

Notes to the Financial Statements

for the year ended 30 June 2007

Guinness Anchor Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Sungei Way Brewery,
Lot 1135, Batu 9, Jalan Klang Lama,
P.O. Box 144,
46710 Petaling Jaya,
Selangor Darul Ehsan.

The consolidated financial statements as at and for the financial year ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the Group).

The Company is principally engaged in the production, packaging and distribution of GUINNESS Stout, GUINNESS Draught, Anchor Smooth, Anchor Strong Beer, Tiger Beer, Heineken Beer, Kilkenny Draught, Anglia Shandy and Malta while the principal activities of the other Group entities are as stated in Note 6 to the financial statements.

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, a company incorporated in the Republic of Singapore.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The MASB has issued the following Financial Reporting Standards (FRSs) and Interpretations that are effective for annual periods beginning after 1 January 2006, and that have not been applied in preparing these financial statements:

FRSs / Interpretations	Effective date
FRS 124, <i>Related Party Disclosures</i>	1 October 2006
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	To be announced
Amendment to FRS 119 ₂₀₀₄ , <i>Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures</i>	1 January 2007
FRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2007
Amendment to FRS 121, <i>The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation</i>	1 July 2007
IC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 July 2007
IC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	1 July 2007
IC Interpretation 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 July 2007
IC Interpretation 6, <i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>	1 July 2007
IC Interpretation 7, <i>Applying the Restatement Approach under FRS 129₂₀₀₄ Financial Reporting in Hyperinflationary Economies</i>	1 July 2007
IC Interpretation 8, <i>Scope of FRS 2, Share-based Payment</i>	1 July 2007
FRS 107, <i>Cash Flow Statements</i>	1 July 2007
FRS 111, <i>Construction Contracts</i>	1 July 2007

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

FRSs / Interpretations	Effective date
FRS 112, <i>Income Taxes</i>	1 July 2007
FRS 118, <i>Revenue</i>	1 July 2007
FRS 119, <i>Employee Benefits</i>	1 July 2007
FRS 120, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	1 July 2007
FRS 126, <i>Accounting and Reporting by Retirement Benefit Plans</i>	1 July 2007
FRS 129, <i>Financial Reporting in Hyperinflationary Economies</i>	1 July 2007
FRS 134, <i>Interim Financial Reporting</i>	1 July 2007
FRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 July 2007

In this set of financial statements, the Group and the Company have chosen to early adopt FRS 117, *Leases* which is effective for annual periods beginning on or after 1 October 2006.

The Group and the Company plan to apply FRS 124 initially for the annual period beginning 1 July 2007 and to apply the rest of the above-mentioned FRSs (except for the Amendment to FRS 119₂₀₀₄, FRS 6, FRS 111, FRS 120, FRS 126, FRS 129, IC Interpretation 1, IC Interpretation 2, IC Interpretation 5, IC Interpretation 6 and IC Interpretation 7 as explained below and FRS 139 which its effective date has yet to be announced) and Interpretations for the annual period beginning 1 July 2008.

The impact of applying FRS 124 and FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective standards.

Amendment to FRS 119₂₀₀₄, FRS 6, FRS 111, FRS 120, FRS 126, FRS 129, IC Interpretation 1, IC Interpretation 2, IC Interpretation 5, IC Interpretation 6 and IC Interpretation 7 are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

The initial application of the other standards and interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

The effects of adopting the new / revised FRSs in 2007 are set out in Notes 4, 5 and 23.

The financial statements were approved by the Board of Directors on 28 August 2007.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

Notes to the Financial Statements

for the year ended 30 June 2007

1. Basis of preparation (cont'd)

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

2. Significant accounting policies (cont'd)

(i) Foreign currency transactions (cont'd)

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, are translated to RM at exchange rates at the balance sheet date. Exchange differences arising on the retranslation at closing rates of the opening balance sheet of overseas subsidiaries are taken to reserves. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(c) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Forward foreign exchange contracts used are accounted for on an equivalent basis as 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.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost / valuation less accumulated depreciation and impairment losses. The Group has availed itself to the transitional provision when the MASB first adopted IAS 16, Property, Plant and Equipment in 1998. Certain freehold land and buildings were revalued in 1984 and no later valuation has been recorded for these property, plant and equipment.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Notes to the Financial Statements

for the year ended 30 June 2007

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

- leasehold buildings 50 years
- plant and equipment 13 - 20 years
- movable plant 4 - 10 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(e) Leased assets (Leasehold land)

The Group had previously classified a lease of land as finance lease and had recognised the amount of prepaid lease payments as property within its property, plant and equipment. On early adoption of FRS 117, *Leases*, the Group treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions in FRS 117.67A.

