

The information set out below is for information purposes only and does not form part of the accountants' report prepared by the reporting accountants of the companies, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, as set out in appendices I to V.

The enlarged group will be formed after completion of the group reorganisation, details of which are set out in section headed "Group reorganisation" in this prospectus, and comprises the company, Innovative Market and its subsidiaries, and the results of the enlarged group will be accounted for under acquisition accounting in its first set of financial statements prepared immediately after completion of the group reorganisation and the acquisition as the respective effective shareholding interests in the company of its ultimate shareholders will be different after completion of the group reorganisation and the acquisition.

To provide additional financial information, the pro forma combined financial information of the enlarged group for each of the three years ended 31st December, 2002 have been prepared based on the historical financial information of the group and the acquired companies for each of the three years ended 31st December, 2002, which have been extracted from the accountants' report of the group as set out in appendix I to this prospectus and the respective accountants' reports of the acquired companies as set out in appendices II, III, IV and V to this prospectus, after taking into account of the pro forma adjustments as described in the notes thereto as if the acquired companies had been held by the company since 1st January, 2000, or their respective dates of incorporation or establishment, whichever is later.

The pro forma combined financial information of the enlarged group presented below do not purport to present what the financial information would actually have been if the acquired companies had been held by the company since 1st January, 2000, or to project the financial information for any future period and are included for information purposes only.

The pro forma combined financial information should be read in conjunction with the historical financial information of the group, the acquired companies and other financial information included elsewhere in this prospectus.

Pro forma combined profit and loss accounts

The pro forma combined results of operation of the enlarged group for each of the three years ended 31st December, 2002 are as follows:

	Notes	For the year ended 31st December,		
		2000 HK\$'000	2001 HK\$'000	2002 HK\$'000
Turnover	1	996,920	915,392	899,450
Cost of sales		<u>(571,037)</u>	<u>(539,019)</u>	<u>(631,686)</u>
Gross profit		425,883	376,373	267,764
Other operating income		13,162	15,371	30,087
Selling and distribution expenses		(86,145)	(79,941)	(81,607)
General and administrative expenses		(96,164)	(95,926)	(93,572)
Impairment loss in respect of goodwill arising on acquisition of additional interests in subsidiaries		(3,236)	—	(557)
Negative goodwill arising on acquisition of additional interest in a subsidiary realised		<u>—</u>	<u>—</u>	<u>919</u>
Profit from operations		253,500	215,877	123,034
Finance costs		(29,307)	(31,722)	(29,081)
Share of results of associates		<u>10,912</u>	<u>8,562</u>	<u>3,962</u>
Profit before taxation		235,105	192,717	97,915
Taxation		<u>(45,713)</u>	<u>(27,390)</u>	<u>(11,371)</u>
Profit before minority interests		189,392	165,327	86,544
Minority interests		<u>11,175</u>	<u>(4,981)</u>	<u>(8,801)</u>
Net profit for the year		<u>200,567</u>	<u>160,346</u>	<u>77,743</u>
Dividend	2	<u>—</u>	<u>525,000</u>	<u>3,299</u>
Earnings per share — basic (cents)	3	<u>55.3</u>	<u>44.2</u>	<u>21.4</u>

The pro forma combined profit and loss account of the enlarged group for the year ended 31st December, 2002 has been prepared based on the audited pro forma combined profit and loss account of the group for the year ended 31st December, 2002, the audited pro forma combined profit and loss account of each of acquired companies for the year ended 31st December, 2002 based on the audited combined balance sheets of each of the acquired companies, and after making certain pro forma combination adjustments as set out below:

