loss (Note 27)	1,623	–
– fair value gains (including profit on disposal) on other financial assets at fair value through profit or loss (Note 27)	(610)	–
– interest income (Notes 27 and 30)	(2,230)	(1,613)
– dividend income (Note 27)	(1,150)	(273)
– loss on sale of investments in other companies (Note 27)	–	158
– interest expense (Note 30)	1,429	1,483
– share of loss/(profit) from associates (Note 9)	(1,166)	(1,190)
– exchange (gains)/losses on borrowings (Note 30)	20	100
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– inventories	1,492	270
– trade and other receivables	(374)	(105)
– other financial assets at fair value through profit or loss	(2,293)	–
– trade and other payables	(778)	(2,370)
Cash generated from operations	<u>867</u>	<u>(646)</u>

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	30 June 2005	30 June 2004
Net book amount (Note 7)	2,818	1,325
Profit/(loss) on sale of property, plant and equipment	40	70
Proceeds from sale of property, plant and equipment	<u>2,858</u>	<u>1,395</u>

36. Contingencies**37p86**

The Group has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. The Group has given guarantees in the ordinary course of business amounting to €6,780 (2004: €5,944) to third parties. In respect of the acquisition of Orozco Group on 1 March 2005 (Note 38), additional consideration of up to €1,500 may be payable in cash if the acquired operations achieve certain sales targets. No additional payments are anticipated at the date of these financial statements.

The Group has some contingent liabilities with a patent infringement. Management is confident that no material liability will rise from this action.

The Group has some environmental obligations. It has recognised a provision for the costs to be incurred for the restoration of the manufacturing (see Note 26). However, environmental legislation in certain countries where the Group operates is developing additional rules. Liabilities may arise in the future as a result of changes in legislation.

Notes to the consolidated interim financial statements (continued)**37. Commitments**(a) *Capital commitments*

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

		30 June 2005	31 December 2004
16p74(c)	Property, plant and equipment	1,593	1,667
38p122(e)	Intangible assets	460	474
		<u>2,053</u>	<u>2,141</u>

(b) *Operating lease commitments – where a Group Company is the lessee*

17p35(d) The Group leases various, offices, warehouses and plant and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

17p35(d) The Group also leases various plant and machinery under cancellable operating lease agreements. The Group is required to give six-months notice for the termination of these agreements. The lease expenditure charged to the income statement during the year is disclosed in Note 7.

17p35(a) The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

		30 June 2005	31 December 2004
	No later than 1 year	1,664	904
	Later than 1 year and no later than 5 years	5,651	5,671
	Later than 5 years	5,710	7,354
		<u>13,025</u>	<u>13,929</u>

38. Business combinations

IFRS3p66(a) On 1 February 2004, the Group acquired 100% of the share capital of Antoine Group, a manufacturer of alarms and fire systems in Spain. The acquired business contributed revenues of €3,004 and net profit of €40 to the Group for the period IFRS3p67(a)(b)(c) from 1 February 2004 to 30 June 2004. If the acquisition had occurred on 1 January 2004, Group revenue would have IFRS3p70(a) been €27,354, and profit for the period would have been €450. IFRS3p67(d) 7p40(b)

Details of net assets acquired and goodwill are as follows:

IFRS3p67(d)	Purchase consideration:	
	– cash paid	1,610
	– direct costs relating to the acquisition	<u>10</u>
	Total purchase consideration	1,520
	Fair value of net assets acquired	<u>(1,345)</u>
	Goodwill (Note 8)	<u>275</u>

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of Antoine.