The prepaid lease payments are amortised evenly over the respective lease term of the land which ranges from 61 to 95 years. Operating lease payments are recognised as an expense in the income statement.

Revalued leasehold land

The Group had previously revalued its leasehold land in 1984 and has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions in FRS 117.67A. Such prepaid lease payments is amortised over the lease term.

2. Significant accounting policies (cont'd)

(f) Intangible assets

Costs that are directly associated with identifiable computer software and that will probably generate economic benefits exceeding costs beyond one year or cost savings to the Group, and are not integral to other fixed assets are recognised as intangible assets. These costs include the software development employee costs and an appropriate portion of relevant overheads. The computer software development costs are recognised as assets and are amortised upon completion of the computer software on a straight line basis over its estimated useful life of 4 years.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

(g) 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.

(h) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(i) 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 changes in value.

(j) Impairment of assets

The carrying amounts of assets except for financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Notes to the Financial Statements

for the year ended 30 June 2007

2. Significant accounting policies (cont'd)

(j) Impairment of assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the 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.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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 been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(k) Borrowings

Borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

(l) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the Employees Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

2. Significant accounting policies (cont'd)

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability.

(i) *Contingent liabilities*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(o) Revenue

(i) *Goods sold*

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) *Interest income*

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

(iii) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(p) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Notes to the Financial Statements

for the year ended 30 June 2007

2. Significant accounting policies (cont'd)

(q) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred.

(r) Tax expense

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Property, plant and equipment

Group		Freehold land RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Movable plant RM'000	Capital work-in- progress RM'000	Total RM'000
Cost/Valuation	Note						
At 1 July 2005		4,037	67,203	271,598	124,534	5,135	472,507
Additions		-	125	392	2,275	26,852	29,644
Disposals		-	-	(4,014)	(7,967)	-	(11,981)
Transfers		-	3,224	20,344	6,195	(29,763)	-
At 30 June 2006		4,037	70,552	288,320	125,037	2,224	490,170
Additions		-	134	329	4,397	17,562	22,422
Disposals		-	(108)	-	(8,020)	-	(8,128)
Transfers		-	1,339	2,860	10,362	(14,561)	-
Transfer to Intangible assets upon adoption of FRS 138	4	-	-	-	(21,030)	-	(21,030)
At 30 June 2007		4,037	71,917	291,509	110,746	5,225	483,434
Representing items at:							
Cost		4,037	40,324	291,509	110,746	5,225	451,841
Valuation (1984)		-	31,593	-	-	-	31,593
At 30 June 2007		4,037	71,917	291,509	110,746	5,225	483,434

Accumulated depreciation

At 1 July 2005		-	27,318	141,573	92,715	-	261,606
Depreciation charge for the year		-	1,740	15,168	9,456	-	26,364
Disposals		-	-	(3,795)	(7,794)	-	(11,589)
At 30 June 2006		-	29,058	152,946	94,377	-	276,381
Depreciation charge for the year		-	1,891	15,557	8,431	-	25,879
Disposals		-	(80)	-	(7,924)	-	(8,004)
Transfer to Intangible assets upon adoption of FRS 138	4	-	-	-	(15,915)	-	(15,915)
At 30 June 2007		-	30,869	168,503	78,969	-	278,341

Carrying amounts

At 1 July 2005		4,037	39,885	130,025	31,819	5,135	210,901
At 30 June 2006		4,037	41,494	135,374	30,660	2,224	213,789
At 30 June 2007		4,037	41,048	123,006	31,777	5,225	205,093