	The group <i>HK\$'000</i>	Acquired companies total <i>HK\$'000</i>	Pro forma combination adjustments <i>HK\$'000</i>	<i>Notes</i>	The enlarged group <i>HK\$'000</i>
Turnover	391,479	569,363	(61,392)	(5)	899,450
Cost of sales	<u>(246,851)</u>	<u>(445,768)</u>	60,933	(5)	<u>(631,686)</u>
Gross profit	144,628	123,595			267,764
Other operating income	17,841	12,246			30,087
Selling and distribution expenses	(52,292)	(29,774)	459	(5)	(81,607)
General and administrative expenses	(48,281)	(45,291)			(93,572)
Impairment loss in respect of goodwill arising on acquisition of additional interest in subsidiaries	—	(557)			(557)
Negative goodwill arising on acquisition of additional interest in a subsidiary realised	<u>—</u>	<u>919</u>			<u>919</u>
Profit from operations	61,896	61,138			123,034
Finance costs	(2,244)	(31,147)	4,310	(6)	(29,081)
Share of results of associates	<u>3,962</u>	<u>—</u>			<u>3,962</u>
Profit before taxation	63,614	29,991			97,915
Taxation	<u>(10,308)</u>	<u>(1,063)</u>			<u>(11,371)</u>
Profit before minority interests	53,306	28,928			86,544
Minority interests	<u>—</u>	<u>(8,801)</u>			<u>(8,801)</u>
Net profit for the year	<u>53,306</u>	<u>20,127</u>	<u>4,310</u>		<u>77,743</u>
Dividend	<u>—</u>	<u>3,299</u>			<u>3,299</u>
Earning per share — basic (cents)	<u>25.6</u>	<u>13.0</u>			<u>21.4</u>

Pro forma combined statement of assets and liabilities of the enlarged group after completion of the acquisition

Set out below is the unaudited pro forma combined statement of assets and liabilities of the enlarged group after the completion of the acquisition. The pro forma combined statement of assets and liabilities has been prepared based on the audited pro forma combined balance sheet of the group as at 31st December, 2002, the audited pro forma combined balance sheet of each of the acquired companies as at 31st December, 2002, based on the audited combined balance sheets of each of the acquired companies, and after making certain pro forma combination adjustments as set out below:

	The group as at 31st December, 2002 <i>HK\$'000</i>	Combined acquired companies as at 31st December, 2002 <i>HK\$'000</i>	Pro forma combination adjustments <i>HK\$'000</i>	<i>Notes</i>	The enlarged group as at 31st December, 2002 <i>HK\$'000</i>
Non-current assets					
Fixed assets	288,502	800,357			1,088,859
Interests in associates	47,669	—			47,669
Intangible assets	—	23,706			23,706
Prepaid rentals	—	4,545			4,545
Other investments	2,331	—			2,331
	<u>338,502</u>	<u>828,608</u>	<u>—</u>		<u>1,167,110</u>
Current assets					
Stocks	2,590	76,302			78,892
Trade receivables	34,396	127,543			161,939
Trade receivables from minority interests	—	31,523			31,523
Trade receivables from fellow subsidiaries	2,833	2,518	10,602	(7)	15,953
Trade receivable from a holding company	—	10,602	(10,602)	(7)	—
Other receivables	7,404	9,822			17,226
Amounts due from fellow subsidiaries	117,992	—	(117,992)	(8)	—
Amounts due from associates	2,432	—			2,432
Taxation recoverable	274	—			274
Pledged bank deposits	—	2,281			2,281
Cash and bank balances	7,365	32,913	217,992	(8) & (9)	258,270
	<u>175,286</u>	<u>293,504</u>	<u>100,000</u>		<u>568,790</u>
Current liabilities					
Trade payables	(21,738)	(74,260)			(95,998)
Trade payable to minority interest	—	(18,367)			(18,367)
Trade payable to fellow subsidiaries	(8,672)	—			(8,672)
Other payables	(15,974)	(76,880)			(92,854)
Amount due to minority interests	—	(4,105)			(4,105)
Amounts due to fellow subsidiaries	—	(1,814)	(293)	(7)	(2,107)
Amount due to a holding company	—	(293)	293	(7)	—
Amount due to an associate	(16)	—			(16)
Taxation payable	(3,096)	(1,063)			(4,159)
Bank loans — amount due within one year	—	(326,009)	94,260	(10)	(231,749)
	<u>(49,496)</u>	<u>(502,791)</u>	<u>94,260</u>		<u>(458,027)</u>
Net current assets (liabilities)	<u>125,790</u>	<u>(209,287)</u>	<u>194,260</u>		<u>110,763</u>

