

54	Directors' Report
58	Statement by Directors
58	Statutory Declaration
59	Report of the Auditors
60	Income Statements
61	Balance Sheets
62	Statement of Changes in Equity
63	Cash Flow Statements
65	Notes to the Financial Statements

Section 3

Financial Statements

DIRECTORS' REPORT

for the year ended 30 September 2002

The Directors present their report together with the audited financial statements of the Company and of the Group for the year ended 30 September 2002.

Principal Activities

The principal activities of the Company are investment holding and the provision of management services.

The subsidiary companies are primarily engaged in the manufacture and sale of glass containers, soft drinks and dairy products.

There have been no significant changes in the nature of these activities during the financial year.

Financial Results

	Group RM'000	Company RM'000
Net profit for the year	87,718	44,849
Retained profit brought forward	145,418	69,577
Exchange adjustment	(55)	–
Attributable Profit	233,081	114,426
Dividends	(35,650)	(35,650)
Retained profit carried forward	197,431	78,776

In the opinion of the Directors, the results of the operations of the Company and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the year under review other than as disclosed in the financial statements.

Dividends

The amounts paid by way of dividend by the Company since the end of the previous financial year were:

- (i) A final tax exempt dividend of 5 sen amounting to RM17,824,655 in respect of the previous financial year was paid on 27 March 2002; and
- (ii) An interim tax exempt dividend of 5 sen amounting to RM17,824,655 in respect of the current financial year was paid on 24 June 2002.

The Directors are recommending a final tax exempt dividend of 7 sen amounting to RM24,954,517 for the approval by shareholders at the forthcoming Annual General Meeting of the Company.



DIRECTORS' REPORT

for the year ended 30 September 2002

Directors

Directors of the Company in office since the date of the last report are:

Y.A.M. Tengku Syarif Bendahara Perlis Syed Badarudin Jamalullail ibni Almarhum Tuanku Syed Putra Jamalullail	
Tan Sri Dato' Dr. Lin See Yan	
Datuk Fong Weng Phak	
Dr. Radzuan bin A. Rahman	
Mr. Lee Kong Yip	
Puan Zaida Khalida binti Shaari	
Mr. Leslie Oswin Struys	
Mr. Tan Ang Meng	
Dr. Han Cheng Fong	(Appointed 8.5.2002)
Mr. Cheong Fook Seng, Anthony	(Appointed 1.10.2002)
Mr. Tan Wee Tee	
(Alternate to Mr. Tan Yam Pin)	(Appointed 8.5.2002, resigned 30.9.2002)
(Alternate to Dr. Han Cheng Fong)	(Re-appointed 1.10.2002)
Mr. Ian Alastair MacLean	(Resigned 8.5.2002 as director,
(Alternate to Dr. Han Cheng Fong)	re-appointed 8.5.2002 as alternate director, retired 30.9.2002)
Mr. Tan Yam Pin	(Retired 30.9.2002)

At the forthcoming Annual General Meeting, the following Directors retire and, being eligible, offer themselves for re-election:

- Tan Sri Dato' Dr. Lin See Yan, Datuk Fong Weng Phak and Mr. Lee Kong Yip pursuant to Article 97 of the Company's Articles of Association; and
- Dr. Han Cheng Fong and Mr. Cheong Fook Seng, Anthony pursuant to Article 103 of the Company's Articles of Association.

55

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for their entitlement to subscribe for options granted under the Company and the holding company's Executives' Share Option Schemes.

The following Directors who held office at the end of the financial year had according to the register, required to be kept under Section 134 of the Companies Act 1965, an interest in shares and share options of the Company or its related corporations, as stated below:

Companies in which Director held interest	Number of shares/share options			As at 30/9/02
	As at 1/10/01/*	Bought/Allocated	Sold/Lapsed/Exercised	
Y.A.M. Tengku Syed Badarudin Jamalullail Fraser & Neave Holdings Bhd				
– Ordinary shares	2,937,000	–	–	2,937,000
Ian Alastair MacLean Fraser and Neave Limited				
– Ordinary shares	154,081	120,077	(396)	273,762
– Share options	473,100	–	(180,600)	292,500
Asia Pacific Breweries Ltd				
– Ordinary shares	624	–	–	624
Centrepoint Properties Ltd				
– Ordinary shares	9,387	–	(9,387)	–

DIRECTORS' REPORT

for the year ended 30 September 2002

Companies in which Director held interest	Number of shares/share options			As at 30/9/02
	As at 1/10/01/*	Bought/ Allocated	Sold/ Lapsed/ Exercised	
Tan Yam Pin				
Fraser and Neave Limited				
– Ordinary shares	163,691	250,150	(41,385)	372,456
– Share options	645,150	135,000	(424,650)	355,500
Alternate: Tan Wee Tee				
Fraser and Neave Limited				
– Share options	34,560*	–	–	34,560
Leslie Oswin Struys				
Fraser and Neave Limited				
– Ordinary shares	10,150	–	–	10,150
Fraser and Neave Holdings Bhd				
– Ordinary shares	20,000	–	–	20,000
– Share options	58,050	–	(29,025)	29,025
Tan Ang Meng				
Fraser & Neave Holdings Berhad				
– Share options	–	59,000	–	59,000
Fraser and Neave Limited				
– Ordinary shares	14,000	2,000	–	16,000
Asia Pacific Breweries Ltd				
– Ordinary shares	–	45,000	(10,000)	35,000
– Share options	264,380	–	(90,000)	174,380
Han Cheng Fong				
Fraser and Neave Limited				
– Share options	–*	126,000	–	126,000

* or from date of appointment if appointed during the year.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the group financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with any 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 required to be disclosed by Section 169(8) of the Companies Act 1965.

Share Capital

There were no changes in the issued and paid up share 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.

DIRECTORS' REPORT

for the year ended 30 September 2002

Other Statutory Information

Before the financial statements of the Company and of the Group were made out, the Directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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 allowance for doubtful debts in the Company and the Group inadequate to any substantial extent; or
- (ii) that would render the values attributed to current assets in the financial statements of the Company and of the Group misleading; or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company and of the Group misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or financial statements of the Company and of the Group which would render any amount stated in the financial statements and consolidated financial statements misleading.

