

Albemarle & Bond (Holdings) PLC

Restatement of Financial Information in accordance with
International Financial Reporting Standards for the
12 month period ended 30 June 2007

(including a restatement of the income statement
for the 6 month comparative interim period
to 31 December 2006)

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1. Introduction & executive summary

Introduction

From the year ending 30 June 2008 Albemarle & Bond (Holdings) PLC ("Albemarle") will prepare its consolidated accounts in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union in order for Albemarle's financial statements to comply with the AIM rules. This document has been prepared to illustrate the differences that will arise when the financial statements are prepared under IFRS rather than UK Generally Accepted Accounting Practice ("UK GAAP").

Albemarle's first IFRS results will be its interim results for the 6 months to 31 December 2007 and the first Annual Report under IFRS will be for the year ending 30 June 2008.

The basis of transition and detailed adjustments arising are set out in sections 2 and 3 of this document. Section 4 contains the reconciliations of Albemarle's UK GAAP balance sheets to its preliminary IFRS balance sheets at 1 July 2006 (the "opening balance sheet"), 31 December 2006 and 30 June 2007 together with reconciliations of Albemarle's UK GAAP income statements to its preliminary IFRS income statements for the six months to 31 December 2006 and for the year to 30 June 2007.

The preliminary IFRS financial statements will form the basis of the comparative information in the first IFRS accounts and have been prepared on the basis of accounting policies under IFRS expected to be in effect at 30 June 2008, although these may be subject to change. The restated information will be updated for any such change. The accounting policies applied in preparing the preliminary IFRS financial statements are set out in Section 5 of this document.

Executive summary

The principal adjustments to IFRS with an income statement effect are as set out in the table overleaf and described below:

Interest income recognition

Interest revenue receivable on certain pawn broking and loan contracts is required, under IFRS, to be recognised using the effective interest method. The implication of this is to spread such interest revenue over the life of the contractual agreement. As a result the phasing of revenue on these contracts is different under IFRS compared with UK GAAP, leading to a reduction in historic revenue earned at 1 July 2006 of £898,000 hence a reduction in amounts receivable from customers at this date. The subsequent impact on earnings in the year to 30 June 2007 and period to 31 December 2006 is £231,000 and £97,000 respectively. The adjustment to the balance sheet at these dates is the cumulative effect of the adjustment made at 1 July 2006 plus the adjustment to earnings in the period.

Goodwill balances

As required by IFRS1, goodwill balances existing on transition to IFRS at 1 July 2006 have been frozen at the UK GAAP book value at that date, and have subsequently not been depreciated but rather have been tested annually for impairment. This has resulted in the reversal of goodwill amortisation arising in the year to 30 June 2007 of £160,000 and £77,000 in the 6 months to 31st December 2006, hence operating profit has increased by this amount in each of these 2 periods. No impairment has been identified as being required in either period. Goodwill arising since 1 July 2006 has been recalculated in accordance with IFRS3, which requires the quantification of any separately identified intangible assets, although in the acquisitions made no such intangibles were

Albemarle & Bond Holdings IFRS Closing 30th June 07

Impact on income statement

	Profit before taxation £'000's	Taxation £'000's	Profit/ (Loss) for the financial year £'000's
UK GAAP	7208	(1,837)	5,371
IFRS adjustments			
IAS 12	Deferred Taxation on combinations		0
IAS17	Lease Incentives	(39)	(39)
IAS19	Holiday Pay	(79)	(79)
IAS39	Interest receivable recognition	(231)	(231)
IAS39	Speedloan & PDA Funding recognition		0
IFRS 4	Business combination: IFRS goodwill amortisation adjustment	160	160
	Total IFRS adjustments	<u>(189)</u>	<u>(189)</u>
	Preliminary IFRS income statement	<u><u>7,019</u></u>	<u><u>(1,837)</u></u>
			<u><u>5,182</u></u>

Impact on net assets

UK GAAP net assets		26,581
IFRS adjustments		
IAS17	Lease Incentives	(39)
IAS19	Holiday pay	(79)
IAS39	Interest receivable recognition	(1,129)
IAS39	Commodity hedging fair value	(70)
IFRS 4	Business combination: IFRS goodwill amortisation adjustment total	160
	Total IFRS adjustments	<u>(1,157)</u>
	Preliminary IFRS net assets	<u><u>25,424</u></u>

2. Basis of preparation & first time adoption

Basis of preparation

The restated IFRS financial statements for the year ended 30 June 2007 and the period ended 31 December 2006 have been prepared in accordance with the accounting policies set out in Section 5 of this document, subject to the exemptions permitted by IFRS 1 "*First time adoption of IFRS*", as outlined below.