	The group as at 31st December, 2002 <i>HK\$'000</i>	Combined acquired companies as at 31st December, 2002 <i>HK\$'000</i>	Pro forma combination adjustments <i>HK\$'000</i>	<i>Notes</i>	The enlarged group as at 31st December, 2002 <i>HK\$'000</i>
Total assets less current liabilities	<u>464,292</u>	<u>619,321</u>	<u>194,260</u>		<u>1,277,873</u>
Non-current liabilities					
Bank loans — amount due after one year	—	(39,805)	(94,260)	(10)	(134,065)
Loan from minority interest	—	(60,530)	—		(60,530)
Amount due to minority interest	—	(18,852)	—		(18,852)
Amounts due to holding companies	—	(208,705)	208,705	(11)	—
Deferred taxation	<u>(7,562)</u>	<u>—</u>	<u>—</u>		<u>(7,562)</u>
	<u>(7,562)</u>	<u>(327,892)</u>	<u>114,445</u>		<u>(221,009)</u>
Minority interests	<u>—</u>	<u>(86,018)</u>	<u>—</u>		<u>(86,018)</u>
Net assets	<u>456,730</u>	<u>205,411</u>	<u>308,705</u>		<u>970,846</u>

Notes to the pro forma combined financial information of the enlarged group

- Turnover represents the net amount of sales of cement, concrete and related products.
- During each of the three years ended 31st December, 2002, the subsidiaries of the enlarged group declared dividend to the enlarged group as follows:

	Year ended 31st December,		
	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Dividend declared and paid by			
— Innovative Market	—	525,000	—
Dividend declared by			
— Guangxi CR Cement	<u>—</u>	<u>—</u>	<u>3,299</u>
	<u>—</u>	<u>525,000</u>	<u>3,299</u>

The rate of dividend per share and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this table.

- The calculation of basic earnings per share for each of the three years ended 31st December, 2002 is based on the pro forma combined net profit of the enlarged group for each of the three years ended 31st December, 2002 and on the assumption of a total of approximately 362,787,521 shares in issue, immediately after the distribution and the issue of approximately 154,747,000 shares for the acquisition, with reference to 2,080,405,215 China Resources Enterprise shares in issue as at the latest practicable date. The calculation takes no account of any shares to be issued under the share option scheme of the company as it will only be effective upon listing of the shares nor any shares to be issued or purchased by the company pursuant to its general mandates.
- The enlarged group will be formed after completion of the group reorganisation and the acquisition, details of which are set out in sections headed “Group reorganisation” and “Acquisition” in this prospectus, and comprises the company, Innovative Market and its subsidiaries and the acquired companies and their subsidiaries, and the results of the enlarged group will be accounted for under acquisition accounting in its first set of financial statements prepared immediately after completion of the group reorganisation and the acquisition as the respective effective shareholding interests of the ultimate shareholders in the company will be different after completion of the group reorganisation and the acquisition.**

5. Combination elimination of intercompanies sales and purchases.
6. Combination elimination of finance costs in connection with the shareholders' loan of HK\$208,705,000 which was subsequently transferred from China Resources Holdings to the company pursuant to the acquisition.
7. Reclassification of accounts balances for better presentation.
8. An amount due from a fellow subsidiary, Purple Finance Company Limited, amounted to approximately HK\$117,992,000 was settled in cash by this fellow subsidiary to the enlarged group on 5th May, 2003.
9. To record the issue of 1 share of the company of HK\$0.10, for cash at HK\$100,000,000 to China Resources Enterprise on 25th March, 2003.
10. To record the short term bank loan of RMB100,000,000 (equivalent to approximately HK\$94,260,000) into medium term pursuant to a new loan agreement dated 27th March, 2003.
11. To record the issue of shares of the company of HK\$0.10 each, credited as fully paid, as consideration for the acquisition of certain loans of HK\$208,705,000 advanced to Dongguan Cement Holding by China Resources Holdings pursuant to the acquisition.