Notes to the Financial Statements

for the year ended 30 June 2007

3. Property, plant and equipment (cont'd)

Company		Leasehold buildings RM'000	Plant and machinery RM'000	Movable plant RM'000	Capital work-in- progress RM'000	Total RM'000
Cost	Note					
At 1 July 2005		65,125	271,598	104,958	5,135	446,816
Additions		-	392	195	26,852	27,439
Disposals		-	(4,014)	(2,456)	-	(6,470)
Transfers		3,224	20,344	6,195	(29,763)	-
At 30 June 2006		68,349	288,320	108,892	2,224	467,785
Additions		20	329	1,260	17,562	19,171
Disposals		(108)	-	(6,219)	-	(6,327)
Transfers		1,339	2,860	10,362	(14,561)	-
Transfer to Intangible assets upon adoption of FRS 138	4	-	-	(21,030)	-	(21,030)
At 30 June 2007		69,600	291,509	93,265	5,225	459,599
Representing items at:						
Cost		38,007	291,509	93,265	5,225	428,006
Valuation (1984)		31,593	-	-	-	31,593
At 30 June 2007		69,600	291,509	93,265	5,225	459,599

Accumulated depreciation

At 1 July 2005		25,555	141,572	79,888	-	247,015
Depreciation charge for the year		1,583	15,169	7,054	-	23,806
Disposals		-	(3,795)	(2,326)	-	(6,121)
At 30 June 2006		27,138	152,946	84,616	-	264,700
Depreciation charge for the year		1,733	15,557	6,180	-	23,470
Disposals		(80)	-	(6,126)	-	(6,206)
Transfer to Intangible assets upon adoption of FRS 138	4	-	-	(15,915)	-	(15,915)
At 30 June 2007		28,791	168,503	68,755	-	266,049

Carrying amounts

At 1 July 2005		39,570	130,026	25,070	5,135	199,801
At 30 June 2006		41,211	135,374	24,276	2,224	203,085
At 30 June 2007		40,809	123,006	24,510	5,225	193,550

3. Property, plant and equipment (cont'd)

The Directors revalued the Company's long term leasehold 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 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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Long term leasehold buildings	40,668	41,045	40,428	40,761

4. Intangible assets

Group and Company	Note	Computer software RM'000
Cost		
At 1 July 2005		-
At 30 June 2006		-
Transfer from property, plant and equipment	3	21,030
Write off		(12,636)
At 30 June 2007		8,394
Amortisation		
At 1 July 2005		-
At 30 June 2006		-
Transfer from property, plant and equipment	3	15,915
Amortisation for the year	13	1,967
Write off		(12,636)
At 30 June 2007		5,246
Carrying amounts		
At 1 July 2005		-
At 30 June 2006		-
At 30 June 2007		3,148

Notes to the Financial Statements

for the year ended 30 June 2007

5. Prepaid lease payments

Group and Company	Note	Leasehold land		Total RM'000
		Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	
Cost/Valuation				
At 1 July 2005		-	-	-
Effect of adopting FRS 117	23	12,795	7,396	20,191
At 1 July 2005, restated / 30 June 2006/ 30 June 2007		12,795	7,396	20,191
Amortisation				
At 1 July 2005		-	-	-
Effect of adopting FRS 117	23	3,359	1,951	5,310
At 1 July 2005, restated		3,359	1,951	5,310
Amortisation for the year	13	162	94	256
At 30 June 2006		3,521	2,045	5,566
Amortisation for the year	13	162	94	256
At 30 June 2007		3,683	2,139	5,822
Carrying amounts				
At 1 July 2005, restated		9,436	5,445	14,881
At 30 June 2006		9,274	5,351	14,625
At 30 June 2007		9,112	5,257	14,369

6. Investment in subsidiaries

	Company	
	2007 RM'000	2006 RM'000
Unquoted shares		
- at cost	32,474	32,474
- at Directors' valuation	14,244	14,244
	46,718	46,718