This restated financial information has been prepared by Albemarle using its best knowledge of the accounting policies under IFRS expected to be in effect when Albemarle prepares its first set of IFRS financial statements for the year ending 30 June 2008. Some changes to these policies may be necessary when preparing the full annual financial statements, therefore, until such time, the possibility that the opening balance sheet and the interim IFRS financial information presented may require amendment cannot be excluded.

Previously, Albemarle's consolidated financial statements were prepared in accordance with UK GAAP. UK GAAP differs in certain respects from IFRS. Therefore, in preparing this IFRS consolidated financial information, certain accounting, valuation and consolidation methods applied under UK GAAP have been amended.

Albemarle has adopted IFRS from 1 July 2006 ("the date of transition"). Albemarle & Bond (Holdings) PLC acquired Herbert Brown and Son Ltd on the 17th July 2007. Herbert Brown and Son Ltd's financial statements have been restated in accordance with IFRS at the date of acquisition and the IFRS accounting policies have been applied from this date. The acquisition has been accounted for in accordance with IFRS 3 "*Business Combinations*".

First time adoption

IFRS 1 establishes the transitional requirements for the preparation of financial statements in accordance with IFRS for the first time. The general principle is to establish accounting policies under IFRS then to apply these retrospectively' at the date of transition to determine the opening balance sheet.

As permitted by IFRS, the following transitional exemptions and decisions have been applied in these restated financial statements.

Business combinations

Transactions arising prior to 1 July 2006 have not been restated in accordance with IFRS3 "*Business Combinations*". Existing goodwill has been frozen at net book value on transition at 1 July 2006

Share based payments

Recognition and measurement criteria for share based payments have been applied prospectively for equity instruments granted after 7 November 2002. No adjustment has been made in respect of equity instruments issued prior to this date.

3. Explanation of IFRS adjustments

The significant changes as a result of the transition to IFRS and of adopting the IFRS group accounting policies are described below. In addition to these changes there are a number of other assets and liabilities that are classified differently under IFRS. These changes and reclassifications are shown in Section 4.

1. Business Combinations

1a. Acquisitions prior to date of transition (prior to 1 July 2006)

As stated in Section 2, Albemarle has chosen to apply IFRS 3 “*Business combinations*” prospectively from the date of transition (1 July 2006) and has chosen not to restate previous business combinations.

Under UK GAAP, the Company recognised goodwill as the difference between the fair value of assets and liabilities acquired and the fair value of consideration paid on all acquisitions of trade and assets and subsidiary companies. Goodwill was amortised over its useful economic life, generally being 20 years. IFRS 3 prohibits the amortisation of goodwill. The standard requires goodwill to be carried at cost with impairment reviews both annually and when there are indications that the carrying value may not be recoverable.

Accordingly, amortisation charged in the financial year ended 30 June 2007 has been reversed, increasing operating profit by £160,000 for the year to 30 June 2007 and by £77,000 for the six months to 31 December 2006. Additionally, the accumulated amortisation at the transition date has been eliminated against the cost of goodwill.

Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in Albemarle’s income statement and is not subsequently reversed. In accordance with IFRS 1 and IAS 36 “*Impairment of assets*”, an impairment review on the goodwill balances was duly carried out on transition to IFRS, as at the transition date, as at 31 December 2006, and as at 30 June 2007. No impairment loss would have been recorded in any these periods, and accordingly no IFRS adjustment has arisen.

1b. Acquisitions arising subsequent to date of transition (subsequent to 1 July 2006)

For qualifying business combinations, goodwill under IFRS 3 represents the excess of consideration over the fair values of acquired assets (including any separately identifiable and measurable intangible assets), liabilities and contingent liabilities. As noted above, Albemarle has not applied IFRS 3 to business combinations prior to the transition date of 1 July 2006. In the period subsequent to 1 July 2006, Albemarle made various acquisitions of trade and assets through Albemarle & Bond (Holdings) PLC.

