Devonshire Industries Limited

Annual Report and
Consolidated Financial Statements
March 31, 2012 and 2011 and April 1, 2010

Summary of financial informations

	Year ended March 31				
	2012	Restated 2011	Restated 2010	2009	2008
	$	$	$	$	$
Assets	2,915,573	2,909,781	3,064,854	2,875,050	2,946,001
Liabilities	268,024	201,110	379,003	146,673	220,835
Shareholders' equity	2,647,549	2,708,671	2,685,851	2,728,377	2,725,166
Net earnings	49,297	133,239	399,230	444,886	426,711

Directors' share interests and service contracts

Pursuant to Regulation 6.8(3) of Section 11B of the Bermuda Stock Exchange Listing Regulations, the total interests of all the directors and officers of the Company in the shares of the Company at March 31, 2012 and 2011 were 12,297 (2011 - 12,297) shares. No rights to subscribe for shares in the Company have been granted to or exercised by any director or officer. There are no service contracts with directors.

Appraised value of land and building

Included in the total assets of the Company at March 31, 2012 are land and building with a net book value of $225,000 and $203,466, respectively. In March 12, 2012, the land and building were re-appraised by Crissson & Co. Ltd. The appraised value of the land and building were $2,500,000 and $637,160 respectively. However, as the Company elected to use the cost model in valuing its land and building, the revaluation amount of land and building from previous years was used as deemed costs at the date of the financial statements under the available option in the first year of adoption of International Financial Reporting Standards.

Consolidated Financial Statements
March 31, 2012 and 2011 and April 1, 2010

September 11, 2012

Independent Auditor's Report

To the Shareholders of
Devonshire Industries Limited

We have audited the accompanying consolidated financial statements of **Devonshire Industries Limited**, which comprise the consolidated balance sheets as at March 31, 2012 and 2011 and April 1, 2010 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended March 31, 2012 and 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

To the Shareholders of Devonshire Industries Limited
September 11, 2012

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Devonshire Industries Limited** as at March 31, 2012 and 2011 and April 1, 2010 and its financial performance and its cash flows for the years ended March 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

Devonshire Industries Limited
Consolidated Statements of Financial Positions
As at March 31, 2012 and 2011 and April 1, 2010

	2012 $	2011 $	April 1, 2010 $
Assets			
Current assets			
Cash and cash equivalents (note 7)	575,064	573,815	829,621
Trade and other receivable (note 8)	298,762	386,641	339,564
Inventories (note 9)	983,719	942,604	879,761
Other current assets (note 10)	47,256	66,841	49,286
	1,904,801	1,969,901	2,098,232
Non-current assets			
Property, plant and equipment (note 11)	820,225	858,194	899,988
Intangible assets (note 12)	189,046	80,185	65,133
Other non-current assets (note 13)	1,501	1,501	1,501
Total assets	2,915,573	2,909,781	3,064,854
Liabilities			
Current liabilities			
Trade and other payables (note 14)	268,024	201,110	379,003
Equity			
Share capital (note 16)	220,838	220,838	220,838
Share premium	146,744	146,744	146,744
Retained earnings	2,279,967	2,341,089	2,318,269
	2,647,549	2,708,671	2,685,851
Total liabilities and equity	2,915,573	2,909,781	3,064,854

Approved by the Board of Directors

Janson Director

Director

The accompanying notes are an integral part of these consolidated financial statements.

Devonshire Industries Limited
Consolidated Statements of Comprehensive Income
For the years ended March 31, 2012 and 2011

	2012 $	2011 $
Net revenues	2,976,836	3,268,328
Cost of sales (notes 9, 17 and 20)	1,861,946	1,968,588
Gross income	1,114,890	1,299,740
Selling expenses (note 18)	324,850	423,305
Marketing expenses	67,496	15,932
Administrative expenses (note 19)	654,026	711,711
Other expenses (note 21)	28,472	39,593
Operating expenses	1,074,844	1,190,541
Other income	14,846	29,594
Other losses	(5,595)	(5,554)
Net income for the year	49,297	133,239
Total comprehensive income	49,297	133,239
Basic and diluted earnings per share	0.11	0.30

The accompanying notes are an integral part of these consolidated financial statements.

