

**A. BASIS OF PREPARATION**

The consolidated financial statements are prepared in accordance with International Accounting Standards (IAS) and under the historical cost convention, with certain tangible fixed assets included at revalued amounts. The Company is incorporated in Bermuda and the Group presents its financial statements in United States dollars.

The Group's separable segments are set out in note 1 to the financial statements.

**B. BASIS OF CONSOLIDATION****Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries together with the Group's share of the results and retained post acquisition reserves of its associates under the equity method of accounting, drawn up for the year ended 31st March. The results of subsidiaries and associates are included from the effective dates of acquisition up to the effective dates of disposal.

**Subsidiaries**

Subsidiaries are those companies in which the Group, directly or indirectly, has an interest held for the long term, of more than 50% of the voting rights and is able to exercise control over the operations. Separate disclosure is made of minority interests.

**Associates**

Associates are those companies, not being subsidiaries, in which the Group has an attributable interest of 20% or more of the ordinary share capital held for the long term and over which the Group exercises significant influence, but which it does not control. The Group's investments in associates are included in the consolidated balance sheet at the Group's share of attributable net assets. Income from associated companies is included in the consolidated income statement at the Group's share of profits less losses of associates.

**C. GOODWILL**

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 or associate at the date of acquisition. Goodwill on acquisitions is reported in the balance sheet as an intangible asset and amortized using the straight line method over its estimated useful life not exceeding five years. Goodwill on acquisitions which occurred prior to 1st April 1996 was charged direct to reserves in the year of acquisition.

The profit or loss on disposal of a subsidiary or an associate is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill which remains unamortized but does not include any attributable goodwill previously eliminated against reserves.

The carrying amount of goodwill is reviewed annually and written down for permanent impairment where it is considered necessary.

**D. NEGATIVE GOODWILL**

Negative goodwill represents the excess, as at the date of acquisition, of the Group's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the plan for an acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill will be recognized as income in the income statement when the future losses and expenses are recognized.

**D. NEGATIVE GOODWILL (Continued)**

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses at the date of acquisition, negative goodwill will be recognized as income in the income statement on a systematic basis over the remaining useful life of the identifiable acquired depreciable/amortizable assets. The amount of any negative goodwill in excess of the fair values of acquired identifiable non-monetary assets will be recognized as income immediately.

The gain or loss on disposal of a subsidiary or an associate includes the unamortized balance of negative goodwill relating to the subsidiary or associate disposed of.

**E. FOREIGN CURRENCIES**

Transactions denominated in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at the rates of exchange ruling at the balance sheet date. Income statements of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and balance sheets are translated at the year end exchange rates ruling at the balance sheet date.

Net exchange differences arising from the translation of the financial statements of subsidiaries and associates expressed in foreign currencies are taken directly to exchange reserve. All other exchange differences are dealt with in the consolidated income statement.

**F. REVENUE RECOGNITION**

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to customers.

Interest and dividend income is recognized on an accruals basis. Rental income is recognized on a straight line basis over the lease term.

**G. RESEARCH AND DEVELOPMENT**

Research and development costs other than purchased research and development costs on acquisitions, are written off as incurred.

**H. INTANGIBLE ASSETS**

Intangibles represent purchased research and development on acquisition of businesses and is initially recognized at cost, being the fair value at date of acquisition. After initial recognition, purchased research and development is carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization commences when the developed product is ready for its intended use.

**I. TANGIBLE FIXED ASSETS AND DEPRECIATION**

Tangible fixed assets other than investment properties (refer to J below) are stated at cost or valuation less amounts provided for depreciation except in the case of freehold land which is not depreciated. Where the carrying amount of these assets is greater than their estimated recoverable amount it is written down immediately to their recoverable amount. Gains and losses on disposal of these assets are determined by reference to their carrying amounts.

Freehold and long-term leasehold land and buildings are stated at valuation performed by professional valuers every three years. In the intervening years the directors review the carrying value of land and buildings and adjustment is made where there has been a material change. The valuations are on an open market value basis and are incorporated in the annual financial statements. Increases in valuation are credited to the revaluation reserve; decreases are first set off against increases on earlier valuations in respect of the same asset and thereafter are debited to the income statement. Upon the disposal of a property, the relevant portion of the realized revaluation reserve in respect of previous revaluations is transferred from revaluation reserve to revenue reserves.

