NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years except for the adoption of the following:

(i) MASB 22, Segment Reporting;
(ii) MASB 23, Impairment of Assets;
(iii) MASB 24, Financial Instruments: Disclosure and Presentation;
(iv) MASB 25, Income Taxes; and
(v) MASB 27, Borrowing Costs.

In addition to the inclusion of new policies and extended disclosures where required by these new standards, the effect of the changes in the above accounting policies are disclosed in Note 21 to these financial statements.

(a) Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Kuala Lumpur Stock Exchange. The registered office of the Company is located at Sungei Way Brewery, Lot 1135, Batu 9, Jalan Klang Lama, PO Box 144, 46710 Petaling Jaya, Selangor Darul Ehsan.

(b) Basis of accounting

The financial statements of the Group and of the Company are prepared under the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(c) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed off during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

NOTES TO THE FINANCIAL STATEMENTS

(d) Property, plant and equipment

Freehold land and capital work-in-progress are stated at cost. All other property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

(e) Depreciation

Freehold land and capital work-in-progress are not amortised. Leasehold land is amortised in equal instalments over the period of the respective leases which range from 61 to 95 years. The straight line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

Buildings	2%
Plant and equipment	5% to 7.5%
Movable plant	10% to 25%

(f) Investments

Investments in subsidiaries are stated at cost or valuation, less impairment loss where applicable.

(g) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(h) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

(i) Liabilities

Trade and other payables are stated at cost.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is arrived at on the following bases:

Raw materials	-	specific
Work-in-progress	-	average
Finished goods	-	average
Packaging materials	-	average
Engineering stores and spares	-	average

Cost includes raw materials, duties where applicable, and other expenses in bringing the inventories into store. For finished goods and work-in-progress, cost also includes direct labour and an appropriate proportion of production overheads. In arriving at net realisable value, due allowance is made for obsolescence.

(k) *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of change in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(l) *Impairment*

The carrying amounts of assets, other than inventories and financial assets (other than investment in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

(m) *Income tax*

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised on the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

(n) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

ii) Financial statements of overseas subsidiaries

The balance sheets of overseas subsidiaries are translated at closing rates. Exchange differences arising on the retranslation at closing rates of the opening balance sheets of overseas subsidiaries are taken to reserves.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of overseas subsidiaries are mainly as follows:

1USD	RM3.80	(2002 : RM3.80)
1GBP	RM6.33	(2002 : RM5.88)
1SGD	RM2.19	(2002 : RM2.17)
1EURO	RM4.38	(2002 : RM3.80)

(o) Derivative financial instruments

The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge its exposure to foreign exchange risks arising from operational activities.

Derivative financial instruments used for hedging purposes are accounted for on an equivalent basis to the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and marked to market at balance sheet date. Any profit or loss is recognised in the income statement.

(p) Revenue

i) Goods sold

Revenue from sales of goods is measured at the fair value of the consideration receivable, less sales tax, and is recognised in the income statement upon delivery and invoicing to the customer.

ii) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

2. Property, plant and equipment

Group ***Cost/Valuation***	**Freehold land RM'000**	**Long term leasehold land and buildings RM'000**	**Plant and machinery RM'000**	**Movable plant RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
At 1 July 2002	4,037	82,915	227,495	108,551	13,341	436,339
Additions	-	349	42	1,350	21,015	22,756
Disposals	-	-	(5,599)	(6,738)	-	(12,337)
Transfers	-	1,543	12,298	3,929	(17,770)	-
At 30 June 2003	**4,037**	**84,807**	**234,236**	**107,092**	**16,586**	**446,758**
Representing items at:						
Cost	4,037	32,915	234,236	107,092	16,586	394,866
Valuation (1984)	-	51,892	-	-	-	51,892
At 30 June 2003	**4,037**	**84,807**	**234,236**	**107,092**	**16,586**	**446,758**
Depreciation and impairment losses						
At 1 July 2002	-	26,825	110,820	75,540	-	213,185
Depreciation charge for the year	-	1,883	12,423	9,698	-	24,004
Disposals	-	-	(5,598)	(6,351)	-	(11,949)
At 30 June 2003	**-**	**28,708**	**117,645**	**78,887**	**-**	**225,240**
Net book value						
At 30 June 2003	**4,037**	**56,099**	**116,591**	**28,205**	**16,586**	**221,518**
At 30 June 2002	4,037	56,090	116,675	33,011	13,341	223,154
For the year ended 30 June 2002 Depreciation charge	-	1,936	12,544	10,879	-	25,359

