International Accounting Standards
Illustrative Corporate Financial Statements

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Year ended 31 December 2001

This publication by PricewaterhouseCoopers provides an illustrative set of consolidated financial statements, prepared in accordance with International Accounting Standards, for a fictitious multinational corporation. These financial statements include the disclosures required by International Accounting Standards and Interpretations published up to and including September 2000. In particular, these financial statements take account of the disclosures required by IAS 39 and IAS 40, both of which came into force for periods beginning on or after 1 January 2001. The example disclosures in these illustrative financial statements should not be considered to be the only acceptable form of presentation. The form and content of the reporting entity's financial statements are the responsibility of the entity's management, and other forms of presentation which are equally acceptable may be preferred and adopted, provided they include the specific disclosures prescribed in International Accounting Standards.

These illustrative financial statements are not a substitute for reading the Standards themselves or for professional judgement as to fairness of presentation. They do not cover all possible disclosures required by International Accounting Standards, nor do they take account of any specific legal framework. Depending on the circumstances, further specific information may be required in order to ensure fair presentation under International Accounting Standards and we recommend that reference is made to our separate publication 'International Accounting Standards – Disclosure Checklist – 2001'. Additional accounting disclosures may be required in order to comply with local laws and national accounting standards and stock exchange regulations.

Structure of publication

Other publications on IAS

The following publications on International Accounting Standards have been published by PricewaterhouseCoopers and are available from your nearest PricewaterhouseCoopers office:

International Accounting Standards – A Pocket Guide

International Accounting Standards – Disclosure Checklist – 2001

International Accounting Standards – Illustrative Bank Financial Statements – 2001

International Accounting Standards – Understanding IAS 39

International Accounting – Similarities & Differences – IAS, US GAAP and UK GAAP

and on wider aspects of international reporting :

Audit Committees – Good Practices for Meeting Market Expectations

Reporting Progress – Good Practices for Meeting Market Expectations

General information

1p102(b) ABC Group (the Group) provides products and services worldwide in three separate industries – paints, construction and vehicle rental. During the year ended 31 December 2001 the glass manufacture division was sold. The Group has operations in over 20 countries and employs over 1,700 people.

1p102(a) The parent company of the Group is ABC Holdings (the Company), which is a limited liability company and is incorporated and domiciled in *[name of country]*. The address of its registered office is as follows: *[address of registered office]*.

The company has its primary listing on the *[name]* stock exchange, with further listings in *[name]*.

Operating and financial review

DV,1p8
DV,1p9

International Accounting Standards do not address the requirements for information to be included in a directors' report or financial review. Generally such requirements are determined by local laws and regulations. IAS 1 encourages, but does not require, an enterprise to present, outside the financial statements, a financial review by management which describes and explains the main features of the enterprise's financial performance and financial position and the principal uncertainties that it faces.

In 1998 the International Organisation of Securities Commissions (IOSCO) issued "International Disclosure Standards for Cross-Border Offerings and Initial Listings for Foreign Issuers", comprising recommended disclosure standards including an operating and financial review and discussion of future prospects. IOSCO standards for prospectuses are not mandatory – but they will increasingly be incorporated in national stock exchange requirements both for prospectuses and annual reports. The text of IOSCO's Standard on Operating and Financial Reviews and Prospects is reproduced below :

Discuss the company's financial condition, changes in financial condition and results of operations for each year and interim period for which financial statements are required, including the causes of material changes from year to year in financial statement line items, to the extent necessary for an understanding of the company's business as a whole. Information provided also shall relate to all separate segments of the company. Provide the information specified below as well as such other information that is necessary for an investor's understanding of the company's financial condition, changes in financial condition and results of operation.

A. **Operating Results.** Provide information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the company's income from operations, indicating the extent to which income was so affected. Describe any other significant component of revenue or expenses necessary to understand the company's results of operations.

1. To the extent that the financial statements disclose material changes in net sales or revenues, provide a narrative discussion of the extent to which such changes are attributable to changes in prices or to changes in the volume or amount of products or services being sold or to the introduction of new products or services.
2. Describe the impact of inflation, if material. If the currency in which financial statements are presented is of a country that has experienced hyperinflation, the existence of such inflation, a five year history of the annual rate of inflation and a discussion of the impact of hyperinflation on the company's business shall be disclosed.
3. Provide information regarding the impact of foreign currency fluctuations on the company, if material, and the extent to which foreign currency net investments are hedged by currency borrowings and other hedging instruments.

Operating and financial review (continued)

4. Provide information regarding any governmental economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the company's operations or investments by host country shareholders.

B. **Liquidity and Capital Resources.** The following information shall be provided:

1. Information regarding the company's liquidity (both short and long term), including:

   (a) a description of the internal and external sources of liquidity and a brief discussion of any material unused sources of liquidity. Include a statement by the company that, in its opinion, the working capital is sufficient for the company's present requirements, or, if not, how it proposes to provide the additional working capital needed.

   (b) an evaluation of the sources and amounts of the company's cash flows, including the nature and extent of any legal or economic restrictions on the ability of subsidiaries to transfer funds to the company in the form of cash dividends, loans or advances and the impact such restrictions have had or are expected to have on the ability of the company to meet its cash obligations.

   (c) information on the level of borrowings at the end of the period under review, the seasonality of borrowing requirements and the maturity profile of borrowings and committed borrowing facilities, with a description of any restrictions on their use.

2. Information regarding the type of financial instruments used, the maturity profile of debt, currency and interest rate structure. The discussion also should include funding and treasury policies and objectives in terms of the manner in which treasury activities are controlled, the currencies in which cash and cash equivalents are held, the extent to which borrowings are at fixed rates, and the use of financial instruments for hedging purposes.

3. Information regarding the company's material commitments for capital expenditures as of the end of the latest financial year and any subsequent interim period and an indication of the general purpose of such commitments and the anticipated sources of funds needed to fulfill such commitments.

C. **Research and Development, Patents and Licenses, etc.** Provide a description of the company's research and development policies for the last three years, where it is significant, including the amount spent during each of the last three financial years on company-sponsored research and development activities.

D. **Trend Information.** The company should identify the most significant recent trends in production, sales and inventory, the state of the order book and costs and selling prices since the latest financial year. The company also should discuss, for at least the current financial year, any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the company's net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

Format of IAS illustrative financial statements

The references in the left margin represent the paragraph of the Standards in which the disclosure appears – for example, '8p40' indicates IAS 8 paragraph 40. The designation 'DV' ('Disclosure voluntary') indicates that the IAS encourages, but does not require the disclosure. *Additional notes and explanations are shown in italics.*

Consolidated income statement

			Year ended 31 December	
1p75, 1p82	(all amounts in *[name of currency]* thousands)	Notes	2001	2000
1p75(a)	Sales	1	211,034	112,360
1p82	Cost of sales		(85,040)	(45,682)
1p82	Gross profit		125,994	66,678
1p82	Other operating income		5,020	2,195
1p82	Distribution costs		(49,966)	(19,528)
1p82	Administrative expenses		(28,786)	(10,434)
1p82	Other operating expenses		(8,825)	(3,958)
35p39	Loss on sale of discontinuing operation	3	(959)	–
1p75(b)	Operating profit		42,478	34,953
1p75(c)	Finance costs – net	4	(863)	(7,540)
1p75	Available-for-sale investments – gains	28	2,281	–
			1,418	(7,540)
	Group profit before tax		43,896	27,413
1p75(d)	Share of result before tax of associates	13	(260)	216
	Profit before tax		43,636	27,629
12p77	Tax	6	(14,706)	(8,936)
1p75(f)	Profit from ordinary activities		28,930	18,693
1p75(g)	Extraordinary item	7	(1,228)	–
	Group profit before minority interest		27,702	18,693
1p75(h)	Minority interest	32	(2,548)	(856)
1p75(i)	Net profit		25,154	17,837
33p47	Basic earnings per share (LC per share)	8	1.03	0.87
33p47	Diluted earnings per share (LC per share)	8	0.96	0.83

The income statement for the year ended 31 December 2000 has been restated to take account of the adoption of IAS 40 Investment Property; fair value gains on investment property for the year ended 31 December 2000 of LC 1,043 and the attributable deferred income tax charge of LC 344 have been reclassified from shareholders' equity to other operating income and tax charge in the income statement.

1p80

As an alternative to the presentation of costs by function shown above, the Group is permitted under IAS 1 to present the analysis of costs using the nature of expenditure format, for which the following disclosures would typically be made on the face of the income statement to provide the 'bridge' between Sales and Operating profit:

		2001	2000
	Other operating income	(5,020)	(2,195)
	Changes in inventories of finished goods and work in progress	(1,972)	(2,309)
	Raw materials and consumables used	66,173	40,912
	Staff costs (Note 5)	40,090	15,500
	Depreciation and amortisation	35,238	13,064
	All other operating expenses	33,088	12,435
35p39	Loss on sale of discontinuing operation (Note 3)	959	–
	Total operating expenses	168,556	77,407

Consolidated statement of total recognised gains and losses

			Year ended 31 December	
1p7(c), 86,89	(all amounts in [name of currency] thousands)	**Notes**	**2001**	**2000**
1p86(b)	Fair value gains/(losses)			
	– land and buildings	33	–	759
	– investments	33	–	(2,324)
			–	(1,565)
1p86(b)	Cash flow hedges (Note 28, page 48)			
39p169(c)(i)	– fair value gains/(losses), net of tax	28	28	–
39p169(c)(ii)	– reclassified and reported in P/L	28	(36)	–
39p169(c)(iii)	– reclassified and added to PPE	28	(12)	–
39p169(c)(iii)	– reclassified and added to inventory	28	(6)	–
	– tax on reclassified amounts	28	18	–
			(8)	–
1p86(b)	Currency translation differences	33	(4,326)	2,788
1p86(b)	Goodwill transfer to P/L – subsidiary sold	3	1,245	–
1p86(b)	Net gains/(losses) not recognised in P/L		(3,089)	1,223
1p86(a)	Net profit		25,154	17,837
1p86	Total recognised gains		22,065	19,060
1p86(c)	Cumulative effect of changes in			
8p53(b)	accounting policy adopted on 1 January 2001 :			
	Retained earnings			
	– effect of adopting IAS 39	28	201	–
	– effect of adopting IAS 40	33	845	146
			1,046	146
	Fair value and other reserves			
	– effect of adopting IAS 39	28	(135)	–
	– effect of adopting IAS 40	33	(845)	(146)
			(980)	(146)
	Total shareholders' equity			
	– effect of adopting IAS 39	28	66	–
	– effect of adopting IAS 40	33	–	–
			66	–

[Under IAS 1 para 86 (c), the Group needs to show only the effect on retained earnings of these changes in accounting policies. However, certain of the changes arising on the adoption of IAS 39 and IAS 40 also involved reclassifications within shareholders' equity between (1) fair value and other reserves and (2) retained earnings. Accordingly, this publication displays, in addition, the effect on fair value and other reserves and the effect on total shareholders' equity].

[As an alternative to the consolidated statement of total recognised gains and losses, the Group could present the various gains and losses not recognised in the income statement, as part of the consolidated statement of changes in shareholders' equity (see page 6). In these illustrative financial statements, both forms of presentation are displayed. In practice most companies use the form of presentation shown on page 6 and therefore present such gains and losses within the consolidated statement of changes in shareholders' equity].

Consolidated statement of changes in shareholders' equity

	(all amounts in *[name of currency]* thousands)	Notes	Share capital	Share premium	Treasury shares	Fair value and other reserves	Retained earnings	Total
1p86(f) 1p86(e)								
	Year ended 31 December 2000							
1p86(c)	Balance at 1 January 2000							
8p53(b)	– as previously reported		20,000	10,424	–	6,510	56,937	93,871
8p53(b)	– effect of adopting IAS 40	33	–	–	–	(146)	146	–
1p86(c)	– as restated		20,000	10,424	–	6,364	57,083	93,871
1p86(b)	Fair value gains/(losses)							
	– land and buildings	33	–	–	–	759	–	759
	– investments	33	–	–	–	(2,324)	–	(2,324)
16p39	Depreciation transfer	33	–	–	–	(87)	87	–
21p30(c)	Currency translation differences	33	–	–	–	2,788	–	2,788
1p86(b)	Net gains/(losses) not recognised in P/L		–	–	–	1,136	87	1,223
1p86(d)	Dividend relating to 1999	9	–	–	–	–	(15,736)	(15,736)
1p86(a)	Net profit		–	–	–	–	17,837	17,837
1p86(d)	Issue of share capital – share options	31	1,000	892	–	–	–	1,892
	Balance at 31 December 2000		21,000	11,316	–	7,500	59,271	99,087
	Year ended 31 December 2001							
1p86(c)	Balance at 1 January 2001							
8p53(b)	– as previously reported		21,000	11,316	–	8,345	58,426	99,087
8p53(b)	– effect of adopting IAS 39	28	–	–	–	(135)	201	66
8p53(b)	– effect of adopting IAS 40	33	–	–	–	(845)	845	–
1p86(c)	– as restated		21,000	11,316	–	7,365	59,472	99,153
16p39	Depreciation transfer	33	–	–	–	(100)	100	–
1p86(b)	Cash flow hedges (Note 28, page 48)							
39p169(c)(i)	– fair value gains/(losses), net of tax	28	–	–	–	28	–	28
39p169(c)(ii)	– reclassified and reported in P/L	28	–	–	–	(36)	–	(36)
39p169(c)(iii)	– reclassified and added to PPE	28	–	–	–	(12)	–	(12)
39p169(c)(iii)	– reclassified and added to inventory	28	–	–	–	(6)	–	(6)
	– tax on reclassified amounts	28	–	–	–	18	–	18
1p86(b)	Currency translation differences							
21p30(c)	– amount arising in year	33	–	–	–	(4,680)	–	(4,680)
21p37	– to P/L on disposal of subsidiary	3	–	–	–	354	–	354
1p86(b)	Subsidiary sold in year							
1p86(b)	– Goodwill transfer to P/L	3	–	–	–	–	1,245	1,245
16p39	– Fair value gains on PPE	33	–	–	–	(1,238)	1,238	–
1p86(b)	Net gains/(losses) not recognised in P/L		–	–	–	(5,672)	2,583	(3,089)
1p86(d)	Dividend relating to 2000	9	–	–	–	–	(10,102)	(10,102)
1p86(a)	Net profit		–	–	–	–	25,154	25,154
1p86(d)	Issue of share capital – acquisition	31	3,550	6,450	–	–	–	10,000
1p86(d)	Issue of share capital – share options	31	750	890	–	–	–	1,640
1p86(d)	Purchase of treasury shares	31	–	–	(2,564)	–	–	(2,564)
32p23	Convertible bond – equity component	23	–	–	–	6,700	–	6,700
	Balance at 31 December 2001		25,300	18,656	(2,564)	8,393	77,107	126,892

1p86(f) The analysis of the components of 'Fair value and other reserves' is presented in Note 33.

