Berger Paints Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

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1 IDENTIFICATION

The main activity of the company, which is incorporated in Jamaica, is the manufacture and distribution of industrial and decorative paints and paint-related processed materials.

The company which is listed on the Jamaica Stock Exchange, is a 51% subsidiary of Lewis Berger (Overseas Holdings) Limited, which is incorporated in the United Kingdom. The ultimate holding company is Asian Paints (India) Limited, which is incorporated in India. The registered office of the company is 256 Spanish Town Road, Kingston 11.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

Jamaica adopted International Financial Reporting Standards (IFRS) as its national accounting standards, effective for accounting periods beginning on or after July 1, 2002. The company's financial statements for the year ended December 31, 2003 have therefore been prepared in accordance and comply with IFRS and comparative information has been restated to conform with the provisions of IFRS. The company has opted for early adoption of IFRS 1 - First-Time Adoption of IFRS, and has applied provisions of that standard in the preparation of these financial statements. The effect of adopting IFRS on the equity and net profit previously reported is detailed in Note 23.

The financial statements have been prepared under the historical cost basis except for the revaluation of the available-for-sale investment.

These financial statements are expressed in Jamaican dollars.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and any adjustments that may be necessary would be reflected in the year in which actual results are known.

(c) Property, plant and equipment

All property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are recorded at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Under IFRS 1 a first time adoptor may elect to use a previous GAAP revaluation of an item of property, plant, and equipment at or before the date of transition to IFRS as deemed cost at the date of transition, if the revaluation was broadly comparable to fair value or cost or depreciated cost under IFRS. The company has elected to apply this provision.

Depreciation is charged so as to write off the cost of assets other than land, over the estimated useful lives, using the straight-line method, on the following bases:

	Per annum
Freehold buildings	2%
Plant and machinery	8% - 15%
Other fixed assets	12% - 25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

(d) Long-term receivables

These recoverable consumption taxes are shown at nominal values.

(e) Investments

Investments are recognised on a trade-date basis and are initially measured at cost, including transaction costs.

Investments classified as available-for-sale are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair values are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

(f) Inventories

These are stated at the lower of cost (first-in, first-out) and net realisable value. The cost of finished goods comprises direct materials and labour plus an appropriate proportion of overhead expenses that have been incurred in bringing inventory to its present location. The cost of work-in-progress comprises direct materials, and an appropriate proportion of labour and overhead expenses in bringing the inventory to its present location. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(g) Accounts receivable

These amounts, which are expected to be settled within a year of inception, are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts where necessary. The allowance for irrecoverable amounts is determined by reference to past default experience.

(h) Cash and bank deposits

For the purposes of the cash flow statement, cash and bank equivalents comprises cash at bank and in hand, net of bank overdraft. Bank deposits have an original maturity of three months or less.

(i) Retirement benefit costs

The company operates a defined benefits pension plan and provides post retirement medical benefits. The plans are funded by contributions from employees and employer. In respect of the pension plan, the employees contribute at the rate of 5% of pensionable salaries (with the option of contributing an additional 5%). The post retirement medical plan is funded entirely by the company. The company's rate of contribution is determined by independent actuaries.

The cost of providing benefits is determined using the Projected Unit Credit Method with independent actuarial valuations being carried out each balance sheet date. Actuarial gains and losses that exceed 10% of the greater of the present value of the company's obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognized past service costs, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(j) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates currently enacted, which rates are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also charged or credited in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

(k) Due from (to) group companies

Two parties are considered to be related when:

(a) one party is able to exercise control or significant influence over the other party; or

(b) both parties are subject to common control or significant influence from the same source.

Intergroup transactions are recorded at pre-determined group rates for settlement within the respective quarters.

(l) Dividends

These are recognized as a liability in the period in which they are approved by the shareholders in the annual general meeting.

(m) Accounts payable

Trade payables are stated at their nominal value.

(n) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be determined.

