



Financial Statements

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SECTION

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Company and of the Group for the financial year ended 30 September 2003.

Principal Activities

The principal activity of the Company is investment holding and its subsidiary companies are primarily engaged in the manufacture and sale of glass containers, soft drinks, dairy products, property development activities and the provision of management services.

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

Financial Results

	Group RM'000	Company RM'000
Profit for the year	83,950	53,913

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, except as disclosed in the financial statements.

Reserves and Provisions

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

Dividends

The amounts paid by way of dividend by the Company since 30 September 2002 were:

- (i) A final tax exempt dividend of 7 sen amounting to RM24,954,517 in respect of the previous financial year was paid on 24 February 2003; and
- (ii) An interim tax exempt dividend of 5 sen and special tax exempt dividend of 5 sen amounting in total to RM35,649,310 in respect of the current financial year was paid on 10 June 2003.

At the forthcoming Annual General Meeting, a final tax exempt dividend of 10 sen amounting to RM35,649,310 in respect of the current financial year on 356,493,101 ordinary shares will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profit in the financial year ending 30 September 2004.

DIRECTORS' REPORT

Directors

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Y.A.M. Tengku Syed Badarudin Jamalullail
 Tan Sri Dato' Dr. Lin See Yan
 Datuk Fong Weng Phak
 Dr. Han Cheng Fong
 Dr. Radzuan bin A. Rahman
 Cheong Fook Seng, Anthony
 Lee Kong Yip
 Leslie Oswin Struys
 Tan Ang Meng
 Dato' Dr. Mohd Shahar Bin Sidek (Appointed 30.09.2003)
 Puan Zaida Khalida binti Shaari (Resigned 30.09.2003)
 Tan Wee Tee
 (Alternate to Dr. Han Cheng Fong)

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

- (i) Y.A.M. Tengku Syed Badarudin Jamalullail, Dr. Radzuan bin A. Rahman and Tan Ang Meng pursuant to Article 97 of the Company's Articles of Association; and
- (ii) Dato' Dr. Mohd Shahar Bin Sidek pursuant to Article 103 of the Company's Articles of Association.

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 the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the holding company's Executives' Share Options Scheme.

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 Directors held interest	Number of shares/share options			
	1 October 2002	Bought/Allocated	Sold/Lapsed/ Exercised	30 September 2003
Y.A.M Tengku Syed Badarudin Jamalullail Fraser & Neave Holdings Bhd – Ordinary shares	2,937,000	–	–	2,937,000
Dr.Han Cheng Fong Fraser & Neave Limited – Share options	126,000	126,000	(35,280)	216,720
Cheong Fook Seng, Anthony Fraser & Neave Limited – Ordinary shares	4,500	–	(450)	4,050
– Share options	51,840	–	(7,258)	44,582

Companies in which Directors held interest	Number of shares/share options			
	1 October 2002	Bought/Allocated	Sold/Lapsed/ Exercised	30 September 2003
Leslie Oswin Struys				
Fraser & Neave Limited				
– Ordinary shares	10,150	–	(1,900)	8,250
Fraser & Neave Holdings Bhd				
– Ordinary shares	20,000	29,000	–	49,000
– Share options	29,025	–	(29,025)	–
Tan Ang Meng				
Fraser & Neave Holdings Bhd				
– Share options	59,000	75,000	–	134,000
Fraser & Neave Limited				
– Ordinary shares	16,000	1,700	(1,700)	16,000
Asia Pacific Breweries Ltd				
– Ordinary shares	35,000	15,000	(40,000)	10,000
– Share options	174,380	–	(15,000)	159,380
Alternate: Tan Wee Tee				
Fraser & Neave Limited				
– Share options	34,560	72,000	(14,918)	91,642

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 4(b) to the financial statements or the salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share Capital

There were no changes in the 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.

Other Statutory Information

- (a) Before the income statements and balance sheets 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 that 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.

Other Statutory Information (Cont'd.)

- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Company and of the Group misleading.

- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company and of the Group misleading or inappropriate.