The acquisition of Herbert Brown & Sons Ltd in July 2007 has been accounted for in accordance with IFRS 3, the primary impact of which is to recognise intangible assets totalling £886k, with a corresponding decrease in the goodwill balance which would have arisen under UK GAAP. The valuation of the intangible assets has been performed by an external valuation specialist.

As required under IAS 38, these intangible assets are amortised over their finite lives, as set out below, and are subject to impairment reviews annually and before the end of the accounting period in which they were acquired.

	£	Useful life
Herbert Brown brand	£335,000	tested annually for impairment
Fair value of acquired customer contracts	£551,000	one year

As this acquisition arose during the 2008 financial year there has been no impact on either the opening balance sheet at 1 July 2006, or the comparative balance sheet at 30 June 2007, or the income statements for either of these 2 periods.

As part of the transition to IFRS, Goodwill balances totalling £3,487,000 arising on a number of acquisition's of trade and assets since 1 July 2006 have been re-evaluated for identification of any intangible assets acquired which should be recognised as such in accordance with IAS38 "Intangible assets". The conclusion of this re-evaluation is that it remains appropriate to present the entirety of these balances as Goodwill, which will no longer be amortised but tested annually for impairment.

2. Interest income recognition

Under UK GAAP, interest receivable on pawnbroking contracts is recognised on an accruals basis by reference to the contract interest rate and the percentage of pledge balances that are expected to be redeemed.

As required by IAS 39 "*Financial Instruments: Recognition and Measurement*" interest should be recognised using the effective interest rate method ("EIR") on this financial instrument which has been classed as a 'loans and receivables' balance. This requirement is also present in IAS 18 "Revenue" with respect to all interest income. The EIR is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the life of the loan to produce a constant rate on the outstanding balance.

When compared with the UK GAAP treatment, the effect is to reduce the income recognised in the earlier periods of the pledge agreement and increase the interest income in the latter periods. The total interest received remains unchanged. As a consequence of this, income recognition on some pawnbroking and loan contracts have a different phasing under IFRS than as was previously reported under UK GAAP.

The impact of this change for Albemarle has been a decrease in revenue of £231,000, leading to a decrease in operating profits of £231,000 in the year to 30 June 2007. The impact in the six months to 30 December 2006 has been an increase in operating profits of £97,000.

Net assets have decreased by a corresponding amount in all periods, with a reduction in pre-tax net assets of £898,000 in the opening balance sheet at 1 July 2006.

3. Commodity cash flow hedge

IAS 39 "*Financial Instruments: recognition & measurement*" requires all derivatives, including commodity hedges, to be initially recognised within the financial statements and subsequently re-measured at fair value. Where certain effectiveness criteria are met, the financial instrument may be accounted as a cash flow hedge, with the implication that changes in the fair value are recorded within a separate cash flow hedging reserve rather than the income statement.

Albemarle has a combined forward gold bullion swap contract and gold bullion put contract. This combined contract acts as a hedge against the sterling denominated price of gold. The hedge was established to specifically mitigate Albemarle's exposure to market fluctuations for the gold scrapped by Albemarle in any one month.

The hedge has been retrospectively and prospectively tested in all relevant periods and was found to be effective, hence it is appropriate to hedge account.

At 31 December 2006 the market value of the hedge instrument was £104,000 and at 30 June 2007 was £70,000. The instrument was contracted during business hours on 1 July 2006, hence there is no opening value on transition to IFRS at 1 July 2006. The impact of this change is to recognise a financial liability as valued at each of the above dates, with a corresponding charge to the cashflow hedge reserve.

4. Lease incentives

Under UK GAAP the benefit of all incentives granted at the outset of a lease was taken over the period to the first rent review (when the rent was expected to be reset to market rates), typically 5 years. IAS 17 requires the benefit of all incentives granted at the outset of a lease to be spread over the term of the lease. When compared with the UK GAAP treatment, this has the effect of increasing the rental charge in the early part of a lease and reducing the charge in the latter part of the lease. Over the whole lease term the total charge remains the same.

The impact of this change has been a decrease to operating profits of £39,000 in the year to 30 June 2007, and a decrease of £1,000 in the six months to 31 December 2006. This transaction arose in October 2006 therefore there was no adjustment to opening balance sheet figures at 1 July 2006.

