

Financial Statements

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Directors' Report

FOR THE YEAR ENDED 30 JUNE 2008

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 30 June 2008.

PRINCIPAL ACTIVITIES

The Group and the Company are principally engaged in the production, packaging, marketing and distribution of Guinness Stout, Guinness Draught, Anchor Smooth, Anchor Strong Beer, Tiger Beer, Heineken Beer, Kilkenny Draught, Anglia Shandy and Malta. The principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit attributable to:		
Shareholders of the Company	125,857	136,666

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year under review.

DIVIDENDS

Since the end of the previous financial year, the Company paid:

- i) a final dividend of 32 sen gross per 50 sen stock unit, less tax at 27%, totalling RM70,570,000, in respect of the year ended 30 June 2007, on 14 December 2007.
- ii) an interim dividend of 13 sen gross per 50 sen stock unit, less tax at 26%, totalling RM29,062,000, in respect of the year ended 30 June 2008, on 16 May 2008.

The Directors now recommend the declaration of a final dividend of 14 sen per 50 sen stock unit tax exempt and 17 sen gross per 50 sen stock unit, less tax at 25%, totalling RM80,811,000 payable on 22 December 2008.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Tan Sri Saw Huat Lye (Chairman)
 Charles Henry Ireland (Managing Director)
 Tan Sri Dato' Alwi Jantan
 Chin Yoong Chong
 Dato' Jaffar Indot
 Low Teng Lum
 David Neill Moore
 David Heginbottom (Alternate Director to David Neill Moore)
 Dr. Leslie Buckley
 Sreesanthan Eliathamby (Appointed on 1 March 2008)
 Martin Giles Manen (Appointed on 29 August 2008)

DIRECTORS' INTERESTS

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	At 1.7.2007	Stock units of 50 sen each		At 30.6.2008
		Bought	Sold	
Shareholdings in which a Director has direct interest:				
Chin Yoong Chong	80,000	-	30,000	50,000
Shareholdings in which a Director is deemed to have an interest:				
Tan Sri Saw Huat Lye #	-	11,000	-	11,000

Deemed interest by virtue of stocks held by spouse.

None of the other Directors holding office at 30 June 2008 had any interest in the ordinary shares/stock units of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than legal fees paid to firms in which certain Directors are members.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2008

ISSUE OF SHARES

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

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, a company incorporated in the Republic of Singapore.

OTHER STATUTORY INFORMATION

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 30 June 2008 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



Tan Sri Saw Huat Lye
Director



Charles Henry Ireland
Director

Petaling Jaya,
29 August 2008

Statement by Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 90 to 118 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2008 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:



Tan Sri Saw Huat Lye
Director



Charles Henry Ireland
Director

Petaling Jaya,
29 August 2008

Statutory Declaration

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965



I, Low Teng Lum, the Director primarily responsible for the financial management of Guinness Anchor Berhad, do solemnly and sincerely declare that the financial statements set out on pages 90 to 118 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 29 August 2008.



Low Teng Lum

Before me:

NO. 655, TINGKAT 2,
BATU 4, JALAN IPOH,
51200 KUALA LUMPUR.

Commissioner for Oaths

Independent Auditors' Report

TO THE MEMBERS OF GUINNESS ANCHOR BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Guinness Anchor Berhad, which comprise the balance sheets as at 30 June 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 95 to 118.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2008 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report

TO THE MEMBERS OF GUINNESS ANCHOR BERHAD

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in note 6 to the financial statements. We have also considered the unaudited financial statements of Guinness Singapore Pte Limited.
- c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG**

Firm Number: AF 0758

Chartered Accountants

**Chen Foo Siong**

Partner

Approval Number: 547/11/08(J/PH)