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2007 %	2006 %
Guinness Anchor Marketing Sdn Bhd	Malaysia	Marketing and promotion of GUINNESS Stout, GUINNESS Draught, Anchor Smooth, Anchor Strong Beer, Tiger Beer, Heineken Beer, Kilkenny Draught, Anglia Shandy and Malta in Malaysia	100	100
Ramaha Corporation (M) Sdn Bhd	Malaysia	Property holding and land development	100	100
Guinness Singapore Pte Limited# and its subsidiary:	Singapore	Dormant	100	100
Guinness (B) Sdn Bhd*	Negara Brunei Darussalam	Dormant	100	100
Malayan Breweries (Malaya) Sdn Bhd and its subsidiary:	Malaysia	Dormant	100	100
Malayan Breweries Marketing Sdn Bhd	Malaysia	Dormant	100	100
Guinness Sabah Sdn Bhd	Malaysia	Dormant	100	100
Guinness Sarawak Sdn Bhd	Malaysia	Dormant	100	100

Not required to be audited, and consolidated using unaudited financial statements.

* Overseas incorporated subsidiary 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

for the year ended 30 June 2007

7. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Property, plant and equipment	2,809	3,971	(35,208)	(38,304)	(32,399)	(34,333)
Other items	3,885	5,394	-	-	3,885	5,394
Tax assets/(liabilities)	6,694	9,365	(35,208)	(38,304)	(28,514)	(28,939)
Set off of tax	(3,885)	(5,394)	3,885	5,394	-	-
Net tax assets/(liabilities)	2,809	3,971	(31,323)	(32,910)	(28,514)	(28,939)
Company						
Property, plant and equipment	-	-	(35,208)	(38,304)	(35,208)	(38,304)
Other items	3,885	5,394	-	-	3,885	5,394
Tax assets/(liabilities)	3,885	5,394	(35,208)	(38,304)	(31,323)	(32,910)

Movement in temporary differences during the year

Group	At 1.7.2005 RM'000	Recognised in income statement (Note 14) RM'000	At 30.6.2006 RM'000	Recognised in income statement (Note 14) RM'000	At 30.6.2007 RM'000
	Property, plant and equipment	34,868	(535)	34,333	(1,934)
Other items	(6,434)	1,040	(5,394)	1,509	(3,885)
	28,434	505	28,939	(425)	28,514
Company					
Property, plant and equipment	38,434	(130)	38,304	(3,096)	35,208
Other items	(6,434)	1,040	(5,394)	1,509	(3,885)
	32,000	910	32,910	(1,587)	31,323

8. Receivables, deposits and prepayments

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-current					
Other receivables	a	2,271	2,591	1,416	1,917
Current					
Trade					
Trade receivables		150,987	139,850	10,089	7,135
Less: Allowance for doubtful debts		(14,814)	(17,400)	-	-
		136,173	122,450	10,089	7,135
Non-trade					
Amount due from subsidiaries	b	-	-	4,043	4,043
Other receivables	a	2,449	2,322	1,219	2,227
Deposits		850	932	273	309
Prepayments		354	660	354	660
		3,653	3,914	5,889	7,239
		139,826	126,364	15,978	14,374

Note a

Included in other receivables of the Group and the Company are staff loans of RM2,934,000 (2006 - RM3,254,000) and RM1,873,000 (2006 - RM2,393,000) of which RM2,271,000 (2006 - RM2,591,000) and RM1,416,000 (2006 - RM1,917,000) are repayable after the next 12 months respectively.

Note b

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.

9. Inventories

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At cost				
Raw materials	12,810	4,928	12,810	4,928
Work-in-progress	4,876	5,806	4,876	5,806
Finished goods	14,369	20,882	6,083	6,269
Packaging materials	4,167	3,294	4,167	3,294
Engineering stores and spares	3,717	4,183	3,583	4,011
	39,939	39,093	31,519	24,308

Notes to the Financial Statements

for the year ended 30 June 2007

10. Cash and cash equivalents

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits placed with licensed banks	142,572	102,172	142,572	102,172
Cash and bank balances	12,033	17,359	7,136	3,900
	154,605	119,531	149,708	106,072

11. Payables and accruals

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade				
Trade payables	75,759	62,075	36,690	27,741
Non-trade				
Amount due to ultimate holding company	-	280	-	280
Amount due to subsidiaries	-	-	192,065	110,721
Other payables	1,573	1,570	1,229	1,272
Accrued expenses	62,915	58,994	24,401	23,985
	64,488	60,844	217,695	136,258
	140,247	122,919	254,385	163,999

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

12. Equity

	Group and Company	
	2007 RM'000	2006 RM'000
Share capital		
Authorised:		
400,000,000 ordinary 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

Section 108 tax credit

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 distributable reserves at 30 June 2007 if paid out as dividends.

