

■ Accounting Policies for the year ended 31st December 1999

(A) Accounting convention

The financial statements are prepared under the historical cost convention with the exception of certain land and buildings which are stated at valuation.

(B) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and also the Group's share of the profits and losses of associated companies. All intra-group profits are eliminated on consolidation.

(C) Goodwill

With effect from 1st January 1998, goodwill arising on acquisitions, representing the excess of the purchase price over the fair value of the net assets acquired, is capitalised and amortised against trading profits over its useful life of 20 years. Goodwill arising prior to that date was written off in the year of acquisition against reserves.

(D) Turnover

Turnover comprises the total amount receivable by the Group in the ordinary course of business with outside customers for goods and services supplied, exclusive of trade discounts and value added tax.

(E) Stocks

Stocks are stated at the lower of cost and net realisable value. In the case of raw materials, cost means purchase price including transport and handling costs, less trade discounts, calculated on a first in first out basis. For work in progress and finished goods, cost consists of direct materials, direct labour and attributable production overheads.

Net realisable value comprises the actual or estimated selling price (less trade discounts), less all further costs to completion, and less all costs to be incurred in marketing, selling and distribution.

(F) Deferred taxation

Provision is made for deferred taxation, using the liability method, on timing differences which are expected to reverse in the foreseeable future.

(G) Grants

Capital grants received in respect of the purchase of tangible assets are treated as a deferred credit, a portion of which is released to the Profit and Loss Account annually over the useful economic life of the asset to which it relates.

(H) Depreciation of tangible fixed assets

Tangible fixed assets, excluding freehold land, are depreciated at appropriate rates in order to write them off over their expected useful lives.

The rates generally applied are:

Freehold buildings	2% on cost
Plant and machinery	10% to 20% on cost
Fixtures and fittings	10% to 20% on cost
Motor vehicles	20% to 25% on cost
Leased assets	10% to 25% on cost

(I) Amortisation of patents

Purchased patents are amortised on a straight line basis over 12½ years.

(J) Leasing

Assets held under leasing arrangements, that transfer substantially all the risks and rewards of ownership to the Group, are capitalised. The capital element of the related rental obligation is shown on the Balance Sheet. The interest element of the rental obligation is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge.

Rentals in respect of operating leases are charged to the Profit and Loss Account as incurred.

(K) Investments

Investments are stated at cost less amounts written off.

(L) Pension costs

The Group operates a number of pension schemes. The pension costs relating to defined contribution schemes are charged to the Profit and Loss Account in the period in which they are incurred. The pension

costs relating to defined benefit schemes are assessed in accordance with the advice of independent qualified actuaries. The amounts so determined are accounted for on the basis of charging the expected cost of providing pensions over the years during which the Group benefits from the relevant employees' services.

(M) Research and development

Expenditure on research and development is charged to the Profit and Loss Account in the year in which it is incurred.

(N) Foreign currencies

The financial statements are expressed in Euro. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date (or, where relevant, at a forward exchange rate) and revenues, costs and non-monetary assets, at the exchange rates ruling at the dates of the transactions. Profits and losses arising from foreign currency are dealt with through the Profit and Loss Account. Monetary assets are amounts held or receivable in money; all other assets are non-monetary assets.

On consolidation, the assets and liabilities of overseas subsidiary companies are translated into Euro at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the restatement of the opening balance sheets of these subsidiary companies are dealt with through reserves. The operating results of overseas subsidiary companies are translated into Euro at the average rates applicable during the year.