Notes to the consolidated interim financial statements (continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	100	100
Property, plant and equipment (Note 7)	1,242	1,200
Trademarks (included in intangibles) (Note 8)	80	–
Licences (included in intangibles) (Note 8)	30	–
Software (included in intangibles) (Note 8)	20	5
Investment in associates (Note 9)	120	110
Investments in other companies	365	330
Inventories	310	330
Receivables	480	390
Payables	(157)	(140)
Retirement benefit obligations:		
– pensions (Note 25)	(794)	(790)
– other post-retirement obligations (Note 25)	(422)	(400)
Net deferred tax liabilities (Note 24)	(29)	(10)
Net assets acquired	<u>1,345</u>	<u>1,125</u>
Purchase consideration settled in cash		1,610
Cash and cash equivalents in subsidiary acquired		<u>(100)</u>
Cash outflow on acquisition		<u>1,510</u>

IFRS3p66(a)
IFRS3p67(a)(b)(c)
IFRS3p70(a)
IFRS3p67(d)
7p40(b)

On 1 September 2004, the Group acquired 100% of the share capital of Pedro Group, a manufacturer of alarms and fire systems in Italy. The acquired business contributed revenues of €2,010 and net profit of €20 to the Group for the period from 1 September 2004 to 31 December 2004. If the acquisition had occurred on 1 January 2004, Group revenue would have been €52,447, and profit before allocations would have been €401.

Details of net assets acquired and goodwill are as follows:

IFRS3p67(d)	Purchase consideration:	
	– cash paid	2,027
	– direct costs relating to the acquisition	<u>10</u>
	Total purchase consideration	<u>2,037</u>
	Fair value of net assets acquired	<u>1,837</u>
	Goodwill (Note 8)	<u>200</u>

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of Antoine.

Notes to the consolidated interim financial statements (continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	100	100
Property, plant and equipment (Note 7)	3,525	3,500
Trademarks (included in intangibles) (Note 8)	20	–
Licences (included in intangibles) (Note 8)	20	–
Available-for-sale investments	15	15
Inventories	210	200
Receivables	100	100
Payables	(120)	(120)
Retirement benefit obligations:		
– pensions (Note 25)	(720)	(700)
– other post-retirement obligations (Note 25)	(382)	(382)
Borrowings	(400)	(400)
Net deferred tax liabilities (Note 24)	(531)	(400)
Net assets acquired	<u>1,837</u>	<u>1,913</u>
Purchase consideration settled in cash		2,027
Cash and cash equivalents in subsidiary acquired		<u>(100)</u>
Cash outflow on acquisition		<u>1,927</u>

IFRS3p66(a) On 1 March 2005, the Group acquired 100% of the share capital of Orozco Group, a manufacturer of alarms and fire systems in France. The acquired business contributed revenues of €4,510 and net profit of €70 to the Group for the period from 1 March 2005 to 30 June 2005. If the acquisition had occurred on 1 January 2005, Group revenue would have been €28,628, and profit before allocations would have been €585.

IFRS3p67(a)(b)(c)
IFRS3p70(a)
IFRS3p67(d)
7p40(b)

Details of net assets acquired and goodwill are as follows:

IFRS3p67(d) Purchase consideration:		
– cash paid		4,035
– direct costs relating to the acquisition		<u>15</u>
Total purchase consideration		4,050
Fair value of net assets acquired		<u>(3,069)</u>
Goodwill (Note 8)		<u>981</u>

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of Orozco.

Wayne Holdings Inc – 30 June 2005
(All amounts in euro thousands unless otherwise stated)

Notes to the consolidated interim financial statements (continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	300	300
Property, plant and equipment (Note 7)	2,721	2,700
Trademarks (included in intangibles) (Note 8)	210	–
Licences (included in intangibles) (Note 8)	100	–
Software (included in intangibles) (Note 8)	80	80
Investment in associates (Note 9)	120	110
Available-for-sale investments (Note 10)	720	720
Inventories	1,161	1,100
Receivables	400	400
Payables	(978)	(978)
Retirement benefit obligations:		
– pensions (Note 25)	(1,020)	(1,018)
– other post-retirement obligations (Note 25)	(7)	(7)
Borrowings	(759)	(533)
Net deferred tax liabilities (Note 24)	21	(80)
Net assets acquired	<u>3,069</u>	<u>2,794</u>
Purchase consideration settled in cash		4,035
Cash and cash equivalents in subsidiary acquired		<u>(300)</u>
Cash outflow on acquisition		<u>3,735</u>