As at the date of this report, there does not exist:

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

57

In the opinion of the Directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company or of the Group to meet its obligations when they fall due;
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company or of the Group for the financial year in which this report is made; and
- (iii) no material contract of the Company or of the Group has been entered into involving the Directors and substantial shareholders other than as disclosed in the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to accept re-appointment.

On behalf of the Board,

Director
Y.A.M. Tengku Syarif Bendahara Perlis
Syed Badarudin Jamalullail ibni Almarhum
Tuanku Syed Putra Jamalullail

Director
Tan Ang Meng

Kuala Lumpur, Malaysia
8 November 2002

STATEMENT BY DIRECTORS

pursuant to section 169(15) of the companies act 1965

We, Y.A.M. Tengku Syed Badarudin Jamalullail and Tan Ang Meng, being two of the Directors of Fraser & Neave Holdings Bhd, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 60 to 84 are drawn up in accordance with applicable approved accounting standards in Malaysia, so as to give a true and fair view of the financial position of the Company and of the Group as at 30 September 2002 and of the results of the business of the Company and of the Group for the year ended on that date.

On behalf of the Board,

Director

**Y.A.M. Tengku Syarif Bendahara Perlis Syed Badarudin Jamalullail
ibni Almarhum Tuanku Syed Putra Jamalullail**

Director

Tan Ang Meng

Kuala Lumpur, Malaysia
8 November 2002

58

STATUTORY DECLARATION

pursuant to section 169(16) of the companies act 1965

I, Tony Lee Cheow Fui, being the officer primarily responsible for the financial management of Fraser & Neave Holdings Bhd, do solemnly and sincerely declare that the financial statements set out on pages 60 to 84, are in my opinion correct, and I make this 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)
abovementioned Tony Lee Cheow Fui)
at Kuala Lumpur in the Federal Territory) **Tony Lee Cheow Fui**
on 8 November 2002)

Before me,
Commissioner for Oaths
Barathan A/L Sinniah @ Chinniah (No.W202)

REPORT OF THE AUDITORS

to the members of Fraser & Neave Holdings Bhd

We have audited the financial statements set out on pages 60 to 84. These financial statements are the responsibility of the Company's Directors. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Company and of the Group as at 30 September 2002 and of the results and cash flows of the Company and of the Group for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements of the Company and of the Group.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies for which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The Auditors' Reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Companies Act 1965.

ERNST & YOUNG : AF 0039

Chartered Accountants

Thomas Arundel Andrew Scott 1060/03/04 (J/PH)

Partner

Kuala Lumpur, Malaysia
8 November 2002

INCOME STATEMENTS

for the year ended 30 September 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
REVENUE					
Sale of goods		1,521,988	1,541,253	–	–
Dividends		–	–	42,090	29,300
COST OF SALES		(1,105,064)	(1,146,098)	–	–
GROSS PROFIT		416,924	395,155	42,090	29,300
OTHER OPERATING INCOME		–	–	32	–
OPERATING EXPENSES					
Distribution expenses		(154,021)	(141,123)	–	–
Marketing expenses		(56,596)	(64,236)	–	–
Administration expenses		(69,741)	(72,684)	(2,397)	(1,792)
Other operating expenses	2	(13,130)	(14,185)	–	–
		(293,488)	(292,228)	(2,397)	(1,792)
OPERATING PROFIT		123,436	102,927	39,725	27,508
Interest expense	3	(5,122)	(5,995)	–	(1,194)
Interest income	3	4,001	6,630	6,548	9,481
PROFIT BEFORE TAXATION	4	122,315	103,562	46,273	35,795
Taxation	5	(26,028)	(19,461)	(1,424)	(2,301)
PROFIT AFTER TAXATION		96,287	84,101	44,849	33,494
Minority interest		(8,569)	(8,964)	–	–
NET PROFIT FOR THE YEAR		87,718	75,137	44,849	33,494
Basic earnings per share (sen)	6	24.6	23.6		
Dividend per share (sen)	7				
Interim		5.0	4.0		
Final		–	5.0		

BALANCE SHEETS

as at 30 September 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Share capital	9	356,493	356,493	356,493	356,493
Reserves	10	618,243	566,230	434,663	425,464
Shareholders' equity		974,736	922,723	791,156	781,957
Minority interest		86,472	56,793	–	–
		1,061,208	979,516	791,156	781,957
REPRESENTED BY					
Property, plant and equipment	11	739,077	705,056	–	–
Subsidiary companies	12	–	–	492,043	492,043
Advance to an associate company	13	22,250	22,250	22,250	22,250
CURRENT ASSETS					
Inventories	14	218,701	270,594	–	–
Receivables	15	274,662	274,182	202,672	225,325
Fixed deposits, cash and bank balances	16	193,330	156,135	75,254	44,314
		686,693	700,911	277,926	269,639
CURRENT LIABILITIES					
Payables	17	254,989	243,379	1,016	1,231
Borrowings	19	9,193	128,094	–	–
Provision for taxation		3,119	9,201	47	744
		267,301	380,674	1,063	1,975
NET CURRENT ASSETS		419,392	320,237	276,863	267,664
DEFERRED LIABILITIES					
Provision for retirement benefits		40,439	39,716	–	–
Deferred taxation	20	31,142	28,311	–	–
Borrowings	19	47,930	–	–	–
		119,511	68,027	–	–
		1,061,208	979,516	791,156	781,957

61

The annexed notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2002

GROUP	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Reserve on consolidation RM'000	Retained profit RM'000	Total RM'000
At 1 October 2000		260,737	121,667	18,027	62,795	89,367	552,593
Conversion of New warrants 2001		95,756	218,323	–	–	–	314,079
Net profit for the year		–	–	–	–	75,137	75,137
Dividends	7	–	–	–	–	(19,086)	(19,086)
At 30 September 2001		356,493	339,990	18,027	62,795	145,418	922,723
Net profit for the year		–	–	–	–	87,718	87,718
Dividends	7	–	–	–	–	(35,650)	(35,650)
Exchange adjustment		–	–	–	–	(55)	(55)
At 30 September 2002		356,493	339,990	18,027	62,795	197,431	974,736

62

COMPANY	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Retained profit RM'000	Total RM'000
At 1 October 2000		260,737	121,667	15,897	55,169	453,470
Conversion of New warrants 2001		95,756	218,323	–	–	314,079
Net profit for the year		–	–	–	33,494	33,494
Dividends	7	–	–	–	(19,086)	(19,086)
At 30 September 2001		356,493	339,990	15,897	69,577	781,957
Net profit for the year		–	–	–	44,849	44,849
Dividends	7	–	–	–	(35,650)	(35,650)
At 30 September 2002		356,493	339,990	15,897	78,776	791,156

The annexed notes form an integral part of these financial statements.