Devonshire Industries Limited

Consolidated Statements of Changes in Equity

For the years ended March 31, 2012 and 2011

	Share capital $	Share premium $	(note 22) Retained earnings $	Total $
Balance, April 1, 2010	220,838	146,744	2,318,269	2,685,851
Net income for the year	-	-	133,239	133,239
Dividends paid ($.25 dividend per share)	-	-	(110,419)	(110,419)
Balance, March 31, 2011	220,838	146,744	2,341,089	2,708,671
Net income for the year	-	-	49,297	49,297
Dividends paid ($.25 dividend per share)	-	-	(110,419)	(110,419)
Balance, March 31, 2012	220,838	146,744	2,279,967	2,647,549

The accompanying notes are an integral part of these consolidated financial statements.

Devonshire Industries Limited
Consolidated Statements of Cash Flows
For the years ended March 31, 2012 and 2011

	2012 $	2011 $
Cash flows from operating activities		
Net income for the period	49,297	133,239
Adjustments for:		
Depreciation and amortization	107,331	120,078
Bad debts	6,518	7,361
Loss from disposal of assets	387	7,709
Changes in items of working capital:		
Trade and other receivables	81,361	(63,407)
Inventories	(41,115)	(62,843)
Other current assets	19,584	(16,054)
Trade and other payables	65,218	50,413
Net cash generated from operating activities	288,581	176,496
Cash flows for investing activities		
Purchase of property, plant and equipment	(61,416)	(65,994)
Purchase of intangible assets	(117,193)	(35,052)
Cash used in investing activities	(178,609)	(101,046)
Cash flow for financing activity		
Dividends paid	(108,723)	(331,256)
Cash used in financing activity	(108,723)	(331,256)
Increase (decrease) in cash and cash equivalents	1,249	(255,806)
Cash and cash equivalents - beginning of year	573,815	829,621
Cash and cash equivalents - end of year	575,064	573,815
Supplemental cash flow information:		
Interest received	10,581	9,712

The accompanying notes are an integral part of these consolidated financial statements.

1. General information

Devonshire Industries Limited (“the Company”) and its wholly-owned subsidiary, Bermuda Paint Company Limited are incorporated in Bermuda under the laws of Bermuda. The Company is primarily engaged in the management of Bermuda Paint Company Limited, which is primarily engaged in the manufacture and sale of architectural and related products.

The Company is listed on the Bermuda Stock Exchange. The address of its registered office is No. 9 Watlington Road, Devonshire DV06, Bermuda and its postal address is P.O. Box DV30, Devonshire DVBX, Bermuda.

2. Statement of compliance, basis of preparation and adoption of IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as defined in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”).

In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Company’s first annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB. In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

The consolidated financial statements have been prepared in compliance with IFRS. Subject to certain transition elections and exceptions disclosed in note 22, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at April 1, 2010 throughout all periods presented, as if these policies had always been in effect. Note 22 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended March 31, 2011 prepared under Canadian GAAP.

These financial statements were approved by the board of directors for issue on September 11, 2012.

3. Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

Basis of Consolidation
The consolidated financial statements include the financial statements of Devonshire Industries Limited and its wholly-owned subsidiary, Bermuda Paint Company Limited.

All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Segment reporting
An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity’s Chief Operating Decision Maker, which comprise the General Manager and members of the Board of Directors, to make decisions about resources to be allocated to the segment and assess its performance. The Company has determined that it only has one operating segment.

Transactions and balances
The consolidated financial statements of the Company are presented in Bermuda dollar, the functional currency of the Company. All values are rounded to the nearest dollar except when otherwise stated.

Transactions in foreign currencies are initially recorded by the Company in Bermuda dollar using the foreign exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated using the closing foreign exchange rate prevailing at the reporting date. All differences are charged to profit or loss in the consolidated statement of comprehensive income.

Cash and cash equivalents
Cash represents cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the dates of placement, and that are subject to an insignificant risk of changes in value.

Financial instruments
Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

The Company's financial instruments comprise:

(i) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade and other receivables, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(ii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade and other payables. These are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method.

Impairment of financial assets
At each reporting date, the Company assesses whether there is objective evidence that the Company's financial asset is impaired. The criteria used to determine if there is an objective evidence of an impairment loss include significant financial difficulty of the obligor, delinquencies in interest or principal payments and if it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

Inventories
Inventories are carried at the lower of cost and net realisable value (NRV).

NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost comprises direct materials and, where applicable, directs labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using the weighted average method for finished goods, trading goods and raw materials. Finished goods include direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced, but excluding borrowing costs.

When inventories are sold, the carrying amounts of those inventories are recognized under 'Cost of sales' in the consolidated statement of comprehensive income in the period when the related revenue is recognized.

The amount of any write-down of inventories to NRV is recognized in 'Cost of sales' in the consolidated statement of comprehensive income in the period the write-down or loss was incurred. The amount of any reversal of any write-down of inventories, arising from an increase in the NRV, shall be recognized as a reduction to 'Cost of sales' in the period where the reversal was incurred.

Property, plant and equipment
Property, plant and equipment, except land which is stated at cost less any impairment in value, are carried at cost less accumulated depreciation and impairment loss, if any. Also, as described in more detail in note 22, the Company used previous revaluation of Land and Building as deemed cost at the date of transition to IFRS.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction.

Subsequent replacement costs of parts of property, plant and equipment are capitalized when the recognition criteria are met. Significant refurbishments and improvements are capitalized when it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond the originally assessed standard of performance. Costs of repairs and maintenance are charged as expense when incurred.

Depreciation of property, plant and equipment commences once the property, plant and equipment are available for use, and are computed using the straight-line method over the estimated useful life (EUL) of the assets, regardless of utilization.

Property, plant and equipment are depreciated as follows:

Buildings (straight-line method)	4%
Improvements (straight-line method)	4 -10%
Factory and office equipment (diminishing balance method)	15%
Motor vehicles (straight-line method)	20%
Computers (straight-line method)	25%

The assets' residual values, useful lives and methods of depreciation are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Any change in the expected residual values, useful lives and methods of depreciation are adjusted prospectively from the time the change was determined necessary.

Major spare parts and stand-by equipment items that the Company expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Company).

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income, in the year the item is derecognized.

Intangible assets
Intangible assets (color system and distribution rights) acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment loss, if any.

The period and the method of amortization of an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized under 'Cost of sales' and 'General and administrative expenses' in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset. Intangible assets with finite lives are assessed for impairment, whenever there is an indication that the intangible assets may be impaired.

Costs incurred to acquire computer software (not an integral part of its related hardware) and bring it to its intended use are capitalized as intangible assets. Costs directly associated with the development of identifiable computer software that generate expected future benefits to the Company are also recognized as intangible assets. In particular, costs that are directly attributable to the development phase are recognized as intangible assets provided they meet the following recognition requirements:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale,
- The Company intends to complete the intangible asset and use or sell it;
- The Company has the ability to use or sell the intangible assets;
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or if it is to be used internally, the asset will be used in generating such benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting above criteria for capitalization are expensed as incurred. The capitalization of development costs is initiated when all the criteria mentioned are met. Directly attributable costs include employee costs incurred in the development, along with appropriate portion of relevant overheads. The assets are subject to impairment testing on an annual basis.

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and is recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Impairment of non-financial assets
This accounting policy applies primarily to the Company's property, plant and equipment and intangible assets.

The Company assesses at each reporting date whether there is an indication that its property, plant and equipment and intangible assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating units) fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

Impairment losses from continuing operations are recognized under 'Other gains and losses' in the consolidated statement of comprehensive income.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Share capital
Share capital is classified as equity and is recorded at par. Proceeds in excess of par value are recorded as 'Share premium' in the consolidated statement of financial position. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Revenue and cost recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods
Revenue from sale of goods is recognized upon delivery, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts and prompt payment discounts.

Other income
Gain from sale of properties is recognized upon completion of the earning process and the collectability of the sales price is reasonably assured.

Provisions
Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where

appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in the consolidated statement of comprehensive income. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Pension costs
The Company has an administered defined contribution pension plan for their employees. Pension benefits are determined as a function of accumulated contributions made by both the companies and the employees and the investment returns earned by the invested contributions. The Company's contributions are charged against income in the year the employees provided the service.

Earnings (loss) per share (EPS)
Basic EPS is computed by dividing net income (loss) attributable to the equity holders by the weighted average number of common shares issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the net profit (loss) attributable to ordinary equity holders of the Company (after deducting interest on the convertible preferred shares, if any) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Dividends on common shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Company in the case of cash dividends, and the BOD and shareholders in the case of stock dividends.