12. RELATED PARTY TRANSACTIONS

The enlarged group entered into the following significant transactions with related parties:

Name of the related company	Nature of transaction	Year ended 31st December,		
		2000 HK\$'000	2001 HK\$'000	2002 HK\$'000
Continuing transactions:				
China Resources Construction Company Limited	Sales of concrete	41,917	23,712	18,999
	Testing fees	596	400	981
China Resources Construction Corp. ("CR Construction Corp.")	Sales of concrete	—	—	7,553
CRC Petrol Filling Station Company Limited ("CRC Petrol")	Purchase of fuel	—	159	1,804
CRC Special Oil Company Limited ("CRC Special Oil")	Purchase of fuel	—	—	37
東莞中威預製混凝土有限公司 (Dongguan Redland Precast Concrete Products Limited) ("DG Precast")	Sales of cement	—	—	1,843
廣東省東莞五金礦產進出口公司 Guangdong Dongguan Metals and Minerals Import and Export Co., Ltd ("DGMM")	Sales of cement	28,891	19,695	5,553
廣西紅水河水泥股份有限公司 (Guangxi Hongshuihe Cement Joint Stock Company Limited) ("Guangxi Hongshuihe Cement")	Catering services charges paid	—	—	279
廣西黎塘水泥廠勞動服務公司 Guangxi Li Tang Cement Plant Labour Services Company	Limestone crushing service charges paid	—	—	455
	Printing service charges paid	—	—	34
	Raw material loading and unloading labour service charges paid	—	—	363

Name of the related company	Nature of transaction	Year ended 31st December,		
		2000 HK\$'000	2001 HK\$'000	2002 HK\$'000
Redland Precast Concrete Products Limited ("Redland Precast")	Testing fees received	1,438	1,241	1,828
深圳市華潤石油有限公司 (Shenzhen China Resources Petroleum Company Limited) ("Shenzhen Petroleum")	Purchase of fuel	1,849	2,330	3,601
Strong Progress Limited ("Strong Progress")	Testing fees received	29	28	19
Sumitomo Corporation ("Sumitomo")	Purchase of clinker	47,154	122,248	126,304
	Interest paid	1,313	1,173	1,844
Sumitomo (Guangzhou) Corporation Ltd. ("Sumitomo Guangzhou")	Sales of cement	1,613	2,595	4,545
Sumitomo Corporation (Hong Kong) ("Sumitomo HK")	Sales of cement	—	887	716
	Interest paid	1,329	1,116	776
Wygetta Quarry Limited ("Wygetta") 中鐵建廠工程局深圳分公司	Purchase of aggregates	64,020	30,669	9,243
Zhong Tie Jian Chang Construction Department Shenzhen Branch Company	Sales of concrete	—	—	44,080
Discontinued transactions:				
Cement Connections Limited	Purchase of dry mortars	—	2,028	—
China Resources Machinery and Minmetals (Holdings) Co., Limited ("CRMM (H)")	Sale of cement	66,761	81,054	48,450
	Purchase of cement	65,243	80,408	48,450
	Management fee paid	—	—	1,602
	Interest received	489	7,620	1,578
	Interest paid	9	23	—
	Purchase of clinker	36,390	4,710	—
China Resources Metal and Minerals Company Limited ("CRMM")	Interest paid	15,907	9,394	4,310
	Management fee paid	—	560	88
CRE Finance (Hong Kong) Limited ("CRE Finance")	Interest paid	5,215	3,033	2,244
Dongguan Metals and Minerals Import and Export Co., Ltd	Management fee paid	—	40	43
Man Wah Quarry Limited ("Man Wah")	Purchase of aggregates	19,796	18,525	10,097
Redland Far East Limited	Sales of pulverised fuel ash	961	1,133	—
Share Long Company Limited ("Share Long")	Management fee paid	2,000	2,000	—
Sumitomo Corporation	Management fee paid	—	80	87
Sumitomo Corporation (Hong Kong) Limited	Management fee paid	—	20	22
UBE Industries Limited ("UBE")	Management fee paid	—	100	109
Upward Development Limited ("Upward Development")	Rental expenses paid	510	720	340
中鐵建廠工程局深圳實業公司 Zhong Tie Jian Chang Construction Department Shenzhen industrial Company	Purchase of fixed assets	—	—	16,495