Consolidated balance sheet

			31 December		31 December	
1p66	(all amounts in *[name of currency]* thousands)	Notes	2001	2001	2000	2000
	ASSETS					
1p53	**Non-current assets**					
1p66(a)	Property, plant and equipment	10	115,817		84,980	
1p67	Investment property	11	16,276		15,690	
1p66(b)	Intangible assets	12	14,056		19,600	
1p66(d)	Investments in associated undertakings	13	12,984		13,244	
1p66(c)	Available-for-sale investments	14	17,420		14,910	
1p66(f)	Receivables	15	5,106		3,370	
1p66(i)	Deferred tax assets	25	5,395		3,110	
				187,054		154,904
1p53	**Current assets**					
1p66(e)	Inventories	16	19,722		17,740	
1p67	Assets held for sale	16	3,666		3,002	
1p67	Construction contract work in progress	17	1,312		1,050	
1p66(f)	Receivables and prepayments	18	18,604		13,092	
1p66(c)	Available-for-sale investments	14	1,950		–	
1p66(c)	Trading investments	19	11,820		7,972	
1p66(g)	Cash and cash equivalents	20	26,358		36,212	
				83,432		79,068
	Total assets			270,486		233,972
	EQUITY AND LIABILITIES					
1p66(m)	**Capital and reserves**					
1p73(e)	Ordinary shares	31	25,300		21,000	
1p73(e)	Share premium	31	18,656		11,316	
1p73(e)	Treasury shares	31	(2,564)		–	
1p73(e)	Fair value and other reserves	33	8,393		7,500	
1p73(e)	Retained earnings		77,107		59,271	
				126,892		99,087
1p66(l)	**Minority interest**	32		8,484		1,806
1p53	**Non-current liabilities**					
1p66(k)	Borrowings	22	86,076		88,336	
1p66(i)	Deferred tax liabilities	25	11,263		8,538	
1p66(j)	Retirement benefit obligations	26	4,540		2,130	
1p66(j)	Provisions	27	320		274	
1p66(h)	Other liabilities		3,520		641	
				105,719		99,919
1p53	**Current liabilities**					
1p66(h)	Trade and other payables	21	15,717		12,344	
1p66(i)	Current tax liabilities		2,942		2,846	
1p66(k)	Borrowings	22	8,510		15,670	
1p66(j)	Provisions	27	2,222		2,300	
				29,391		33,160
	Total liabilities			135,110		133,079
	Total equity and liabilities			270,486		233,972

10p16 On [date] 2002 ABC Group's Board of Directors authorised these financial statements for issue.

Consolidated cash flow statement

			Year ended 31 December	
7p10	(all amounts in *[name of currency]* thousands)	Notes	2001	2000
7p18(b)				
	Cash flows from operating activities			
	Cash generated from operations	34	67,984	43,414
7p31	Interest paid		(7,255)	(7,187)
7p35	Tax paid		(14,175)	(7,551)
	Net cash from operating activities		46,554	28,676
7p21	**Cash flows from investing activities**			
7p39	Acquisition of subsidiary, net of cash acquired	35	(3,950)	–
7p16(a)	Purchase of property, plant and equipment	10	(42,197)	(16,349)
7p16(a)	Purchase of intangible assets	12	(2,370)	(2,700)
7p16(c)	Purchase of available-for-sale investments	14	(981)	(4,626)
7p16(e)	Loans made		(1,854)	(1,426)
7p39	Disposal of subsidiary, net of cash disposed	3	12,449	–
7p16(b)	Proceeds from sale of PPE	34	11,765	8,544
7p16(f)	Loan repayments received		1,250	2,566
7p31	Interest received		705	359
7p31	Dividends received		4,672	1,396
	Government grants received		3,690	850
	Net cash used in investing activities		(16,821)	(11,386)
7p21	**Cash flows from financing activities**			
7p17(c)	Proceeds from issue of convertible bond	23	50,000	–
7p17(c)	Proceeds from issue of redeemable pref shares	24	–	30,000
7p17(a)	Proceeds from issue of ordinary shares	31	1,640	1,892
7p17(b)	Purchase of treasury shares	31	(2,564)	–
7p17(c)	Proceeds from borrowings		8,500	18,000
7p17(d)	Repayments of borrowings		(76,676)	(37,450)
7p17(e)	Finance lease principal payments		(2,450)	(2,852)
7p31	Dividends paid to group shareholders	9	(10,102)	(15,736)
7p31	Dividends paid to minority interests	32	(1,920)	(550)
	Net cash used in financing activities		(33,572)	(6,696)
	(Decrease)/increase in cash and cash equivalents		(3,839)	10,594
	Movement in cash and cash equivalents			
	At start of year		29,748	17,587
	(Decrease)/increase		(3,839)	10,594
	Effects of exchange rate changes		(2,201)	1,567
	At end of year	20	23,708	29,748

Accounting Policies

In presenting the accounting policies on pages 10 to 18, it is recognised that certain items may not necessarily apply to a particular reporting entity. For example, if the reporting entity does not have investment property, it is not necessary to include disclosure of the accounting policy for investment property. The reporting entity should describe each specific accounting policy that is necessary for a proper understanding of the financial statements.

Index to accounting policies

Accounting policies (continued)

1p91(a)
1p97(b)
The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

A Basis of preparation

1p11
1p97(a)
The consolidated financial statements have been prepared in accordance with International Accounting Standards. The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, land and buildings, trading and available-for-sale investments, investment property and derivative financial instruments are shown at fair value. The carrying amount of recognised assets and liabilities that are hedged is adjusted to record changes in the fair value attributable to the risks that are being hedged.

In 2001 the Group adopted IAS 39 – Financial Instruments : Recognition and Measurement and IAS 40 – Investment Property. The effects of adopting these standards is summarised in the consolidated statement of changes in shareholders' equity (on page 6), and further information is disclosed in accounting policies D Investment property, F Investments and S Financial instruments and in Notes 28 and 33.

B Group accounting

(1) Subsidiary undertakings

1p99(b)
27p11
1p99(c)
27p17
Subsidiary undertakings, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(2) Associated undertakings

1p99(b)
28p27(b)
SIC-3p3-4
SIC-20p6
Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associated undertakings includes goodwill (net of accumulated amortisation) on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking.

(3) Joint ventures

1p99(d)
The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. Under this method the Group includes its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows in the relevant components of the financial statements.

B Group accounting (continued)

(4) Foreign currency translation

1p99(p) Income statements of foreign entities are translated into the Group's reporting currency
21p30 at the weighted average exchange rates for the year and balance sheets are translated at
21p17 the exchange rates ruling on 31 December. Exchange differences arising from the
21p19 retranslation of the net investment in foreign subsidiary and associated undertakings and
1p74(b) of financial instruments which are designated as and are hedges of such investments,
21p37 are taken to shareholders' equity. On disposal of a foreign entity, accumulated exchange
differences are recognised in the income statement as part of the gain or loss on sale.

21p45 Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the closing rate.

1p99(s) The local currency financial statements of foreign entities operating in hyper-inflationary
21p36 economies are restated in accordance with IAS 29 using appropriate indices before
translation into the Group's reporting currency. The gain or loss on the net monetary position is included in finance costs.

1p99(p) Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

C Property, plant and equipment

16p60(a) Land and buildings (except for investment property – see page 12) comprise mainly
1p99(e) factories and offices and are shown at fair value, based on triennial valuations by
external independent valuers, less subsequent depreciation for buildings. All other
39p160 property, plant and equipment is stated at historical cost less depreciation. Cost includes
transfers from equity of any gains / losses on qualifying cash flow hedges of currency purchase costs.

16p37 Increases in the carrying amount arising on revaluation of PPE are credited to fair value
1p74(b) and other reserves in shareholders' equity. Decreases that offset previous increases of
the same asset are charged against that reserve; all other decreases are charged to the
income statement. Each year the difference between depreciation based on the
16p39 revalued carrying amount of the asset (the depreciation charged to the income
statement) and depreciation based on the asset's original cost is transferred from fair value and other reserves to retained earnings.

16p60(b) Depreciation is calculated on the straight-line method to write off the cost of each asset,
1p99(e) or its revalued amount, to their residual values over their estimated useful life as follows:

16p60(c)

Land	Nil
Buildings	25-40 years
Plant and machinery	10-15 years
Equipment and motor vehicles	3-8 years

36p58 Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

16p56 Gains and losses on disposals are determined by comparing proceeds with carrying
16p39 amount and are included in operating profit. On disposal of revalued assets, the
revaluation amounts are transferred to retained earnings.

23p29(a) Interest costs on borrowings to finance the construction of property, plant and
1p99(f) equipment are capitalised, during the period of time that is required to complete and
prepare the asset for its intended use. All other borrowing costs are expensed.

D Investment property

1p99(h)
40p65(a-b)

Investment property, principally comprising office buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is treated as a long-term investment and is carried at fair value, representing open market value determined annually by external valuers. Under IAS 40 – Investment Property, which the Group adopted at 1 January 2001, changes in fair values are recorded in the income statement and are included in other operating income. Previously the Group had recorded such fair value changes net of deferred income taxes in the fair value and other reserves in shareholders' equity. The amounts included in that reserve at the date of adopting IAS 40 have been transferred to retained earnings; the comparative amounts for the year ended 31 December 2000 have been restated.

E Intangible assets

(1) Goodwill

1p99(c)

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill on acquisitions of subsidiary undertakings occurring on or after 1 January 1995 is included in intangible assets. Goodwill on acquisitions of associated undertakings occurring on or after 1 January 1995 is included in investments in associated undertakings. Goodwill is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1 January 1995 has been charged in full to retained earnings in shareholders' equity; such goodwill has not been retroactively capitalised and amortised.

22p88(a)
22p88(b)

Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years. For all other acquisitions goodwill is generally amortised over 5 years. *[Where goodwill is amortised over a period exceeding 20 years, the Group should disclose the specific reasons including describing the factor(s) that played a significant role in determining the useful life of the goodwill].*

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 January 1995 acquisitions, the goodwill charged to equity.

22p61-2

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classifications as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those assets is recognised in the income statement immediately.

(2) Research and development

1p99(k)
38p107(a)
38p107(b)

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit. The amortisation periods adopted do not exceed five years.

E Intangible assets (continued)

(3) Computer software development costs

1p99(e) Generally, costs associated with developing or maintaining computer software
SIC-6p4 programmes are recognised as an expense as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Group and have probable economic benefit exceeding the cost beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement
38p107(a) and added to the original cost of the software. Computer software development costs
38p107(b) recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 3 years.

(4) Other intangible assets

1p99(e) Expenditure on acquired patents, trademarks and licences is capitalised and amortised
38p107(a) using the straight-line method over their useful lives, but not exceeding 20 years.
38p107(b) Intangible assets are not revalued.

(5) Impairment of intangible assets

36p58 Where an indication of impairment exists, the carrying amount of any intangible asset including goodwill is assessed and written down immediately to its recoverable amount.

F Investments

39p68 At 1 January 2001 the Group adopted IAS 39 and classified its investments into the following categories: trading, held-to-maturity and available-for-sale. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets; during the period the Group did not hold any investments in this category. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of
1p59 holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

39p30, 167(c) All purchases and sales of investments are recognised on the trade date, which is the
date that the Group commits to purchase or sell the asset. Cost of purchase includes
39p68 transaction costs. Trading and available-for-sale investments are subsequently carried
39p69 at fair value, whilst held-to-maturity investments are carried at amortised cost using the
39p167(b) effective yield method. Realised and unrealised gains and losses arising from changes in
39p43 the fair value of trading investments and of available-for-sale investments are included in the income statement in the period in which they arise.

Prior to the adoption of IAS 39 the Group had recorded its marketable securities at fair value; for non-current marketable securities the cumulative fair values net of deferred income taxes had been recorded in fair value and other reserves in shareholders' equity. On the adoption of IAS 39 at 1 January 2001 these amounts were transferred to retained earnings – see Note 28 on page 46.

G Leases

(1) A group company is the lessee

1p99(j)
32p47(b)
17p12
Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the
17p19 income statement over the lease period. The property,plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

17p25
SIC-15p5
Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(2) A group company is the lessor

i) Finance leases

1p99(j)
32p47(b)
When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

ii) Operating leases

1p99(j)
32p47(b)
SIC-15p4
Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

H Inventories

2p34(a)
1p99(l)
23p6
39p160
Inventories are stated at the lower of cost or net realisable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Cost of inventories includes transfers from equity of gains/losses on qualifying cash flow hedges relating to inventory purchases. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

I Construction contracts

11p32 When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and contract costs are recognised when incurred.

1p99(g) When the outcome of a construction contract can be estimated reliably, contract
11p22 revenue and contract costs are recognised over the period of the contract, respectively,
11p39(b-c) as revenue and expenses. The Group uses the percentage of completion method to
determine the appropriate amount of revenue and costs to recognise in a given period;
the stage of completion is measured by reference to labour hours incurred to date as a
percentage of total estimated labour hours for each contract and the proportion that
11p36 contract costs incurred for work performed to date bear to the estimated total costs for
the contract. When it is probable that total contract costs will exceed total contract
revenue, the expected loss is recognised as an expense immediately.

11p31 In determining costs incurred up to the year end, any costs relating to future activity on a contract are excluded and shown as contract work in progress. The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year end.

11p43 Where costs incurred and recognised profits (less recognised losses) exceed progress
billings, the balance is shown as due from customers on construction contracts, under
11p44 receivables and prepayments. Where progress billings exceed costs incurred plus
recognised profits (less recognised losses), the balance is shown as due to customers on
construction contracts, under trade and other payables.

J Trade receivables

39p73 Trade receivables are carried at original invoice amount less an estimate made for
1p99(i) doubtful receivables based on a review of all outstanding amounts at the year end. Bad
32p47(b) debts are written off when identified.

K Cash and cash equivalents

39p66, 73 Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of
7p45 the cash flow statement, cash and cash equivalents comprise cash on hand, deposits
1p99(r) held at call with banks, other short-term highly liquid investments, and bank overdrafts.
In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

L Share capital

32p47(b) (1) Ordinary shares and non-redeemable preferred shares with discretionary dividends are both classified as equity. Other shares including mandatorily redeemable preferred shares are classified as liabilities (see accounting policy M Borrowings). The portion of a convertible bond representing the value of the conversion option at the issue is included in equity (see accounting policy M Borrowings).

SIC-17p6 (2) External costs directly attributable to the issue of new shares, other than on a business
22p21,25 combination, are shown as a deduction, net of tax, in equity from the proceeds. Share
issue costs incurred directly in connection with a business combination are included in
the cost of acquisition.

10p11 (3) Dividends on ordinary shares are recognised in equity in the period in which they
32p30 are declared.

