

# 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 MASB 29, Employee Benefits. Apart from the inclusion of new policies and extended disclosures where required by the new standard, there is no effect on 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 Bursa Malaysia Securities Berhad. 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.

### (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.

## Notes to the Financial Statements

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) Employee benefits

i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

ii) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the Income Statement as incurred.

# Notes to the Financial Statements

(i) 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.

(j) Liabilities

Trade and other payables are stated at cost.

(k) 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.

(l) 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.

(m) 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.

## Notes to the Financial Statements

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.

(n) 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.

(o) 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.

# Notes to the Financial Statements

## 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	(2003	:	RM3.80)
1GBP	RM6.94	(2003	:	RM6.33)
1SGD	RM2.24	(2003	:	RM2.19)
1EUR	RM4.64	(2003	:	RM4.33)

## (p) 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.

## (q) Revenue

### i) Goods sold

Revenue from sales of goods is measured at the fair value of the consideration receivable (2003 - less sales tax, but now restated (see Note 21) 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.

## Notes to the Financial Statements

### 2. Property, plant and equipment

<i>Group</i>	<i>Freehold land</i>	<i>Long term leasehold land and buildings</i>	<i>Plant and machinery</i>	<i>Movable plant</i>	<i>Capital work-in-progress</i>	<i>Total</i>
<i>Cost/Valuation</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
At 1 July 2003	4,037	84,807	234,236	107,092	16,586	446,758
Additions	-	289	131	2,391	32,436	35,247
Disposals	-	-	(5,715)	(3,488)	-	(9,203)
Transfers	-	10	16,820	9,559	(26,389)	-
At 30 June 2004	4,037	85,106	245,472	115,554	22,633	472,802
Representing items at:						
Cost	4,037	33,214	245,472	115,554	22,633	420,910
Valuation (1984)	-	51,892	-	-	-	51,892
At 30 June 2004	4,037	85,106	245,472	115,554	22,633	472,802
Depreciation and Impairment losses						
At 1 July 2003	-	28,708	117,645	78,887	-	225,240
Depreciation charge for the year	-	1,938	12,902	9,246	-	24,086
Disposals	-	-	(3,176)	(3,433)	-	(6,609)
At 30 June 2004	-	30,646	127,371	84,700	-	242,717
Net book value						
At 30 June 2004	4,037	54,460	118,101	30,854	22,633	230,085
At 30 June 2003	4,037	56,099	116,591	28,205	16,586	221,518
For the year ended 30 June 2003						
Depreciation charge	-	1,883	12,423	9,698	-	24,004

## Notes to the Financial Statements

### 2. Property, plant and equipment (continued)

<i>Company</i> <i>Cost/Valuation</i>	<i>Long term leasehold land and buildings</i> <i>RM'000</i>	<i>Plant and machinery</i> <i>RM'000</i>	<i>Movable plant</i> <i>RM'000</i>	<i>Capital work-in-progress</i> <i>RM'000</i>	<i>Total</i> <i>RM'000</i>
At 1 July 2003	83,014	234,235	88,357	16,586	422,192
Additions	15	131	422	32,436	33,004
Disposals	-	(5,715)	(690)	-	(6,405)
Transfers	10	16,820	9,559	(26,389)	-
At 30 June 2004	83,039	245,471	97,648	22,633	448,791
Representing items at:					
Cost	31,147	245,471	97,648	22,633	396,899
Valuation (1984)	51,892	-	-	-	51,892
At 30 June 2004	83,039	245,471	97,648	22,633	448,791
Depreciation and Impairment losses					
At 1 July 2003	27,329	117,644	67,213	-	212,186
Depreciation charge for the year	1,766	12,902	6,462	-	21,130
Disposals	-	(3,176)	(663)	-	(3,839)
At 30 June 2004	29,095	127,370	73,012	-	229,477
Net book value					
At 30 June 2004	53,944	118,101	24,636	22,633	219,314
At 30 June 2003	55,685	116,591	21,144	16,586	210,006
For the year ended 30 June 2003					
Depreciation charge	1,739	12,423	6,648	-	20,810

## Notes to the Financial Statements

### 2. Property, plant and equipment (continued)

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:

	<i>Group</i>		<i>Company</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Long term leasehold land and buildings	39,056	40,379	38,540	39,965

### 3. Investment in subsidiaries

	<i>Company</i>	
	<i>2004</i>	<i>2003</i>
	<i>RM'000</i>	<i>RM'000</i>
Unquoted shares		
- at cost	32,474	32,474
- at Directors' valuation	14,244	14,244
	46,718	46,718

# Notes to the Financial Statements

## 3. Investment in subsidiaries (continued)

The following are the wholly owned subsidiaries of the Group:

<i>Name of Company</i>	<i>Principal Activities</i>	<i>Country of incorporation</i>
Guinness Anchor Marketing Sendirian Berhad	Marketing and promotion of Tiger Beer, Guinness Stout, Guinness Draught, Heineken Beer, Anchor Smooth, Anchor Ice Beer, Lion Stout, Baron's Strong Brew, 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.