- (d) At the date of this report, the Directors are not aware of any circumstances 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 misleading.

- (e) 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 of the Company or of the Group which has arisen since the end of the financial year.

- (f) 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 their obligations when they fall due; and
 - (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.

Significant Event

During the year, the Group disposed of 25% interest in an associate company, Harmonic Fairway Sdn. Bhd. (“HFSB”) and novated its advances previously made, for a cash consideration of RM2.5 million, resulting in an exceptional loss of RM19.75 million.

HFSB was a joint venture company set up in 1997 between the F&N Group and Malaysian Resources Corporation Berhad to acquire a property that is earmarked for commercial development at the Kuala Lumpur Sentral station in Brickfields.

Auditors

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

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

Y.A.M. TENGKU SYED BADARUDIN JAMALULLAIL
Chairman

TAN ANG MENG
Director

Kuala Lumpur, Malaysia
10 November 2003

STATEMENT BY DIRECTORS pursuant to Section 169 (15) of the Companies Act, 1965

We, 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 68 to 96 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 2003 and of the results of the business of the Company and of the Group for the year then ended.

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

Y.A.M. TENGKU SYED BADARUDIN JAMALULLAIL

Chairman

TAN ANG MENG

Director

Kuala Lumpur, Malaysia

10 November 2003

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 68 to 96 are in my opinion 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 abovementioned TONY LEE CHEOW FUI)
at Kuala Lumpur in the Federal Territory)
on 10 November 2003)
TONY LEE CHEOW FUI

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 68 to 96. 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. Those 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are 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 2003 and of the results and the 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; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of 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 subsidiaries that have been consolidated with the financial statements of the Company 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 subsidiaries were not subject to any qualification material to the consolidated financial statements 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
10 November 2003

INCOME STATEMENTS for the year ended 30 September 2003

	Note	GROUP		COMPANY	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
REVENUE					
Sale of goods		1,611,119	1,521,988	-	-
Dividends		-	-	71,235	42,090
COST OF SALES		(1,147,243)	(1,105,064)	-	-
GROSS PROFIT		463,876	416,924	71,235	42,090
OPERATING EXPENSES					
Distribution expenses		(163,385)	(154,021)	-	-
Marketing expenses		(70,804)	(56,596)	-	-
Administration and other expenses		(88,336)	(82,871)	(2,416)	(2,365)
		(322,525)	(293,488)	(2,416)	(2,365)
OPERATING PROFIT		141,351	123,436	68,819	39,725
Interest expense	3	(4,069)	(5,122)	(492)	-
Interest income	3	5,262	4,001	6,748	6,548
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEM		142,544	122,315	75,075	46,273
Exceptional item	5	(19,750)	-	(19,750)	-
PROFIT BEFORE TAXATION		122,794	122,315	55,325	46,273
Taxation	6	(29,795)	(26,028)	(1,412)	(1,424)
PROFIT AFTER TAXATION		92,999	96,287	53,913	44,849
Minority interest		(9,049)	(8,569)	-	-
PROFIT FOR THE YEAR		83,950	87,718	53,913	44,849
Basic earnings per share (sen)	7	23.5	24.6		
Dividend per share (sen)					
Interim		10.0	5.0		
Final (proposed)		10.0	7.0		

BALANCE SHEETS as at 30 September 2003

	Note	GROUP		COMPANY	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Share capital	10	356,493	356,493	356,493	356,493
Reserves	11	641,462	618,243	427,972	434,663
Shareholders' equity		997,955	974,736	784,465	791,156
Minority interest		92,066	86,472	–	–
		1,090,021	1,061,208	784,465	791,156
REPRESENTED BY:					
Property, plant and equipment	12	702,164	739,077	–	–
Subsidiary companies	13	–	–	527,043	492,043
Advance to associate	14	–	22,250	–	22,250
Property under development	15	42,391	–	–	–
CURRENT ASSETS					
Inventories	16	243,156	218,701	–	–
Receivables	17	318,609	274,662	125,550	202,672
Fixed deposits, cash and bank balances	18	307,290	193,330	165,770	75,254
		869,055	686,693	291,320	277,926
CURRENT LIABILITIES					
Payables	19	356,414	254,989	1,537	1,016
Borrowings	20	34,896	9,193	11,491	–
Provision for taxation		9,868	3,119	186	47
		401,178	267,301	13,214	1,063
NET CURRENT ASSETS		467,877	419,392	278,106	276,863
DEFERRED LIABILITIES					
Provision for retirement benefits	21	37,607	40,439	–	–
Deferred taxation	22	33,661	31,142	–	–
Borrowings	20	51,143	47,930	20,684	–
		122,411	119,511	20,684	–
		1,090,021	1,061,208	784,465	791,156