39. Related-party transactions

1p126(c) The Group is controlled by Mother Limited (incorporated in Euravia), which owns 72% of the Company's shares. The remaining 28% of the shares are listed and widely held. The ultimate parent of the Group is Grandpa Limited (incorporated in Euravia) whose shares are widely held.

24p17, 22 The following transactions were carried out with related parties:

24p17(a) (a) *Sales of goods and services*¹

	30 June 2005	30 June 2004
Sales of goods:		
– associates	1,123	291
Sales of services:		
– Grandpa Limited (legal and administration services)	67	127
– services of key management personnel	100	104
	<u>1,290</u>	<u>522</u>

Services are usually negotiated with related parties on a cost-plus basis, allowing a margin ranging from 15% to 30%. Goods are sold on the basis of the price lists in force with non-related parties.

24p17(a) (b) *Purchases of goods and services*

	30 June 2005	30 June 2004
– associates	54	58
Purchases of services:		
– services of key management personnel	83	70
– Mother Limited (management services)	295	268
	<u>432</u>	<u>396</u>

24p21 Services are usually negotiated with related parties on a cost-plus basis, allowing a margin ranging from 15% to 30%. Goods are bought on the basis of the price lists in force with non-related parties.

¹Management should disclose that related-party transactions were made on an arms length basis only when such terms can be substantiated (IAS24p21).

Notes to the consolidated interim financial statements (continued)

24p16	(c) <i>Key management compensation</i>		
		30 June 2005	30 June 2004
24p16(a)	Salaries and other short-term employee benefits	2,345	1,977
24p16(d)	Termination benefits	57	40
24p16(b)	Post-employment benefits	123	45
24p16(c)	Other long-term benefits	33	23
24p16(e)	Share-based payments	5	20
		<hr/>	<hr/>
		2,563	2,105
24p17(b), 1p74	(d) <i>Year-end balances arising from sales/purchases of goods/services</i>		
		30 June 2005	30 June 2004
	Receivables from related parties (Note 11):		
	Parent Limited	50	58
	Associates	4	6
		<hr/>	<hr/>
		54	64
	Payables to related parties (Note 17):		
	Associates	2,202	1,195
		<hr/>	<hr/>
24p17, 1p74	(e) <i>Loans to related parties</i>		
		Loans to directors, key management and their families	Loans to associates
	Beginning of the period	196	1,192
	Loans advanced during year	343	1,000
	Loan repayments received	(49)	(14)
	Interest charged	30	187
	Interest received	(30)	(187)
	End of the six-month period 30 June 2004	<hr/>	<hr/>
		490	2,178
	Beginning of period	490	2,178
	Loans advanced during year	210	570
	Loan repayments received	(80)	(200)
	Interest charged	50	250
	Interest received	(50)	(250)
	End of the six-month period 31 December 2004	<hr/>	<hr/>
		620	2,548
	Beginning of period	620	2,548
	Loans advanced during year	80	120
	Loan repayments received	(50)	(250)
	Interest charged	70	310
	Interest received	(70)	(310)
	End of the six-month period 30 June 2005	<hr/>	<hr/>
		650	2,418

Notes to the consolidated interim financial statements (continued)

24p17(b)(i) The loans advanced to directors have the following terms and conditions:

Name of director	Amount of loan	Term	Interest rate
2004			
Mr Ring	€20	Repayable monthly over 2 years	6.5%
Mr Bell	€42	Repayable monthly over 1 year	6.5%
2005			
Mr Fire	€173	Repayable monthly over 2 years	6.3%
Mr Bell	€170	Repayable monthly over 2 years	6.3%

Certain loans advanced to directors during the year amounting to €50 (2004: €30) are collateralised by shares in listed companies. The fair value of these shares was €65 at the balance sheet date (2004: €39).

