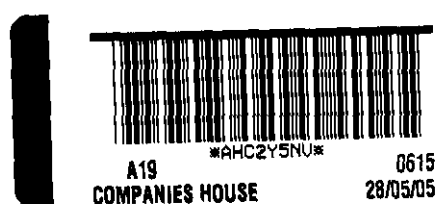


Annual Report 04

Whatman

630958



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Introduction to Whatman

The Whatman Business

Whatman is regarded as the world's leading innovator, developer, producer and distributor of high-end laboratory separations products including filter papers, membranes, syringe filters, filters for use in breathing apparatus, automated platforms and surgical devices. From collection, storage and manipulation of DNA for forensic applications, Whatman provides world class solutions for life sciences, worldwide. Solutions that enable engineers, scientists and medical staff to carry out their work more easily, quickly, accurately and safely.

Corporate headquarters
Brentford, West London

Sales and marketing offices

- Dassel, Germany (North Europe)
- Maidstone, UK (South Europe)
- Florham Park, New Jersey, USA (North America)
- Singapore (Asia Pacific)
- Tokyo (Japan).

Principal manufacturing locations

- Banbury, UK
- Maidstone, UK
- Sanford, Maine, USA
- Dassel, Germany.

Whatman's distribution, sales and service organisation covers more than 70 countries worldwide.

For contact details, see page 60.

Whatman Board

Boo Tran¹

Chairman and Chief Executive

Also Chairman of Southern Water and Astron Group. Previously Group Chief Executive of North West Water and of The Stationery Office; 22 years in healthcare with Glaxo, Abbott Laboratories and Novo Nordisk and non-executive directorships with Celltech and Medeval.

Dr Simon May²

Deputy Chairman (and Non-executive Director)

Also a member of the Investment Committee of ACTIV Investments Fund, and a business consultant and author. Previously Director of Business Development, Nortel Europe, and founder of Mondiale Information Technology Associates.

Tom McNally³

Vice Chairman

Appointed as Vice Chairman on 1 January 2005 with executive responsibility for the Group's research and development, business development and sales functions; non-executive director of the Company since March 2003. Also a director of Pediatric Clinical Trials International. Previously 25 years in healthcare with Abbott Laboratories.

Dr Morana Jovan⁴

Non-executive Director

Also a venture partner with MPM Capital, and a director of Zeolita Mira and Panmedix.

Dr Hinrich Kenter⁵

Non-executive Director

Appointed 1 January 2005. Also Chief Executive of ConCap GmbH and Chairman of ConCert GmbH, ... DIA-Nielsen MicroTech GmbH, Hahnemühle FineArt GmbH and S&S Security Printing GmbH. Previously Chairman of Schleicher & Schuell GmbH and Chairman and Chief Executive Officer of Sebaldis Group.

Phil Greenhalgh

Finance Director

an Bonnar

Operations Director

John Simmonds

Company Secretary

¹ Chairman of the Nomination Committee.

² Chairman of the Audit Committee, member of the Nomination and Remuneration Committees, and Senior Independent Director.

³ Member of the Nomination Committee; until 31 December 2004, also Chairman of the Remuneration Committee and member of the Audit Committee.

⁴ Member of the Nomination Committee; until 29 January 2004, also a member of the Audit and Remuneration Committees.

⁵ Chairman of the Remuneration Committee, member of the Nomination and Audit Committees.

Highlights of the Year

"Operating Profit* up 29%"

Financial Highlights

- Underlying sales** up 6% (excluding Biometra, in liquidation)
- Operating profit* up 29% to £18.2 million (2003: £14.1 million)
- Operating margins* rise to 23% (2003: 17%); LabSciences margins up to 35% (2003: 32%)
- Adjusted EPS* up 39% to 10.45p (2003: 7.52p)
- Total dividend increased by 7.5% to 4.61p per share (2003: 4.29p).

Statutory Results

- Turnover £82.8 million (down 1% on 2003: £83.8 million)
- Operating profit £2.9 million (down 78% on 2003: £13.4 million)
- Profit before tax £1.4 million (down 46% on 2003: £2.6 million)
- Basic loss per share of 0.41p (increase of 72% on 2003: loss of 1.49p).

Operating Highlights

- Solid sales growth in LabSciences (up 7.1%) and BioScience (up 16.8%) offset by weaker performance in MedTech (down 3.7%) all at constant exchange rates
- FTA sales up 39% at constant exchange rates to £4.8 million and licensing discussions progressing
- Rationalisation of pre-acquisition Whatman manufacturing facilities largely completed, on schedule and within budget
- Successful acquisition of Schleicher & Schuell, and integration delivering synergies on schedule
- Search for new CEO well underway
- On track to deliver earnings accretion targets announced last November.

* pre-goodwill amortisation and exceptional charges and excluding acquisitions and disposals

** at constant exchange rates and excluding acquisitions and disposals

Chairman's statement

Overview

Two years on, and the renaissance of Whatman is well underway. The initial restructuring of the organisation has generated benefits to shareholders; sales have started to grow ahead of the market, margins have improved and the strengthening of the management has begun.

Nevertheless, there is still much to do:

- we have had some setbacks with key appointments, in particular with the CEO and some of the regional sales managers
- the organisation, prior to the acquisition of Schleicher & Schuell GmbH ("S&S"), is now broadly the right size and shape, but the process of building additional skills has barely begun
- whilst our LabSciences products have been growing faster than the market, they have yet to realise their full potential
- BioScience news was mixed:
 - organic growth of FTA – largely in the forensics market – continued, but the out-licensing programme is taking longer than we had hoped
 - however, with increased knowledge of the potential markets for FTA, our expectations for both the forensics market and the applications for which we are negotiating licences are considerably higher
 - multiwells ended the year most encouragingly, after a slow start
- in MedTech, the OEM sales are by nature lumpy and we continue to believe in their potential, but we shall be reviewing the future of some of the lower margin, lower growth product ranges in this segment
- the margin improvements achieved in the year exceeded expectations and we believe that there is still a considerable way to go. The process improvement programme has only just begun in all our factories.

Overall, the promised improvement in profitability resulting from the upgrading of existing operations has been substantially achieved and is starting to yield improvements in business performance.

The acquisition of S&S towards the end of the year has provided a unique opportunity. The integration has got off to a good start and is expected to meet the earnings accretion targets published at the time of the acquisition.

Financial Results

Excluding Biometra and S&S, sales were £74 million; at constant exchange rates and excluding disposals this represents a 6% increase over 2003. This reflects a strong performance in the LabSciences segment where we grew the business by 7.1% to £47.9 million and in which we are outperforming the market. Total Group sales in 2004 were £82.8 million, including one month of S&S sales (2003: £83.8 million).

Operating profit (EBITA) in the year to 31 December 2004, including Biometra (in voluntary liquidation), but excluding goodwill amortisation and exceptional charges, was £18.3 million, up 30% (40% at constant exchange rates) on 2003 (£14.1 million). This improvement has resulted largely from further benefits of the restructuring programme which started in early 2003.

Operating profit (EBITA) of continuing operations, excluding S&S, goodwill amortisation and exceptional charges, was £18.2 million, up 29% on 2003 (40% at constant exchange rates). Operating (EBITA) margin of the continuing operations increased to 23% (2003: 17%), resulting from:

- a solid improvement in LabSciences from 32% (2003) to 35% (2004)
- an encouraging improvement in BioScience to near breakeven against last year's loss of 24%
- a limited improvement from MedTech, which increased 10 points from a loss of 5% in 2003 to a profit of 5% in 2004.

Earnings per share for the year, before goodwill amortisation and exceptional charges, were 10.45p, 39% higher than the 7.52p in 2003.

The Group has provided in the 2004 Accounts for exceptional charges of £15.8 million (excluding amortisation of goodwill):

- £12.4 million for the rationalisation of S&S facilities, integration of the S&S product range and stock write downs within S&S
- £2.3 million relating to onerous leases and continuing restructuring within the established Whatman operations
- £1.1 million in respect of Biometra in order to maintain a full provision over its net assets.

After these exceptional charges and amortisation of goodwill, the Group's profit before tax was £1.4 million (2003: £2.6 million) and the loss per share was 0.41p (2003: loss of 1.49p).

The Group incurred a tax rate on underlying profits before goodwill and exceptional items of 25% in 2004 (2003: 32%). It is anticipated that the ongoing tax rate of the combined Group in the near term will be 25% at current levels of profit, with incremental profits taxed at 35%.

Operating cash flow in the year was £13.8 million (2003: £8.7 million). The total consideration for the acquisition of S&S was €58.8 million (£40.9 million), which was financed entirely by debt.

At 31 December 2004, the Group's net debt was £30.3 million, a gearing ratio of 75%. Interest cover at 31 December 2004 was 43 times, based on the combined 2004 profit of Whatman and S&S before goodwill amortisation and exceptional charges.

In the announcement of the acquisition of S&S, the Board indicated that the acquisition would be 17% accretive to earnings in 2005, 39% accretive in 2006 and 48% accretive in 2007. With this expectation for very substantial improvement in profitability, but prudently planning to repay the debt, the Board has decided to recommend the payment of a final dividend of 2.87p per share, making a total dividend for the year of 4.61p per share, 7.5% higher than in 2003 (4.29p). This will be paid on 27 May 2005 to shareholders on the register at 22 April 2005.

Business Restructuring

The restructuring projects initiated in 2002 are all substantially completed:

- headcount within the pre-acquisition Whatman business (ie prior to the acquisition of S&S) is now steady at about 725 (down from 1,050 at the beginning of 2003)
- reduction of the pre-acquisition Whatman range of products from 16,000 lines to 4,000 lines was completed. A further 500 lines were identified for deletion, but implementation of this programme has been combined with the rationalisation of the S&S range (see below)
- rationalisation of the principal Whatman pre-acquisition manufacturing facilities is complete, on schedule and within budget, with production now concentrated at Banbury and Maidstone in the UK and Sanford in the USA, all of which have ISO9001 certification. Registration of the Banbury and Sanford sites to ISO 13485 will be completed during 2005. Relocation of the membrane etching plant from Scarborough to Sanford was completed in October, also within budget
- relocation of the North America headquarters from Clifton to Florham Park, New Jersey and of the Japan office to an improved location in Tokyo is also complete
- standardisation and upgrading of the Group's integrated business software and telecom systems will be substantially completed during the first half of 2005
- disposal and letting of surplus properties continues to progress:
 - agreement has been reached for the sale of the Clifton site, with completion of the sale scheduled for June
 - leases of the Newton and Scarborough facilities have been surrendered
 - the Ann Arbor facility has been sublet for the full remaining period of the lease.

Acquisition of Schleicher & Schuell

The acquisition of S&S was completed on 30 November 2004 for a consideration of €58.8 million (£40.9 million), financed entirely by debt.

S&S's leading position in Germany complements Whatman's established presence in the UK and the USA, and the combined Group is now the clear

number three in the global LabSciences market, with a 16% share.

The acquisition will allow the Group to offer a more comprehensive product line with the same superior quality our customers have come to expect. The acquisition has also opened new doors for Whatman in markets and geographies in which Whatman has not, historically, been present or strong.

Integration of the Whatman and S&S customer service and sales groups has been successfully completed during the first quarter of 2005. Based in Florham Park, New Jersey (North America), Maidstone, UK (South Europe), Dassel, Germany (North Europe), Singapore (Asia Pacific) and Tokyo (Japan), the combined teams are now positioned to provide existing and new customers with a substantially broader product and improved service capability. In North America and the UK, the established Whatman presence will benefit from the increased selling resources and additional products, including:

- within the microbiology market (part of the LabSciences segment), a range of leading products in food and beverage QA/QC applications with industry-wide application, including microbiological monitors and media for culturing samples
- in the DNA blotting market (part of the BioScience segment), S&S blotting membranes, which are considered the premier brand available in the market and complement Whatman blotting paper
- in the diagnostics lateral flow market (part of the MedTech segment), combined S&S and Whatman product offerings provide customers with an optimised range of products for lateral flow, making Whatman the most comprehensive supplier of material for lateral flow tests
- in Neonatal testing (part of the BioScience segment), S&S dominates the supply of printed cards for sample collection using the 903 media.

The geographical strength of S&S in Germany and Central Europe provides a considerable opportunity to offer the combined product range to S&S's strong loyal customer base.

Integration and rationalisation of the combined product range will be completed by the fourth quarter of 2005. The pre-acquisition Whatman range had already been reduced from 16,000 products to under 4,000. A similar programme to reduce the S&S product range from 17,000 items, together with a further reduction of the Whatman pre-acquisition range, is well underway and will result in a combined offering of 7,000 products.

Initial stages of the integration of operations are progressing well:

- relocation of the S&S LabSciences facility from Florida

to Sanford will be completed in April 2005, earlier than originally planned and within budget

- relocation of the S&S BioScience manufacturing and R&D activities from New Hampshire to Sanford will be completed by August, and the New Hampshire freehold site has been put up for sale
- absorption of S&S head office functions into the Whatman organisation was completed in the first quarter of 2005.

Migration of S&S business operating systems to the upgraded Whatman platform is on schedule, for completion by the end of 2005. Completion of these initial integration projects will reduce the combined

workforce from 1,170 at the date of acquisition to 980 by the end of the year.

A further stage of the integration will combine the existing paper conversion operations at Banbury and Dassel. This project will be completed by the end of the year and will achieve a further reduction in headcount.

Segmental Review

As announced at the beginning of 2004, the Group now has three reporting segments. The segment previously named "Filtration and Separation" is now divided into "LabSciences" and "MedTech". The segment previously named "Biotechnology" is now called "BioScience".

The statutory accounts for 2004 include one month of S&S sales, post-acquisition. The analysis in the following table shows the unaudited proforma total sales of the Group for the whole of 2004:

	2004 £000	Whatman Underlying growth* %	2004 £000	Standalone S&S Underlying growth* %	2004 £000	Proforma Combined Group Underlying growth* %
LabSciences	47,890	7.1	20,621	7.5	68,511	7.2
MedTech	15,323	(3.7)	5,337	9.2	20,660	(0.6)
BioScience	10,748	16.8	9,031	7.9	19,779	12.5
Ongoing operations	73,961	6.0	34,989	7.9	108,950	6.6
Biometra	6,429	(15.7)	-	-	6,429	(15.7)
Total	80,390	4.0	34,989	7.9	115,379	5.0

* at constant exchange rates

LabSciences

LabSciences is the preparation of non-cellular samples prior to analysis, including environmental applications. It comprises cellulose and glass filtration media, membranes and chromatography. In addition to traditional products, this segment includes syringe filters, capsules and other encapsulated products, and microbiological products.

Underlying sales (at constant exchange rates and excluding the filter cartridge business which was sold at the end of 2003) were up 7.1% in a market which grew by about 3%. Within this overall growth, some weakness in European demand was outweighed by particularly strong activity in the United States.

The traditional cellulose and glass fibre macrofiltration products continued to hold their own, together achieving a 4% increase in sales (at constant exchange rates) in a steady market.

Membrane sales in this segment were up 20% at constant exchange rates, helped by the award of a five year US contract for air pollution monitoring.

The Company's latest generation of innovative products continues to provide new opportunities:

- Mini-UniPrep, used in HPLC sample preparation, achieved a 53% year on year increase in sales

- GD/X, providing simple preparation of hard-to-filter samples, achieved 18% sales growth
- Purasil, a high purity silica gel for flash chromatography, was successfully launched mid year.

The unique features of these new products offer our customers user-friendly and cost-reducing solutions in a wide range of applications, from QC testing in an environmentally friendly process which extracts ethanol from corn to preparation of HPLC samples in organic synthesis.

About half the Group's sales in the LabSciences sector are through specialist laboratory distributors. Recent changes in this distribution channel, while creating some short term uncertainty in the market, provide the Group with an opportunity for improved longer term growth.

MedTech

MedTech comprises filtration components supplied on an OEM basis to manufacturers of medical devices and clinical diagnostics tests.

Underlying sales were disappointingly down 4% at constant exchange rates, due to a shortfall in sales of relatively low margin drug reconstitution products resulting from a subcontract supply problem. This shortfall was expected to be filled by increased sales of membranes for clinical diagnostics. In the event,

this did not come through in the second half of 2004 but we remain confident that this will happen in 2005, as further applications continue to be found for the Group's unique portfolio.

In addition, Fusion 5, which enables five processes in lateral flow diagnostic assays to be combined into a single process, was successfully launched during the year and has already achieved sales to a number of global diagnostics manufacturers.

BioScience

BioScience is the preparation of cellular samples prior to analysis and storage for study of nucleic acids or proteins. It comprises FTA, multiwell plates, column based DNA separation, electrophoresis products, protein microarrays, blotting and neo-natal paper.

Underlying sales were up 17% year on year at constant exchange rates, with particularly strong second half growth.

Sales of FTA products, the unique technology for collection, archiving and purification of DNA, were up 39% on the prior year. The technology is now well established as the worldwide standard in forensics applications. In addition, we are now achieving sales to other sectors, including entry into the food and agriculture marketplace and a first application for epidemiological studies in the pharmacogenomics sector.

Negotiations are progressing with potential partners who will be licensed to market the FTA technology in applicational areas which are not directly accessible through existing Whatman channels.

The margin on FTA sales continues to improve, resulting from both manufacturing efficiency and customers' evaluation of the effectiveness of the technology.

Sales of multiwell products were up 4% at constant exchange rates, at last showing some signs of the potential for specialised plates to OEM customers.

Biometra

Sales from Biometra, which was put into voluntary liquidation in mid 2003, fell during the period in line with market conditions, but some significant progress was achieved toward a resolution of the intellectual property disputes. We continued to provide for the full net asset value of this business pending resolution of these disputes.

Product Development

An extended R&D facility was commissioned at Sanford in the first quarter of 2005 and the S&S R&D team will relocate during the second quarter, establishing an excellent combined resource for membrane, FTA, microarrays and engineering research and development. Additionally, the S&S acquisition brings further expertise

in membrane engineering based at Dassel in Germany. R&D expenditure for the combined group will constitute around 2% of total revenue.

The Group's FTA technology continues to be strengthened, with three new US patents, for clone archiving, diagnostics and DNA elution, and one European patent having been granted in 2004, and a further US patent, for sample visualisation, granted since the year end. Formats for use in fully automated applications have been completed and data collection for CE marking and for US 510k FDA registration was also completed.

All three market segments continue to benefit from extensions of the Group's established technologies:

- in LabSciences, further development of the Mini-UniPrep technology includes Mini-UniPrep amber, for light sensitive samples, for example in vitamin analysis, and Mini-UniPrep slit septa, for applications requiring the use of very fine needles, for example in HPLC autosamplers
- EasyClone, launched on the market in December 2004, is a 384 well multiplate incorporating FTA technology for high throughput manipulation and archiving of bacterial clones, employed in genomics projects
- Fusion 5, described in the Segmental Analysis above, was launched in April 2004.

The acquisition of S&S brings to the Group a new protein microarray technology, which although still in its infancy has exciting potential for high throughput proteomics applications, a new market area for Whatman.

Board and Staff

The search for a new CEO is now well underway and we hope to be in a position to make an announcement in the near future. Pending the appointment of a new CEO, I am personally overseeing the integration and restructuring of S&S while also continuing to direct the overall renaissance of the Group. Additionally, Finance, Operations and Administration are reporting to me until the new CEO is appointed.

Dr Hinrich Kehler (previously Chairman of the Advisory Board of S&S) joined the Board as a non-executive director on 1 January 2005 and brings extensive business experience in addition to his knowledge of the S&S operations.

Tom McNally, who joined the Board in a non-executive capacity in 2003 following an outstanding career with Abbott Laboratories, has taken on executive responsibility for the R&D, Business Development and Sales functions, pending the appointment of a new CEO.

A Scientific Advisory Board has been established and the Group is very fortunate to have appointed

Dr Roger Ford, Professor of Innovation and Technology Strategy at the University of Salford, and Dr Geoff Moggridge, Senior Lecturer in Chemical Engineering at the University of Cambridge, to the Advisory Board.

I am very pleased to welcome the S&S employees to Whatman and I am sure they will add considerably to the strength of the Group's human resources.

I would again like to record my thanks to all our staff for their continuing commitment to the business through another year of transformation.

Outlook

The achievement of an acceleration of top line growth in Q1 has been hampered by the lack of sales leadership following the departure of our CEO and two regional sales managers in Q4 2004. This year got off to a slow start which continued through January and February.

The Business Development and Sales reins were picked up by Tom McNally in January, and March saw a pick up in sales and orders. Overall, Q1 2005 was behind our own expectations, but we believe that Q2 will see us back on track.

In our search for a new CEO we have a good shortlist of candidates from which we hope to make an appointment in the near future. In addition, the full complement of regional sales managers is now in place and this should allow us to regain sales growth momentum.

Meanwhile, the integration plans and product rationalisation announced at the time of the acquisition of S&S are coming through on schedule and we are on track to deliver the earnings accretion targets announced at that time.

We still have some way to go on the restructuring of the combined group and we shall be commencing a manufacturing improvement programme at the beginning of the summer which we expect to further enhance operating margins.

Overall, we continue to make good progress and I am confident that there is considerable further upside to come.



Bob Thian
Chairman
8 April 2005

Financial review

Turnover

Group turnover of £82.8 million was £1.0 million (1%) below 2003. Turnover excluding Biometra and Schleicher and Schuell was £74.0 million, £2.0 million (3%) below 2003, the reduced level of activity being principally in LabSciences and MedTech, £2.3 million (5%) and £0.8 million (5%) below 2003 respectively. BioScience turnover was £1.0 million (10%) above 2003.

On a like for like basis, excluding acquisitions, disposals and exchange effects, LabSciences sales were 7% up

on the prior year, with membrane sales growing by 20% and encapsulated product sales growing by 10%; MedTech sales were 4% below last year largely as a result of a 9% decline in sales of encapsulated medical filters; BioScience sales were 17% above last year, resulting from a growth of 39% in FTA sales.

Sales of Biometra in liquidation on a like for like basis were 16% down on last year.

Operating profit

	After goodwill amortisation & exceptional items continuing		Before goodwill amortisation & exceptional items continuing		Adjusted operating profit margin	
	2004 £m	2003 £m	2004 £m	2003 £m	2004 %	2003 %
LabSciences	14.6	11.5	16.8	16.3	35	32
MedTech	0.5	(1.6)	0.8	(0.8)	5	(5)
BioScience	(0.6)	(2.6)	(0.1)	(2.3)	-	(24)
Schleicher & Schuell	(12.3)	-	0.1	-	4	-
Total ongoing	2.2	7.3	17.6	13.2	24	17
Biometra & Hemosure	0.7	6.1	0.7	0.9	11	12
Total	2.9	13.4	18.3	14.1	22	17

The improvement in the adjusted operating profit margin for LabSciences from 32% to 35% of sales was due to the increased sales volume and improvements in gross profit margins resulting from a reduction in sales of lower margin pleated encapsulated products.

MedTech made an adjusted operating profit margin of 5% compared to a loss of 5% in the previous year as a result of savings in sales and administrative overheads and the loss of some lower margin business.

The adjusted operating loss of BioScience reduced from 24% to less than 1% of sales, largely due to improved gearing as a result of the high sales growth and improvements in FTA gross profit margins.

The Schleicher & Schuell business generated an operating profit of £0.1 million before goodwill amortisation and exceptional items for the one month since acquisition.

The adjusted operating profit of Biometra reduced to £0.7 million from £0.9 million.

Exceptional charges

Exceptional charges, including amortisation of goodwill, of £16.4 million includes £12.4 million for redundancies, closure costs and stock write-downs in connection with the integration of Schleicher & Schuell, £2.3 million relating to increases in existing onerous lease provisions and further redundancies and £1.1 million to maintain a full provision over the net assets of Biometra.

Interest

The net interest charge for the year increased by £0.2 million to £0.4 million as a result of an increase in interest rates and the increase in debt to fund the Schleicher & Schuell acquisition. Excluding goodwill amortisation and exceptional charges, interest was covered 43 times (68 times in 2003). Including goodwill amortisation and exceptional items, interest cover was 4 times (13 times in 2003).

Profit/(loss) before tax

The pre-tax profit for the year of £1.4 million (2003: £2.6 million) was after charging goodwill amortisation and exceptional charges of £16.4 million. The profit before tax, before goodwill amortisation and exceptional charges was £17.8 million (2003: £13.9 million).

Taxation

There is a tax charge of £1.9 million (228%) on the 2004 profit of £1.4 million. Reconciliation to the standard UK rate of 30% is set out in the notes to the Accounts.

The tax rate on underlying profits before goodwill and exceptional items was 25% compared to 32% in 2003, realising the benefit from the Group's rationalisation and internal refinancing. Tax of £3.4 million is recoverable against profits in prior periods and advance payments, primarily in the USA and the UK. In addition there is a deferred tax asset of £7.5 million recoverable against future profits, offset by deferred tax liability of £2.6 million.

Earnings per share

Loss per share was 0.41p, down from a loss per share of 1.49p in 2003. Earnings per share, before goodwill amortisation and exceptional charges, which reflects the underlying performance of the Group, was 10.45p, up from 7.52p in 2003.

Dividend

It is proposed to pay a final dividend of 2.87p per share, making a total dividend for the year of 4.61p per share, an increase of 7.5% over last year. The dividend is covered 2.3 times (1.7 times in 2003) by earnings from continuing operations before goodwill amortisation and exceptional charges. Based on profit attributable to shareholders, the dividend is not covered (2003: not covered).

	2004 £m	2003 £m
Operating profit before goodwill amortisation and exceptional charges	18.3	14.1
Depreciation and other non-cash items	2.7	5.3
Provisions utilised	(6.4)	(12.7)
Working capital movement	(1.3)	2.0
Operating cash flow	13.8	8.7
Net capital expenditure	(4.6)	(3.3)
Interest	(0.9)	(0.2)
Tax	(0.4)	2.8
Free cash flow	7.4	2.4
Net acquisitions	(28.9)	-
Sale of businesses	-	4.0
Dividends paid	(5.6)	(5.1)
Shares issued	2.1	0.8
Movement in net borrowings	(25.0)	2.1

There was a free cash inflow of £7.4 million in 2004, after spending £6.4 million on provisions, compared to £2.4 million in 2003.

Working capital increased by £1.3 million in the year comprising increases in stock of £0.7 million, debtors £0.3 million and a decrease in creditors of £0.3 million.

Net capital expenditure was up £1.3 million on 2003, primarily as a result of the relocation of manufacturing operations to Sanford and the relocation of the North American headquarters to Florham Park NJ.

Net tax paid reduced from £2.8 million in 2003 to £0.4 million in 2004, primarily due to a tax refund of £2.2 million being received in the US in respect of prior year losses.

Net payments for acquisitions includes the total consideration of £40.9 million for S&S, offset by amounts received in respect of excluded entities and other similar adjustments of £4.9 million. Of this amount, £3.8 million is deferred for payment until 30 November 2005. It includes transaction costs paid or accrued totalling £2.8 million, but excludes bank arrangement fees of £0.6 million. Cash acquired with the business amounted to £1.1 million.

Proceeds from the sale of businesses in 2003 comprise £3.6 million for the HemaSure business and £0.4 million for the filter cartridge business.

International financial reporting standards

The Group's plans to implement IFRS are on track and will ensure that full compliance with the statutory requirements will be achieved.

Treasury

Treasury operates on a centralised basis as a cost centre in line with policies set by the directors. Primary objectives of the policies are to manage the effects associated with foreign exchange and interest rate movements, to ensure the availability of a prudent level of loan facilities on reasonable terms and to provide cash management. Financial derivatives are used only to reduce risk and speculation is not permitted.

The Group operates a finance company in Luxembourg in order to improve the cost effectiveness of the Group's cash management. Cash management systems continue to be used with a number of banks to help reduce the net interest charge.

The Group hedges its profits against short-term exchange rate movements mainly by forward contracts for periods of up to two years. Interest rate movements are partially hedged by the use of interest rate swaps. Foreign currency assets are partially hedged by matching them to limited currency borrowings.

During the year the Group refinanced its borrowing facilities replacing existing bilateral facilities with a single facility syndicated with a small number of London banks. This facility comprises a €95 million amortising five year term loan to finance the acquisition and integration of Schleicher and Schuell and a five year revolving credit facility. Further details of the borrowings are given in the notes to the Accounts.

Directors' report

Including Summaries of Operating Policies

Results

The directors present their report on the audited financial statements for the year ended 31 December 2004.

Details of profits and proposed dividend payments are included in the Financial Review.

Principal activities and development of the business

The principal activities of the Group continue to be the development, manufacture and marketing of filtration and separations products which are used by laboratories for industrial, healthcare and environmental applications, as described in more detail in the Chairman's Statement.

On 30 November 2004, the Company acquired the entire share capital of Schleicher & Schuell GmbH for a total consideration of €58.8 million (£40.9 million), which was financed in full by debt; further details are included in the notes to the Accounts. Schleicher & Schuell's activities are also in the development, manufacture and marketing of filtration and separations products.

The voluntary liquidation of Biometra Biomedizinische Analytik GmbH ("Biometra"), which was announced in July 2003, is continuing.

Future developments

The Group will continue to focus on the strategic and operational development of its businesses, including the integration of the Schleicher & Schuell companies, as described in detail in the Chairman's Statement.

Research and development

Expenditure on the development of new products in 2004 amounted to £1.9 million (2003: £2.2 million).

Directors

The names of the directors are shown on page 2.

Mr Ian Bonnar was appointed a director on 29 January 2004 and was re-elected at the 2004 Annual General Meeting.

Following the acquisition of Schleicher & Schuell in November 2004 and the departure of Mr Howard Kelly as Chief Executive Officer on 25 November 2004, Mr Bob Thian assumed additional responsibilities as Chairman and Chief Executive, including overseeing the integration and restructuring of Schleicher & Schuell and, pending the appointment of a new Chief Executive, direct responsibility for Operations, Finance and Administration.

The Board has been further strengthened by the appointments, with effect from 1 January 2005, of Mr Tom McNally as Vice Chairman and Dr Hinrich Kehler as a Non-executive Director.

Tom McNally, who originally joined the Board as a Non-executive Director in 2003, has taken executive

responsibility for the R&D, Business Development and Sales functions, pending the appointment of a new chief executive, the search for which is progressing with the assistance of an external search consultancy.

Dr Hinrich Kehler was previously Chairman of the Advisory Board of Schleicher & Schuell GmbH, and brings extensive business experience in addition to his knowledge of the S&S operations. He retires at the Annual General Meeting but, being eligible, offers himself for re-election. Dr Kehler (through a majority shareholding in ConCap Beteiligungs und Vermögensverwaltungs GmbH ("ConCap")) was a shareholder of Schleicher & Schuell GmbH (S&S) until the acquisition of S&S by Whatman in November 2004. The former shareholders of S&S have provided indemnities to Whatman in relation to representations and warranties contained in the sale and purchase agreement and payment to them of part of the consideration for the acquisition is subject to retention by Whatman through a warranty period. In addition, Dr Kehler continues to be a director and (through his shareholding in ConCap) has beneficial shareholdings in a number of companies which were previously subsidiaries of S&S but excluded from the acquisition of S&S by Whatman. These companies are parties to certain contractual agreements with Whatman companies by which, for a transition period, they supply products and services to Whatman and receive services from Whatman. Accordingly, Dr Kehler does not take part in any Whatman discussion or voting in relation to any of the above-mentioned contracts.

At no time during the year has any other director had any material interest in a contract with the Company, being a contract of significance in relation to the Company's business (other than agreements for the payment of directors' fees to service companies, details of which are included in the Remuneration Report).

Mr Bob Thian, who was appointed a director on 7 October 2002, and Dr Simon May, who was appointed a director on 30 June 1994, retire at the Annual General Meeting but, being eligible, each offers himself for re-election.

The beneficial interests of directors in the shares of the Company and details of service contracts are shown in the Remuneration Report.

Litigation

On 12 March 2004, Biometra's appeal to the European Patent Office in opposition to one of the patents which have been the subject of infringement actions against Biometra was successful and the offending patent was revoked by the EPO.

Some significant progress has been achieved toward a resolution of the other intellectual property disputes relating to Biometra.

Substantial shareholdings

The Company has been advised within the provisions of sections 198 to 208 of the Companies Act 1985 of the following substantial shareholdings as at 8 April 2005:

	Shares	% of issued share capital
Schroder Investment Management Ltd	13,872,008	10.75
J O Hambro Capital Management Limited		
North Atlantic Smaller Companies Investment Trust plc	6,535,000	5.07
Oryx International Growth Fund Limited		
Hermes Pensions Management Ltd	6,473,722	5.01
Legal and General Investment Management Ltd	5,117,089	3.97
Prudential plc	5,102,775	3.95
Aegon Asset Management UK	4,782,639	3.71
Barclays plc	3,921,894	3.04

The directors are not aware of any other interest of 3% or more in the shares of the Company which is required to be disclosed.

Issue of shares

During the year the Company issued 2,224,986 shares for a total consideration of £2.1 million to directors and employees exercising share options under the Company's Share Option Schemes.

Donations

During 2004 no donations were made to charities or political parties.

Authorities relating to share capital

At the last Annual General Meeting of the Company the directors were given authority, within defined limits, to allot shares pursuant to sections 89 and 95 of the Companies Act 1985 otherwise than to existing shareholders in proportion to their existing holdings. Renewal of this authority will be sought from shareholders at the forthcoming Annual General Meeting.

At the last Annual General Meeting the Company was given authority, within defined limits, to purchase its own shares. Although no such purchases have been made and there are no immediate plans to do so, renewal of this authority will be sought from shareholders at the forthcoming Annual General Meeting.

Operating policies

The following are summaries of the Group's policies on a number of important operational issues.

Human resources

The Group promotes to its employees the need for the highest standards of integrity and ethics in business dealings, including compliance with all relevant legislation and codes of practice.

Employees are regarded as the key to being able to translate policies and strategies into commercial success. The Group is therefore committed to providing a working environment in which this process can flourish.

Procedures have been established to ensure that all employees have the opportunity to understand and appreciate the Group's objectives, policies and strategies, and to ensure that all employees and applicants for employment receive fair treatment and equal opportunity without prejudice against age, disability or ethnic origin. Employees who become disabled are retrained wherever possible.

The Group aims to create opportunity for participation and involvement, to encourage the identification and development of skills and to promote the use of initiative and stimulate personal advancement. Reward systems recognise success at both the corporate and individual level.

Health and safety

The Group safeguards occupational health and hygiene by providing a safe working environment and complying with all relevant statutory obligations and codes of practice.

Working methods and procedures are properly documented and appropriate risk assessment programmes conducted. Specific responsibilities are assigned to designated employees and appropriate training provided for all employees.

Social Responsibility

The Group provides active support to the communities in which it operates, with particular involvement with schools and further education colleges, including provision of work experience opportunities, encouragement of Group employees to participate in governorships, and sponsorship of local events.

Environment

The Group is sensitive to the needs of the environment, not only in terms of compliance with relevant statutory regulations and codes of practice, but more generally in terms of the need to be efficient in the use of raw materials, energy and water and in reducing the production of waste.