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

STATEMENTS OF CHANGES IN EQUITY for the year ended 30 September 2003

	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Reserve on Consolidation RM'000	Retained Profit RM'000	Total RM'000
GROUP						
At 1 October 2001	356,493	339,990	18,027	62,795	145,418	922,723
Profit for the year	–	–	–	–	87,718	87,718
Dividends (Note 8)	–	–	–	–	(35,650)	(35,650)
Exchange adjustment	–	–	–	–	(55)	(55)
At 30 September 2002	356,493	339,990	18,027	62,795	197,431	974,736
Profit for the year	–	–	–	–	83,950	83,950
Dividends (Note 8)	–	–	–	–	(60,604)	(60,604)
Realisation on reserve arising from disposal of property, plant and equipment	–	–	–	(127)	–	(127)
At 30 September 2003	356,493	339,990	18,027	62,668	220,777	997,955
COMPANY						
At 1 October 2001	356,493	339,990	15,897	–	69,577	781,957
Profit for the year	–	–	–	–	44,849	44,849
Dividends (Note 8)	–	–	–	–	(35,650)	(35,650)
At 30 September 2002	356,493	339,990	15,897	–	78,776	791,156
Profit for the year	–	–	–	–	53,913	53,913
Dividends (Note 8)	–	–	–	–	(60,604)	(60,604)
At 30 September 2003	356,493	339,990	15,897	–	72,085	784,465

CASH FLOW STATEMENTS for the year ended 30 September 2003

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
CASH FLOW FROM OPERATING ACTIVITIES				
Operating profit	141,351	123,436	68,819	39,725
Adjustments for:				
Depreciation	81,614	73,238	-	-
Loss on disposal of property, plant and equipment	5,912	3,653	-	-
Provision for retirement benefits	1,056	3,985	-	-
Provision for property, plant and equipment write off	615	502	-	-
Exchange adjustment	-	(90)	-	-
Exceptional item (Note 5)	(19,750)	-	(19,750)	-
Operating profit before working capital changes	210,798	204,724	49,069	39,725
Working capital changes:				
Inventories	(24,455)	51,893	-	-
Receivables	(22,707)	(3,533)	64,372	21,178
Payables	101,186	12,480	521	(215)
Property under development	(5,567)	-	-	-
Cash generated from operations	259,255	265,564	113,962	60,688
Income tax paid	(21,010)	(27,097)	(1,273)	(646)
Payment of retirement benefits	(3,888)	(3,262)	-	-
Net cash generated from operating activities	234,357	235,205	112,689	60,042
CASH FLOW FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	1,452	4,583	-	-
Purchase of property, plant and equipment	(89,504)	(115,997)	-	-
Interest received	5,262	4,001	6,748	6,548
Net cash (used in)/ generated from investing activities	(82,790)	(107,413)	6,748	6,548

CASH FLOW STATEMENTS for the year ended 30 September 2003 (CONT'D.)

