

Notes forming part of the financial statements for the year ended 31 March 2005

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Actual results could differ from those estimates. Estimates are used principally when accounting for income and expenditure on contracts and developments, provision for doubtful debts, depreciation and taxes.

Basis of consolidation

The group financial statements consolidate those of the Company and of its subsidiary undertakings for the year ended 31 March 2005.

The results of businesses acquired or disposed of during the year have been included from the effective date of acquisition or up until the date of disposal. Profits or losses on intra-group transactions are eliminated in full.

The following principal accounting policies have been applied:

Turnover

Turnover is stated exclusive of VAT and represents the value of work done and properties sold, excluding part exchange properties which are included within cost of sales. In respect of sales of property, turnover is recognised when the sale becomes unconditional.

Profit is recognised on long term work in progress contracts if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs to date bear to total expected costs for that contract.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation has been provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life. It is calculated at the following rates:

Freehold buildings	–	2% per annum on the straight line basis
Leasehold improvements	–	25% per annum on the straight line or reducing balance basis
Motor vehicles	–	20–25% per annum on the straight line or reducing balance basis

Fixtures and fittings	–	15–25% per annum on the straight line or reducing balance basis
Plant and machinery	–	15–25% per annum on the straight line or reducing balance basis

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a purchase cost basis. Work in progress includes materials and labour costs and an appropriate proportion of overheads incurred on incomplete contracts and developments at the year end. Profit is recognised on long term contracts, as stated above.

Land held for development or construction

Land held for building is stated at the lower of cost and net realisable value. Cost comprises land cost and direct materials and labour. Net realisable value is the actual or estimated net selling price.

Assets financed by hire purchase and leases

Where assets are financed by hire purchase, the assets are treated as if they had been purchased outright. The amount capitalised is the cost of the asset. The corresponding hire purchase commitments are shown in creditors. Depreciation on the relevant assets is charged to the profit and loss account.

Hire purchase payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the agreement and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the outstanding capital amounts.

When assets are financed by operating leases, their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the Company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the Company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.