Subsequent events
Any post year-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Company's position at the reporting date, in which such event is deemed as adjusting event, is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

Accounting standards and amendments issued but not yet effective and not adopted by anticipation
The following new and amended standards and interpretations have been issued and are mandatory for the Company's accounting periods beginning on or after April 1, 2012 or later periods and are expected to be relevant to the Company:

Standard / Interpretation	Content	Applicable for financial years beginning on / after
IAS 1	Presentation of items of other comprehensive income	July 1, 2012
IFRS 9	Financial instruments: Classification and measurement	January 1, 2015
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 13	Fair value measurement	January 1, 2013

- **Amendment to IAS 1, 'Presentation of items of other comprehensive income'**
  In June 2011, the IASB issued 'Presentation of items of other comprehensive income' (amendments to IAS 1). The amendments improved the consistency and clarity of the presentation of items of other comprehensive income (OCI). The amendments also highlighted the importance that the Board places on presenting profit or loss and OCI together and with equal prominence. The amendments issued in June 2011 retain the requirement to present profit and loss and OCI together, but focus on improving how items of OCI are presented. The main change resulting from the amendments was a requirement for entities to group items presented in OCI on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments did not address which items are presented in OCI. The Company does not expect the standard to have a major impact on the Company's consolidated financial statements.

- **IFRS 9, 'Financial instruments' – classification and measurement**
  IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on April 1, 2013.

- **IFRS 10, 'Consolidated financial statements'**
  IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company does not expect the standard to have a major impact on the Company's consolidated financial statements.

- **IFRS 13 'Fair value measurement'**
  IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on April 1, 2013.

The IASB and the IFRIC have published the following standards and interpretations, which were not yet effective. The standards, amendments and interpretations are not expected to be relevant to the Company's operations:

Standard / Interpretation	Content	Applicable for financial years beginning on / after
IFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopters	July 1, 2011
IFRS 7	Disclosures: transfer of financial assets	July 1, 2011
IAS 12	Income taxes	January 1, 2013
IAS 19	Employee benefits	January 1, 2012
IAS 27	Separate financial statements	January 1, 2013
IAS 28	Investments in associates and joint ventures	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRS 12	Disclosures of interests in other entities	January 1, 2013
IFRIC 20	Stripping costs in the production phase of a surface mine	January 1, 2013

4. Significant accounting estimates and judgements

The preparation of the Company's consolidated financial statements requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly. Revisions to accounting estimates are recognized in the year of the revision and future years, where applicable. Areas where estimates and judgment are exercised by management include the allowance for bad debts for trade receivables, useful lives of property, plant and equipment and intangible assets with finite life and impairment of assets. The area where significant estimates and judgments have been applied by management is described below.

(a) **Estimation of allowance for bad debts on trade receivables**
In determining amounts recorded for the allowance for bad debts on trade receivables, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant receivables with similar characteristics, such as credit risks.

During the year, provisions for bad debts on receivables included in 'other expense' in the consolidated statements of comprehensive income amounted to $6,518 (2011 – $6,826). The carrying value of the Company's total receivables, net of allowance for bad debts, is disclosed in note 8.

(b) **Estimation of useful lives of property, plant and equipment, and intangible assets with finite life**
The Company estimates the useful lives of its depreciable property, plant and equipment and intangible assets with finite life at cost based on the period over which the assets are expected to be available for use. The estimated useful life of the said depreciable assets are reviewed at least annually and are updated, if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned

above. A reduction in the estimated useful life of the depreciable property, plant and equipment and intangible assets would increase depreciation and amortization expense and decrease noncurrent assets.

5. Financial risk management objectives and policies

The Company's financial instrument comprises cash and cash equivalents, trade and other receivable and trade and other payables. The Company has exposure to credit risk, liquidity risk and market risk from the use of financial instruments.The Board of Directors (BODs) of the Company review and approve the policies for managing risks which are summarized below, together with the related risk management structure.

Risk management structure
The BODs of the Company are ultimately responsible for the oversight of the Company's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks. The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development of risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

The Company's BOD has created the board-level Audit Committee (AC) to spearhead the managing and monitoring of risks. The AC shall assist the Company's BOD in its fiduciary responsibility for the overall effectiveness of risk management systems of the Company. Furthermore, it is also the AC's purpose to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes.