5. Holiday pay accrual

IAS 19 "*Employee Benefits*" requires an accrual to be made for earned but unpaid holiday pay. Albemarle's holiday year runs from January to December and no holiday carryover is permitted. Accordingly, the requirement to record a holiday pay accrual has an impact on the opening balance sheet at 1 July 2006 of £68,000, with this balance reversing in the six months to 30 December 2006 as a credit to the income statement.

The impact to the income statement for the year to 30 June 2007 is a charge of £79,000, being the balance at 30 June 2007.

6. Capitalised software

Under UK GAAP, all capitalised software costs are included within tangible fixed assets. IAS 38 "*intangible assets*" requires that where such costs are not an integral part of the associated hardware, they should be classified as intangible assets. Accordingly, certain items of property, plant and equipment have been reclassified to intangible assets on transition to IFRS and at each subsequent balance sheet date where they are items of software that meet the recognition criteria of IAS 38.

There is no net impact on the income statement as a result of this reclassification, however, there has been a reclassification of the amounts recorded as depreciation on these assets to being recorded as amortisation charges. The impact on the balance sheets are an increase in intangible assets and matching decrease in property, plant and equipment of £336,000 at 30 June 2007, £386,000 at 31 December 2006 and £448,000 in the opening balance sheet at 1 July 2006.

7. Taxation

IAS 12 "*Income taxes*" takes a balance sheet approach to deferred tax whereby deferred tax is recognised in the balance sheet by applying the appropriate tax rate to the temporary differences arising between the carrying value of the assets and liabilities and their tax base. This contrasts with UK GAAP (FRS 19) which considered timing differences arising in the profit and loss account.

Where the IFRS adjustments discussed in this document create a difference between the carrying amount of an asset or liability and the related tax base, and there are no initial recognition exemptions available under IAS 12, Albemarle has recorded a deferred tax liability or asset as required. These adjustments are shown as a component of the related IFRS adjustment in section 4.

Deferred tax on business combinations

IAS 12 requires that deferred tax is provided in full on differences between the carrying value of assets and liabilities acquired in a business combination and the related tax base, regardless of whether the business combination is accounted for under IFRS 3. In the specific case of business combinations, the initial recognition exemption available under IAS 12 not to recognise deferred tax on transactions which at the time of the transaction do not affect accounting profit or taxable profit is not available.

8. Share based payments

There is no difference between the IFRS treatment of share based payments and that applied under UK GAAP now the group has adopted FRS20 "*Share based payments*".

Albemarle & Bond (Holdings) plc Reconciliation of UK GAAP to preliminary IFRS opening balance sheet date 1 July 2006

	UK GAAP (IFRS format)	IAS 12 Deferred taxation on business combinations	IAS 12 Lease Incentives	IAS 19 Holiday pay accrual	IAS 38 Captilised software	IAS 38 Intangible assets amortisation	IAS 39 interest receivable recognition	IAS 39 Commodity hedging fair value	IFRS 3 Business combination: Reversal of goodwill amortisation Total	IFRS 2 Share based payments	Income statement after IFRS adjustments	Change in accounting policy for stock (see accounting policies)	Preliminary IFRS income statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non current assets													
Goodwill	2,473	0	0	0	0	0	0	0	0	0	2,473	0	2,473
Other intangible assets	0	0	0	0	448	0	0	0	0	0	448	0	448
Property, plant & equipment	5,267	0	0	0	(448)	0	0	0	0	0	4,819	0	4,819
	7,740	0	0	0	0	0	0	0	0	0	7,740	0	7,740
Current assets													
Inventories	7,479	0	0	0	0	0	0	0	0	0	7,479	0	7,479
Trade and other receivables	25,304	0	0	0	0	0	(675)	0	0	0	24,629	0	24,629
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash and cash equivalent	1,663	0	0	0	0	0	0	0	0	0	1,663	0	1,663
	34,446	0	0	0	0	0	(675)	0	0	0	33,771	0	33,771
Current liabilities													
Trade and other payables	(1,155)	0	0	(68)	0	0	(223)	0	0	0	(1,446)	0	(1,446)
Current tax liabilities	(1,130)	0	0	0	0	0	0	0	0	0	(1,130)	0	(1,130)
Bank overdraft and loans	(520)	0	0	0	0	0	0	0	0	0	(520)	0	(520)
Derivative financial instrument	0	0	0	0	0	0	0	0	0	0	0	0	0
	(2,805)	0	0	(68)	0	0	(223)	0	0	0	(3,096)	0	(3,096)
Net current assets	31,641	0	0	(68)	0	0	(898)	0	0	0	30,675	0	30,675
Non current liabilities													
Borrowings	(15,654)	0	0	0	0	0	0	0	0	0	(15,654)	0	(15,654)
Derivative financial instrument	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred tax liabilities	(226)	0	0	0	0	0	0	0	0	0	(226)	0	(226)
	(15,880)	0	0	0	0	0	0	0	0	0	(15,880)	0	(15,880)
Net assets	23,501	0	0	(68)	0	0	(898)	0	0	0	22,535	0	22,535
Equity													
Share capital	5,708	0	0	0	0	0	0	0	0	0	5,708	0	5,708
Capital redemption reserve	1,018	0	0	0	0	0	0	0	0	0	1,018	0	1,018
Cash flow hedging reserve	0	0	0	0	0	0	0	0	0	0	0	0	0
Share option reserve	(116)	0	0	0	0	0	0	0	0	0	(116)	0	(116)
Retained earnings	16,891	0	0	(68)	0	0	(898)	0	0	0	15,925	0	15,925
Total equity	23,501	0	0	(68)	0	0	(898)	0	0	0	22,535	0	22,535