Procedures have been established for the regular monitoring and assessment of environmental impact, and targets set for improvements in performance. The Operations Director has overall responsibility for environmental management including the identification and assessment of significant risks and compliance with all statutory obligations, and provides appropriate reports to the Group Board.

Quality

The Group is committed to maintaining its long-established reputation as a developer, manufacturer and supplier of quality goods and services. All employees are encouraged to regard the continuous improvement of quality standards as a personal objective and performance is monitored against defined quality targets.

Suppliers

The Group has incorporated the CBI's Prompt Payment Code into the Group's operating policy relating to the payment of suppliers. The Company had no trade creditors as at 31 December 2004. The Group's trade creditors as at 31 December 2004 represented 35 days of average purchases over the financial year (2003: 30 days).

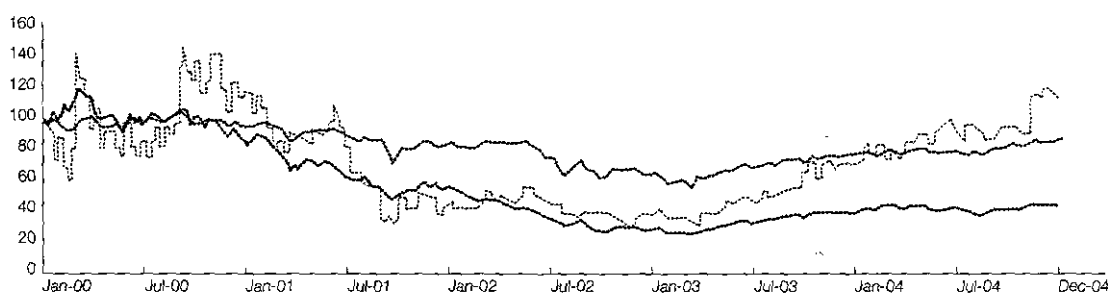
Whatman Total Shareholder Returns

The graphs below show the total shareholder return on a holding of Whatman plc Ordinary shares compared to that of the Financial Times All Share and FTSE techMARK indices over the periods 1 January 2000 to 31 December 2004 and 1 January 2004 to 31 December 2004. (The directors consider these indices to be the most appropriate as the Company is a constituent of the indices.)

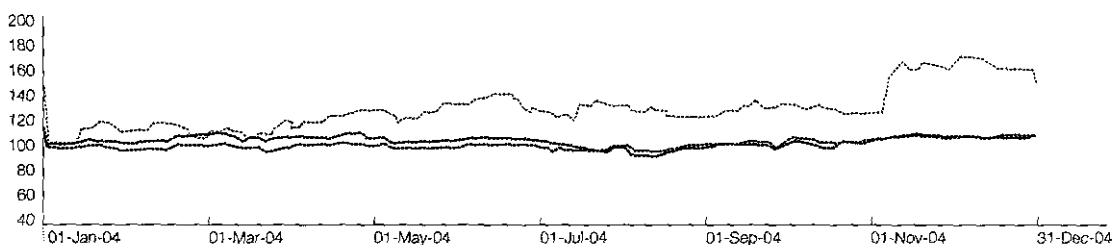
An investment in Whatman shares on 1 January 2000 would have produced a positive return of 4% at 31 December 2004 compared to a negative return of 14% in the FTSE All Share Index and a negative return of 57% in the FTSE techMARK Index over that period.

An investment in Whatman shares on 1 January 2004 would have produced a positive return of 52% at 31 December 2004 compared to a positive return of 13% in the FTSE All Share Index and a positive return of 12% in the FTSE techMARK Index over that period.

Total shareholder return: 1 January 2000 – 31 December 2004



Total shareholder return: 1 January 2004 – 31 December 2004



Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board
John Simmonds
Company Secretary
8 April 2005

Key to performance graphs

..... Whatman
----- FTSE All Share
..... FTSE techMARK All Share

Remuneration Report

for the year ended 31 December 2004

This Report is unaudited except for those parts which are indicated otherwise.

Policy for Directors' remuneration

The remuneration policy of the Group, including the policy for executive directors, is determined by the Remuneration Committee of the Board, the membership of which comprises solely non-executive Board members.

The remuneration policy for non-executive directors is determined by the Board.

In determining remuneration policy, the objectives of the Committee are, in relation to both the current and subsequent years, to provide competitive remuneration arrangements for executive directors and senior executives, which are commensurate with those of other companies of a similar nature, size and standing, which reflect the Group's business and financial objectives, and reward individuals' personal contributions to the Group's overall performance.

Remuneration arrangements are addressed within the context of the Group's current performance, its progress towards strategic objectives and individual executives' personal performance. Arrangements are tailored to reflect good practice within the particular countries in which executives are based, and are regularly reviewed.

In developing remuneration arrangements, the Remuneration Committee (and, in regard to non-executive directors, the Board) refers to external market survey data and has received advice from Linklaters and Watson Wyatt LLP. In developing the particular remuneration arrangements for the Chairman, the Committee also consulted a number of the Group's major shareholders.

Remuneration of Directors

Remuneration of the Chairman

Until 25 November 2004, Mr Thian served as Chairman. Subsequently he has served as Chairman and Chief Executive pending the appointment of a new chief executive.

His remuneration comprises salary and fees, and he received a grant of share options under the terms of the Whatman plc Incentive Option Scheme for the Chairman, which was approved by shareholders at the Extraordinary General Meeting held on 30 November 2004. Details are contained in the notes to this Report. He does not participate in any of the Company's insurance, retirement, or other benefit schemes.

Remuneration of Non-executive Directors

Non-executive directors received remuneration comprising fees and payments for consultancy activities as detailed in the notes to this Remuneration Report.

Non-executive directors are encouraged to receive part of their fees in the form of ordinary shares in the Company, which are purchased quarterly by the Company at the full market price, and Dr Jovan, Dr Kehler, Dr May and Mr McNally have all elected to do so.

Through 2004, Mr McNally served as a non-executive director and received remuneration comprising fees and payments for consultancy activities, details of which are contained in the notes to this Remuneration Report. Following his appointment as Vice Chairman on 1 January 2005, Mr McNally will participate in the Whatman plc Share Award Plan for the Vice Chairman, details of which are also contained in the notes to this Remuneration Report.

Remuneration of Executive Directors

In addition to base salaries, which are determined by the Remuneration Committee in relation to specific job responsibilities and individual capabilities, executive directors participate in the Whatman Group Incentive Scheme, with a maximum bonus potential of 100% of base salary subject to achievement of defined Group, operational and individual objectives, including targets relating to net sales, gross margin and operating expenses, and quantitative measures of achievement of strategic objectives. (Exceptionally in the first year after appointment the Remuneration Committee may in appropriate circumstances award a guaranteed element of bonus.)

Executive Directors also receive a cash allowance in lieu of a company car, participate in the Whatman 1998 Executive Share Option Scheme, in the Whatman Defined Contribution Pension Scheme and in the Group's health, sickness and life insurance schemes.

Details of the elements of Executive Directors' remuneration are contained in the notes to this Remuneration Report.

Executive directors are also eligible after an initial period of service to participate in the Group's Save As You Earn Scheme.

All share incentive arrangements incorporate performance requirements, details of which are included in the notes to this Remuneration Report.

There are no other current long-term incentive schemes.

Service contracts

Executive directors (not including Mr McNally following his appointment to an executive role) have contracts which are terminable by the Company or by the executive on six months' notice.

The Chairman and the non-executive directors do not have service agreements. It is the Company's policy that non-executive directors serve for renewable three year periods.

None of the directors to be proposed for re-election at the forthcoming Annual General Meeting has a service contract.

Membership of the Remuneration Committee

During 2004 membership of the Committee comprised Mr McNally (Chairman), Dr Jovan (retired from the Committee on 29 January 2004) and Dr May. Following Mr McNally's appointment as Vice Chairman on 1 January 2005 he stepped down from the Remuneration Committee, and I was appointed Chairman of the Committee, with Dr May continuing as a member.



By order of the Board

Hinrich Kehler

Chairman, Remuneration Committee

8 April 2005

Notes

(Except for note (a), these notes to the Remuneration Report comprise audited information.)

a I The composition of each director's remuneration (excluding share-based incentives) is targeted to be:

	Non-performance related	Performance-related
	%	%
J N Bonnar	55	45
P Greenhalgh	55	45
M Jovan	100	-
H Kehler	100	-
S P W May	100	-
T M McNally	100	-
R P Thian	100	-

b I Directors' monetary remuneration in 2004

	Salary/fees £000	Monetary value of benefits in kind £000	Bonus £000	Compensation for Loss of Office £000	2004 Total £000	2003 Total £000
J N Bonnar						
(appointed 29 January 2004)	130	8	-	-	138	-
P Greenhalgh	130	6	-	-	136	99 ¹
M Jovan	47	-	-	-	47	30
H Kehler	-	-	-	-	-	-
(appointed 1 January 2005)	-	-	-	-	-	-
H V Kelly						
(left 25 November 2004)	378	77	-	163	618	368
S P W May	63	-	-	-	63	48
T M McNally	76	-	-	-	76	37
R P Thian	185	-	-	-	185	265
Totals	1,009	91	-	163	1,263	847 ¹

¹Total directors' monetary remuneration in 2003, including that paid to directors who did not serve in 2004, was £1,126,000. The salary paid to Mr Greenhalgh in 2003 was for the period from his appointment on 4 August 2003.

1 Mr Kelly was the highest paid director in 2004.

2 Benefits in kind include the provision of a car allowance, pension, medical and life insurances and, in respect of Mr Kelly, reimbursement of relocation costs (pension contributions are stated in section (f) below).

3 Of the remuneration of Mr Thian, £120,000 was paid to Renex Ltd. in respect of executive services.

4 The amounts of salary/fees paid to non-executive directors were inclusive of the following payments for consultancy work: M Jovan £17,000; S P W May £23,000; T M McNally £46,000.

5 The compensation paid to Mr Kelly was in accordance with the terms of a binding compromise agreement between Mr Kelly and the Company.

6 No payments were made to former directors during 2004 other than normal pension payments to the former directors or their surviving spouses.

7 No expense allowances chargeable to UK tax have been paid.

c | Directors' interests in the share capital of the Company

The beneficial interests of directors and their families in the Ordinary 1p shares of the Company were:

	As at 31 December 2004	As at 31 December 2003
J N Bonnar		
P Greenhalgh	24,175	14,739
M Jovan		
H Kehler		
H V Kelly	5,032	
S P W May	6,480	2,704
T M McNally	1,685,220	842,610
R P Thian		

¹ At date of leaving

There have been the following changes in the interests of the directors between 1 January and 8 April 2005:

- 1 Dr Jovan has acquired an additional 1,550 shares in part payment of director's fees.
- 2 Dr Kehler has acquired 775 shares in part payment of director's fees.
- 3 Dr May has acquired an additional 827 shares in part payment of director's fees.
- 4 Mr McNally has acquired an additional 620 shares in part payment of director's fees.

The market price of the shares at 31 December 2004 was 232p (31st December 2003 – 155.5p). The highest price during 2004 was 269p and the lowest price 155.5p.

Information relating to total shareholder returns is included in the directors' report.

d | Save As You Earn Scheme

At 31 December 2004, Mr Greenhalgh held 5,936 options at an exercise price of 159.6p in the Whatman plc Savings Related Share Option Scheme which matures in December 2007.

e | Share-based Incentive Schemes

i | Whatman plc Incentive Option Scheme for the Chairman

Mr Thian participates in the Whatman plc Incentive Option Scheme for the Chairman, which was approved by shareholders at the Extraordinary General Meeting held on 30 November 2004.

Under this Scheme Mr Thian received a single grant of 1,000,000 options on 30 November 2004, which are exercisable at any time subject to the following performance requirements. 500,000 of these options will be exercisable if there is an increase in the Ordinary Share price of 15% over the exercise price, the increase in price to be an average measured over 60 consecutive trading days. The remaining 500,000 options will be exercisable if there is an increase in

the Ordinary Share price of 30% over the exercise price, the increase to be an average measured over 60 consecutive trading days. Shares acquired by the exercise of these options cannot normally be saleable for as long as Mr Thian continues to be a director of the Company.

ii | Whatman plc Share Award Plan for the Vice Chairman

Mr McNally participates in the Whatman plc Share Award Plan for the Vice Chairman, which was established in connection with Mr McNally's assumption of executive responsibilities with effect from 1 January 2005 after the Chief Executive left the Company.

Under this Scheme Mr McNally was granted 250,000 restricted shares on 1 January 2005. 125,000 of these shares will vest if there is an increase in the Ordinary Share price of 15% over the price at 1 January 2005, increase in price to be an average measured over 60 consecutive trading days, but subject to a minimum holding period of 18 months from date of grant. The remaining 125,000 restricted shares will vest if there is an increase in the Ordinary Share price of 30% over the price at 1 January 2005, the increase to be an average measured over 60 consecutive trading days, but subject to a minimum holding period of 36 months from date of grant.

iii | Whatman 1998 Executive Share Option Scheme

Executive Directors participate in the Whatman 1998 Executive Share Option Scheme, which was approved by shareholders in 1998. This comprises an annual grant of up to 125,000 options, the actual number to be granted to each participant in each year being determined according to an assessment of corporate and individual performance.

One third of each grant of options becomes exercisable three years after the date of grant, a further third becomes exercisable four years after

the date of grant, and the final third becomes exercisable five years after the date of grant, in every case subject to the average of the middle market quotations for Whatman Ordinary Shares over any period of 20 consecutive trading days being at least 15% p.a. compound above the average price over the five trading days prior to grant.

iv | Whatman plc Long Term Incentive Option Scheme

In January 2003, Mr Thian was granted 1,685,220 options under this Scheme. Of these options, 842,610 became exercisable when the Ordinary Share price was higher than £1.00 over any period of 20 consecutive days. The remaining 842,610 options became exercisable when the Ordinary Share price was higher than £1.30 over any period of 20 consecutive days.

v | Whatman plc Incentive Option Scheme for the Chief Executive

Mr Kelly participated in the Whatman plc Incentive Option Scheme for the Chief Executive.

Under this Scheme, Mr Kelly received an initial grant of 500,000 options on joining the Company on 25 August 2003 and was eligible to receive further grants of up to 300,000 options per year, the actual number to be granted in each year being determined according to an assessment of corporate and individual performance.

On Mr Kelly's leaving the Company, the Remuneration Committee determined that 166,666 options would vest immediately, a further 166,666 options will become exercisable between August 2005 and February 2006 and the remaining options previously granted lapsed at the date of leaving.

The number of options held by directors under the share based incentive schemes described above were:

Whatman plc Incentive Option Scheme for the Chairman

	At 1.1.04	Granted during year	Lapsed during year	Exercised during year	At 31.12.04	Exercise Price	Market Price at date of exercise	Date from which exercisable	Expiry date
R P Thian	-	1,000,000	-	-	1,000,000	251.33p	-	-	30.11.14

¹ These options become exercisable at any time in tranches upon achievement of the performance requirements described in sub-paragraph i (page 21), but shares acquired by the exercise of these options cannot normally be saleable for as long as Mr Thian continues to be a director of the Company.

Whatman 1998 Executive Share Option Scheme

	At 1.1.04	Granted during year	Lapsed during year	Exercised during year	At 31.12.04	Exercise Price	Market Price at date of exercise	Date from which exercisable	Expiry date
J N Bonnar	100,000	-	-	-	100,000	148.3p	-	¹ 22.10.13	
	-	125,000	-	-	125,000	195.67p	-	² 11.05.14	
P Greenhalgh	25,000	-	-	-	25,000	148.3p	-	¹ 22.10.13	
	-	125,000	-	-	125,000	195.67p	-	² 11.05.14	

¹ One third become exercisable from 22 October 2006; one third from 22 October 2007; one third from 22 October 2008.

² One third become exercisable from 11 May 2007; one third from 11 May 2008; one third from 11 May 2009.

Whatman plc Long Term Incentive Option Scheme

	At 1.1.04	Granted during year	Lapsed during year	Exercised during year	At 31.12.04	Exercise Price	Market Price at date of exercise	Date from which exercisable	Expiry date
R P Thian									
Option 2	842,610	-	-	842,610	-	85.33p	159p	-	-

The gain arising from this exercise, calculated by reference to the middle market quoted price at the relevant date, was £620,751.

Whatman plc Incentive Option Scheme for the Chief Executive

	At 1.1.04	Granted during year	Lapsed during year	Exercised during year	At 31.12.04	Exercise Price	Market Price at date of exercise	Date from which exercisable	Expiry date
H V Kelly	500,000	-	166,668	-	333,332	116.4p	-	-	-
	-	300,000	300,000	-	-	-	-	-	-

¹ See details in sub-paragraph v (page 22).

f | Directors' pensions

Executive Directors participate in the Whatman Defined Contribution Pension Scheme. The Company makes a contribution of 6.0% of base salary in respect of each participant (In 2004, £7,000 in respect of Mr Bonnar, £9,000 in respect of Mr Greenhalgh and £15,000 in respect of

Mr Kelly). Participants contribute a minimum of 4.0% of base salary.

The Chairman and the non-executive directors are not eligible for any pension entitlements.

g | Directors' Service Contracts

	Date of Contract	Notice Period	Contractual Termination Provisions
J N Bonnar	2 June 2003 (appointed a director on 29 January 2004)	6 months by Company, 6 months by Director, at any time	At the Company's discretion, payment in lieu of notice
P Greenhalgh	19 May 2003	6 months by Company, 6 months by Director, at any time	At the Company's discretion, payment in lieu of notice
M Jovan	28 March 2003	Not applicable*	Subject to rotational retirement and re-election
H Kehler	1 January 2005 (on appointment)	Not applicable*	Subject to rotational retirement and re-election
S P W May	11 August 1994 amended 7 October 2002	Not applicable*	Subject to rotational retirement and re-election
T M McNally	28 March 2003 amended 1 January 2005	Not applicable*	Subject to rotational retirement and re-election
R P Thian	3 October 2002 amended 29 January 2003, 23 July 2003 and 25 February 2005	Not applicable*	Subject to rotational retirement and re-election

*The contracts for non-executive directors do not include any provision for compensation in the event of termination, the term of appointment being subject to rotational retirement and re-election.

Corporate Governance

Board of directors

The details of individual directors who served during the year and changes in board membership are set out in the *Introductory Section of the Annual Report* and in the *Directors' Report*.

Non-executive directors are usually appointed for periods of three years, subject to Companies Act provisions. Additionally, in accordance with the Company's Articles of Association, all directors are subject to retirement by rotation at least once in every three years.

All new directors receive full, formal and tailored induction on joining the Board, including formal documents relating to the management and operation of the Company, recent and current strategic and operational plans and reports, and statutory and management accounts of the Group and its subsidiaries; they also meet the Group's major shareholders and visit the Group's operating sites, meeting with executives, managers and staff.

Formal Board meetings are held at least eight times a year. Additional meetings are arranged as necessary to consider urgent business. Information provided to the Board includes monthly Group Operating Reports and Management Accounts, reports on treasury and foreign exchange management, and specific business plans and reports. The Board also meets for in-depth reviews

of strategy and discussions of particular business issues and risks, including annual reviews of business development plans. The Board has a formal schedule of matters reserved for its approval; these matters include acquisition and disposal of businesses, issue of shares, significant contractual commitments, effectiveness of risk management review processes and major capital expenditure.

Committees of the Board include an Audit Committee, a Nomination Committee and a Remuneration Committee, all of which function within formal terms of reference. Membership of the Committees is set out in the *Introductory Section of the Annual Report*. The Audit Committee meets at least three times annually, and its activities are outlined later in this Corporate Governance Statement. The Remuneration Committee meets as required to fulfil its responsibilities, which are outlined in the *Remuneration Report*.

The Nomination Committee meets as required to consider appointments to the Board and to the position of Company Secretary, both in response to vacancies arising and within the overall context of the balance of the Board; the Committee appoints appropriate Search Consultants to assist in the recruitment of new board members.

Board Members' attendance at Board and Board Committee meetings during the year was:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Total number of meetings	12	4	4	7 ¹
Meetings attended				
J N Bonnar	12	N/A	N/A	N/A
P Greenhalgh	12	N/A	N/A	N/A
M Jovan	10	3	4	1 ³
H V Kelly	10 ²	N/A	N/A	N/A
S P W May	12	4	4	7
T M McNally	12	4	4	7
R P Thian	12	N/A	4	N/A

¹ In addition to these seven meetings, further meetings were held in connection with the approval of routine exercises of share options.

² Maximum possible 10 (to date of ceasing board membership).

³ Maximum possible 1 (to date of ceasing committee membership).

Formal evaluation of the performance of the Board and Board Committees, including their effectiveness and arrangements for and content of meetings, was conducted after the end of the year, and followed reviews of the schedule of matters reserved for the Board's approval and of the terms of reference of the Board Committees. The senior independent director met with the other non-executive directors, without the Chairman being present, to appraise the Chairman's performance, and that appraisal has been discussed with the Chairman.

In accordance with the provisions of the Combined Code, the directors are aware that independent legal

advice is available to them, at the expense of the Company, in connection with matters relating to the business of the Company.

Relations with shareholders

The formal proceedings of the Annual General Meeting include individual resolutions on separate issues, including resolutions relating to adoption of the Annual Report and Accounts and to adoption of the Remuneration Report. All Board members usually attend the Annual General Meeting and are available to respond to shareholders' questions. As a further means of communication with all shareholders, the Annual Report and Accounts contains information on the Group's business activities, in addition to the statutory

required information. The Company's web site, www.whatman.com, also provides information about the Group, including a section on investor relations.

While carefully recognising statutory constraints concerning disclosure of information, the Group endeavours to ensure that members of the Board develop an understanding of the views of major shareholders by providing opportunities for satisfactory dialogue. These include presentations directly related to the publication of preliminary and interim statements, discussions of the Group's strategies and business plans and periodic visits to the Group's operational facilities.

Directors' responsibilities

The Board of directors has ultimate responsibility for preparation of the Group's Annual Report and Accounts. The Board is required by the Companies Act 1985 to prepare for each financial year financial statements which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. All accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Going concern basis

In view of the Group's satisfactory financial position, the directors confirm that they have reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

Internal control

The Board of directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The role of management is to implement the Board's policies. The system of internal control is an ongoing process designed to identify, evaluate and manage the significant risks facing the business. The system has been in place throughout the year and up to

the date of approval of the Annual Report and Accounts, and is reviewed annually by the Board. This review comprises appropriate consideration and discussion of business and financial reports, strategic plans, capital expenditure projects, product development projects, tax and treasury issues, risk management and legal issues. The internal control system is designed to manage rather than eliminate the risk of failure to meet business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's system of internal controls is communicated through policy and procedure manuals. The Group uses the corporate intranet as a communication channel to ensure that all employees have easy access to the procedures.

Internal financial control

On behalf of the Board, the Audit Committee, the membership of which comprises solely of non-executive Board members, examines the effectiveness of the system of internal financial control.

Internal financial controls and procedures include:

- a clearly defined organisation structure and the appropriate delegation of authorities to operational management
- a budgeting system including the preparation of an annual budget, approved by the directors, and a re-forecasting process
- the monthly reporting and review of financial results compared to budget and the actual results for the previous year
- clearly defined guidelines for capital expenditure, including annual budgets, detailed approval procedures, and post-completion appraisals
- for all acquisitions, detailed due diligence procedures
- accounting and financial reporting policies to ensure the consistency, integrity and accuracy of the Group's accounting records
- specific treasury policies and objectives, with the reporting to the Board of all significant transactions and exposures.

The Audit Committee:

- reviews the draft annual financial statements and other formal announcements, with particular reference to compliance with accounting standards, company law and FSA requirements, before they are presented to the Board
- reviews the external and internal audit work plans
- considers reports from management, internal and external audit on the system of internal control and any material control weaknesses
- discusses with management the actions taken on problem areas identified by Board members or in the internal or external audit reports
- monitors the objectivity, effectiveness and independence

of the external auditor, including the nature and extent of non-audit services provided; additionally, the external auditors have processes in place to ensure that their independence is maintained, including safeguards, to ensure that where they do provide non-audit services, their independence is not threatened; they have confirmed to the Audit Committee that in their opinion they are independent

- reviews arrangements by which staff of the Company may, in confidence, raise concern about possible improprieties in matters of financial reporting or other matters and by which the Company investigates such matters and implements appropriate actions.

Compliance with the internal financial control system is maintained by peer review by other members of the Group's finance management organisation and by the periodic appointment of consultants to conduct specific internal audit activities and assist in the implementation of appropriate action plans.

Operational and compliance controls

The Group's operating policies are outlined in the Directors' Report. Additional procedures and controls include:

- human resources: The Group has local policy manuals and has maintained IIP (Investor in People) status
- health, safety and environment: Risk management is addressed by training, maintenance programmes and the use of monitoring and control devices. The Group also meets the standards of the IPC (Integrated Pollution Control body) and PABAC (Paper and Board Industry Advisory Committee)
- manufacturing, quality and research and development: All operations are required to be performed to standards that meet ISO 9000. These procedures are subject to independent audit
- information technology systems: The Group has internal procedures relating to access controls, back-up procedures and disaster recovery plans.

Risk management

The following have been identified as the Group's key risk areas:

- human resources
- health, safety and environment
- information technology
- financial
- commercial
- business operations
- science and technology
- regulatory
- facilities
- intellectual property and corporate administration

Part of the Board's decision-making procedure is the consideration of the risks involved in particular proposals and actions, and the control processes in place to manage those risks within acceptable limits. For example, in 2004

the Board introduced a process of regular reporting to the Board of key business metrics, introduced a new procedure for Group-wide management of customer complaints, and reviewed the Group's policies and procedures for hedging of foreign exchange exposures, disaster recovery at the major operational sites and the management of relationships with strategic suppliers.

Combined code compliance

During the year, in addition to their director's fees, each of the non-executive directors received remuneration for consultancy projects carried out for the Company, the amounts of which are detailed in the Remuneration Report. However these projects were of a discrete nature and the Board is confident that the amounts of remuneration involved did not compromise the independence of any of the non-executive directors. Although Dr May has been a Board member for more than nine years since his first election, during that time the entire remaining Board membership has changed, as has the entire level of management that reports to the Board, except for the Company Secretary, as well as much of the Group's senior management below those levels. This means that Dr May's position with respect to the rest of the Board, all reports to the Board, and much of the Group's senior management, continues to be independent in the ways envisaged by the Combined Code. The Board therefore considers that all of the non-executive directors were independent during 2004. The Board also considers that Dr Kehler, who was appointed on 1 January 2005, is independent notwithstanding his interest in the contracts described in the Directors' Report, as these contracts do not impinge on his normal responsibilities as a non-executive director.

Throughout the year ended 31 December 2004 the Company has been in compliance with the Code provisions set out in Section 1 of the Combined Code except that:

- i | following the departure of the Chief Executive at the end of November 2004, Mr Thian's role became that of Chairman and Chief Executive, pending the appointment of a new chief executive
- ii | appraisals of the Board and Board Committees were carried out after the end of the year
- iii | although the members of the Committee have extensive relevant business experience, as briefly described in the Introductory Section to the Annual Report, and consequently a general awareness of finance issues, they do not have specialist financial experience.

Board and Committee structures and succession issues will be revisited during 2005.

By order of the Board
John Simmonds
Company Secretary
8 April 2005



Auditors' report

Independent auditors' report to the members of Whatman plc

We have audited the financial statements which comprise the Group profit and loss account, the balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses, the Group note of historical cost profits and losses, and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the chairman's statement, the financial review, the directors' report, the unaudited part of the directors' remuneration report and the corporate governance statement.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required

to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the directors' remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

In our opinion

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2004 and of the loss and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors
London
8 April 2005

Group profit and loss account
for the year ended 31 December 2004

		Before goodwill amortisation & exceptional items	Before goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items	2004 Total	Before goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items	2003 Total
	Note	Continuing £'000	Acquisitions £'000	Continuing £'000	Acquisitions £'000	£'000	£'000	£'000	£'000
Turnover	1	80,390	2,431	-	-	82,821	83,803	-	83,803
Cost of sales	2	(41,463)	(1,249)	166	(5,833)	(48,379)	(44,129)	(4,095)	(48,224)
Gross profit/(loss)		38,927	1,182	166	(5,833)	34,442	39,674	(4,095)	35,579
Distribution costs	2	(11,411)	(603)	-	(2,296)	(14,310)	(13,607)	-	(13,607)
Research and development	2	(1,512)	(109)	-	(295)	(1,916)	(2,178)	-	(2,178)
Amortisation of goodwill	2	-	-	(570)	(141)	(711)	-	(692)	(692)
Other administrative costs	2	(7,814)	(408)	(2,630)	(3,740)	(14,592)	(9,811)	4,133	(5,678)
Total administrative costs	2	(9,326)	(517)	(3,200)	(4,176)	(17,219)	(11,989)	3,441	(8,548)
Operating profit/(loss)		18,190	62	(3,034)	(12,305)	2,913	14,078	(1,542)	12,536
Continuing operations		18,190	62	(3,034)	(12,305)	2,913	14,078	(1,542)	12,536
Discontinued operations		-	-	-	-	-	-	888	888
Operating profit/(loss)	1	18,190	62	(3,034)	(12,305)	2,913	14,078	(654)	13,424
Loss on business closure – continuing operations	3	-	-	(1,128)	-	(1,128)	-	(10,294)	(10,294)
Loss on business disposal – continuing operations	3	-	-	-	-	-	-	(327)	(327)
Profit/(loss) on ordinary activities before interest		18,190	62	(4,162)	(12,305)	1,785	14,078	(11,275)	2,803
Net interest payable	4	(437)	8	-	-	(429)	(208)	-	(208)
Profit/(loss) on ordinary activities before tax	5	17,753	70	(4,162)	(12,305)	1,356	13,870	(11,275)	2,595
Tax on profit/(loss) on ordinary activities	10	(4,403)	(34)	(706)	3,257	(1,886)	(4,388)	(90)	(4,478)
Profit/(loss) attributable to shareholders		13,350	36	(4,868)	(9,048)	(530)	9,482	(11,365)	(1,883)
Dividends	11	-	-	-	-	(5,924)	-	-	(5,458)
Retained loss for the year	25	-	-	-	-	(6,454)	-	-	(7,341)
Basic earnings/(loss) per share	12	10.45	0.03	(3.81)	(7.08)	(0.41p)	7.52p	(9.01p)	(1.49p)
Diluted earnings/(loss) per share	12	10.25	0.03	(3.74)	(6.95)	(0.41p)	7.45p	(8.93p)	(1.48p)

The notes to the financial statements on pages 37 to 58 form part of these accounts.

Consolidated statement of recognised gains and losses
for the year ended 31 December 2004

	2004 £'000	2003 £'000
Loss attributable to shareholders	(530)	(1,883)
Currency translation differences on net investments	(1,473)	(2,958)
Net exchange (loss)/gain on foreign currency borrowings	(432)	976
UK tax on exchange gain on foreign currency borrowings	(69)	(40)
Overseas tax on exchange gain on foreign currency borrowings	(34)	(97)
Total recognised losses for the year	(2,538)	(4,002)

Note of historical cost profits and losses
for the year ended 31 December 2004

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation	1,356	2,595
Impairment of previously revalued freehold property	-	126
Difference between historical cost and actual depreciation charge for the year	(19)	(19)
Historical cost profit on ordinary activities before taxation	1,337	2,702
Historical cost retained loss for the year	(6,467)	(7,228)

Balance sheets
as at 31 December 2004

	Note	Group 2004 £'000	Group 2003 (Restated) £'000	Whatman plc 2004 £'000	Whatman plc 2003 (Restated) £'000
Fixed assets					
Intangible assets	13	36,640	6,890	-	-
Tangible assets	14	31,757	28,041	6,247	10,273
Investments	15	16	-	46,557	63,767
		68,413	34,931	52,804	74,040
Current assets					
Stock	16	16,736	11,125	-	-
Debtors due within one year	17	24,589	23,291	2,706	2,507
Debtors due after more than one year	17	15,492	11,862	52,476	5,226
Investments	18	5,128	3	3,873	-
Cash		9,082	8,508	99	981
		71,027	54,789	59,154	8,714
Creditors: amounts due within one year					
Borrowings	19	(90)	(11,274)	(877)	(11,043)
Other creditors	20	(25,428)	(15,966)	(39,525)	(39,636)
		(25,518)	(27,240)	(40,402)	(50,679)
Net current assets/(liabilities)		45,509	27,549	18,752	(41,965)
Total assets less current liabilities		113,922	62,480	71,556	32,075
Creditors: amounts due after more than one year					
Borrowings	19	(39,328)	-	(39,328)	-
Provisions for liabilities and charges	21	(34,380)	(15,527)	(654)	(587)
		40,214	46,953	31,574	31,488
Capital and reserves					
Share capital	24	1,291	1,269	1,291	1,269
Share premium	24	15,321	13,222	15,321	13,222
Revaluation reserve	25	4,478	4,538	3,398	3,379
Capital redemption reserve	25	40	40	40	40
Other reserves	25	1,932	2,004	1,973	1,973
Profit and loss account	25	17,152	25,880	9,551	11,605
Shareholders' funds	26	40,214	46,953	31,574	31,488

The notes to the financial statements on pages 37 to 58 form part of these accounts.

Approved by the Board of Directors on 4 April 2005 and signed on its behalf by:

R P Thian Chairman

P Greenhalgh Finance Director




Consolidated cash flow statement
for the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
<i>Operating activities</i>			
Net cash inflow from operating activities	29	13,753	8,744
<i>Returns on investment and servicing of finance</i>			
Interest received		70	93
Interest paid		(958)	(324)
Net cash outflow on returns on investment and servicing of finance		(888)	(231)
Taxation paid		(389)	(2,788)
<i>Capital expenditure and financial investment</i>			
Purchase of tangible fixed assets		(4,251)	(3,397)
Purchase of tangible fixed assets		(386)	-
Sale of tangible fixed assets		41	48
Net cash outflow from capital expenditure and financial investment		(4,596)	(3,349)
<i>Acquisitions and disposals</i>			
Acquisitions	27	(30,066)	-
Cash acquired with Schleicher & Schuell	27	1,138	-
Sale of businesses	28	-	4,026
Net cash (outflow)/inflow from acquisitions and disposals		(28,928)	4,026
Equity dividends paid		(5,635)	(5,107)
Net cash (outflow)/inflow before financing		(26,683)	1,295
<i>Financing</i>			
Shares issued	24	2,121	827
Increase in borrowings		39,126	2,138
Repayment of borrowings		(12,991)	(1,176)
Purchase of Employee Benefit Trust shares		(398)	-
Net cash inflow from financing		27,858	1,789
Increase in cash in the period	30, 31	1,175	3,084

The notes to the financial statements on pages 37 to 58 form part of these accounts.

Accounting policies

Accounting Convention The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets in accordance with the Companies Act 1985 and applicable accounting standards. Except as noted below, these financial statements have been prepared on a basis consistent with the prior year.

The Group has adopted UITF 38 "Accounting for ESOP trusts" in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly (see note 25).

Basis of consolidation The Group financial statements are the consolidation of the financial statements of the Company and all of its subsidiary undertakings. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired and sold during the year are included from the effective date of acquisition or up to the date of disposal respectively.