**I. TANGIBLE FIXED ASSETS AND DEPRECIATION (Continued)**

Depreciation is calculated on a monthly basis to write off the cost or valuation of assets on a straight line basis over their estimated useful lives which are as follows:

Long-term leasehold land	Lease term
Freehold and long-term leasehold buildings, short-term leaseholds and leasehold improvements	10 to 30 years or lease term, if shorter
Machinery and equipment	3 to 5 years
Motor vehicles, furniture and fixtures	3 to 7 years
Moulds	1 year

**J. INVESTMENT PROPERTIES**

Investment properties are interests in land and buildings which are held for their investment potential.

Investment properties held under long leases are stated at valuation performed by professional valuers annually. The valuations are on an open market value basis related to individual properties and are incorporated in the annual financial statements. Increases in valuation are credited to the investment properties revaluation reserve; decreases are first set off against previous increases on earlier valuations and thereafter are debited to the income statement. Upon the disposal of an investment property, the relevant portion of the investment properties revaluation reserve realized in respect of previous valuations is transferred from the revaluation reserve to revenue reserves.

**K. LEASES**

Leases of property, plant and equipment that substantially transfer to the Group all the benefits and risks of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals. Finance charges are debited to the income statement in proportion to the capital balances outstanding.

Leases of assets under which all the benefits and risks of ownership are effectively retained by the lessor are classified as operating leases. Payments made under leases are charged to the income statement on a straight line basis over the period of lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

**L. IMPAIRMENT OF ASSETS**

Property, plant and equipment and other non-current assets, including goodwill and other intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets whose carrying values exceed their recoverable amount are written down to amounts expected to be generated by the assets.

**M. OTHER INVESTMENTS**

Other investments are held for the long term and stated at cost less provision, if any, for permanent diminution in value. Where there is a permanent diminution in value of an investment, it is recognized as an expense in the period in which the diminution is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

**N. STOCKS**

Stocks are stated at the lower of cost and net realizable value. Cost, calculated on the weighted average or the first in first out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realizable value is determined on the basis of anticipated sales proceeds in the ordinary course of business less estimates of costs to completion and selling expenses.

**O. TRADE DEBTORS**

Trade debtors are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

**P. CASH AND CASH EQUIVALENTS**

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and deposits, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

**Q. PROVISIONS**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The Group recognizes the estimated liability on all products of the Group still under warranty at the balance sheet date. This provision is calculated based on past experience of the level of repairs and returns.

The Group provides for expenses related to closure of business locations and reorganizations of the Company's operations which are subject to detailed formal plans that are under implementation or have been communicated to those affected by the plans. Provision is made when it is probable that an outflow of economic benefits will arise and the amounts can be reliably estimated.

**R. DEFERRED TAXATION**

Deferred taxation is provided under the liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

A deferred tax asset is only recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

Provision for withholding tax which could arise on the remittance of earnings retained overseas is only made where there is a current intention to remit such earnings.

**S. RETIREMENT BENEFIT COSTS**

The Group operates a number of defined contribution retirement schemes throughout the world and a defined benefit retirement scheme in Hong Kong. The assets of all schemes are held separately from those of the company and its subsidiaries.

For short-term employee benefits, the Group recognizes the expected costs of accumulating compensated absences when employees render a service that increases their entitlement to future compensated absences, measured as the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

**S. RETIREMENT BENEFIT COSTS (Continued)**

For long-term employee benefits, pension costs arising under the defined benefit scheme are assessed using the projected unit credit method. Under this 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 qualified actuaries who carry out a full valuation of the plan every year. Plan assets are measured at fair value. Pension obligations are measured as the present value of the estimated future cash flows of benefits derived from employee past service, with reference to market yields on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are spread forward over the average remaining service lives of employees. The net asset or liability resulting from the valuation of the plan is recognized in the Group's balance sheet.

Contributions relating to the defined contribution schemes are charged to the income statement in the year to which they relate.

**T. DERIVATIVE FINANCIAL INSTRUMENTS**

The Group uses forward foreign exchange contracts in its management of currency risks. Unrealized gains and losses on forward contracts to hedge specific future currency transactions are deferred against the matching losses and gains on the specific transactions.

**U. DIVIDENDS**

Dividends proposed or declared after the balance sheet date are not recognized as a liability at the balance sheet date.

**V. COMPARATIVES**

Depreciation on moulds for new products that ultimately go into production has now been included within cost of sales instead of within research and development expenses and accordingly, US\$7.8 million has been reclassified from research and development expenses to cost of sales for the year ended 31st March 2000.