Albemarle & Bond (Holdings) PLC Reconciliation of UK GAAP to preliminary IFRS income statement for the year ended 30/06/2007

	UK GAAP (IFRS format)	IAS 12 Deferred taxation on business combinations	IAS 12 Lease Incentives	IAS 19 Holiday pay accrual	IAS 38 Capitalised software	IAS 38 Intangible assets amortisation	IAS 39 interest receivable recognition total	IAS 39 Commodity hedging fair value	IFRS 3 Business combination: reversal of goodwill amortisation total	IFRS 2 Share based payments	Income statement after IFRS adjustments	re- analysis	Preliminary IFRS income statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non current assets													
Goodwill	5,865	0	0	0	0	0	0	0	160	0	6,025	0	6,025
Other intangible assets	0	0	0	0	336	0	0	0	0	0	336	0	336
Property, plant & equipment	6,037	0	0	0	(336)	0	0	0	0	0	5,701	0	5,701
	11,902	0	0	0	0	0	0	0	160	0	12,062	0	12,062
Current assets													
Stock inventories	9,353	0	0	0	0	0	0	0	0	0	9,353	0	9,353
Trade and other receivables	31,097	0	(39)	0	0	0	(893)	0	0	0	30,165	0	30,165
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash and cash equivalent	1,964	0	0	0	0	0	0	0	0	0	1,964	0	1,964
	42,414	0	(39)	0	0	0	(893)	0	0	0	41,482	0	41,482
Current liabilities													
Trade and other payables	(1,533)	0	0	(79)	0	0	(236)	0	0	0	(1,848)	94	(1,754)
Current tax liabilities	(790)	0	0	0	0	0	0	0	0	0	(790)	0	(790)
Bank overdraft and loans	(837)	0	0	0	0	0	0	0	0	0	(837)	0	(837)
Derivative financial instrument	0	0	0	0	0	0	0	0	0	0	0	0	0
	(3,160)	0	0	(79)	0	0	(236)	0	0	0	(3,475)	94	(3,381)
Net current assets	39,254	0	(39)	(79)	0	0	(1,129)	0	0	0	38,007	94	38,101
Non current liabilities													
Borrowings	(24,264)	0	0	0	0	0	0	0	0	0	(24,264)	0	(24,264)
Finance lease & HP	0	0	0	0	0	0	0	0	0	0	0	(94)	(94)
Derivative financial instrument	0	0	0	0	0	0	0	(70)	0	0	(70)	0	(70)
Deferred tax liabilities	(311)	0	0	0	0	0	0	0	0	0	(311)	0	(311)
	(24,575)	0	0	0	0	0	0	(70)	0	0	(24,645)	(94)	(24,739)
Net assets	26,581	0	(39)	(79)	0	0	(1,129)	(70)	160	0	25,424	0	25,424
Equity													
Share capital	5,985	0	0	0	0	0	0	0	0	0	5,985	0	5,985
Capital redemption reserve	1,018	0	0	0	0	0	0	0	0	0	1,018	0	1,018
Cash flow hedging reserve	0	0	0	0	0	0	0	(70)	0	0	(70)	0	(70)
Share option reserve	(185)	0	0	0	0	0	0	0	0	0	(185)	0	(185)
Retained earnings	19,763	0	(39)	(79)	0	0	(1,129)	0	160	0	18,676	0	18,676
Total equity	26,581	0	(39)	(79)	0	0	(1,129)	(70)	160	0	25,424	0	25,424