CASH FLOW STATEMENTS

for the year ended 30 September 2002

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Cash flow from operating activities				
Operating profit	123,436	102,927	39,725	27,508
Adjustments for :				
Depreciation	73,238	76,311	–	–
Loss/(gain) on disposal of property, plant and equipment	3,653	(2,362)	–	–
Amortisation of deferred expenditure	–	454	–	450
Provision for retirement benefits	3,985	6,804	–	–
Provision for property, plant and equipment write-off	502	5,454	–	–
Exchange adjustment	(90)	–	–	–
Operating profit before working capital changes	204,724	189,588	39,725	27,958
Working capital changes				
Inventories	51,893	(54,889)	–	–
Receivables	15,760	15,448	21,178	5,086
Payables	(6,813)	(78,589)	(215)	(52,878)
Cash generated from/(used in) operations	265,564	71,558	60,688	(19,834)
Taxation paid	(27,097)	(15,261)	(646)	(1,844)
Payment of retirement benefits	(3,262)	(3,155)	–	–
Net cash generated from/(used in) operating activities	235,205	53,142	60,042	(21,678)
Cash flow from investing activities				
Proceeds from sale of property, plant and equipment	4,583	5,643	–	–
Purchase of property, plant and equipment	(115,997)	(45,444)	–	–
Interest received	4,001	6,630	6,548	9,481
Net cash (used in)/generated from investing activities	(107,413)	(33,171)	6,548	9,481

CASH FLOW STATEMENTS (CONT'D.)

for the year ended 30 September 2002

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Cash flow from financing activities				
Proceeds from conversion of warrants	–	314,079	–	314,079
Proceeds from shares issued to minority shareholders	25,536	–	–	–
Interest paid	(5,122)	(5,995)	–	(1,194)
Payment of short term borrowings	(70,971)	(7,867)	–	–
Payment of bonds	–	(250,000)	–	(250,000)
Payment of dividend	(35,650)	(32,227)	(35,650)	(32,227)
Payment of dividend to minority shareholders of subsidiaries	(4,390)	(2,500)	–	–
Net cash (used in)/ generated from financing activities	(90,597)	15,490	(35,650)	30,658
Net increase in cash and cash equivalents	37,195	35,461	30,940	18,461
Cash and cash equivalents at beginning of year	156,135	120,674	44,314	25,853
Cash and cash equivalents at end of year	193,330	156,135	75,254	44,314
Cash and cash equivalents at end of year comprise:				
Fixed deposits	128,846	103,181	74,872	43,700
Cash and bank balances	64,484	52,954	382	614
	193,330	156,135	75,254	44,314

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

1. Significant Accounting Policies

(a) Accounting convention

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain property, plant and equipment and unless indicated otherwise below, comply with applicable approved accounting standards in Malaysia.

Current year financial statements conform with changes in presentation arising from the early adoption of the following MASB standards:

- MASB 22: Segment Reporting
- MASB 23: Impairment
- MASB 24: Financial Instruments - Disclosure and Presentation

There are no changes in accounting policy that materially affect net profit for the year and retained profits at the beginning of the financial year.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to 30 September 2002. All significant inter-company balances and transactions are eliminated at Group level. Goodwill or reserve on consolidation represents the difference between the purchase consideration and the fair value of the underlying net assets of the subsidiary companies acquired.

The results of the subsidiary companies acquired or disposed of during the year are included in or excluded from, the respective dates of acquisition or disposal, as applicable.

65

(c) Property, plant and equipment, and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. The cost of property, plant and equipment comprises their purchase prices and any directly attributable costs including interest cost capitalised in bringing the property, plant and equipment to working condition. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the income statement. When property, plant and equipment are sold or retired, their cost or valuation and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the income statement.

Where property, plant and equipment are revalued, any surplus on revaluation is credited to property, plant and equipment revaluation reserve. A decrease in net carrying value arising from revaluation of property, plant and equipment is charged to the income statement to the extent that it exceeds any surplus held in property, plant and equipment revaluation reserve relating to the previous revaluation of the same class of property, plant and equipment.

Depreciation is calculated on the straight line method to write off the cost or valuation of the property, plant and equipment over their estimated useful lives. No depreciation is provided for freehold land and capital work in progress. The annual depreciation rates used to write down the property, plant and equipment over their estimated useful lives are as follows:

Leasehold land	– lease term (ranging from 12 to 99 years)
Buildings	– 2% to 5%
Plant and machinery	– 8% to 14%
Motor vehicles	– 10% to 20%
Postmix and vending machines	– 10%
Furniture, fittings and computer equipment	– 10% to 20%

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

1. Significant Accounting Policies (Cont'd.)

(d) Investments in subsidiary companies

The Company's investments in subsidiary companies are stated at directors' valuation. The basis of valuation is net assets value. The valuation which is carried out annually will be recorded when the difference between the book value and the valuation of each class of investment is significant. An increase arising from a revaluation is transferred to reserves and a deficit is offset against the reserves to the extent possible on the same class of investments, with any shortfall being charged in the income statement. Provision is made for impairment in value of investment in subsidiary companies which is considered to be permanent.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Cost of finished goods and work-in-progress includes raw materials, labour and an appropriate proportion of production overheads.