## 4. Inventories

<i>Group</i>	<i>Company</i>				
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	
<i>At cost</i>					
Raw materials		7,080	11,260	7,080	11,260
Work-in-progress		3,355	4,904	3,355	4,904
Finished goods		26,305	18,874	7,109	6,201
Packaging materials		4,329	3,699	4,329	3,699
Engineering stores and spares		3,603	3,461	3,227	3,093
		44,672	42,198	25,100	29,157

## Notes to the Financial Statements

### 5. Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Trade receivables	115,537	111,577	7,302	8,453
Less: Allowance for doubtful debts	(19,918)	(16,642)	(75)	(75)
	95,619	94,935	7,227	8,378
Subsidiaries	-	-	4,043	42,250
Other receivables, deposits and prepayments	6,115	6,641	4,035	4,839
	101,734	101,576	15,305	55,467

Included in other receivables, deposits and prepayments are staff loans with amounts falling due after more than one year of RM2,909,000 (2003 - RM3,222,000) and RM2,090,000 (2003 - RM2,395,000) 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

	<i>Group</i>		<i>Company</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Deposits placed with licensed banks	104,290	87,802	104,290	87,802
Cash and bank balances	10,719	17,330	2,156	9,279
	115,009	105,132	106,446	97,081

# Notes to the Financial Statements

## 7. Trade and other payables

	<i>Group</i>		<i>Company</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Trade payables	75,703	71,856	49,128	49,307
Other payables and accruals	51,094	50,631	22,096	20,052
Holding company	115	253	115	253
Subsidiaries	-	-	72,364	64,607
	126,912	122,740	143,703	134,219

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

	<i>Group and Company</i>	
	<i>2004</i>	<i>2003</i>
	<i>RM'000</i>	<i>RM'000</i>
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 2004 if paid out as dividends.

Subject to agreement by the Singapore tax authorities, the Company has Singapore Section 44 tax credit amounting to SGD8.875 million available to frank its retained profits as at 30 June 2004 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:

	<i>Group</i>		<i>Company</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Deferred tax liabilities	35,310	36,242	35,310	36,242
Deferred tax assets	(3,795)	(2,500)	-	-
	31,515	33,742	35,310	36,242

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 relates to the same taxation authority.

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

	<i>Group</i>		<i>Company</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Property, plant and equipment				
- capital allowances	33,970	34,830	33,970	34,830
- revaluation	4,313	4,492	4,313	4,492
- items expensed	(3,795)	(2,500)	-	-
Accruals	(2,973)	(3,080)	(2,973)	(3,080)
	31,515	33,742	35,310	36,242

# Notes to the Financial Statements

## 11. Operating profit

	<i>Group</i>		<i>Company</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
<b>Operating profit is arrived at after crediting:</b>				
Gains on disposal of property, plant and equipment	1,016	2,328	-	586
Realised gain on foreign exchange	327	-	347	-
<b>and after charging:</b>				
Auditors' remuneration	105	105	70	70
Directors' emoluments				
Remuneration*	2,570	2,630	2,570	2,630
Defined contributions	191	165	191	165
Fees	180	180	180	180
Depreciation	24,086	24,004	21,130	20,810
Hire of equipment	406	362	383	350
Legal fees paid to firm in which a Director is a member	653	407	522	114
Loss on disposal of property, plant and equipment	2,460	-	2,460	-
Rental expense on land and buildings	2,236	2,030	633	534
Unrealised loss on foreign exchange	199	201	199	200
Realised loss on foreign exchange	-	172	-	151

\* The estimated monetary value of Directors' benefits in kind included above is RM477,000 (2003 – RM369,000) and RM477,000 (2003 – RM369,000) for the Group and Company, respectively.

## 12. Employee information

	<i>Group</i>		<i>Company</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Staff costs				
- defined contribution	5,558	6,052	2,745	3,288
- other	39,338	41,287	20,388	17,885
	44,896	47,339	23,133	21,173
Number of employees at the end of the year (including Directors)	533	525	249	251

## Notes to the Financial Statements

### 13. Tax expense

	<i>Group</i>		<i>Company</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Current tax expense				
Malaysian - current	36,000	26,110	16,000	16,594
- prior year	(2,938)	(1,066)	(2,587)	(1,066)
	33,062	25,044	13,413	15,528
Deferred tax expense				
Origination and reversal of temporary differences	(2,227)	4,373	(932)	6,813
Benefit of previously unrecognised temporary differences	-	(60)	-	-
	30,835	29,357	12,481	22,341
<b>Reconciliation of tax expense</b>				
Profit before taxation	129,254	107,363	63,110	69,134
Income tax using Malaysian tax rates	36,191	30,062	17,671	19,358
Non-deductible expenses	318	4,718	133	4,606
Tax incentives	(2,736)	(557)	(2,736)	(557)
Effect of tax losses recognised	-	(3,800)	-	-
	33,773	30,423	15,068	23,407
Overprovision in prior years	(2,938)	(1,066)	(2,587)	(1,066)
Tax expense	30,835	29,357	12,481	22,341

### 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 RM98,419,000 (2003 - RM78,006,000) and the number of stock units in issue at the end of the year of 302,098,000 (2003 - 302,098,000).