Albemarle & Bond (Holdings) PLC Reconciliation of UK GAAP to preliminary IFRS income statement for the half year ended 31/12/2006

	UK GAAP (IFRS format)	IAS 12 Deferred taxation on business combinations	IAS 12 Lease Incentives	IAS 19 Holiday pay accrual	IAS 38 Captilised software	IAS 38 Intangible assets amortisation	IAS 39 interest receivable recognition	IAS 39 Commodity hedging fair value	IFRS 3 Business combination: reversal of goodwill amortisation total	IFRS 2 Share based payments	Income statement after IFRS adjustments	re-analysis	Preliminary IFRS income statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non current assets													
Goodwill	2,533	0	0	0	0	0	0	0	77	0	2,610	0	2,610
Other intangible assets	0	0	0	0	386	0	0	0	0	0	386	0	386
Property, plant & equipment	5,399	0	0	0	(386)	0	0	0	0	0	5,013	0	5,013
	7,932	0	0	0	0	0	0	0	77	0	8,009	0	8,009
Current assets													
Stock inventories	9,144	0	0	0	0	0	0	0	0	0	9,144	0	9,144
Trade and other receivables	26,863	0	0	0	0	0	(745)	0	0	0	26,118	0	26,118
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash and cash equivalent	2,192	0	0	0	0	0	0	0	0	0	2,192	0	2,192
	38,199	0	0	0	0	0	(745)	0	0	0	37,454	0	37,454
Current liabilities													
Trade and other payables	(2,558)	0	0	0	0	0	(222)	0	0	0	(2,780)	181	(2,599)
Current tax liabilities	(1,192)	0	0	0	0	0	0	0	0	0	(1,192)	0	(1,192)
Bank overdraft and loans	(250)	0	0	0	0	0	0	0	0	0	(250)	0	(250)
Derivative financial instrument	0	0	0	0	0	0	0	0	0	0	0	0	0
	(4,000)	0	0	0	0	0	(222)	0	0	0	(4,222)	181	(4,041)
Net current assets	34,199	0	0	0	0	0	(967)	0	0	0	33,232	181	33,413
Non current liabilities													
Borrowings	(17,043)	0	0	0	0	0	0	0	0	0	(17,043)	(90)	(17,133)
Finance lease & HP	0	0	0	0	0	0	0	0	0	0	0	(91)	(91)
Derivative financial instrument	0	0	0	0	0	0	0	(104)	0	0	(104)	0	(104)
Deferred tax liabilities	(174)	0	0	0	0	0	0	0	0	0	(174)	0	(174)
	(17,217)	0	0	0	0	0	0	(104)	0	0	(17,321)	(181)	(17,502)
Net assets	24,914	0	0	0	0	0	(967)	(104)	77	0	23,920	0	23,920
Equity													
Share capital	5,809	0	0	0	0	0	0	0	0	0	5,809	0	5,809
Capital redemption reserve	1,018	0	0	0	0	0	0	0	0	0	1,018	0	1,018
Cash flow hedging reserve	0	0	0	0	0	0	0	(104)	0	0	(104)	0	(104)
Share option reserve	(116)	0	0	0	0	0	0	0	0	0	(116)	0	(116)
Retained earnings	18,203	0	0	0	0	0	(967)	0	77	0	17,313	0	17,313
Total equity	24,914	0	0	0	0	0	(967)	(104)	77	0	23,920	0	23,920

Albemarle & Bond (Holdings) PLC Reconciliation of UK GAAP to preliminary IFRS income statement for the year ended 30/06/2007