Moulds included in consumables are written off over a period of three years from the date they are issued for production.

Engineering inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis.

Container inventories comprise both containers on hand and estimated to be in the market.

(f) Receivables

Receivables are stated at anticipated realisable value. Specific allowance is made for debts, which have been identified, as bad or doubtful. In addition, general allowance is made to cover for possible losses, which are not specifically identified.

(g) Payables

Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

(h) Provisions

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

(i) Provision for retirement benefits

Provision for retirement and service benefits is made in accordance with the terms of agreements concluded by the Group companies with various categories of employee.

The provisions represent the present value of the amounts likely to become payable in respect of services already rendered. An independent actuarial calculation of the provision is made every three years. Internal calculation of the provision is made each intervening year on the same basis as those used for the independent actuarial calculation. Based on the latest available actuarial valuation carried out on 30 September 2000, the provision for retirement and service benefits is sufficient to meet the actuarially determined value of vested benefits.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

1. Significant Accounting Policies (Cont'd.)**(j) Deferred taxation**

Deferred taxation is provided for, using the liability method, on all material timing differences arising from the treatment of certain items for taxation and accounting purposes. However, no provision is made for deferred taxation if there is reasonable evidence that such tax deferrals will continue in the foreseeable future and there are no indications they will reverse thereafter.

Deferred tax benefits are only recognised when there is reasonable expectation of realisation in the near future.

(k) Revenue and revenue recognition*Group*

Revenue comprises the net invoiced value of the sales of soft drinks, glass containers and dairy products. Sales revenue is recognised upon delivery of goods, net of discounts, allowances and applicable indirect taxes.

Company

Revenue comprises dividend from investments. Dividend revenue is recognised when it has been declared by subsidiary companies.

(l) Interest expense and interest income

Interest expense is recognised in the income statement on a time proportion basis taking into account the principal outstanding and rate applicable. All interest and related costs are expensed as part of interest expense.

Interest income is recognised in the income statement as it accrues.

(m) 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.

(n) Leases

Operating leases are leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item. The payments are recognised as an expense in the income statement based on their contractual commitments over the period of the respective leases.

(o) Foreign currencies

Foreign currency transactions are recorded in Ringgit Malaysia at rates of exchange approximating those ruling at transaction dates. All other foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences are dealt with in the income statement.

On consolidation of subsidiary companies, the assets and liabilities of foreign subsidiary companies are translated into Ringgit Malaysia at rates of exchange approximating those ruling at the balance sheet date, except for share capital and reserve which are at historical rate. Income statement items are translated into Ringgit Malaysia at average exchange rates ruling during the year. Exchange differences arising for those translations are taken to revenue reserve.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

1. Significant Accounting Policies (Cont'd.)

(o) Foreign currencies (Cont'd.)

The exchange rates ruling at balance sheet date are as follows:

	2002 RM	2001 RM
One United States Dollar	3.80	3.80
One Chinese Renminbi	0.459	–
100 Vietnamese Dong	0.025	0.025
One Singaporean Dollar	2.14	2.15
One New Zealand Dollar	1.79	1.54
One Thailand Baht	0.088	0.086
One Australian Dollar	2.07	1.88
One Sterling Pound	5.94	5.59
One Euro Dollar	3.74	3.48
One Brunei Dollar	2.14	2.15

(p) Financial instruments

The particulars recognition method adopted for financial instruments recognised at balance sheet date is disclosed in the individual policy statement with each item, where applicable.

The Group also uses financial instruments such as foreign exchange forward contracts to hedge its risks associated primarily with foreign currency fluctuations. The foreign exchange forward contracts entered into by the group are recorded as off-balance sheet items at their notional principal amounts. Details of the group's financial risk management objectives and policies are set out in Note 25.

(q) Impairment

The carrying amounts of the Group's assets, other than inventories and receivables, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it will be charged to equity.

2. Other Operating Expenses

Included in other operating expenses are the following exceptional items:

	Group	
	2002 RM'000	2001 RM'000
Provision for retrenchment cost	3,000	–
Closure of plant	6,253	5,966
Write-off surplus container inventory	–	4,800
Sale of property	–	(2,167)
Write back of provision for shut down expenses	–	(2,546)

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

3. Interest Expense and Interest Income

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Interest expense				
Bank borrowings	4,458	4,038	-	-
Bonds	-	1,194	-	1,194
Others	664	763	-	-
	5,122	5,995	-	1,194
Interest income				
Bank deposits	3,879	6,473	1,941	3,968
Subsidiary companies				
- F&NCC Beverages Sdn Bhd	-	-	1,983	2,788
- Premier Milk (Malaya) Sdn Berhad	-	-	1,626	1,425
- Other subsidiary companies	-	-	998	1,300
Others	122	157	-	-
	4,001	6,630	6,548	9,481

4. Profit Before Taxation

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
This is arrived at after charging:				
Depreciation of property, plant and equipment	73,238	76,311	-	-
Loss on disposal of property, plant and equipment	3,653	-	-	-
Allowance for doubtful debts	6,984	8,010	-	-
Provision for retirement benefits	3,985	6,804	-	-
Amortisation of deferred expenditure	-	454	-	450
Rental of premises	4,624	3,856	-	-
Rental of equipment	1,796	3,080	-	-
Royalties	17,939	17,031	-	-
Auditors' remuneration				
- Audit	436	436	25	25
- Non-audit	17	39	-	-
Provision for obsolete inventories	4,630	4,714	-	-
Provision for inventory write-off	5,969	3,766	-	-
Provision for property, plant and equipment write-off	502	5,454	-	-
Management fee to a subsidiary company				
- F&N (Malaya) Sdn Bhd	-	-	1,200	-

69

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

4. Profit Before Taxation (Cont'd.)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
And crediting:				
Dividend income from subsidiary companies	-	-	42,090	29,300
Gain on disposal of property, plant and equipment	-	195	-	-
Rental of premises	411	321	-	-
(a) Employees' Information				
Staff costs	180,323	178,387	-	-

The number of employees of the Group excluding directors at the end of the year was 4,239 (2001: 4,304).