Chartered Accountant

29 August 2008

Petaling Jaya, Malaysia

Balance Sheets

AS AT 30 JUNE 2008

	Note	2008 RM'000	Group 2007 RM'000	2008 RM'000	Company 2007 RM'000
Assets					
Non-current assets					
Property, plant and equipment	3	210,532	205,093	200,203	193,550
Intangible assets	4	2,953	3,148	2,953	3,148
Prepaid lease payments	5	14,113	14,369	14,113	14,369
Investment in subsidiaries	6	–	–	46,718	46,718
Deferred tax assets	7	2,338	2,809	–	–
Receivables	8	1,858	2,271	1,329	1,416
		231,794	227,690	265,316	259,201
Current assets					
Inventories	9	64,976	39,939	34,931	31,519
Receivables, deposits and prepayments	8	143,305	139,826	18,209	15,978
Cash and cash equivalents	10	183,374	154,605	174,027	149,708
		391,655	334,370	227,167	197,205
Total assets		623,449	562,060	492,483	456,406
Equity					
Share capital	12	151,049	151,049	151,049	151,049
Reserves		4,967	4,695	–	–
Retained earnings		255,318	229,365	55,288	18,254
Total equity attributable to shareholders of the Company		411,334	385,109	206,337	169,303
Liabilities					
Current liabilities					
Payables and accruals	11	172,281	140,247	252,965	254,385
Current tax liabilities		9,568	5,381	2,915	1,395
		181,849	145,628	255,880	255,780
Non-current liabilities					
Deferred tax liabilities	7	30,266	31,323	30,266	31,323
Total liabilities		212,115	176,951	286,146	287,103
Total equity and liabilities		623,449	562,060	492,483	456,406

The notes on pages 95 to 118 are an integral part of these financial statements.

Income Statements

FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 RM'000	Group 2007 RM'000	2008 RM'000	Company 2007 RM'000
Revenue		1,194,602	1,072,112	906,622	780,828
Cost of sales		(867,077)	(759,160)	(825,205)	(708,175)
Gross profit		327,525	312,952	81,417	72,653
Other income		4,054	7,276	813	4,400
Distribution, marketing and selling expenses		(130,415)	(132,936)	(4,341)	(3,738)
Administrative expenses		(33,055)	(32,779)	(10,773)	(11,145)
Other expenses		(2,887)	(4,834)	(2,880)	(4,566)
Dividend income		-	-	113,952	-
Operating profit	13	165,222	149,679	178,188	57,604
Interest income		4,278	3,161	4,260	3,129
Interest expense		(602)	(681)	(293)	(347)
Profit before tax		168,898	152,159	182,155	60,386
Tax expense	15	(43,041)	(39,598)	(45,489)	(14,008)
Profit for the year		125,857	112,561	136,666	46,378
Attributable to:					
Shareholders of the Company		125,857	112,561	136,666	46,378
Basic/Diluted earnings per 50 sen stock unit (sen)	16	41.7	37.3		

The notes on pages 95 to 118 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2008

Group	Note	Non-distributable		Distributable	Total equity RM'000
		Share capital RM'000	Capital reserve RM'000	Retained earnings RM'000	
At 1 July 2006		151,049	4,799	208,447	364,295
Net gains recognised directly in equity					
- Foreign exchange translation difference		-	(104)	104	-
Total recognised income and expense for the year					
- Profit for the year		-	-	112,561	112,561
Dividends paid	17	-	-	(91,747)	(91,747)
At 30 June 2007		151,049	4,695	229,365	385,109
Net losses recognised directly in equity					
- Foreign exchange translation difference		-	272	(272)	-
Total recognised income and expense for the year					
- Profit for the year		-	-	125,857	125,857
Dividends paid	17	-	-	(99,632)	(99,632)
At 30 June 2008		151,049	4,967	255,318	411,334

The notes on pages 95 to 118 are an integral part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2008

Company	Note	Share capital RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 1 July 2006		151,049	63,623	214,672
Profit for the year		-	46,378	46,378
Dividends paid	17	-	(91,747)	(91,747)
At 30 June 2007		151,049	18,254	169,303
Profit for the year		-	136,666	136,666
Dividends paid	17	-	(99,632)	(99,632)
At 30 June 2008		151,049	55,288	206,337

The notes on pages 95 to 118 are an integral part of these financial statements.

