Accounting policies

Year to 31 August 2000

Basis of accounting

The accounts are prepared under the historical cost convention and comply with UK accounting standards. The accounts adopt Financial Reporting Standard (FRS) 15 Tangible Fixed Assets and FRS 16 Current Tax which did not require a restatement of prior years' results.

Consolidation

The group accounts consolidate the accounts of the company and its interests in subsidiary undertakings. Interests in associated and joint venture undertakings are included using the equity method of accounting.

Intangible fixed assets

Goodwill arising since 1 September 1998 is capitalised and amortised by equal annual instalments over its anticipated useful life, but not exceeding 20 years. On disposal of a business any attributable goodwill previously eliminated against reserves is included in the calculation of any gain or loss.

Tangible fixed assets

Tangible fixed assets are capitalised at cost. Depreciation is provided to write off the cost less the estimated residual value of assets by equal instalments over their estimated useful economic lives as follows: Land and buildings – the shorter of 50 years or the length of the lease; Plant and equipment – 4 to 20 years. No depreciation is provided on freehold land.

Tangible fixed assets relating to the UK Retail business were disposed of on 6 September 1999 as part of a capital reduction. These assets included properties which were subject to a revaluation. The group has adopted FRS 15 Tangible Fixed Assets from 1 September 1999 in respect of its ongoing operations. It did not do so for the UK Retail fixed assets.

Fixed asset investments

Fixed asset investments are stated at cost, less provision for any permanent diminution in value. Market value of listed investments is based on the closing middle market price on a stock exchange in the country of incorporation on the last business day of the financial year.

Turnover

Turnover represents sales to external customers (including duties but excluding sales taxes) and franchise income.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises purchase price or direct production cost together with duties and manufacturing overheads.

Deferred tax

Account is taken, on the liability basis, for the tax effect arising from all timing differences to the extent that it is probable that a liability or the recovery of an asset will crystallise.

Financial instruments

Transactions involving financial instruments are treated as follows:

i) Gains or losses arising on forward exchange contracts are taken to the profit and loss account in the same period as the underlying transaction.

ii) Net interest arising on interest rate agreements is taken to the profit and loss account over the life of the agreement.

iii) Premiums paid or received on currency options are taken to the profit and loss account when the option expires or matures.

If the underlying transaction to a hedge ceases to exist, the hedge is terminated and the profits or losses on terminations are recognised in the profit and loss account immediately. If the hedge transaction is terminated, the profits or losses on termination are held on the balance sheet and amortised over the life of the original underlying transaction.

Foreign currencies

The results of undertakings outside the UK are translated at weighted average exchange rates each month. The closing balance sheets of undertakings outside the UK are translated at year end rates. Exchange differences arising from the restatement of opening balance sheets and the results of undertakings outside the UK to closing rates are dealt with through reserves. Assets and liabilities denominated in foreign currencies are translated at year end rates, or at contracted rates where applicable, any gains or losses are taken to the profit and loss account.

Post employment benefits

Pension and post retirement medical benefit costs are charged to profit and loss account on a systematic basis over the service life of employees with the advice of actuaries using the projected unit credit method.