The AC also aims to ensure that:

a. financial reports comply with established internal policies and procedures, pertinent accounting and audit standards and other regulatory requirements;
b. risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management; and
c. the Company's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

Day-to-day risk management function
At the business or company level, the day-to-day risk management functions are handled by the Finance Committee and senior management who initiate and are directly accountable for all risks taken.

Risk management
The following analysis provides a measure of the Company's risk exposure and concentrations as at March 31, 2012 and 2011 and April 1, 2010.

(a) **Credit risk**
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises primarily from credit given to customers, including related parties, and deposits with financial institutions.

Trade and other receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has established a credit policy under which each customer is analyzed for creditworthiness prior to being offered credit. Management also has procedures in place to restrict credit transactions if the customers have not cleared outstanding debts within the credit period.

Credit risk is monitored according to each customer's characteristics, such as whether it is an individual or company, industry, aging profile and previous financial difficulties.

The Company's normal term of credit on the sale of goods is 30 days. Impairment for trade and other receivables are recognized based on an estimate of irrecoverable amounts, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

Due from related parties
Related party transactions are reviewed and approved by management on an on-going basis.
Cash and cash equivalents
Cash and cash equivalents are placed with counterparties who have minimal risk of credit default and are rated by Standard & Poor's with credit ratings of between A- and A2.

(b) **Liquidity risk**
Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or payment of asset purchases as they fall due. The Company's liquidity management involves maintaining funding capacity to finance capital expenditures and service maturing liabilities, and to accommodate any fluctuations in asset and liability levels due to changes in the Company's business operations or unanticipated events created by customer behavior or capital market conditions. The Company maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include obtaining bank loans.

As at March 31, 2012 and 2011 and April 1, 2010, the carrying amount of the trade and other payables is equal to the contractual cash flows of the same. All are short-term in nature and due within a period of 12 months.

The following are the contractual maturities of financial liabilities, including interest payments as at the reporting date:

	Carrying Amount	Contractual Cash Flows	0 – 12 Months	1 – 2 Years	2 – 5 Years	More than 5 years
Trade and other payables at March 31, 2012	268,024	268,024	268,024	-	-	-
Trade and other payables at March 31, 2011	201,110	201,110	201,110	-	-	-
Trade and other payables at April 1, 2010	379,003	379,003	379,003	-	-	-

The Company does not expect to encounter significant difficulties in meeting its financial liabilities.

(c) **Market risk**
Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors. The following discussion covers the market risk of the Company:

Foreign currency risk
The Company incurs foreign currency risk primarily on purchases that are denominated in a currency other than the Bermuda dollar. However, foreign currency risk is minimal, due to the fact that the Bermuda dollar is pegged to the US Dollar at a 1:1 rate and the majority of the Company's materials and trading goods are imported from the United States.

6. *Fair value of financial assets and liabilities*

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and cash equivalents, receivables, accounts payable and accrued expenses
Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Amounts due from and due to related parties
The carrying amounts of due from and due to related parties which are collectible/payable and due on demand approximate their fair values. Due from related parties are unsecured and have no foreseeable terms of repayments.

7. *Cash and cash equivalents*

	2012 $	2011 $	April 1, 2010 $
Cash at bank and on hand	296,176	185,341	339,319
Short-term bank deposits	278,888	388,474	490,302
	575,064	573,815	829,621

Short-term bank deposits earn interest at the respective bank deposit rates. Interest income earned from short-term bank deposits amounted to $10,581 and $9,712 in 2012 and 2011, respectively.

8. *Trade and other receivables*

	2012 $	2011 $	April 1, 2010 $
Trade receivables	314,094	404,905	363,419
Allowance for impairment losses on receivables	(13,344)	(6,826)	-
Allowance for trade discounts	(41,180)	(59,268)	(57,418)
Due from related parties (note 15)	38,386	43,765	30,359
Interest receivable	806	4,065	3,204
	298,762	386,641	339,564

The following is the aging of trade receivables at the reporting date, which is gross of related party receivables arising from regular business transactions of $ 19,665, $25,043 and $16,339 at March 31, 2012 and 2011 and April 1, 2010, respectively:

	2012		2011		April 1, 2010	
	Gross $	Impairment $	Gross $	Impairment $	Gross $	Impairment $
Not past due	215,756	-	287,627	-	267,221	-
Past due 31 – 60 days	35,168	-	80,076	-	53,816	-
Past due 61 – 90 days	19,581	-	5,334	-	3,264	-
More than 90 days	63,254	13,344	56,911	6,826	55,457	-
	333,759	13,344	429,948	6,826	379,758	-

Changes in the allowance for impairment losses on receivables follow:

	2012 $	2011 $
Individual assessment		
Balance at beginning of year	6,826	-
Provision for impairment	3,927	7,361
Write-off	-	(535)
	10,753	6,826
Collective assessment		
Balance at beginning of year	-	-
Provision for impairment	2,591	-
	2,591	-
	13,344	6,826

9. *Inventories*

Inventories are classified as follows:

	2012 $	2011 $	April 1, 2010 $
Raw materials	422,611	447,902	315,496
Trading goods	388,405	310,944	347,645
Finished goods	172,703	183,758	216,620
	983,719	942,604	879,761

Cost of sales comprises inventories expensed during the year in the amount of $1,530,371 (2011 - $1,636,924). Inventory written-down as expense (included under ‘Cost of sales in the consolidated statements of comprehensive income) amounted to $15,326 and $9,843 in 2012 and 2011, respectively.

10. Other current assets

This account consists of:

	2012 $	2011 $	April 1, 2010 $
Prepaid subscription	7,500	7,100	6,816
Prepaid insurance	13,884	15,685	15,496
Prepaid membership dues	5,023	6,174	5,864
Prepaid taxes and licenses	6,851	6,851	5,300
Prepaid maintenance	-	2,924	521
Prepaid postage	198	1,146	1,488
Prepaid suppliers	13,800	26,961	13,801
	47,256	66,841	49,286

11. Property, plant and equipment

The composition of and movements in this account follow:

	Land	Building	Improvements	Factory equipment	Office equipment	Motor vehicles	Computer	Total
At Cost -								
At April 1, 2010	225,000	772,677	318,323	787,008	176,347	94,908	161,726	2,535,989
Additions	-	22,220	6,774	14,038	20,767	-	2,194	65,993
Disposals	-	(6,641)	-	-	(1,188)	-	-	(7,829)
At March 31, 2011	225,000	788,256	325,097	801,046	195,926	94,908	163,920	2,594,153
Additions	-	14,492	-	38,106	549	-	8,269	61,416
Disposals	-	-	-	-	(447)	-	-	(447)
At March 31, 2012	**225,000**	**802,748**	**325,097**	**839,152**	**196,028**	**94,908**	**172,189**	**2,655,122**
Accumulated depreciation								
At April 1, 2010	-	538,000	174,958	589,171	126,987	90,788	116,098	1,636,002
Additions	-	30,641	13,256	30,552	9628	899	15,102	100,078
Disposals	-	-	-	-	(120)	-	-	(120)
At March 31, 2011	-	568,641	188,214	619,723	136,495	91,687	131,200	1,735,960
Additions	-	30,641	13,482	29,722	9,464	898	14,790	98,998
Disposals	-	-	-	-	(60)	-	-	(60)
At March 31, 2012	**-**	**599,282**	**201,696**	**649,445**	**145,899**	**92,585**	**145,990**	**1,834,898**
Net book value								
At April 1, 2010	225,000	234,677	143,365	197,837	49,360	4,120	45,628	899,988
At March 31, 2011	225,000	219,615	16,883	181,323	59,431	3,221	32,720	858,194
At March 31, 2012	**225,000**	**203,466**	**123,401**	**189,707**	**50,129**	**2,323**	**26,199**	**820,225**

12. Intangible assets

(a) The Company purchased distribution rights as a non-exclusive distributor on September 1, 2007. The cost pertaining to this purchase has been recorded as an intangible asset and was amortized on a straight-line basis over four years. This intangible asset was fully amortized on September 2011.

(b) The Company developed a color system in the later part of 2009. The costs associated in the development of this asset will start to be amortized once the project is completed and available for use.