Company *Cost/Valuation*	**Long term leasehold land and buildings RM'000**	**Plant and machinery RM'000**	**Movable plant RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
At 1 July 2002	81,372	227,494	86,331	13,341	408,538
Additions	99	42	127	21,015	21,283
Disposals	-	(5,599)	(2,030)	-	(7,629)
Transfers	1,543	12,298	3,929	(17,770)	-
At 30 June 2003	**83,014**	**234,235**	**88,357**	**16,586**	**422,192**
Representing items at:					
Cost	31,122	234,235	88,357	16,586	370,300
Valuation (1984)	51,892	-	-	-	51,892
At 30 June 2003	**83,014**	**234,235**	**88,357**	**16,586**	**422,192**
Depreciation and impairment losses					
At 1 July 2002	25,590	110,820	62,555	-	198,965
Depreciation charge for the year	1,739	12,423	6,648	-	20,810
Disposals	-	(5,599)	(1,990)	-	(7,589)
At 30 June 2003	**27,329**	**117,644**	**67,213**	**-**	**212,186**
Net book value					
At 30 June 2003	**55,685**	**116,591**	**21,144**	**16,586**	**210,006**
At 30 June 2002	55,782	116,674	23,776	13,341	209,573
For the year ended 30 June 2002 Depreciation charge	1,727	12,544	7,466	-	21,737

The Directors revalued the Company's long term leasehold land and buildings in 1984 to fair market value based on an independent professional valuation. This revaluation of properties was carried out primarily for the purpose of issuing bonus shares and was not intended to effect a change in the accounting policy to one of revaluation of properties.

Had all the long term leasehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amount that would have been included in the financial statements at the end of the year would be as follows:

	Group		**Company**	
	2003 RM'000	2002 RM'000	**2003 RM'000**	2002 RM'000
Long term leasehold land and buildings	**40,379**	40,053	**39,965**	39,745

3. Investment in subsidiaries

	Company 2003 RM'000	Company 2002 RM'000
Unquoted shares		
- at cost	**32,474**	32,474
- at Directors' valuation	**14,244**	14,244
	46,718	46,718

The following are the wholly owned subsidiaries of the Group:

Name of Company	Principal Activities	Country of incorporation
Guinness Anchor Marketing Sendirian Berhad	Marketing and promotion of GUINNESS Stout, GUINNESS Draught, Tiger Beer, Heineken Beer, Anchor Smooth, Anchor Ice Beer, Baron's Strong Brew, Lion Stout, Kilkenny Draught, Anglia Shandy and Malta in Malaysia	Malaysia
Ramaha Corporation (M) Sdn. Bhd.	Property holding and land development	Malaysia
Guinness Singapore Pte Limited *	Dormant	Republic of Singapore
Guinness (B) Sendirian Berhad *	Dormant	Negara Brunei Darussalam
Malayan Breweries Marketing Sdn. Bhd.	Dormant	Malaysia
Malayan Breweries (Malaya) Sdn. Berhad	Dormant	Malaysia
Guinness Sabah Sendirian Berhad	Dormant	Malaysia
Guinness Sarawak Sendirian Berhad	Dormant	Malaysia

*Overseas incorporated subsidiaries audited by member firms of KPMG International.

The cost of investment in a subsidiary was revalued in 1989 to incorporate the bonus issue received from it.

