

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 13 INVESTMENT IN OWN SHARES

The shares in the Company are held by an Employee Share Ownership Plan ("ESOP") which is a trust formed in December 1995 to purchase shares to provide for the issue of shares to Group employees and to meet certain of the Company's future obligations in respect of employee share schemes. In accordance with UITF 13 the assets and liabilities, income and expenses of the ESOP are included in the Group financial statements. The trustee is Vallsar Trustees Limited, a subsidiary of the Company.

At 29 March 2003 the trust held 1,327,627 ordinary shares of 5p each (2002: 1,327,627) and owed £1,035,214 (2002: £1,035,214) to Group companies. As at 29 March 2003, share options had been granted over 553,066 of these ordinary shares (2002: 743,523) under the Executive Share Option Scheme. The market value of these shares at 29 March 2003 was £3,113,285 (2002: £2,880,951). The Company reimburses any direct costs to the ESOP which retains dividend income for reinvestment.

### 14 DEBTORS

	Group		Company	
	2003	2002	2003	2002
	£m	£m	£m	£m
Trade debtors	1.7	2.0	-	-
Amounts owed by Group undertakings	-	-	124.8	104.4
Prepayments and accrued income	15.4	14.5	0.2	0.3
Other debtors	2.8	1.8	-	-
	<b>19.9</b>	<b>18.3</b>	<b>125.0</b>	<b>104.7</b>

### 15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003	2002	2003	2002
	£m	£m	£m	£m
Bank loans and overdrafts (Note 16)	3.8	13.1	-	10.0
Trade creditors	19.2	22.7	-	-
Amounts owed to Group undertakings	-	-	158.9	114.0
Corporation tax	13.3	11.5	-	-
Taxation and social security	8.4	8.2	-	-
Other creditors	7.5	6.3	1.0	0.9
Obligations under finance leases	0.6	0.4	-	-
Accruals and deferred income	23.3	22.7	0.2	0.5
Proposed dividends	11.9	9.6	12.0	9.6
	<b>88.0</b>	<b>94.5</b>	<b>172.1</b>	<b>135.0</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Bank and other loans (see below)	8.3	16.2	-	9.9
Deferred income	3.2	2.9	-	-
Other creditors	-	0.9	-	0.9
Obligations under finance leases (due within two to five years)	2.2	0.6	-	-
	<b>13.7</b>	20.6	-	10.8
Bank and other loans are repayable as follows:				
Within one year	3.8	13.1	-	10.0
Between one and two years	3.3	9.9	-	9.9
Between two and five years	5.0	6.3	-	-
	<b>12.1</b>	29.3	-	19.9

Interest terms relating to bank and other loans are as shown in Note 18.

Bank loans of £12.1m (2002: £8.9m) are secured against the assets of subsidiary companies in France.

### 17 PROVISIONS FOR LIABILITIES AND CHARGES

Group	Deferred tax	Reorganisation of French activities	Onerous leases and dilapidations	Total
	£m	£m	£m	£m
At 31 March 2002	0.9	0.1	2.4	3.4
Provided in the year	-	-	2.0	2.0
Utilised in the year	(0.2)	(0.1)	(0.9)	(1.2)
At 29 March 2003	0.7	-	3.5	4.2

The Group provides against future liabilities for all onerous property leases including those sublet at a shortfall, as well as for property dilapidations, where appropriate. The provision is based on the estimated value of future cash outflows, the majority of which is expected to be incurred within the next five years.

#### Deferred tax

Group	2003 £m	2002 £m
Provision has been made for deferred tax in respect of the following:		
Accelerated capital allowances	1.8	2.0
Other timing differences	(1.1)	(1.1)
	<b>0.7</b>	0.9

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 17 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

FRS 19 was adopted in 2002 and in that year prior year comparatives were restated in respect of a cumulative deferred tax liability of £1.7m. At 29 March 2003 a potential deferred tax asset of £0.9m (2002: £1.1m) in respect of historic overseas trading losses has not been recognised.

### 18 TREASURY POLICY AND FINANCIAL INSTRUMENTS

#### Financial instruments

The Group finances its operations through a mixture of retained profits and borrowings. The Group only uses financial instruments to manage the currency and interest rate risks arising from normal operations, specific transactions and to raise finance for the Group's operations. The Group's financial instruments, other than derivatives, comprise borrowings, cash and various items such as debtors and creditors that arise directly from its operations. The Group also uses derivatives, primarily forward foreign currency contracts, to manage transactional currency risks and interest rate risks arising from the Group's operations.

It is, and has been throughout the period, the Group's policy that no trading in financial instruments shall be undertaken.

Foreign currency risk is the most significant aspect for the Group; it is exposed to a lesser extent to other risks such as interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

#### Foreign currency risk

In addition to specific transactions the Group purchases goods for resale in sterling, US dollars and Euro. The Group continually monitors its exposure to movements in currency exchange rates in order to bring greater stability and certainty to its transactional costs. Group policy is to hedge the exposures to anticipated foreign currency movements through the use of forward currency contracts and currency options.

#### Interest rate risk

The Group has various long and short term borrowings and borrowing facilities principally in Sterling and Euro, at fixed and floating rates of interest. The Group's exposure to movements in interest rates is regularly reviewed. Group policy is to assess borrowings with regard to fixed or variable rates of interest depending on the prevailing market conditions, including instances where interest rate caps are used to fix floating rates of interest.