Deferred tax Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, with the exception that provision is not made on asset revaluations, or for tax that would arise on the remittance of the retained earnings of overseas subsidiaries, unless there is a commitment to do so. Deferred tax is measured on a non-discounted basis. Deferred tax assets are recognised only to the extent that, more likely than not, they will be recovered.

Foreign currencies and derivatives Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date, except where covered by forward contracts, when the forward rate is used. The results of overseas subsidiary undertakings are translated at average rates of exchange. Differences on the translation of the opening balance sheets of overseas subsidiary undertakings are taken directly to reserves, net of differences on related currency borrowings.

Intangible assets Intangible fixed assets other than goodwill, which comprise patents, licences and marketing rights, are stated at cost less a provision for amortisation. Amortisation is calculated to write off the cost of intangible assets in equal annual instalments over the lower of their legal and estimated useful lives, but no longer than 20 years.

The carrying values of intangible assets are subject to review when appropriate and any impairment is charged to the profit and loss account. The amortisation periods currently being used range from 10 to 20 years.

Goodwill On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arising on acquisitions since 1 January 1998 is capitalised and amortised over its estimated useful life which management estimates to be not more than 20 years. The carrying value of goodwill is subject to review when appropriate and any impairment is charged to the profit and loss account.

Prior to this, the Group's policy was to eliminate goodwill arising on acquisitions against reserves. Under the transitional arrangements of FRS 10 "Goodwill and intangible assets", reinstatement of goodwill is not required. Consequently, such goodwill has not been reinstated and any such goodwill will remain eliminated against reserves until the disposal or termination of the business acquired. The profit or loss on the subsequent disposal or termination is calculated after charging the amount of any such goodwill.

Tangible fixed assets The book value of tangible fixed assets is written off evenly over their estimated useful lives. Plant and machinery is normally depreciated over 4 to 10 years, except where the estimated working life is 20 years or longer (e.g. papermaking machines), when depreciation is provided over 20 years. Freehold buildings are depreciated over 50 years and freehold land is not depreciated. Leasehold improvements are depreciated over the shorter of the asset and the remaining life of the lease. In accordance with the transitional measures of FRS 15 "Tangible fixed assets", the Group has adopted a policy of not revaluing properties since the 1996 valuations, and accordingly the valuations obtained in 1996 have not been updated.

Impairment An impairment is the reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount. The recoverable amount is the higher of net realisable value and value in use. Value in use is measured using discounted cash flows.

The carrying values of fixed assets are reviewed for impairment when there is an indication that the assets might be impaired. First year impairment reviews are conducted for acquired goodwill and intangible assets.

Interest Interest payable is charged to the profit and loss account as incurred, except for interest relating to major fixed assets under construction, which is added to the cost until the project becomes operational. Interest receipts and payments due under interest rate swap agreements are taken to the profit and loss account as incurred.

Leases Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Land and buildings leased Land and buildings leased to third parties under operating leases have been capitalised at fair value under the acquisition method of accounting. Operating lease income is accounted for on a straight line basis with any rental increases recognised in any period to which they relate.

Pensions The cost of providing defined benefit pensions is charged against profits on a systematic basis, with pension fund surpluses and deficits arising allocated over the expected remaining service lives of scheme members. Differences between the amounts charged or credited in the profit and loss account and payments made are classified appropriately as assets or liabilities. Contributions to defined contribution schemes are charged to the profit and loss account as incurred.

Provisions Provisions are made for liabilities where, in the directors' opinion, present obligations exist and it is probable that outflows of funds will be required to settle the liabilities in the future and the amount of these funds can be reasonably estimated. Where material, future cash flows are discounted in arriving at amounts to be provided.

Research and development Research and development expenditure is charged to the profit and loss account in the period in which it is incurred. Tangible fixed assets used for research and development are depreciated in accordance with the Group's policy.

Stock Stock is valued at the lower of cost and net realisable value. Cost includes manufacturing overheads.

Turnover Turnover represents the total net invoiced value of goods sold to external customers, excluding all sales taxes. Revenue from the sale of goods is recognised when the goods are despatched.

Notes to the financial statements
for the year ended 31 December 2004

01 | Segmental analysis

The Group's reporting segments have changed. The changes were first reported in the 2004 Interim Statement. These more appropriately align external reporting with the customer focused product categories sold in the markets in which the Group operates. The segment previously named "Filtration and Separation" has been divided into "LabSciences" and "MedTech"; the segment previously named "Biotechnology" has been renamed "BioScience". The 2003 comparatives have been restated.

LabSciences is the preparation of non-cellular samples prior to analysis, including environmental applications. Products include cellulose and glass filtration media, membranes and chromatography; in addition to traditional products, this segment includes syringe filters, capsules and other encapsulated products, as well as microbiological products.

MedTech comprises components supplied on an OEM basis to manufacturers of medical devices and clinical diagnostic tests.

BioScience is the preparation of cellular samples prior to analysis and storage for study of nucleic acids or proteins. It comprises FTA, multiwell plates, column based DNA separation and electrophoresis products, protein micro-arrays, blotting and neo-natal paper.

	2004		2003	
	Continuing operations	Continuing operations acquisitions	(Restated)	
	£'000	£'000	£'000	£'000
Turnover by business				
LabSciences	47,890	1,493	49,383	50,186
MedTech	15,323	412	15,735	16,084
BioScience	10,748	526	11,274	9,746
Total ongoing operations	73,961	2,431	76,392	76,016
Operations to be discontinued	6,429	-	6,429	7,787
Total continuing operations	80,390	2,431	82,821	83,803

	2004				2003			
	Before goodwill amortisation & exceptional items	Before goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items	Before goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items	Total	Total
	Continuing £'000	Acquisitions £'000	Continuing £'000	Acquisitions £'000	(Restated) £'000	(Restated) £'000	(Restated) £'000	(Restated) £'000
Operating profit/(loss) by business segment								
LabSciences	16,752	19	(2,196)	(5,901)	8,674	16,267	(4,769)	11,498
MedTech	791	32	(306)	(4,731)	(4,214)	(800)	(778)	(1,578)
BioScience	(78)	11	(532)	(1,673)	(2,272)	(2,278)	(340)	(2,618)
Total ongoing operations	17,465	62	(3,034)	(12,305)	2,188	13,189	(5,887)	7,302
Operations to be discontinued	725	-	-	-	725	889	4,345	5,234
Total continuing operations	18,190	62	(3,034)	(12,305)	2,913	14,078	(1,542)	12,536
Discontinued operations	-	-	-	-	-	-	888	888
Operating profit/(loss)	18,190	62	(3,034)	(12,305)	2,913	14,078	(654)	13,424

The Group's three business segments operate in three main geographical areas even though they are managed on a worldwide basis.

The home country of the Company is the UK. The areas of operation are principally the manufacture and sale of products for applications in LabSciences, BioScience and MedTech.

As production activities of the Group are integrated, many of the assets are common to more than one business segment. Consequently, an analysis by business segment would not provide meaningful information and therefore has not been given.

Notes to the financial statements
for the year ended 31 December 2004

01 | Segmental analysis (continued)

	North America			Europe		Asia Pacific		Total
	2004	2003	2004	2003	2004	2003	2004	2003
By region of origin	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover								
Sales – continuing	42,111	43,182	52,725	54,670	10,452	10,502	105,288	108,354
Sales – acquisitions	818	-	1,757	-	-	-	2,575	-
Inter-segment sales	(5,799)	(5,324)	(19,243)	(19,227)	-	-	(25,042)	(24,551)
Sales to third parties	37,130	37,858	35,239	35,443	10,452	10,502	82,821	83,803
Operating profit/(loss)								
Before goodwill & exceptional items – continuing	4,735	592	14,032	14,093	2,013	1,911	20,780	16,596
Goodwill and exceptional items – continuing	(2,658)	(902)	(12,560)	438	(121)	(190)	(15,339)	(654)
Segment profit/(loss)	2,077	(310)	1,472	14,531	1,892	1,721	5,441	15,942
Discontinued operations	-	(888)	-	-	-	-	-	(888)
	2,077	(1,198)	1,472	14,531	1,892	1,721	5,441	15,054
Unallocated costs							(2,528)	(2,518)
Continuing operations							2,913	12,536
Discontinued operations							-	888
Operating profit							2,913	13,424
Net assets								
Continuing operations	20,415	14,327	31,741	19,028	1,386	893	53,542	34,248
Discontinued operations	-	(57)	-	-	-	-	-	(57)
Segment net assets	20,415	14,270	31,741	19,028	1,386	893	53,542	34,191
Unallocated net assets							26,000	15,528
Net borrowings							(39,328)	(2,766)
Net assets							40,214	46,953

	Continuing operations		Acquisitions		2004	2003
	£'000	£'000	£'000	£'000	Total	Total
Turnover by region of destination						
North America	36,706	787	37,493	38,709		
United Kingdom	9,612	123	9,735	10,989		
Continental Europe	20,615	1,274	21,889	19,828		
Asia Pacific	12,376	171	12,547	12,861		
Rest of the world	1,081	76	1,157	1,416		
	80,390	2,431	82,821	83,803		

02| Cost of sales and operating expenses

	Continuing operations	Acquisitions	2004 Total	Continuing operations	Discontinued operations	2003 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of sales and operating expenses						
Cost of sales before exceptional items	41,463	1,249	42,712	44,129	-	44,129
Exceptional items	(166)	5,833	5,667	4,275	(180)	4,095
Total cost of sales	41,297	7,082	48,379	48,404	(180)	48,224
Distribution costs before exceptional items	11,411	603	12,014	13,607	-	13,607
Exceptional items	-	2,296	2,296	-	-	-
Total distribution costs	11,411	2,899	14,310	13,607	-	13,607
Research and development before exceptional items	1,512	109	1,621	2,178	-	2,178
Exceptional items	-	295	295	-	-	-
Total research and development	1,512	404	1,916	2,178	-	2,178
Amortisation of intangible assets & goodwill	570	141	711	692	-	692
Other administrative expenses before exceptional items	7,814	408	8,222	9,811	-	9,811
Exceptional items	2,630	3,740	6,370	(3,425)	(708)	(4,133)
Total other administrative expenses	10,444	4,148	14,592	6,386	(708)	5,678
Total administrative expenses	12,526	4,693	17,219	9,256	(708)	8,548

03| Loss on business closure and disposals

	2004 £'000	2003 £'000
Provision for loss on closure of Biometra GmbH – continuing operations		
Write down of goodwill	-	(7,110)
Write down of other tangible assets	-	(1,506)
Provision for closure costs	-	(1,678)
Provision against net assets	(1,128)	-
Loss on business closure – continuing operations	(1,128)	(10,294)
Loss on disposals – continuing operations		
Disposal consideration received	-	400
Deferred consideration	-	42
Less costs of disposal	-	(3)
Write down of goodwill	-	(337)
Disposal of net tangible assets	-	(429)
Loss on business disposal – continuing operations	-	(327)

In December 2003, the Filter Cartridge business was sold to Graver Technologies Inc. In addition to the consideration received in 2003, a further US \$1.0m may be receivable contingent on future performance. This has not currently been recognised.

	2004 £'000	2003 £'000
Profit/(loss) on disposal of the HemaSure blood filtration business – discontinued operations		
Disposal consideration received	-	3,629
Disposal of net intangible assets	-	(2,889)
Disposal of net tangible assets	-	(740)
Profit/(loss) on disposal	-	-

Notes to the financial statements
for the year ended 31 December 2004

	2004 £'000	2003 £'000
04 Net interest payable		
Payable on borrowings repayable within five years	463	301
Amortisation of loan issue costs	61	-
Total payable	524	301
Receivable	(95)	(93)
	429	208

	2004 £'000	2003 £'000
05 Profit/(loss) on ordinary activities before taxation		
Is stated after charging:		
Depreciation	3,189	4,088
Amortisation	711	692
Operating lease rentals – plant and machinery	238	257
Operating lease rentals – land and buildings	1,587	1,595
Audit work by Company's auditors ¹	255	319
Audit work by other firms	182	-
Non-audit work by Company's auditors – further assurance services	25	31
– tax advisory services	87	345
– tax compliance services	99	45
Tax advisory work carried out by non-company auditors	22	-
Tax compliance work carried out by non-company auditors	69	-

¹£45,000 (2003: £40,000) of this relates to the Company.

	2004 £'000	2003 £'000
06 Goodwill amortisation and exceptional items		
Litigation provisions (note 21)	(33)	(5,374)
Restructuring and onerous lease provisions (note 21)	2,340	5,342
Write down/(write back) of stock	769	(6)
Other exceptional items	200	-
Restructuring of Schleicher & Schuell (note 21)	11,352	-
Amortisation of intangible assets and goodwill	711	692
Total operating goodwill amortisation and exceptional items	15,339	654
Loss on disposal of Filter Cartridge Business	-	327
Provision for loss on closure of Biometra business (note 3, 21)	-	10,294
Provision against net assets of Biometra	1,128	-
Total goodwill amortisation and exceptional items	16,467	11,275

The stock write down of £769,000, which was incurred during the month of December, arises as a result of the product rationalisation project. This project is a part of the integration process with Schleicher & Schuell.

Other exceptional items consist of closure costs incurred during the month of December relating to Schleicher & Schuell.

07 Employees		
Weekly average number of employees	Number	Number
North America	290	238
Europe	473	463
Asia Pacific	49	48
	812	749
Staff costs	£'000	£'000
Wages and salaries	21,063	23,712
Social security costs	2,122	2,187
Other pension costs	783	1,229
	23,968	27,128

08 | Pensions

Accounting policies adopted for pension schemes

The Group continues to account for pension schemes in accordance with SSAP 24 "Accounting for pension costs". Under the transitional provisions of FRS 17 "Retirement benefits", the Group has also made certain disclosures in relation to defined benefit schemes.

Defined contribution schemes

The Group operates defined contribution or money purchase schemes in the UK, US and Germany. The benefits are determined directly by the value of contributions paid in respect of each member and the investment performance achieved on those contributions.

In the UK and Germany, all UK and German-based employees of the Group, respectively, are entitled to join the schemes. The assets of the schemes are held separately from those of the Group in an independently administered fund.

In the US contributions are made annually to the 401(k) scheme. As at 31 December 2004, contributions of £349,000 (2003: £413,000) were outstanding representing the unpaid contributions for the year.

The table below shows the regular cost to the Group of providing these pensions to employees. The regular cost represents contributions payable to the scheme by the Group. Contributions are charged to the profit and loss account as they are incurred. As payments to the 401(k) in the US are made annually by the Group, the regular cost below has still to be paid into the scheme.

	2004 £'000	2003 £'000
Defined contribution schemes		
UK	59	36
US	349	413
Germany	32	-
Other	43	-
Total defined contribution schemes	483	449

Defined benefit schemes

The Group operates a number of defined benefit or final salary schemes. These are located mainly in the UK and Germany.

UK defined benefit scheme

The scheme in the UK is funded and is now closed to new employees. The benefits are determined with reference to the length of service and final salary upon which employees take retirement.

Under SSAP 24, contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. Contributions are determined by a qualified independent actuary on the basis of a triennial valuation. The last valuation was done on 6 April 2003. Using the attained age method, this disclosed assets with a market value of £42,565,000, equivalent to 111% of the accrued liabilities, after allowing for expected future increases in earnings. The main actuarial assumptions used were:

Valuation assumptions	% Rate
Pre-retirement investment return	6.5%
Post-retirement investment return – current pensioners	4.5%
Post-retirement investment return – employees yet to retire	5.5%
Rate of increase in salaries	4.0%
Rate of increase of pension payments	2.5%

As at 6 April 2003 the MFR funding calculation showed a funding level of 146%. The effective rate of the employer's contributions decreased from 16.2% to 10% from 1 January 2004 in accordance with recommendations submitted by the Scheme Actuary. Contributions from employees for the year were 6.0% from 1 January to 30 June increasing to 6.75% from 1 July 2004.

The total contributions to the scheme over the year amounted to £481,000 (2003: £988,000). The prepayment at 31 December 2004 was £4,902,000 (2003: £4,422,000).

The total charge in respect of the UK based defined benefit scheme is £256,000 (2003: £780,000). The reason for the decrease was the reduction in UK based employees.

Notes to the financial statements
for the year ended 31 December 2004

08: Pensions (continued)

German defined benefit schemes

The schemes in Germany were operated by Schleicher & Schuell, a company acquired by the Group on 30 November 2004 (see note 27).

Two different types of defined benefit pension are provided in Germany. These are the fixed amount plan and the final salary plan. Both of these are closed to new entrants.

The fixed amount plan provides retirement and disability pensions and a dependent's pension. The plan guarantees a fixed pension up to a maximum of approximately €18,400 per annum. This is subject to an inflationary increase of 2% per annum up to the age of retirement and 3.5% thereafter. The normal retirement age is 65.

The final salary plans provide retirement, disability and dependents' pensions. Pensions are determined with respect to salary and years in service to the Group.

Both these schemes are operated as fully provided but unfunded schemes. The Group pays into an insurance policy to cover the full pension liability in the event of insolvency.

The gross liability of the defined benefit scheme was determined by a qualified independent actuary. The most recent valuation was as at 30 November 2004. The valuation of the deficit under SSAP 24 was carried out using the same valuation assumptions as those used to calculate the deficit under FRS 17. This valued the deficit at £8,229,000 at 30 November 2004 and as at 31 December 2004. The regular cost of the pension under SSAP 24 was £44,000 for the month of December.

A summary of the total group pension costs is given in the table below.

	Continuing £'000	Acquisitions £'000	2004 £'000	2003 £'000
Pension costs				
Defined benefit schemes				
Regular cost	690	44	734	647
Actuarial (surplus)/deficit allocated to year	(159)	-	(159)	407
Interest on prepayment	(275)	-	(275)	(274)
Total defined benefit schemes	256	44	300	780
Defined contribution schemes				
Pension cost UK	59	-	59	36
Pension cost US	349	-	349	413
Pension cost Germany	-	32	32	-
Other pension costs	43	-	43	-
Total defined contribution schemes	451	32	483	449
Total pension cost	707	76	783	1,229

Pension disclosures under FRS17

The Group accounts for retirement benefits in accordance with SSAP 24 "Accounting for pension costs" and the related disclosures are set out above.

The Group has adopted the transitional disclosure requirements of FRS 17 "Retirement benefits". It differs from SSAP 24 principally with regard to the choice of assumptions and in that differences between the market value of the assets and liabilities of the scheme are recognised immediately in the balance sheet whereas they are recognised on a smoothed basis through the profit and loss account under SSAP 24. The Group is not required to account for retirement benefits under FRS 17 as full implementation has been deferred, but is required to present certain transitional disclosures which are set out below.

The Group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 6 April 2003 and updated to 31 December 2004 by a qualified independent actuary. As the scheme in the UK is now closed to new employees, under the projected unit method, the current service cost will rise as a percentage of salary as the scheme members approach retirement. The major assumptions used by the actuary (in nominal terms) are set out in the following table.

	Germany 2004	UK 2004	2003	2002
Defined benefit schemes				
Rate of general increase in salaries	2.50%	4.30%	4.80%	4.35%
Rate of increase of pensions in payment and deferment	1.5% - 3.5%	2.80%	2.80%	2.35%
Discount rate	4.57%	5.29%	5.36%	5.47%
Inflation assumption	1.50%	2.80%	2.80%	2.35%

	Rate	2004 Value £'000	Rate	2003 Value £'000	Rate	2002 Value £'000
The assets in the scheme and the expected rates of return were:						
Equities	7.50%	23,484	7.80%	115	7.52%	106
Bonds/gilts	4.90%	22,811	5.10%	-	5.00%	-
Cash	4.75%	-	3.75%	43,104	4.00%	42,214
Total market value of assets		46,295		43,219		42,320
Actuarial value of liability		(47,005)		(46,483)		(44,391)
Recoverable deficit in the scheme		(710)		(3,264)		(2,071)
Related deferred tax asset		213		979		621
Net pension liability		(497)		(2,285)		(1,450)

There is no similar disclosure for the German defined benefit scheme acquired with Schleicher & Schuell because the scheme is unfunded.

If the amounts had been recorded in the financial statements, the following would have been recognised:

	Germany 2004 £'000	UK 2004 £'000	Group 2004 £'000	2003 £'000
Analysis of amount charged to operating profit				
Current service cost	9	653	662	699
Curtailment gain	-	(400)	(400)	-
Net amount charged to operating profit	9	253	262	699
Analysis of amount charged to other finance expense				
Expected return on pension assets	-	1,606	1,606	1,689
Interest on pension liabilities	(35)	(2,469)	(2,504)	(2,410)
Net charge	(35)	(863)	(898)	(721)

Analysis of amount recognised in statement of total recognised gains and losses

Actual return less expected return on pension scheme assets	-	2,488	2,488	(407)
Experience gains and losses arising on the scheme liabilities	-	672	672	4,664
Changes in assumptions	-	29	29	(5,018)
	-	3,189	3,189	(761)

Movement in liability during the year

Deficit in the scheme at 1 January	-	(3,264)	(3,264)	(2,071)
Acquired with Schleicher & Schuell	(8,058)	-	(8,058)	-
Current service cost	(9)	(653)	(662)	(699)
Curtailment gain	-	400	400	-
Contributions	44	481	525	988
Net interest cost	(35)	(863)	(898)	(721)
Actuarial gain/(loss)	-	3,189	3,189	(761)
Foreign exchange loss	(171)	-	(171)	-
Deficit in the scheme at 31 December	(8,229)	(710)	(8,939)	(3,264)

Notes to the financial statements
for the year ended 31 December 2004

	2004	Percentage	2003	Percentage	2002	Percentage
	£'000	of scheme (liabilities)/ assets	£'000	of scheme (liabilities)/ assets	£'000	of scheme (liabilities)/ assets
History of experience gains and losses						
UK						
Difference between expected and actual return on scheme assets	2,488	5%	(407)	(1%)	(570)	(1%)
Experience gains and losses on scheme liabilities	672	1%	4,664	10%	1,883	4%
Total amount recognised in the statement of total recognised gains and losses	3,189	8%	(761)	(2%)	(999)	(2%)

There was no history of experience gains and losses in respect of German defined benefit schemes.

	Shareholders' funds		Profit and loss account	
	2004	2003	2004	2003
	£'000	(Restated) £'000	£'000	(Restated) £'000
Shareholders' funds and profit and loss account reserve				
Total including SSAP 24 pension prepayment as previously reported	40,214	47,216	17,152	26,143
Prior year adjustment (note 25)		(263)		(263)
Total including SSAP24 pension prepayment as restated	40,214	46,953	17,152	25,880
Less SSAP 24 pension prepayment	(4,902)	(4,422)	(4,902)	(4,422)
Total excluding SSAP 24 pension prepayment	35,312	42,531	12,250	21,458
Net pension liability under FRS 17	(497)	(2,285)	(497)	(2,285)
Total including FRS 17 liability	34,815	40,246	11,753	19,173

09 Directors' emoluments

Details of remuneration, interest in shares, share options and compensation for loss of office for each Director are given in the Remuneration Report.

10 Tax on profit on ordinary activities

	2004	2003
	£'000	£'000
Current tax		
UK Corporation tax for the year at 30% (2003: 30%)	(9)	1,670
Adjustments in respect of prior years	(92)	(34)
Total UK current tax	(101)	1,636
Foreign tax for the year	1,048	745
Adjustments in respect of prior years	193	16
Total foreign current tax	1,241	761
Total current tax	1,140	2,397
Deferred tax		
Origination and reversal of timing differences		
UK tax	691	(535)
Foreign tax	55	2,616
Total deferred tax	746	2,081
Tax on profit on ordinary activities	1,886	4,478

Included in the above is a credit of £nil (2003: £3,000 credit) of tax on exceptional items recognised below operating profit.

	2004 £'000	2003 £'000
Factors affecting tax charge for year		
Profit on ordinary activities before tax	1,356	2,595
Tax on profits at the UK standard rate of corporation tax of 30%	407	779

Effects of:

Differences between UK and overseas tax rates	(216)	(34)
Items not currently allowable for tax purposes	387	(8,851)
Expenses not deductible for tax purposes	33	2,670
Depreciation for the year in excess of capital allowances	209	535
Unrelieved tax losses	(12)	1,624
Losses carried forward	120	5,676
Adjustments to tax charge in respect of prior years	101	(18)
Other effects	111	16
Current tax charge for the year	1,140	2,397

Factors that may affect future tax charges

No provision has been made for deferred tax in respect of potential gains arising from the sale of properties revalued to their market value unless the sale is committed, the total amount unprovided for this being £880,000. This amount would become payable if the properties were sold without it being possible to claim rollover relief. Provision has not been made for tax of £710,000 in respect of prior year capital gains as the gains have been rolled into replacement assets. This tax could become payable if the relevant replacement assets were sold. At present it is not envisaged that any tax will become payable in the foreseeable future in respect of these gains.

A deferred tax asset of £5,000,000 in respect of trading losses has not been recognised. Recovery of this amount is dependent on the profitability of the relevant operations in the future.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, as the earnings are continually reinvested by the Group, and hence no tax is expected to be payable on them in the foreseeable future.

	2004 £'000	2003 £'000
11 Dividends to equity shareholders		
Interim paid 1.74p (2003: 1.62p)	2,232	2,053
Final proposed 2.87p (2003: 2.67p)	3,692	3,405
Total dividend payable 4.61p (2003: 4.29p)	5,924	5,458

12 Earnings per share

Basic and diluted earnings per share have been calculated on a loss of £530,000 (2003: £1,883,000) and the following weighted average number of shares in issue during the year:

	2004 '000	2003 '000
Number of ordinary shares used for the calculation of basic earnings per share	127,808	126,130
Exercise of outstanding share options	2,446	1,054
Shares to be issued as deferred consideration for acquisitions	-	66
Number of ordinary shares used for the calculation of diluted earnings per share	130,254	127,250

Earnings per share before goodwill amortisation and exceptional charges have been shown after adding back, net of tax, goodwill amortisation of £641,000 (0.50p per share) (2003: £598,000 and 0.47p per share) and exceptional items of £13,898,000 (10.89p per share) (2003: £10,769,000 and 8.54p per share).

Notes to the financial statements
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	Goodwill £'000	Other intangibles £'000	Total £'000
131 Intangible fixed assets			
Cost			
At 1 January 2004	12,251	2,524	14,775
Differences on exchange	168	(168)	-
Additions	-	386	386
Acquired with Schleicher and Schuell	-	1,840	1,840
Goodwill arising on acquisition of Schleicher and Schuell	28,066	-	28,066
At 31 December 2004	40,485	4,582	45,067
Amortisation			
At 1 January 2004	(7,345)	(540)	(7,885)
Differences on exchange	122	47	169
Charge for year	(558)	(153)	(711)
At 31 December 2004	(7,781)	(646)	(8,427)
Net book values			
At 31 December 2004	32,704	3,936	36,640
At 31 December 2003	4,906	1,984	6,890

Other intangibles include patents, licences, marketing rights and trademarks. Three separable assets were identified on the acquisition of Schleicher & Schuell. These were:

- Trademark for Spartan
- Trademark for Protran
- Patent for Cellulose Acetate Membranes.

The fair value of these assets was determined by independent valuation experts using the income approach. This is based on discounted cash flow forecasts for each of these assets. The remaining useful economic lives are 8, 10 and 15 years respectively.

	Land and buildings £'000	Plant and machinery £'000	Group Total £'000	Whatman plc Land and buildings £'000	Whatman plc Total £'000
141 Tangible fixed assets					
Cost or valuation					
At 1 January 2004	18,724	46,325	65,049	11,134	11,134
Differences on exchange	(87)	(740)	(827)	-	-
Additions	956	3,128	4,084	1	1
Acquired with Schleicher & Schuell	5,291	3,011	8,302	-	-
Disposals	(2)	(123)	(125)	-	-
Impairment	(43)	(46)	(89)	-	-
Transfer to current asset investments	(8,527)	-	(8,527)	(4,549)	(4,549)
At 31 December 2004	18,312	51,555	69,867	6,586	6,586
Depreciation					
At 1 January 2004	(3,667)	(33,341)	(37,008)	(861)	(861)
Differences on exchange	(4)	556	552	-	-
Charge for the year	(451)	(2,738)	(3,189)	(154)	(154)
Disposals	2	99	101	-	-
Impairment	(4)	39	35	-	-
Transfer to current asset investments	1,399	-	1,399	676	676
At 31 December 2004	(2,725)	(35,385)	(38,110)	(339)	(339)
Net book values					
At 31 December 2004	15,587	16,170	31,757	6,247	6,247
At 31 December 2003	15,057	12,984	28,041	10,273	10,273

	Group		Whatman plc	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
The net book value of land and buildings comprises:				
Freehold	10,807	10,964	4,522	8,519
Leasehold	4,780	4,093	1,725	1,754
	15,587	15,057	6,247	10,273

Freehold land and buildings were valued in 1996 by Chartered Surveyors and similarly qualified professionals on an open market, existing use basis and the valuations were incorporated in the financial statements of that year.

	Group		Whatman plc	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
The net book value of freehold land and buildings at 31 December on a historical basis would have been:				
Cost	9,132	11,042	1,311	7,665
Depreciation	(2,090)	(4,149)	(633)	(2,091)
Net book value	7,042	6,893	678	5,574

At 31 December 2004 the group had contracted capital commitments not provided of £nil (2003: £nil).

	Group		Whatman plc	
	Total	Equity	Loans	Total
	£'000	£'000	£'000	£'000
15 Fixed asset investments				
Cost or valuation at 1 January 2004	-	46,557	17,210	63,767
Differences on exchange	1	-	-	-
Increase	-	-	-	-
Acquired with Schleicher & Schuell	15	-	-	-
Decrease	-	-	(17,210)	(17,210)
Cost or valuation at 31 December 2004	16	46,557	-	46,557

The cost of shares in subsidiary undertakings at 31 December 2004 was £52,077,000 (2003: £52,077,000). The principal subsidiary undertakings of the Group and the Company are shown in note 34.

	2004	2003
	£'000	£'000
16 Stock		
Raw materials and consumables	6,753	4,109
Work in progress	4,135	2,836
Finished goods and goods for resale	5,848	4,180
	16,736	11,125

Notes to the financial statements
for the year ended 31 December 2004

	2004 £'000	Group 2003 £'000	2004 £'000	Whatman plc 2003 £'000
17 Debtors				
<i>Due within one year</i>				
Trade debtors	17,308	12,317	-	-
Amounts owed by subsidiary undertakings	-	-	1,150	151
Other debtors	1,731	861	31	1
Taxation	3,429	6,832	760	-
Prepayments and accrued income	2,121	3,281	765	2,355
Debtors falling due within one year	24,589	23,291	2,706	2,507
<i>Due after more than one year</i>				
Amounts owed by subsidiary undertakings	-	-	49,661	5,226
Pension prepayment	4,902	4,422	-	-
Other debtors	942	275	-	-
Deferred taxation (note 21)	7,526	7,165	693	-
Prepayments and accrued income	2,122	-	2,122	-
Debtors falling due after more than one year	15,492	11,862	52,476	5,226
Total debtors	40,081	35,153	55,182	7,733

Prepayments and accrued income includes prepaid royalties of £2,272,000 (2003: £2,321,000) recoverable on future sales. In the current year, £2,122,000 has been classified as due after more than one year.

	2004 £'000	Group 2003 (Restated) £'000	2004 £'000	Whatman plc 2003 (Restated) £'000
18 Current asset investments				
Current asset investments	5,128	3	3,873	-

Current asset investments for the Group and Company include respectively £5,128,000 and £3,873,000 in respect of land and buildings transferred from tangible fixed assets as they are held for resale. The 2003 comparatives have been restated following the adoption of UITF 38; see note 25 for further details.

	2004 £'000	Group 2003 £'000	2004 £'000	Whatman plc 2003 £'000
19 Borrowings				
<i>Short term borrowings</i>				
Unsecured bank loans	-	11,028	-	11,028
Unsecured bank loans and overdrafts	90	246	877	15
	90	11,274	877	11,043
<i>Long term loans</i>				
Unsecured bank loans	39,328	-	39,328	-
Total borrowings	39,418	11,274	40,205	11,043
<i>Repayable</i>				
Within one year	90	11,274	877	11,043
Between one and two years	5,066	-	5,066	-
Between two and five years	34,262	-	34,262	-
	39,418	11,274	40,205	11,043

	2004 £'000	Group 2003 £'000	Whatman plc 2004 £'000	Whatman plc 2003 £'000
20 Other creditors				
Trade creditors	5,204	3,300	-	-
Amounts owed to subsidiary undertakings	-	-	35,687	36,153
Proposed dividend	3,692	3,405	3,692	3,405
Corporation tax	1,058	3,184	36	18
Other taxation and social security	1,474	422	17	11
Other creditors	7,710	866	7	39
Accruals and deferred income	6,290	4,789	86	10
	25,428	15,966	39,525	39,636

Other creditors includes deferred consideration and amounts owed in respect of the acquisition of Schleicher & Schuell of £6.0 million.

	Litigation	Biometra	Whatman Restructuring	Schleicher & Schuell Restructuring	Pension	Onerous lease	Deferred tax	Group Total	Whatman plc Deferred tax
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
21 Provisions									
At 1 January 2004	36	7,026	4,370	-	-	3,071	1,024	15,527	587
Differences on exchange	(1)	76	(89)	(65)	171	(35)	334	391	-
Utilised	(2)	(109)	(3,543)	(1,531)	(44)	(1,186)	-	(6,415)	-
Charge to the profit and loss account									
- exceptional	-	1,128	701	11,352	-	1,805	-	14,986	-
Charge to the profit and loss account									
- non exceptional	-	809	-	-	44	-	746	1,599	67
Acquired	-	-	-	-	8,058	-	145	8,203	-
Written back	(33)	(73)	-	-	-	(166)	-	(272)	-
Transfer to debtors	-	-	-	-	-	-	361	361	-
At 31 December 2004	-	8,857	1,439	9,756	8,229	3,489	2,610	34,380	654

Litigation provisions were created in 2002 in respect of an age discrimination case, a supply agreement case and for alleged patent infringement by Biometra. The age discrimination and supply agreement cases were settled in 2003 for amounts lower than those provided for and the excess provisions written back. Following the decision to place Biometra into voluntary liquidation the provision for patent infringement was released in 2003 and the balance combined with the newly created provision for the cost of closing Biometra. In addition, a provision against the net assets of Biometra has been made.

The restructuring provision for Whatman includes costs for the following:

- Site rationalisation programme to reduce the number of manufacturing sites as announced in 2001
- Reducing worldwide headcount to around 800, as announced on 30 December 2002
- The increase in the provision of £701,000 relates mainly to redundancy costs for the CEO and other senior management.

The Schleicher & Schuell restructuring provision relates to the facilities rationalisation programmes following the acquisition of Schleicher & Schuell resulting in a net headcount reduction of around 160 as announced on 31 December 2004.

The pension provision relates to the unfunded defined benefit liabilities acquired with Schleicher and Schuell. This is described in note 8.