(o) Revenue recognition

Sale of goods is recognized where goods are delivered and title has passed and is recorded net of discount, rebates and consumption taxes.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(p) Foreign currencies

Transactions in currencies other than the Jamaican dollar are initially recorded at the rates of exchange prevailing at the dates of those transactions. Monetary assets and liabilities denominated in such currencies are re-translated to Jamaican dollars at exchange rates current at balance sheet date. All resulting gains and losses are credited to, or charged against, net profit or loss for the year.

(q) Borrowing costs

Borrowing costs are recognised in the net profit or loss in the period in which they are incurred.

(r) Financial instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets include cash and bank deposits, accounts receivable, long-term receivables and other current assets except inventories and any prepayments.

Financial liabilities include current liabilities except accruals and income tax payable.

The particular recognition methods adopted are disclosed in the respective accounting policies associated with each item.

The fair values of the financial instruments are discussed in Note 22.

(s) Impairment

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

(t) Comparative information

Where necessary, comparative figures have been reclassified and or restated to conform to changes in the current year.

3 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land $'000	Freehold Buildings $'000	Plant and Machinery $'000	Furniture, Fixtures & Equipment $'000	Motor Vehicles $'000	Totals $'000
At cost						
January 1	27,000	52,301	42,713	16,933	31,288	170,235
Additions	-	169	3,127	4,066	2,324	9,686
Disposals	-	-	(11)	-	(3,935)	(3,946)
December 31	27,000	52,470	45,829	20,999	29,677	175,975
Depreciation						
January 1	-	7,170	27,828	11,786	17,953	64,737
Charge for year	-	1,049	4,536	1,651	5,419	12,655
On disposals	-	-	(11)	-	(3,935)	(3,946)
December 31	-	8,219	32,353	13,437	19,437	73,446
Net book value						
December 31, 2003	27,000	44,251	13,476	7,562	10,240	102,529
December 31, 2002	27,000	45,131	14,885	5,147	13,335	105,498

Freehold land and buildings were revalued in 1995 and the revaluation surplus of $49.579 million was credited to revaluation reserves. The revalued amounts of $27 million for land and $47.529 million for buildings have been designated the deemed cost of these assets, as permitted under the provisions of IFRS 1 (See Note 2(c)).

4 LONG-TERM RECEIVABLES

	2003 $'000	2002 $'000

General Consumption Tax (GCT) (See below)	694	484
Less current maturities included in Note 6	421	450
	273	34
	===	===

GCT paid on purchases of fixed assets is recoverable in twenty-four monthly instalments from the date of purchase.

5 INVENTORIES

	2003	2002
	$'000	$'000
Finished goods	96,531	108,580
Work-in-progress	7,879	7,713
Raw materials and supplies	79,621	72,217
Goods-in-transit	61,820	32,566
	245,851	221,076
	=======	=======

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2003	2002
	$'000	$'000
Trade receivables (net rebates)	200,878	191,332
Less provision for doubtful debts	34,821	33,921
	166,057	157,411
Other receivables and prepayments	18,271	14,377
Current portion of long-term receivables (Note 4)	421	450
	184,749	172,238
	=======	=======

The average credit period taken on sale of goods is 60 days (2002: 60 days).

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

7 CASH AND BANK DEPOSITS

Bank deposits include interest bearing accounts totalling $77,694 (2002: $61,008) including foreign currency deposits amounting to $56,611 (2002: $4,214). Interest on foreign currency deposits is at a rate of 2.75% per annum (2002: 2.5%) and local currency deposits are at a rate of 10.25% (2002: 10.5%). The carrying amount of these assets approximates their fair value.

8 SHARE CAPITAL

	2003 $'000	2002 $'000
Share capital		
Authorized, issued and fully paid 214,322,393 (2002: 214,322,393) ordinary shares of 50 cents	107,161	107,161
	=======	=======

9 REVALUATION RESERVES

	2003		
	Properties Revaluation Reserve $'000	Investment Revaluation Reserve $'000	Total $'000
Balance at January 1	40,866	-	40,866
Adjustments to deferred tax liability in respect of revalued buildings	200	-	200
Balance at December 31	41,066	-	41,066
	======	=======	======

	2002		
	Properties Revaluation Reserve $'000	Investment Revaluation Reserve $'000	Total $'000
Balance at January 1	40,666	213	40,879
Adjustments to deferred tax liability in respect of revalued buildings	200	-	200
Realised on disposal of available-for-sale investment	-	(213)	(213)