	UK GAAP (IFRS format)	IAS 12 Deferred taxation on business combinations	IAS 12 Lease Incentives	IAS 19 Holiday pay accrual	IAS 38 Captilised software	IAS 38 Intangible assets amortisation	IAS 39 interest receivable recognition total	IAS 39 Commodity hedging fair value	IFRS 3 Business combination: reversal of goodwill amortisation total	IFRS 2 Share based payments	Income statement after IFRS adjustments	Change in accounting policy for stock (see accounting policies)	Preliminary IFRS income statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Profit & Loss													
Revenue	33,154	0	0	0	0	0	(231)	0	0	0	32,923	0	32,923
Cost of sales	(8,282)	0	0	0	0	0	0	0	0	0	(8,282)	0	(8,282)
Gross profit	24,872	0	0	0	0	0	(231)	0	0	0	24,641	0	24,641
Administrative exepenses	(16,530)	0	(39)	(79)	0	0	0	0	160	0	(16,488)	0	(16,488)
Operating profit	8,342	0	(39)	(79)	0	0	(231)	0	160	0	8,153	0	8,153
Investment revenues	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance costs	(1,134)	0	0	0	0	0	0	0	0	0	(1,134)	0	(1,134)
Profit/(Loss) on ordinary activities before taxation	7,208	0	(39)	(79)	0	0	(231)	0	160	0	7,019	0	7,019
Tax on profit on ordinary activities	(1,837)	0	0	0	0	0	0	0	0	0	(1,837)	0	(1,837)
Profit/(Loss) for the financial period	5,371	0	(39)	(79)	0	0	(231)	0	160	0	5,182	0	5,182

Albemarle & Bond (Holdings) PLC Reconciliation of UK GAAP to preliminary IFRS income statement for the half year ended 31/12/2006

	UK GAAP (IFRS format)	IAS 12 Deferred taxation on business combinations	IAS 12 Lease Incentives	IAS 19 Holiday pay accrual	IAS 38 Captilised software	IAS 38 Intangible assets amortisation	IAS 39 interest receivable recognition	IAS 39 Commodity hedging fair value	IFRS 3 Business combination: reversal of goodwill amortisation total	IFRS 2 Share based payments	Income statement after IFRS adjustments	re-analysis	Preliminary IFRS income statement
Profit & Loss													
Revenue	17,334	0	0	0	0	0	(97)	0	0	0	17,237	0	17,237
Cost of sales	(4,866)	0	0	0	0	0	0	0	0	0	(4,866)	0	(4,866)
Gross profit	12,468	0	0	0	0	0	(97)	0	0	0	12,371	0	12,371
Administrative exepenses	(8,052)	0	0	68	0	0	0	0	77	0	(7,907)	0	(7,907)
Operating profit	4,416	0	0	68	0	0	(97)	0	77	0	4,464	0	4,464
Investment revenues	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance costs	(536)	0	0	0	0	0	0	0	0	0	(536)	0	(536)
Profit/(Loss) on ordinary activities before taxation	3,880	0	0	68	0	0	(97)	0	77	0	3,928	0	3,928
Tax on profit on ordinary activities	(1,164)	0	0	0	0	0	0	0	0	0	(1,164)	0	(1,164)
Profit/(Loss) for the financial period	2,716	0	0	68	0	0	(97)	0	77	0	2,764	0	2,764

Section 5 - IFRS accounting policies

Reporting entity

Albemarle & Bond (Holdings) PLC (the "Company") is a company incorporated in the UK. The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as the "Group").

Basis of preparation

The significant accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements and in preparing an opening IFRS balance sheet at 1 July 2006 for the purposes of the transition to IFRS as described earlier in this document.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of subsidiaries acquired or sold are consolidated from or to the date on which control passed. Intra-group balances and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Basis of measurement

The Group financial statements are prepared under the historical cost convention, except for the following, in accordance with the Companies Act 1985 and IFRS.

- derivative financial instruments are measured at fair value;
- share based payment expenses which are measured at fair value

Use of estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Foreign currency

The reporting currency of the Group is Sterling.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date and the related foreign exchange differences arising on retranslation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Business combinations

Subject to the transitional relief in IFRS 1 in respect of acquisitions prior to 1 July 2006, all business combinations are accounted for by applying the purchase method. The cost of acquisition is measured at the aggregate of the fair value at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control for the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities which meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

Goodwill

Goodwill arising since 1 July 2006 on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Identifiable assets include any intangible assets which could be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

In respect of acquisitions prior to 1 July 2006, goodwill is recorded at deemed cost, which represents the net amount recorded under UK GAAP at 1 July 2006.

Investments

Investments are stated at cost less any provision made for any impairment in value.

Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Such assets are amortised over their estimated useful economic life.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the income statement as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date.

