

Accounting policies

i) Financial year end The Group operates to a calendar month-end accounting timetable. The accounts are for the year ended 30 November 2003.

ii) Accounting convention The accounts have been prepared using the historical cost convention and in accordance with applicable accounting standards.

iii) Basis of consolidation a) The consolidated accounts include the results of the parent company and all subsidiaries. The acquisition method of accounting has been adopted. The results of companies acquired during the year are included from the effective date of acquisition. Companies sold during the year are included up to the effective date of disposal.

b) No profit and loss account is presented for Low & Bonar PLC, as permitted by Section 230 of the Companies Act 1985.

iv) Goodwill Prior to the introduction of FRS 10 "Goodwill and Intangible Assets", goodwill arising on consolidation was written off against reserves on acquisition but is now capitalised and amortised through the profit and loss account over its estimated useful life of 20 years. Goodwill previously written off has not been reinstated. On any subsequent disposal of a business, any related goodwill written off against reserves will be charged to the profit and loss account in the year of disposal.

v) Tangible fixed assets The cost of fixed assets is shown before deduction of government grants where applicable. Assets acquired under finance leases are capitalised and outstanding instalments are included in creditors. The cost of fixed assets except freehold land is reduced by annual depreciation on a straight line basis to residual value over the following estimated useful lives:

Freehold buildings	20 – 50 years
Plant and equipment	3 – 15 years

Leasehold property is depreciated on a straight line basis over the shorter of the life of the relevant lease and the useful life of the property.

vi) Operating leases Leasing payments are charged to profit and loss on a straight line basis over the period of the lease.

vii) Government grants Government grants in respect of capital expenditure are credited to the profit and loss account over the period of the estimated useful life of the relevant fixed assets. The government grants shown in the balance sheet represent grants received or receivable to date, less the amounts so far credited to profits.

viii) Deferred taxation The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision without discounting for deferred taxation is made for all timing differences as they arise, subject to a test of recoverability. No provision is made for the taxation liabilities that would arise if retained earnings of overseas subsidiary undertakings were remitted to the United Kingdom, because there is no intention to remit such earnings by way of dividend.

ix) Stock valuation Raw materials and bought-in components are valued on the basis of actual cost including freight and handling charges, or net realisable value if lower. Work in progress and finished goods are valued at the lower of cost and net realisable value. Cost comprises material, labour and attributable production overheads; in the case of certain overseas subsidiaries cost on this basis is determined by reference to selling price less a reduction to reduce inventory to production cost.

x) Research and development Expenditure on research and development is written off against profits in the year in which it is incurred.

xi) Translation of foreign currencies Assets and liabilities expressed in foreign currencies are translated into sterling at exchange rates ruling at the date of the balance sheet. The results of overseas subsidiaries are translated into sterling at the average rate for the year. The effect of movement in exchange rates on opening net assets of these companies and related borrowings is dealt with in reserves. Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction.

xii) Pension costs Pension schemes are in operation covering the majority of Group employees. Amounts charged against profits are calculated with actuarial advice and represent a charge to cover the accruing liabilities on a continuing basis. Independent actuarial valuations of the schemes are made at least every three years.

xiii) Long-Term Incentive Plan The Long-Term Incentive Plan has been accounted for in accordance with UITF 17 (amended December 2003) so as to spread the anticipated cost to the Company over the associated performance period. The cost is included within administrative expenses.