Balance at December 31	40,866	-	40,866
	======	======	======

10 DIVIDENDS

(a) A dividend of 20.9c (2002: 27.5c) per share totalling $44.820 million (2002: $39.292 million) was approved at the company's Annual General Meeting and paid to shareholders on the company's register of members at the close of business on May 5, 2003 (2002: July 16,2002)

(b) In respect of the current year

(i) an interim dividend of 14c per share totalling $30.005 million was paid to shareholders on the company's register of members at the close of business on May 5, 2003.

(ii) the directors propose that a further dividend of 20.1c (2002: 21c) per share be paid to shareholders. This dividend is subject to approval by the shareholders at the Annual General Meeting. The total estimated dividend to be paid is $43.162 million (2002: $44.820 million).

11 POST EMPLOYMENT BENEFITS

The company operates a defined benefits pension plan and provides medical benefits to its pensioners. The plans are funded by contributions from the employees and the company. The company contributes to the plans at rates determined periodically by independent actuaries (currently 5.7% of pensionable salaries in respect of the pension plan and the full cost in respect of the medical plan). In respect of the pension plan the employees contribute a rate of 5% of pensionable salaries and pension benefits are determined on a prescribed benefits basis and are payable at a rate of 1 2/3% of the employee's average earnings over the three years prior to retirement times the employee's number of years membership in the plan.

The disclosures below are based on the independent actuarial valuation as at December 31,2003.

(a) Amounts recognized in income in respect of the plans are as follows:

	Defined Benefits Plan	Retiree Medical Plan

	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Current service cost	5,209	4,858	1,944	1,923
Interest costs	15,986	15,302	185	361
Expected return on plan assets	(19,366)	(16,290)	-	-
Recognized gains	-	-	(1,179)	(2,353)
Other	-	865	-	-
Total included in staff costs	1,829	4,735	950	(69)
Actual return on plan assets	38,445	24,292	-	-

(b) Amounts included in the balance sheet in respect of these plans are as follows:

	Defined Benefits Plan		Retiree Medical Plan	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Present value of obligation	(109,865)	(133,215)	-	(1,538)
Fair value of plan assets	196,589	157,900	-	-
Assets not recognized due to limitation in paragraph 58 of IAS 19	(83,283)	(24,685)	-	-
Net asset (liability) in baance sheet	3,441	-	-	(1,538)

(c) Movements in the net asset (liability) in the year were as follows:

	Defined Benefits Plan		Retiree Medical Plan	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Balance January 1	-	-	(1,538)	(3,006)
Amounts charged to income	(1,829)	(4,735)	(950)	69
Contributions	5,270	4,735	2,488	1,399

	3,441	-	-	(1,538)
	=====	======	======	=====

(d) Key assumptions used:

	2003	2002
Gross discount rate	15.0%	12.5%
Expected return on assets	12.5%	12.5%
Expected rate of salary increases	10.0%	10.0%
Future pension increases	2.5%	2.5%
Medical claims	11.0%	11.0%
Inflation	7.0%	7.0%

12 DEFERRED TAX LIABILITIES

This comprises:

	2003	2002
	$'000	$'000
Deferred tax liability	10,051	8,713
Deferred tax assets	(2,388)	(3,064)
	7,663	5,649
	======	======

The movement during the year in the company's deferred tax position was as follows:

	2003	2002
	$'000	$'000
Balance, January 1	5,649	778
Charge to income for the year (Note 19)	2,214	5,071
Credit to equity for the year	(200)	(200)
Balance, December 31	7,663	5,649
	=====	=====

The following are the main deferred tax liabilities and assets recognised by the company and movements thereon during the period:

Deferred tax liabilities

	Revaluation of Properties $'000	Post-employment benefit asset $'000	Unrealised foreign exchange gain $'000	Total $'000
Balance January 1, 2003	8,713	-	-	8,713
Charge to income for the year	-	1,147	391	1,538
Credit to equity for the year	(200)	-	-	(200)
Balance, December 31, 2003	8,513	1,147	391	10,051
	=====	=====	===	======