SIC-16p4 (4) Where the Company or its subsidiaries purchases the Company's equity share capital,
SIC-17p5 the consideration paid including any attributable transaction costs net of income taxes is
deducted from total shareholders' equity as treasury shares until they are cancelled.
Where such shares are subsequently sold or reissued, any consideration received is
included in shareholders' equity.

M Borrowings

32p47(b) 39p66,93 Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

32p47(b) 32p50 On issue of convertible bonds, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option which is recognised and included in shareholders' equity; the value of the conversion option is not changed in subsequent periods.

32p47(b) 32p50 Preferred shares, which are redeemable on a specific date or at the option of the shareholder or which carry non-discretionary dividend obligations, are classified as long-term liabilities. The dividends on these preferred shares are recognised in the income statement as interest expense.

N Deferred income taxes

1p99(m) Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets and of derivative contracts, provisions for pensions and other post retirement benefits and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.

12p46 Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

12p24, 34 Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

12p39, 44 Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

O Employee benefits

(1) Pension obligations

1p99(o) The Group operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the recommendations of independent qualified actuaries.

19p120(a-b) For defined benefit plans, pension costs are assessed using the projected unit credit method : the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans every two years (the latest valuation was done at 31 December 2000). The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of
19p93 the related liability. Actuarial gains and losses are recognised over the average remaining service lives of employees.

1p99(o) The Group's contributions to defined contribution pension plans are charged to the income statement in the period to which the contributions relate.

(2) Other post-retirement obligations

1p99(o) Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. Valuations of these obligations are carried out by independent qualified actuaries.

(3) Equity compensation benefits

19p147(b) Share options are granted to directors and to employees with more than four years of service. If the options are granted at the market price of the shares on the date of the grant and are exercisable at that price, no compensation cost is recognised. If the options are granted at a discount on the market price, a compensation cost is recognised in the income statement based on that discount. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

P Government grants relating to purchase of property, plant and equipment

20p39(a)
1p99(t) Government grants relating to the purchase of property, plant and equipment are included in non current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Q Provisions

1p99(n) Provisions are recognised when the Group 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 made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(1) Warranty

1p99(n) The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on past history of the level of repairs and replacements.

(2) Employee leave entitlement

19p11
19p128
1p99(o) Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

(3) Onerous contracts

37p10,66 The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. For example, the present value of future payments for surplus leased properties under non-cancellable operating leases, net of estimated sub-leasing revenue, is recognised as a liability (or, if lower, the costs of exiting from the contract) for leased property that is no longer part of a cash generating unit.

Q Provisions (continued)

(4) Restructuring

1p99(n) Restructuring provisions mainly comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Group becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and the numbers of employees affected, or after individual employees have been advised of the specific terms. Costs related to the ongoing activities of the Group are not provided in advance. Any fixed assets that are no longer required for their original use are transferred to current assets and carried at the lower of the carrying amount or estimated net realisable value.

R Revenue recognition

18p35(a)
1p99(a)
11p39(b)

Sales are recognised upon delivery of products and customer acceptance, if any, or on the performance of services. Sales are shown net of sales taxes and discounts, and after eliminating sales within the Group. Sales relating to long term construction contracts – see accounting policy I Construction contracts.

18p30 Other revenues earned by the Group are recognised on the following bases:
Royalty and rental income – on an accrual basis.
Interest income – on an effective yield basis.
Dividend income – when the Group's right to receive payment is established.

S Financial instruments

The Group adopted IAS 39 – Financial Instruments : Recognition and Measurement, at 1 January 2001. The financial effects of adopting IAS 39 are displayed in Note 28 and Note 33.

For a discussion of the effects of IAS 39 on investments, refer to accounting policy F Investments on page 13. Information about accounting for derivative financial instruments and hedging activities is included on pages 20-21 within the section "Financial risk management".

Financial risk management

(1) Financial risk factors

32p43A
39p169(a)
The Group's activities expose it to a variety of financial risks, including the effects of: changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

(i) Foreign exchange risk

32p47(a) The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to *[names of currencies]*. Companies in the Group use forward contracts, transacted with Group Treasury, to hedge their exposure to foreign currency risk in the local reporting currency. Group Treasury is responsible for hedging the net position in each currency by using currency borrowings and external forward currency contracts.

For financial reporting purposes, each subsidiary designates contracts with Group Treasury as fair value hedges or cash flow hedges, as appropriate. At the group level, external foreign exchange contracts are designated as hedges of foreign exchange risk on specific assets, liabilities or future transactions.

32p47(a) The Group hedges between *[ ]* % and *[ ]* % of anticipated export sales in each major currency for the following 12 months. In 2001, approximately *[ ]* % of projected sales in each major currency qualified as 'highly probable' for which hedge accounting was used.

39p169(a) Additionally, the Group hedges the foreign currency exposure of its contract commitments to purchase certain production parts mainly from [names of countries]. The forward contracts used in its programme mature in 18 months or less, consistent with the related purchase commitments. The Group generally hedges between *[ ]* % and *[ ]* % of its forward purchase contracts.

32p47(a) The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currency exposure to the net assets of the Group's subsidiaries in *[names of countries]* is managed primarily through borrowings denominated in the relevant foreign currencies. The Group also enters into forward exchange contracts to hedge the foreign currency exposure of its subsidiaries in *[names of countries]*. These agreements are in place for each subsidiary and have contract terms of nine months to one year.

(1) Financial risk factors (continued)

(ii) Interest rate risk

32p47(a) The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group policy is to maintain approximately *[ ]* % of its borrowings in fixed rate instruments. At the year end *[ ]* % was at fixed rates. The Group sometimes borrows at variable rates and uses interest rate swaps as cash flow hedges of future interest payments, which have the economic effect of converting borrowings from floating rates to fixed rates. The interest rate swaps allow the Group to raise long-term borrowings at floating rates and swap them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

(iii) Credit risk

32p66(a-b) The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

32p43(c) (iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

(2) Accounting for derivative financial instruments and hedging activities

39p167(a) Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are remeasured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. On the date a
39p142 derivative contract is entered into, the Group designates certain derivatives as either (1) a hedge of the fair value of a recognised asset or liability (fair value hedge), or (2) a hedge of a forecasted transaction or of a firm commitment (cash flow hedge), or (3) a hedge of a net investment in a foreign entity.

39p153 Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

39p158 Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in equity. Where the forecasted transaction or firm commitment results in the recognition of an asset *(for example,*
39p160 *property, plant and equipment)* or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the income
39p162 statement *(for example, when the forecasted sale takes place).*

39p165 Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in the income statement.

(2) Accounting for derivative financial instruments and hedging activities (continued)

39p163 When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the committed or forecasted transaction ultimately is recognised in the income statement. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

39p164(a-b)
21p19 Hedges of net investments in foreign entities are accounted for similarly to cash flow hedges. Where the hedging instrument is a derivative, any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. However, where the hedging instrument is not a derivative (for example, a foreign currency borrowing), all foreign exchange gains and losses arising on the translation of a borrowing that hedges such an investment (including any ineffective portion of the hedge) are recognised in equity.

39p169(a)
39p142 The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 28 on page 49. Movements on the hedging reserve in shareholders' equity are shown in Note 28 on page 48.

(3) Fair value estimation

39p167(a)
32p54 The fair value of publicly traded derivatives and trading and available-for-sale securities is based on quoted market prices at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

32p54 In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long-term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

32p54 The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Notes to the consolidated financial statements

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Notes to the consolidated financial statements

1p46(d,e) **(In the notes all amounts are shown in *[name of currency]* thousands unless otherwise stated)**

1 Segment information

Segment information is only required for enterprises whose equity or debt securities are publicly traded and for enterprises that are in the process of issuing equity or debt securities in public securities markets. In these financial statements, the primary reporting format comprises the business segments, whilst the secondary reporting format comprises the geographical segments.

14p50 **Primary reporting format – business segments**

	Year ended 31 December 2001	Paints	Construction	Vehicle rental	Glass	Other	Group
14p51,67	Sales	63,640	71,929	44,709	12,200	18,556	211,034
14p52	Segment result	22,868	18,944	2,762	(1,788)	5,838	48,624
	Loss on segment sold						(959)
	Unallocated costs						(5,187)
14p67	Operating profit						42,478
	Finance costs – net						(863)
	AFS investments – gains						2,281
14p64	Share of associates	(145)				(115)	(260)
	Profit before tax						43,636
	Tax						(14,706)
	Profit – ordinary activities						28,930
	Extraordinary item						(1,228)
	Group profit						27,702
	Minority interest						(2,548)
14p67	Net profit						25,154
14p55	Segment assets	71,884	43,236	79,178	–	18,647	212,945
14p66	Associates	7,554				5,430	12,984
	Unallocated assets						44,557
14p67	Total assets						270,486
14p56	Segment liabilities	(9,055)	(8,379)	(15,406)	–	(676)	(33,516)
	Unallocated liabilities						(101,594)
14p67	Total liabilities						(135,110)
14p57	Capital expenditure	21,914	9,762	78,835	–	3,849	114,360
14p58	Depreciation	3,951	2,539	21,402	1,374	488	29,754
14p58	Amortisation	1,097	1,371	2,194	548	274	5,484
36p116(a)	Impairment charge	4,935	–	–	300	–	5,235
14p61	Other non-cash expenses	74	21	30	24	–	149
DV,14p59	Restructuring costs	1,986	–	–	–	–	1,986

1 Segment information (continued)

Primary reporting format – business segments (continued)

	Year ended 31 December 2000	Paints	Construction	Vehicle rental	Glass	Other	Group
14p51,67	Sales	39,326	44,944	–	20,225	7,865	112,360
14p52	Segment result	18,697	11,989	–	4,869	3,793	39,348
	Unallocated costs						(4,395)
14p67	Operating profit						34,953
	Finance costs – net						(7,540)
	AFS investments – gains						–
14p64	Share of associates	230				(14)	216
	Profit before tax						27,629
	Tax						(8,936)
	Profit – ordinary activities						18,693
	Extraordinary item						–
	Group profit						18,693
	Minority interest						(856)
14p67	Net profit						17,837
14p55	Segment assets	52,270	38,919	–	46,494	17,993	155,676
14p66	Associates	7,699				5,545	13,244
	Unallocated assets						65,052
14p67	Total assets						233,972
14p56	Segment liabilities	(9,460)	(7,787)	–	(31,428)	(557)	(49,232)
	Unallocated liabilities						(83,847)
14p67	Total liabilities						(133,079)
14p57	Capital expenditure	7,820	4,887	–	5,865	977	19,549
14p58	Depreciation	3,065	1,916	–	2,299	382	7,662
14p58	Amortisation	2,161	1,351	–	1,621	269	5,402
36p116(a)	Impairment charge	–	–	–	–	–	–
DV,14p59	Restructuring costs	–	–	–	–	–	–
14p61	Other non–cash expenses	54	24	–	40	–	118

14p81 The Group is organised on a worldwide basis into three main business segments:

1p99(q)
- Paints – manufacture of a range of decorative and automotive paints.
- Construction – the construction of buildings and equipment.
- Vehicle rental (acquired during current year) – operation of vehicle rental agencies.

On 30 June 2001 the glass manufacture segment was sold (Note 3).

Other operations of the Group mainly comprise holding of investment property and providing computer services, neither of which are of a sufficient size to be reported separately.

14p51 There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash, and mainly exclude investments. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain
14p57 corporate borrowings.Capital expenditure comprises additions to property, plant and equipment (Note 10) and intangible assets (Note 12), including additions resulting from acquisitions through business combinations (Note 10, Note 12 and Note 35).

1 Segment information (continued)

Secondary reporting format – geographical segments

14p81
1p99(q)

Although the Group's three business segments are managed on a worldwide basis, they operate in five main geographical areas:

[Name of country] is the home country of the parent company which is also the main operating company. The areas of operation are principally the construction activities.

[Name of the individual countries in Europe which are over the 10% reporting threshold in IAS 14] – mainly vehicle rental and construction activities.

Other European countries *[it has been assumed that the countries in this category are individually less than the 10% threshold for a separately reportable segment]* – paints and vehicle rental agencies.

Canada and the United States of America – paints.

Australasia and South East Asia – construction and paints. In South East Asia the main countries where the Group operates are Japan and China.

14p69

	Sales		**Total assets**		**Capital expenditure**	
	2001	**2000**	**2001**	**2000**	**2001**	**2000**
[Home country]	54,437	35,708	54,638	29,871	16,354	6,256
[Other individual countries in Europe over 10% threshold]	78,489	26,180	63,638	40,517	50,167	4,496
Other European countries	37,762	27,483	45,983	36,153	34,321	4,692
Canada and USA	16,820	11,779	21,639	25,737	2,633	2,150
Australasia	6,283	7,852	10,819	16,378	1,417	1,368
South East Asia	4,188	2,314	9,467	4,679	4,015	391
Other countries	13,055	1,044	6,761	2,341	5,453	196
	211,034	112,360	212,945	155,676	114,360	19,549
Associates			12,984	13,244		
Unallocated assets			44,557	65,052		
Total assets			270,486	233,972		

14p69

With the exception of *[home country]* and *[other individual countries over 10% reporting threshold]* no other individual country contributed more than 10% of consolidated sales or assets.

Sales are based on the country in which the customer is located. There are no sales between the segments. Total assets and capital expenditure are where the assets are located.