The onerous lease provision relates to the costs of vacant possession of properties from which the business has been relocated. During the year, additional amounts have been provided for the cost of the Parkwood and Larkfield onerous leases.

	2004 £'000	2003 £'000
Maturity profile of provisions excluding deferred tax		
Within 1 year	21,383	12,595
Between 1 and 2 years	1,406	584
Between 2 and 5 years	3,695	1,211
Over 5 years	5,286	113
	31,770	14,503

In the prior year, £12,595,000 of provisions were expected to be utilised in the current year. Actual provisions utilised in the current year was £6,415,000. This shortfall is mainly because the liquidation of Biometra is continuing.

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21 Provisions (continued)

	2004	Group 2003	2004	Whatman plc 2003
	£'000	£'000	£'000	£'000
Deferred taxation is attributable to				
Accelerated capital allowances	1,455	1,641	654	587
Other timing differences	(6,371)	(7,782)	-	-
	(4,916)	(6,141)	654	587
Included in debtors (note 17)	7,526	7,165	-	-
Deferred tax provision	2,610	1,024	654	587

22 Contingent liabilities

Whatman plc has given guarantees in respect of £72,376,000 (2003: £5,000,000) of borrowing facilities of subsidiary undertakings. Of this, £39,328,000 has been drawn down. The increase relates to the loan facility of €95,000,000 for the acquisition of Schleicher & Schuell and the working capital requirement of the enlarged group. The Group also has contingent liabilities in respect of leases sub-let and assigned in the ordinary course of business.

23 Derivatives and other financial instruments

In reporting derivatives and other financial instruments, the Group has taken advantage of the exemption available under FRS 13 not to provide numerical disclosures in relation to short-term debtors and creditors, other than in relation to currency exposure disclosures.

Financial instruments

The Group's principal financial instruments, other than derivatives, comprise borrowings, cash and equity capital. The main purpose of these financial instruments is to provide financing for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, that arise directly from its operations.

The Group enters into derivative transactions, principally interest rate swaps and forward foreign currency contracts. The purpose of such transactions is to manage the interest rate and currency risks arising from the Group's operations and its financing. It is, and has been throughout the period under review, the Group's policy that no dealing in financial instruments shall be undertaken, except for the purpose of hedging the Group's financial risks.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board considers each of these risks on a regular basis and the Group's policy towards each of these risks has remained unchanged during the year.

Interest rate risk

The Group finances its operations through a mixture of equity capital, retained profits, cash, bank overdrafts and bank borrowings. The Group finances its acquisitions primarily through bank borrowings. The Group borrows in the desired currencies mainly at floating rates of interest and uses interest rate swaps, as deemed appropriate, to manage the Group's exposure to interest rate fluctuations.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank borrowings. The Group predominantly uses a medium term credit facility incorporating a term loan facility and a revolving credit facility from a London bank. In addition, the Group maintains undrawn committed borrowing facilities, after taking into account anticipated expenditure on acquisitions, of at least 10% of borrowing facilities, in order to provide flexibility in the management of the Group's liquidity. Short term flexibility is achieved by the use of bank overdrafts.

Foreign currency risk

The Group has a significant investment in overseas operations, primarily in the US and Continental Europe. As a result, the Group's sterling balance sheet can be significantly affected by movements in the US Dollar and Euro exchange rates. The Group seeks to reduce the effect of these currency exposures by matching its currency borrowings with the overseas foreign currency assets to the extent that total borrowings do not significantly exceed funding requirements. Approximately 60% of the Group's investments in non-sterling operations are hedged in this way.

The Group also has a transactional exposure with significant sales and a smaller element of purchases being made in a currency other than the functional currency of the operating units. In addition, the Group has an exposure in translating the profits of overseas operations into sterling. The Group's policy is to actively manage the currency risk by covering 100% of the anticipated exposures in major foreign currencies for a period of between one and two years using forward foreign exchange contracts.

	Total	Non-interest bearing	Floating rate	Fixed rate	Fixed rate Weighted average Interest rate Term	
interest rate risk profile of financial liabilities	£'000	£'000	£'000	£'000	%	years
2004						
Pound sterling	3,047	3,046	1	-	-	-
US Dollar	2,770	423	2,347	-	-	-
Euro	35,567	20	35,547	-	-	-
Japanese Yen	1,523	-	-	1,523	1.9	3.7
	42,907	3,489	37,895	1,523	1.9	3.7
2003						
Pound sterling	2,260	2,026	234	-	-	-
US Dollar	8,848	1,025	7,823	-	-	-
Euro	20	20	-	-	-	-
Japanese Yen	1,562	-	-	1,562	1.9	4.7
Singapore dollar	1,655	-	1,655	-	-	-
	14,345	3,071	9,712	1,562	1.9	4.7

The above takes into account interest rate swaps, which have had the effect of reclassifying £1,523,000 of debt from floating to fixed rate, entered into by the Group to hedge against interest rate risks. The floating rate financial liabilities comprise bank borrowing bearing interest at rates fixed in advance for periods ranging from one to three months by reference to the relevant foreign currency LIBOR and bank overdrafts. In addition, the Group's provisions of £3,489,000 for onerous lease contracts (note 21) meet the definition of financial liabilities. Of these, £875,000 is expected to mature within one year, £793,000 between one and two years, £1,469,000 between two and five years and £352,000 in greater than five years. The maturity profile of interest bearing financial liabilities is shown in note 19.

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31 December 2004 in respect of which all conditions precedent had been met at that date were as follows:

	2004 £'000	2003 £'000
Committed borrowing facilities		
Expiring in less than one year	919	13,972
Expiring in more than one year but not more than two years	2,236	5,000
Expiring in more than two years	26,438	-
	29,593	18,972
Interest rate risk profile of financial assets		
Pound sterling	294	150
US Dollar	1,617	3,137
Euro	6,401	3,192
Japanese Yen	462	1,620
Singapore dollar	177	162
Swiss francs	129	-
Canadian dollar	2	247
	9,082	8,508

All of the above are at floating rates and comprise cash balances with banks and overnight money market deposits.

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Currency exposures

The following table shows the Group's currency exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary liabilities of the Group that are not denominated in the operating (or 'functional') currency of the operating unit involved. Other than certain non-sterling borrowings treated as hedges of net investments in overseas operations, gains and losses are recognised in the statement of total recognised gains and losses.

Net foreign currency monetary assets/(liabilities)	GBP £'000	US Dollar £'000	Euro £'000	Yen £'000	Other £'000	Total £'000
Functional currency of group operations						
2004						
Pound sterling	-	-	-	206	35	241
US Dollar	-	-	(220)	-	-	(220)
Euro	(598)	264	-	-	-	(334)
Japanese Yen	-	(194)	-	-	-	(194)
Singapore dollar	-	459	-	(14)	-	445
Canadian dollar	-	5	-	-	-	5
Total at 31 December	(598)	534	(220)	192	35	(57)
2003						
Pound sterling	-	(2,656)	-	447	19	(2,190)
US Dollar	-	-	34	-	-	34
Euro	-	81	-	-	-	81
Japanese Yen	-	(162)	(2)	-	-	(164)
Singapore dollar	-	582	(1)	-	-	581
Canadian dollar	-	13	-	-	-	13
Total at 31 December	-	(2,142)	31	447	19	(1,645)

The amounts shown in the table above take into account the effect of forward contracts entered into to manage these currency exposures. At 31 December 2004, the Group also held open various forward contracts that had been taken out to hedge expected future foreign currency exposures.

	2004		2003	
Fair value of financial assets and financial liabilities	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Primary financial instruments				
Short term borrowings and current portion of long term borrowings	(90)	(90)	(11,274)	(11,274)
Long term borrowings	(39,328)	(39,328)	-	-
Financial assets	9,082	9,082	8,508	8,508
Fixed asset investments	16	16	-	-
Derivative financial instruments held to manage interest rate risk				
Interest rate swaps	-	(80)	-	(132)
Derivative financial instruments held to hedge currency risk				
Forward foreign currency contracts	98	327	231	424

Market values have been used to determine the fair values of interest rate swaps and forward foreign currency contracts. The fair values of other items have been calculated by discounting the expected future cash flows at prevailing interest rates.

Hedges

The Group's policy is to hedge interest rate risk using interest swaps and currency exposures using forward foreign currency contracts. Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging and the movements therein are as follows:

	Gains	Losses	Total net gain/(loss)
	£'000	£'000	£'000
Gains and losses on hedges			
Unrecognised at 1 January 2004	193	(132)	61
Arising in previous years that were recognised in 2004	(193)	29	(164)
Arising in previous years that were not recognised in 2004	-	(103)	(103)
Arising in 2004 that were not recognised in 2004	562	(310)	252
Unrecognised at 31 December 2004	562	(413)	149
Of which – expected to be recognised in 2005	562	(356)	206
– expected to be recognised in 2006 or later	-	(57)	(57)

		2004			2003
		Number	£'000	Number	£'000
24	Share capital				
	Authorised: Ordinary shares of 1p each	140,000,000	1,400	140,000,000	1,400
	Allotted, called up and fully paid ordinary shares of 1p each	129,095,826	1,291	126,870,840	1,268
	Shares to be issued	-	-	66,280	1
		129,095,826	1,291	126,937,120	1,269

	Number	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2004	126,870,840	1,269	13,222	14,491
Share capital issued under share option schemes	2,224,986	22	2,099	2,121
At 31 December 2004	129,095,826	1,291	15,321	16,612

	Number of shares	Option prices	Period exercisable
Options on ordinary shares outstanding at 31 December 2004			
Integrated Incentive plan 'A' options	1,035,159	87p – 225p	2005-2014
Integrated Incentive plan 'B' options	1,035,159	87p – 225p	2005-2012
Integrated Incentive plan 'C' options	1,725,862	87p – 225p	2005-2012
Long Term Incentive Option Scheme	1,000,000	251p	2005-2014
2001 savings related share option scheme	23,663	66p	2005
2002 savings related share option scheme	123,744	71p	2005-2006
2003 savings related share option scheme	125,414	104p	2006-2007
2004 savings related share option scheme	301,992	160p	2007-2008
2001 Whatman Inc savings related share option plan	14,689	66p	2004-2005
2002 Whatman Inc savings related share option plan	76,228	71p	2005-2006
2004 Whatman Inc savings related share option plan	169,418	160p	2007-2008
2001 Germany savings related share option scheme	50,144	66p	2004-2005
2002 Germany savings related share option scheme	7,099	71p	2005-2006
	5,688,571		

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	Revaluation £'000	Capital redemption £'000	Other £'000	Profit and loss £'000	Total £'000
25 Reserves					
<i>Group</i>					
At 1 January 2004 as previously reported	4,538	40	2,004	26,143	32,725
Prior year adjustment	-	-	-	(263)	(263)
At 1 January 2004 as restated	4,538	40	2,004	25,880	32,462
Foreign exchange differences	(79)	-	-	(1,790)	(1,869)
Retained loss for the year	-	-	-	(6,454)	(6,454)
Exchange gain on borrowings	-	-	-	(36)	(36)
Tax on exchange adjustments	-	-	-	(103)	(103)
Employee Benefit Trust shares	-	-	-	(398)	(398)
Transfer to profit and loss account	19	-	(72)	53	-
At 31 December 2004	4,478	40	1,932	17,152	23,602
<i>Whatman plc</i>					
At 1 January 2004 as previously reported	3,379	40	1,973	11,868	17,260
Prior year adjustment	-	-	-	(263)	(263)
At 1 January 2004 as restated	3,379	40	1,973	11,605	16,997
Retained loss for the year	-	-	-	(1,637)	(1,637)
Transfer to profit and loss account	19	-	-	(19)	-
Employee Benefit Trust shares	-	-	-	(398)	(398)
At 31 December 2004	3,398	40	1,973	9,551	14,962

The cumulative amount of goodwill written off directly to reserves in respect of undertakings forming part of the Group at 31 December 2004 was £17,532,000 (2003: £17,532,000). In accordance with the exemption available under section 230 of the Companies Act 1985, the profit and loss account of Whatman plc is not separately presented. The profit attributable to shareholders of Whatman plc is £4,287,000 (2003: £3,059,000).

The prior year adjustment relates to the adoption of UITF 38 which requires that where a Company purchases its own shares held by the Employee Benefit Trust, these should be deducted in arriving at shareholders' funds. The total cost of the shares was £262,755 at 31 December 2003 resulting in a reduction to shareholders' funds of that amount. At 31 December 2004, 368,974 shares were held with a nominal value of £3,690 (2003: 168,974 shares with a nominal value of £1,690). In accordance with UITF 38, during 2004, the cost of shares acquired included as a deduction from the profit and loss account reserve was £397,732.

Shares in Whatman plc are purchased by the Company in the open market and held by the Employee Benefit Trust for the benefit of the employee profit share scheme. Bonuses are payable to Whatman employees in the form of either cash or share equivalent based on the year end share price. The cost of bonuses has been charged to the profit and loss account in the year to which they relate. All rights to dividends on these shares have been waived.

	2004 £'000	2003 (Restated) £'000
26 Reconciliation of movement in equity shareholders' funds		
Loss attributable to shareholders	(530)	(1,883)
Dividends	(5,924)	(5,458)
Retained loss for the year	(6,454)	(7,341)
Other recognised losses for the year	(2,008)	(2,119)
Employee Benefit Trust shares	(398)	-
Write back to profit and loss of goodwill on business closure	-	6,016
Issue of shares on exercise of share options	2,121	827
Net decrease in equity shareholders' funds for year	(6,739)	(2,617)
Equity shareholders' funds at 1 January	46,953	49,833
Prior year adjustment	-	(263)
Equity shareholders' funds at 31 December	40,214	46,953

27 | Acquisitions

On 30 November 2004, the Group acquired 100% of the share capital of Schleicher & Schuell, a company incorporated and based in Germany.

The fair value of the total consideration of £40.9 million (€58.8 million) was offset by amounts received in respect of excluded entities and other similar adjustments of £4.9 million. Of this amount, £3.8 million (€5.5 million) is deferred for payment until 30 November 2005. It includes transaction costs paid or accrued totalling £2.8 million, but excludes bank arrangement fees of £0.6 million. Cash acquired with the business amounted to £1.1 million.

Table of acquired assets and liabilities

The following table sets out the book values of the identifiable assets and liabilities acquired, together with their fair value to the Group:

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Intangible fixed assets	283	1,557	1,840
Tangible fixed assets	6,751	1,551	8,302
Investments	192	(177)	15
Stock	6,237	(333)	5,904
Debtors	12,820	723	13,543
Cash	1,138	-	1,138
Borrowings	(2,133)	-	(2,133)
Other creditors	(8,049)	1,539	(6,510)
Provisions for liabilities and charges	(6,857)	(2,443)	(9,300)
Net assets acquired	10,382	2,417	12,799
Goodwill	-	-	28,066
Consideration	-	-	40,865
Consideration satisfied by:			
Cash	-	-	32,163
Amounts relating to excluded entities and other similar adjustments	-	-	4,884
Deferred consideration	-	-	3,818
Total	-	-	40,865

The fair value adjustments represent valuation adjustments of £0.5 million and alignments with group accounting policies of £1.9 million. The fair values and goodwill arising are provisional and subject to finalisation as the acquisition was made within one month of the year end.

Schleicher and Schuell owns a 28% interest in BioDot Inc, a private company incorporated in California. BioDot designs, manufactures, markets and sells micro-scale liquid dispensing systems and related peripheral equipment and services. These are used to develop and produce diagnostic tests for markets. The markets include medical, food, environmental, veterinary and agriculture.

BioDot Inc prepares financial statements to 31 October. It is accounted for as an associate undertaking using the equity method of accounting. Schleicher & Schuell's share of net assets totalled £177,000 as at 30 November 2004 and is reflected within fixed asset investments in the table of acquired assets and liabilities. The goodwill net of accumulated amortisation arising on the acquisition of £283,000 is within intangible fixed assets. The investment in BioDot has been fair valued to nil as no dividend has been paid since Schleicher and Schuell acquired BioDot. Furthermore, no dividends are expected for the foreseeable future and there is no ready market in which to sell the shares. As the investment has been fair valued to nil, and has only been held for one month of the year, further Group associate disclosures have not been given on the ground of materiality.

Provisions for liabilities and charges includes amounts in respect of the pension liability and deferred tax liability.

There will be no material effect on deferred tax should the acquired assets be sold at their fair value.

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Results prior to acquisition

In the year ended 31 December 2003, turnover was £34.6 million and profit after tax was £0.4 million (at an exchange rate of €1.42 to £1).

The summarised profit and loss account from 1 January 2004 to 30 November is shown based on the accounting policies of Schleicher & Schuell prior to the acquisition:

	Eleven months ended 30 November 2004 £'000
Turnover	32,558
Cost of sales	(16,961)
Gross profit	15,597
Distribution costs	(8,300)
Research & development	(1,046)
Administrative expenses	(5,443)
Total operating expenditure	(14,789)
Other income	1,600
Operating profit	2,408
Net loss on disposal of businesses	(2,652)
Income from associate undertaking	44
Interest	(400)
Loss before tax	(600)
Tax	(900)
Loss after tax	(1,500)

Statement of recognised gains and losses for Schleicher & Schuell in
the eleven months ended 30 November 2004 prior to acquisition

	2004 £'000
Loss attributable to shareholders	(1,500)
Currency translation differences on net investments	(59)
Total recognised losses for the period	(1,559)

	2004 £'000	2003 £'000
28 Disposal of businesses		
Net proceeds from sale of Filter Cartridge business	-	397
Net proceeds from sale of HemaSure Blood Filtration business	-	3,629
	-	4,026

	2004 £'000	2003 £'000
29 Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	2,913	13,424
Depreciation	3,189	4,088
Amortisation of intangible assets and goodwill	711	692
Impairment of tangible fixed assets	54	1,571
Profit on sale of tangible fixed assets	(17)	(6)
Net provisions established	14,439	820
Stock write down/(write back)	769	(6)
Other non cash profit items	(667)	(301)
(Increase)/decrease in stock	(665)	774
(Increase)/decrease in debtors	(256)	1,939
Decrease in creditors	(302)	(738)
Utilisation of provisions	(6,415)	(13,513)
Net cash inflow from operating activities	13,753	8,744

Other non cash profit items relate primarily to the increase in the pension prepayment.

	2004 £'000	2003 £'000
30! Reconciliation of net cash flow to movement in net debt		
Increase in cash in the year	(1,175)	(3,084)
Net cash flow from increase in borrowings	26,135	962
Change in net debt resulting from cash flows	24,960	(2,122)
Acquisition of borrowings	2,133	-
Foreign exchange differences	477	(1,279)
Increase/(decrease) in net debt in the year	27,570	(3,401)
Net debt at 1 January	2,766	6,167
Net debt at 31 December	30,336	2,766

	At 1 January 2004 £'000	Cash flow £'000	Change in maturity £'000	Acquisition (ex cash & overdraft) £'000	Exchange movement £'000	At 31 December 2004 £'000
31! Analysis of net debt						
Cash in hand and at bank	(8,508)	(1,019)	-	-	445	(9,082)
Overdrafts	246	(156)	-	-	-	90
	(8,262)	(1,175)	-	-	445	(8,992)
Debt due within one year	11,028	(4,833)	(6,637)	782	(340)	-
Debt due after one year	-	30,968	6,637	1,351	372	39,328
	11,028	26,135	-	2,133	32	39,328
Net debt	2,766	24,960	-	2,133	477	30,336

32! Related party transactions

On 21 December 2000, Schleicher & Schuell made a loan of \$240,000 to BioDot Inc, an associate undertaking (note 27), which was due for repayment on 1 June 2001. On 1 August 2002, the unpaid balance of this loan of \$73,661 was exchanged for a three year 6% convertible debenture with a conversion rate of \$5.00 per share. This balance is due for repayment or conversion on 1 August 2005.

Dr Hinrich Kehler was previously Chairman of the Advisory Board of Schleicher & Schuell GmbH. Dr Kehler (through a majority shareholding in ConCap Beteiligungs und Vermögensverwaltungs GmbH ("ConCap")) was a shareholder of Schleicher & Schuell GmbH (S&S) until the acquisition of S&S by Whatman in November 2004. The former shareholders of S&S have provided indemnities to Whatman in relation to representations and warranties contained in the sale and purchase agreement and payment to them of part of the consideration for the acquisition is subject to retention by Whatman through a warranty period. In addition, Dr Kehler continues to be a Director and (through his shareholding in ConCap) has beneficial shareholdings in a number of companies which were previously subsidiaries of S&S but excluded from the acquisition of S&S by Whatman. These companies are parties to certain contractual agreements with Whatman companies by which, for a transition period, they supply products and services to Whatman and receive services from Whatman. These agreements were negotiated on an arms length basis. The total value of transactions between Whatman and these companies between 1 December 2004 and 31 December 2004 was £41,000.

	Land and buildings 2004 £'000	2003 £'000	2004 £'000	Other 2003 £'000
33! Lease commitments				
The Group has annual commitments under operating leases expiring:				
Within one year	364	207	390	52
Between one and five years	706	586	489	158
After five years	643	413	-	-
	1,713	1,206	879	210

The Company had no commitments under operating leases.

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34 Principal subsidiary undertakings	Principal activities	Country of incorporation
Biometra Biomedizinische Analytik GmbH ³	Manufacturing, marketing and development	Germany
Whatman Asia Pacific Pte Limited ¹	Marketing	Singapore
Whatman Finance Limited ¹	Holding and financing	Ireland
Whatman GmbH ¹	Manufacturing, marketing and development	Germany
Whatman Germany GmbH ¹	Holding	Germany
Whatman HemaSure Inc ¹	Manufacturing, marketing and development	US
Whatman Holdings GmbH ¹	Holding	Germany
Whatman Holdings UK Limited	Holding	England
Whatman Inc ¹	Manufacturing, marketing and development	US
Whatman International Limited ²	Manufacturing, marketing and development	England
Whatman Ireland Limited ¹	Holding and financing	Ireland
Whatman Japan KK	Marketing	Japan
Whatman Canada Limited ¹	Manufacturing and marketing	Canada
Whatman Reeve Angel Inc ¹	Holding	US
Whatman SA ¹	Manufacturing, marketing and development	Belgium
Whatman Luxembourg 1 ¹	Financing	Luxemburg
Whatman Luxembourg 2 ¹	Financing	Luxemburg
Whatman Luxembourg 3 ¹	Financing	Luxemburg
Schleicher & Schuell GmbH ¹	Holding	Germany
Schleicher & Schuell BioScience Inc ¹	Manufacturing, marketing and development	US
Schleicher & Schuell BioScience GmbH ¹	Manufacturing, marketing and development	Germany
Schleicher & Schuell MicroScience GmbH ¹	Manufacturing, marketing and development	Germany
Schleicher & Schuell MicroScience Inc ¹	Manufacturing, marketing and development	US

100% of the voting rights of all subsidiary undertakings are held directly or indirectly by Whatman plc. All shares held are ordinary shares, except where indicated.

¹ Equity held by a subsidiary undertaking.

² Both ordinary and preference shares held.

³ Biometra is in the process of being liquidated.

Five year record

	2000 (Restated) £'000	2001 £'000	2002 £'000	2003 (Restated) £'000	2004 £'000
Turnover	98,659	90,351	87,284	83,803	82,821
Operating profit/(loss)	12,503	(5,032)	(22,065)	13,424	2,913
Profit on sale of fixed assets	-	1,659	-	-	17
Profit/(loss) on business disposals and closures	22,054	-	(7,090)	(10,621)	(1,128)
Profit/(loss) before interest	34,557	(3,373)	(29,155)	2,803	1,785
Interest	(603)	(100)	(91)	(208)	(429)
Profit/(loss) before taxation	33,954	(3,473)	(29,246)	2,595	1,356
Taxation	(8,815)	2,286	9,090	(4,478)	(1,886)
Profit/(loss) after taxation	25,139	(1,187)	(20,156)	(1,883)	(530)
Minority interests	14	-	-	-	-
Profit/(loss) attributable to shareholders	25,153	(1,187)	(20,156)	(1,883)	(530)
Dividends	4,885	4,895	4,901	5,458	5,924
Shareholders' funds	83,184	77,713	49,833	46,953	40,214
Earnings/(loss) per share – basic	20.18p	(0.95p)	(16.04p)	(1.49p)	(0.41p)
Earnings/(loss) per share – diluted	19.93p	(0.94p)	(15.95p)	(1.48p)	(0.41p)
Dividend per share	3.90p	3.90p	3.90p	4.29p	4.61p
Share price – high	362.5p	293.0p	132.0p	163.5p	269.0p
Share price – low	151.0p	77.5p	65.0p	66.1p	155.5p
US dollar exchange rate – at year end	\$1.49	\$1.46	\$1.61	\$1.79	\$1.92
US dollar exchange rate – average during year	\$1.51	\$1.44	\$1.51	\$1.64	\$1.83

Taxation and shareholders' funds have been restated in 2000 to reflect the change in accounting policy following the adoption of FRS19 "Deferred tax" in 2001.

Shareholders' funds in 2003 have been re-stated to reflect the change in accounting policy following the adoption of UITF 38 "Accounting for ESOP trusts" in 2004.

Additional Company information

Annual General Meeting

The Annual General Meeting of the Company is to be held at 27 Great West Road, Brentford, Middlesex, TW8 9BW on 20th May 2005. The Notice of the meeting is contained in a separate circular to shareholders.

Financial calendar

Preliminary announcements of the results for the year are issued in April; annual reports are mailed to shareholders in May; final dividends are paid in May. Interim statements for the year are issued in September; interim dividends are paid in November.

Taxation of capital gains

For the purposes of Capital Gains Tax the adjusted market value of the Company's shares at 31st March 1982 was 9.4p, following the sub-division of each Ordinary Share of 5p into 5 New Ordinary Shares of 1p each.

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Auditors
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Brokers and financial advisers
UBS Ltd
JP Morgan Cazenove Limited

Solicitors
Freshfields Bruckhaus Deringer
Nabarro Nathanson

Trademarks
'Whatman' is a registered trademark
of Whatman International Limited

'EasyClone', 'FTA', 'Fusion 5', 'GD/X',
'Mini-UniPrep', 'Purasil' and '903' are
also trademarks of companies within
the Whatman Group.

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Introduction to Whatman

The Whatman Business

Whatman is regarded as the world's leading innovator, developer, producer and distributor of high-end laboratory separations products including filter papers, membranes, syringe filters, filters for use in breathing apparatus, automated platforms and surgical devices. From collection, storage and manipulation of DNA for forensic applications, Whatman provides world class solutions for life sciences, worldwide. Solutions that enable engineers, scientists and medical staff to carry out their work more easily, quickly, accurately and safely.

Corporate headquarters
Brentford, West London

Sales and marketing offices

- Dassel, Germany (North Europe)
- Maidstone, UK (South Europe)
- Florham Park, New Jersey, USA (North America)
- Singapore (Asia Pacific)
- Tokyo (Japan).

Principal manufacturing locations

- Banbury, UK
- Maidstone, UK
- Sanford, Maine, USA
- Dassel, Germany.

Whatman's distribution, sales and service organisation covers more than 70 countries worldwide.

For contact details, see page 60.

Whatman Board

Bob Triani¹

Chairman and Chief Executive

Also Chairman of Southern Water and Astron Group. Previously Group Chief Executive of North West Water and of The Stationery Office; 22 years in healthcare with Glaxo, Abbott Laboratories and Novo Nordisk and non-executive directorships with Celltech and Medeval.

Dr Simon May²

Deputy Chairman (and Non-executive Director)

Also a member of the Investment Committee of ACTIV Investments Fund, and a business consultant and author. Previously Director of Business Development, Nortel Europe, and founder of Mondiale Information Technology Associates.

Tom McNally³

Vice Chairman

Appointed as Vice Chairman on 1 January 2005 with executive responsibility for the Group's research and development, business development and sales functions; non-executive director of the Company since March 2003. Also a director of Pediatric Clinical Trials International. Previously 25 years in healthcare with Abbott Laboratories.

Dr Mirana Jovan⁴

Non-executive Director

Also a venture partner with MPM Capital, and a director of Zeolita Mira and Panmedix.

Dr Heinrich Kehler⁵

Non-executive Director

Appointed 1 January 2005. Also Chief Executive of ConCap GmbH and Chairman of ConCert GmbH, DIA-Nielsen MicroTech GmbH, Hahnemühle FineArt GmbH and S&S Security Printing GmbH. Previously Chairman of Schleicher & Schuell GmbH and Chairman and Chief Executive Officer of Sebaldis Group.

Phil Greenhalgh

Finance Director

Ian Bonnar

Operations Director

John Simmonds

Company Secretary

¹ Chairman of the Nomination Committee.

² Chairman of the Audit Committee, member of the Nomination and Remuneration Committees, and Senior Independent Director.

³ Member of the Nomination Committee; until 31 December 2004, also Chairman of the Remuneration Committee and member of the Audit Committee.

⁴ Member of the Nomination Committee; until 29 January 2004, also a member of the Audit and Remuneration Committees.

⁵ Chairman of the Remuneration Committee, member of the Nomination and Audit Committees.

Highlights of the Year

"Operating Profit" up 29%"

Financial Highlights

- Underlying sales** up 6% (excluding Biometra, in liquidation)
- Operating profit* up 29% to £18.2 million (2003: £14.1 million)
- Operating margins* rise to 23% (2003: 17%); LabSciences margins up to 35% (2003: 32%)
- Adjusted EPS* up 39% to 10.45p (2003: 7.52p)
- Total dividend increased by 7.5% to 4.61p per share (2003: 4.29p).

Statutory Results

- Turnover £82.8 million (down 1% on 2003: £83.8 million)
- Operating profit £2.9 million (down 78% on 2003: £13.4 million)
- Profit before tax £1.4 million (down 46% on 2003: £2.6 million)
- Basic loss per share of 0.41p (increase of 72% on 2003: loss of 1.49p).

Operating Highlights

- Solid sales growth in LabSciences (up 7.1%) and BioScience (up 16.8%) offset by weaker performance in MedTech (down 3.7%) all at constant exchange rates
- FTA sales up 39% at constant exchange rates to £4.8 million and licensing discussions progressing
- Rationalisation of pre-acquisition Whatman manufacturing facilities largely completed, on schedule and within budget
- Successful acquisition of Schleicher & Schuell, and integration delivering synergies on schedule
- Search for new CEO well underway
- On track to deliver earnings accretion targets announced last November.

* pre-goodwill amortisation and exceptional charges and excluding acquisitions and disposals

** at constant exchange rates and excluding acquisitions and disposals

WHEATMAN FTA



Chairman's statement

Overview

Two years on, and the renaissance of Whatman is well underway. The initial restructuring of the organisation has generated benefits to shareholders; sales have started to grow ahead of the market, margins have improved and the strengthening of the management has begun.

Nevertheless, there is still much to do:

- we have had some setbacks with key appointments, in particular with the CEO and some of the regional sales managers
- the organisation, prior to the acquisition of Schleicher & Schuell GmbH ("S&S"), is now broadly the right size and shape, but the process of building additional skills has barely begun
- whilst our LabSciences products have been growing faster than the market, they have yet to realise their full potential
- BioScience news was mixed:
 - organic growth of FTA – largely in the forensics market – continued, but the out-licensing programme is taking longer than we had hoped
 - however, with increased knowledge of the potential markets for FTA, our expectations for both the forensics market and the applications for which we are negotiating licences are considerably higher
 - multiwells ended the year most encouragingly, after a slow start
- in MedTech, the OEM sales are by nature lumpy and we continue to believe in their potential, but we shall be reviewing the future of some of the lower margin, lower growth product ranges in this segment
- the margin improvements achieved in the year exceeded expectations and we believe that there is still a considerable way to go. The process improvement programme has only just begun in all our factories.

Overall, the promised improvement in profitability resulting from the upgrading of existing operations has been substantially achieved and is starting to yield improvements in business performance.

The acquisition of S&S towards the end of the year has provided a unique opportunity. The integration has got off to a good start and is expected to meet the earnings accretion targets published at the time of the acquisition.

Financial Results

Excluding Biometra and S&S, sales were £74 million; at constant exchange rates and excluding disposals this represents a 6% increase over 2003. This reflects a strong performance in the LabSciences segment where we grew the business by 7.1% to £47.9 million and in which we are outperforming the market. Total Group sales in 2004 were £82.8 million, including one month of S&S sales (2003: £83.8 million).

Operating profit (EBITA) in the year to 31 December 2004, including Biometra (in voluntary liquidation), but excluding goodwill amortisation and exceptional charges, was £18.3 million, up 30% (40% at constant exchange rates) on 2003 (£14.1 million). This improvement has resulted largely from further benefits of the restructuring programme which started in early 2003.

Operating profit (EBITA) of continuing operations, excluding S&S, goodwill amortisation and exceptional charges, was £18.2 million, up 29% on 2003 (40% at constant exchange rates). Operating (EBITA) margin of the continuing operations increased to 23% (2003: 17%), resulting from:

- a solid improvement in LabSciences from 32% (2003) to 35% (2004)
- an encouraging improvement in BioScience to near breakeven against last year's loss of 24%
- a limited improvement from MedTech, which increased 10 points from a loss of 5% in 2003 to a profit of 5% in 2004.

Earnings per share for the year, before goodwill amortisation and exceptional charges, were 10.45p, 39% higher than the 7.52p in 2003.

The Group has provided in the 2004 Accounts for exceptional charges of £15.8 million (excluding amortisation of goodwill):

- £12.4 million for the rationalisation of S&S facilities, integration of the S&S product range and stock write downs within S&S
- £2.3 million relating to onerous leases and continuing restructuring within the established Whatman operations
- £1.1 million in respect of Biometra in order to maintain a full provision over its net assets.

After these exceptional charges and amortisation of goodwill, the Group's profit before tax was £1.4 million (2003: £2.6 million) and the loss per share was 0.41p (2003: loss of 1.49p).

The Group incurred a tax rate on underlying profits before goodwill and exceptional items of 25% in 2004 (2003: 32%). It is anticipated that the ongoing tax rate of the combined Group in the near term will be 25% at current levels of profit, with incremental profits taxed at 35%.

Operating cash flow in the year was £13.8 million (2003: £8.7 million). The total consideration for the acquisition of S&S was €58.8 million (£40.9 million), which was financed entirely by debt.

At 31 December 2004, the Group's net debt was £30.3 million, a gearing ratio of 75%. Interest cover at 31 December 2004 was 43 times, based on the combined 2004 profit of Whatman and S&S before goodwill amortisation and exceptional charges.

In the announcement of the acquisition of S&S, the Board indicated that the acquisition would be 17% accretive to earnings in 2005, 39% accretive in 2006 and 48% accretive in 2007. With this expectation for very substantial improvement in profitability, but prudently planning to repay the debt, the Board has decided to recommend the payment of a final dividend of 2.87p per share, making a total dividend for the year of 4.61p per share, 7.5% higher than in 2003 (4.29p). This will be paid on 27 May 2005 to shareholders on the register at 22 April 2005.