NOTES TO THE FINANCIAL STATEMENTS

4. Inventories

	Group		Company	
	2003	2002	**2003**	2002
	RM'000	RM'000	**RM'000**	RM'000
At cost				
Raw materials	**11,260**	9,896	**11,260**	9,896
Work-in-progress	**4,904**	3,983	**4,904**	3,983
Finished goods	**18,874**	9,984	**6,201**	4,945
Packaging materials	**3,699**	3,457	**3,699**	3,457
Engineering stores and spares	**3,461**	3,669	**3,093**	3,299
	42,198	30,989	**29,157**	25,580

5. Trade and other receivables

	Group		Company	
	2003	2002	**2003**	2002
	RM'000	RM'000	**RM'000**	RM'000
Trade receivables	**111,577**	107,198	**8,453**	3,251
Less: Allowance for doubtful debts	**(16,642)**	(15,255)	**(75)**	(75)
	94,935	91,943	**8,378**	3,176
Holding company	**-**	48	**-**	48
Subsidiaries	**-**	-	**42,250**	75,472
Other receivables, deposits and prepayments	**6,641**	9,165	**4,839**	6,128
	101,576	101,156	**55,467**	84,824

Included in other receivables, deposits and prepayments are amounts falling due after more than one year of RM3,222,000 (2002 - RM6,064,000) and RM2,395,000 (2002 - RM3,978,000) for the Group and Company, respectively.

The amounts due from subsidiaries are interest free and have no fixed terms of repayment. The balances arose out of inter-company sales and other current account transactions.

6. Cash and cash equivalents

	Group		Company	
	2003	2002	**2003**	2002
	RM'000	RM'000	**RM'000**	RM'000
Deposits placed with licensed banks	**87,802**	84,401	**87,802**	84,401
Cash and bank balances	**17,330**	23,334	**9,279**	4,188
	105,132	107,735	**97,081**	88,589

7. Trade and other payables

	Group		Company	
	2003	2002	**2003**	2002
	RM'000	RM'000	**RM'000**	RM'000
Trade payables	**71,856**	70,749	**49,307**	47,656
Other payables and accruals	**50,631**	67,276	**20,052**	30,135
Holding company	**253**	-	**253**	-
Subsidiaries	**-**	-	**64,607**	64,544
	122,740	138,025	**134,219**	142,335

The amounts due to subsidiaries are interest free and have no fixed terms of repayment. The balances arose out of current account transactions.

8. Share capital

	Group and Company	
	2003	2002
	RM'000	RM'000
Authorised		
400,000,000 shares of 50 sen each	**200,000**	200,000
Issued and fully paid		
302,098,000 stock units of 50 sen each	**151,049**	151,049

9. Reserves

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained profits as at 30 June 2003 if paid out as dividends.

Subject to agreement by the Singapore tax authorities, the Company has Singapore Section 44 tax credit amounting to SGD19.3 million available to frank its retained profits as at 30 June 2003 if paid out as dividend. The Singapore Section 44 tax credit will expire on 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS

10. Deferred tax

The amounts, determined after appropriate offsetting, are as follows

	Group		Company	
	2003	2002	**2003**	2002
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax liabilities	**36,242**	29,429	**36,242**	29,429
Deferred tax assets	**(2,500)**	-	**-**	-
	33,742	29,429	**36,242**	29,429

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

The recognised deferred tax assets and liabilities (before offsetting) are as follows:

	Group		Company	
	2003	2002	**2003**	2002
	RM'000	RM'000	**RM'000**	RM'000
Property, plant and equipment				
- capital allowances	**34,830**	35,017	**34,830**	35,017
- revaluation	**4,492**	4,492	**4,492**	4,492
- items expensed	**(2,500)**	-	**-**	-
Accruals	**(3,080)**	(10,080)	**(3,080)**	(10,080)
	33,742	29,429	**36,242**	29,429

No deferred tax was recognised for the following items at 30 June 2002:

	Group
	2002
	RM'000
Deductible temporary differences	4,590
Unutilised tax losses	13,106
	17,696