	Analysis of sales by category	**2001**	**2000**
18p35(b)	Sales of goods	74,008	56,635
	Revenue from services	18,067	7,538
11p39(a)	Construction contracts	71,929	44,944
	Royalty income	2,363	2,223
	Operating leases rental income	43,296	–
40p66(d)(i)	Investment property rental income	1,371	1,020
		211,034	112,360

2 Operating profit

The following items have been included in arriving at operating profit :

		2001	2000
1p83	Depreciation on property, plant and equipment (Note 10, 34)		
	– owned assets	7,444	5,182
17p48(a)(i)	– owned assets (vehicles) leased out under operating leases	19,876	–
	– leased assets under finance leases	2,434	2,480
36p113(a)	Impairment of property, plant and equipment (Note 10, 34)		
	– continuing operations (included in 'Other operating expenses')	775	–
	– discontinuing operations (included in 'Other operating expenses'; Note 3)	300	–
8p16	(Profit) / loss on disposal of property, plant and equipment (Note 34)	(1,688)	8
8p16	Repairs and maintenance expenditure on property, plant and equipment	4,302	2,029
1p83	Amortisation of intangible assets (Note 12, 34)		
22p88(d)	– goodwill (included in 'Other operating expenses')	2,860	3,260
38p107(d)	– development costs (included in 'Administrative expenses')	1,024	200
38p107(d)	– other intangible assets (included in 'Administrative expenses')	1,600	1,942
36p113(a)	Impairment of goodwill (included in 'Other operating expenses'; Note 12, 34)	2,800	–
36p113(a)	Impairment of development costs (included in 'Administrative expenses'; Note 12, 34)	1,360	–
38p115	Research and development expenditure (Note 12)	4,736	2,000
17p27(c)	Operating lease rentals payable – plant and machinery	1,172	895
	– property	1,432	961
39p170(c)(ii)	Trading investments (Note 19) – fair value (gains) / losses	1,116	232
DV39p170(c)(ii)	– (profit) / loss on sale	(610)	–
39p169(c)(ii)	Forward contracts : fair value (gains) / losses on cash flow hedges, transferred from equity (Note 28, page 48)	(11)	–
	Inventory		
2p37(a)	– costs of inventories recognised as expense (included in 'Cost of Sales')	43,302	32,903
2p34(d)	– reversal of part of inventory writedown made in 1999 (Note 16)	–	(603)
	Investment property		
40p66(d)(ii)	– operating expenses (included in 'Other operating expenses')	640	550
40p67(d)	– fair value gains (included in 'Other operating income') (Note 11, 34)	(1,670)	(1,043)
39p170(f)	Trade receivables – impairment charge for bad and doubtful debts	74	61
20p39(b)	Amortisation of government grants received (Note 34)	(810)	(400)
1p83	Staff costs (Note 5)	40,090	15,500
8p16	Restructuring costs (Note 27)	1,986	–

3 Discontinuing operation

35p27(a-d) On 31 January 2001 the Group publicly announced its intention to sell the glass segment (Note 1).
35p38 The subsidiary comprising this segment was sold on 30 June 2001 and is reported in these
27p32(b)(iv) financial statements as a discontinuing operation. The sales, results, cash flows and net assets of
7p40(d) the glass segment were as follows :

		6 months to 30 June 2001	12 months to 31 Dec 2000
35p27(f)	Sales	12,200	20,225
35p27(f)	Operating costs	(13,688)	(15,356)
35p27(f)	Impairment of assets (Note 2 and Note 10)	(300)	–
35p27(f)	Operating (loss)/profit	(1,788)	4,869
35p27(f)	Finance cost	(585)	(1,258)
35p27(f)	(Loss)/profit before tax	(2,373)	3,611
12p81(h)(ii)	Tax	783	(1,192)
	(Loss)/profit after tax	(1,590)	2,419
35p27(g)	Operating cash flows	(765)	5,670
35p27(g)	Investing cash flows	1,832	(3,514)
35p27(g)	Financing cash flows	(1,639)	1,338
	Total cash flows	(572)	3,494
		At 30 June 2001	**At 31 Dec 2000**
	Property, plant and equipment (Note 10)	35,637	39,119
	Current assets	1,020	7,375
35p27(e)	Total assets	36,657	46,494
35p27(e)	Total liabilities	(24,351)	(31,428)
35p31(b)	Net assets	12,306	15,066

The loss on disposal was determined as follows:

	Net assets sold	12,306
	Reclassifications from shareholders' equity (see page 6)	
21p37	– currency translation differences (Note 33)	354
	– goodwill previously written off to equity	1,245
35p31(b)	Proceeds from sale	(12,946)
35p31(a)	Loss on disposal (Note 34)	959
12p81(h)(i)	Tax thereon (Note 25)	–
	After-tax loss on disposal	959

The net cash inflow on sale is determined as follows:

7p40(a),(b)	Proceeds from sale	12,946
7p40(c)	Less: cash and cash equivalents in subsidiary sold	(497)
	Net cash inflow on sale	12,449

4 Finance costs – net

		2001	2000
39p170(c)(i)	Interest expense		
	– bank borrowings	(1,412)	(4,828)
	– finance leases	(700)	(714)
	– dividend on redeemable preferred shares (Note 24)	(1,650)	(1,650)
	– convertible bond (Note 23)	(3,600)	–
		(7,362)	(7,192)
39p170(c)(i)	Interest income	698	362
39p170(c)(iii)	Accrued interest income on impaired loans receivable	–	–
18p35(b)	Dividend income	4,730	1,400
21p42(a)	Net foreign exchange transaction gains/(losses)	1,026	(2,110)
	Fair value gains / (losses) on financial instruments		
39p169(c)(ii)	– interest rate swaps : cash flow hedges, transfer from equity (Note 28, page 48)	25	–
39p170(c)	– forward contracts : fair value hedges	14	–
39p170(c)	– forward contracts : transactions not qualifying as hedges	6	–
		(863)	(7,540)

5 Staff costs

		2001	2000
	Wages and salaries	27,453	10,863
19p142	Termination benefits	1,600	–
	Social security costs	9,369	3,802
19p147(c)	Share compensation cost (Note 31)	–	–
19p46	Pension costs – defined contribution plans	756	232
19p120(f)	Pension costs – defined benefit plans (Note 26)	762	496
19p131	Other post retirement benefits (Note 26)	150	107
		40,090	15,500

1p102(d) The average number of employees in 2001 was 1,756 (2000:683), of whom 369 (2000:173) were part-time.

6 Tax

		2001	2000
12p79	Current tax	14,413	6,230
12p79	Deferred tax (Note 25)	379	2,635
28p28	Share of tax of associates (Note 13)	(86)	71
		14,706	8,936

12p81(c) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2001	2000
Profit before tax	43,636	27,629
Tax calculated at a tax rate of 33% (2000 : 33%)	14,400	9,117
Effect of different tax rates in other countries	2,497	798
Income not subject to tax	(1,254)	(97)
Expenses not deductible for tax purposes	480	124
Utilisation of previously unrecognised tax losses	(1,417)	(1,006)
Tax charge	14,706	8,936

7 Extraordinary item

		2001	2000
8p11	Expropriation of investment property (Note 11)	1,832	–
12p81(b)	Tax effect	(604)	–
	Net loss after tax on extraordinary item	1,228	–

8p11 In September 2001 *[name of country]* experienced a military coup. As a result of the coup, one of the Group's investment properties was expropriated, without compensation, by the new government. The Group does not expect to recover the investment property.

8 Earnings per share

Earnings per share information is only required for enterprises whose ordinary shares or potential ordinary shares are publicly traded and for enterprises that are in the process of issuing ordinary shares or potential ordinary shares in public securities markets.

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares (see Note 31).

		2001	2000
33p49(a)	Net profit attributable to shareholders (LC 000)	25,154	17,837
33p49(b)	Weighted average number of ordinary shares in issue (thousands)	24,296	20,500
	Basic earnings per share (LC per share)	1.03	0.87

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible debt and share options. The convertible debt is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options a calculation is done to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options to determine the 'bonus' element; the 'bonus' shares are added to the ordinary shares outstanding but no adjustment is made to net profit.

		2001	2000
	Net profit attributable to shareholders (LC 000)	25,154	17,837
	Interest expense on convertible debt (net of tax) (LC 000)	2,412	–
33p49(a)	Net profit used to determine diluted earnings per share (LC 000)	27,566	17,837
	Weighted average number of ordinary shares in issue (thousands)	24,296	20,500
	Adjustments for – assumed conversion of convertible debt (thousands)	3,300	–
	– share options (thousands)	1,059	920
33p49(b)	Weighted average number of ordinary shares for diluted earnings per share (thousands)	28,655	21,420
	Diluted earnings per share (LC per share)	0.96	0.83

9 Dividend per share

1p85
1p74(c)
10p11

At the Annual General Meeting on *[date]* 2002, a dividend in respect of 2001 of LC 0.53 per share amounting to a total dividend of LC 12,945 is to be proposed. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2002. The dividends declared in respect of 2000 and 1999 were, respectively, LC 10,102 and LC 15,736.

10 Property, plant and equipment

		Land buildings	Plant & machinery	Vehicles & equipment	Total
1p73(a)					
16p60(e)	**Year ended 31 December 2000**				
	Opening net book amount	23,949	52,326	16,335	92,610
	Exchange differences	(985)	(3,103)	(873)	(4,961)
	Revaluation surplus (Note 33)	1,133	–	–	1,133
	Additions	8,895	6,470	1,484	16,849
	Disposals	–	(9,607)	(380)	(9,987)
	Transfers to assets held for sale (Note 16)	(3,002)	–	–	(3,002)
	Depreciation charge (Note 2, 34)	(636)	(2,186)	(4,840)	(7,662)
	Closing net book amount	29,354	43,900	11,726	84,980
16p60(d)	**At 31 December 2000**				
	Cost or valuation	29,600	61,003	19,576	110,179
	Accumulated depreciation	(246)	(17,103)	(7,850)	(25,199)
	Net book amount	29,354	43,900	11,726	84,980
16p60(e)	**Year ended 31 December 2001**				
	Opening net book amount	29,354	43,900	11,726	84,980
	Exchange differences	853	1,280	342	2,475
	Acquisition of subsidiary (Note 35)	19,072	5,513	43,199	67,784
	Additions	677	6,668	35,702	43,047
	Subsidiary sold (Note 3)	(3,566)	(26,538)	(5,533)	(35,637)
	Disposals	–	(3,729)	(8,608)	(12,337)
	Impairment charge (Note 2)	–	(1,075)	–	(1,075)
	Transfers to assets held for sale (Note 16)	(1,810)	(1,226)	(630)	(3,666)
	Depreciation charge (Note 2, 34)	(890)	(4,768)	(24,096)	(29,754)
	Closing net book amount	43,690	20,025	52,102	115,817
16p60(d)	**At 31 December 2001**				
	Cost or valuation	44,754	35,511	78,604	158,869
	Accumulated depreciation	(1,064)	(15,486)	(26,502)	(43,052)
	Net book amount	43,690	20,025	52,102	115,817

16p60(e) *The comparative information is not required for the movements on PPE.*

7p43 Additions include LC 850 (2000 : LC 500) assets leased under finance leases (where the Group is the lessee). Disposals include LC 2,260 (2000 : LC 1,435) assets sold under finance leases (where the Group is the lessor).

39p170(c)(iii) In 2001 the cost of additions includes LC 12 (2000 : LC Nil) of fair value gains and losses transferred from the hedging reserve in shareholders' equity relating to qualifying currency cash flow hedges (Note 28, page 48) on the purchase of plant.

10 Property, plant and equipment (continued)

36p117(a-b)
36p117(d-f)
The impairment charge of LC 1,075 in 2001 for plant and machinery comprises LC 300 relating to the glass segment (Note 3) and LC 775 relating to the paints segment (Note 27). The recoverable amount (the higher of the value in use or net selling price) was determined at the cash-generating unit level (the segment) and represents the net selling price, determined by reference to market prices for equivalent assets.

16p59
In respect of the paints segment, certain property, plant and equipment will be disposed of because they are no longer required for the purpose for which they were originally acquired; the carrying amounts have been transferred to assets held for sale (Note 16).

Leased assets included in the table on page 30, where the Group is a lessee under a finance lease, comprise plant and machinery:

		2001	**2000**
	Cost – capitalised finance leases	13,996	14,074
	Accumulated depreciation	(5,150)	(3,926)
17p23(a)	Net book amount	8,846	10,148

Leased assets included in the table on page 30, where the Group is a lessor, comprise vehicles leased to third parties under operating leases:

		2001	**2000**
17p48(a)			
	Cost	70,234	–
	Accumulated depreciation	(19,876)	–
	Net book amount	50,358	–

16p64(a-d)
The Group's land and buildings were last revalued during 2000 by independent valuers. Valuations were made on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to fair value and other reserves in shareholders' equity (Note 33).

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

		2001	**2000**
	Cost	45,289	35,255
	Accumulated depreciation	(8,618)	(7,748)
16p64(e)	Net book amount	36,671	27,507

16p61(a)
Bank borrowings are secured on properties to the value of LC 3,150 (2000 : LC 3,150) (Note 22).

23p29(b)
23p29(c)
Borrowing costs of LC 31 (2000 : LC 49), arising on financing specifically entered into for the construction of a new factory, were capitalised during the year and are included in 'Additions' in the table on page 30. A capitalisation rate of 7.0% (2000 : 7.2%) was used, representing the borrowing cost of the loan used to finance the project.

11 Investment property

		2001	2000
40p67	At beginning of year	15,690	16,043
	Exchange differences	748	(1,396)
	Fair value gains (Note 2)	1,670	1,043
	Additions	–	–
	Expropriation of an investment property (Note 7)	(1,832)	–
	At end of year	16,276	15,690

40p66(c) The investment properties are valued annually on 31 December at fair value comprising open market value by an independent professionally qualified valuer.

40p67 *The comparative information is not required for the reconciliation.*

12 Intangible assets

		Goodwill	Development costs	Other	Total
	Year ended 31 December 2000				
	Opening net book amount	15,806	845	6,913	23,564
	Exchange differences	(846)	(45)	(371)	(1,262)
	Development costs recognised as an asset	–	2,700	–	2,700
	Amortisation charge (Note 2, 34)	(3,260)	(200)	(1,942)	(5,402)
	Closing net book amount	11,700	3,300	4,600	19,600
38p107(c)	**At 31 December 2000**				
22p88(e)	Cost	32,600	3,700	10,400	46,700
	Accumulated amortisation	(20,900)	(400)	(5,800)	(27,100)
	Net book amount	11,700	3,300	4,600	19,600
38p107(e)	**Year ended 31 December 2001**				
22p88(e)	Opening net book amount	11,700	3,300	4,600	19,600
	Exchange differences	341	96	134	571
	Additions	–	2,004	366	2,370
	Acquisition of subsidiary (Note 35)	1,159	–	–	1,159
	Transferred to patents	–	(320)	320	–
	Impairment charge (Note 2)	(2,800)	(1,360)	–	(4,160)
	Amortisation charge (Note 2, 34)	(2,860)	(1,024)	(1,600)	(5,484)
	Closing net book amount	7,540	2,696	3,820	14,056
38p107(c)	**At 31 December 2001**				
22p88(e)	Cost	31,300	4,120	11,220	46,640
	Accumulated amortisation	(23,760)	(1,424)	(7,400)	(32,584)
	Net book amount	7,540	2,696	3,820	14,056

38p107
22p88 *The comparative information is not required for the reconciliation of movements on intangible assets including goodwill.*

36p117(a-c,e) The impairment charge arose as part of the restructuring of the paints segment (see Note 27).

38p107 Development costs principally comprises internally generated expenditure on R&D development costs on major projects where it is reasonably anticipated that the costs will be recovered through future commercial activity. Other intangible assets comprise acquired patents and trademarks.

13 Investments in associated undertakings

		2001	2000
	At the beginning of year	13,244	13,008
	Share of result before tax	(260)	216
	Share of tax (Note 6)	86	(71)
	Share of result after tax	(174)	145
	Exchange differences	(74)	105
	Other movements	(12)	(14)
28p28	At end of year	12,984	13,244

22p88(d)
22p88(e)

The share of result before tax includes LC 60 (2000 : LC 60) representing the amortisation charge of goodwill in respect of acquisition of associated undertakings. Investments in associated undertakings at 31 December 2001 include goodwill of LC 960, net of accumulated amortisation of LC 360 (2000 : LC 1,020, net of accumulated amortisation of LC 300).