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
CASH FLOW FROM FINANCING ACTIVITIES				
Shares issued to minority shareholders	-	25,536	-	-
Interest paid	(4,069)	(5,122)	(492)	-
Drawdown/(payment) of borrowings	28,916	(70,971)	32,175	-
Payment of dividends (Note 8)	(60,604)	(35,650)	(60,604)	(35,650)
Payment of dividends to minority shareholders	(1,850)	(4,390)	-	-
Net cash used in financing activities	(37,607)	(90,597)	(28,921)	(35,650)
NET INCREASE IN CASH AND CASH EQUIVALENTS	113,960	37,195	90,516	30,940
EFFECTS OF EXCHANGE RATE CHANGES	-	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	193,330	156,135	75,254	44,314
CASH AND CASH EQUIVALENTS AT END OF YEAR	307,290	193,330	165,770	75,254
Cash and cash equivalents comprise:				
Fixed deposits	244,439	128,846	165,393	74,872
Cash and bank balances	62,851	64,484	377	382
	307,290	193,330	165,770	75,254

1. Corporate Information

The principal activity of the Company is investment holding and its subsidiary companies are primarily engaged in the manufacture and sale of glass containers, soft drinks, dairy products, property development activities and the provision of management services. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Kuala Lumpur Stock Exchange.

The holding company of the Company is Fraser and Neave Limited, which is incorporated in Singapore.

The number of employees in the Group at the end of the financial year was 5,201 (2002: 4,239). The Company had no employee at the end of the financial year.

The financial statements are authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 10 November 2003.

2. Significant Accounting Policies

(a) Basis of Preparation

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain property, plant and equipment and unless otherwise indicated below.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia that were in force during the year.

MASB 29 is adopted prospectively in the financial statements of the Group before its effective date. The adoption of MASB 29 has not given rise to any material adjustments to the opening balances of retained profit of the prior year or to changes in comparatives.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under this method, the results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from their effective date of acquisition or up to their effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

2. Significant Accounting Policies (Cont'd.)

(c) Goodwill

Goodwill is identified as any excess of the consideration paid over the fair value of the net assets acquired as at the date of acquisition. Where the consideration is lower than the fair value of the net assets acquired, the difference is recognised as negative goodwill. Goodwill is amortised over its estimated useful life of not more than 20 years using the straight line method. The Company had no goodwill at the end of the financial year.

(d) Investment 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. An assessment of the book value of investments in subsidiary companies is performed when there is indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

The cost of property, plant and equipment comprises purchase price 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%

2. Significant Accounting Policies (Cont'd.)

(f) Property Under Development

Property under development are stated at cost which includes cost of land, construction, related overhead expenditure and financing charges incurred during the period of construction.

Provision for diminution in value of property under development is made for foreseeable losses.

Developments are considered complete upon the issue of Temporary Certificate of Fitness. When completed, properties held for investment are classified as investment properties and properties for sale are transferred to current assets as completed properties held for sale.

Profit on properties for sale is recognised on partly completed projects based on the percentage of completion and of sales method. The percentage of completion is deemed to be the costs incurred to balance sheet date divided by total expected costs; costs exclude land and interest costs. The percentage of sales is deemed to be the floor area sold at balance sheet date divided by the total floor area offered for sale in the project. Profit is taken up on the basis of total expected profit on the project multiplied by the percentage of completion and the percentage of sales, less profit if any, taken up in previous financial periods. Total expected profit is assessed after including the cost of land and interest and after making due allowance for known potential cost over-runs and allowance for contingencies.

(g) 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.

(h) 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.

(i) Provisions for Liabilities

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.

(j) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

2. Significant Accounting Policies (Cont'd.)

(k) Income Tax

The tax charge is based on the profit for the year, as adjusted for tax purposes, together with a charge or credit for deferred taxation. Deferred income tax is provided in full, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of property, plant and equipment, revaluations of certain non-current assets and provisions for pensions and other post retirement benefits and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at or subsequently enacted after the balance sheet date.

Deferred income tax is provided on all temporary differences arising on investments in subsidiary, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

(iii) 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 2003, the provision for retirement and service benefits is considered sufficient to meet the actuarially determined value of vested benefits.

(iv) Accrued annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for employee entitlements to annual leave as a result of services rendered by employees up to the balance sheet date.

2. Significant Accounting Policies (Cont'd.)

(m) 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.

(n) Interest

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.

(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 on those translations are taken to revenue reserve.