Deferred tax assets

	Post-employment benefit obligation $'000	Depreciation charges in excess of capital allowances $'000	Legal Fees Provision $'000	Total $'000
Balance, January 1, 2003	513	1,259	1,292	3,064
Charge to income for the year	(513)	(238)	75	(676)
Balance, December 31, 2003	-	1,021	1,367	2,388
	===	=====	=====	=====

13 PROVISIONS

	$'000
Balance, January 1, 2003	3,876
Increase in discounted amount due to passage of time and/or change in discount rate	224
Balance, December 31, 2003	4,100
	=====

This provision is in respect of an outstanding lawsuit in respect of a personal injury claim.

14 ACCOUNTS PAYABLE AND ACCRUALS

	2003	2002
	$'000	$'000
Trade payables	75,527	52,477
Other payables and accruals	60,571	64,817
	136,098	117,294

The average credit period taken for trade purchases is 65 days (2002: 44 days).

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

15 SALES (NET OF DISCOUNTS AND REBATES)

An analysis of the company's sales is as follows:

	2003	2002
	$'000	$'000
Decorative/architectural products	943,285	852,788
Industrial products	30,628	24,160
Vehicle refinish	42,411	33,522
	1,016,324	910,470

16 PROFIT FROM OPERATIONS

Profit from operations is stated after taking into account the following:

	2003	2002
	$'000	$'000
Operating expenses		
Raw materials and consurmables used	499,847	496,839
Changes in inventories of finished goods and work in progress	11,883	(35,576)
Manufacturing expenses	41,680	33,207
Depreciation	12,655	11,701
Staff costs	199,227	176,441
Other operating expenses	134,426	111,651

Total	899,718	794,263
	=======	=======
Other operating income		
Rebates received	5,220	3,284
Profit on disposal of property, plant and equipment	952	2,237
Miscellaneous	1,977	1,220
Total	8,149	6,741
	=======	======

17 PROFIT BEFORE TAXATION

The profit before taxation is stated after taking into account the following:

	2003 $'000	2002 $'000
Income		
Interest - bank deposits	6,383	7,784
Net foreign exchange gains	5,876	-
Expenses		
Directors' emoluments		
Fees	100	100
Management	7,981	7,795
Audit fees	1,680	1,402
Depreciation (Note 3)	12,655	11,702
Interest - overdraft	66	193
Allowance for irrecoverable debt on sale of goods net of recoveries of $4,524,000 (2002: $2,355,000)	900	3,641
Net foreign exchange loss	-	3,338

18 TRANSACTIONS WITH GROUP COMPANIES

The company carried out transactions in the ordinary course of business during the year with its parent company, Lewis Berger (Overseas Holding) Limited and its affiliates as follows:

	2003 $'000	2002 $'000

Sales	2,401	5,179
Purchases	186,573	108,822
Technical fees payable	24,861	10,981

19 TAXATION

	2003	2002
	$'000	$'000
(a) The total charge for the year comprises:		
Current tax	43,400	35,700
Deferred tax adjustment (Note 12)	2,214	5,071
Adjustment in respect of prior year over provisions	(900)	-
	44,714	40,771
	======	======

Income tax is calculated at 33 1/3% of the estimated assessable profit for the year.

The charge for the year is reconciled to the profit as per the profit and loss account as follows.

	2003		2002	
	$'000	%	$'000	%
Profit before tax	131,072		130,539	
	=======		=======	
Tax at the domestic income tax rate of 33 1/3%	43,691	33.3	43,513	33.3
Tax effect of expenses that are not deductible in determining taxable profit	5,219	4.0	6,160	4.6
Tax effect of expenses that are deductible for tax purposes only	(5,550)	(4.2)	(5,127)	(3.9)

Net increase in deferred tax liabilities	2,214	1.7	5,071	4.0
Effect of tax credit on bonus issue of shares	-	-	(8,930)	(6.9)
Effect of adjustment for prior year over provisions	(900)	(0.7)	-	-
Other	40	-	84	0.1
Tax expense and effective tax rate for the year	44,714	34.1	40,771	31.2
	======	====	======	====

In addition to the amount charged to the profit and loss account, deferred tax relating to the revaluation of the company's properties amounting to approximately $200,000 (2002: $200,000) has been credited directly to equity (See Note 12).