28p27(a) The principal associated undertakings, both of which are unlisted, are:

	Country of incorporation	% interest held
[Name]	*[Name of country]*	25
[Name]	*[Name of country]*	30

There were no changes in the interests held in the associated undertakings in 2000 or 2001.

14 Available-for-sale investments

		2001	2000
	At beginning of year	14,910	15,096
	Exchange differences	725	(1,344)
	Acquisition of subsidiary (Note 35)	473	–
	Additions	981	4,626
	Revaluation surplus/(deficit) (Note 28, 33)	2,281	(3,468)
	At end of year	19,370	14,910
1p57	Non-current	17,420	14,910
1p57	Current	1,950	–
		19,370	14,910

39p167(a)
39p99
39p100

Available-for-sale investments, comprising principally marketable equity securities, are fair valued annually at the close of business on 31 December. For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets.

1p59 Available-for-sale investments are classified as non-current assets, unless they are expected to be realised within twelve months of the balance sheet date or unless they will need to be sold to raise operating capital.

32p56 Available-for-sale investments include LC 210 (2000 : LC Nil) of listed debentures with a fixed interest rate of 6.5% and a maturity date of 27 August 2003 and LC 78 (2000 : LC Nil) of non-redeemable, non-cumulative 9.0% preference shares.

15 Non-current receivables

		2001	2000
1p73(b)	Non-current receivables:		
	Finance leases – gross receivables	1,810	630
	Unearned finance income	(222)	(98)
		1,588	532
	Loans to associated undertakings (Note 36)	590	660
	Loans to directors (Note 36)	144	160
39p169(b)(ii)	Interest rate swaps (Note 28, page 49)	60	–
	Other non-current receivables	2,724	2,018
		5,106	3,370

32p56(b) The current receivables relating to the above items are shown in Note 18. All non-current receivables are due within 5 years from the balance sheet date. The weighted average interest rates on receivables (current and non current) were as follows:

	2001	2000
Lease receivables	7.1%	6.8%
Loans to associated undertakings	6.0%	5.5%
Loans to directors (Note 36)	7.7%	7.5%
Other non-current receivables	6.5%	6.2%

Finance lease receivables (where a group company is a lessor):

		2001	2000
17p39(a)	Gross receivables from finance leases:		
	Not later than 1 year (Note 18)	1,336	316
	Later than 1 year and not later than 5 years	1,810	630
	Later than 5 years	–	–
		3,146	946
17p39(b)	Unearned future finance income on finance leases	(522)	(196)
	Net investment in finance leases	2,624	750

		2001	2000
17p39(a) 32p56(a)	The net investment in finance leases may be analysed as follows:		
	Not later than 1 year (Note 18)	1,036	218
	Later than 1 year and not later than 5 years	1,588	532
	Later than 5 years	–	–
		2,624	750

24p23 Certain loans advanced to directors during the year amounting to LC 50 (2000 : LC 30) are secured by shares in listed companies, which are held as collateral for these loans, and are repayable in monthly instalments over four year terms. The fair value of these shares was LC 65 at the balance sheet date (2000 : LC 39).

Further details of loans to directors and loans to associated undertakings are shown in Note 36.

16 Inventories and assets held for sale

		2001	2000
2p34(b) 1p73(c)	**Inventories**		
	Raw materials (at cost)	7,622	7,612
	Work in progress (at cost)	1,810	1,796
	Finished goods (at cost)	9,888	7,920
2p34(c)	Finished goods (at net realisable value)	402	412
		19,722	17,740

2p34(f) Inventories of LC 109 (2000 : LC 223) have been pledged as security for borrowings.

2p34(d-e) In July 2000 the Group reversed LC 603 (Note 2) being part of an inventory write down made in December 1999 that was subsequently not required.

Property, plant and equipment held for sale	2001	2000
Property (Note 10)	1,810	3,002
Plant and machinery (Note 10)	1,226	–
Computer equipment (Note 10)	630	–
	3,666	3,002

16p59 As a consequence of the restructuring of the paints segment (Note 27), certain items of property, plant and equipment are no longer required for the purposes for which they were originally purchased. These assets have been written down by LC 775 (Note 2) to their estimated recoverable amounts.

17 Construction contract work in progress

		2001	2000
	At beginning of year	1,050	975
	Contract costs incurred in the period	42,950	28,419
	Contract expenses recognised in the period	(42,688)	(28,344)
	At end of year	1,312	1,050
11p40(a)	Contract costs incurred and recognised profits (less losses) to date	56,470	39,212
11p40(b)	Advances received on construction contracts	541	262

Amounts due from customers for construction contracts are shown in Note 18.

18 Receivables and prepayments

		2001	2000
1p73(b)	Current receivables and prepayments :		
	Finance leases – gross receivables (Note 15)	1,336	316
	Unearned finance income	(300)	(98)
		1,036	218
	Trade receivables	15,005	10,636
39p170(f)	Less : Provision for bad and doubtful debts	(109)	(70)
	Trade receivables – net	14,896	10,566
11p42(a)	Due from customers on construction contracts (Note 17)	984	788
	Prepayments	316	358
1p72	Receivables from associated undertakings (Note 36)	54	46
1p72	Loans to directors (Note 36)	346	36
39p169(b)(ii)	Interest rate swaps (Note 28, page 49)	26	–
39p169(b)(ii)	Forward foreign exchange contracts (Note 28, page 49)	50	–
	Other receivables	896	1,080
		18,604	13,092

32p66(a-b) Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers, who are internationally dispersed, cover the spectrum of manufacturing and distribution and have a variety of end markets in which they sell. The Group's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

39p170(d) During the year ended 31 December 2001, subsidiaries of the group in France, Germany, Switzerland and Japan transferred receivables balances amounting to LC 1,014 to a bank in exchange for cash. These receivables were derecognised from the balance sheet. The Group retains a portion of the credit risk in these receivables through guarantees – see Note 21.

19 Trading investments

39p167(a)
39p99 The trading investments are traded in active markets and are valued at market value at the close of business on 31 December by reference to Stock Exchange quoted bid prices.

1p59 Trading investments are classified as current assets because they are expected to be realised within twelve months of the balance sheet date.

7p15 In the cash flow statement, trading investments are presented within the section on operating activities as part of changes in working capital (Note 34).

In the income statement, changes in fair values of trading investments are recorded in other operating income (Note 2).

20 Cash and cash equivalents

		2001	2000
	Cash at bank and in hand	12,698	30,798
	Short term bank deposits	13,660	5,414
		26,358	36,212

32p56 The weighted average effective interest rate on short term bank deposits was 5.9% (2000 : 5.6%) and these deposits have an average maturity of 20 days.

7p45 For the purposes of the cash flow statement, the cash and cash equivalents comprise the following:

		2001	2000
	Cash and bank balances	26,358	36,212
7p8	Bank overdrafts (Note 22)	(2,650)	(6,464)
		23,708	29,748

21 Trade and other payables

		2001	2000
	Trade payables	7,604	6,584
1p72	Amounts due to associated undertakings (Note 36)	2,202	1,195
	Social security and other taxes	2,002	960
	Accrued expenses	1,983	1,328
39p169(b)(ii)	Interest rate swaps (Note 28, page 49)	6	–
39p169(b)(ii)	Forward foreign exchange contracts (Note 28, page 49)	15	–
	Other payables	1,905	2,277
		15,717	12,344

39p170(d) During the year ended 31 December 2001, subsidiaries of the group in France, Germany, Switzerland and Japan transferred receivables amounting to LC 1,014 to a bank in exchange for cash. These receivables were derecognised from the balance sheet. The Group retains a portion of the credit risk in these receivables through guarantees. The guarantees are recognised as financial liabilities, measured at their fair values based on the present value of expected credit losses covered by the guarantees. The carrying amount of such guarantees on the Group balance sheet totals LC 24. Of these, LC 5 relate to receivables transferred in the previous year and not yet realised in full.

		2001	2000
	Non-current liabilities in the balance sheet include :		
39p169(b)(ii)	Interest rate swaps (Note 28, page 49)	18	–

22 Borrowings

	2001	2000
Current		
Bank overdrafts (Note 20)	2,650	6,464
Bank borrowings	3,368	4,598
Debentures	300	2,020
Finance lease liabilities	2,192	2,588
	8,510	15,670
Non-current		
Bank borrowings	5,870	29,934
Loan from Ultimate Parent Ltd (Note 36)	–	2,300
Convertible bond (Note 23)	40,100	–
Debentures and other loans	3,300	18,092
Redeemable preferred shares (Note 24)	30,000	30,000
Finance lease liabilities	6,806	8,010
	86,076	88,336
Total borrowings	94,586	104,006

The borrowings include secured liabilities (leases and bank borrowings) in a total amount of LC 12,366 (2000 : LC 15,196). The bank borrowings are secured over certain of the land and buildings of the Group and over certain of the inventories (Note 10 and Note 16). Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The exposure of the borrowings of the Group to interest rate changes and the periods in which the borrowings reprice are as follows :

32p60

	6 months or less	6-12 months	1-5 years	Over 5 years	Total
At 31 December 2001					
Total borrowings	20,685	124	10,659	63,118	94,586
Effect of interest rate swaps (Note 28)	(7,324)	–	351	6,973	–
	13,361	124	11,010	70,091	94,586
At 31 December 2000					
Total borrowings	16,528	216	59,784	27,478	104,006
Effect of interest rate swaps (Note 28)	(12,839)	–	–	12,839	–
	3,689	216	59,784	40,317	104,006

32p56(b)

	2001	2000
The weighted average effective interest rates at the balance sheet date were as follows:		
Bank overdrafts	7.6%	7.3%
Bank borrowings	7.0%	6.8%
Loan from Ultimate Parent Ltd (Note 36)	0%	0%
Convertible bond (Note 23)	7.0%	–
Debentures and other loans	7.2%	7.0%
Redeemable preferred shares (Note 24)	5.5%	5.5%
Finance lease liabilities	7.4%	7.0%

22 Borrowings (continued)

10p20, 21(c) On 1 April 2002 the Group issued LC 10,000 6.5% US dollar bonds to finance the purchase of new equipment in the construction segment. The bonds are repayable on 1 April 2004.

The carrying amounts and fair values of certain non-current borrowings are as follows:

32p77

	Carrying amounts		Fair values	
	2001	**2000**	**2001**	**2000**
Non-current bank borrowings	5,870	29,934	5,811	28,935
Redeemable preferred shares (Note 24)	30,000	30,000	28,450	28,850
Loan from Ultimate Parent Ltd (Note 36)	–	2,300	–	2,150
Debentures and other loans	3,300	18,092	3,240	17,730

32p54
32p77 The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the balance sheet date. The carrying amounts of short-term borrowings, lease obligations and the convertible bond approximate their fair value.

32p56(a) Maturity of non-current borrowings (excluding finance lease liabilities):

	2001	**2000**
Between 1 and 2 years	5,870	10,065
Between 2 and 5 years	3,300	40,261
Over 5 years	70,100	30,000
	79,270	80,326

In 2001 the Group refinanced its borrowings that fell due, by issuing a convertible bond (Note 23).

17p23(b)

Finance lease liabilities – minimum lease payments:	**2001**	**2000**
Not later than 1 year	2,749	3,203
Later than 1 year and not later than 5 years	6,292	7,160
Later than 5 years	2,063	2,891
	11,104	13,254
Future finance charges on finance leases	(2,106)	(2,656)
Present value of finance lease liabilities	8,998	10,598

32p56(a)
17p23(b) The present value of finance lease liabilities is as follows:

	2001	**2000**
Not later than 1 year	2,192	2,588
Later than 1 year and not later than 5 years	4,900	5,287
Later than 5 years	1,906	2,723
	8,998	10,598

22 Borrowings (continued)

Borrowing facilities

DV,7p50(a) The Group has the following undrawn committed borrowing facilities:

	2001	2000
Floating rate		
– expiring within one year	6,150	4,100
– expiring beyond one year	12,600	8,400
Fixed rate		
– expiring within one year	18,750	12,500
	37,500	25,000

The facilities expiring within one year are annual facilities subject to review at various dates during 2002. The other facilities have been arranged to help finance the proposed expansion of the Group's activities in Europe.

23 Convertible bond

32p56(b)
32p56(a) On 2 January 2001 the Company issued 500,000 7.0% convertible bonds at a nominal value of LC 50 million. The bonds mature 25 years from the issue date at their nominal value of LC 50 million unless converted into the Company's ordinary shares at the holder's option at the rate of 33 shares per LC 500.

DV,32p50
32p23
32p28(a) The fair values of the liability component and the equity conversion component were determined on the issue of the bond. The fair value of the liability component, included in long term borrowings, was calculated using a market interest rate for an equivalent non convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in fair value and other reserves (Note 33), net of deferred income taxes.

In subsequent periods the liability component continues to be presented on the amortised cost basis, until extinguished on conversion or maturity of the bonds. The equity conversion component is determined on the issue of the bonds and is not changed in subsequent periods.

The convertible bond is recognised in the balance sheet as follows:

		2001	2000
	Face value of convertible bond issued on 2 January 2001	50,000	–
	Equity conversion component, net of deferred tax liability (Note 33)	(6,700)	–
12Apx1,A9	Deferred tax liability (Note 25)	(3,300)	–
	Liability component on initial recognition at 2 January 2001	40,000	–
	Interest expense (Note 4)	3,600	–
	Interest paid	(3,500)	–
	Liability component at 31 December 2001 (Note 22)	40,100	–

32p77 The carrying amount of the liability component of the convertible bond approximated its fair value.

32p56(b) Interest expense on the bond is calculated on the effective yield basis by applying the coupon interest rate (9.0%) for an equivalent non convertible bond to the liability component of the convertible bond.

24 Redeemable preferred shares

32p18
32p22
32p56(a-b)

On 4 January 2000 the Company issued 30 million cumulative redeemable preferred shares with a par value of LC 1 per share. The shares are redeemable at their par value on 4 January 2012 or by the Company at any time before that date. The shares pay dividends at 5.5%.

25 Deferred income taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33% (2000 : 33%).

The movement on the deferred income tax account is as follows:

	2001	2000
At beginning of year	5,428	3,703
Effect of adopting IAS 39 (Note 28)	33	–
Exchange differences	(115)	(140)
Acquisition of subsidiary (Note 35)	(3,047)	–
Disposal of subsidiary (Note 3)	(105)	–
Income statement (credit)/charge (Note 6)	379	2,635
Tax charged/(credited) to equity	3,295	(770)
At end of year	5,868	5,428

12p81(a) The deferred tax charged/(credited) to equity during the year is as follows:

		2001	2000
	Fair value reserves in shareholders' equity		
	– land and buildings (Note 33)	–	374
	– marketable securities (Note 33)	–	(1,144)
	– hedging reserve (Note 28)	(4)	–
		(4)	(770)
	Convertible bond – equity conversion component (Note 23)	3,300	–
SIC-17p9	Transaction costs for issue of ordinary shares (Note 31)	(1)	–
		3,295	(770)

Deferred tax of LC 49 (2000 : LC 43) was transferred within shareholders' equity from fair value reserves and other reserves (Note 33) to retained earnings. This represents deferred tax on the difference between the actual depreciation on buildings and the equivalent depreciation based on the historical cost of buildings.