The loans to associates are due on 1 January 2006 and carry interest at 7.0%.

24p17(c) No provision has been required in 2004 and 2003 for the loans made to directors and associates.

24p17(b)(ii) (f) *Commitments and contingencies*

37p86 The Company has guaranteed a loan made by a bank to Miss Malvern, a director of the Company, in a total amount of €57 (2004: €17). The loan is repayable in 2005.

40. Share-based payments

IFRS2p45(a) Share options are granted to high performing employees on a discretionary basis. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. The options vest after one year's service.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

		2005		2004	
		Average exercise price (per share)	Outstanding options	Average exercise price (per share)	Outstanding options
IFRS2p45b(i)	At 1 January	3.63	15,300	4.80	10,000
IFRS2p45b(ii)	Granted	2.00	1,000	3.10	2,500
IFRS2p45b(iv)	Exercised	–	–	–	–
IFRS2p45b(vi)	At 30 June	3.41	16,300	4.21	12,500
	Granted			2.55	2,800
	Exercised			–	–
	At 31 December			3.63	15,300

All options have a contractual option term of five years. There are 16,300 outstanding options (31 December 2004: all 15,300 options). 12,500 are exercisable at 30 June 2005 (31 December 2004: 10,000). Weighted average remaining contractual life of options outstanding at 30 June 2005 is 19 months (31 December 2004: 21 months) and the range of exercise prices is from 2.00 to 5.00 (31 December 2004: 2.51 to 5.00).

The fair value of options granted during the period was determined using the Black-Scholes valuation model was €0.50 (Six months to 30 June 2004: €0.25; Year to 31 December 2004: €0.15). The significant inputs into the model were share price of 2.00 (six months to 30 June 2004: €3.10; year to 31 December 2004: €2.55) at the grant date, exercise price shown above, standard deviation of expected share price returns of 50% (six months to 30 June 2004: 51%; year to 31 December 2004: 55%), expected option life of 36 months, and risk-free interest rate 36-month EURIBOR. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last three years.

Notes to the consolidated interim financial statements (continued)**41. Joint ventures**

31p56 The Group has a 50% interest in a joint venture, JV & Co, which provides security products and services to the hotels industry. The following amounts represent the Group's 50% share of assets and liabilities, and sales and results of the joint ventures. They are included in the balance sheet and income statement :

Assets:	30 June 2005	31 December 2004
Non-current assets	770	730
Current assets	223	156
	<u>993</u>	<u>886</u>
Liabilities:		
Non-current liabilities	556	429
Current liabilities	132	133
	<u>688</u>	<u>562</u>
Net assets	<u>305</u>	<u>324</u>
	30 June 2005	30 June 2004
Income	1,002	993
Expenses	(846)	(733)
Profit after income tax	<u>156</u>	<u>260</u>
31p55(b) Proportionate interest in joint venture's commitments	<u>90</u>	<u>92</u>

31p54 There are contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities relating to the venture itself.

Report of the auditors

The report issued on the interim financial report by the auditors will be specific to each company's particular circumstances. The report, which might be an audit report or a review report depending on the type of engagement, should be tailored to take into account local regulatory requirements. Its form will also depend on whether full IFRS financial statements or condensed IFRS information is prepared.

Company management and auditors should agree the scope of the auditors' work and the appropriate form of report.