	Color system $	Distribution rights $	Total $
At Cost -			
At April 1, 2010	36,800	80,000	116,800
Additions	35,052	-	35,052
At March 31, 2011	71,852	80,000	151,852
Additions	117,194	-	117,194
At March 31, 2012	**189,046**	**80,000**	**269,046**
Accumulated depreciation			
At April 1, 2010	-	51,667	51,667
Amortization	-	20,000	20,000
At March 31, 2011	-	71,667	71,667
Amortization	-	8,333	8,333
At March 31, 2012	**-**	**80,000**	**80,000**
Net book value			
At April 1, 2010	36,800	28,333	65,133
At March 31, 2011	71,852	8,333	80,185
At March 31, 2012	**189,046**	**-**	**189,046**

There was no impairment of intangible assets for the years ended March 31, 2012 and 2011.

13. Other non-current assets

This account pertains to investment interest in Bermuda Credit Association (BCA) and Guild CPO.

14. *Trade and other payables*

This account consists of:

	2012 $	2011 $	April 1, 2010 $
Trade payable	124,356	110,036	77,533
Dividends payable (note 15)	13,739	12,043	228,780
Due to related parties (note 15)	160	160	1,110
Accrued expenses	129,769	78,871	71,580
	268,024	201,110	379,003

Trade payables
Trade payables are noninterest-bearing and are normally settled on 30 to 60-day terms. Trade payables arise mostly from purchases of inventories, which include trading goods and raw materials for use in manufacturing. Trade payables also include purchase goods and services for use in operation.

Accrued expenses
Accrued expenses consist of accruals for audit fee, director's fees, bonus and other employee benefits.

15. *Related party transactions and balances*

Related party transactions are with directors, senior management, certain shareholders and individuals related to shareholders or Companies affiliated to shareholders.

Transactions and balances between the Company and its related parties are disclosed below.

	2012 $	2011 $	April 1, 2010 $
Sale of goods	170,062	228,353	251,212
Purchases of goods	176,506	215,587	175,075
Amounts receivable from related parties	19,664	25,044	16,338
Amounts payable to related parties	160	160	1,110

Sales of goods to related parties were made at the Company's usual list prices, less normal trade discounts. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

16. *Equity*

Details of the Company's share capital follow:

	2012 $	2011 $	April 1, 2010 $
Authorized common shares	456,000	456,000	456,000
Par value per share	$.50	$.50	$.50
Issued and outstanding common shares	441,675	441,675	441,675

There are no restrictions attached to the common shares with regards to dividend distribution and repayment of capital.

Capital Management
The Company's policy is to maintain strong capital structure. The Company manages its capital to safeguard the entity's ability to continue as a going concern, to provide an adequate return to shareholders, to meet its financial obligations, and to have the financial flexibility to take advantage of growth opportunities. The Company defines capital as the amount presented in the equity section of the balance sheet.

In order to maintain or adjust its capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares. The Company is not subject to any external capital requirements as at the year end.

17. Cost of sales

	2012 $	2011 $
Raw materials used	829,890	822,269
Direct labor	110,072	95,228
Overhead cost	221,627	231,268
Cost of goods manufactured	1,161,589	1,148,765
Trading goods	700,357	819,823
	1,861,946	1,968,588

18. Selling expenses

	2012 $	2011 $
Wages, salaries and benefits (note 20)	275,839	352,250
Payroll tax (note 20)	15,166	25,709
Repairs and maintenance	5,494	18,484
Depreciation and amortization	10,674	9,517
Fuel expenses	8,906	8,881
Other taxes and licenses	3,665	3,170
Insurance expenses	2,929	3,361
Stationery and other office supplies	2,177	1,933
	324,850	423,305

19. Administrative expenses

	2012 $	2011 $
Wages, salaries and benefits (note 20)	404,271	366,646
Professional services	55,392	117,176
Depreciation and amortization	73,483	85,400
Insurance expenses	37,219	37,086
Payroll tax (note 20)	21,890	29,256
Repairs and maintenance	10,614	19,868
Telephone and other communication	13,710	12,912
Electricity and water	10,858	11,487
Other taxes and licenses	8,848	11,047
Stationery and other office supplies	6,441	9,539
Subscription and dues	6,549	9,744
Employee training (note 20)	2,883	-
Postage	1,868	1,550
	654,026	711,711

20. Personnel expenses

This consists of:

	2012 $	2011 $
Salaries and wages	754,950	777,488
Other employee benefits	143,677	156,142
Pension expenses	30,781	35,754
	929,408	969,384