Cash Flow Statements

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Group 2008 RM'000	2007 RM'000	Company 2008 RM'000	2007 RM'000
Cash flows from operating activities					
Profit before tax		168,898	152,159	182,155	60,386
Adjustments for:					
Amortisation of intangible assets		1,961	1,967	1,961	1,967
Amortisation of prepaid lease payments		256	256	256	256
Depreciation of property, plant and equipment		25,859	25,879	23,515	23,470
Dividend income		–	–	(113,952)	–
Gain on disposal of property, plant and equipment		(1,061)	(763)	(192)	(238)
Interest expense		602	681	293	347
Interest income		(4,278)	(3,161)	(4,260)	(3,129)
Operating profit before changes in working capital		192,237	177,018	89,776	83,059
Changes in working capital:					
Inventories		(25,037)	(846)	(3,412)	(7,211)
Receivables, deposits and prepayments		(3,066)	(13,142)	(2,144)	(1,103)
Payables and accruals		32,034	17,328	(1,420)	90,386
Cash generated from operations		196,168	180,358	82,800	165,131
Tax paid		(39,440)	(34,482)	(45,026)	(13,718)
Interest paid		(602)	(681)	(293)	(347)
Net cash from operating activities		156,126	145,195	37,481	151,066
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(31,320)	(22,422)	(30,170)	(19,171)
Acquisition of intangible assets		(1,766)	–	(1,766)	–
Dividends received		–	–	113,952	–
Interest received		4,278	3,161	4,260	3,129
Proceeds from disposal of property, plant and equipment		1,083	887	194	359
Net cash (used in)/from investing activities		(27,725)	(18,374)	86,470	(15,683)
Cash flows from financing activity					
Dividends paid to shareholders of the Company	17	(99,632)	(91,747)	(99,632)	(91,747)
Net cash used in financing activity		(99,632)	(91,747)	(99,632)	(91,747)
Net increase in cash and cash equivalents		28,769	35,074	24,319	43,636
Cash and cash equivalents at 1 July	10	154,605	119,531	149,708	106,072
Cash and cash equivalents at 30 June	10	183,374	154,605	174,027	149,708

The notes on pages 95 to 118 are an integral part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

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 2008 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 subsidiaries 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.

The financial statements were approved by the Board of Directors on 29 August 2008.

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 Financial Reporting Standards (FRS) 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.

FRS 139, Financial Instruments: Recognition and Measurement, which has been issued by the MASB and is effective for annual periods beginning after 1 January 2010, has not been adopted by the Group and the Company. The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemption given in FRS 139.103AB.

(b) Basis of measurement

The financial statements have been prepared on 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.

(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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

1. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements (Cont'd)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the 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. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, 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 any 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 transactions, 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 transactions.

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 statements.

(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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(c) Derivative financial instruments**

The Group holds derivative financial instruments to hedge its foreign currency risk exposure.

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 any accumulated depreciation and any 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the income statements. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(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 statements as incurred.

(iii) Depreciation

Depreciation is recognised in the income statements 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 unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. 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 machinery 13 - 20 years
- movable plant 4 - 10 years

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

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

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.

(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 equipment 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 in the income statements 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, the estimated costs of completion and the estimated costs necessary to make the sale.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits placed with licensed 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.

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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. 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.

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 statements 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 statements 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 contributions to statutory pension funds 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

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.

(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 recognition

(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) 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 statements on a straight-line basis over the term of the lease.

(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 statements using the effective interest method, in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(r) Tax expense**

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements 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.

(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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	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							
At 1 July 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
Additions		-	155	333	2,459	28,373	31,320
Disposals		-	(9)	(670)	(4,158)	-	(4,837)
Transfers		-	6,316	10,346	15,247	(31,909)	-
At 30 June 2008		4,037	78,379	301,518	124,294	1,689	509,917
Representing items at:							
Cost		4,037	46,786	301,518	124,294	1,689	478,324
Valuation (1984)		-	31,593	-	-	-	31,593
At 30 June 2008		4,037	78,379	301,518	124,294	1,689	509,917
Accumulated depreciation							
At 1 July 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
Depreciation charge for the year		-	1,903	14,257	9,699	-	25,859
Disposals		-	(9)	(670)	(4,136)	-	(4,815)
At 30 June 2008		-	32,763	182,090	84,532	-	299,385
Carrying amounts							
At 1 July 2006		4,037	41,494	135,374	30,660	2,224	213,789
At 30 June 2007/ 1 July 2007		4,037	41,048	123,006	31,777	5,225	205,093
At 30 June 2008		4,037	45,616	119,428	39,762	1,689	210,532