(b) Directors' Remuneration

The aggregate remuneration of the Directors of the Group and Company is as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Executive Director				
- Fees	17	9	-	-
- Emoluments	915	436	-	-
- Benefits-in-kind	28	14	-	-
Non-executive Directors				
- Fees	517	494	453	414
- Benefits-in-kind	32	27	-	-

The number of directors of the Company whose total remuneration fell within the following ranges:

Range of Remuneration (RM)	Number of Directors			
	2002		2001	
	Executive RM'000	Non-executive RM'000	Executive RM'000	Non-executive RM'000
1 - 50,000	-	7	-	9
50,001 - 100,000	-	1	-	2
100,001 - 150,000	-	2	-	1
400,001 - 450,000	-	-	1	-
950,001 - 1,000,000	1	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

5. Taxation

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Based on results for the year:				
Current taxation				
– Malaysia	21,926	8,617	1,680	2,301
– Foreign	1,708	1,541	–	–
	23,634	10,158	1,680	2,301
Deferred taxation	2,001	9,699	–	–
	25,635	19,857	1,680	2,301
Under/(over) provision in prior years	393	(396)	(256)	–
	26,028	19,461	1,424	2,301

The Group effective tax rate is lower than the statutory rate mainly due to the utilisation of accumulated losses and unabsorbed capital allowances.

The Company effective tax rate is lower mainly due to the receipt of certain tax exempt dividend.

6. Earnings Per Share

71

The basic earnings per share is calculated by dividing the consolidated net profit for the year of RM87.7 million (2001: RM75.1 million) by 356 million (2001: 318 million) being the weighted average number of ordinary shares of the Company in issue during the year.

7. Dividends

	Group and Company	
	Net per share Sen	Amount RM'000
2002		
Final dividend in respect of previous financial year	5.0	17,825
Interim dividend	5.0	17,825
		35,650
2001		
Additional dividend in respect of warrants converted to ordinary shares	5.0	4,826
Interim dividend	4.0	14,260
		19,086

A proposed final tax exempt dividend of 7 sen per share amounting to RM24,954,517 for the current year will be recognised in the financial statements upon the approval by shareholders at the forthcoming Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

8. Segmental Information

The Group's operating businesses are organised according to the nature of activities, namely soft drinks, dairy products, glass packaging and others. The Group operates in three geographical areas namely, Malaysia, Vietnam and China. Geographical segment revenue is based on geographical location of the Group's customers. Geographical segment assets are based on geographical location of the Group's assets. Segment accounting policies are the same as the policies as described in Note 1, inter-segment sales where applicable are based on terms determined on a commercial basis.

The following table presents financial information by business segments:

	Soft drinks RM'000	Dairy products RM'000	Glass packaging RM'000	Others RM'000	Group RM'000
Year ended 30 September 2002					
Revenue					
Total revenue	1,247,223	804,150	238,097	13,104	2,302,574
Inter – Segment	(469,552)	(298,972)	(261)	(11,801)	(780,586)
External	777,671	505,178	237,836	1,303	1,521,988
Results					
Operating profit	65,586	26,762	30,060	1,028	123,436
Interest expense					(5,122)
Interest income					4,001
Taxation					(26,028)
Profit after taxation					96,287
Minority interest					(8,569)
Net profit for the year					87,718
Other information					
Segment assets	479,589	306,676	340,420	128,005	1,254,690
Fixed deposits and cash & bank balances					193,330
Total assets					1,448,020
Segment liabilities	175,854	66,144	47,489	5,941	295,428
Unallocated liabilities					34,261
Bank borrowings					57,123
Total liabilities					386,812
Capital expenditure	16,358	7,575	91,611	453	115,997
Depreciation and amortisation	29,162	15,126	27,975	975	73,238

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

8. Segmental Information (Cont'd.)

	Soft drinks RM'000	Dairy products RM'000	Glass packaging RM'000	Others RM'000	Group RM'000
Year ended					
30 September 2001					
Revenue					
Total revenue	1,184,738	885,315	235,454	5,041	2,310,548
Inter – Segment	(447,718)	(316,780)	(285)	(4,512)	(769,295)
External	737,020	568,535	235,169	529	1,541,253
Results					
Operating profit/(loss)	54,732	15,649	34,146	(1,600)	102,927
Interest expense					(5,995)
Interest income					6,630
Taxation					(19,461)
Profit after taxation					84,101
Minority interest					(8,964)
Net profit for the year					75,137
Other information					
Segment assets	508,681	351,425	280,033	131,943	1,272,082
Fixed deposits and cash & bank balances					156,135
Total assets					1,428,217
Segment liabilities	167,635	65,920	47,206	2,334	283,095
Unallocated liabilities					37,512
Bank borrowings					128,094
Total liabilities					448,701
Capital expenditure	9,643	17,979	16,687	1,135	45,444
Depreciation and amortisation	31,637	15,978	27,864	832	76,311

73

The following table presents the financial information by geographical segments:

	Revenue		Total assets		Capital expenditure	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Malaysia	1,319,670	1,338,659	1,130,850	1,225,603	34,631	41,851
Vietnam	47,667	33,675	232,103	202,614	2,821	3,593
China	–	–	85,067	–	78,545	–
Singapore	76,246	79,027	–	–	–	–
Others	78,405	89,892	–	–	–	–
	1,521,988	1,541,253	1,448,020	1,428,217	115,997	45,444

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

9. Share Capital

	Group and Company	
	2002 RM'000	2001 RM'000
Authorised:		
500,000,000 ordinary shares of RM1.00 each	500,000	500,000
Issued and fully paid:		
356,493,101 ordinary shares of RM1.00 each	356,493	356,493

10. Reserves

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Non-distributable:				
Share premium	339,990	339,990	339,990	339,990
Capital reserve	2,130	2,130	-	-
Reserve on consolidation	62,795	62,795	-	-
	404,915	404,915	339,990	339,990
Distributable:				
Capital reserve (Note a)	15,897	15,897	15,897	15,897
Retained profit (Note b)	197,431	145,418	78,776	69,577
	213,328	161,315	94,673	85,474
Total reserves	618,243	566,230	434,663	425,464