11. Operating profit

	Group		Company	
	2003	2002	**2003**	2002
	RM'000	RM'000	**RM'000**	RM'000
Operating profit is arrived at after crediting:				
Gains on disposal of property, plant and equipment	**2,328**	2,601	**586**	664
Realised gain on foreign exchange	**-**	1,243	**-**	1,124
Rental income from subsidiary	**-**	-	**-**	111
and after charging:				
Auditors' remuneration	**105**	105	**70**	70
Directors' emoluments				
Remuneration*	**2,795**	2,259	**2,795**	2,259
Fees	**180**	180	**180**	180
Depreciation	**24,004**	25,359	**20,810**	21,737
Hire of equipment	**362**	471	**350**	471
Legal fees paid to firm in which a Director is a member	**407**	305	**114**	4
Rental expense on land and buildings	**2,030**	2,100	**534**	680
Unrealised loss on foreign exchange	**201**	342	**200**	308
Realised loss on foreign exchange	**172**	-	**151**	-

*The estimated monetary value of Directors' benefits in kind included above is RM369,000 (2002 – RM448,000) and RM369,000 (2002 – RM448,000) for the Group and Company respectively.

12. Employee information

	Group		Company	
	2003	2002	**2003**	2002
	RM'000	RM'000	**RM'000**	RM'000
Staff costs	**47,339**	61,733	**21,173**	37,595
Number of employees at the end of the year (including Directors)	**525**	613	**251**	315

13. Tax expense

	Group		Company	
	2003	2002	**2003**	2002
	RM'000	RM'000	**RM'000**	RM'000
Current tax expense				
Malaysian - current	**26,110**	28,853	**16,594**	29,000
- prior year	**(1,066)**	(4,265)	**(1,066)**	(243)
	25,044	24,588	**15,528**	28,757
Deferred tax expense				
Origination and reversal of temporary differences	**4,373**	(3,271)	**6,813**	(3,271)
Benefit of previously unrecognised temporary differences	**(60)**	-	-	-
	29,357	21,317	**22,341**	25,486
Reconciliation of tax expense				
Profit before taxation	**107,363**	93,718	**69,134**	88,972
Income tax using Malaysian tax rates	**30,062**	26,241	**19,358**	24,912
Non-deductible expenses	**4,718**	1,764	**4,606**	1,290
Tax incentives	**(557)**	(473)	**(557)**	(473)
Effect of tax losses recognised	**(3,800)**	(1,950)	**-**	-
	30,423	25,582	**23,407**	25,729
Overprovision in prior years	**(1,066)**	(4,265)	**(1,066)**	(243)
Tax expense	**29,357**	21,317	**22,341**	25,486

14. Earnings per 50 sen stock unit

The calculation of basic earnings per 50 sen stock unit is based on the Group's profit after taxation of RM78,006,000 (2002 - RM72,401,000) and the number of stock units in issue at the end of the year of 302,098,000 (2002 - 302,098,000).

15. Dividends

	Group and Company 2003 RM'000	2002 RM'000
Dividends per 50 sen stock unit:		
Paid:		
Interim dividend of 12 sen gross, less Singapore tax at 22% (2002 - 12 sen gross, less tax at 28%)	**28,277**	26,101
Special interim dividend of Nil (2002 - 12 sen gross, less Singapore tax at 22%)	**-**	28,277
	28,277	54,378
Proposed:		
Final dividend of 12 sen gross, less Singapore tax at 22% (2002 - 12 sen gross, less Singapore tax at 22%)	**28,277**	28,277
Special final dividend of 12 sen gross, less Singapore tax at 22% (2002 – Nil)	**28,277**	-
	56,554	28,277
	84,831	82,655

For the purpose of paying the interim dividend of 12 sen gross, less Singapore tax at 22%, the Company has declared itself to be a resident of Singapore under paragraph 3 Article VII of the Income Tax (Singapore-Malaysia) (Avoidance of Double Tax Agreement) Order, 1973. The interim dividend is franked out of the Company's Singapore Section 44 tax credit account.

The proposed final and special final dividends of 24 sen gross, less Singapore tax at 22%, totalling RM56,554,000 has not been accounted for in the financial statements.

The net dividends per ordinary share as disclosed in the Income Statement takes into account the interim and proposed final and special final dividends for the relevant current financial years.

16. Segmental information

The Group operates solely in the brewing industry involving production, packaging, marketing and distribution of its products, principally in Malaysia. Approximately 2% of the total sales are exports, mainly to South East Asian countries based on location of customers.