The breakdown of personnel expenses is as follows:

	2012 $	2011 $
Cost of sales	209,359	195,523
Selling expenses	291,004	377,959
Administrative expenses	429,045	395,902
	929,408	969,384

Key management comprises members of the board of directors, executive committees and senior management. Compensation of key management consists of:

	2012 $	2011 $
Salaries and wages	251,020	202,545
Other employee benefits	34,410	38,115
Pension expenses	9,577	9,521
	295,007	250,181

21. Other expense

This account consists of:

	2012 $	2011 $
Bad debts expense	6,518	7,361
Donations	2,012	11,530
Bank charges	17,355	18,218
Other miscellaneous	2,587	2,484
	28,472	39,593

22. Transition to IFRS

The effect of the Company's transition to IFRS, described in note 2, is summarized in this note as follows:

i. Transition elections;
ii. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS; and
iii. Adjustments to the statement of cash flows.

i. Transition elections
The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

a. Deemed cost of property plant and equipment
The effect of this election is described in more detail in note 22.ii.b.

b. Business combination
The Company elected to apply the exemption under IFRS 1 for business combination. The effects of this selection are; (1) the classification of former business combination under previous GAAP is maintained; and (2) there is no re-measurement of original "fair values" determined at the time of the business combination or date of acquisition.

ii. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS

BALANCE SHEET	Explanatory Notes	2011 Canadian GAAP	IFRS Adjustment	2011 IFRS	April 1, 2010 Canadian GAAP	IFRS Adjustment	April 1, 2010 IFRS
Assets							
Current Assets							
Cash and cash equivalents		573,815	-	573,815	829,621	-	829,621
Trade and other receivables	a	386,641	-	386,641	332,096	7,468	339,564
Inventories		942,604	-	942,604	879,761	-	879,761
Other current assets	a	68,342	(1,501)	66,841	50,787	(1,501)	49,286
		1,971,402	(1,501)	1,969,901	2,092,265	5,967	2,098,232
Non-current assets							
Property, plant and equipment		858,194	-	858,194	899,988	-	899,988
Intangible assets		80,185	-	80,185	65,133	-	65,133
Other non-current assets	a	-	1,501	1,501	-	1,501	1,501
Total Assets		2,909,781	-	**2,909,781**	**3,057,386**	**7,468**	**3,064,854**
Liabilities							
Current liabilities							
Trade and other payables	a	201,027	83	201,110	371,454	7,549	379,003
		201,027	83	201,110	371,454	7,549	379,003
Equity							
Share capital		220,838	-	220,838	220,838	-	220,838
Share premium		146,744	-	146,744	146,744	-	146,744
Other reserve	b	283,445	(283,445)	-	309,949	(309,949)	-
Retained earnings	b	2,057,727	283,362	2,341,089	2,008,401	309,868	2,318,269
Total liabilities and equity		2,909,781	-	**2,909,781**	**3,057,386**	**7,468**	**3,064,854**

INCOME STATEMENT	Explanatory Notes	Year ended March 31, 2011		
		Canadian GAAP	IFRS Adjustment	IFRS
Net revenue		3,268,328	-	3,268,328
Cost of sales	a	1,975,073	(6,485)	1,968,588
Gross income		1,293,255	6,485	1,299,740
Selling expenses	a	439,237	(15,932)	423,305
Marketing expenses	a	-	15,932	15,932
Administrative expenses	a	749,627	(37,916)	711,711
Other expenses	a	-	39,593	39,593
Operating expenses		1,188,864	1,677	1,190,541
Other income	a	28,848	746	29,594
Other gains and losses	a	-	(5,554)	(5,554)
Net income for the period		133,239	-	133,239
Other comprehensive income		-	-	-
Total comprehensive income		133,239	-	133,239

Explanatory Notes

a. The Company reclassified certain items in the financial statements to conform to current year presentation.

b. In accordance with IFRS transitional provisions, the Company elected to use previous revaluation of Land and Building as deemed cost at the date of transition to IFRS. The adjustment to the statement of financial position is a reclassification of $283,445 and $309,949 at March 31, 2011 and April 1, 2010, respectively, from “Other reserve” to “Retained earnings”. For other items of property, plant and equipment, their carrying amounts were used as deemed cost.

iii. Adjustment to statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company.