- (a) This amount represents the proceeds from the issue of New Warrants 2001 in the Company to warrant holders upon replacement of Warrants 2001 with New Warrants 2001.
- (b) The Company has sufficient tax exempt income and Section 108 tax credit under the Income Tax Act 1967 to frank up to RM70.9 million of its revenue reserve as at 30 September 2002 as dividend.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

11. Property, Plant and Equipment

GROUP	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant & machinery RM'000	Others RM'000	Total RM'000
Net book value						
At 1 October 2001	132,676	53,385	148,734	256,942	113,319	705,056
Additions	–	–	732	92,880	22,385	115,997
Disposals	–	(958)	(1,646)	(3,043)	(2,589)	(8,236)
Reclassifications	–	–	(4)	(3,193)	3,197	–
Write-back/(write-off)	–	–	250	(582)	(170)	(502)
Depreciation	–	(1,484)	(4,163)	(45,816)	(21,775)	(73,238)
At 30 September 2002	132,676	50,943	143,903	297,188	114,367	739,077
At 30 September 2002						
Cost	130,128	62,400	173,327	699,084	265,321	1,330,260
Valuation – 1983	2,548	–	1,350	–	–	3,898
Accumulated Depreciation	–	(11,457)	(30,774)	(401,896)	(150,954)	(595,081)
Net book value	132,676	50,943	143,903	297,188	114,367	739,077
At 30 September 2001						
Cost	130,128	63,480	174,790	659,499	261,534	1,289,431
Valuation – 1983	2,548	–	1,350	–	–	3,898
Accumulated Depreciation	–	(10,095)	(27,406)	(402,557)	(148,215)	(588,273)
Net book value	132,676	53,385	148,734	256,942	113,319	705,056

75

The freehold land and buildings of the Group are stated at Directors' valuation and are based on a professional valuer's opinion of the open market value of the properties. In accordance with the transitional provisions issued by the Malaysian Accounting Standards Board on adoption of International Accounting Standard 16 (revised), Property, Plant and Equipment, the valuation of these property, plant and equipment has not been updated, and they continue to be stated at their existing carrying amounts less depreciation.

Others comprise platforms, postmix and vending machines, motor vehicles, furniture, fittings and computer equipment.

The net book value of property, plant and equipment pledged to financial institutions as security for the term loans as referred to Note 19 is as follows:

	Group	
	2002 RM'000	2001 RM'000
Plant and machinery	77,610	–

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

11. Property, Plant and Equipment (Cont'd.)

The net book value of the buildings stated at valuation had they been stated at cost less depreciation, in respect of the Group, is as follows:

	Group	
	2002 RM'000	2001 RM'000
Buildings	729	764

12. Subsidiary Companies

	Company	
	2002 RM'000	2001 RM'000
Unquoted shares at cost	492,043	492,043

The details of the subsidiary companies are set out in Note 26 to the financial statements.

13. Advance to an Associate Company

During the year an amount of RM22,250,000 was reclassified from other investments to advance to an associate company to conform with KLSE's requirement. This amount is in respect of progress advances made to an associate company to acquire a property that is earmarked for commercial development at the Kuala Lumpur Sentral station in Brickfields. These advances, which are non-interest bearing, would eventually be converted to equity and form part of the Group's investment in the commercial development. This transaction was approved by shareholders at an Extraordinary General Meeting held on 6 March 1998.

Associate company refers to Harmonic Fairway Sdn. Bhd. The Company interest in the unquoted shares of the associate company remained unchanged at RM1.00 as at balance sheet date.

Details of holdings are set out in Note 26.

To date, the Group's share of the associate company's accumulated losses of RM731,000 (2001: RM691,000) has been restricted to the limit of its cost of investment of RM1.00.

14. Inventories

	Group	
	2002 RM'000	2001 RM'000
At cost		
Manufactured inventories	49,990	70,714
Raw materials	57,843	78,564
Packaging materials	24,815	23,162
Engineering and other inventories	25,690	21,636
	158,338	194,076

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

14. Inventories (Cont'd.)

	Group	
	2002 RM'000	2001 RM'000
At net realisable value		
Manufactured inventories	41,826	42,745
Containers	2,134	8,079
Raw materials	–	707
Packaging materials	803	2,220
Engineering and other inventories	15,600	22,767
	60,363	76,518
	218,701	270,594

15. Receivables

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade receivables	238,826	244,597	–	–
Allowance for doubtful debts	(11,271)	(15,680)	–	–
	227,555	228,917	–	–
Other receivables				
– Prepayments	3,933	3,465	–	–
– Deposits	4,507	3,257	–	–
– Others	28,327	22,802	1,305	2,645
	36,767	29,524	1,305	2,645
Dividend receivable	–	–	24,940	18,625
Subsidiary companies	–	–	176,427	204,055
Related companies	10,340	15,636	–	–
Holding company	–	105	–	–
	274,662	274,182	202,672	225,325

77

The currency exposure profile of receivables is as follows:

– Ringgit Malaysia	253,531	202,672
– US Dollar	17,349	–
– Singaporean Dollar	3,752	–
– Others	30	–
	274,662	202,672

The amounts due from subsidiary companies are unsecured, have no fixed terms of repayment and are non-interest bearing except for the amounts due from subsidiary companies of RM148,730,000 (2001: RM176,714,074) which bear interest at 2.90% to 3.20% (2001: 2.95% to 3.2%) per annum.

The amounts due from related companies are trade in nature and non-interest bearing.