Business Restructuring

The restructuring projects initiated in 2002 are all substantially completed:

- headcount within the pre-acquisition Whatman business (ie prior to the acquisition of S&S) is now steady at about 725 (down from 1,050 at the beginning of 2003)
- reduction of the pre-acquisition Whatman range of products from 16,000 lines to 4,000 lines was completed. A further 500 lines were identified for deletion, but implementation of this programme has been combined with the rationalisation of the S&S range (see below)
- rationalisation of the principal Whatman pre-acquisition manufacturing facilities is complete, on schedule and within budget, with production now concentrated at Banbury and Maidstone in the UK and Sanford in the USA, all of which have ISO9001 certification. Registration of the Banbury and Sanford sites to ISO 13485 will be completed during 2005. Relocation of the membrane etching plant from Scarborough to Sanford was completed in October, also within budget
- relocation of the North America headquarters from Clifton to Florham Park, New Jersey and of the Japan office to an improved location in Tokyo is also complete
- standardisation and upgrading of the Group's integrated business software and telecom systems will be substantially completed during the first half of 2005
- disposal and letting of surplus properties continues to progress:
 - agreement has been reached for the sale of the Clifton site, with completion of the sale scheduled for June
 - leases of the Newton and Scarborough facilities have been surrendered
 - the Ann Arbor facility has been sublet for the full remaining period of the lease.

Acquisition of Schleicher & Schuell

The acquisition of S&S was completed on 30 November 2004 for a consideration of €58.8 million (£40.9 million), financed entirely by debt.

S&S's leading position in Germany complements Whatman's established presence in the UK and the USA, and the combined Group is now the clear

number three in the global LabSciences market, with a 16% share.

The acquisition will allow the Group to offer a more comprehensive product line with the same superior quality our customers have come to expect. The acquisition has also opened new doors for Whatman in markets and geographies in which Whatman has not, historically, been present or strong.

Integration of the Whatman and S&S customer service and sales groups has been successfully completed during the first quarter of 2005. Based in Florham Park, New Jersey (North America), Maidstone, UK (South Europe), Dassel, Germany (North Europe), Singapore (Asia Pacific) and Tokyo (Japan), the combined teams are now positioned to provide existing and new customers with a substantially broader product and improved service capability. In North America and the UK, the established Whatman presence will benefit from the increased selling resources and additional products, including:

- within the microbiology market (part of the LabSciences segment), a range of leading products in food and beverage QA/QC applications with industry-wide application, including microbiological monitors and media for culturing samples
- in the DNA blotting market (part of the BioScience segment), S&S blotting membranes, which are considered the premier brand available in the market and complement Whatman blotting paper
- in the diagnostics lateral flow market (part of the MedTech segment), combined S&S and Whatman product offerings provide customers with an optimised range of products for lateral flow, making Whatman the most comprehensive supplier of material for lateral flow tests
- in Neonatal testing (part of the BioScience segment), S&S dominates the supply of printed cards for sample collection using the 903 media.

The geographical strength of S&S in Germany and Central Europe provides a considerable opportunity to offer the combined product range to S&S's strong loyal customer base.

Integration and rationalisation of the combined product range will be completed by the fourth quarter of 2005. The pre-acquisition Whatman range had already been reduced from 16,000 products to under 4,000. A similar programme to reduce the S&S product range from 17,000 items, together with a further reduction of the Whatman pre-acquisition range, is well underway and will result in a combined offering of 7,000 products.

Initial stages of the integration of operations are progressing well:

- relocation of the S&S LabSciences facility from Florida

to Sanford will be completed in April 2005, earlier than originally planned and within budget

- relocation of the S&S BioScience manufacturing and R&D activities from New Hampshire to Sanford will be completed by August, and the New Hampshire freehold site has been put up for sale
- absorption of S&S head office functions into the Whatman organisation was completed in the first quarter of 2005.

Migration of S&S business operating systems to the upgraded Whatman platform is on schedule, for completion by the end of 2005. Completion of these initial integration projects will reduce the combined

workforce from 1,170 at the date of acquisition to 980 by the end of the year.

A further stage of the integration will combine the existing paper conversion operations at Banbury and Dassel. This project will be completed by the end of the year and will achieve a further reduction in headcount.

Segmental Review

As announced at the beginning of 2004, the Group now has three reporting segments. The segment previously named "Filtration and Separation" is now divided into "LabSciences" and "MedTech". The segment previously named "Biotechnology" is now called "BioScience".

The statutory accounts for 2004 include one month of S&S sales, post-acquisition. The analysis in the following table shows the unaudited proforma total sales of the Group for the whole of 2004:

	2004 £000	Whatman Underlying growth* %	2004 £000	Standalone S&S Underlying growth* %	2004 £000	Proforma Combined Group Underlying growth* %
LabSciences	47,890	7.1	20,621	7.5	68,511	7.2
MedTech	15,323	(3.7)	5,337	9.2	20,660	(0.6)
BioScience	10,748	16.8	9,031	7.9	19,779	12.5
Ongoing operations	73,961	6.0	34,989	7.9	108,950	6.6
Biometra	6,429	(15.7)	-	-	6,429	(15.7)
Total	80,390	4.0	34,989	7.9	115,379	5.0

* at constant exchange rates

LabSciences

LabSciences is the preparation of non-cellular samples prior to analysis, including environmental applications. It comprises cellulose and glass filtration media, membranes and chromatography. In addition to traditional products, this segment includes syringe filters, capsules and other encapsulated products, and microbiological products.

Underlying sales (at constant exchange rates and excluding the filter cartridge business which was sold at the end of 2003) were up 7.1% in a market which grew by about 3%. Within this overall growth, some weakness in European demand was outweighed by particularly strong activity in the United States.

The traditional cellulose and glass fibre macrofiltration products continued to hold their own, together achieving a 4% increase in sales (at constant exchange rates) in a steady market.

Membrane sales in this segment were up 20% at constant exchange rates, helped by the award of a five year US contract for air pollution monitoring.

The Company's latest generation of innovative products continues to provide new opportunities:

- Mini-UniPrep, used in HPLC sample preparation, achieved a 53% year on year increase in sales

- GD/X, providing simple preparation of hard-to-filter samples, achieved 18% sales growth
- Purasil, a high purity silica gel for flash chromatography, was successfully launched mid year.

The unique features of these new products offer our customers user-friendly and cost-reducing solutions in a wide range of applications, from QC testing in an environmentally friendly process which extracts ethanol from corn to preparation of HPLC samples in organic synthesis.

About half the Group's sales in the LabSciences sector are through specialist laboratory distributors. Recent changes in this distribution channel, while creating some short term uncertainty in the market, provide the Group with an opportunity for improved longer term growth.

MedTech

MedTech comprises filtration components supplied on an OEM basis to manufacturers of medical devices and clinical diagnostics tests.

Underlying sales were disappointingly down 4% at constant exchange rates, due to a shortfall in sales of relatively low margin drug reconstitution products resulting from a subcontract supply problem. This shortfall was expected to be filled by increased sales of membranes for clinical diagnostics. In the event,

this did not come through in the second half of 2004 but we remain confident that this will happen in 2005, as further applications continue to be found for the Group's unique portfolio.

In addition, Fusion 5, which enables five processes in lateral flow diagnostic assays to be combined into a single process, was successfully launched during the year and has already achieved sales to a number of global diagnostics manufacturers.

BioScience

BioScience is the preparation of cellular samples prior to analysis and storage for study of nucleic acids or proteins. It comprises FTA, multiwell plates, column based DNA separation, electrophoresis products, protein microarrays, blotting and neo-natal paper.

Underlying sales were up 17% year on year at constant exchange rates, with particularly strong second half growth.

Sales of FTA products, the unique technology for collection, archiving and purification of DNA, were up 39% on the prior year. The technology is now well established as the worldwide standard in forensics applications. In addition, we are now achieving sales to other sectors, including entry into the food and agriculture marketplace and a first application for epidemiological studies in the pharmacogenomics sector.

Negotiations are progressing with potential partners who will be licensed to market the FTA technology in applicational areas which are not directly accessible through existing Whatman channels.

The margin on FTA sales continues to improve, resulting from both manufacturing efficiency and customers' evaluation of the effectiveness of the technology.

Sales of multiwell products were up 4% at constant exchange rates, at last showing some signs of the potential for specialised plates to OEM customers.

Biometra

Sales from Biometra, which was put into voluntary liquidation in mid 2003, fell during the period in line with market conditions, but some significant progress was achieved toward a resolution of the intellectual property disputes. We continued to provide for the full net asset value of this business pending resolution of these disputes.

Product Development

An extended R&D facility was commissioned at Sanford in the first quarter of 2005 and the S&S R&D team will relocate during the second quarter, establishing an excellent combined resource for membrane, FTA, microarrays and engineering research and development. Additionally, the S&S acquisition brings further expertise

in membrane engineering based at Dassel in Germany. R&D expenditure for the combined group will constitute around 2% of total revenue.

The Group's FTA technology continues to be strengthened, with three new US patents, for clone archiving, diagnostics and DNA elution, and one European patent having been granted in 2004, and a further US patent, for sample visualisation, granted since the year end. Formats for use in fully automated applications have been completed and data collection for CE marking and for US 510k FDA registration was also completed.

All three market segments continue to benefit from extensions of the Group's established technologies:

- in LabSciences, further development of the Mini-UniPrep technology includes Mini-UniPrep amber, for light sensitive samples, for example in vitamin analysis, and Mini-UniPrep slit septa, for applications requiring the use of very fine needles, for example in HPLC autosamplers
- EasyClone, launched on the market in December 2004, is a 384 well multiplate incorporating FTA technology for high throughput manipulation and archiving of bacterial clones, employed in genomics projects
- Fusion 5, described in the Segmental Analysis above, was launched in April 2004.

The acquisition of S&S brings to the Group a new protein microarray technology, which although still in its infancy has exciting potential for high throughput proteomics applications, a new market area for Whatman.

Board and Staff

The search for a new CEO is now well underway and we hope to be in a position to make an announcement in the near future. Pending the appointment of a new CEO, I am personally overseeing the integration and restructuring of S&S while also continuing to direct the overall renaissance of the Group. Additionally, Finance, Operations and Administration are reporting to me until the new CEO is appointed.

Dr Hinrich Kehler (previously Chairman of the Advisory Board of S&S) joined the Board as a non-executive director on 1 January 2005 and brings extensive business experience in addition to his knowledge of the S&S operations.

Tom McNally, who joined the Board in a non-executive capacity in 2003 following an outstanding career with Abbott Laboratories, has taken on executive responsibility for the R&D, Business Development and Sales functions, pending the appointment of a new CEO.

A Scientific Advisory Board has been established and the Group is very fortunate to have appointed

Dr Roger Ford, Professor of Innovation and Technology Strategy at the University of Salford, and Dr Geoff Moggridge, Senior Lecturer in Chemical Engineering at the University of Cambridge, to the Advisory Board.

I am very pleased to welcome the S&S employees to Whatman and I am sure they will add considerably to the strength of the Group's human resources.

I would again like to record my thanks to all our staff for their continuing commitment to the business through another year of transformation.

Outlook

The achievement of an acceleration of top line growth in Q1 has been hampered by the lack of sales leadership following the departure of our CEO and two regional sales managers in Q4 2004. This year got off to a slow start which continued through January and February.

The Business Development and Sales reins were picked up by Tom McNally in January, and March saw a pick up in sales and orders. Overall, Q1 2005 was behind our own expectations, but we believe that Q2 will see us back on track.

In our search for a new CEO we have a good shortlist of candidates from which we hope to make an appointment in the near future. In addition, the full complement of regional sales managers is now in place and this should allow us to regain sales growth momentum.

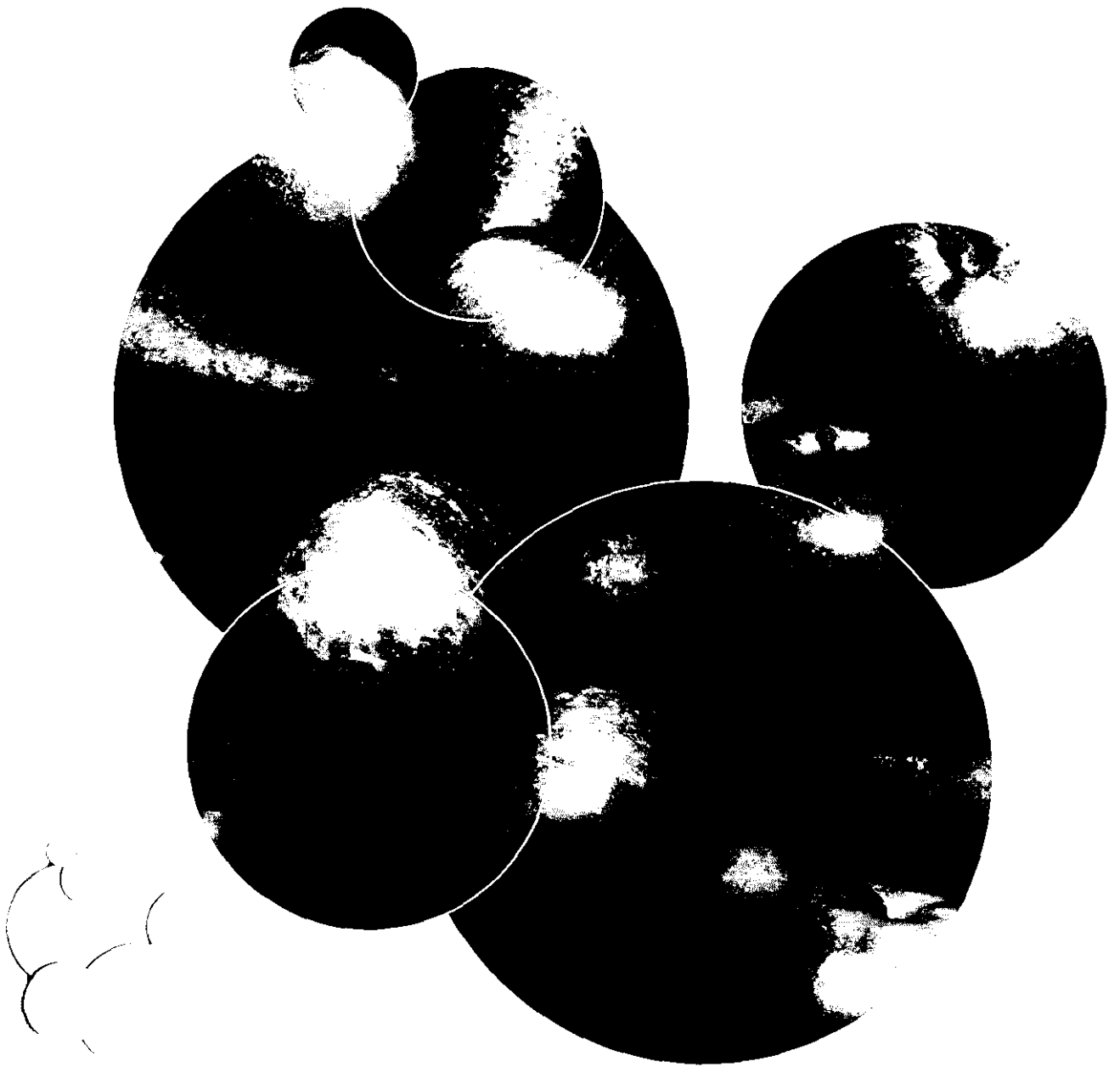
Meanwhile, the integration plans and product rationalisation announced at the time of the acquisition of S&S are coming through on schedule and we are on track to deliver the earnings accretion targets announced at that time.

We still have some way to go on the restructuring of the combined group and we shall be commencing a manufacturing improvement programme at the beginning of the summer which we expect to further enhance operating margins.

Overall, we continue to make good progress and I am confident that there is considerable further upside to come.



Bob Thian
Chairman
8 April 2005



WHATMAN GRADE 1

Financial review

Turnover

Group turnover of £82.8 million was £1.0 million (1%) below 2003. Turnover excluding Biometra and Schleicher and Schuell was £74.0 million, £2.0 million (3%) below 2003, the reduced level of activity being principally in LabSciences and MedTech, £2.3 million (5%) and £0.8 million (5%) below 2003 respectively. BioScience turnover was £1.0 million (10%) above 2003.

On a like for like basis, excluding acquisitions, disposals and exchange effects, LabSciences sales were 7% up

on the prior year, with membrane sales growing by 20% and encapsulated product sales growing by 10%; MedTech sales were 4% below last year largely as a result of a 9% decline in sales of encapsulated medical filters; BioScience sales were 17% above last year, resulting from a growth of 39% in FTA sales.

Sales of Biometra in liquidation on a like for like basis were 16% down on last year.

Operating profit

	After goodwill amortisation & exceptional items continuing		Before goodwill amortisation & exceptional items continuing		Adjusted operating profit margin	
	2004 £m	2003 £m	2004 £m	2003 £m	2004 %	2003 %
LabSciences	14.6	11.5	16.8	16.3	35	32
MedTech	0.5	(1.6)	0.8	(0.8)	5	(5)
BioScience	(0.6)	(2.8)	(0.1)	(2.3)	-	(24)
Schleicher & Schuell	(12.3)	-	0.1	-	4	-
Total ongoing	2.2	7.3	17.6	13.2	24	17
Biometra & Hemosure	0.7	6.1	0.7	0.9	11	12
Total	2.9	13.4	18.3	14.1	22	17

The improvement in the adjusted operating profit margin for LabSciences from 32% to 35% of sales was due to the increased sales volume and improvements in gross profit margins resulting from a reduction in sales of lower margin pleated encapsulated products.

MedTech made an adjusted operating profit margin of 5% compared to a loss of 5% in the previous year as a result of savings in sales and administrative overheads and the loss of some lower margin business.

The adjusted operating loss of BioScience reduced from 24% to less than 1% of sales, largely due to improved gearing as a result of the high sales growth and improvements in FTA gross profit margins.

The Schleicher & Schuell business generated an operating profit of £0.1 million before goodwill amortisation and exceptional items for the one month since acquisition.

The adjusted operating profit of Biometra reduced to £0.7 million from £0.9 million.

Exceptional charges

Exceptional charges, including amortisation of goodwill, of £16.4 million includes £12.4 million for redundancies, closure costs and stock write-downs in connection with the integration of Schleicher & Schuell, £2.3 million relating to increases in existing onerous lease provisions and further redundancies and £1.1 million to maintain a full provision over the net assets of Biometra.

Interest

The net interest charge for the year increased by £0.2 million to £0.4 million as a result of an increase in interest rates and the increase in debt to fund the Schleicher & Schuell acquisition. Excluding goodwill amortisation and exceptional charges, interest was covered 43 times (68 times in 2003). Including goodwill amortisation and exceptional items, interest cover was 4 times (13 times in 2003).

Profit/(loss) before tax

The pre-tax profit for the year of £1.4 million (2003: £2.6 million) was after charging goodwill amortisation and exceptional charges of £16.4 million. The profit before tax, before goodwill amortisation and exceptional charges was £17.8 million (2003: £13.9 million).

Taxation

There is a tax charge of £1.9 million (228%) on the 2004 profit of £1.4 million. Reconciliation to the standard UK rate of 30% is set out in the notes to the Accounts.

The tax rate on underlying profits before goodwill and exceptional items was 25% compared to 32% in 2003, realising the benefit from the Group's rationalisation and internal refinancing. Tax of £3.4 million is recoverable against profits in prior periods and advance payments, primarily in the USA and the UK. In addition there is a deferred tax asset of £7.5 million recoverable against future profits, offset by deferred tax liability of £2.6 million.

Earnings per share

Loss per share was 0.41p, down from a loss per share of 1.49p in 2003. Earnings per share, before goodwill amortisation and exceptional charges, which reflects the underlying performance of the Group, was 10.45p, up from 7.52p in 2003.

Dividend

It is proposed to pay a final dividend of 2.87p per share, making a total dividend for the year of 4.61p per share, an increase of 7.5% over last year. The dividend is covered 2.3 times (1.7 times in 2003) by earnings from continuing operations before goodwill amortisation and exceptional charges. Based on profit attributable to shareholders, the dividend is not covered (2003: not covered).

Cash flow

Operating profit before goodwill amortisation and exceptional charges	2004 £m	2003 £m
Depreciation and other non-cash items	18.3	14.1
Provisions utilised	2.7	5.3
Working capital movement	(6.4)	(12.7)
Operating cash flow	(1.3)	2.0
Net capital expenditure	13.8	8.7
Interest	(4.6)	(3.3)
Tax	(0.9)	(0.2)
Free cash flow	(0.4)	2.8
Net acquisitions	7.4	2.4
Sale of businesses	(28.9)	-
Dividends paid	-	4.0
Shares issued	(5.6)	(5.1)
Movement in net borrowings	2.1	0.8
	(25.0)	2.1

There was a free cash inflow of £7.4 million in 2004, after spending £6.4 million on provisions, compared to £2.4 million in 2003.

Working capital increased by £1.3 million in the year comprising increases in stock of £0.7 million, debtors £0.3 million and a decrease in creditors of £0.3 million.

Net capital expenditure was up £1.3 million on 2003, primarily as a result of the relocation of manufacturing operations to Sanford and the relocation of the North American headquarters to Florham Park NJ.

Net tax paid reduced from £2.8 million in 2003 to £0.4 million in 2004, primarily due to a tax refund of £2.2 million being received in the US in respect of prior year losses.

Net payments for acquisitions includes the total consideration of £40.9 million for S&S, offset by amounts received in respect of excluded entities and other similar adjustments of £4.9 million. Of this amount, £3.8 million is deferred for payment until 30 November 2005. It includes transaction costs paid or accrued totalling £2.8 million, but excludes bank arrangement fees of £0.6 million. Cash acquired with the business amounted to £1.1 million.

Proceeds from the sale of businesses in 2003 comprise £3.6 million for the HemaSure business and £0.4 million for the filter cartridge business.

International financial reporting standards

The Group's plans to implement IFRS are on track and will ensure that full compliance with the statutory requirements will be achieved.

Treasury

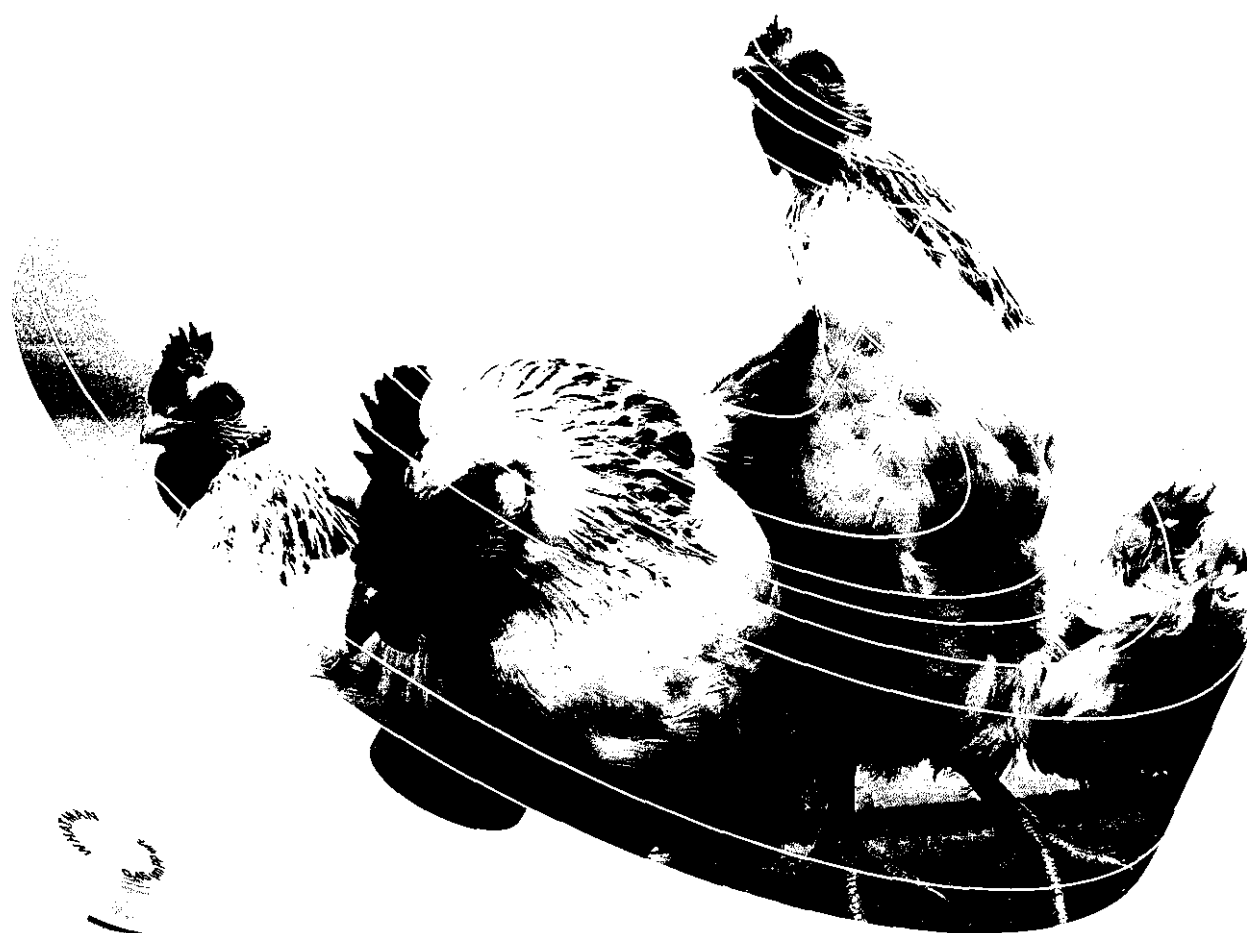
Treasury operates on a centralised basis as a cost centre in line with policies set by the directors. Primary objectives of the policies are to manage the effects associated with foreign exchange and interest rate movements, to ensure the availability of a prudent level of loan facilities on reasonable terms and to provide cash management. Financial derivatives are used only to reduce risk and speculation is not permitted.

The Group operates a finance company in Luxembourg in order to improve the cost effectiveness of the Group's cash management. Cash management systems continue to be used with a number of banks to help reduce the net interest charge.

The Group hedges its profits against short-term exchange rate movements mainly by forward contracts for periods of up to two years. Interest rate movements are partially hedged by the use of interest rate swaps. Foreign currency assets are partially hedged by matching them to limited currency borrowings.

During the year the Group refinanced its borrowing facilities replacing existing bilateral facilities with a single facility syndicated with a small number of London banks. This facility comprises a €95 million amortising five year term loan to finance the acquisition and integration of *Schleicher and Schuell* and a five year revolving credit facility. Further details of the borrowings are given in the notes to the Accounts.

GD/X SYRINGE FILTER



Directors' report

Including Summaries of Operating Policies

Results

The directors present their report on the audited financial statements for the year ended 31 December 2004.

Details of profits and proposed dividend payments are included in the Financial Review.

Principal activities and development of the business

The principal activities of the Group continue to be the development, manufacture and marketing of filtration and separations products which are used by laboratories for industrial, healthcare and environmental applications, as described in more detail in the Chairman's Statement.

On 30 November 2004, the Company acquired the entire share capital of Schleicher & Schuell GmbH for a total consideration of €58.8 million (£40.9 million), which was financed in full by debt; further details are included in the notes to the Accounts. Schleicher & Schuell's activities are also in the development, manufacture and marketing of filtration and separations products.

The voluntary liquidation of Biometra Biomedizinische Analytik GmbH ("Biometra"), which was announced in July 2003, is continuing.

Future developments

The Group will continue to focus on the strategic and operational development of its businesses, including the integration of the Schleicher & Schuell companies, as described in detail in the Chairman's Statement.

Research and development

Expenditure on the development of new products in 2004 amounted to £1.9 million (2003: £2.2 million).

Directors

The names of the directors are shown on page 2.

Mr Ian Bonnar was appointed a director on 29 January 2004 and was re-elected at the 2004 Annual General Meeting.

Following the acquisition of Schleicher & Schuell in November 2004 and the departure of Mr Howard Kelly as Chief Executive Officer on 25 November 2004, Mr Bob Thian assumed additional responsibilities as Chairman and Chief Executive, including overseeing the integration and restructuring of Schleicher & Schuell and, pending the appointment of a new Chief Executive, direct responsibility for Operations, Finance and Administration.

The Board has been further strengthened by the appointments, with effect from 1 January 2005, of Mr Tom McNally as Vice Chairman and Dr Hinrich Kehler as a Non-executive Director.

Tom McNally, who originally joined the Board as a Non-executive Director in 2003, has taken executive

responsibility for the R&D, Business Development and Sales functions, pending the appointment of a new chief executive, the search for which is progressing with the assistance of an external search consultancy.

Dr Hinrich Kehler was previously Chairman of the Advisory Board of Schleicher & Schuell GmbH, and brings extensive business experience in addition to his knowledge of the S&S operations. He retires at the Annual General Meeting but, being eligible, offers himself for re-election. Dr Kehler (through a majority shareholding in ConCap Beteiligungs und Vermögensverwaltungs GmbH ("ConCap")) was a shareholder of Schleicher & Schuell GmbH (S&S) until the acquisition of S&S by Whatman in November 2004. The former shareholders of S&S have provided indemnities to Whatman in relation to representations and warranties contained in the sale and purchase agreement and payment to them of part of the consideration for the acquisition is subject to retention by Whatman through a warranty period. In addition, Dr Kehler continues to be a director and (through his shareholding in ConCap) has beneficial shareholdings in a number of companies which were previously subsidiaries of S&S but excluded from the acquisition of S&S by Whatman. These companies are parties to certain contractual agreements with Whatman companies by which, for a transition period, they supply products and services to Whatman and receive services from Whatman. Accordingly, Dr Kehler does not take part in any Whatman discussion or voting in relation to any of the above-mentioned contracts.

At no time during the year has any other director had any material interest in a contract with the Company, being a contract of significance in relation to the Company's business (other than agreements for the payment of directors' fees to service companies, details of which are included in the Remuneration Report).

Mr Bob Thian, who was appointed a director on 7 October 2002, and Dr Simon May, who was appointed a director on 30 June 1994, retire at the Annual General Meeting but, being eligible, each offers himself for re-election.

The beneficial interests of directors in the shares of the Company and details of service contracts are shown in the Remuneration Report.

Litigation

On 12 March 2004, Biometra's appeal to the European Patent Office in opposition to one of the patents which have been the subject of infringement actions against Biometra was successful and the offending patent was revoked by the EPO.

Some significant progress has been achieved toward a resolution of the other intellectual property disputes relating to Biometra.

Substantial shareholdings

The Company has been advised within the provisions of sections 198 to 208 of the Companies Act 1985 of the following substantial shareholdings as at 8 April 2005:

	Shares	% of issued share capital
Schroder Investment Management Ltd	13,872,008	10.75
J O Hambro Capital Management Limited		
North Atlantic Smaller Companies Investment Trust plc	6,535,000	5.07
Oryx International Growth Fund Limited		
Hermes Pensions Management Ltd	6,473,722	5.01
Legal and General Investment Management Ltd	5,117,089	3.97
Prudential plc	5,102,775	3.95
Aegon Asset Management UK	4,782,639	3.71
Barclays plc	3,921,894	3.04

The directors are not aware of any other interest of 3% or more in the shares of the Company which is required to be disclosed.

Issue of shares

During the year the Company issued 2,224,986 shares for a total consideration of £2.1 million to directors and employees exercising share options under the Company's Share Option Schemes.

Donations

During 2004 no donations were made to charities or political parties.

Authorities relating to share capital

At the last Annual General Meeting of the Company the directors were given authority, within defined limits, to allot shares pursuant to sections 89 and 95 of the Companies Act 1985 otherwise than to existing shareholders in proportion to their existing holdings. Renewal of this authority will be sought from shareholders at the forthcoming Annual General Meeting.

At the last Annual General Meeting the Company was given authority, within defined limits, to purchase its own shares. Although no such purchases have been made and there are no immediate plans to do so, renewal of this authority will be sought from shareholders at the forthcoming Annual General Meeting.

Operating policies

The following are summaries of the Group's policies on a number of important operational issues.

Human resources

The Group promotes to its employees the need for the highest standards of integrity and ethics in business dealings, including compliance with all relevant legislation and codes of practice.

Employees are regarded as the key to being able to translate policies and strategies into commercial success. The Group is therefore committed to providing a working environment in which this process can flourish.

Procedures have been established to ensure that all employees have the opportunity to understand and appreciate the Group's objectives, policies and strategies, and to ensure that all employees and applicants for employment receive fair treatment and equal opportunity without prejudice against age, disability or ethnic origin. Employees who become disabled are retrained wherever possible.

The Group aims to create opportunity for participation and involvement, to encourage the identification and development of skills and to promote the use of initiative and stimulate personal advancement. Reward systems recognise success at both the corporate and individual level.

Health and safety

The Group safeguards occupational health and hygiene by providing a safe working environment and complying with all relevant statutory obligations and codes of practice.

Working methods and procedures are properly documented and appropriate risk assessment programmes conducted. Specific responsibilities are assigned to designated employees and appropriate training provided for all employees.

Social Responsibility

The Group provides active support to the communities in which it operates, with particular involvement with schools and further education colleges, including provision of work experience opportunities, encouragement of Group employees to participate in governorships, and sponsorship of local events.

Environment

The Group is sensitive to the needs of the environment, not only in terms of compliance with relevant statutory regulations and codes of practice, but more generally in terms of the need to be efficient in the use of raw materials, energy and water and in reducing the production of waste.

Procedures have been established for the regular monitoring and assessment of environmental impact, and targets set for improvements in performance. The Operations Director has overall responsibility for environmental management including the identification and assessment of significant risks and compliance with all statutory obligations, and provides appropriate reports to the Group Board.

Quality

The Group is committed to maintaining its long-established reputation as a developer, manufacturer and supplier of quality goods and services. All employees are encouraged to regard the continuous improvement of quality standards as a personal objective and performance is monitored against defined quality targets.

Suppliers

The Group has incorporated the CBI's Prompt Payment Code into the Group's operating policy relating to the payment of suppliers. The Company had no trade creditors as at 31 December 2004. The Group's trade creditors as at 31 December 2004 represented 35 days of average purchases over the financial year (2003: 30 days).

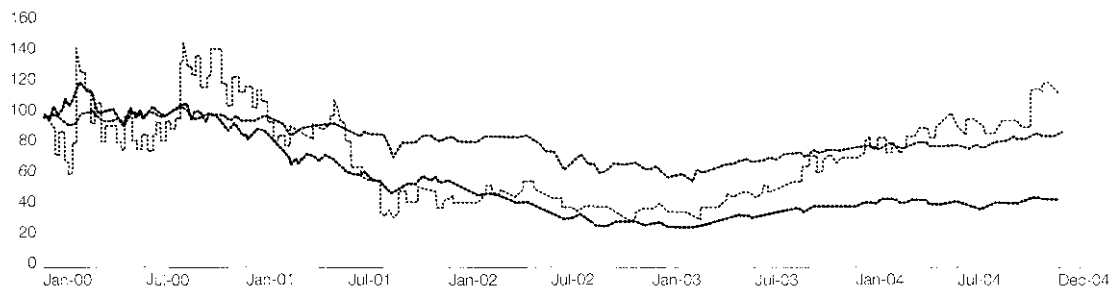
Whatman Total Shareholder Returns

The graphs below show the total shareholder return on a holding of Whatman plc Ordinary shares compared to that of the Financial Times All Share and FTSE techMARK indices over the periods 1 January 2000 to 31 December 2004 and 1 January 2004 to 31 December 2004. (The directors consider these indices to be the most appropriate as the Company is a constituent of the indices.)