20 EARNINGS PER STOCK UNIT

The calculation of earnings per stock unit is based on the profit after taxation of $86.358 million (2002: $89.768 million) and the number of stock units in issue during the year of 214,322,393 units.

21 CAPITAL COMMITMENTS

Capital expenditure authorised but not contracted for at December 31, 2003 amounted to $27.297 million. These expenditures are mainly in respect of the acquisition of equipment and building alterations.

22 FINANCIAL INSTRUMENTS

(a) Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognized stock exchange) exists, is the best evidence of the fair value of a financial instrument. Market prices are not available for some of the financial assets and liabilities of the company. Fair values in the financial statements have therefore been presented using various estimation techniques based on market conditions existing at balance sheet date. Generally, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the company would realise in a current market exchange.

The following methods and assumptions have been used.

The amounts included in the financial statements for cash and bank deposits, receivables and payables, due to immediate parent company and due from/to fellow subsidiaries reflect the approximate fair values because of short-term maturity of these instruments.

(b) Credit risk

Credit risk is the risk of loss from the default by an obligator. The risk is managed primarily by reviews of the financial status of each obligator. Cash and bank deposits are held with substantial financial institutions. The book value of receivables is stated after allowance for likely losses estimated by the company's management based on prior experience and their assessment of the current economic environment. The primary concentration of the company's credit was to the retail and construction sectors. The company's credit risk exposure is mitigated as the amount due from each customer is not significant.

(c) Currency risk

The company incurs foreign currency risks on transactions that are denominated in currencies other than the Jamaican dollar.

Cash and bank deposits and accounts payable at December 31, 2003 include aggregate net foreign currency liabilities as indicated below in respect of transactions arising in the ordinary course of business.

	2003	2002
	'000	'000
US$	558	1,320

Pound Sterling	297	89

(d) Interest rate risk

Interest rate risk is the potential that the value of a financial instrument will fluctuate due to changes in market interest rates. Some bank deposits are subject to fixed interest rates which may be varied by appropriate notice by the respective financial institution.
Because of the structure of its balance sheet the company is not significantly affected by interest rate risk.

However, any likely risk is managed by the consistent re-evaluation of the yield/cost on given financial instruments.

(e) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The company has no exposure to market risk as there are no traded securities.

(f) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the underlying business, the management of the company maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

(g) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The company manages this risk through budgetary measures, ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

23 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As at January 1, 2003, the company adopted IFRS. Below are reconciliations of equity as at January 1, 2002 and December 31, 2002 and of the Profit and Loss Account for the year ended December 31, 2002:

(i) Reconciliation of equity at January 1, 2002:

	Notes	Previous GAAP	Effect of transition to IFRS	IFRS
ASSETS		$'000	$'000	$'000
Non-current assets				
Fixed assets		103,684	-	103,684
Long-term receivables	(a)	411	(91)	320
Investments	(b)	10	(10)	-
Available-for-sale investments	(b)	-	223	223
		104,105	122	104,227
Current assets				
Due from fellow subsidiary companies		4,344	-	4,344
Inventories		165,990	-	16S,990
Accounts receivable and prepayments	(a)	151,139	(44)	151,095
Cash and bank deposits		85,806	-	85,806
		407,279	(44)	407,235
Total assets		511,384	78	511,462
		=======	======	=======
EQUITY AND LIABILITIES				
Shareholders' Equity				
Share capital		71,441	-	71,441
Share premium		34,632	-	34,632
Revaluation reserves	(b)(c)	49,579	(8,700)	40,879
Proposed dividends		39,292	-	39,292
Revenue reserve	(d)	191,113	781	191,894
		386,057	(7,919)	378,138
Non-current liabilities				
Post employment benefits	(e)	-	3,006	3,006
Deferred tax liabilities	(c)	-	778	778
Provision	(f)	-	3,348	3,348