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Note	Leasehold buildings RM'000	Plant and machinery RM'000	Movable plant RM'000	Capital work-in- progress RM'000	Total RM'000
Cost						
At 1 July 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
Additions		87	333	1,377	28,373	30,170
Disposals		(9)	(670)	(1,647)	–	(2,326)
Transfers		6,316	10,346	15,247	(31,909)	–
At 30 June 2008		75,994	301,518	108,242	1,689	487,443
Representing items at:						
Cost		44,401	301,518	108,242	1,689	455,850
Valuation (1984)		31,593	–	–	–	31,593
At 30 June 2008		75,994	301,518	108,242	1,689	487,443
Accumulated depreciation						
At 1 July 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
Depreciation charge for the year		1,784	14,257	7,474	–	23,515
Disposals		(9)	(670)	(1,645)	–	(2,324)
At 30 June 2008		30,566	182,090	74,584	–	287,240
Carrying amounts						
At 1 July 2006		41,211	135,374	24,276	2,224	203,085
At 30 June 2007/ 1 July 2007		40,809	123,006	24,510	5,225	193,550
At 30 June 2008		45,428	119,428	33,658	1,689	200,203

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

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	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Long term leasehold buildings	45,553	40,668	45,365	40,428

4. INTANGIBLE ASSETS

Group and Company	Note	Computer software	
		2008 RM'000	2007 RM'000
Cost			
At 1 July		8,394	-
Transfer from property, plant and equipment	3	-	21,030
Additions		1,766	-
Write off		-	(12,636)
At 30 June		10,160	8,394
Amortisation			
At 1 July		5,246	-
Transfer from property, plant and equipment	3	-	15,915
Amortisation for the year		1,961	1,967
Write off		-	(12,636)
At 30 June		7,207	5,246
Carrying amounts			
At 30 June		2,953	3,148

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

5. PREPAID LEASE PAYMENTS (LEASEHOLD LAND)

Group and Company	Note	Unexpired period more than 50 years	
		2008 RM'000	2007 RM'000
Cost/Valuation			
At 1 July/30 June		20,191	20,191
Amortisation			
At 1 July		5,822	5,566
Amortisation for the year	13	256	256
At 30 June		6,078	5,822
Carrying amounts			
At 30 June		14,113	14,369

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2008 RM'000	2007 RM'000
Unquoted shares		
- at cost	32,474	32,474
- at Directors' valuation	14,244	14,244
	46,718	46,718

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2008 %	2007 %
Guinness Anchor Marketing Sdn Bhd	Malaysia	Marketing and promotion of Guinness Stout, Guinness Draught, Anchor Smooth, Anchor Strong Beer, Tiger Beer, Heineken Beer, Kilkeny 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 2008

7. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Group						
Property, plant and equipment	2,338	2,809	(33,864)	(35,208)	(31,526)	(32,399)
Other items	3,598	3,885	-	-	3,598	3,885
Tax assets/ (liabilities)	5,936	6,694	(33,864)	(35,208)	(27,928)	(28,514)
Set off	(3,598)	(3,885)	3,598	3,885	-	-
Net tax assets/ (liabilities)	2,338	2,809	(30,266)	(31,323)	(27,928)	(28,514)
Company						
Property, plant and equipment	-	-	(33,864)	(35,208)	(33,864)	(35,208)
Other items	3,598	3,885	-	-	3,598	3,885
Tax assets/(liabilities)	3,598	3,885	(33,864)	(35,208)	(30,266)	(31,323)

Movement in temporary differences during the year

	At	Recognised	At	Recognised	At
	1.7.2006 RM'000	in income statement (Note 15) RM'000	30.6.2007 RM'000	in income statement (Note 15) RM'000	30.6.2008 RM'000
Group					
Property, plant and equipment	34,333	(1,934)	32,399	(873)	31,526
Other items	(5,394)	1,509	(3,885)	287	(3,598)
	28,939	(425)	28,514	(586)	27,928
Company					
Property, plant and equipment	38,304	(3,096)	35,208	(1,344)	33,864
Other items	(5,394)	1,509	(3,885)	287	(3,598)
	32,910	(1,587)	31,323	(1,057)	30,266

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

8. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	2008 RM'000	Group 2007 RM'000	2008 RM'000	Company 2007 RM'000
Non-current					
Other receivables	8.2	1,858	2,271	1,329	1,416
Current					
Trade					
Trade receivables		152,134	150,987	11,623	10,089
Less: Allowance for doubtful debts		(13,209)	(14,814)	-	-
		138,925	136,173	11,623	10,089
Non-trade					
Other receivables	8.2	3,190	2,449	1,841	1,219
Amount due from subsidiaries	8.3	-	-	4,043	4,043
Deposits		744	850	256	273
Prepayments		446	354	446	354
		4,380	3,653	6,586	5,889
		143,305	139,826	18,209	15,978