Surplus funds are placed on short term deposit. These funds have floating rates of interest.

#### Liquidity risk

Where practicable the funds generated and used by operating companies are managed on a national basis. The Group's policy is to maintain a mix of short and long term borrowings with its lenders. Short term flexibility is achieved by overdraft facilities. It is the Group's policy to maintain undrawn committed borrowing facilities sufficient to provide flexibility in the management of the Group's liquidity. These are disclosed below.

Set out opposite are the numerical disclosures relating to financial instruments. As permitted by FRS 13, other than in respect of currency disclosures, the financial assets and liabilities shown do not include short term debtors or creditors other than loans and overdrafts.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18 TREASURY POLICY AND FINANCIAL INSTRUMENTS (CONTINUED)

#### Interest rate profile

##### Financial assets

Currency	2003			2002		
	Floating rate £m	Fixed rate £m	Total £m	Floating rate £m	Fixed rate £m	Total £m
Sterling	44.7	-	44.7	38.5	-	38.5
Euro	5.0	0.2	5.2	2.7	0.2	2.9
US Dollar	0.5	-	0.5	0.6	-	0.6
	50.2	0.2	50.4	41.8	0.2	42.0

The financial assets comprise cash and short term deposits at short term money market rates applicable to the currency.

##### Financial liabilities

The maturity profile for the financial liabilities of the Group at 29 March 2003 is as disclosed in Note 16.

Currency	2003			2002		
	Floating rate £m	Fixed rate £m	Total £m	Floating rate £m	Fixed rate £m	Total £m
Sterling bank loans and overdrafts	-	-	-	20.4	-	20.4
Finance leases	-	1.6	1.6	-	-	-
Euro						
Bank loans	7.1	5.0	12.1	5.9	3.0	8.9
Deferred purchase consideration	1.0	-	1.0	1.9	-	1.9
Finance leases	-	1.2	1.2	-	1.0	1.0
Total Euro	8.1	6.2	14.3	7.8	4.0	11.8
Total	8.1	7.8	15.9	28.2	4.0	32.2

Floating rate liabilities bear interest at rates based on LIBOR or national LIBOR equivalents, which are fixed in advance for periods of one to six months.

The Euro denominated fixed rate liabilities bear interest at a weighted average rate of 4.7% (2002: 4.9%) over a weighted average term of 3.8 years (2002: 3.4 years). The sterling denominated fixed rate liabilities bear interest at a weighted average rate of 6.0% (2002: nil) over a weighted average term of 4.2 years.

In addition the Group's provision in respect of Sterling denominated onerous leases and dilapidations (Note 17) of £3.5m (2002: £2.4m) meets the definition of financial liabilities. These are regarded as financial liabilities on which no interest is paid and the weighted average period until maturity is 2.6 years (2002: 2.2 years).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18 TREASURY POLICY AND FINANCIAL INSTRUMENTS (CONTINUED)

#### Currency exposures

##### Net foreign currency monetary assets (liabilities)

	<b>Euro</b>	<b>2003</b>	<b>Total</b>	Euro	2002	Total
	<b>£m</b>	<b>Dollar</b>	<b>£m</b>	£m	<b>Dollar</b>	£m
		<b>£m</b>			<b>£m</b>	
Functional currency of Group operations						
Sterling	<b>(1.0)</b>	<b>0.1</b>	<b>(0.9)</b>	(1.8)	0.2	(1.6)
Euro	-	<b>0.4</b>	<b>0.4</b>	-	0.4	0.4
Total	<b>(1.0)</b>	<b>0.5</b>	<b>(0.5)</b>	(1.8)	0.6	(1.2)

#### Borrowing facilities

At 29 March 2003, the Group had undrawn committed borrowing facilities of £55.0m (2002: £34.5m) and Euro 4.0m (£2.7m) (2002: Euro 5.2 m (£3.2m)) in respect of which all conditions precedent have been met. Of the £55.0m, £15.0m expires in less than one year and £40.0m expires in more than one year but less than five years. The Euro 4.0m (£2.7m), expires in less than one year.

#### Fair values

At 29 March 2003, the Group held US dollar and Euro forward currency contracts with a notional value of £51.0m (2002: £23.9m) and a fair value of £51.7m (2002: £24.0m). The fair values of the other financial assets and liabilities of the Group as at 29 March 2003 were not materially different from the book values. Fair values have been calculated by reference to market rates.

Of the unrecognised gains on currency contracts at 30 March 2002, a gain of £0.1m (2002: £0.5m) was recognised in the profit and loss account in the period. Of the unrecognised gains on currency contracts at 29 March 2003, a gain of £0.7m is expected to be recognised in the profit and loss account in the forthcoming period.

### 19 FINANCIAL COMMITMENTS

The Group has capital commitments as follows:

	<b>2003</b>	2002
	<b>£m</b>	£m
Amounts authorised and contracted for	<b>15.5</b>	3.1

The Company had no capital commitments at the period end (2002: £nil).

The Group had annual commitments under non-cancellable operating leases which expire as follows:

	Land and buildings		Other	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>£m</b>	£m	<b>£m</b>	£m
Within one year	<b>1.0</b>	1.6	<b>0.2</b>	0.2
Between two and five years	<b>5.4</b>	5.4	<b>1.2</b>	0.5
After five years	<b>55.5</b>	51.3	-	-
	<b>61.9</b>	58.3	<b>1.4</b>	0.7