NOTES TO THE FINANCIAL STATEMENTS

17. Commitments

	Group and Company	
	2003	2002
	RM'000	RM'000
Capital commitments not provided for in the financial statements:		
Property, plant and equipment		
Authorised but not contracted for	**3,643**	3,494
Authorised and contracted for	**1,340**	4,401
	4,983	7,895

18. Contingent liabilities

The Group is involved in the following litigation matters:

(a) An action has been filed in Court by the Company and Asia Pacific Breweries Limited against Carlsberg Brewery Malaysia Berhad and Carlsberg Marketing Sdn Bhd over an advertisement that appeared in certain newspapers. The case is based on infringement of the Plaintiffs' "Tiger" beer trademark and on slander of goods. The trial of the action has been rescheduled to May 2004. Meanwhile, the Court has fixed case management at the end of August 2003 to give directions on the case.

(b) Carlsberg Brewery Malaysia Berhad commenced legal action against the Company over certain advertisements in the media in respect of the World Cup Golf tournament that was held in Malaysia from 18 November 1999 to 21 November 1999. The trial of the action is now fixed for hearing by Court during the 1st and 2nd week of November 2003 and 1st week of December 2003.

External counsel has advised that there are good grounds to oppose the claim of liability and in the event that liability is established against the Company there are strong grounds to oppose the claim for damages.

(c) An action has been filed in Court by CNBC Sports International Limited and Lira Media Sdn Bhd against the Company and another party over two of the advertisements referred to in (b) above relating to the World Cup Golf tournament that was held in Malaysia from 18 November 1999 to 21 November 1999. The trial of this action will be heard together with the action in (b) above.

External counsel has advised that there are good grounds to oppose the claim of liability and in the event that liability is established against the Company there are strong grounds to oppose the claim for damages.

19. Related parties

Identity of related parties

The Group has a controlling related party relationship with its ultimate holding company and the substantial shareholders of the ultimate holding company.

The Directors regard GAPL Pte Ltd, a company incorporated in the Republic of Singapore, as the ultimate holding company. GAPL Pte Ltd is a joint venture company whose ultimate owners are Diageo plc, a company incorporated in England and Wales, and Asia Pacific Breweries Limited (APBL), a company incorporated in the Republic of Singapore. Fraser and Neave Limited (F & N) and Heineken International BV (Heineken) are shareholders of Asia Pacific Investment Pte Ltd, a company incorporated in the Republic of Singapore, which is the holding company of APBL.

The Group also has a related party relationship with its Directors and key management personnel and the close members of their families.

Related party transactions

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

2003	**Diageo plc and its related companies RM'000**	**F & N and its related companies RM'000**	**Heineken and its related companies RM'000**
Purchase of goods	19,167	14,936	505
Sale of products	6,991	182	5,971
Royalties payable	4,479	3,913	819
Marketing and technical services	2,514	-	2,618
2002			
Purchase of goods	19,158	14,173	270
Sale of products	7,907	228	5,870
Royalties payable	4,612	3,128	1,472
Marketing and technical services	3,256	-	1,229

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

NOTES TO THE FINANCIAL STATEMENTS

20. Financial instruments

Financial risk management objectives and policies
Exposure to credit and currency risk arises in the normal course of the Group and the Company's business. The Group and the Company have written risk management policies and guidelines which set out their overall business strategies, their tolerance to risk and their general risk management philosophy and have established processes to monitor and control the hedging of transactions in a timely and accurate manner.

Derivative financial instruments such as forward foreign exchange contracts are used as hedges to reduce operational exposure to foreign exchange risks.

The accounting policies in relation to derivative financial instruments are set out in note 1(o).

Credit risk
Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group requires collateral to be pledged by all dealers to cover a percentage of their outstanding balances.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Foreign currency risk
The Group and the Company incur foreign currency risk on purchases denominated in currencies other than Ringgit Malaysia. The currency giving rise to this risk is primarily the EURO.

The Group and the Company is authorised to enter into foreign exchange contracts of not more than twelve months for capital projects and long term committed raw materials supply, and not more than six months for other exposures.