8.1 Analysis of foreign currency exposure for significant receivables

Significant receivables outstanding at year end that are not in the functional currency of the Group entities of Ringgit Malaysia are as follows:

	2008 RM'000	Group 2007 RM'000	2008 RM'000	Company 2007 RM'000
Foreign currency				
GBP	332	164	332	164
USD	4,704	4,213	4,704	4,213
SGD	1,054	1,425	1,054	1,415
	6,090	5,802	6,090	5,792

8.2 Other receivables

Included in other receivables of the Group and of the Company are staff loans of RM2,565,000 (2007 - RM2,934,000) and RM1,847,000 (2007 - RM1,873,000) of which RM1,858,000 (2007 - RM2,271,000) and RM1,329,000 (2007 - RM1,416,000) are repayable after the next 12 months respectively.

8.3 Amount due from subsidiaries

The amount due from subsidiaries is interest free and has no fixed terms of repayment. The balance arose out of inter-company sales and other current account transactions.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

9. INVENTORIES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Raw materials	13,950	12,810	13,950	12,810
Work-in-progress	4,789	4,876	4,789	4,876
Finished goods	37,795	14,369	7,871	6,083
Packaging materials	4,535	4,167	4,535	4,167
Engineering stores and spares	3,907	3,717	3,786	3,583
	64,976	39,939	34,931	31,519

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits placed with licensed banks	132,592	142,572	132,592	142,572
Cash and bank balances	50,782	12,033	41,435	7,136
	183,374	154,605	174,027	149,708

11. PAYABLES AND ACCRUALS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade				
Trade payables	105,641	75,759	46,132	36,690
Non-trade				
Amount due to ultimate holding company	59	-	59	-
Amount due to subsidiaries	-	-	176,521	192,065
Other payables	4,647	1,573	4,288	1,229
Accrued expenses	61,934	62,915	25,965	24,401
	66,640	64,488	206,833	217,695
	172,281	140,247	252,965	254,385

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

11. PAYABLES AND ACCRUALS (CONT'D)

11.1 Analysis of foreign currency exposure for significant payables

Significant payables outstanding at year end that are not in the functional currency of the Group entities of Ringgit Malaysia are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Foreign currency				
Euro	677	501	540	489
GBP	1,539	274	1,529	274
USD	462	350	143	350
	2,678	1,125	2,212	1,113

11.2 Amounts due to holding company and subsidiaries

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. SHARE CAPITAL AND RESERVES

12.1 Share capital

	Group and Company	
	2008 RM'000	2007 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

12.2 Capital reserve

The capital reserve comprises the equity portion of financial instruments issued.

12.3 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 retained earnings at 30 June 2008 if paid out as dividends.

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

13. OPERATING PROFIT

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Operating profit is arrived at after charging:				
Amortisation of intangible assets	1,961	1,967	1,961	1,967
Amortisation of prepaid lease payments	256	256	256	256
Auditors' remuneration				
- Statutory audit	115	110	70	70
- Other services	234	202	211	181
Depreciation of property, plant and equipment	25,859	25,879	23,515	23,470
Hire of equipment	454	384	362	356
Legal fees paid to firms in which certain Directors are members	206	31	172	12
Personnel expenses (including Directors)				
- Contributions to defined contribution plans	6,779	6,629	2,978	3,256
- Wages, salaries and others	46,448	45,422	21,926	23,930
Realised loss on foreign exchange	-	34	-	34
Rental expense on buildings	2,200	2,145	473	863
Unrealised loss on foreign exchange	563	-	556	-
and after crediting:				
Gains on disposal of property, plant and equipment	1,061	763	192	238
Dividend income from unquoted subsidiary	-	-	113,952	-
Realised gain on foreign exchange	188	33	120	-
Reversal of allowance for doubtful debts	1,605	2,586	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

14. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors				
- Fees	276	266	270	259
- Remuneration	2,145	3,078	2,145	3,078
- Defined contribution plan	127	109	127	109
Other short term employee benefits (including estimated monetary value of benefit-in-kind)	587	902	587	891
Total short-term employee benefits	3,135	4,355	3,129	4,337
Other key management personnel:				
- Salaries, wages and bonuses	2,288	1,545	1,308	1,158
- Defined contribution plan	185	145	109	94
Other short term employee benefits (including estimated monetary value of benefit-in-kind)	807	537	520	487
	3,280	2,227	1,937	1,739
	6,415	6,582	5,066	6,076