This set of illustrative interim financial statements was published in March 2005 and uses all standards and interpretations published by 31 December 2004 as the basis for the accounting policies applied. These are:

- IFRS 1, First-time Adoption of International Financial Reporting Standards
- IFRS 2, Share-based Payment
- IFRS 3, Business Combinations
- IFRS 4, Insurance Contracts
- IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 6, Exploration for and Evaluation of Mineral Resources
- IAS 1, Presentation of Financial Statements
- IAS 2, Inventories
- IAS 7, Cash Flow Statements
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10, Events after the Balance Sheet Date
- IAS 11, Construction Contracts
- IAS 12, Income Taxes
- IAS 14, Segment Reporting
- IAS 16, Property, Plant and Equipment
- IAS 17, Leases
- IAS 18, Revenue
- IAS 19, Employee Benefits
- IAS 20, Accounting for Government Grants and Disclosure of Government Assistance
- IAS 21, The Effects of Changes in Foreign Exchange Rates
- IAS 23, Borrowing Costs
- IAS 24, Related Party Disclosures
- IAS 27, Consolidated and Separate Financial Statements
- IAS 28, Investments in Associates
- IAS 29, Financial Reporting in Hyperinflationary Economies
- IAS 31, Interests in Joint Ventures
- IAS 32, Financial Instruments: Disclosure and Presentation
- IAS 33, Earnings per Share
- IAS 34, Interim Financial Reporting
- IAS 36, Impairment of Assets
- IAS 37, Provisions, Contingent Liabilities and Contingent Assets
- IAS 38, Intangible Assets
- IAS 39, Financial Instruments: Recognition and Measurement
- IAS 40, Investment Property
- IAS 41, Agriculture
- IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IFRIC 2, Members Shares in Cooperative Entities and Similar Instruments
- IFRIC 3, Emission Rights
- IFRIC 4, Determining whether an Arrangement Contains a Lease
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environment Rehabilitation Funds.
- SIC-7, Introduction of the Euro
- SIC-10, Government Assistance – No Specific Relation to Operating Activities
- SIC-12, Consolidation – Special Purpose Entities
- SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers
- SIC-15, Operating Lease – Incentives
- SIC-21, Income Taxes – Recovery of Revalued Non-Depreciable Assets
- SIC-25, Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders
- SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- SIC-29, Disclosure – Service Concession Arrangements
- SIC-31, Revenue – Barter Transactions Involving Advertising Services
- SIC-32, Intangible Assets – Web Site Costs

Notes

Notes

Notes

IFRS products and services

PricewaterhouseCoopers has a range of tools and publications to help companies apply IFRS (see also the inside front cover).

Applying IFRS

Applying IFRS is PwC's authoritative guidance on the interpretation and application of IFRS. The interactive tool includes links to over 1,000 real-life solutions, as well as direct links to applicable text in the IFRS standards and interpretations.

***Applying IFRS* is available on our electronic research tool, *Comperio IFRS*. See below.**

COMPERIO® IFRS

Comperio IFRS is a one-stop instant access point to a comprehensive collection of technical financial reporting and assurance literature. It provides a fast and effective way of finding the answers to your IFRS questions.

To order *Comperio IFRS*, visit our website www.pwc.com/ifrs

P2P IFRS – from principle to practice

P2P IFRS is PwC's interactive electronic learning solution. Users build their knowledge easily and conveniently with 19 hours of learning in 32 interactive modules.

For further information, network licence prices or demonstrations, send an email to: corporatereporting@uk.pwc.com

IFRS News

IFRS News is a monthly newsletter focusing on the business implications of IASB proposals and new standards. It provides information on and interpretation of IASB activity, highlighting problems encountered and solutions found by PricewaterhouseCoopers IFRS teams.

Copies are available free on the website www.pwc.com/ifrs. For further information, send an email to the editor: joanna.c.malvern@uk.pwc.com

World Watch

Governance and corporate reporting

There is growing recognition of the importance of transparency and common business languages for financial reporting and governance. Our regular newsletter, *World Watch*, contains opinion articles, case studies and worldwide news on the many initiatives to improve corporate reporting.

Copies are available free on the website www.pwc.com/ifrs. For hard copies and further information, send an email to the editor: sarah.grey@uk.pwc.com

Spine artwork