12p81(e) Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of LC 1,433 (2000 : LC 5,727) to carry forward against future taxable income; these tax losses will expire in 2006. In addition, the Group has an unrecognised tax loss arising from the loss on sale of LC 959 relating to the discontinuing operation (Note 3); this tax loss can only be offset against future capital profits and has not been recognised in these financial statements. This tax loss has no expiry date.

25 Deferred income taxes (continued)

12p81(f) Deferred income tax liabilities of LC 3,141 (2000 : LC 2,016) have not been established for the withholding and other taxes that would be payable on the unremitted earnings of certain subsidiaries, as such amounts are permanently reinvested; such unremitted earnings totalled LC 30,671 at 31 December 2001 (2000 : LC 23,294).

12p81(g)(i)
12p81(g)(ii)
12p81(a) The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

Deferred tax liabilities	**Accelerated tax depreciation**	**Fair value gains**	**Deferred development costs**	**Convertible bond**	**Total**
At 31 December 2000	8,646	1,670	1,222	–	11,538
Effect of adopting IAS 39	–	33	–	–	33
Effect of adopting IAS 40	–	–	–	–	–
Charged / (credited) to P/L	1,875	1,304	138	(33)	3,284
Charged / (credited) to equity	–	(4)	–	3,300	3,296
Acquisition of subsidiary	1,200	–	–	–	1,200
Disposal of subsidiary	(200)	–	–	–	(200)
Exchange differences	380	–	–	–	380
At 31 December 2001	11,901	3,003	1,360	3,267	19,531

Deferred tax assets	**Provisions**	**Impairment of assets**	**Tax losses**	**Other**	**Total**
At 31 December 2000	(1,552)	–	(4,230)	(328)	(6,110)
Credited to P/L	(538)	(1,728)	(508)	(131)	(2,905)
Credited to equity	–	–	–	(1)	(1)
Acquisition of subsidiary	(250)	–	(3,997)	–	(4,247)
Disposal of subsidiary	65	–	30	–	95
Exchange differences	(35)	–	(460)	–	(495)
At 31 December 2001	2,310	(1,728)	(9,165)	(460)	(13,663)

12p74 Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2001	**2000**
Deferred tax assets	(5,395)	(3,110)
Deferred tax liabilities	11,263	8,538
	5,868	5,428

The amounts shown in the balance sheet include the following:

		2001	2000
1p54	Deferred tax assets to be recovered after more than 12 months	(5,201)	(3,064)
1p54	Deferred tax liabilities to be settled after more than 12 months	10,743	8,016

26 Pensions and other post-retirement obligations

Pension benefits

19p120(c) The amounts recognised in the balance sheet are determined as follows:

	2001	2000
Present value of funded obligations	6,155	2,943
Fair value of plan assets	(5,991)	(2,797)
	164	146
Present value of unfunded obligations	3,206	1,549
Unrecognised actuarial gains (losses)	(87)	(94)
Unrecognised prior service cost	(145)	(163)
Liability in the balance sheet	3,138	1,438

19p120(d) The pension plan assets include the Company's ordinary shares with a fair value of LC 136 (2000 : LC 126) and a building occupied by the Company with a fair value of LC 612 (2000 : LC 609).

19p120(f) The amounts recognised in the income statement are as follows:

	2001	2000
Current service cost	751	498
Interest cost	431	214
Expected return on plan assets	(510)	(240)
Net actuarial losses recognised in year	7	8
Past service cost	18	16
Losses on curtailment	65	–
Total, included in staff costs (Note 5)	762	496

19p120(f) Of the total charge, LC 521 (2000 : LC 324) and LC 241 (2000 : LC 172) were included, respectively, in cost of sales and administrative expenses.

19p120(g) The actual return on plan assets was LC 495 (2000 : LC 235).

19p120(e) Movement in the liability recognised in the balance sheet:

	2001	2000
At beginning of year	1,438	1,434
Exchange differences	42	(81)
Liabilities acquired in business combination (Note 35)	1,914	–
Subsidiary sold (Note 3)	(110)	–
Total expense – as shown above	762	496
Contributions paid	(908)	(411)
At end of year	3,138	1,438

19p120(h) The principal actuarial assumptions used were as follows:

	2001	2000
Discount rate	7.0%	6.8%
Expected return on plan assets	8.5%	8.3%
Future salary increases	5.0%	4.5%
Future pension increases	3.0%	2.5%

26 Pensions and other post-retirement obligations (continued)

19p122(b) **Post-employment medical benefits**

The Group operates a number of post-employment medical benefit schemes, principally in the USA. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension schemes.

19p120(h) In addition to the assumptions used for the pension schemes, the main actuarial assumption is a long term increase in health costs of 8.0% per year (2000 : 8.0%).

19p120(c) The amounts recognised in the balance sheet were determined as follows:

	2001	2000
Present value of funded obligations	705	340
Fair value of plan assets	(620)	(302)
	85	38
Present value of unfunded obligations	1,325	663
Unrecognised actuarial losses	(8)	(9)
Liability in the balance sheet	1,402	692

19p120(f) The amounts recognised in the income statement were as follows:

	2001	2000
Current service cost	153	107
Interest cost	49	25
Expected return on plan assets	(53)	(25)
Net actuarial losses recognised in year	1	–
Total, included in staff costs (Note 5)	150	107

19p120(f) Of the total charge, LC 102 (2000 : LC 71) and LC 48 (2000 : LC 36) were included, respectively, in cost of sales and administrative expenses.

19p120(g) The actual return on plan assets was LC 51 (2000 : LC 24).

19p120(e) Movement in the liability recognised in the balance sheet:

	2001	2000
At beginning of year	692	697
Exchange differences	20	(39)
Liabilities acquired in business combination (Note 35)	725	–
Total expense – as shown above	150	107
Contributions paid	(185)	(73)
At end of year	1,402	692

Other long-term employee benefits

19p128
19p136 *[If they exist, long term employee benefits, other than pension benefits and medical benefits, would also be measured at present value using the projected unit method].*

27 Provisions

1p73(d)		Warranty	Restructuring	Legal claims	Total
37p84(a)	At 31 December 2000	746	–	1,828	2,574
	Exchange differences	(7)	–	(68)	(75)
37p84(b)	Additional provisions	357	2,087	532	2,976
37p84(d)	Unused amounts reversed	(12)	(101)	(25)	(138)
	Charged to income statement	345	1,986	507	2,838
37p84(c)	Utilised during year	(233)	(886)	(1,676)	(2,795)
37p84(a)	At 31 December 2001	851	1,100	591	2,542

	Analysis of total provisions:	**2001**	**2000**
1p60	Non-current (warranty provision)	320	274
1p60	Current	2,222	2,300
		2,542	2,574

Warranty

37p85(a) The company gives two year warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision of LC 851 (2000 : LC 746) has been recognised at the year-end for expected warranty claims based on past experience of the level of repairs and returns. It is expected that LC 531 will be used during 2002, and LC 320 during 2003.

Restructuring

37p85(a) The restructuring of part of the paints segment will result in the loss of 110 jobs in total at two factories. An agreement has been reached with the local union representatives that specifies the number of staff involved and quantifies the amounts payable to those made redundant. The full amount of these costs estimated to be incurred has been recognised in the current period. Other restructuring expenses chiefly comprise penalties on the early termination of leases on vacated property.

34p26 The provision charged of LC 1,986 is an update of the amount of LC 1,700 shown in the Group's interim financial report for the six months ended 30 June 2001, following the finalisation of certain of the restructuring costs in the second half of 2001. The provision of LC 1,100 at 31 December 2001 is expected to be fully utilised during the first half of 2002.

36p117(a) In conjunction with the restructuring, goodwill on the original acquisition in March 1995 and deferred development costs have been fully written off (Note 12), and certain items of property, plant and equipment have been written down (Note 16).

Legal claims

37p85(a) The amounts shown comprise gross provisions in respect of certain legal claims brought against the Group by customers of the paints segment. The balance at 31 December 2001 is expected to be utilised in the first half of 2002. In the opinion of the directors, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2001.

28 Financial instruments

39p171
39p172(a)

The Group adopted IAS 39 at 1 January 2001; the impact on shareholders' equity and on various balance sheet captions at 1 January 2001 is shown below and opposite. In accordance with IAS 39, the comparative financial statements for the year ended 31 December 2000 are not restated.

Summary of impact of adopting IAS 39 at 1 January 2001

		Fair value and other reserves	Retained earnings	Total
39p172(d)	Available-for-sale securities – transfer of fair value reserve Note 33) to retained earnings	(197)	197	–
	Derivatives remeasured to fair value :			
39p172(c)	– non-qualifying hedges	–	4	4
39p172(c)	– fair value hedges	–	9	9
39p172(f)	– cash flow hedges (Note 33)	62	–	62
39p172(e)	Remeasurement of part of assets and liabilities (in fair value hedges) for changes in fair value attributable to the hedged risk	–	(9)	(9)
	Total, net of deferred income taxes	(135)	201	66

39p172(e) In accordance with the transitional requirements of IAS 39, the Group recorded a net gain of LC 9 in retained earnings to recognise at fair value all derivatives designated as fair value hedging instruments; the Group also recorded a net loss of LC 9 in retained earnings for the remeasurement of part of assets and liabilities (in fair value hedges) for changes in fair value attributable to the hedged risk. These amounts were net of deferred income taxes of LC 4.

39p172(f) The Group also recorded a net gain of LC 93, less deferred income taxes of LC 31, in hedging reserve (equity) to recognise at fair value all derivatives designated as cash flow hedging instruments.

39p172(c) Upon the adoption of IAS 39, the Group also recognised certain derivatives not qualifying as hedges and measured them at fair value. The Group recorded a net gain of LC 6 less deferred income taxes of LC 2 in retained earnings to recognise the difference between the carrying values and fair values of these derivatives.

28 Financial instruments (continued)

[Although IAS 39 does not require the disclosure shown below of the impact of adopting IAS 39 at 1 January 2001 on the individual balance sheet captions, this information has been displayed here to facilitate understanding of the wide-ranging impact of IAS 39. In accordance with IAS 39, the comparative balance sheet at 31 December 2000 is not restated].

Impact of adopting IAS 39 on individual balance sheet captions at 1 January 2001

	Cash flow hedges	**Fair value hedges**	**Non qualifying hedges**	**Total**
Non-current assets – receivables				
Contracts with positive fair values				
– interest rate swaps	83	–	–	83
Current assets – inventory				
Hedged asset remeasured for fair value changes in respect of the hedged risk	–	(13)	–	(13)
Current assets – receivables				
Contracts with positive fair values				
– interest rate swaps	27	–	–	27
– forward contracts	22	20	13	55
Non-current liabilities – other liabilities				
Contracts with negative fair values				
– interest rate swaps	(26)	–	–	(26)
Current liabilities – payables				
Contracts with negative fair values				
– interest rate swaps	(9)	–	–	(9)
– forward contracts	(4)	(7)	(7)	(18)
Total	93	–	6	99
Deferred income taxes	(31)	–	(2)	(33)
Total, net of deferred income taxes	62	–	4	66

Available-for-sale investments : amounts reported in the income statement

		2001	**2000**
39p170(c)(ii)	Fair value gains/(losses)	2,281	–
39p170(c)(ii)	Gains on sale	–	–
39p170(f)	Impairment loss	–	–
39p170(c)(iii)	Gains/(losses) from derecognition	–	–
39p170(a)(ii)	Gains reclassified from equity *[not applicable to these FS]*	–	–
		2,281	–

39p171 In the year ended 31 December 2000 fair value gains/(losses) of LC (3,468) relating to available-for-sale investments were presented in shareholders' equity (Note 33). Following the adoption on 1 January 2001 of IAS 39, fair value gains/losses on these assets since that date are included in the income statement. In accordance with IAS 39, the income statement and the movements in shareholders' equity for the year ended 31 December 2000 and the balance sheet at 31 December 2000 are not restated.

28 Financial instruments (continued)

Shareholders' equity – hedging reserve

39p172(f) In the year ended 31 December 2000 the Group did not recognise in its financial statements the change in fair values of derivative financial instruments. On the adoption of IAS 39 at 1 January 2001, certain derivatives were designated as cash flow hedges and remeasured to fair values. The fair values at that date were recorded in a separate category of equity – hedging reserve as shown below. See also Note 33 on page 53.

		Interest rate swaps	Forward contracts	Total
39p172(f)	Adoption of IAS 39 at 1 January 2001:			
39p169(b)(ii)	Gains/losses on remeasurement to fair value	75	18	93
	Deferred income taxes	(25)	(6)	(31)
	Balance at 1 January 2001	50	12	62
1p86(f)	Movements in year ended 31 December 2001:			
39p169(c)(i)	Gains and losses from changes in fair value	12	30	42
	Deferred income taxes	(4)	(10)	(14)
		8	20	28
39p169(c)(ii)	Transferred to income statement (Notes 4 and 2)	(25)	(11)	(36)
	Deferred income taxes	8	4	12
		(17)	(7)	(24)
39p169(c)(iii)	Recognised in cost of PPE (Note 10)	–	(12)	(12)
	Deferred income taxes	–	4	4
		–	(8)	(8)
39p169(c)(iii)	Recognised in cost of inventory	–	(6)	(6)
	Deferred income taxes	–	2	2
		–	(4)	(4)
39p169(b)(ii)	Balance at 31 December 2001:			
	Gross amount of gains and losses	62	19	81
	Deferred income taxes	(21)	(6)	(27)
		41	13	54

39p169(b)(iv) The amounts transferred to the income statement during the year ended 31 December 2001 included gains/losses of LC 4 (net of deferred income taxes of LC 1) on a forward exchange contract that had been designated to hedge forecasted sales that were no longer expected to occur.

28 Financial instruments (continued)

Net fair values of derivative financial instruments

39p169(b)(ii) The net fair values of derivative financial instruments at the balance sheet date and designated for cash flow hedges were:

	2001	2000
Contracts with positive fair values:		
Interest rate swaps (Note 15 and Note 18)	86	110
Forward foreign exchange contracts (Note 18)	25	22
Contracts with negative fair values:		
Interest rate swap contracts (Note 21)	(24)	(35)
Forward foreign exchange contracts (Note 21)	(6)	(4)

39p169(b)(iv)
39p162
The net fair value gains at 31 December 2001 on open forward foreign exchange contracts which hedge anticipated future foreign currency sales will be transferred from the hedging reserve to the income statement when the forecasted sales occur, at various dates between 6 months to 1 year from the balance sheet date.