	Notes	Previous GAAP	Effect of transition to IFRS	IFRS
		-	7,132	7,132
Current liabilities				
Due to immediate parent company		11,206	-	11,206
Dividends payable		2,638	-	2,638
Accounts payable and accruals	(g)	82,874	1,865	84,739
Income tax payable	(h)	28,609	(1,000)	27,609
		125,327	865	126,192
Total equity and liabilities		511,384	78	511,462
		=======	=====	=======

(ii) Reconciliation of equity at December 31, 2002:

	Notes	Previous GAAP $'000	Effect of transition to IFRS $'000	IFRS $'000
ASSETS				
Non-current assets				
Fixed assets		105,498		105,498
Long-term receivables	(a)	38	(4)	34
		105,536	(4)	105,532
Current assets				
Inventories		221,076	-	221,076
Accounts receivable and prepayments	(a)	172,627	(389)	172,238
Cash and bank deposits		120,951	-	120,951
		514,654	(389)	514,265
Total assets		620,190	(393)	619,797
		=======	=====	=======
EQUITY AND LIABILITIES				
Shareholders' Equity				
Share capital		107,161	-	107,161
Share premium		34,632	-	34,632
Revaluation reserves	(b)(c)	49,579	(8,713)	40,866
Proposed dividends		44,820	-	44,820
Revenue reserve	(d)	199,208	1,914	201,122
		435,400	(6,799)	428,601
Non-current liabilities				

Post employment benefits	(e)	-	1,538	1,538
Deferred tax liabilities	(c)	-	5,649	5,649
Provisions	(f)	-	3,876	3,876
			11,063	11,063
Current liabilities				
Due to immediate parent company		29,828	-	29,828
Due to fellow subsidiary companies		7,733	-	7,733
Dividends payable		3,419	-	3,419
Accounts payable and accruals	(g)	123,951	(6,657)	117,294
Income tax payable	(h)	19,859	2,000	21,859
		184,790	(4,657)	180,133
Total equity and liabilities		620,190	(393)	619,797
		=======	=======	=======

Notes to the Reconciliations of Equity at January 1, 2002 and December 31, 2002:

(a) Items not fulfilling the criteria for recognition as an asset were eliminated.

(b) Under IFRS, certain investments of the company are classified as available-for-sale investments.

(c) Adjustments are made for the deferred tax effects of transactions in the same year that such transactions enter into the determination of net profit, regardless of when they are recognized for tax purposes. The deferred tax is calculated at current rates. These relate to revaluation surpluses and certain liabilities.

(d) The net effects of the adjustments relating to the items at the transition date have been included in the opening reserve.

(e) Adjustments relating to the recognition of the status of the retiree medical plan.

(f) Provisions made for a claim in respect of an outstanding lawsuit.

(g) Accruals were made for vacation leave earned but not taken. Additionally, items not fulfilling the criteria for recognition as a provision were reversed and provisions relating to a legal claim were reclassified.

(h) Adjustments to the current tax provisions were made resulting from the net effects of the adjustment of certain items at the transition date.

(iii) Reconciliation of the profit and loss account for the year ended December 31, 2002:

	Notes	Previous GAAP $'000	Effect of transition to IFRS $'000	IFRS $'000
Sales (net of discounts and rebate)		910,470	-	910,470
Profit from operations	(a)(b)	121,528	1,420	122,948
Income from investments	(b)	-	7,784	7,784
Finance costs		(193)	-	(193)
PROFIT BEFORE TAXATION		121,335	9,204	130,539
Taxation	(c)	(32,700)	(8,071)	(40,771)
NET PROFIT		88,635	1,133	89,768

Notes to the Reconciliation of net profit for the year ended December 31, 2002:

(a) Relates to adjustments for vacation leave not taken and the de-recognition of certain items previously classified as assets or liabilities not fulfilling the criteria under IFRS.

(b) Interest earned relating to bank deposits previously netted against profit from operations is now shown as gross.

(c) This reflects the net effects on the deferred and current tax adjustments.

24 OTHER DISCLOSURES - EMPLOYEES

	2003	2002
Average number of persons employed by the company during the year:		
Production	57	57

Distribution	39	39
Administration	29	29
	125	125
	===	===