The Group has no significant concentration of credit risk that may arise from exposures to a single receivable or to groups of receivables. The normal trade credit terms for trade receivables are 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

16. Fixed Deposits, Cash and Bank Balances

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Fixed deposits with:				
– Local banks	111,673	83,508	74,872	43,700
– Foreign banks	17,173	19,673	–	–
	128,846	103,181	74,872	43,700
Cash and bank balances	64,484	52,954	382	614
	193,330	156,135	75,254	44,314

The currency exposure profile of fixed deposit, cash and bank balances is as follows:

– Ringgit Malaysia	170,975	75,254
– US Dollar	18,594	–
– Renminbi	3,761	–
	193,330	75,254

The weighted average interest rates during the financial year and the average maturities of deposits as at 30 September 2002 were as follows:

78

	Weighted Average Interest Rates (%)	Average Maturities Days
Local banks	2.8	30
Foreign banks	1.0	30

17. Payables

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade payables	105,186	115,956	–	–
Other payables				
– Accrued expenses	25,136	23,176	25	25
– Deposits	6,331	6,821	–	–
– Excise duty and sales tax payable	4,840	5,995	–	–
– Staff costs payable	18,756	17,144	–	–
– Provision for marketing costs	12,092	22,672	–	–
– Dividend payable	44	90	40	90
– Other payables	73,813	49,915	800	1,006
Subsidiary companies	–	–	120	107
Related companies	8,728	1,610	26	3
Holding company	63	–	5	–
	254,989	243,379	1,016	1,231

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

17. Payables (Cont'd.)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
The currency exposure profile of payables is as follows:				
- Ringgit Malaysia	230,270		1,016	
- US Dollar	23,158		-	
- Others	1,561		-	
	<u>254,989</u>		<u>1,016</u>	

The amounts due to related companies are trade in nature and non-interest bearing.

The normal trade credit terms granted to the Group for trade payables are 30 to 90 days.

18. Holding and Related Companies

The holding company is Fraser and Neave Limited ("F&N Ltd"), a company incorporated in the Republic of Singapore, which is also the ultimate holding company. Related companies in these financial statements refer to companies of the F&N Ltd Group.

19. Borrowings

79

	Currency	Note	Group	
			2002 RM'000	2001 RM'000
Current				
Term loan	USD	a	9,193	-
Bank advances	RM	b	-	128,094
			<u>9,193</u>	<u>128,094</u>
Non-current				
Term loan	USD	a	29,111	-
Term loan	Renminbi	a	18,819	-
			<u>47,930</u>	<u>-</u>
			<u>57,123</u>	<u>128,094</u>

- (a) The term loans bear interest at fixed rates ranging from 5.8% to 6.63% (2001:Nil) per annum. The term loans are unsecured except for an amount of RM18,819,000 which is secured over plant and machinery of the Group as disclosed in Note 11.

The USD term loan is payable quarterly over a five year period and the Renminbi term loan is payable monthly over a four year period.

The estimated fair value of term loans of the Group as at 30 September 2002 is RM55.5 million.

- (b) Bank advances consist of bankers' acceptances and revolving credits which were fully repaid during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

19. Borrowings (Cont'd.)

	Group	
	2002 RM'000	2001 RM'000
Borrowings are repayable over the following periods:		
Term loans		
Within one year	9,193	–
Between one and two years	13,020	–
Between two and five years	34,910	–
	57,123	–
Bank advances		
Within one year	–	128,094

20. Deferred Taxation

	Group	
	2002 RM'000	2001 RM'000
At 1 October 2001	28,311	18,671
Transfer from income statement	2,001	9,699
Reclassification/(reversal)	830	(59)
At 30 September 2002	31,142	28,311
The deferred taxation arose as follows:		
Excess of net book value over tax written down value of:		
– Property, plant and equipment	51,368	52,101
Provision, expenses and income taken to tax in different year	(20,581)	(5,823)
Tax effect on revaluation surplus	3,227	4,076
Unutilised losses and unabsorbed capital allowances	(2,872)	(22,043)
	31,142	28,311

21. Capital Commitments

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Amount approved and contracted for	48,839	112,985	33,600	65,538
Amount approved but not contracted for	48,765	5,036	–	–
	97,604	118,021	33,600	65,538

22. Lease Commitments

The balance of the non-cancellable operating lease rentals payable under rental agreements are as follows:

	Group	
	2002 RM'000	2001 RM'000
Amount payable within 12 months	2,298	1,131
Amount payable after 12 months	1,065	2,038
	3,363	3,169

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

23. Contingent Asset

During the financial year, there was a compulsory acquisition by the local government of 1,648 square metre of land held by a subsidiary at Jalan Lahat, Ipoh, Perak with a net book value of approximately RM180,000.

The subsidiary has lodged an appeal to the Court to seek higher compensation than the RM2.4 million awarded by the government.

24. Significant Related Party Transactions

Significant related party transactions and balances which comprise transactions and balances with subsidiary and associated companies are disclosed in Note 3, 4 and below.

At an Extraordinary General Meeting held on 23 January 2002, the Company obtained a Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of revenue of trading in nature.

In accordance with Section 4.1.5 of Practice Note No. 12/2001 of the Kuala Lumpur Stock Exchange Requirements, the details of recurrent related party transactions conducted during the financial year ended 30 September 2002 pursuant to the Shareholders' Mandate are disclosed as follows:

Company	Transacting party	Nature of transaction	Interested party	RM'000
F&N Coca-Cola (Malaysia) Sdn Bhd and F&N Dairies (Malaysia) Sdn Bhd	F&N (S) Pte Ltd	Royalties and corporate charges	F&N Ltd	16,349
F&NCC Beverages Sdn Bhd, F&N Foods Sdn Bhd and Premier Milk (Malaya) Sdn Berhad	F&N Food Pte Ltd	Sale of finished goods	F&N Ltd	52,326
F&N Dairies (Malaysia) Sdn Bhd, F&N Foods Sdn Bhd and Premier Milk (Malaya) Sdn Berhad	F&N Food Pte Ltd	Purchase of ingredients	F&N Ltd	48,807
Premier Milk (Malaya) Sdn Berhad, F&N Foods Sdn Bhd and F&N Coca-Cola (Malaysia) Sdn Bhd	Interflavine Pte Ltd	Purchase of ingredients and concentrates	F&N Ltd	85,280
F&N Dairies (Malaysia) Sdn Bhd	F&N United Ltd	Purchase of finished goods	F&N Ltd	10,619
Malaya Glass Products Sdn Bhd	Asia Pacific Breweries (S) Pte Ltd	Sale of finished goods	F&N Ltd	17,481
Malaya Glass Products Sdn Bhd	SP Holdings Ltd	Sale of finished goods	F&N Ltd	7,136
Malaya Glass Products Sdn Bhd and Malaya-Vietnam Glass Ltd	Vietnam Brewery Ltd	Sale of finished goods	F&N Ltd	1,939