The deferred/unrecognised gain associated with anticipated future transactions is RM35,000 (2002 – Nil) and the expected timing of recognition as income or expense is over the next six months (where necessary, the forward exchange contracts are rolled over at maturity at market rates).

In respect of other monetary assets and liabilities held in currencies other than Ringgit Malaysia, the net exposure is kept to an acceptable level by the buying or selling of foreign currencies at spot rates where necessary to address short term imbalances.

Effective interest rates

In respect of interest-earning financial assets, the following table indicates the effective interest rates at the balance sheet date and the periods in which the asset reprice or mature, whichever is earlier.

Group and Company	**Effective interest rate per annum %**	**Total RM'000**	**Within 1 year RM'000**	**1 - 5 years RM'000**
2003				
Financial assets				
Cash and cash equivalents	2.7	87,802	87,802	-
2002				
Financial assets				
Cash and cash equivalents	3.0	84,401	84,401	-

Fair value

The carrying amounts of the financial assets and liabilities recorded at the balance sheet date approximate their fair values.

Unrecognised financial instruments

The valuation of financial instruments not recognised in the balance sheet reflects their current market rates at the balance sheet date.

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 30 June are:

Group and Company	**2003 Contracted amount RM'000**	**2003 Fair value RM'000**	2002 Contracted amount RM'000	2002 Fair value RM'000
Forward foreign exchange contracts	6,370	6,370	-	-

2003 **Group and Company**	**Contracted Amount RM'000**	**Within 1 year RM'000**	**1 – 5 years RM'000**	**After 5 years RM'000**
Forward foreign exchange contracts	6,370	6,370	-	-
2002				
Group and Company				
Forward foreign exchange contracts	-	-	-	-

21. Changes in accounting policies and prior year adjustments

In the current financial year, the Company adopted five new MASB Standards. The adoption of these new standards resulted in changes in accounting policies as follows:

(a) MASB 22, Segmental Reporting and MASB 24, Financial Instruments: Disclosure and Presentation, which have been adopted prospectively;

(b) MASB 23, Impairment of Assets which is applied prospectively. The restatement of comparative figures and prior year adjustment are therefore not presented. The adoption of this Standard has no material impact on the financial statements;

(c) MASB 25, Income Taxes which has been adopted retrospectively. Comparative figures have been adjusted to reflect the change in this accounting policy; and

(d) MASB 27, Borrowing Costs which is applied retrospectively. Comparative figures have not been restated as the previous policy was in line with the accounting standards.

The adoption of MASB 25 has resulted in the recognition in full of all taxable temporary differences. Previously, deferred tax liabilities on the revaluation surplus was provided at Real Property Gains Tax rates; it is now provided at income tax rates on the revaluation surplus arising from the revaluation of the long term leasehold land and buildings resulting in a reduction of RM3,388,000 in the retained profits at 1 July 2001. Deferred tax assets are now recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised (previously only recognised where there was a reasonable expectation of realisation in the near future).

This change in accounting policy, applied retrospectively, has the following impact on results:

	Group		Company	
	2003	2002	**2003**	2002
	RM'000	RM'000	**RM'000**	RM'000
Net profit before change in accounting policy	**75,506**	72,401	**46,793**	63,486
Effect of adoption of MASB 25	**2,500**	-	**-**	-
	78,006	72,401	**46,793**	63,486

Prior year adjustments

Change in accounting policy

The change in accounting policy due to the adoption of MASB 25 has been accounted for by restating comparatives and adjusting the opening balance of retained profits at 1 July 2001 as disclosed in Note 22 and the statement of changes in equity respectively.

22. Comparative figures

The following comparatives have been restated to reflect the change in accounting policies as explained in Note 21.

	Group		Company	
	As restated RM'000	**As previously stated RM'000**	**As restated RM'000**	**As previously stated RM'000**
Balance sheets				
Deferred tax liabilities	29,429	26,041	29,429	26,041
Reserves	124,748	128,136	105,727	109,115
Statements of Changes in Equity				
Retained profits at 1 July 2001	158,921	162,309	153,171	156,559
Retained profits at 30 June 2002	120,258	123,646	105,727	109,115