Mr. Howard Chan is also the director of Wygetta, Man Wah Quarry Limited, Cement Connections Limited, Share Long Company Limited, Upward Development Limited and Redland Far East Limited.

DGMM, Guangxi Hongshuihe Cement, Sumitomo, Sumitomo HK, UBE and Zhong Tie Jian Chang Construction Department Shenzhen Industrial Company are the minority interest of the subsidiaries of the enlarged group.

Redland Precast and Man Wah are associates of the enlarged group.

DG Precast is an associate of the ultimate holding company.

廣西黎塘水泥廠勞動服務公司 (Guangxi Li Tang Cement Plant Labour Services Company) is a subsidiary of Guangxi Hongshuihe Cement.

Sumitomo Guangzhou is a subsidiary of Sumitomo.

Zhong Tie Jian Chang Construction Department Shenzhen Branch Company is the subsidiary of the 30% minority interest of Shenzhen Tiejian.

CRMM is a fellow subsidiary of the group and an ex-holding company of CR Cement Company and Dongguan Huarun. The effective interest for the year ended 31st December, 2000, 2001 and 2002 was 67%, 67% and 70%, respectively.

CRMM(H), China Resources Construction Company Limited, China Resources Construction Corp., CRC Petrol, CRC Special Oil, CRE Finance, 深圳市華潤石油有限公司 Shenzhen Petroleum, Redland Far East Limited, Share Long, Strong Progress, Upward Development and Wygetta are fellow subsidiaries of the enlarged group.

13. CONTINGENT LIABILITIES

	As at 31st December,		
	2000	2001	2002
	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks in respect of credit facilities in the form of short term borrowings utilised by an associate	—	9,263	10,116
Guarantees given to financial institutions to facilitate hire purchase loans granted to the enlarged group's sub-contractors for acquisition	24,520	17,879	9,721
	<u>24,520</u>	<u>17,879</u>	<u>9,721</u>
	<u>24,520</u>	<u>27,142</u>	<u>19,837</u>

14. PRINCIPAL ACCOUNTING POLICIES OF THE ENLARGED GROUP

The financial information has been prepared under the historical cost convention. The principal accounting policies which have been adopted in preparing the pro forma combined financial information conform with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted by the enlarged group are in line with the policies of the group and are set out as follows:

Goodwill/Negative goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiary or an associate at the date of acquisition. Negative goodwill arising from acquisitions of subsidiaries or associates represents the excess of the group's interest in the fair value of identifiable assets and liabilities acquired over the cost of acquisition.

Since 1st January, 2001, the group has adopted Statement of Standard Accounting Practice 30 "Business Combinations" issued by the Hong Kong Society of Accountants and elected not to restate goodwill/(negative goodwill) previously charged against/(credited to) reserves. For acquisitions prior to 1st January, 2001, goodwill arising thereon was eliminated against reserves and will be charged to the pro forma combined profit and loss account at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st January, 2001 was credited to reserves and will be released to the pro forma combined profit and loss account at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions on or after 1st January, 2001 is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life of not more than 20 years and is stated in the pro forma combined balance sheet at cost less any accumulated amortisation and any impairment loss.