81

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

24. Significant Related Party Transactions (Cont'd.)

Company	Transacting party	Nature of transaction	Interested party	RM'000
Malaya Glass Products Sdn Bhd	Myanmar Brewery Ltd	Sale of finished goods	F&N Ltd	3,875
Malaya-Vietnam Glass Ltd	Saigon Beer Ltd	Sale of finished goods	Saigon Beer Ltd	4,101
F&NCC Beverages Sdn Bhd	F&N Coca-Cola (S) Pte Ltd	Sale of finished goods	The Coca-Cola Company	2,221
F&NCC Beverages Sdn Bhd	Caribbean International Sales Corp Inc	Purchase of concentrates	The Coca-Cola Company	62,344
Premier Milk (Malaya) Sdn Berhad	Nestle Products Sdn Bhd	Sale of finished goods	Nestle S.A. Vevey 20,171	

25. Financial Instruments and Risk Management

Information about the extent and nature of the financial instruments, including significant terms and conditions and their exposure to the interest rate risk is presented in their respective notes, where applicable.

82

The Group is exposed to market risk, including primarily changes in currency exchange rates and uses derivatives and other instruments in connection with its risk management activities. The Company and the Group do not hold or issue derivative financial instruments for trading purposes. The Group has established processes to monitor and control hedging transactions in a timely and accurate manner. The Group's accounting policies in relation to financial instruments are set out in Note 1(p).

Foreign currency risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies arising from normal trading and investment activities. Where exposures are certain, it is the Group's policy to hedge these risks as they arise. For those exposures less certain in the timing and extent, it is the Group's policy to cover 50% to 90% of anticipated exposure for a maximum period of 12 months forward. The Group uses foreign currency forward exchange contracts to manage these exposures.

Credit risk

The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

It is the Group's policy to enter into financial instruments with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses on its financial assets or other financial instruments.

Concentration of credit risk exist when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified along industry, product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigating any significant concentration of credit risk.

Interest rates risk

The Group's exposure to market risk for changes in interest rates relate primarily to investment portfolio in fixed deposits and cash equivalents with financial institutions. The Group does not use derivative financial instruments to hedge debt obligation. The Group manages interest cost using a mix of fixed and variable rate debts.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

Fair values

The following methods and assumptions are used to estimate the fair value of each class of financial instruments, where applicable for which it is practicable to estimate that value:

Cash and bank balances, other receivables and other payables

The carrying amounts of these amounts approximate fair value due to their short-term nature.

Trade receivables, trade payables and amounts due from/to related companies

The carrying amounts of receivables and payables approximate fair value because these are subject to normal trade credit terms.

No disclosure of fair value is made for amounts due from/to related companies, as it is not practicable to determine their fair values with sufficient reliability since these balances have no fixed terms of repayment.

26. Subsidiary and Associate Companies

The details of the subsidiary and associate companies are as follows:

Name of Company	Place of Incorporation	Principal Activities	Equity Interest Held	
			2002 %	2001 %
Malaya Glass Products Sdn Bhd	Malaysia	Manufacture and sale of glass containers	100	100
Kuala Lumpur Glass Manufacturers Company Sdn Bhd	Malaysia	Manufacture and sale of glass containers	100	100
Malaya-Vietnam Glass Limited	Vietnam	Manufacture and sale of glass containers	70	70
Sichuan Malaya Glass Co Ltd	China	Manufacture and sale of glass containers	60	–
Fraser & Neave (Malaya) Sdn Bhd	Malaysia	Management services and property investment holdings	100	100
F&NCC Beverages Sdn Bhd	Malaysia	Manufacture of soft drinks	90	90
F&N Coca-Cola (Malaysia) Sdn Bhd	Malaysia	Distribution of soft drinks	90	90
F&N Dairies (Malaysia) Sdn Bhd	Malaysia	Distribution of dairy products	100	100
Premier Milk (Malaya) Sdn Berhad	Malaysia	Manufacture of dairy products	75	75
F&N Foods Sdn Bhd	Malaysia	Manufacture of dairy products	100	100
Four Eights Sdn Bhd	Malaysia	Inactive	100	100
Wimanis Sdn Bhd	Malaysia	Inactive	100	100
Harmonic Fairway Sdn Bhd	Malaysia	Inactive	25	25

83

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

27. Comparative Figures

The comparative figures have been re-classified to conform with current year's presentation.

	As previously reported RM'000	Effect of restatement RM'000	As restated RM'000
GROUP			
Income statement			
Other operating expenses	8,132	6,053	14,185
Exceptional items	<u>6,053</u>	(6,053)	<u>-</u>
Balance sheet			
Other investments	22,254	(22,254)	-
Advance to an associate company	-	22,250	22,250
Receivables	<u>274,178</u>	4	<u>274,182</u>
Cash flow statement			
Adjustments for:			
Allowance for doubtful debts	8,010	(8,010)	-
Provision for obsolete inventories	4,714	(4,714)	-
Working capital changes:			
Inventories	(59,603)	4,714	(54,889)
Receivables	(9,074)	24,522	15,448
Payables	9,558	(88,147)	(78,589)
Related companies	<u>(71,635)</u>	71,635	<u>-</u>
COMPANY			
Balance sheet			
Subsidiary companies	695,988	(203,945)	492,043
Receivables	21,270	204,055	225,325
Payables	<u>(1,121)</u>	(110)	<u>(1,231)</u>
Cash flow statement			
Receivables	1,818	3,268	5,086
Payables	(3,206)	(49,672)	(52,878)
Related companies	<u>(46,404)</u>	46,404	<u>-</u>