# Notes to the Financial Statements

## 15. Dividends

	<i>Group and Company</i>	
	<i>2004</i>	<i>2003</i>
	<i>RM'000</i>	<i>RM'000</i>
Dividends per 50 sen stock unit:		
Paid:		
Interim dividend of 12 sen gross, less Singapore tax at 20% (2003 - 12 sen gross, less Singapore tax at 22%)	29,001	28,277
	<b>29,001</b>	<b>28,277</b>
Proposed:		
Final dividend of 12 sen gross, less Singapore tax at 20% (2003 - 12 sen gross, less Singapore tax at 22%)	29,001	28,277
Special final dividend of 14 sen gross, less Singapore tax at 20% (2003 - 12 sen gross, less Singapore tax at 22%)	33,835	28,277
	<b>62,836</b>	<b>56,554</b>
	<b>91,837</b>	<b>84,831</b>

For the purpose of paying the interim and final and special final dividend of 12 sen gross, less Singapore tax at 22% for 2003's final and special final dividend and 20% for interim dividend respectively, 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 and final and special final dividends are franked out of the Company's Singapore Section 44 tax credit account.

The proposed final and special final dividends of 26 sen gross, less Singapore tax at 20%, totaling RM62,836,400 have not been accounted for in the financial statements.

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

	<i>Group and Company</i>	
	<i>2004</i>	<i>2003</i>
	<i>RM'000</i>	<i>RM'000</i>
Capital commitments not provided for in the financial statements:		
Property, plant and equipment		
Authorised but not contracted for	11,121	3,643
Authorised and contracted for	2,571	1,340
	13,692	4,983

## 18. Contingent liabilities

The following is the status of the material litigation, which the Group is involved in:

(a)KL High Court D7(D6)-22-1007-00:- Parallel Television (2001) Ltd (formerly known as CNBC Sports International Ltd) & Anor (CNBC - World Cup case)

This suit was dismissed with all taxed costs to be borne by the Company. On 4 August 2004, the Plaintiffs have filed an appeal to the Court of Appeal.

The following litigation cases have been settled:-

(b)KL High Court D7-22-2589-99:- Carlsberg Malaysia Bhd v Guinness Anchor Berhad (Carlsberg-World Cup case)

(c)KL High Court D1-22-1226-99:- Asia Pacific Breweries Limited & Guinness Anchor Berhad v Carlsberg Brewery Malaysia Berhad & Carlsberg Marketing Sdn Bhd (Beer Chang case)

All parties to the above legal suits had agreed to withdraw their respective suits against each other, with each party bearing their own costs. The Court in agreeing to the said settlements, had dismissed both legal suits with no order as to costs in July 2004.

# Notes to the Financial Statements

## 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:

	<i>Diageo plc and its related companies RM'000</i>	<i>F &amp; N and its related companies RM'000</i>	<i>Heineken and its related companies RM'000</i>
<b>2004</b>			
Purchase of goods	13,998	25,332	2,021
Sale of products	8,332	463	5,979
Royalties payable	4,598	4,418	1,079
Marketing and technical services payable	2,578	-	2,672
Marketing fees receivable	-	12,730	-
<b>2003</b>			
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

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, foreign currency and liquidity 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 sets 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(p).

### 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 are RM135,000 (2003 – RM35,000) 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.

# Notes to the Financial Statements

## 20. Financial instruments (continued)

### Liquidity risk

The Group and the Company monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to finance the Group and the Company's operation and to mitigate the effects of fluctuation in cash flows.

### 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.

<i>Group and Company</i>	<i>Effective interest rate per annum %</i>	<i>Total RM'000</i>	<i>Within 1 year RM'000</i>	<i>1 – 5 years RM'000</i>
<b>2004</b>				
<b>Financial assets</b>				
Cash and cash equivalents	2.7	104,290	104,290	-
<b>2003</b>				
<b>Financial assets</b>				
Cash and cash equivalents	2.7	87,802	87,802	-

### Fair value

#### *Recognised financial instruments*

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.

## Notes to the Financial Statements

### 20. Financial instruments (continued)

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

<i>Group and Company</i>	2004	2004	2003	2003
	<i>Contracted amount</i>	<i>Fair value</i>	<i>Contracted amount</i>	<i>Fair value</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Forward foreign exchange contracts	6,305	6,305	6,370	6,370

These foreign exchange contracts expire within a year from balance sheet date.

### 21. Comparative figures

Comparatives for Group revenue and cost of sales have been grossed up for sales tax.