Negative goodwill arising on acquisitions on or after 1st January, 2001 is presented as a deduction from assets and will be released to the pro forma combined profit and loss account based on an analysis of the circumstances from which the balance resulted. 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 at the date of acquisition, that portion of negative goodwill is recognised in the pro forma combined profit and loss account when the future losses and expenses are recognised in the pro forma combined profit and loss account. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the pro forma combined profit and loss account over the remaining weighted average useful life of those identified acquired depreciable assets; negative goodwill in excess of fair values of those non-monetary assets is recognised in the pro forma combined profit and loss account immediately.

Where an indication of impairment exists, the carrying amount of goodwill previously written off against reserves is assessed and written down immediately to its recoverable amount.

Interests in associates

The pro forma combined profit and loss account includes the group's share of the results of the associates for the relevant periods. In the pro forma combined statement of assets and liabilities, interests in associates are stated at the group's share of the net assets of the associates less any impairment loss.

Other investments

Other investments are investments in debt and equity securities, except those held either solely for the purpose of recovering advances or, as investments in subsidiaries, associates or joint ventures.

Other investments which are held for an identified long-term purpose are measured at cost as reduced by any impairment loss that is other than temporary.

Fixed assets

Fixed assets, other than construction in progress, are stated at cost less depreciation and amortisation and accumulated impairment loss, if any.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the pro forma combined profit and loss account.

Properties, plant and equipment in the course of construction for production, rent or administrative purposes or for purposes not yet determined, are carried at cost less accumulated losses, if any. Cost includes all construction expenditure, professional fees, borrowing cost capitalised and other relevant expenses directly attributable to such projects.

No provision for depreciation is made on construction in progress until such time when construction work is completed and the costs of construction are transferred to the appropriate category of fixed assets.

Depreciation and amortisation are provided to write off the cost of fixed assets using straight line method over their estimated useful lives after taking into account of their estimated residual value. The estimated useful lives are as follows:

Land	Over the unexpired term of lease
Buildings	5 to 50 years
Cement barge	11 years
Lab equipment	10 years
Leasehold improvements	Over the unexpired term of lease
Plant and machinery	3 to 20 years
Furniture and equipment	3 to 16 ² / ₃ years
Motor vehicles, trucks and mixers	4 to 12 years
Silo	10 years

Mining right

Mining rights are stated at cost less accumulated amortisation and any identified impairment loss. The cost of mining rights are amortised on the straight line method over the estimated useful life of 50 years.

Impairment

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the pro forma combined profit and loss account.

Where an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount. Such reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the pro forma combined profit and loss account in the year in which the reversals are recognised.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost, which comprises of all costs of purchase, is determined on the first-in first-out method. Net realisable value is determined as the estimated net selling price less all further costs of production and the related costs of marketing, selling and distribution.

Turnover

Turnover represents the net amounts received and receivable for goods sold and services rendered during the Relevant Periods.

Recognition of revenue

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are rendered.

Rental income from property letting under operating leases is recognised on a straight line basis over the periods of the respective leases.

Interest income is recognised in the pro forma combined profit and loss account as it accrues.

Dividend income from investments is recognised when the group's rights to receive payment have been established.

Deferred taxation

Deferred taxation is accounted for using the liability method in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset is expected to be crystallised in the foreseeable future.

Foreign exchange

Transactions in currencies other than Hong Kong dollars are converted at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities denominated in such currencies are re-translated at the rates of exchange ruling on the balance sheet date. Exchange differences are included in the determination of operating profit.

The financial statements of subsidiaries and associates reported in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange ruling on the balance sheet date. Exchange differences are dealt with as movements in reserves.

Operating leases

Rentals payable under operating leases are accounted for in the pro forma profit and loss account on a straight line basis over the relevant lease terms.

Retirement benefit scheme contributions

Payments to defined contribution retirement benefit scheme are charged as expenses as they fall due.

The pension cost, which represents the amount payable in accordance with the regulations promulgated by the local municipal government of the PRC in which the subsidiary of the company is operated, is charged to the pro forma combined profit and loss account as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.