39p169(b)(ii) The net fair values of derivative financial instruments at the balance sheet date and designated for fair value hedges were :

	2001	2000
Forward foreign exchange contracts :		
– with positive fair values (Note 18)	25	20
– with negative fair values (Note 21)	(9)	(7)

Interest rate swaps

32p56(a) The notional principal amounts of the outstanding interest rate swap contracts at 31 December were LC 7,324 (2000 LC 12,839).

32p56(b) At 31 December 2001 the fixed interest rates vary from 6.9% to 7.4% (2000 : 6.7% to 7.2%) and the floating rates are *[percentage amount(s) and name(s) of local inter bank offer rates]*.

Hedge of net investment in foreign entity

39p169(b) The Group's *[name of currency]* denominated borrowing is designated as a hedge of the net investment in its foreign subsidiary in *[name of country]*. The fair value of the borrowing at 31 December 2001 was LC 840 (2000 : LC 760). The foreign exchange loss of LC 45 (2000 : gain of LC 40) on translation of the borrowing to *[name of Group's reporting currency]* at the balance sheet date was recognised in shareholders' equity.

29 Contingencies

Contingent liabilities

37p86 At 31 December 2001 the Group had contingent liabilities in respect of bank and other
37p86(a) guarantees and other matters arising in the ordinary course of business from which it is
anticipated that no material liabilities will arise. In the ordinary course of business the Group
has given guarantees amounting to LC 8,624 (2000 : LC 9,629) to third parties. As discussed in
Note 21, the Group retains through guarantees a portion of the credit risk on certain receivables
37p86 transferred to a bank. In respect of the acquisition of *[name of company]* on 1 March 2001 (see
37p86(a) note 35), additional consideration of up to LC 1,500 may be payable in cash in the event that
37p86(b) certain predetermined sales are achieved by [name of company]. At the date of these financial
statements no additional payments are anticipated. Should additional consideration be payable,
it will be accounted for as a component of the goodwill arising on this acquisition.

Contingent assets

37p89 In connection with the disposal on 30 June 2001 of *[name of company]* (see Note 3), the Group has entered into an 'earn out' agreement. Additional consideration will be payable to the Group provided the future performance of *[name of company]* reaches a certain level. The additional consideration is to be satisfied in cash. No contingent gain has been recognised in these financial statements as the amount of the earn out is dependent on the aggregate result of *[name of company]* for the 18 month period ending 31 December 2002 and so cannot be quantified with any certainty at this stage.

30 Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

		2001	**2000**
16p61(d)	Property, plant and equipment	3,593	3,667
40p66(f)	Investment property	–	–
38p111(e)	Intangible assets	460	474
		4,053	4,141

Operating lease commitments – where a group company is the lessee

17p27(a) The future aggregate minimum lease payments under non cancellable operating leases are as follows:

	2001	**2000**
Not later than 1 year	2,750	2,400
Later than 1 year and not later than 5 years	9,770	8,890
Later than 5 years	710	560
	13,230	11,850

30 Commitments (continued)

Operating lease commitments – where a group company is the lessor

17p48(b) The future minimum lease payments receivable under non-cancellable operating leases are as follows *(relates to vehicle rental business acquired in 2001)*:

	2001	2000
Not later than 1 year	12,920	–
Later than 1 year and not later than 5 years	41,800	–
Later than 5 years	840	–
	55,560	–

17p48(c) Where they exist, disclose total contingent rents recognised in income.

Investment property – repairs and maintenance

		2001	2000
40p66(f)	Contractual obligations for future repairs and maintenance	140	130

31 Ordinary shares, share premium, treasury shares and share options

1p74(a)		Number of shares (thousands)	Ordinary shares LC 000	Share premium LC 000	Treasury shares LC 000	Total LC 000
	At 1 January 2000	20,000	20,000	10,424	–	30,424
	Issue of shares – share option scheme	1,000	1,000	892	–	1,892
*	At 31 December 2000	21,000	21,000	11,316	–	32,316
	Issue of shares – share option scheme	750	750	890	–	1,640
	– acquisition (Note 35)	3,550	3,550	6,450	–	10,000
	Treasury shares purchased	(875)	–	–	(2,564)	(2,564)
	At 31 December 2001	24,425	25,300	18,656	(2,564)	41,392

1p74(a) The total authorised number of ordinary shares is 45 million shares (2000 : 35 million shares) with a par value of LC 1 per share (2000 : LC 1 per share). All issued shares are fully paid.

1p74(a) On 21 December 2001, the Company acquired 875,000 of its own shares through purchases on the *[name of]* Stock Exchange. The total amount paid to acquire the shares was LC 2,564 and has been deducted from shareholders' equity. These shares have not been cancelled and are held as treasury shares. As such the Company has the right to reissue these shares at a later date.

33p45(e)
10p20, 21(f) On 1 April 2002 the Company sold 500,000 treasury shares on the *[name of]* Stock Exchange. The total amount received for the shares was LC 1,500.

31 Ordinary shares, share premium, treasury shares and share options (continued)

19p147(a) Share options are granted to directors and to employees. Movements in the number of share options outstanding are as follows (in thousands):

		2001	2000
19p147(d)	At beginning of year	4,750	4,150
19p147(e)	Granted	1,250	1,750
19p147(f)	Exercised	(750)	(1,000)
19p147(g)	Lapsed	(400)	(150)
19p147(d)	At end of year	4,850	4,750

19p147(e)
19p147(f)
SIC-17p9

Share options were granted on 1 January 2001 at the market share price on that date of LC 2.93 per share (1 January 2000 : LC 2.80 per share) and expire on 1 July 2006 (prior year – share options expire on 1 July 2005). Options exercised on 30 June 2001 (30 June 2000) resulted in 750,000 shares (2000 : 1,000,000 shares) being issued at LC 2.19 each (2000 : LC 1.892 each), yielding the following proceeds, after transaction costs (net of deferred income taxes) of LC 2.5 (2000 : LC Nil):

19p147(e)		2001 LC 000	2000 LC 000
	Ordinary share capital – at par	750	1,000
	Share premium	890	892
	Proceeds	1,640	1,892
19p148(b)	Fair value, at exercise date, of shares issued	2,250	2,860

19p147(d) Share options outstanding (in thousands) at the end of the year have the following terms:

Expiry Date – 1 July	Exercise price	2001	2000
2001	2.19	–	1,150
2002	2.30	300	300
2003	2.50	600	600
2004	2.65	950	950
2005	2.80	1,750	1,750
2006	2.93	1,250	–
		4,850	4,750

33p45(e)
10p20, 21(f)

On 1 January 2002, 1,200,000 share options were granted to directors and employees at the market share price on that date of LC 3.10 per share (expiry date – 1 July 2007).

32 Minority interests

	2001	2000
At beginning of year	1,806	1,500
Acquisition (Note 35)	6,050	–
Share of net profit of subsidiaries	2,548	856
Dividend paid	(1,920)	(550)
At end of year	8,484	1,806

33 Fair value reserves and other reserves

Year ended 31 December 2000

		Investment property	Land and buildings	Hedging reserve	Marketable securities	Translation reserve	Total
	Balance at 1 January 2000						
1p86(c)	– as previously reported	146	1,152	–	2,535	2,677	6,510
8p53(b)	– effect of adopting IAS 40	(146)	–	–	–	–	(146)
1p86(c)	– as restated	–	1,152	–	2,535	2,677	6,364
16p37	Revaluation – gross (Note 10, 14)	–	1,133	–	(3,468)	–	(2,335)
12p81(a)	Revaluation – tax (Note 25)	–	(374)	–	1,144	–	770
16p39	Depreciation transfer – gross	–	(130)	–	–	–	(130)
16p39	Depreciation transfer – tax (Note 25)	–	43	–	–	–	43
21p30(c)	Currency translation differences	–	(50)	–	(14)	2,852	2,788
	Balance at 31 December 2000	–	1,774	–	197	5,529	7,500
	Balance at 1 January 2001						
1p86(c)	– as previously reported	845	1,774	–	197	5,529	8,345
8p53(b)	– effect of adopting IAS 39	–	–	62	(197)	–	(135)
8p53(b)	– effect of adopting IAS 40	(845)	–	–	–	–	(845)
1p86(c)	– as restated	–	1,774	62	–	5,529	7,365

Year ended 31 December 2001

		Land and buildings	Hedging reserve	Convertible bond	Translation reserve	Total
	Balance at 1 January 2001					
1p86(c)	– as restated	1,774	62	–	5,529	7,365
16p39	Depreciation transfer – gross	(149)	–	–	–	(149)
16p39	Depreciation transfer – tax (Note 25)	49	–	–	–	49
	Cash flow hedges (Note 28)					
39p169(c)(i)	Fair value gains in period	–	42		–	42
	Tax on fair value gains	–	(14)	–	–	(14)
39p169(c)(ii)	Transfers to P/L (Notes 2 and 4)	–	(36)	–	–	(36)
	Tax on transfers to P/L	–	12	–	–	12
39p169(c)(iii)	Transfers to PPE (Note 10)	–	(12)	–	–	(12)
	Tax on transfers to PPE	–	4	–	–	4
39p169(c)(iii)	Transfers to inventory	–	(6)	–	–	(6)
	Tax on transfers to inventory	–	2	–	–	2
1p86(b)	Currency translation differences					
21p30(c)	– amount arising in year	15	–	–	(4,695)	(4,680)
21p37	– to P/L on sale of subsidiary (Note 3)	–	–	–	354	354
	Subsidiary sold in year					
16p39	– fair value gains on PPE	(1,238)	–	–	–	(1,238)
	Convertible bond – equity component	–	–	10,000	–	10,000
12p81(a)	Tax on equity component	–	–	(3,300)	–	(3,300)
	Balance at 31 December 2001	451	54	6,700	1,188	8,393

34 Cash generated from operations

		2001	2000
7p18(b)	Net profit	25,154	17,837
7p20			
	Adjustments for:		
	Minority interest (Note 32)	2,548	856
	Extraordinary item (Note 7)	1,228	–
	Tax (Note 6)	14,706	8,936
	Depreciation (Note 2, 10)	29,754	7,662
	Amortisation (Note 2, 12)	5,484	5,402
	Impairment charge (Note 2)	5,235	–
	(Profit)/loss on sale of property, plant and equipment (Note 2)	(1,688)	8
	Loss on disposal of discontinuing operation (Note 3)	959	–
	Fair value (gains) / losses on investment property (Note 2, 11)	(1,670)	(1,043)
	Fair value (gains) / losses on available-for-sale investments (Note 28)	(2,281)	–
	Fair value (gains) / losses on trading investments (Note 2)	1,116	232
	(Profit) / loss on sale of trading investments (Note 2)	(610)	–
	Fair value (gains) / losses on forward contracts – cash flow hedges (Note 2)	(11)	–
	Fair value (gains) / losses on other financial instruments (Note 4)	(45)	–
	Interest income (Note 4)	(698)	(362)
	Dividend income (Note 4)	(4,730)	(1,400)
	Interest expense (Note 4)	7,362	7,192
	Amortisation of government grants received (Note 2)	(810)	(400)
	Share of result before tax of associated undertakings (Note 13)	260	(216)
	Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
	Inventories	1,122	(895)
	Construction contract work in progress	(262)	(108)
	Trade and other receivables	(1,447)	(2,966)
	Trading investments	(4,122)	1,516
	Payables	(8,373)	688
	Provisions	32	457
	Pensions and other retirement benefits	(229)	18
	Cash generated from operations	67,984	43,414

In the cash flow statement, proceeds from sale of property, plant and equipment comprise :

	2001	2000
Net book amount (Note 10)	12,337	9,987
Less : disposals of leased assets (Note 10)	(2,260)	(1,435)
	10,077	8,552
Profit / (loss) on sale of property, plant and equipment	1,688	(8)
Proceeds from sale of property, plant and equipment	11,765	8,544

Non cash transactions

7p43 The principal non cash transactions are the issue of shares as consideration for the purchase of a subsidiary (Note 35) and the acquisition of property, plant and equipment using finance leases (Note 10).

35 Acquisition

22p86
22p87(a)
27p32(b)(iv)

On 1 March 2001 the Group acquired 70% of the share capital of [name of company] a vehicle rental company. The acquired business contributed revenues of LC 44,709 and operating profit of LC 2,762 to the Group for the period from 1 March 2001 to 31 December 2001, and its assets and liabilities at 31 December 2001 were respectively LC 79,178 and LC 15,406.

Details of net assets acquired and goodwill are as follows:

22p87(b)	Purchase consideration:	
7p40(b)	– Cash paid	4,250
	– Fair value of shares issued (Note 31)	10,000
7p40(a)	Total purchase consideration	14,250
	Fair value of net assets acquired	(13,091)
	Goodwill (Note 12)	1,159

22p92

Other than for land and buildings, the fair value of the net assets approximated to the book value of the net assets acquired, and no plant closure provisions or other restructuring provisions were established.

7p40(d) The assets and liabilities arising from the acquisition are as follows:

	Cash and cash equivalents	300
	Property, plant and equipment (Note 10)	67,784
	Available-for-sale investments (Note 14)	473
	Inventories	1,122
	Receivables	3,585
	Payables	(13,461)
	Pensions (Note 26)	(1,914)
	Other post-retirement obligations (Note 26)	(725)
	Borrowings	(41,070)
	Net deferred tax assets (Note 25)	3,047
	Minority interests (Note 32)	(6,050)
	Fair value of net assets acquired	13,091
	Goodwill (Note 12)	1,159
	Total purchase consideration	14,250
	Less:	
	Discharged by shares issued (Note 31)	(10,000)
7p40(c)	Cash and cash equivalents in subsidiary acquired	(300)
	Cash outflow on acquisition	3,950

There were no acquisitions in the year ended 31 December 2000.

Information about an acquisition that took place on 1 March 2002 is shown in Note 39.

36 Related party transactions

1p102(c) 24p20 The Company is controlled by Parent Ltd (incorporated in *[name of country]*) which owns 51% of the Company's shares. The remaining 49% of the shares are widely held. The ultimate parent of the Group is Ultimate Parent Ltd (incorporated in *[name of country]*).

24p22, 24 The following transactions were carried out with related parties:

24p23(a) **i) Sales of goods and services**

	2001	2000
Sales of goods:		
[Name(s) of joint venture(s)]	618	557
[Name(s) of associated undertaking(s)]	168	93
Household Paints Ltd	337	279
	1,123	929
Sales of services:		
Parent Ltd (legal services)	67	127
Ultimate Parent Ltd (consultation services)	84	69
[Name(s) of associated undertaking(s)]	16	35
	167	231

24p23(c) Sales to the joint ventures were carried out on commercial terms and conditions and at market prices. Sales to Household Paints Ltd are based on a long term agreement which enables Household Paints Ltd to purchase certain goods slightly under the normal sales price. Household Paints Ltd is a firm belonging to the husband of L Crofts, a director of the Company. As an average the goods were sold at 5% under the normal sales price in 2001 (4% under the normal sales price in 2000). Sales to the associated undertakingss and to Parent Ltd and Ultimate Parent Ltd were carried out at cost.