Development costs are amortised over the shorter of the period of the patent, marketing right or licence and the estimated life of the product to which it relates.

Other intangible assets are amortised from the date they are available for use.

Property, plant and equipment

Property, plant and equipment are stated at cost, together with any incidental expenses of acquisition, or at their latest valuation, less depreciation and any impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The capital elements of future lease obligations are included as liabilities on the balance sheet.

Depreciation is calculated so as to write off the cost of each item of property, plant and equipment by equal annual instalments over their estimated useful lives at the following rates:

Freehold property	2% per annum
Leasehold property improvements	10% per annum

Long leasehold property	Over the period of the lease
Fixtures, fittings and equipment	10 – 33% per annum
Motor vehicles	25% per annum

Impairment

The carrying amounts of the Group's tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated at each balance sheet date.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories held for resale are valued at the lower of cost and net realisable value. The cost of second hand inventories is based on pledge value plus the value of interest accrued over the life of the loan.

Trade and other receivables

Trade and other receivables are stated at their nominal amount less impairment losses.

Customer accounts receivable

Customer accounts receivable consist of amounts outstanding under instalment credit agreements, including repayments not yet due at the year end, less appropriate provision for bad and doubtful debts based upon the individual assessment of accounts and formulae related to past experience.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions discounted to present value.

Revenue

Interest income on pledges, payday advances and speedloans is recognised as using the effective interest rate method, which allocates the interest income evenly over the life of the arrangement. This results in interest anticipated to be received, but not yet received, at the balance sheet date being accrued and included in the results for the year.

Retail sales and third party cheque cashing commissions earned are recognised at the time of sale.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. A liability is recognised for lease incentives which have been received but have yet to be charged as a reduction in total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Adjusted operating profit

Adjusted operating profit from continuing operations is defined as earnings before amortisation of intangible assets, interest and tax. This additional measure is included as the directors believe that it provides a useful measure for shareholders of the underlying trading performance of the Group since it presents operating profit before the non cash charges in relation to share based payment arrangements and the non-cash amortisation of intangibles.

Net finance costs

Net finance costs comprise interest payable, finance leases interest expense, and dividend income.

Interest income and interest payable is recognised in the income statement as it accrues. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity, or arises as a fair value adjustment in a business combination.

Current tax, including UK Corporation tax and foreign tax, is provided at amounts expected to be paid (or to be recovered) using the tax rates and the laws that have been enacted or substantially enacted at the balance sheet date, together with any adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes where the underlying transactions or events result in an obligation to pay more tax in future or a right to pay less tax in future.

Deferred tax is not recognised on the initial recognition of goodwill.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Employee share schemes

The group issues equity and cash settled share-based payments to certain employees. In accordance with IFRS 2, the fair value of the share awards is measured at grant date using the valuation method most appropriate to that class of award, either the binomial or Black-Scholes method. The fair value of each award is based on publicly available market data and is charged to the consolidated income statement over the vesting period, with a corresponding increase in equity.

In accordance with the transitional arrangements as set out in IFRS 1, the recognition and measurement criteria for share based payments have been applied retrospectively for equity instruments granted after 7 November 2002 and unvested at the applicable date. No adjustments have been made for equity instruments granted prior to this date.

Treasury shares

Transactions, assets and liabilities of the Group-sponsored Employee Benefit Trust are included in the Group financial statements. In particular, the trust's purchases of shares in the Company remain deducted from shareholders' funds until they vest unconditionally with employees.

Employee benefits - Defined contribution pension schemes

A number of employees are members of defined contribution pension schemes. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The assets of these schemes are held separately from those of the Group.

Financial instruments and cash flow hedging

The Group's activities expose it primarily to the financial risks of changes in the commodity price of gold, and consequently the financial risk of change in the rate of exchange between Sterling and the Dollar. The Group uses a combined forward gold bullion swap contract and gold bullion put contract to mitigate the cashflow risk of such fluctuations. The fair value of these contracts is marked to market at each balance sheet date.

Where the financial instruments describe above are designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the cash flow hedge reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

Where a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement, i.e. when interest income or expense is recognised.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Critical accounting policies and significant areas of judgement

Management consider the critical accounting policies and significant areas of judgement to be the determination of the recoverable amount of customer accounts receivable, the allocation of fair values of assets on business combinations, and the treatment of the gold bullion contracts as a cash flow hedge.