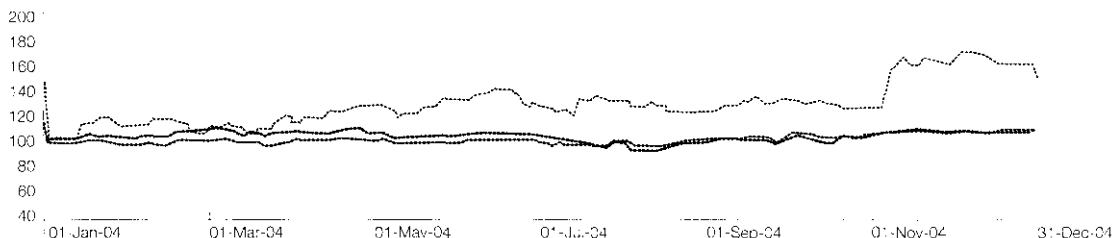
An investment in Whatman shares on 1 January 2000 would have produced a positive return of 4% at 31 December 2004 compared to a negative return of 14% in the FTSE All Share Index and a negative return of 57% in the FTSE techMARK Index over that period.

An investment in Whatman shares on 1 January 2004 would have produced a positive return of 52% at 31 December 2004 compared to a positive return of 13% in the FTSE All Share Index and a positive return of 12% in the FTSE techMARK Index over that period.

Total shareholder return: 1 January 2000 – 31 December 2004



Total shareholder return: 1 January 2004 – 31 December 2004



Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board
John Simmonds
Company Secretary
8 April 2005

Key to performance graphs

..... Whatman
..... FTSE All Share
..... FTSE techMARK All Share

Remuneration Report

for the year ended 31 December 2004

This Report is unaudited except for those parts which are indicated otherwise.

Policy for Directors' remuneration

The remuneration policy of the Group, including the policy for executive directors, is determined by the Remuneration Committee of the Board, the membership of which comprises solely non-executive Board members.

The remuneration policy for non-executive directors is determined by the Board.

In determining remuneration policy, the objectives of the Committee are, in relation to both the current and subsequent years, to provide competitive remuneration arrangements for executive directors and senior executives, which are commensurate with those of other companies of a similar nature, size and standing, which reflect the Group's business and financial objectives, and reward individuals' personal contributions to the Group's overall performance.

Remuneration arrangements are addressed within the context of the Group's current performance, its progress towards strategic objectives and individual executives' personal performance. Arrangements are tailored to reflect good practice within the particular countries in which executives are based, and are regularly reviewed.

In developing remuneration arrangements, the Remuneration Committee (and, in regard to non-executive directors, the Board) refers to external market survey data and has received advice from Linklaters and Watson Wyatt LLP. In developing the particular remuneration arrangements for the Chairman, the Committee also consulted a number of the Group's major shareholders.

Remuneration of Directors

Remuneration of the Chairman

Until 25 November 2004, Mr Thian served as Chairman. Subsequently he has served as Chairman and Chief Executive pending the appointment of a new chief executive.

His remuneration comprises salary and fees, and he received a grant of share options under the terms of the Whatman plc Incentive Option Scheme for the Chairman, which was approved by shareholders at the Extraordinary General Meeting held on 30 November 2004. Details are contained in the notes to this Report. He does not participate in any of the Company's insurance, retirement, or other benefit schemes.

Remuneration of Non-executive Directors

Non-executive directors received remuneration comprising fees and payments for consultancy activities as detailed in the notes to this Remuneration Report.

Non-executive directors are encouraged to receive part of their fees in the form of ordinary shares in the Company, which are purchased quarterly by the Company at the full market price, and Dr Jovan, Dr Kehler, Dr May and Mr McNally have all elected to do so.

Through 2004, Mr McNally served as a non-executive director and received remuneration comprising fees and payments for consultancy activities, details of which are contained in the notes to this Remuneration Report. Following his appointment as Vice Chairman on 1 January 2005, Mr McNally will participate in the Whatman plc Share Award Plan for the Vice Chairman, details of which are also contained in the notes to this Remuneration Report.

Remuneration of Executive Directors

In addition to base salaries, which are determined by the Remuneration Committee in relation to specific job responsibilities and individual capabilities, executive directors participate in the Whatman Group Incentive Scheme, with a maximum bonus potential of 100% of base salary subject to achievement of defined Group, operational and individual objectives, including targets relating to net sales, gross margin and operating expenses, and quantitative measures of achievement of strategic objectives. (Exceptionally in the first year after appointment the Remuneration Committee may in appropriate circumstances award a guaranteed element of bonus.)

Executive Directors also receive a cash allowance in lieu of a company car, participate in the Whatman 1998 Executive Share Option Scheme, in the Whatman Defined Contribution Pension Scheme and in the Group's health, sickness and life insurance schemes.

Details of the elements of Executive Directors' remuneration are contained in the notes to this Remuneration Report.

Executive directors are also eligible after an initial period of service to participate in the Group's Save As You Earn Scheme.

All share incentive arrangements incorporate performance requirements, details of which are included in the notes to this Remuneration Report.

There are no other current long-term incentive schemes.

Service contracts

Executive directors (not including Mr McNally following his appointment to an executive role) have contracts *which are terminable by the Company or by the executive on six months' notice.*

The Chairman and the non-executive directors do not have service agreements. It is the Company's policy that non-executive directors serve for renewable three year periods.

None of the directors to be proposed for re-election at the forthcoming Annual General Meeting has a service contract.

Membership of the Remuneration Committee

During 2004 membership of the Committee comprised Mr McNally (Chairman), Dr Jovan (retired from the Committee on 29 January 2004) and Dr May. Following Mr McNally's appointment as Vice Chairman on 1 January 2005 he stepped down from the Remuneration Committee, and I was appointed Chairman of the Committee, with Dr May continuing as a member.



By order of the Board

Hinrich Kehler

Chairman, Remuneration Committee

8 April 2005

Notes

(Except for note (a), these notes to the Remuneration Report comprise audited information.)

a | The composition of each director's remuneration (excluding share-based incentives) is targeted to be:

	Non-performance related %	Performance-related %
J N Bonnar	55	45
P Greenhalgh	55	45
M Jovan	100	-
H Kehler	100	-
S P W May	100	-
T M McNally	100	-
R P Thian	100	-

b | Directors' monetary remuneration in 2004

	Salary/fees £000	Monetary value of benefits in kind £000	Bonus £000	Compensation for Loss of Office £000	2004 Total £000	2003 Total £000
J N Bonnar (appointed 29 January 2004)	130	8	-	-	138	-
P Greenhalgh	130	6	-	-	136	99 ¹
M Jovan	47	-	-	-	47	30
H Kehler (appointed 1 January 2005)	-	-	-	-	-	-
H V Kelly (left 25 November 2004)	378	77	-	163	618	368
S P W May	63	-	-	-	63	48
T M McNally	76	-	-	-	76	37
R P Thian	185	-	-	-	185	265
Totals	1,009	91	-	163	1,263	847 ¹

¹ Total directors' monetary remuneration in 2003, including that paid to directors who did not serve in 2004, was £1,126,030. The salary paid to Mr Greenhalgh in 2003 was for the period from his appointment on 4 August 2003.

1 Mr Kelly was the highest paid director in 2004.

2 Benefits in kind include the provision of a car allowance, pension, medical and life insurances and, in respect of Mr Kelly, reimbursement of relocation costs (pension contributions are stated in section (f) below).

3 Of the remuneration of Mr Thian, £120,000 was paid to Renex Ltd. in respect of executive services.

4 The amounts of salary/fees paid to non-executive directors were inclusive of the following payments for consultancy work: M Jovan £17,000; S P W May £23,000; T M McNally £46,000.

5 The compensation paid to Mr Kelly was in accordance with the terms of a binding compromise agreement between Mr Kelly and the Company.

6 No payments were made to former directors during 2004 other than normal pension payments to the former directors or their surviving spouses.

7 No expense allowances chargeable to UK tax have been paid.

c | Directors' interests in the share capital of the Company

The beneficial interests of directors and their families in the Ordinary 1p shares of the Company were:

	As at 31 December 2004	As at 31 December 2003
J N Bonnar	-	-
P Greenhalgh	-	-
M Jovan	24,175	14,739
H Kehler	-	-
H V Kelly	-	-
S P W May	5,032	-
T M McNally	6,480	2,704
R P Thian	1,685,220	842,610

¹ At date of leaving

There have been the following changes in the interests of the directors between 1 January and 8 April 2005:

- 1 Dr Jovan has acquired an additional 1,550 shares in part payment of director's fees.
- 2 Dr Kehler has acquired 775 shares in part payment of director's fees.
- 3 Dr May has acquired an additional 827 shares in part payment of director's fees.
- 4 Mr McNally has acquired an additional 620 shares in part payment of director's fees.

The market price of the shares at 31 December 2004 was 232p (31st December 2003 – 155.5p). The highest price during 2004 was 269p and the lowest price 155.5p.

Information relating to total shareholder returns is included in the directors' report.

d | Save As You Earn Scheme

At 31 December 2004, Mr Greenhalgh held 5,936 options at an exercise price of 159.6p in the Whatman plc Savings Related Share Option Scheme which matures in December 2007.

e | Share-based Incentive Schemes

i | Whatman plc Incentive Option Scheme for the Chairman

Mr Thian participates in the Whatman plc Incentive Option Scheme for the Chairman, which was approved by shareholders at the Extraordinary General Meeting held on 30 November 2004.

Under this Scheme Mr Thian received a single grant of 1,000,000 options on 30 November 2004, which are exercisable at any time subject to the following performance requirements. 500,000 of these options will be exercisable if there is an increase in the Ordinary Share price of 15% over the exercise price, the increase in price to be an average measured over 60 consecutive trading days. The remaining 500,000 options will be exercisable if there is an increase in

the Ordinary Share price of 30% over the exercise price, the increase to be an average measured over 60 consecutive trading days. Shares acquired by the exercise of these options cannot normally be saleable for as long as Mr Thian continues to be a director of the Company.

ii | Whatman plc Share Award Plan for the Vice Chairman

Mr McNally participates in the Whatman plc Share Award Plan for the Vice Chairman, which was established in connection with Mr McNally's assumption of executive responsibilities with effect from 1 January 2005 after the Chief Executive left the Company.

Under this Scheme Mr McNally was granted 250,000 restricted shares on 1 January 2005. 125,000 of these shares will vest if there is an increase in the Ordinary Share price of 15% over the price at 1 January 2005, increase in price to be an average measured over 60 consecutive trading days, but subject to a minimum holding period of 18 months from date of grant. The remaining 125,000 restricted shares will vest if there is an increase in the Ordinary Share price of 30% over the price at 1 January 2005, the increase to be an average measured over 60 consecutive trading days, but subject to a minimum holding period of 36 months from date of grant.

iii | Whatman 1998 Executive Share Option Scheme
Executive Directors participate in the Whatman 1998 Executive Share Option Scheme, which was approved by shareholders in 1998. This comprises an annual grant of up to 125,000 options, the actual number to be granted to each participant in each year being determined according to an assessment of corporate and individual performance.

One third of each grant of options becomes exercisable three years after the date of grant, a further third becomes exercisable four years after

the date of grant, and the final third becomes exercisable five years after the date of grant, in every case subject to the average of the middle market quotations for Whatman Ordinary Shares over any period of 20 consecutive trading days being at least 15% p.a. compound above the average price over the five trading days prior to grant.

iv I Whatman plc Long Term Incentive Option Scheme

In January 2003, Mr Thian was granted 1,685,220 options under this Scheme. Of these options, 842,610 became exercisable when the Ordinary Share price was higher than £1.00 over any period of 20 consecutive days. The remaining 842,610 options became exercisable when the Ordinary Share price was higher than £1.30 over any period of 20 consecutive days.

v I Whatman plc Incentive Option Scheme for the Chief Executive

Mr Kelly participated in the Whatman plc Incentive Option Scheme for the Chief Executive.

Under this Scheme, Mr Kelly received an initial grant of 500,000 options on joining the Company on 25 August 2003 and was eligible to receive further grants of up to 300,000 options per year, the actual number to be granted in each year being determined according to an assessment of corporate and individual performance.

On Mr Kelly's leaving the Company, the Remuneration Committee determined that 166,666 options would vest immediately, a further 166,666 options will become exercisable between August 2005 and February 2006 and the remaining options previously granted lapsed at the date of leaving.

The number of options held by directors under the share based incentive schemes described above were:

Whatman plc Incentive Option Scheme for the Chairman

	At 1.1.04	Granted during year	Lapsed during year	Exercised during year	At 31.12.04	Exercise Price	Market Price at date of exercise	Date from which exercisable	Expiry date
R P Thian	-	1,000,000	-	-	1,000,000	251.33p	-	-	30.11.14

* These options become exercisable at any time in tranches upon achievement of the performance requirements described in sub-paragraph i (page 21), but shares acquired by the exercise of these options cannot normally be saleable for as long as Mr Thian continues to be a director of the Company.

Whatman 1998 Executive Share Option Scheme

	At 1.1.04	Granted during year	Lapsed during year	Exercised during year	At 31.12.04	Exercise Price	Market Price at date of exercise	Date from which exercisable	Expiry date
J N Bonnar	100,000	-	-	-	100,000	148.3p	-	-	22.10.13
	-	125,000	-	-	125,000	195.67p	-	-	11.05.14
P Greenhalgh	25,000	-	-	-	25,000	148.3p	-	-	22.10.13
	-	125,000	-	-	125,000	195.67p	-	-	11.05.14

* One third become exercisable from 22 October 2006; one third from 22 October 2007; one third from 22 October 2008.

* One third become exercisable from 11 May 2007; one third from 11 May 2008; one third from 11 May 2009.

Whatman plc Long Term Incentive Option Scheme

	At 1.1.04	Granted during year	Lapsed during year	Exercised during year	At 31.12.04	Exercise Price	Market Price at date of exercise	Date from which exercisable	Expiry date
R P Thian									
Option 2	842,610	-	-	842,610	-	85.33p	159p	-	-

The gain arising from this exercise, calculated by reference to the middle market quoted price at the relevant date, was £620,751.

Whatman plc Incentive Option Scheme for the Chief Executive

	At 1.1.04	Granted during year	Lapsed during year	Exercised during year	At 31.12.04	Exercise Price	Market Price at date of exercise	Date from which exercisable	Expiry date
H V Kelly	500,000	-	166,668	-	333,332	116.4p	-	-	-
	-	300,000	300,000	-	-	-	-	-	-

* See details in sub-paragraph v (page 22).

f | Directors' pensions

Executive Directors participate in the Whatman Defined Contribution Pension Scheme. The Company makes a contribution of 6.0% of base salary in respect of each participant (In 2004, £7,000 in respect of Mr Bonnar, £9,000 in respect of Mr Greenhalgh and £15,000 in respect of

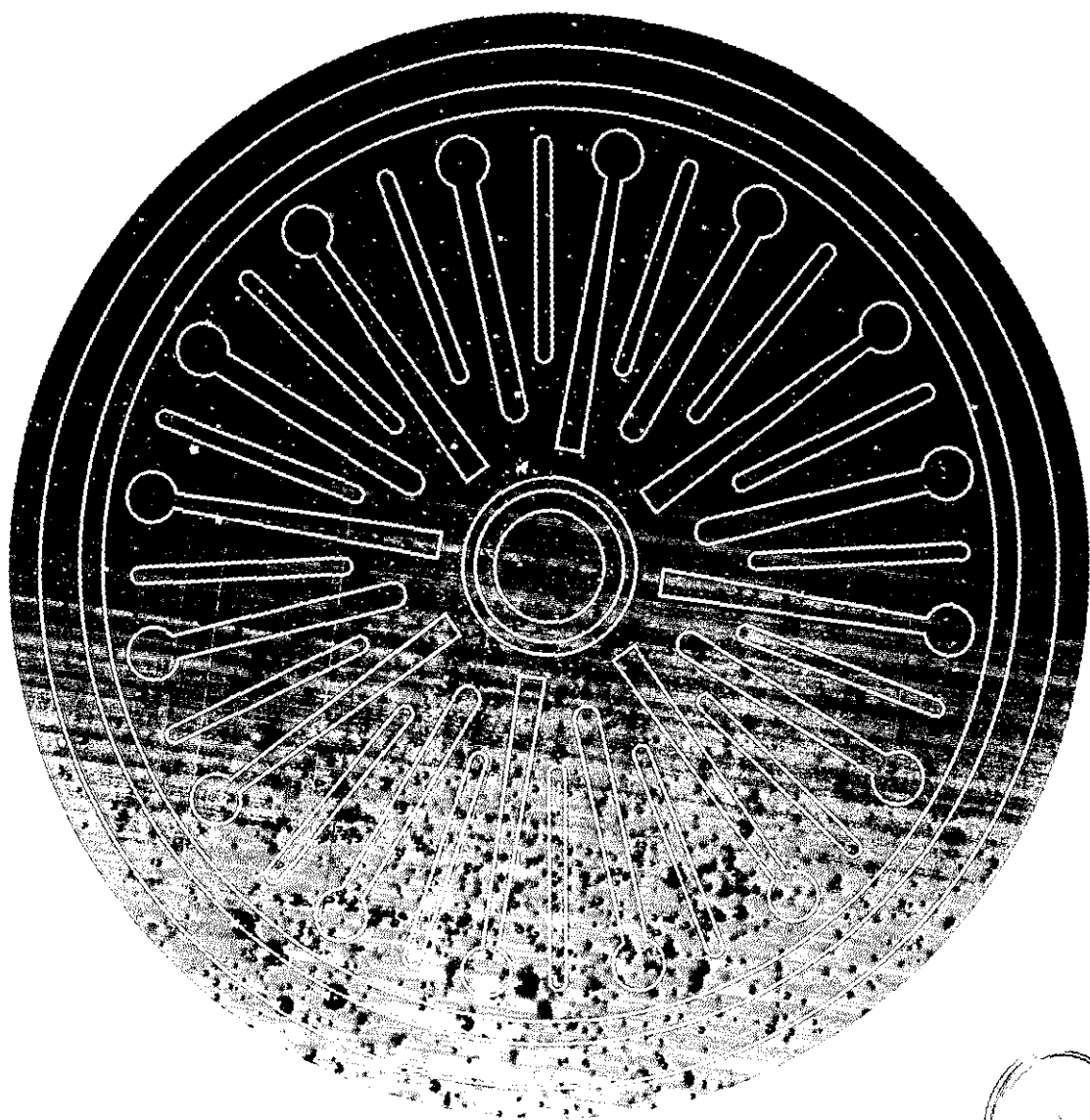
Mr Kelly). Participants contribute a minimum of 4.0% of base salary.

The Chairman and the non-executive directors are not eligible for any pension entitlements.

g | Directors' Service Contracts

	Date of Contract	Notice Period	Contractual Termination Provisions
J N Bonnar	2 June 2003 (appointed a director on 29 January 2004)	6 months by Company, 6 months by Director, at any time	At the Company's discretion, payment in lieu of notice
P Greenhalgh	19 May 2003	6 months by Company, 6 months by Director, at any time	At the Company's discretion, payment in lieu of notice
M Jovan	28 March 2003	Not applicable*	Subject to rotational retirement and re-election
H Kehler	1 January 2005 (on appointment)	Not applicable*	Subject to rotational retirement and re-election
S P W May	11 August 1994 amended 7 October 2002	Not applicable*	Subject to rotational retirement and re-election
T M McNally	28 March 2003 amended 1 January 2005	Not applicable*	Subject to rotational retirement and re-election
R P Thian	3 October 2002 amended 29 January 2003, 23 July 2003 and 25 February 2005	Not applicable*	Subject to rotational retirement and re-election

*The contracts for non-executive directors do not include any provision for compensation in the event of termination, the term of appointment being subject to rotational retirement and re-election.



MI MEDIA

Corporate Governance

Board of directors

The details of individual directors who served during the year and changes in board membership are set out in the Introductory Section of the Annual Report and in the Directors' Report.

Non-executive directors are usually appointed for periods of three years, subject to Companies Act provisions. Additionally, in accordance with the Company's Articles of Association, all directors are subject to retirement by rotation at least once in every three years.

All new directors receive full, formal and tailored induction on joining the Board, including formal documents relating to the management and operation of the Company, recent and current strategic and operational plans and reports, and statutory and management accounts of the Group and its subsidiaries; they also meet the Group's major shareholders and visit the Group's operating sites, meeting with executives, managers and staff.

Formal Board meetings are held at least eight times a year. Additional meetings are arranged as necessary to consider urgent business. Information provided to the Board includes monthly Group Operating Reports and Management Accounts, reports on treasury and foreign exchange management, and specific business plans and reports. The Board also meets for in-depth reviews

of strategy and discussions of particular business issues and risks, including annual reviews of business development plans. The Board has a formal schedule of matters reserved for its approval; these matters include acquisition and disposal of businesses, issue of shares, significant contractual commitments, effectiveness of risk management review processes and major capital expenditure.

Committees of the Board include an Audit Committee, a Nomination Committee and a Remuneration Committee, all of which function within formal terms of reference. Membership of the Committees is set out in the Introductory Section of the Annual Report. The Audit Committee meets at least three times annually, and its activities are outlined later in this Corporate Governance Statement. The Remuneration Committee meets as required to fulfil its responsibilities, which are outlined in the Remuneration Report.

The Nomination Committee meets as required to consider appointments to the Board and to the position of Company Secretary, both in response to vacancies arising and within the overall context of the balance of the Board; the Committee appoints appropriate Search Consultants to assist in the recruitment of new board members.

Board Members' attendance at Board and Board Committee meetings during the year was:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Total number of meetings	12	4	4	7 ¹
Meetings attended				
J N Bonnar	12	N/A	N/A	N/A
P Greenhalgh	12	N/A	N/A	N/A
M Jovan	10	- ²	4	1 ³
H V Kelly	10 ⁴	N/A	N/A	N/A
S P W May	12	4	4	7
T M McNally	12	4	4	7
R P Thian	12	N/A	4	N/A

¹ In addition to these seven meetings, further meetings were held in connection with the approval of routine exercises of share options.

² Maximum possible 10 (to date of ceasing board membership).

³ Maximum possible 1 (to date of ceasing committee membership).

Formal evaluation of the performance of the Board and Board Committees, including their effectiveness and arrangements for and content of meetings, was conducted after the end of the year, and followed reviews of the schedule of matters reserved for the Board's approval and of the terms of reference of the Board Committees. The senior independent director met with the other non-executive directors, without the Chairman being present, to appraise the Chairman's performance, and that appraisal has been discussed with the Chairman.

In accordance with the provisions of the Combined Code, the directors are aware that independent legal

advice is available to them, at the expense of the Company, in connection with matters relating to the business of the Company.

Relations with shareholders

The formal proceedings of the Annual General Meeting include individual resolutions on separate issues, including resolutions relating to adoption of the Annual Report and Accounts and to adoption of the Remuneration Report. All Board members usually attend the Annual General Meeting and are available to respond to shareholders' questions. As a further means of communication with all shareholders, the Annual Report and Accounts contains information on the Group's business activities, in addition to the statutorily

required information. The Company's web site, www.whatman.com, also provides information about the Group, including a section on investor relations.

While carefully recognising statutory constraints concerning disclosure of information, the Group endeavours to ensure that members of the Board develop an understanding of the views of major shareholders by providing opportunities for satisfactory dialogue. These include presentations directly related to the publication of preliminary and interim statements, discussions of the Group's strategies and business plans and periodic visits to the Group's operational facilities.

Directors' responsibilities

The Board of directors has ultimate responsibility for preparation of the Group's Annual Report and Accounts. The Board is required by the Companies Act 1985 to prepare for each financial year financial statements which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. All accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Going concern basis

In view of the Group's satisfactory financial position, the directors confirm that they have reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

Internal control

The Board of directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The role of management is to implement the Board's policies. The system of internal control is an ongoing process designed to identify, evaluate and manage the significant risks facing the business. The system has been in place throughout the year and up to

the date of approval of the Annual Report and Accounts, and is reviewed annually by the Board. This review comprises appropriate consideration and discussion of business and financial reports, strategic plans, capital expenditure projects, product development projects, tax and treasury issues, risk management and legal issues. The internal control system is designed to manage rather than eliminate the risk of failure to meet business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's system of internal controls is communicated through policy and procedure manuals. The Group uses the corporate intranet as a communication channel to ensure that all employees have easy access to the procedures.

Internal financial control

On behalf of the Board, the Audit Committee, the membership of which comprises solely of non-executive Board members, examines the effectiveness of the system of internal financial control.

Internal financial controls and procedures include:

- a clearly defined organisation structure and the appropriate delegation of authorities to operational management
- a budgeting system including the preparation of an annual budget, approved by the directors, and a re-forecasting process
- the monthly reporting and review of financial results compared to budget and the actual results for the previous year
- clearly defined guidelines for capital expenditure, including annual budgets, detailed approval procedures, and post-completion appraisals
- for all acquisitions, detailed due diligence procedures
- accounting and financial reporting policies to ensure the consistency, integrity and accuracy of the Group's accounting records
- specific treasury policies and objectives, with the reporting to the Board of all significant transactions and exposures.

The Audit Committee:

- reviews the draft annual financial statements and other formal announcements, with particular reference to compliance with accounting standards, company law and FSA requirements, before they are presented to the Board
- reviews the external and internal audit work plans
- considers reports from management, internal and external audit on the system of internal control and any material control weaknesses
- discusses with management the actions taken on problem areas identified by Board members or in the internal or external audit reports
- monitors the objectivity, effectiveness and independence

of the external auditor, including the nature and extent of non-audit services provided; additionally, the external auditors have processes in place to ensure that their independence is maintained, including safeguards, to ensure that where they do provide non-audit services, their independence is not threatened; they have confirmed to the Audit Committee that in their opinion they are independent

- reviews arrangements by which staff of the Company may, in confidence, raise concern about possible improprieties in matters of financial reporting or other matters and by which the Company investigates such matters and implements appropriate actions.

Compliance with the internal financial control system is maintained by peer review by other members of the Group's finance management organisation and by the periodic appointment of consultants to conduct specific internal audit activities and assist in the implementation of appropriate action plans.

Operational and compliance controls

The Group's operating policies are outlined in the Directors' Report. Additional procedures and controls include:

- human resources: The Group has local policy manuals and has maintained IIP (Investor in People) status
- health, safety and environment: Risk management is addressed by training, maintenance programmes and the use of monitoring and control devices. The Group also meets the standards of the IPC (Integrated Pollution Control body) and PABIAAC (Paper and Board Industry Advisory Committee)
- manufacturing, quality and research and development: All operations are required to be performed to standards that meet ISO 9000. These procedures are subject to independent audit
- information technology systems: The Group has internal procedures relating to access controls, back-up procedures and disaster recovery plans.

Risk management

The following have been identified as the Group's key risk areas:

- human resources
- health, safety and environment
- information technology
- financial
- commercial
- business operations
- science and technology
- regulatory
- facilities
- intellectual property and corporate administration

Part of the Board's decision-making procedure is the consideration of the risks involved in particular proposals and actions, and the control processes in place to manage those risks within acceptable limits. For example, in 2004

the Board introduced a process of regular reporting to the Board of key business metrics, introduced a new procedure for Group-wide management of customer complaints, and reviewed the Group's policies and procedures for hedging of foreign exchange exposures, disaster recovery at the major operational sites and the management of relationships with strategic suppliers.

Combined code compliance

During the year, in addition to their director's fees, each of the non-executive directors received remuneration for consultancy projects carried out for the Company, the amounts of which are detailed in the Remuneration Report. However these projects were of a discrete nature and the Board is confident that the amounts of remuneration involved did not compromise the independence of any of the non-executive directors. Although Dr May has been a Board member for more than nine years since his first election, during that time the entire remaining Board membership has changed, as has the entire level of management that reports to the Board, except for the Company Secretary, as well as much of the Group's senior management below those levels. This means that Dr May's position with respect to the rest of the Board, all reports to the Board, and much of the Group's senior management, continues to be independent in the ways envisaged by the Combined Code. The Board therefore considers that all of the non-executive directors were independent during 2004. The Board also considers that Dr Kehler, who was appointed on 1 January 2005, is independent notwithstanding his interest in the contracts described in the Directors' Report, as these contracts do not impinge on his normal responsibilities as a non-executive director.

Throughout the year ended 31 December 2004 the Company has been in compliance with the Code provisions set out in Section 1 of the Combined Code except that:

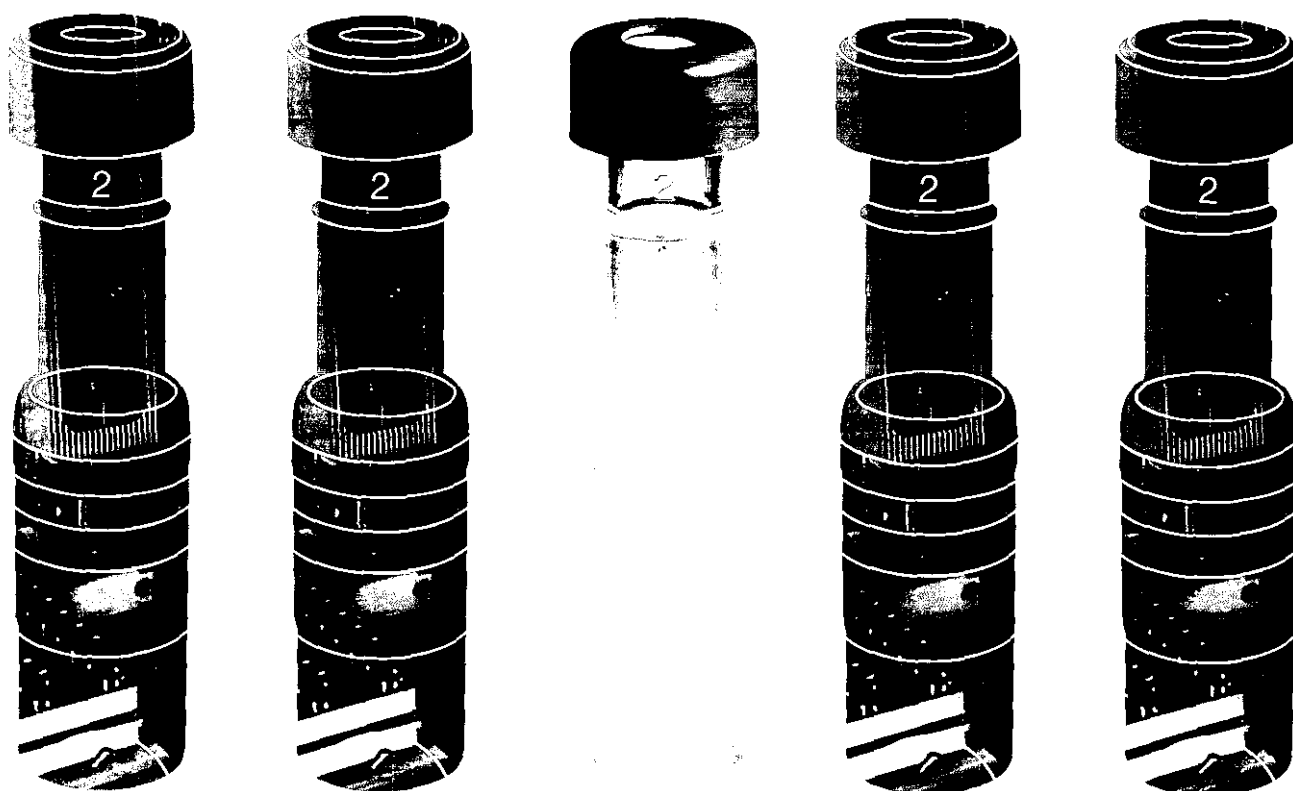
- i | following the departure of the Chief Executive at the end of November 2004, Mr Thian's role became that of Chairman and Chief Executive, pending the appointment of a new chief executive
- ii | appraisals of the Board and Board Committees were carried out after the end of the year
- iii | although the members of the Committee have extensive relevant business experience, as briefly described in the Introductory Section to the Annual Report, and consequently a general awareness of finance issues, they do not have specialist financial experience.

Board and Committee structures and succession issues will be revisited during 2005.

By order of the Board
John Simmonds
Company Secretary
8 April 2005



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Auditors' report

Independent auditors' report to the members of Whatman plc

We have audited the financial statements which comprise the Group profit and loss account, the balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses, the Group note of historical cost profits and losses, and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the chairman's statement, the financial review, the directors' report, the unaudited part of the directors' remuneration report and the corporate governance statement.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required

to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.


Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the directors' remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

In our opinion

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2004 and of the loss and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors
London
8 April 2005

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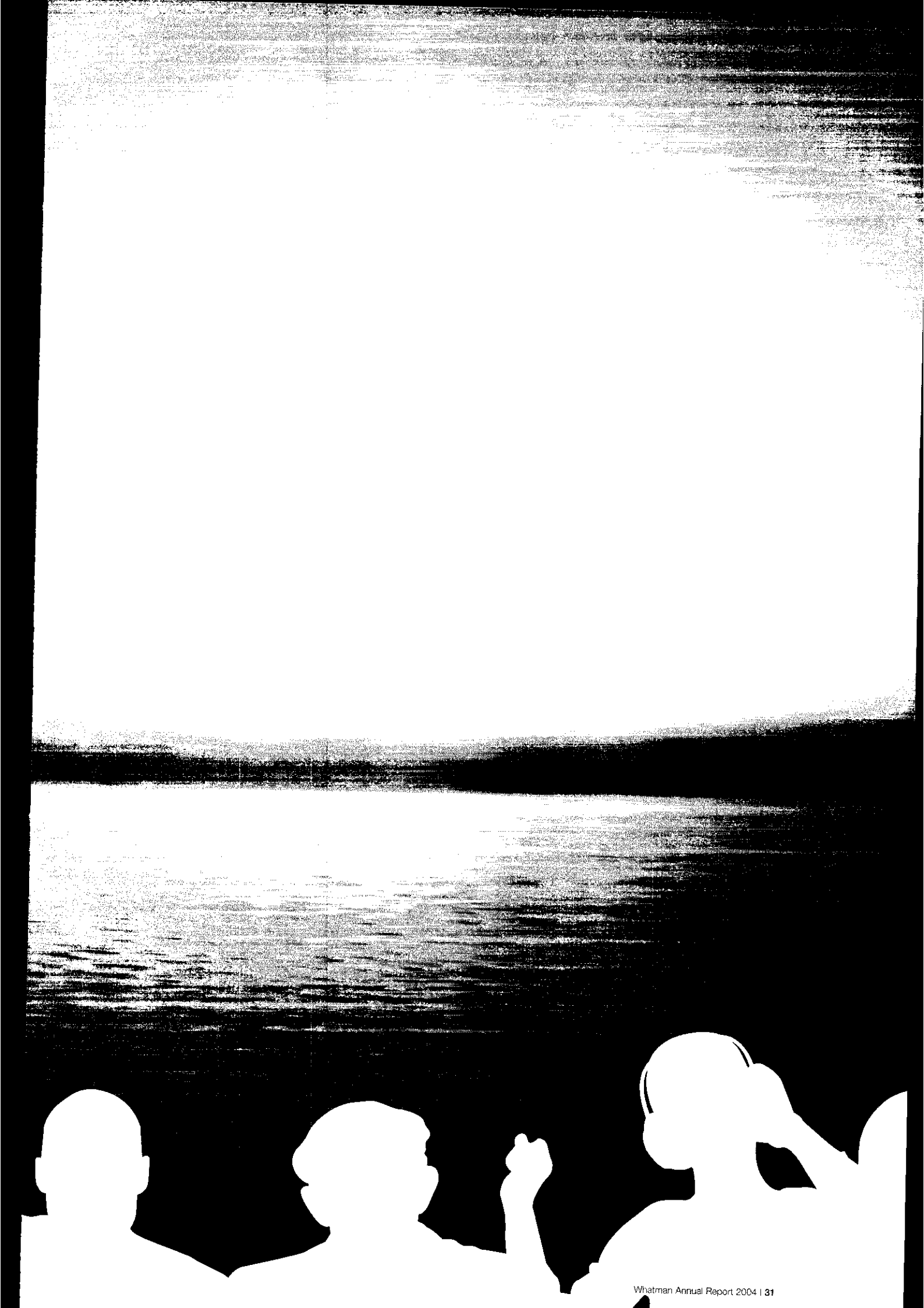
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Group profit and loss account
for the year ended 31 December 2004

		Before goodwill amortisation & exceptional items	Before goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items	2004 Total	Before goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items	2003 Total
	Note	Continuing £'000	Acquisitions £'000	Continuing £'000	Acquisitions £'000	£'000	£'000	£'000	£'000
Turnover	1	80,390	2,431	-	-	82,821	83,803	-	83,803
Cost of sales	2	(41,463)	(1,249)	166	(5,833)	(48,379)	(44,129)	(4,095)	(48,224)
Gross profit/(loss)		38,927	1,182	166	(5,833)	34,442	39,674	(4,095)	35,579
Distribution costs	2	(11,411)	(603)	-	(2,296)	(14,310)	(13,607)	-	(13,607)
Research and development	2	(1,512)	(109)	-	(295)	(1,916)	(2,178)	-	(2,178)
Amortisation of goodwill	2	-	-	(570)	(141)	(711)	-	(692)	(692)
Other administrative costs	2	(7,814)	(408)	(2,630)	(3,740)	(14,592)	(9,811)	4,133	(5,678)
Total administrative costs	2	(9,326)	(517)	(3,200)	(4,176)	(17,219)	(11,989)	3,441	(8,548)
Operating profit/(loss)									
Continuing operations		18,190	62	(3,034)	(12,305)	2,913	14,078	(1,542)	12,536
Discontinued operations		-	-	-	-	-	-	888	888
Operating profit/(loss)	1	18,190	62	(3,034)	(12,305)	2,913	14,078	(654)	13,424
Loss on business closure – continuing operations	3	-	-	(1,128)	-	(1,128)	-	(10,294)	(10,294)
Loss on business disposal – continuing operations	3	-	-	-	-	-	-	(327)	(327)
Profit/(loss) on ordinary activities before interest		18,190	62	(4,162)	(12,305)	1,785	14,078	(11,275)	2,803
Net interest payable	4	(437)	8	-	-	(429)	(208)	-	(208)
Profit/(loss) on ordinary activities before tax	5	17,753	70	(4,162)	(12,305)	1,356	13,870	(11,275)	2,595
Tax on profit/(loss) on ordinary activities	10	(4,403)	(34)	(706)	3,257	(1,886)	(4,388)	(90)	(4,478)
Profit/(loss) attributable to shareholders		13,350	36	(4,868)	(9,048)	(530)	9,482	(11,365)	(1,883)
Dividends	11	-	-	-	-	(5,924)	-	-	(5,458)
Retained loss for the year	25	-	-	-	-	(6,454)	-	-	(7,341)
Basic earnings/(loss) per share	12	10.45	0.03	(3.81)	(7.08)	(0.41p)	7.52p	(9.01p)	(1.49p)
Diluted earnings/(loss) per share	12	10.25	0.03	(3.74)	(6.95)	(0.41p)	7.45p	(8.93p)	(1.48p)

The notes to the financial statements on pages 37 to 58 form part of these accounts.



Consolidated statement of recognised gains and losses
for the year ended 31 December 2004

	2004 £'000	2003 £'000
Loss attributable to shareholders	(530)	(1,883)
Currency translation differences on net investments	(1,473)	(2,958)
Net exchange (loss)/gain on foreign currency borrowings	(432)	976
UK tax on exchange gain on foreign currency borrowings	(69)	(40)
Overseas tax on exchange gain on foreign currency borrowings	(34)	(97)
Total recognised losses for the year	(2,538)	(4,002)

Note of historical cost profits and losses
for the year ended 31 December 2004

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation	1,356	2,595
Impairment of previously revalued freehold property	-	126
Difference between historical cost and actual depreciation charge for the year	(19)	(19)
Historical cost profit on ordinary activities before taxation	1,337	2,702
Historical cost retained loss for the year	(6,467)	(7,228)

Balance sheets
as at 31 December 2004

	Note	Group 2004 £'000	Group 2003 (Restated) £'000	Whatman plc 2004 £'000	Whatman plc 2003 (Restated) £'000
Fixed assets					
Intangible assets	13	36,640	6,890	-	-
Tangible assets	14	31,757	28,041	6,247	10,273
Investments	15	16	-	46,557	63,767
		68,413	34,931	52,804	74,040
Current assets					
Stock	16	16,736	11,125	-	-
Debtors due within one year	17	24,589	23,291	2,706	2,507
Debtors due after more than one year	17	15,492	11,862	52,476	5,226
Investments	18	5,128	3	3,873	-
Cash		9,082	8,508	99	981
		71,027	54,789	59,154	8,714
Creditors: amounts due within one year					
Borrowings	19	(90)	(11,274)	(877)	(11,043)
Other creditors	20	(25,428)	(15,966)	(39,525)	(39,636)
		(25,518)	(27,240)	(40,402)	(50,679)
Net current assets/(liabilities)		45,509	27,549	18,752	(41,965)
Total assets less current liabilities		113,922	62,480	71,556	32,075
Creditors: amounts due after more than one year					
Borrowings	19	(39,328)	-	(39,328)	-
Provisions for liabilities and charges	21	(34,380)	(15,527)	(654)	(587)
		40,214	46,953	31,574	31,488
Capital and reserves					
Share capital	24	1,291	1,269	1,291	1,269
Share premium	24	15,321	13,222	15,321	13,222
Revaluation reserve	25	4,478	4,538	3,398	3,379
Capital redemption reserve	25	40	40	40	40
Other reserves	25	1,932	2,004	1,973	1,973
Profit and loss account	25	17,152	25,880	9,551	11,605
Shareholders' funds	26	40,214	46,953	31,574	31,488

The notes to the financial statements on pages 37 to 58 form part of these accounts.

Approved by the Board of Directors on 4 April 2005 and signed on its behalf by:

R P Thian Chairman

P Greenhalgh Finance Director




Consolidated cash flow statement
for the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Operating activities			
Net cash inflow from operating activities	29	13,753	8,744
Returns on investment and servicing of finance			
Interest received		70	93
Interest paid		(958)	(324)
Net cash outflow on returns on investment and servicing of finance		(888)	(231)
Taxation paid		(389)	(2,788)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(4,251)	(3,397)
Purchase of tangible fixed assets		(386)	-
Sale of tangible fixed assets		41	48
Net cash outflow from capital expenditure and financial investment		(4,596)	(3,349)
Acquisitions and disposals			
Acquisitions	27	(30,066)	-
Cash acquired with Schleicher & Schuell	27	1,138	-
Sale of businesses	28	-	4,026
Net cash (outflow)/inflow from acquisitions and disposals		(28,928)	4,026
Equity dividends paid		(5,635)	(5,107)
Net cash (outflow)/inflow before financing		(26,683)	1,295
Financing			
Shares issued	24	2,121	827
Increase in borrowings		39,126	2,138
Repayment of borrowings		(12,991)	(1,176)
Purchase of Employee Benefit Trust shares		(398)	-
Net cash inflow from financing		27,858	1,789
Increase in cash in the period	30, 31	1,175	3,084

The notes to the financial statements on pages 37 to 58 form part of these accounts.

Accounting policies

Accounting Convention The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets in accordance with the Companies Act 1985 and applicable accounting standards. Except as noted below, these financial statements have been prepared on a basis consistent with the prior year.

The Group has adopted UITF 38 "Accounting for ESOP trusts" in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly (see note 25).

Basis of consolidation The Group financial statements are the consolidation of the financial statements of the Company and all of its subsidiary undertakings. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired and sold during the year are included from the effective date of acquisition or up to the date of disposal respectively.

Deferred tax Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, with the exception that provision is not made on asset revaluations, or for tax that would arise on the remittance of the retained earnings of overseas subsidiaries, unless there is a commitment to do so. Deferred tax is measured on a non-discounted basis. Deferred tax assets are recognised only to the extent that, more likely than not, they will be recovered.

Foreign currencies and derivatives Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date, except where covered by forward contracts, when the forward rate is used. The results of overseas subsidiary undertakings are translated at average rates of exchange. Differences on the translation of the opening balance sheets of overseas subsidiary undertakings are taken directly to reserves, net of differences on related currency borrowings.

Intangible assets Intangible fixed assets other than goodwill, which comprise patents, licences and marketing rights, are stated at cost less a provision for amortisation. Amortisation is calculated to write off the cost of intangible assets in equal annual instalments over the lower of their legal and estimated useful lives, but no longer than 20 years.

The carrying values of intangible assets are subject to review when appropriate and any impairment is charged to the profit and loss account. The amortisation periods currently being used range from 10 to 20 years.

Goodwill On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arising on acquisitions since 1 January 1998 is capitalised and amortised over its estimated useful life which management estimates to be not more than 20 years. The carrying value of goodwill is subject to review when appropriate and any impairment is charged to the profit and loss account.

Prior to this, the Group's policy was to eliminate goodwill arising on acquisitions against reserves. Under the transitional arrangements of FRS 10 "Goodwill and intangible assets", reinstatement of goodwill is not required. Consequently, such goodwill has not been reinstated and any such goodwill will remain eliminated against reserves until the disposal or termination of the business acquired. The profit or loss on the subsequent disposal or termination is calculated after charging the amount of any such goodwill.

Tangible fixed assets The book value of tangible fixed assets is written off evenly over their estimated useful lives. Plant and machinery is normally depreciated over 4 to 10 years, except where the estimated working life is 20 years or longer (e.g. papermaking machines), when depreciation is provided over 20 years. Freehold buildings are depreciated over 50 years and freehold land is not depreciated. Leasehold improvements are depreciated over the shorter of the asset and the remaining life of the lease. In accordance with the transitional measures of FRS 15 "Tangible fixed assets", the Group has adopted a policy of not revaluing properties since the 1996 valuations, and accordingly the valuations obtained in 1996 have not been updated.

Impairment An impairment is the reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount. The recoverable amount is the higher of net realisable value and value in use. Value in use is measured using discounted cash flows.

The carrying values of fixed assets are reviewed for impairment when there is an indication that the assets might be impaired. First year impairment reviews are conducted for acquired goodwill and intangible assets.

Interest Interest payable is charged to the profit and loss account as incurred, except for interest relating to major fixed assets under construction, which is added to the cost until the project becomes operational. Interest receipts and payments due under interest rate swap agreements are taken to the profit and loss account as incurred.

Leases Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Land and buildings leased Land and buildings leased to third parties under operating leases have been capitalised at fair value under the acquisition method of accounting. Operating lease income is accounted for on a straight line basis with any rental increases recognised in any period to which they relate.

Pensions The cost of providing defined benefit pensions is charged against profits on a systematic basis, with pension fund surpluses and deficits arising allocated over the expected remaining service lives of scheme members. Differences between the amounts charged or credited in the profit and loss account and payments made are classified appropriately as assets or liabilities. Contributions to defined contribution schemes are charged to the profit and loss account as incurred.

Provisions Provisions are made for liabilities where, in the directors' opinion, present obligations exist and it is probable that outflows of funds will be required to settle the liabilities in the future and the amount of these funds can be reasonably estimated. Where material, future cash flows are discounted in arriving at amounts to be provided.

Research and development Research and development expenditure is charged to the profit and loss account in the period in which it is incurred. Tangible fixed assets used for research and development are depreciated in accordance with the Group's policy.

Stock Stock is valued at the lower of cost and net realisable value. Cost includes manufacturing overheads.

Turnover Turnover represents the total net invoiced value of goods sold to external customers, excluding all sales taxes. Revenue from the sale of goods is recognised when the goods are despatched.

Notes to the financial statements
for the year ended 31 December 2004

01 | Segmental analysis

The Group's reporting segments have changed. The changes were first reported in the 2004 Interim Statement. These more appropriately align external reporting with the customer focused product categories sold in the markets in which the Group operates. The segment previously named "Filtration and Separation" has been divided into "LabSciences" and "MedTech"; the segment previously named "Biotechnology" has been renamed "BioScience". The 2003 comparatives have been restated.

LabSciences is the preparation of non-cellular samples prior to analysis, including environmental applications. Products include cellulose and glass filtration media, membranes and chromatography; in addition to traditional products, this segment includes syringe filters, capsules and other encapsulated products, as well as microbiological products.

MedTech comprises components supplied on an OEM basis to manufacturers of medical devices and clinical diagnostic tests.

BioScience is the preparation of cellular samples prior to analysis and storage for study of nucleic acids or proteins. It comprises FTA, multiwell plates, column based DNA separation and electrophoresis products, protein micro-arrays, blotting and neo-natal paper.

			2004	2003
	Continuing operations	Continuing operations acquisitions		(Restated)
	£'000	£'000	£'000	£'000
Turnover by business				
LabSciences	47,890	1,493	49,383	50,186
MedTech	15,323	412	15,735	16,084
BioScience	10,748	526	11,274	9,746
Total ongoing operations	73,961	2,431	76,392	76,016
Operations to be discontinued	6,429	-	6,429	7,787
Total continuing operations	80,390	2,431	82,821	83,803

					2004			2003
	Before goodwill amortisation & exceptional items	Before goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items		Before goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items	
	Continuing	Acquisitions	Continuing	Acquisitions	Total	(Restated)	(Restated)	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Operating profit/(loss) by business segment								
LabSciences	16,752	19	(2,196)	(5,901)	8,674	16,267	(4,769)	11,498
MedTech	791	32	(306)	(4,731)	(4,214)	(800)	(778)	(1,578)
BioScience	(78)	11	(532)	(1,673)	(2,272)	(2,278)	(340)	(2,618)
Total ongoing operations	17,465	62	(3,034)	(12,305)	2,188	13,189	(5,887)	7,302
Operations to be discontinued	725	-	-	-	725	889	4,345	5,234
Total continuing operations	18,190	62	(3,034)	(12,305)	2,913	14,078	(1,542)	12,536
Discontinued operations	-	-	-	-	-	-	888	888
Operating profit/(loss)	18,190	62	(3,034)	(12,305)	2,913	14,078	(654)	13,424

The Group's three business segments operate in three main geographical areas even though they are managed on a worldwide basis.

The home country of the Company is the UK. The areas of operation are principally the manufacture and sale of products for applications in LabSciences, BioScience and MedTech.

As production activities of the Group are integrated, many of the assets are common to more than one business segment. Consequently, an analysis by business segment would not provide meaningful information and therefore has not been given.

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01 | Segmental analysis (continued)

By region of origin	North America		2004	Europe		2004	Asia Pacific		Total 2003 (Restated) £'000
	2004 £'000	2003 (Restated) £'000		2003 (Restated) £'000	2004 £'000		2003 (Restated) £'000	2004 £'000	
Turnover									
Sales – continuing	42,111	43,182	52,725	54,670	10,452	10,502	105,288	108,354	
Sales – acquisitions	818	-	1,757	-	-	-	2,575	-	
Inter-segment sales	(5,799)	(5,324)	(19,243)	(19,227)	-	-	(25,042)	(24,551)	
Sales to third parties	37,130	37,858	35,239	35,443	10,452	10,502	82,821	83,803	
Operating profit/(loss)									
Before goodwill & exceptional items – continuing	4,735	592	14,032	14,093	2,013	1,911	20,780	16,596	
Goodwill and exceptional items – continuing	(2,658)	(902)	(12,560)	438	(121)	(190)	(15,339)	(654)	
Segment profit/(loss)	2,077	(310)	1,472	14,531	1,892	1,721	5,441	15,942	
Discontinued operations	-	(888)	-	-	-	-	-	(888)	
	2,077	(1,198)	1,472	14,531	1,892	1,721	5,441	15,054	
Unallocated costs							(2,528)	(2,518)	
Continuing operations							2,913	12,536	
Discontinued operations							-	888	
Operating profit							2,913	13,424	
Net assets									
Continuing operations	20,415	14,327	31,741	19,028	1,386	893	53,542	34,248	
Discontinued operations	-	(57)	-	-	-	-	-	(57)	
Segment net assets	20,415	14,270	31,741	19,028	1,386	893	53,542	34,191	
Unallocated net assets							26,000	15,528	
Net borrowings							(39,328)	(2,766)	
Net assets							40,214	46,953	

Turnover by region of destination	Continuing operations		Acquisitions		Total	
	2004	2003	2004	2003	2004	2003
	£'000	£'000	£'000	£'000	£'000	£'000
North America	36,706	787	37,493	38,709		
United Kingdom	9,612	123	9,735	10,989		
Continental Europe	20,615	1,274	21,889	19,828		
Asia Pacific	12,376	171	12,547	12,861		
Rest of the world	1,081	76	1,157	1,416		
	80,390	2,431	82,821	83,803		

02 | Cost of sales and operating expenses

	Continuing operations	Acquisitions	2004 Total	Continuing operations	Discontinued operations	2003 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of sales and operating expenses						
Cost of sales before exceptional items	41,463	1,249	42,712	44,129	-	44,129
Exceptional items	(166)	5,833	5,667	4,275	(180)	4,095
Total cost of sales	41,297	7,082	48,379	48,404	(180)	48,224
Distribution costs before exceptional items	11,411	603	12,014	13,607	-	13,607
Exceptional items	-	2,296	2,296	-	-	-
Total distribution costs	11,411	2,899	14,310	13,607	-	13,607
Research and development before exceptional items	1,512	109	1,621	2,178	-	2,178
Exceptional items	-	295	295	-	-	-
Total research and development	1,512	404	1,916	2,178	-	2,178
Amortisation of intangible assets & goodwill	570	141	711	692	-	692
Other administrative expenses before exceptional items	7,814	408	8,222	9,811	-	9,811
Exceptional items	2,630	3,740	6,370	(3,425)	(708)	(4,133)
Total other administrative expenses	10,444	4,148	14,592	6,386	(708)	5,678
Total administrative expenses	12,526	4,693	17,219	9,256	(708)	8,548

03 | Loss on business closure and disposals

	2004 £'000	2003 £'000
Provision for loss on closure of Biometra GmbH – continuing operations		
Write down of goodwill	-	(7,110)
Write down of other tangible assets	-	(1,506)
Provision for closure costs	-	(1,678)
Provision against net assets	(1,128)	-
Loss on business closure – continuing operations	(1,128)	(10,294)
Loss on disposals – continuing operations		
Disposal consideration received	-	400
Deferred consideration	-	42
Less costs of disposal	-	(3)
Write down of goodwill	-	(337)
Disposal of net tangible assets	-	(429)
Loss on business disposal – continuing operations	-	(327)

In December 2003, the Filter Cartridge business was sold to Graver Technologies Inc. In addition to the consideration received in 2003, a further US \$1.0m may be receivable contingent on future performance. This has not currently been recognised.

	2004 £'000	2003 £'000
Profit/(loss) on disposal of the HemaSure blood filtration business – discontinued operations		
Disposal consideration received	-	3,629
Disposal of net intangible assets	-	(2,889)
Disposal of net tangible assets	-	(740)
Profit/(loss) on disposal	-	-

Notes to the financial statements
for the year ended 31 December 2004

	2004 £'000	2003 £'000
04 Net interest payable		
Payable on borrowings repayable within five years	463	301
Amortisation of loan issue costs	61	-
Total payable	524	301
Receivable	(95)	(93)
	429	208
05 Profit/(loss) on ordinary activities before taxation		
Is stated after charging:		
Depreciation	3,189	4,088
Amortisation	711	692
Operating lease rentals – plant and machinery	238	257
Operating lease rentals – land and buildings	1,587	1,595
Audit work by Company's auditors*	255	319
Audit work by other firms	182	-
Non-audit work by Company's auditors – further assurance services	25	31
– tax advisory services	87	345
– tax compliance services	99	45
Tax advisory work carried out by non-company auditors	22	-
Tax compliance work carried out by non-company auditors	69	-

*£45,000 (2003: £40,000) of this relates to the Company.

	2004 £'000	2003 £'000
06 Goodwill amortisation and exceptional items		
Litigation provisions (note 21)	(33)	(5,374)
Restructuring and onerous lease provisions (note 21)	2,340	5,342
Write down/(write back) of stock	769	(6)
Other exceptional items	200	-
Restructuring of Schleicher & Schuell (note 21)	11,352	-
Amortisation of intangible assets and goodwill	711	692
Total operating goodwill amortisation and exceptional items	15,339	654
Loss on disposal of Filter Cartridge Business	-	327
Provision for loss on closure of Biometra business (note 3, 21)	-	10,294
Provision against net assets of Biometra	1,128	-
Total goodwill amortisation and exceptional items	16,467	11,275

The stock write down of £769,000, which was incurred during the month of December, arises as a result of the product rationalisation project. This project is a part of the integration process with Schleicher & Schuell.

Other exceptional items consist of closure costs incurred during the month of December relating to Schleicher & Schuell.

	2004 Number	2003 Number
07 Employees		
Weekly average number of employees		
North America	290	238
Europe	473	463
Asia Pacific	49	48
	812	749
	2004 £'000	2003 £'000
Staff costs		
Wages and salaries	21,063	23,712
Social security costs	2,122	2,187
Other pension costs	783	1,229
	23,968	27,128

081 Pensions

Accounting policies adopted for pension schemes

The Group continues to account for pension schemes in accordance with SSAP 24 "Accounting for pension costs". Under the transitional provisions of FRS 17 "Retirement benefits", the Group has also made certain disclosures in relation to defined benefit schemes.

Defined contribution schemes

The Group operates defined contribution or money purchase schemes in the UK, US and Germany. The benefits are determined directly by the value of contributions paid in respect of each member and the investment performance achieved on those contributions.

In the UK and Germany, all UK and German-based employees of the Group, respectively, are entitled to join the schemes. The assets of the schemes are held separately from those of the Group in an independently administered fund.

In the US contributions are made annually to the 401(k) scheme. As at 31 December 2004, contributions of £349,000 (2003: £413,000) were outstanding representing the unpaid contributions for the year.

The table below shows the regular cost to the Group of providing these pensions to employees. The regular cost represents contributions payable to the scheme by the Group. Contributions are charged to the profit and loss account as they are incurred. As payments to the 401(k) in the US are made annually by the Group, the regular cost below has still to be paid into the scheme.

	2004 £'000	2003 £'000
Defined contribution schemes		
UK	59	36
US	349	413
Germany	32	-
Other	43	-
Total defined contribution schemes	483	449

Defined benefit schemes

The Group operates a number of defined benefit or final salary schemes. These are located mainly in the UK and Germany.

UK defined benefit scheme

The scheme in the UK is funded and is now closed to new employees. The benefits are determined with reference to the length of service and final salary upon which employees take retirement.

Under SSAP 24, contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. Contributions are determined by a qualified independent actuary on the basis of a triennial valuation. The last valuation was done on 6 April 2003. Using the attained age method, this disclosed assets with a market value of £42,565,000, equivalent to 111% of the accrued liabilities, after allowing for expected future increases in earnings. The main actuarial assumptions used were:

Valuation assumptions	% Rate
Pre-retirement investment return	6.5%
Post-retirement investment return – current pensioners	4.5%
Post-retirement investment return – employees yet to retire	5.5%
Rate of increase in salaries	4.0%
Rate of increase of pension payments	2.5%

As at 6 April 2003 the MFR funding calculation showed a funding level of 146%. The effective rate of the employer's contributions decreased from 16.2% to 10% from 1 January 2004 in accordance with recommendations submitted by the Scheme Actuary. Contributions from employees for the year were 6.0% from 1 January to 30 June increasing to 6.75% from 1 July 2004.

The total contributions to the scheme over the year amounted to £481,000 (2003: £988,000). The prepayment at 31 December 2004 was £4,902,000 (2003: £4,422,000).

The total charge in respect of the UK based defined benefit scheme is £256,000 (2003: £780,000). The reason for the decrease was the reduction in UK based employees.

Notes to the financial statements
for the year ended 31 December 2004

08 | Pensions (continued)

German defined benefit schemes

The schemes in Germany were operated by Schleicher & Schuell, a company acquired by the Group on 30 November 2004 (see note 27).

Two different types of defined benefit pension are provided in Germany. These are the fixed amount plan and the final salary plan. Both of these are closed to new entrants.

The fixed amount plan provides retirement and disability pensions and a dependent's pension. The plan guarantees a fixed pension up to a maximum of approximately €18,400 per annum. This is subject to an inflationary increase of 2% per annum up to the age of retirement and 3.5% thereafter. The normal retirement age is 65.

The final salary plans provide retirement, disability and dependents' pensions. Pensions are determined with respect to salary and years in service to the Group.

Both these schemes are operated as fully provided but unfunded schemes. The Group pays into an insurance policy to cover the full pension liability in the event of insolvency.

The gross liability of the defined benefit scheme was determined by a qualified independent actuary. The most recent valuation was as at 30 November 2004. The valuation of the deficit under SSAP 24 was carried out using the same valuation assumptions as those used to calculate the deficit under FRS 17. This valued the deficit at £8,229,000 at 30 November 2004 and as at 31 December 2004. The regular cost of the pension under SSAP 24 was £44,000 for the month of December.

A summary of the total group pension costs is given in the table below.

	Continuing £'000	Acquisitions £'000	2004 £'000	2003 £'000
Pension costs				
Defined benefit schemes				
Regular cost	690	44	734	647
Actuarial (surplus)/deficit allocated to year	(159)	-	(159)	407
Interest on prepayment	(275)	-	(275)	(274)
Total defined benefit schemes	256	44	300	780
Defined contribution schemes				
Pension cost UK	59	-	59	36
Pension cost US	349	-	349	413
Pension cost Germany	-	32	32	-
Other pension costs	43	-	43	-
Total defined contribution schemes	451	32	483	449
Total pension cost	707	76	783	1,229

Pension disclosures under FRS17

The Group accounts for retirement benefits in accordance with SSAP 24 "Accounting for pension costs" and the related disclosures are set out above.

The Group has adopted the transitional disclosure requirements of FRS 17 "Retirement benefits". It differs from SSAP 24 principally with regard to the choice of assumptions and in that differences between the market value of the assets and liabilities of the scheme are recognised immediately in the balance sheet whereas they are recognised on a smoothed basis through the profit and loss account under SSAP 24. The Group is not required to account for retirement benefits under FRS 17 as full implementation has been deferred, but is required to present certain transitional disclosures which are set out below.

The Group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 6 April 2003 and updated to 31 December 2004 by a qualified independent actuary. As the scheme in the UK is now closed to new employees, under the projected unit method, the current service cost will rise as a percentage of salary as the scheme members approach retirement. The major assumptions used by the actuary (in nominal terms) are set out in the following table.

	Germany 2004	UK 2004	2003	2002
Defined benefit schemes				
Rate of general increase in salaries	2.50%	4.30%	4.80%	4.35%
Rate of increase of pensions in payment and deferment	1.5% – 3.5%	2.80%	2.80%	2.35%
Discount rate	4.57%	5.29%	5.36%	5.47%
Inflation assumption	1.50%	2.80%	2.80%	2.35%

	Rate	2004 Value £'000	Rate	2003 Value £'000	Rate	2002 Value £'000
The assets in the scheme and the expected rates of return were:						
Equities	7.50%	23,484	7.80%	115	7.52%	106
Bonds/gilts	4.90%	22,811	5.10%	-	5.00%	-
Cash	4.75%	-	3.75%	43,104	4.00%	42,214
Total market value of assets		46,295		43,219		42,320
Actuarial value of liability		(47,005)		(46,483)		(44,391)
Recoverable deficit in the scheme		(710)		(3,264)		(2,071)
Related deferred tax asset		213		979		621
Net pension liability		(497)		(2,285)		(1,450)

There is no similar disclosure for the German defined benefit scheme acquired with Schleicher & Schuell because the scheme is unfunded.

If the amounts had been recorded in the financial statements, the following would have been recognised:

	Germany 2004 £'000	UK 2004 £'000	Group 2004 £'000	2003 £'000
Analysis of amount charged to operating profit				
Current service cost	9	653	662	699
Curtailment gain	-	(400)	(400)	-
Net amount charged to operating profit	9	253	262	699
Analysis of amount charged to other finance expense				
Expected return on pension assets	-	1,606	1,606	1,689
Interest on pension liabilities	(35)	(2,469)	(2,504)	(2,410)
Net charge	(35)	(863)	(898)	(721)

Analysis of amount recognised in statement of total recognised gains and losses

Actual return less expected return on pension scheme assets	-	2,488	2,488	(407)
Experience gains and losses arising on the scheme liabilities	-	672	672	4,664
Changes in assumptions	-	29	29	(5,018)
	-	3,189	3,189	(761)

Movement in liability during the year

Deficit in the scheme at 1 January	-	(3,264)	(3,264)	(2,071)
Acquired with Schleicher & Schuell	(8,058)	-	(8,058)	-
Current service cost	(9)	(653)	(662)	(699)
Curtailment gain	-	400	400	-
Contributions	44	481	525	988
Net interest cost	(35)	(863)	(898)	(721)
Actuarial gain/(loss)	-	3,189	3,189	(761)
Foreign exchange loss	(171)	-	(171)	-
Deficit in the scheme at 31 December	(8,229)	(710)	(8,939)	(3,264)

Notes to the financial statements

for the year ended 31 December 2004

	2004 Percentage of scheme (liabilities)/ assets	2003 Percentage of scheme (liabilities)/ assets	2002 Percentage of scheme (liabilities)/ assets
History of experience gains and losses	£'000	£'000	£'000
UK			
Difference between expected and actual return on scheme assets	2,488	(407)	(570)
Experience gains and losses on scheme liabilities	672	4,664	1,683
Total amount recognised in the statement of total recognised gains and losses	3,189	(761)	(999)

There was no history of experience gains and losses in respect of German defined benefit schemes.

	Shareholders' funds	Profit and loss account
	2004 2003 (Restated)	2004 2003 (Restated)
	£'000	£'000
Shareholders' funds and profit and loss account reserve		
Total including SSAP 24 pension prepayment as previously reported	40,214	17,152
Prior year adjustment (note 25)	-	-
Total including SSAP24 pension prepayment as restated	40,214	17,152
Less SSAP 24 pension prepayment	(4,902)	(4,902)
Total excluding SSAP 24 pension prepayment	35,312	12,250
Net pension liability under FRS 17	(497)	(497)
Total including FRS 17 liability	34,815	11,753

09 Directors' emoluments

Details of remuneration, interest in shares, share options and compensation for loss of office for each Director are given in the Remuneration Report.

10 Tax on profit on ordinary activities

	2004 £'000	2003 £'000
Current tax		
UK Corporation tax for the year at 30% (2003: 30%)	(9)	1,670
Adjustments in respect of prior years	(92)	(34)
Total UK current tax	(101)	1,636
Foreign tax for the year	1,048	745
Adjustments in respect of prior years	193	16
Total foreign current tax	1,241	761
Total current tax	1,140	2,397
Deferred tax		
Origination and reversal of timing differences		
UK tax	691	(535)
Foreign tax	55	2,616
Total deferred tax	746	2,081
Tax on profit on ordinary activities	1,886	4,478

Included in the above is a credit of £nil (2003: £3,000 credit) of tax on exceptional items recognised below operating profit.

	2004 £'000	2003 £'000
Factors affecting tax charge for year		
Profit on ordinary activities before tax	1,356	2,595
Tax on profits at the UK standard rate of corporation tax of 30%	407	779

Effects of:

Differences between UK and overseas tax rates	(216)	(34)
Items not currently allowable for tax purposes	387	(8,851)
Expenses not deductible for tax purposes	33	2,670
Depreciation for the year in excess of capital allowances	209	535
Unrelieved tax losses	(12)	1,624
Losses carried forward	120	5,676
Adjustments to tax charge in respect of prior years	101	(18)
Other effects	111	16
Current tax charge for the year	1,140	2,397

Factors that may affect future tax charges

No provision has been made for deferred tax in respect of potential gains arising from the sale of properties revalued to their market value unless the sale is committed, the total amount unprovided for this being £880,000. This amount would become payable if the properties were sold without it being possible to claim rollover relief. Provision has not been made for tax of £710,000 in respect of prior year capital gains as the gains have been rolled into replacement assets. This tax could become payable if the relevant replacement assets were sold. At present it is not envisaged that any tax will become payable in the foreseeable future in respect of these gains.

A deferred tax asset of £5,000,000 in respect of trading losses has not been recognised. Recovery of this amount is dependent on the profitability of the relevant operations in the future.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, as the earnings are continually reinvested by the Group, and hence no tax is expected to be payable on them in the foreseeable future.

	2004 £'000	2003 £'000
11 Dividends to equity shareholders		
Interim paid 1.74p (2003: 1.62p)	2,232	2,053
Final proposed 2.87p (2003: 2.67p)	3,692	3,405
Total dividend payable 4.61p (2003: 4.29p)	5,924	5,458

12 Earnings per share

Basic and diluted earnings per share have been calculated on a loss of £530,000 (2003: £1,883,000) and the following weighted average number of shares in issue during the year:

	2004 '000	2003 '000
Number of ordinary shares used for the calculation of basic earnings per share	127,808	126,130
Exercise of outstanding share options	2,446	1,054
Shares to be issued as deferred consideration for acquisitions	-	66
Number of ordinary shares used for the calculation of diluted earnings per share	130,254	127,250

Earnings per share before goodwill amortisation and exceptional charges have been shown after adding back, net of tax, goodwill amortisation of £641,000 (0.50p per share) (2003: £598,000 and 0.47p per share) and exceptional items of £13,898,000 (10.89p per share) (2003: £10,769,000 and 8.54p per share).