13. Operating profit

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
		Restated		Restated
Operating profit is arrived at after charging:				
Amortisation of intangible assets	1,967	-	1,967	-
Amortisation of prepaid lease payments	256	256	256	256
Auditors' remuneration				
- Statutory audit	110	105	70	70
- Other services	202	256	181	229
Directors' emoluments				
- Remuneration*	3,980	3,338	3,969	3,149
- Defined contributions	109	162	109	162
- Fees	265	266	259	260
Depreciation of property, plant and equipment	25,879	26,364	23,470	23,806
Hire of equipment	384	339	356	337
Legal fees paid to firm in which a Director is a member	31	90	12	87
Personnel expenses (including directors)				
- Contribution to defined contribution plan	6,629	6,813	3,256	3,879
- Wages, salaries and others	45,422	45,371	23,930	24,255
Realised loss on foreign exchange	34	-	34	-
Rental expense on land and buildings	2,145	2,071	863	826
Unrealised loss on foreign exchange	-	245	-	245

Notes to the Financial Statements

for the year ended 30 June 2007

13. Operating profit (cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
		Restated		Restated
and after crediting:				
Gains on disposal of property, plant and equipment	763	2,329	238	382
Gross dividend from unquoted subsidiary	-	-	-	85,464
Realised gain on foreign exchange	33	31	-	16
Reversal of allowance for doubtful debts	2,586	2,890	-	-

* The estimated monetary value of Directors' benefits-in-kind included above is RM902,000 (2006 - RM450,000) and RM891,000 (2006 - RM409,000) for the Group and Company, respectively.

14. Tax expense

Recognised in the income statements

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current tax expense				
Malaysian - current year	41,158	35,489	15,850	37,903
- prior year	(1,135)	(21,980)	(255)	(24,199)
Total current tax recognised in the income statements	40,023	13,509	15,595	13,704
Deferred tax expense				
Origination and reversal of temporary differences	450	2,087	155	1,725
Overprovision in prior years	(875)	(1,582)	(1,742)	(815)
Total deferred tax recognised in the income statements	(425)	505	(1,587)	910
Total tax expense	39,598	14,014	14,008	14,614

14. Tax expense (cont'd)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Reconciliation of tax expense				
Profit for the year	112,561	128,197	46,378	137,001
Total tax expense	39,598	14,014	14,008	14,614
Profit excluding tax	152,159	142,211	60,386	151,615
Tax calculated using Malaysian tax rates of 27% (2006: 28%)	41,083	39,819	16,304	42,452
Non-deductible expenses	998	968	174	387
Tax incentives	(473)	(3,211)	(473)	(3,211)
Overprovision in prior years	(2,010)	(23,562)	(1,997)	(25,014)
Tax expense	39,598	14,014	14,008	14,614

15. Earnings per ordinary share

Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 June 2007 was based on the profit attributable to ordinary shareholders of RM112,561,000 (2006 - RM128,197,000) and a weighted average number of ordinary shares outstanding during the year of 302,098,000 (2006 - 302,098,000).

Weighted average number of ordinary shares

	2007 '000	2006 '000
Issued ordinary shares at beginning of the year	302,098	302,098
Basic earnings per ordinary share (sen)	37.3	42.4

Diluted earnings per share

There were no diluted earnings per share for the Group as at 30 June 2007.

Notes to the Financial Statements

for the year ended 30 June 2007

16. Dividends

Dividends recognised in the current year by the Company are:

	Net per share Sen	Total amount RM'000	Date of payment
2007			
Interim 2007 ordinary	9.49	28,669	18 May 2007
Final 2006 ordinary	20.88	63,078	28 November 2006
Total amount		91,747	
2006			
Interim 2006 ordinary	9.36	28,276	18 May 2006
Final 2005 ordinary	20.88	63,078	28 November 2005
Total amount		91,354	

The Directors now recommend the declaration of a final dividend of 32 sen gross per 50 sen stock unit, less tax at 27%, totalling RM70,570,000 payable on 14 December 2007.

