

GROUP CASH FLOW STATEMENT

		52 weeks ended 29 March 2003	53 weeks ended 30 March 2002
	Notes	£m	£m
Net cash inflow from operating activities	22	105.4	94.3
Returns on investments and servicing of finance	23	0.2	(0.9)
Taxation		(25.7)	(14.0)
Capital expenditure and financial investment	23	(36.8)	(20.2)
Acquisitions and disposals	23	(0.9)	(0.9)
Equity dividends paid		(15.1)	(12.4)
Cash inflow before management of liquid resources and financing		27.1	45.9
Management of liquid resources	24	(9.2)	(26.7)
Financing	23	(18.2)	(9.7)
(Decrease) increase in cash in the period	24	(0.3)	9.5

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS (DEBT)

	52 weeks ended 29 March 2003	53 weeks ended 30 March 2002
	£m	£m
(Decrease) increase in cash in the period	(0.3)	9.5
Cash movement on:		
Debt and lease financing	18.4	9.8
Cash flow from increase in liquid resources	9.2	26.7
Change in net funds arising from cash flows	27.3	46.0
Exchange and non cash movements	(3.5)	(0.2)
Movement in net funds in the period	23.8	45.8
Net funds (debt) at the beginning of the period	11.7	(34.1)
Net funds at the end of the period (Note 24)	35.5	11.7

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	52 weeks ended 29 March 2003 £m	53 weeks ended 30 March 2002 £m
Profit for the financial period attributable to shareholders	55.5	39.3
Currency translation differences on foreign currency net investments in subsidiaries	1.2	-
Total recognised gains for the period	56.7	39.3
Prior year adjustment (Note 17)	-	(1.7)
Total gains and losses recognised since last annual report	56.7	37.6

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	52 weeks ended 29 March 2003 £m	53 weeks ended 30 March 2002 £m
Profit for the financial period attributable to shareholders	55.5	39.3
Dividends	(17.4)	(14.0)
	38.1	25.3
Currency translation differences on foreign currency net investments in subsidiaries	1.2	-
Arising from share issues	0.2	0.1
Net movement in shareholders' funds	39.5	25.4
Opening shareholders' funds	85.5	60.1
Closing shareholders' funds	125.0	85.5

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements for the Group's 2003 financial year cover the 52 weeks ended 29 March 2003 and have been prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention. The principal accounting policies, which have been applied consistently, are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. Subsidiary undertakings acquired during the period are recorded under the acquisition method and their results included from the date of acquisition.

Intangible assets

Intangible assets comprise goodwill arising on acquisition.

Prior to March 1998 goodwill arising on consolidation was written off to reserves in accordance with the accounting standard then in force. As permitted by FRS 10 this goodwill has not been reinstated in the balance sheet and remains written off to reserves. This goodwill will be charged in the profit and loss account on any subsequent disposal of the business to which it relates.

Goodwill on acquisitions since March 1998 has been capitalised and is amortised on a straight-line basis over its useful economic life, in accordance with FRS 10. The goodwill arising on the acquisition in 2000 of SAS NewMim and its subsidiaries is considered by the directors to have a useful economic life of 20 years.

Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price of tangible fixed assets together with any incidental costs of acquisition. Depreciation is provided on all tangible fixed assets, other than freehold land. It is provided to write off the cost, less estimated residual value, of each fixed asset equally over its useful life, as follows:

Freehold buildings	Fifty years
Leasehold premiums	Earlier of the period to next rent review or the end of the lease
Leasehold land and buildings	Period to end of lease
Fixtures and equipment	Three to fifteen years according to the estimated life of the asset.

Impairment

Tangible fixed assets and investments are stated at cost less provisions for impairment. The need for any fixed asset, investment or goodwill impairment write down is assessed by comparison of the carrying value of the asset against the higher of its net realisable value or its value in use.

Leased assets

Rentals payable under operating leases are charged to the profit and loss account in equal instalments. Incentives to sign leases, including reverse premiums and rent free periods, are treated as deferred income and are credited to the profit and loss account in equal instalments over the period to the next rent review.

The costs of assets used by the Group held under finance leases are capitalised and the resulting lease obligations are included in creditors. The finance charge is amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Stocks

Stocks are stated at the lower of cost and net realisable value and comprise goods for resale.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred tax is provided in full on an undiscounted basis on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in financial statements.

A net deferred tax asset is regarded as recoverable and is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

ESOP and employee share options

The Group's Employee Share Ownership Plan ("ESOP") is a separately administered trust, the assets of which mainly comprise shares in the Company. In accordance with UITF 13 the assets and liabilities, income and expenses of the ESOP have been included in the consolidated financial statements. Where appropriate the difference between the market value and the exercise price of an option at the date of grant is charged to the profit and loss account over the period until the option vests unconditionally. In the case of the Group's Sharesave schemes the Group has made use of the exemption under UITF 17 not to recognise any compensation charge.

Turnover

Turnover represents retail sales during the period to customers outside the Group less returns and sales taxes.

Foreign currency

The results of overseas subsidiaries are translated into sterling at the average rate of exchange during the period. The balance sheets of overseas subsidiaries are translated at the rate of exchange ruling at the end of the financial year. The resulting exchange differences are dealt with through reserves and are reported in the consolidated statement of total recognised gains and losses.

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year, with exchange differences taken to the profit and loss account.

In the financial statements of the Company, transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

Financial instruments

The Group uses derivative financial instruments to manage its exposures to fluctuations in interest and foreign currency exchange rates. Derivative instruments utilised include interest rate caps and forward currency contracts. These are accounted for as hedges, the instrument's impact on profit being deferred until the underlying transaction is recognised in the profit and loss account.

Pensions

Pension costs charged to the profit and loss account represent the amount of contributions payable to defined contribution pension schemes for the accounting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SEGMENTAL ANALYSIS

A geographical analysis of the Group's activities is as follows:

	United Kingdom	2003 Rest of Europe	Total	United Kingdom	2002 Rest of Europe	Total
	£m	£m	£m	£m	£m	£m
Turnover by origin and destination	571.3	72.1	643.4	527.3	58.1	585.4
Profit before tax	78.0	7.2	85.2	55.9	6.4	62.3
Net assets	113.0	17.6	130.6	76.5	12.2	88.7

3 OPERATING PROFIT

	2003 £m	2002 £m
Cost of sales	(490.9)	(454.8)
Gross profit	152.5	130.6
Net operating expenses:		
Distribution costs	(23.5)	(25.8)
Administrative expenses	(46.7)	(43.2)
Other operating income	2.3	2.1
	84.6	63.7
	2003	2002
	£m	£m
Operating profit is stated after charging:		
Auditors' remuneration – audit services	0.2	0.2
Depreciation of fixed assets:		
Owned	24.2	20.5
Held under hire purchase agreements	0.6	0.3
Amortisation of goodwill	0.4	0.4
Operating lease rentals:		
Hire of plant and machinery	1.3	0.9
Other – land and buildings	64.2	61.4
Loss on disposal of fixed assets	1.5	2.6
Operating profit is stated after crediting:		
Amortisation of rent free periods and reverse premiums	1.8	1.9