24p23(a) **ii) Purchases of goods and services**

	2001	2000
Purchases of goods:		
Sister Ltd	83	70
[Name(s) of associated undertaking(s)]	54	58
	137	128
Purchases of services:		
Parent Ltd (management services)	89	94
Haven Ltd (consultation services)	206	174
	295	268

24p23(c) Sister Ltd is a fellow subsidiary of Parent Ltd. Haven Ltd is owned by R Dove, the Managing Director of Ultimate Parent Ltd. The above transactions were carried out on commercial terms and conditions except for the goods and services purchased from the associated undertaking and from Parent Ltd which were at cost. There were no purchases from the joint ventures.

36 Related party transactions (continued)

24p23(b) **iii) Year-end balances arising from sales/purchases of goods/services**

1p72

	2001	2000
Receivables from related parties:		
[Name(s) of joint venture(s)]	26	23
[Name(s) of associated undertaking(s)]	54	46
Household Paints Ltd	14	11
Parent Ltd	14	17
	108	97
Payables to related parties:		
[Name(s) of associated undertaking(s)]	2,202	1,195

24p23
1p72 **iv) Loans from related parties**

	2001	2000
Loan from Ultimate Parent Ltd:		
At beginning of year	2,300	2,495
Repaid during year	(2,300)	(195)
At end of year (Note 22)	–	2,300

The loan from Ultimate Parent Ltd was provided interest free, and there was no specified repayment date.

24p23
1p72 **v) Loans to directors**

	2001	2000
Loans to the directors of the Company (and their families):		
At beginning of year	196	168
Loans advanced during year	343	62
Loan repayments received	(49)	(34)
At end of year (Note 15, 18)	490	196

In 2001 loans were advanced to M Casò (LC 173; repayable monthly over two years; interest rate 7.7%) and to B Ozpoyraz (LC 170; repayable monthly over two years; interest rate 7.7%). In 2000 loans were advanced to T Basta (LC 42; repayable in 2003; interest rate 7.5%) and to M Batt (LC 20; repayable in 2002; interest rate 7.6%). The loans were given on commercial terms and conditions. The related interest income in 2001 was LC 30 (2000 : LC 16). No provision has been required in 2001 and 2000 for the loans made to directors.

24p22 **vi) Directors' remuneration**

19p23
19p143 In 2001 the total remuneration of the directors was LC 2.2 million (2000 : LC 1.3 million). The amount for 2001 included termination benefits of LC 0.4 million and LC 0.2 million paid, respectively, to two directors, R Fikkers and A Vilu, who left the Group during the year (2000 : LC Nil).

36 Related party transactions (continued)

24p23
1p72

vii) Loans to associated undertakings

	2001	2000
At beginning of year	660	674
Loans advanced during year	–	50
Loan repayments received	(70)	(64)
At end of year (Note 15)	590	660

The loans to associated undertakings were given on commercial terms and conditions. The related interest income was LC 36 (2000 : LC 38). The loans are due on 1 January 2004 and carry interest at 7.0%. No provision has been required in 2001 and 2000 for the loans made to associated undertakings.

24p23
19p151

viii) Share options granted to directors

The aggregate number of share options granted to the directors of the Company during 2001 was 125 (2000 : 175). The share options were given on the same terms and conditions as those offered to other employees of the Company (Note 31). The outstanding number of share options granted to the directors of the Company at the end of the year was 480 (450 at the end of 2000).

24p23
37p86

ix) Commitments and contingencies

The Company has guaranteed a loan made by a bank to F Mendes, a director of the Company, in a total amount of LC 17 (2000 : LC 17). The loan is repayable in 2003.

37 Principal subsidiary undertakings

27p32(a)

Europe	Country of incorporation	North America	Country of incorporation
Name (70%)	Germany	*Name*	USA
Name	UK	*Name*	Canada
Name	France	*Name*	Mexico
Name	Switzerland		
Name	Netherlands	**Rest of the World**	
Name	Spain	*Name (70%)*	Brazil
Name	Italy	*Name*	Venezuela
Name (75%)	Hungary	*Name*	South Africa
Name	Sweden	*Name*	Australia
Name	Malta	*Name*	China
Name	Denmark	*Name (95%)*	Korea
Name	Belgium	*Name*	Japan
Name	Czech Republic	*Name*	Bahrain
Name	Cyprus	*Name*	Singapore
Name	Estonia	*Name*	India

All subsidiaries are wholly owned unless otherwise stated. All holdings are in the ordinary share capital of the undertaking concerned and are unchanged from 2000, except for the acquisition of *[Name of company]* (Note 35) and the disposal of *[Name of company]* (Note 3).

38 Interest in joint venture

31p47 The Group has a 50% interest in a joint venture, *[name of joint venture]*, which provides products and services in the paints industry. The following amounts represent the Group's 50% share of the assets and liabilities and sales and result of the joint venture and are included in the consolidated balance sheet and income statement:

		2001	2000
31p47			
	Property, plant and equipment	2,730	2,124
	Current assets	803	717
		3,533	2,841
	Long term borrowings	(1,081)	(1,073)
	Provisions for liabilities and charges	(33)	(31)
	Current liabilities	(355)	(375)
		(1,469)	(1,479)
	Net assets	2,064	1,362
	Sales	5,276	5,618
	Profit before tax	2,271	2,402
	Income taxes	(749)	(793)
	Profit after tax	1,522	1,609
31p46	Proportionate interest in joint venture's commitments	90	92

31p45 There are no contingent liabilities relating to the Group's interest in the joint venture.

The average number of employees in the joint venture in 2001 was 34 (2000 : 26).

39 Post balance sheet event

10p20
22p96
22p86-87
22p88(a)

On 1 March 2002 the Group acquired a 100% interest in *[name of company]* which manufactures paints and is incorporated in *[name of country]*. The consideration of LC 7,950 was settled in cash. The fair value of the net identifiable assets of the company at the date of acquisition was LC 5,145. Goodwill arising on this acquisition of LC 2,805 will be amortised on a straight-line basis over 10 years. *[Name of company]* will be consolidated with effect from 1 March 2002.

Report of the auditors

To the Members of ABC Holdings

We have audited the accompanying balance sheet of ABC Holdings (the Company) and its subsidiaries (the Group) as of 31 December 2001 and the related income and cash flow statements for the year then ended. These financial statements set out on pages 4 to 59 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of *[or 'present fairly in all material respects']* the financial position of the Group as of 31 December 2001 and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

PricewaterhouseCoopers

Date

Address

The format of the audit report will need to be tailored to reflect the legal framework of particular countries. In certain countries the audit report covers both the current year and the comparative year.

Index of International Accounting Standards disclosure requirements

This Index identifies the financial statement, or note to the financial statements, in which the disclosure requirements of a particular International Accounting Standard and Interpretation have been demonstrated in this publication. IAS 15, IAS 26, IAS 29, IAS 30 and IAS 34 are not applicable to these financial statements. IAS 25 is withdrawn on the adoption of IAS 39 and IAS 40.

Key						
	G	= General Information		CF	=	Cash Flow Statement
	IS	= Income Statement		AP	=	Accounting Policies
	BS	= Balance Sheet		7	=	Note 7 to the Financial Statements
	SE	= Statement of Movements in Shareholders' Equity		NA	=	Not applicable to these financial statements

IAS 1 Presentation of Financial Statements

Para	Refer	Para	Refer	Para	Refer	Para	Refer	Para	Refer
7	G	44,46	G	73(a)	10	74(c)	9	97,99	AP
11	AP	49	NA	73(b)	15,18	74(d)	NA	101	AP
13	NA	53	BS	73(c)	16	75,77	IS	102(a-b)	G
19	NA	54	15,18,22	73(d)	26,27	80,82	IS	102(c)	36
23	NA	63	NA	73(e)	SE,BS	83	2	102(d)	5
38	G	66-67	BS	74(a)	31	85	9		
40	AP	72	18,21,36	74(b)	33	86	SE,33		

IAS 2 Inventories

Para	Refer	Para	Refer	Para	Refer	Para	Refer
34(a)	AP	34(d)	2	36	NA	37(b)	NA
34(b-c)	16	34(e-f)	16	37(a)	2		

IAS 7 Cash Flow Statements

Para	Refer	Para	Refer	Para	Refer	Para	Refer	Para	Refer
10	CF	21	CF	39	CF	43	10,34	46	AP
18(a)	NA	29	NA	40	3,35	45	20	48	NA
18(b)	CF,34	31,35	CF						

IAS 8 Net Profit or Loss for the Period, Fundamental Errors, Changes in Accounting Policies

Para	Refer	Para	Refer	Para	Refer	Para	Refer	Para	Refer
10	IS	16	2	34,37	NA	46	AP	54,57	NA
11	7	30	NA	38,40	NA	49,53	AP,SE		

IAS 10 Events Occurring After the Balance Sheet Date

Para	Refer	Para	Refer
16	BS	20	22,31,39

IAS 11 Construction Contracts

Para	Refer	Para	Refer	Para	Refer	Para	Refer	Para	Refer
39(a)	1	40(a-b)	17	40(c)	NA	42(a)	18	42(b)	NA
39(b-c)	AP								

IAS 12 Income Taxes

Para	Refer	Para	Refer	Para	Refer	Para	Refer	Para	Refer
69	BS	79	6	81(b)	7	81(d)	NA	82	NA
77	IS	81(a)	25,33	81(c)	6	81(e-g)	25	82A	NA
						81(h)	3		

IAS 14 Segment Reporting

Para	Refer	Para	Refer	Para	Refer	Para	Refer	Para	Refer
50-52	1	61	1	66-67	1	70-72	NA	81	1
55-58	1	64	1	69	1	74-76	NA	84	AP

IAS 16 Property, Plant and Equipment

Para	Refer	Para	Refer	Para	Refer	Para	Refer
60(a-c)	AP	61(a)	10	61(d)	30	64(f)	SE,33
60(d-e)	10	61(b-c)	NA	64(a-e)	10		

	Para	Refer	Para	Refer	Para	Refer	Para	Refer	Para	Refer
IAS 17	**Leases**									
	23(a)	10	27(a)	30	27(d)	NA	48(a)	2,10	48(d)	NA
	23(b)	22	27(b)	NA	39(a-b)	15	48(b)	30	56	NA
	23(c-e)	NA	27(c)	2	39(c-f)	NA	48(c)	NA	59	AP
	35(a)	AP	35(b)	1,5	35(c)	NA				
IAS 19	**Employee Benefits**									
	23	36	120(f)	5,26	131	5	147(c)	5	148(b)	31
	46	5	120(g-h)	26	141	NA	147(a-g)	31	151	36
	120(a)	AP	122	26	142	5	147(h)	NA	155(b)(ii)	NA
	120(b-e)	26	125	NA	143	36	148(a)	NA	157	AP
IAS 20	**Accounting for Government Grants and Disclosure of Government Assistance**									
	39(a)	AP	39(b)	2	39(c)	NA				
IAS 21	**The Effects of Change in Foreign Exchange Rates**									
	42(a)	5	42(c)	NA	44	NA	45	AP	47	28
	42(b)	33	43	NA						
IAS 22	**Business Combinations**									
	86,87	35,39	88(c)	NA	91	NA	93-94	NA	101	NA
	88(a)	AP,39	88(d)	2	92	35	96	39	102(a)	NA
	88(b)	AP	88(e)	12						
IAS 23	**Borrowing Costs**									
	9	AP	29(a)	AP	29(b-c)	10				
IAS 24	**Related Party Disclosures**									
	20	36	22-24	36						
IAS 27	**Consolidated Financial Statements and Accounting for Investments in Subsidiaries**									
	8,21	NA	32(a)	37	32(b)(i-iii)	NA	32(b)(iv)	3,35	32(c)	NA
	26	IS,BS								
IAS 28	**Accounting for Investments in Associates**									
	14	NA	28	IS,BS,6,13						
IAS 31	**Financial Reporting of Interests in Joint Ventures**									
	45-47	38	48	NA						
IAS 32	**Financial Instruments: Disclosure and Presentation**									
	18	24	47(b)	AP	56(a)	15,22, 23,24,28	60	22	88	NA
	23	23	52	AP			66	28		
	43A	AP	54	AP,14, 19,22,28	56(b)	15,22, 23,24,28	77	14,19, 22,23,28		
	47(a)	AP, 28								

	Para Refer	Para Refer	Para Refer	Para Refer	Para Refer
IAS 33	**Earnings Per Share**				
	43 .... NA	45 31	47 .... IS	49 8	51 .... IS
IAS 35	**Discontinuing Operations**				
	27 3	31 3	35-36 .... NA	39 .... IS,3	
	29 .... NA	33 .... NA	38 3	47 .... NA	
IAS 36	**Impairment of Assets**				
	113(a) 2	116(b) .... NA	117(d) 10	117(f) 10	118 .... NA
	113(b-d) .... NA	117(a-b) ... 10,12	117(e) 10,12	117(g) .... NA	122 .... NA
	116(a) 1	117(c) 12			
IAS 37	**Provisions, Contingent Liabilities and Contingent Assets**				
	84(a-d) 27	85(b,c) .... NA	86(c) .... NA	91-93.......... NA	
	84(e) .... NA	86(a,b) 29	89 29	95............... NA	
	85(a) 27				
IAS 38	**Intangible Assets**				
	107(a-b) ..... AP	107(d) 2	111(a-d) .... NA	113 .... NA	121 .... NA
	107(c) 12	107(e) 12	111(e) 30	115 2	122(a) .... NA
IAS 39	**Financial Instruments; Recognition and Measurement**				
	167(a) … 14,19	169(a-b)..AP,28	169(c) … SE,33	170(c) …... 4,28	170(e) …… NA
	167(a-c) … AP	169(b)(ii) 15,18,21	170(a-b) …. NA	170(d) … 18,21	170(f) .. 2,18,28
					170 (g-h)… NA
IAS 40	**Investment Property**				
	66(a-b) …... AP	66(d)(i) …..... 1	66(d)(iii) … NA	66(f) ….….. 30	68-69 ……. NA
	66(c) …...… 11	66(d)(ii) ……. 2	66(e) ……. NA	67 ………… 11	
SIC	**Interpretations of the Standing Interpretations Committee**				
	SIC 6(5) … NA	SIC 14(5) .. NA	SIC 16(7) .. NA	SIC 20(10)..NA	
	SIC 8(7,8) .. NA	SIC 16(6) ……. .... BS,SE, 31	SIC 17(9) …... ……….. SE,25	SIC 22(8) .. NA	

Note: the remaining SICs are not shown as they do not contain any disclosure requirements.