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

15. TAX EXPENSE

Recognised in the income statements

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current tax expense				
Malaysian - current year	44,327	41,158	46,997	15,850
- prior year	(700)	(1,135)	(451)	(255)
Total current tax	43,627	40,023	46,546	15,595
Deferred tax expense				
Origination and reversal of temporary differences	351	450	135	155
Overprovision in prior years	(937)	(875)	(1,192)	(1,742)
Total deferred tax	(586)	(425)	(1,057)	(1,587)
Total tax expense	43,041	39,598	45,489	14,008
Reconciliation of tax expense				
Profit for the year	125,857	112,561	136,666	46,378
Total tax expense	43,041	39,598	45,489	14,008
Profit excluding tax	168,898	152,159	182,155	60,386
Tax calculated using Malaysian tax rates of 26% (2007: 27%)	43,913	41,083	47,360	16,304
Non-deductible expenses	1,859	998	866	174
Tax incentives	(1,094)	(473)	(1,094)	(473)
Overprovision in prior years	(1,637)	(2,010)	(1,643)	(1,997)
Total tax expense	43,041	39,598	45,489	14,008

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

16. EARNINGS PER ORDINARY SHARE

Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 June 2008 was based on the profit attributable to ordinary shareholders of RM125,857,000 (2007 - RM112,561,000) and a weighted average number of ordinary shares outstanding during the year of 302,098,000 (2007 - 302,098,000).

Weighted average number of ordinary shares

	2008 '000	2007 '000
Issued ordinary shares at beginning of the year	302,098	302,098
Basic earnings per ordinary share (sen)	41.7	37.3

Diluted earnings per share

There were no diluted earnings per share for the Group as at 30 June 2008 and 2007.

17. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2008			
Interim 2008 ordinary	9.62	29,062	16 May 2008
Final 2007 ordinary	23.36	70,570	14 December 2007
Total amount		99,632	
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	

After the balance sheet date, the Directors recommend the declaration of a final dividend of 14 sen per 50 sen stock unit, tax exempt and 17 sen gross per 50 sen stock unit, less tax at 25% totaling RM80,811,000. The dividend will be recognized in subsequent financial reports upon approval by the shareholders.

18. SEGMENTAL INFORMATION

The Group operates solely in the brewing industry involving production, packaging, marketing and distribution of its products, principally in Malaysia. Approximately 2% (2007 - 2%) of the total sales are exports, mainly to South East Asian countries based on location of customers.

19. 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.

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 currencies giving rise to this risk are 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 RM34,000 (2007 - deferred/unrecognised gain RM82,000) 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's and the Company's operations and to mitigate the effects of fluctuation in cash flows.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

19. FINANCIAL INSTRUMENTS (CONT'D)

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
2008			
Financial assets			
Deposits placed with licensed banks	3.1	132,592	132,592
2007			
Financial assets			
Deposits placed with licensed banks	3.2	142,572	142,572

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 sheets reflects their current market rates at the balance sheet date.

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

Group and Company	2008 Contracted amount RM'000	2008 Market value RM'000	2007 Contracted amount RM'000	2007 Market value RM'000
Forward foreign exchange contracts	3,111	3,145	4,526	4,608

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

20. OPERATING LEASES

Leases as lessee

Operating lease rentals are payable as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Less than one year	1,645	1,657	631	390
Between one and five years	1,108	1,344	82	437
	2,753	3,001	713	827

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.

21. CAPITAL AND OTHER COMMITMENTS

	Group and Company	
	2008 RM'000	2007 RM'000
Capital expenditure commitments		
Property, plant and equipment		
Authorised but not contracted for	12,531	5,529
Authorised and contracted for	2,306	1,929
	14,837	7,458

22. 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

23. 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.

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 RM'000	APBL Group RM'000	F&N and its related corporations Other F&N companies RM'000	Heineken and its related corporations RM'000
2008				
Purchase of goods	17,063	2,485	21,598	805
Sale of products	11,914	-	-	8,361
Royalties payable	4,745	6,730	-	1,936
Marketing and technical services payable	2,676	-	-	596
Marketing fees receivable	-	5,876	-	4,273
Amounts due from	3,299	-	-	384
Amounts due to	3,113	1,551	1,826	475
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
Amounts due from	2,734	-	-	1,005
Amounts due to	1,623	1,135	762	454

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