17. Segmental information

The Group operates solely in the brewing industry involving production, packaging, marketing and distribution of its products, principally in Malaysia. Approximately 2% (2006 - 2%) of the total sales are exports, mainly to South East Asian countries based on location of customers.

18. 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 2 (c).

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.

18. Financial instruments (cont'd)

Credit risk (cont'd)

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, Sterling Pound and US Dollar.

The Group and the Company are 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 RM82,000 (2006 – deferred/unrecognised gain RM19,000) 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.

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 operations and to mitigate the effects of fluctuation in cash flows.

Effective interest rates

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

Group and Company	Average effective interest rate per annum %	Total RM'000	Within 1 year RM'000
2007			
Financial assets			
Deposits placed with licensed banks	3.2	142,572	142,572
2006			
Financial assets			
Deposits placed with licensed banks	3.2	102,172	102,172

Notes to the Financial Statements

for the year ended 30 June 2007

18. Financial instruments (cont'd)

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.

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

Group and Company	2007 Contracted amount RM'000	2007 Fair value RM'000	2006 Contracted amount RM'000	2006 Fair value RM'000
Forward foreign exchange contracts	4,526	4,608	7,777	7,796

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

19. Operating leases

Leases as lessee

Operating lease rentals are payable as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Less than one year	1,657	1,552	390	554
Between one and five years	1,344	646	437	16
	3,001	2,198	827	570

The Group leases a number of warehouse and factory facilities under operating leases. The leases typically run for a period of 1 to 5 year with an option to renew the lease after that date.

20. Capital and other commitments

	Group and Company	
	2007 RM'000	2006 RM'000
Capital expenditure commitments		
Property, plant and equipment		
Authorised but not contracted for	5,529	6,126
Authorised and contracted for	1,929	1,905
	7,458	8,031

21. Material litigation

The following is the material litigation in which the Group is involved:

KL High Court D7(D6)-22-1007-00:- Parallel Television (2001) Ltd (formerly known as CNBC Sports International Ltd) & Anor vs Guinness Anchor Berhad and Star Publications (Malaysia) Berhad.

The suit was dismissed with all taxed costs to be borne by the Company. On 4 August 2004, the Plaintiffs filed an appeal to the Court of Appeal. The hearing date for the appeal has yet to be fixed.

22. 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 B V (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.

Notes to the Financial Statements

for the year ended 30 June 2007

22. Related parties (cont'd)

Related party transactions

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

	Diageo Plc and its related corporations	F&N and its related corporations		Heineken and its related corporations
	RM'000	APBL Group RM'000	Other F&N companies RM'000	RM'000
2007				
Purchase of goods	17,458	59	16,718	890
Sale of products	10,260	-	57	9,361
Royalties payable	4,617	5,011	-	1,508
Marketing and technical services payable	2,590	-	-	127
Marketing fees receivable	-	5,320	-	5,807
2006				
Purchase of goods	17,084	175	15,359	450
Sale of products	10,205	-	71	6,620
Royalties payable	4,537	4,377	-	1,016
Marketing and technical services payable	2,559	-	-	678
Marketing fees receivable	-	5,314	-	-

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

23. Comparative figures

Certain comparative figures have been reclassified as a result of changes in accounting policies as stated in Note 2 and to conform with the presentation requirements of FRS 101.

	Group		Company	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
2006				
Balance sheets				
Non-current assets				
Property, plant and equipment	213,789	228,414	203,085	217,710
Prepaid lease payments	14,625	-	14,625	-
Receivables	2,591	-	1,917	-
Current assets				
Receivables, deposits and prepayments	126,364	128,955	14,374	16,291
Income statements				
Amortisation of prepaid lease payment	256	-	256	-
Depreciation of property, plant and equipment	26,364	26,620	23,806	24,062
Cost of sales	(688,441)	(585,097)	-	-
Distribution, marketing and selling expenses	(122,972)	(226,316)	-	-

Leasehold land amounting to RM14,625,000 in 2006 was reclassified from property, plant and equipment to prepaid lease payments to comply with the requirements of FRS 117, *Leases* and the other reclassifications are made to conform with current year presentation.