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13 Intangible fixed assets	Goodwill £'000	Other intangibles £'000	Total £'000
Cost			
At 1 January 2004	12,251	2,524	14,775
Differences on exchange	168	(168)	-
Additions	-	386	386
Acquired with Schleicher and Schuell	-	1,840	1,840
Goodwill arising on acquisition of Schleicher and Schuell	28,066	-	28,066
At 31 December 2004	40,485	4,582	45,067
Amortisation			
At 1 January 2004	(7,345)	(540)	(7,885)
Differences on exchange	122	47	169
Charge for year	(558)	(153)	(711)
At 31 December 2004	(7,781)	(646)	(8,427)
Net book values			
At 31 December 2004	32,704	3,936	36,640
At 31 December 2003	4,906	1,984	6,890

Other intangibles include patents, licences, marketing rights and trademarks. Three separable assets were identified on the acquisition of Schleicher & Schuell. These were:

- Trademark for Spartan
- Trademark for Protran
- Patent for Cellulose Acetate Membranes.

The fair value of these assets was determined by independent valuation experts using the income approach. This is based on discounted cash flow forecasts for each of these assets. The remaining useful economic lives are 8, 10 and 15 years respectively.

14 Tangible fixed assets	Land and buildings £'000	Plant and machinery £'000	Group Total £'000	Whatman plc Land and buildings £'000	Whatman plc Total £'000
Cost or valuation					
At 1 January 2004	18,724	46,325	65,049	11,134	11,134
Differences on exchange	(87)	(740)	(827)	-	-
Additions	956	3,128	4,084	1	1
Acquired with Schleicher & Schuell	5,291	3,011	8,302	-	-
Disposals	(2)	(123)	(125)	-	-
Impairment	(43)	(46)	(89)	-	-
Transfer to current asset investments	(6,527)	-	(6,527)	(4,549)	(4,549)
At 31 December 2004	18,312	51,555	69,867	6,586	6,586
Depreciation					
At 1 January 2004	(3,667)	(33,341)	(37,008)	(861)	(861)
Differences on exchange	(4)	556	552	-	-
Charge for the year	(451)	(2,738)	(3,189)	(154)	(154)
Disposals	2	99	101	-	-
Impairment	(4)	39	35	-	-
Transfer to current asset investments	1,399	-	1,399	676	676
At 31 December 2004	(2,725)	(35,385)	(38,110)	(339)	(339)
Net book values					
At 31 December 2004	15,587	16,170	31,757	6,247	6,247
At 31 December 2003	15,057	12,984	28,041	10,273	10,273

	2004	Group	2004	Whatman plc
	£'000	2003	£'000	2003
		£'000		£'000
The net book value of land and buildings comprises:				
Freehold	10,807	10,964	4,522	8,519
Leasehold	4,780	4,093	1,725	1,754
	15,587	15,057	6,247	10,273

Freehold land and buildings were valued in 1996 by Chartered Surveyors and similarly qualified professionals on an open market, existing use basis and the valuations were incorporated in the financial statements of that year.

	2004	Group	2004	Whatman plc
	£'000	2003	£'000	2003
		£'000		£'000
The net book value of freehold land and buildings at 31 December on a historical basis would have been:				
Cost	9,132	11,042	1,311	7,665
Depreciation	(2,090)	(4,149)	(633)	(2,091)
Net book value	7,042	6,893	678	5,574

At 31 December 2004 the group had contracted capital commitments not provided of £nil (2003: £nil).

	Total	Group	Loans	Whatman plc
	£'000	£'000	£'000	Investment in subsidiary undertakings
				Total
				£'000
15 Fixed asset investments				
Cost or valuation at 1 January 2004	-	46,557	17,210	63,767
Differences on exchange	1	-	-	-
Increase	-	-	-	-
Acquired with Schleicher & Schuell	15	-	-	-
Decrease	-	-	(17,210)	(17,210)
Cost or valuation at 31 December 2004	16	46,557	-	46,557

The cost of shares in subsidiary undertakings at 31 December 2004 was £52,077,000 (2003: £52,077,000). The principal subsidiary undertakings of the Group and the Company are shown in note 34.

	2004	2003
	£'000	£'000
16 Stock		
Raw materials and consumables	6,753	4,109
Work in progress	4,135	2,836
Finished goods and goods for resale	5,848	4,180
	16,736	11,125

Notes to the financial statements
for the year ended 31 December 2004

	2004 £'000	Group 2003 £'000	2004 £'000	Whatman plc 2003 £'000
17 Debtors				
Due within one year				
Trade debtors	17,308	12,317	-	-
Amounts owed by subsidiary undertakings	-	-	1,150	151
Other debtors	1,731	861	31	1
Taxation	3,429	6,832	760	-
Prepayments and accrued income	2,121	3,281	765	2,355
Debtors falling due within one year	24,589	23,291	2,706	2,507
Due after more than one year				
Amounts owed by subsidiary undertakings	-	-	49,661	5,226
Pension prepayment	4,902	4,422	-	-
Other debtors	942	275	-	-
Deferred taxation (note 21)	7,526	7,165	693	-
Prepayments and accrued income	2,122	-	2,122	-
Debtors falling due after more than one year	15,492	11,862	52,476	5,226
Total debtors	40,081	35,153	55,182	7,733

Prepayments and accrued income includes prepaid royalties of £2,272,000 (2003: £2,321,000) recoverable on future sales. In the current year, £2,122,000 has been classified as due after more than one year.

	2004 £'000	Group 2003 £'000 (Restated)	2004 £'000	Whatman plc 2003 £'000 (Restated)
18 Current asset investments				
Current asset investments	5,128	3	3,873	-

Current asset investments for the Group and Company include respectively £5,128,000 and £3,873,000 in respect of land and buildings transferred from tangible fixed assets as they are held for resale. The 2003 comparatives have been restated following the adoption of UITF 38; see note 25 for further details.

	2004 £'000	Group 2003 £'000	2004 £'000	Whatman plc 2003 £'000
19 Borrowings				
Short term borrowings				
Unsecured bank loans	-	11,028	-	11,028
Unsecured bank loans and overdrafts	90	246	877	15
	90	11,274	877	11,043
Long term loans				
Unsecured bank loans	39,328	-	39,328	-
Total borrowings	39,418	11,274	40,205	11,043
Repayable				
Within one year	90	11,274	877	11,043
Between one and two years	5,066	-	5,066	-
Between two and five years	34,262	-	34,262	-
	39,418	11,274	40,205	11,043

	2004 £'000	Group 2003 £'000	2004 £'000	Whatman plc 2003 £'000
20 Other creditors				
Trade creditors	5,204	3,300	-	-
Amounts owed to subsidiary undertakings	-	-	35,687	36,153
Proposed dividend	3,692	3,405	3,692	3,405
Corporation tax	1,058	3,184	36	18
Other taxation and social security	1,474	422	17	11
Other creditors	7,710	866	7	39
Accruals and deferred income	6,290	4,789	86	10
	25,428	15,966	39,525	39,636

Other creditors includes deferred consideration and amounts owed in respect of the acquisition of Schleicher & Schuell of £6.0 million.

	Litigation £'000	Biometra £'000	Whatman Restructuring £'000	Schleicher & Schuell Restructuring £'000	Pension £'000	Onerous lease £'000	Deferred tax £'000	Group Total £'000	Whatman plc Deferred tax £'000
21 Provisions									
At 1 January 2004	36	7,026	4,370	-	-	3,071	1,024	15,527	587
Differences on exchange	(1)	76	(89)	(65)	171	(35)	334	391	-
Utilised	(2)	(109)	(3,543)	(1,531)	(44)	(1,186)	-	(6,415)	-
Charge to the profit and loss account									
– exceptional	-	1,128	701	11,352	-	1,805	-	14,986	-
Charge to the profit and loss account									
– non exceptional	-	809	-	-	44	-	746	1,599	67
Acquired	-	-	-	-	8,058	-	145	8,203	-
Written back	(33)	(73)	-	-	-	(166)	-	(272)	-
Transfer to debtors	-	-	-	-	-	-	361	361	-
At 31 December 2004	-	8,857	1,439	9,756	8,229	3,489	2,610	34,380	654

Litigation provisions were created in 2002 in respect of an age discrimination case, a supply agreement case and for alleged patent infringement by Biometra. The age discrimination and supply agreement cases were settled in 2003 for amounts lower than those provided for and the excess provisions written back. Following the decision to place Biometra into voluntary liquidation the provision for patent infringement was released in 2003 and the balance combined with the newly created provision for the cost of closing Biometra. In addition, a provision against the net assets of Biometra has been made.

The restructuring provision for Whatman includes costs for the following:

- Site rationalisation programme to reduce the number of manufacturing sites as announced in 2001
- Reducing worldwide headcount to around 800, as announced on 30 December 2002
- The increase in the provision of £701,000 relates mainly to redundancy costs for the CEO and other senior management.

The Schleicher & Schuell restructuring provision relates to the facilities rationalisation programmes following the acquisition of Schleicher & Schuell resulting in a net headcount reduction of around 160 as announced on 31 December 2004.

The pension provision relates to the unfunded defined benefit liabilities acquired with Schleicher and Schuell. This is described in note 8.

The onerous lease provision relates to the costs of vacant possession of properties from which the business has been relocated. During the year, additional amounts have been provided for the cost of the Parkwood and Larkfield onerous leases.

	2004 £'000	2003 £'000
Maturity profile of provisions excluding deferred tax		
Within 1 year	21,383	12,595
Between 1 and 2 years	1,406	584
Between 2 and 5 years	3,695	1,211
Over 5 years	5,286	113
	31,770	14,503

In the prior year, £12,595,000 of provisions were expected to be utilised in the current year. Actual provisions utilised in the current year was £6,415,000. This shortfall is mainly because the liquidation of Biometra is continuing.

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21 | Provisions (continued)

	2004 £'000	Group 2003 £'000	2004 £'000	Whatman plc 2003 £'000
Deferred taxation is attributable to				
Accelerated capital allowances	1,455	1,641	654	587
Other timing differences	(6,371)	(7,782)	-	-
	(4,916)	(6,141)	654	587
Included in debtors (note 17)	7,526	7,165	-	-
Deferred tax provision	2,610	1,024	654	587

22 | Contingent liabilities

Whatman plc has given guarantees in respect of £72,376,000 (2003: £5,000,000) of borrowing facilities of subsidiary undertakings. Of this, £39,328,000 has been drawn down. The increase relates to the loan facility of €95,000,000 for the acquisition of Schleicher & Schuell and the working capital requirement of the enlarged group. The Group also has contingent liabilities in respect of leases sub-let and assigned in the ordinary course of business.

23 | Derivatives and other financial instruments

In reporting derivatives and other financial instruments, the Group has taken advantage of the exemption available under FRS 13 not to provide numerical disclosures in relation to short-term debtors and creditors, other than in relation to currency exposure disclosures.

Financial instruments

The Group's principal financial instruments, other than derivatives, comprise borrowings, cash and equity capital. The main purpose of these financial instruments is to provide financing for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, that arise directly from its operations.

The Group enters into derivative transactions, principally interest rate swaps and forward foreign currency contracts. The purpose of such transactions is to manage the interest rate and currency risks arising from the Group's operations and its financing. It is, and has been throughout the period under review, the Group's policy that no dealing in financial instruments shall be undertaken, except for the purpose of hedging the Group's financial risks.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board considers each of these risks on a regular basis and the Group's policy towards each of these risks has remained unchanged during the year.

Interest rate risk

The Group finances its operations through a mixture of equity capital, retained profits, cash, bank overdrafts and bank borrowings. The Group finances its acquisitions primarily through bank borrowings. The Group borrows in the desired currencies mainly at floating rates of interest and uses interest rate swaps, as deemed appropriate, to manage the Group's exposure to interest rate fluctuations.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank borrowings. The Group predominantly uses a medium term credit facility incorporating a term loan facility and a revolving credit facility from a London bank. In addition, the Group maintains undrawn committed borrowing facilities, after taking into account anticipated expenditure on acquisitions, of at least 10% of borrowing facilities, in order to provide flexibility in the management of the Group's liquidity. Short term flexibility is achieved by the use of bank overdrafts.

Foreign currency risk

The Group has a significant investment in overseas operations, primarily in the US and Continental Europe. As a result, the Group's sterling balance sheet can be significantly affected by movements in the US Dollar and Euro exchange rates. The Group seeks to reduce the effect of these currency exposures by matching its currency borrowings with the overseas foreign currency assets to the extent that total borrowings do not significantly exceed funding requirements. Approximately 60% of the Group's investments in non-sterling operations are hedged in this way.

The Group also has a transactional exposure with significant sales and a smaller element of purchases being made in a currency other than the functional currency of the operating units. In addition, the Group has an exposure in translating the profits of overseas operations into sterling. The Group's policy is to actively manage the currency risk by covering 100% of the anticipated exposures in major foreign currencies for a period of between one and two years using forward foreign exchange contracts.

	Total	Non-interest bearing	Floating rate	Fixed rate	Fixed rate Weighted average Interest rate Term	
	£'000	£'000	£'000	£'000	%	years
Interest rate risk profile of financial liabilities						
2004						
Pound sterling	3,047	3,046	1	-	-	-
US Dollar	2,770	423	2,347	-	-	-
Euro	35,567	20	35,547	-	-	-
Japanese Yen	1,523	-	-	1,523	1.9	3.7
	42,907	3,489	37,895	1,523	1.9	3.7
2003						
Pound sterling	2,260	2,026	234	-	-	-
US Dollar	8,848	1,025	7,823	-	-	-
Euro	20	20	-	-	-	-
Japanese Yen	1,562	-	-	1,562	1.9	4.7
Singapore dollar	1,655	-	1,655	-	-	-
	14,345	3,071	9,712	1,562	1.9	4.7

The above takes into account interest rate swaps, which have had the effect of reclassifying £1,523,000 of debt from floating to fixed rate, entered into by the Group to hedge against interest rate risks. The floating rate financial liabilities comprise bank borrowing bearing interest at rates fixed in advance for periods ranging from one to three months by reference to the relevant foreign currency LIBOR and bank overdrafts. In addition, the Group's provisions of £3,489,000 for onerous lease contracts (note 21) meet the definition of financial liabilities. Of these, £875,000 is expected to mature within one year, £793,000 between one and two years, £1,469,000 between two and five years and £352,000 in greater than five years. The maturity profile of interest bearing financial liabilities is shown in note 19.

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31 December 2004 in respect of which all conditions precedent had been met at that date were as follows:

	2004 £'000	2003 £'000
Committed borrowing facilities		
Expiring in less than one year	919	13,972
Expiring in more than one year but not more than two years	2,236	5,000
Expiring in more than two years	26,438	-
	29,593	18,972
Interest rate risk profile of financial assets		
Pound sterling	294	150
US Dollar	1,617	3,137
Euro	6,401	3,192
Japanese Yen	462	1,620
Singapore dollar	177	162
Swiss francs	129	-
Canadian dollar	2	247
	9,082	8,508

All of the above are at floating rates and comprise cash balances with banks and overnight money market deposits.

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Currency exposures

The following table shows the Group's currency exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary liabilities of the Group that are not denominated in the operating (or 'functional') currency of the operating unit involved. Other than certain non-sterling borrowings treated as hedges of net investments in overseas operations, gains and losses are recognised in the statement of total recognised gains and losses.

Net foreign currency monetary assets/(liabilities)	GBP £'000	US Dollar £'000	Euro £'000	Yen £'000	Other £'000	Total £'000
Functional currency of group operations						
2004						
Pound sterling	-	-	-	206	35	241
US Dollar	-	-	(220)	-	-	(220)
Euro	(598)	264	-	-	-	(334)
Japanese Yen	-	(194)	-	-	-	(194)
Singapore dollar	-	459	-	(14)	-	445
Canadian dollar	-	5	-	-	-	5
Total at 31 December	(598)	534	(220)	192	35	(57)
2003						
Pound sterling	-	(2,656)	-	447	19	(2,190)
US Dollar	-	-	34	-	-	34
Euro	-	81	-	-	-	81
Japanese Yen	-	(162)	(2)	-	-	(164)
Singapore dollar	-	582	(1)	-	-	581
Canadian dollar	-	13	-	-	-	13
Total at 31 December	-	(2,142)	31	447	19	(1,645)

The amounts shown in the table above take into account the effect of forward contracts entered into to manage these currency exposures. At 31 December 2004, the Group also held open various forward contracts that had been taken out to hedge expected future foreign currency exposures.

Fair value of financial assets and financial liabilities	Book value £'000	2004 Fair value £'000	Book value £'000	2003 Fair value £'000
Primary financial instruments				
Short term borrowings and current portion of long term borrowings	(90)	(90)	(11,274)	(11,274)
Long term borrowings	(39,328)	(39,328)	-	-
Financial assets	9,082	9,082	8,508	8,508
Fixed asset investments	16	16	-	-
Derivative financial instruments held to manage interest rate risk				
Interest rate swaps	-	(80)	-	(132)
Derivative financial instruments held to hedge currency risk				
Forward foreign currency contracts	98	327	231	424

Market values have been used to determine the fair values of interest rate swaps and forward foreign currency contracts. The fair values of other items have been calculated by discounting the expected future cash flows at prevailing interest rates.

Hedges

The Group's policy is to hedge interest rate risk using interest swaps and currency exposures using forward foreign currency contracts. Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging and the movements therein are as follows:

	Gains	Losses	Total net gain/(loss)
	£'000	£'000	£'000
Gains and losses on hedges			
Unrecognised at 1 January 2004	193	(132)	61
Arising in previous years that were recognised in 2004	(193)	29	(164)
Arising in previous years that were not recognised in 2004	-	(103)	(103)
Arising in 2004 that were not recognised in 2004	562	(310)	252
Unrecognised at 31 December 2004	562	(413)	149
Of which – expected to be recognised in 2005	562	(356)	206
– expected to be recognised in 2006 or later	-	(57)	(57)

24 | Share capital

	Number	2004 £'000	Number	2003 £'000
Authorised: Ordinary shares of 1p each	140,000,000	1,400	140,000,000	1,400
Allotted, called up and fully paid ordinary shares of 1p each	129,095,826	1,291	126,870,840	1,268
Shares to be issued	-	-	66,280	1
	129,095,826	1,291	126,937,120	1,269

	Number	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2004	126,870,840	1,269	13,222	14,491
Share capital issued under share option schemes	2,224,986	22	2,099	2,121
At 31 December 2004	129,095,826	1,291	15,321	16,612

	Number of shares	Option prices	Period exercisable
Options on ordinary shares outstanding at 31 December 2004			
Integrated Incentive plan 'A' options	1,035,159	87p – 225p	2005-2014
Integrated Incentive plan 'B' options	1,035,159	87p – 225p	2005-2012
Integrated Incentive plan 'C' options	1,725,862	87p – 225p	2005-2012
Long Term Incentive Option Scheme	1,000,000	251p	2005-2014
2001 savings related share option scheme	23,663	66p	2005
2002 savings related share option scheme	123,744	71p	2005-2006
2003 savings related share option scheme	125,414	104p	2006-2007
2004 savings related share option scheme	301,992	160p	2007-2008
2001 Whatman Inc savings related share option plan	14,689	66p	2004-2005
2002 Whatman Inc savings related share option plan	76,228	71p	2005-2006
2004 Whatman Inc savings related share option plan	169,418	160p	2007-2008
2001 Germany savings related share option scheme	50,144	66p	2004-2005
2002 Germany savings related share option scheme	7,099	71p	2005-2006
	5,688,571		

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25 Reserves	Revaluation £'000	Capital redemption £'000	Other £'000	Profit and loss £'000	Total £'000
Group					
At 1 January 2004 as previously reported	4,538	40	2,004	26,143	32,725
Prior year adjustment	-	-	-	(263)	(263)
At 1 January 2004 as restated	4,538	40	2,004	25,880	32,462
Foreign exchange differences	(79)	-	-	(1,790)	(1,869)
Retained loss for the year	-	-	-	(6,454)	(6,454)
Exchange gain on borrowings	-	-	-	(36)	(36)
Tax on exchange adjustments	-	-	-	(103)	(103)
Employee Benefit Trust shares	-	-	-	(398)	(398)
Transfer to profit and loss account	19	-	(72)	53	-
At 31 December 2004	4,478	40	1,932	17,152	23,602
Whatman plc					
At 1 January 2004 as previously reported	3,379	40	1,973	11,868	17,260
Prior year adjustment	-	-	-	(263)	(263)
At 1 January 2004 as restated	3,379	40	1,973	11,805	16,997
Retained loss for the year	-	-	-	(1,637)	(1,637)
Transfer to profit and loss account	19	-	-	(19)	-
Employee Benefit Trust shares	-	-	-	(398)	(398)
At 31 December 2004	3,398	40	1,973	9,551	14,962

The cumulative amount of goodwill written off directly to reserves in respect of undertakings forming part of the Group at 31 December 2004 was £17,532,000 (2003: £17,532,000). In accordance with the exemption available under section 230 of the Companies Act 1985, the profit and loss account of Whatman plc is not separately presented. The profit attributable to shareholders of Whatman plc is £4,287,000 (2003: £3,059,000).

The prior year adjustment relates to the adoption of UITF 38 which requires that where a Company purchases its own shares held by the Employee Benefit Trust, these should be deducted in arriving at shareholders' funds. The total cost of the shares was £262,755 at 31 December 2003 resulting in a reduction to shareholders' funds of that amount. At 31 December 2004, 368,974 shares were held with a nominal value of £3,690 (2003: 188,974 shares with a nominal value of £1,690). In accordance with UITF 38, during 2004, the cost of shares acquired included as a deduction from the profit and loss account reserve was £397,732.

Shares in Whatman plc are purchased by the Company in the open market and held by the Employee Benefit Trust for the benefit of the employee profit share scheme. Bonuses are payable to Whatman employees in the form of either cash or share equivalent based on the year end share price. The cost of bonuses has been charged to the profit and loss account in the year to which they relate. All rights to dividends on these shares have been waived.

	2004 £'000	2003 (Restated) £'000
26 Reconciliation of movement in equity shareholders' funds		
Loss attributable to shareholders	(530)	(1,883)
Dividends	(5,924)	(5,458)
Retained loss for the year	(6,454)	(7,341)
Other recognised losses for the year	(2,008)	(2,119)
Employee Benefit Trust shares	(398)	-
Write back to profit and loss of goodwill on business closure	-	6,016
Issue of shares on exercise of share options	2,121	827
Net decrease in equity shareholders' funds for year	(6,739)	(2,617)
Equity shareholders' funds at 1 January	46,953	49,833
Prior year adjustment	-	(263)
Equity shareholders' funds at 31 December	40,214	46,953

27 | Acquisitions

On 30 November 2004, the Group acquired 100% of the share capital of Schleicher & Schuell, a company incorporated and based in Germany.

The fair value of the total consideration of £40.9 million (€58.8 million) was offset by amounts received in respect of excluded entities and other similar adjustments of £4.9 million. Of this amount, £3.8 million (€5.5 million) is deferred for payment until 30 November 2005. It includes transaction costs paid or accrued totalling £2.8 million, but excludes bank arrangement fees of £0.6 million. Cash acquired with the business amounted to £1.1 million.

Table of acquired assets and liabilities

The following table sets out the book values of the identifiable assets and liabilities acquired, together with their fair value to the Group:

	Book value	Fair value adjustments	Fair value
	£'000	£'000	£'000
Intangible fixed assets	283	1,557	1,840
Tangible fixed assets	6,751	1,551	8,302
Investments	192	(177)	15
Stock	6,237	(333)	5,904
Debtors	12,820	723	13,543
Cash	1,138	-	1,138
Borrowings	(2,133)	-	(2,133)
Other creditors	(8,049)	1,539	(6,510)
Provisions for liabilities and charges	(6,857)	(2,443)	(9,300)
Net assets acquired	10,382	2,417	12,799
Goodwill	-	-	28,066
Consideration	-	-	40,865
<i>Consideration satisfied by:</i>			
Cash	-	-	32,163
Amounts relating to excluded entities and other similar adjustments	-	-	4,884
Deferred consideration	-	-	3,818
Total	-	-	40,865

The fair value adjustments represent valuation adjustments of £0.5 million and alignments with group accounting policies of £1.9 million. The fair values and goodwill arising are provisional and subject to finalisation as the acquisition was made within one month of the year end.

Schleicher and Schuell owns a 28% interest in BioDot Inc, a private company incorporated in California. BioDot designs, manufactures, markets and sells micro-scale liquid dispensing systems and related peripheral equipment and services. These are used to develop and produce diagnostic tests for markets. The markets include medical, food, environmental, veterinary and agriculture.

BioDot Inc prepares financial statements to 31 October. It is accounted for as an associate undertaking using the equity method of accounting. Schleicher & Schuell's share of net assets totalled £177,000 as at 30 November 2004 and is reflected within fixed asset investments in the table of acquired assets and liabilities. The goodwill net of accumulated amortisation arising on the acquisition of £283,000 is within intangible fixed assets. The investment in BioDot has been fair valued to nil as no dividend has been paid since Schleicher and Schuell acquired BioDot. Furthermore, no dividends are expected for the foreseeable future and there is no ready market in which to sell the shares. As the investment has been fair valued to nil, and has only been held for one month of the year, further Group associate disclosures have not been given on the ground of materiality.

Provisions for liabilities and charges includes amounts in respect of the pension liability and deferred tax liability.

There will be no material effect on deferred tax should the acquired assets be sold at their fair value.

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Results prior to acquisition

In the year ended 31 December 2003, turnover was £34.6 million and profit after tax was £0.4 million (at an exchange rate of €1.42 to £1).

The summarised profit and loss account from 1 January 2004 to 30 November is shown based on the accounting policies of Schleicher & Schuell prior to the acquisition:

	Eleven months ended 30 November 2004 £'000
Turnover	32,558
Cost of sales	(16,961)
Gross profit	15,597
Distribution costs	(8,300)
Research & development	(1,046)
Administrative expenses	(5,443)
Total operating expenditure	(14,789)
Other income	1,600
Operating profit	2,408
Net loss on disposal of businesses	(2,652)
Income from associate undertaking	44
Interest	(400)
Loss before tax	(600)
Tax	(900)
Loss after tax	(1,500)

Statement of recognised gains and losses for Schleicher & Schuell in the eleven months ended 30 November 2004 prior to acquisition

	2004 £'000
Loss attributable to shareholders	(1,500)
Currency translation differences on net investments	(59)
Total recognised losses for the period	(1,559)

	2004 £'000	2003 £'000
28 Disposal of businesses		
Net proceeds from sale of Filter Cartridge business	-	397
Net proceeds from sale of HemaSure Blood Filtration business	-	3,629
	-	4,026

	2004 £'000	2003 £'000
29 Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	2,913	13,424
Depreciation	3,189	4,088
Amortisation of intangible assets and goodwill	711	692
Impairment of tangible fixed assets	54	1,571
Profit on sale of tangible fixed assets	(17)	(6)
Net provisions established	14,439	820
Stock write down/(write back)	769	(6)
Other non cash profit items	(667)	(301)
(Increase)/decrease in stock	(665)	774
(Increase)/decrease in debtors	(256)	1,939
Decrease in creditors	(302)	(738)
Utilisation of provisions	(6,415)	(13,513)
Net cash inflow from operating activities	13,753	8,744

Other non cash profit items relate primarily to the increase in the pension prepayment.

	2004 £'000	2003 £'000
30 Reconciliation of net cash flow to movement in net debt		
<i>Increase in cash in the year</i>	(1,175)	(3,084)
Net cash flow from increase in borrowings	26,135	962
Change in net debt resulting from cash flows	24,960	(2,122)
Acquisition of borrowings	2,133	-
Foreign exchange differences	477	(1,279)
Increase/(decrease) in net debt in the year	27,570	(3,401)
Net debt at 1 January	2,766	6,167
Net debt at 31 December	30,336	2,766

	At 1 January 2004 £'000	Cash flow £'000	Change in maturity £'000	Acquisition (ex cash & overdraft) £'000	Exchange movement £'000	At 31 December 2004 £'000
31 Analysis of net debt						
Cash in hand and at bank	(8,508)	(1,019)	-	-	445	(9,082)
Overdrafts	246	(156)	-	-	-	90
	(8,262)	(1,175)	-	-	445	(8,992)
Debt due within one year	11,028	(4,833)	(6,637)	782	(340)	-
Debt due after one year	-	30,968	6,637	1,351	372	39,328
	11,028	26,135	-	2,133	32	39,328
Net debt	2,766	24,960	-	2,133	477	30,336

32 | Related party transactions

On 21 December 2000, Schleicher & Schuell made a loan of \$240,000 to BioDot Inc, an associate undertaking (note 27), which was due for repayment on 1 June 2001. On 1 August 2002, the unpaid balance of this loan of \$73,661 was exchanged for a three year 6% convertible debenture with a conversion rate of \$5.00 per share. This balance is due for repayment or conversion on 1 August 2005.

Dr Hinrich Kehler was previously Chairman of the Advisory Board of Schleicher & Schuell GmbH. Dr Kehler (through a majority shareholding in ConCap Beteiligungs und Vermögensverwaltungs GmbH ("ConCap")) was a shareholder of Schleicher & Schuell GmbH (S&S) until the acquisition of S&S by Whatman in November 2004. The former shareholders of S&S have provided indemnities to Whatman in relation to representations and warranties contained in the sale and purchase agreement and payment to them of part of the consideration for the acquisition is subject to retention by Whatman through a warranty period. In addition, Dr Kehler continues to be a Director and (through his shareholding in ConCap) has beneficial shareholdings in a number of companies which were previously subsidiaries of S&S but excluded from the acquisition of S&S by Whatman. These companies are parties to certain contractual agreements with Whatman companies by which, for a transition period, they supply products and services to Whatman and receive services from Whatman. These agreements were negotiated on an arms length basis. The total value of transactions between Whatman and these companies between 1 December 2004 and 31 December 2004 was £41,000.

	Land and buildings 2004 £'000	2003 £'000	2004 £'000	Other 2003 £'000
33 Lease commitments				
The Group has annual commitments under operating leases expiring:				
Within one year	364	207	390	52
Between one and five years	706	586	489	158
After five years	643	413	-	-
	1,713	1,206	879	210

The Company had no commitments under operating leases.

Notes to the financial statements
for the year ended 31 December 2004

341 Principal subsidiary undertakings

	Principal activities	Country of incorporation
Biometra Biomedizinische Analytik GmbH ^{1,2}	Manufacturing, marketing and development	Germany
Whatman Asia Pacific Pte Limited ¹	Marketing	Singapore
Whatman Finance Limited ¹	Holding and financing	Ireland
Whatman GmbH ¹	Manufacturing, marketing and development	Germany
Whatman Germany GmbH ¹	Holding	Germany
Whatman HemaSure Inc ¹	Manufacturing, marketing and development	US
Whatman Holdings GmbH ¹	Holding	Germany
Whatman Holdings UK Limited	Holding	England
Whatman Inc ¹	Manufacturing, marketing and development	US
Whatman International Limited ²	Manufacturing, marketing and development	England
Whatman Ireland Limited ¹	Holding and financing	Ireland
Whatman Japan KK	Marketing	Japan
Whatman Canada Limited ¹	Manufacturing and marketing	Canada
Whatman Reeve Angel Inc ¹	Holding	US
Whatman SA ¹	Manufacturing, marketing and development	Belgium
Whatman Luxembourg 1 ¹	Financing	Luxembourg
Whatman Luxembourg 2 ¹	Financing	Luxembourg
Whatman Luxembourg 3 ¹	Financing	Luxembourg
Schleicher & Schuell GmbH ¹	Holding	Germany
Schleicher & Schuell BioScience Inc ¹	Manufacturing, marketing and development	US
Schleicher & Schuell BioScience GmbH ¹	Manufacturing, marketing and development	Germany
Schleicher & Schuell MicroScience GmbH ¹	Manufacturing, marketing and development	Germany
Schleicher & Schuell MicroScience Inc ¹	Manufacturing, marketing and development	US

100% of the voting rights of all subsidiary undertakings are held directly or indirectly by Whatman plc. All shares held are ordinary shares, except where indicated.

¹ Equity held by a subsidiary undertaking.

² Both ordinary and preference shares held.

³ Biometra is in the process of being liquidated.

Five year record

	2000 (Restated) £'000	2001 £'000	2002 £'000	2003 (Restated) £'000	2004 £'000
Turnover	98,659	90,351	87,284	83,803	82,821
Operating profit/(loss)	12,503	(5,032)	(22,065)	13,424	2,913
Profit on sale of fixed assets	-	1,659	-	-	17
Profit/(loss) on business disposals and closures	22,054	-	(7,090)	(10,621)	(1,128)
Profit/(loss) before interest	34,557	(3,373)	(29,155)	2,803	1,785
Interest	(603)	(100)	(91)	(208)	(429)
Profit/(loss) before taxation	33,954	(3,473)	(29,246)	2,595	1,356
Taxation	(8,815)	2,286	9,090	(4,478)	(1,886)
Profit/(loss) after taxation	25,139	(1,187)	(20,156)	(1,883)	(530)
Minority interests	14	-	-	-	-
Profit/(loss) attributable to shareholders	25,153	(1,187)	(20,156)	(1,883)	(530)
Dividends	4,885	4,895	4,901	5,458	5,924
Shareholders' funds	83,184	77,713	49,833	46,953	40,214
Earnings/(loss) per share – basic	20.18p	(0.95p)	(16.04p)	(1.49p)	(0.41p)
Earnings/(loss) per share – diluted	19.93p	(0.94p)	(15.95p)	(1.48p)	(0.41p)
Dividend per share	3.90p	3.90p	3.90p	4.29p	4.61p
Share price – high	362.5p	293.0p	132.0p	163.5p	269.0p
Share price – low	151.0p	77.5p	65.0p	66.1p	155.5p
US dollar exchange rate – at year end	\$1.49	\$1.46	\$1.61	\$1.79	\$1.92
US dollar exchange rate – average during year	\$1.51	\$1.44	\$1.51	\$1.64	\$1.83

Taxation and shareholders' funds have been restated in 2000 to reflect the change in accounting policy following the adoption of FRS19 "Deferred tax" in 2001.

Shareholders' funds in 2003 have been re-stated to reflect the change in accounting policy following the adoption of UITF 38 "Accounting for ESOP trusts" in 2004.

Additional Company information

Annual General Meeting

The Annual General Meeting of the Company is to be held at 27 Great West Road, Brentford, Middlesex, TW8 9BW on 20th May 2005. The Notice of the meeting is contained in a separate circular to shareholders.

Financial calendar

Preliminary announcements of the results for the year are issued in April; annual reports are mailed to shareholders in May; final dividends are paid in May. Interim statements for the year are issued in September; interim dividends are paid in November.

Taxation of capital gains

For the purposes of Capital Gains Tax the adjusted market value of the Company's shares at 31st March 1982 was 9.4p, following the sub-division of each Ordinary Share of 5p into 5 New Ordinary Shares of 1p each.

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Brokers and financial advisers
UBS Ltd
JP Morgan Cazenove Limited

Solicitors
Freshfields Bruckhaus Deringer
Nabarro Nathanson

Trademarks
'Whatman' is a registered trademark
of Whatman International Limited

'EasyClone', 'FTA', 'Fusion 5', 'GD/X',
'Mini-UniPrep', 'Purasil' and '903' are
also trademarks of companies within
the Whatman Group.

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