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

	2003 RM'000	2002 RM'000
One United States Dollar	3.80	3.80
One Chinese Renminbi	0.459	0.459
100 Vietnamese Dong	0.024	0.025
One Singaporean Dollar	2.20	2.14
One New Zealand Dollar	2.26	1.79
One Thailand Baht	0.095	0.088
One Australian Dollar	2.59	2.07
One Sterling Pound	6.35	5.94
One Euro Dollar	4.44	3.74
One Brunei Dollar	2.20	2.14

2. Significant Accounting Policies (Cont'd.)

(p) 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.

(q) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Receivables

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

(ii) 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.

(iii) Interest-bearing borrowings

Interest-bearing bank loans are recorded at the amount of proceeds received.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining another qualifying asset. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of that borrowing.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

2. Significant Accounting Policies (Cont'd.)

(q) Financial instruments (Cont'd.)

(iv) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(v) Foreign exchange contracts

The Group uses foreign exchange forward contracts to hedge its risks associated primarily with foreign currency fluctuations. It is the Group's policy not to trade in derivative financial instruments. Details of foreign exchange forward contracts entered into by the Group are recorded as off-balance sheet items at their notional principal amounts.

3. Interest Expense and Interest Income

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest expense				
Bank borrowings	(3,083)	(4,458)	(492)	–
Others	(986)	(664)	–	–
	(4,069)	(5,122)	(492)	–
Interest income				
Bank deposits	5,140	3,879	2,988	1,941
Subsidiary companies				
– F&NCC Beverages Sdn Bhd	–	–	1,521	1,983
– Premier Milk (Malaya) Sdn Berhad	–	–	2,043	1,626
– Other subsidiary companies	–	–	196	998
Others	122	122	–	–
	5,262	4,001	6,748	6,548

4. Profit Before Taxation and Exceptional Item

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(a) This is arrived at after charging:				
Depreciation of property, plant and equipment	81,614	73,238	-	-
Loss on disposal of property, plant and equipment	5,912	3,653	-	-
Allowance for doubtful debts	5,663	6,984	-	-
Provision for retirement benefits	1,056	3,985	-	-
Rental of premises	4,851	4,624	-	-
Rental of equipment	2,633	1,796	-	-
Royalties	21,076	17,939	-	-
Auditors' remuneration				
- Current year	425	410	25	25
- Overprovision in prior year	-	17	-	-
Provision for obsolete inventories	7,009	4,630	-	-
Provision for inventories write-off	4,081	5,969	-	-
Property, plant and equipment write-off	615	502	-	-
Management fee to a subsidiary company				
- F&N (Malaya) Sdn Bhd	-	-	540	1,200
Staff costs (excluding directors)				
- Salary	188,456	172,683	-	-
- EPF	15,463	16,309	-	-
And crediting:				
Dividend income from subsidiary companies	-	-	71,235	42,090
Rental income from related companies	24	411	-	-

(b) Directors remuneration

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

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Executive Director				
- Fee	18	17	-	-
- Salary and bonus	982	736	-	-
- EPF	156	119	-	-
- Benefits in kind and allowance	88	88	-	-
Non-Executive Directors				
- Fee	520	517	453	453
- Benefits in kind	32	32	-	-

4. Profit Before Taxation and Exceptional Item (Cont'd.)

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

Range of Remuneration (RM)	2003		2002	
	Executive Directors	Non-Executive Directors	Executive Director	Non-Executive Directors
1 – 50,000	–	6	–	7
50,001 – 100,000	–	1	–	1
100,001 – 150,000	–	2	–	2
950,001 – 1,000,000	–	–	1	–
1,200,001 – 1,250,000	1	–	–	–

5. Exceptional Item

During the year, the Company disposed of its interest in Harmonic Fairway Sdn. Bhd. (“HFSB”) of RM1.00 and novated its advances of RM22.25 million previously made, for a cash consideration of RM2.5 million, resulting in an exceptional loss of RM19.75 million.

6. Taxation

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Tax expense for the year:				
Current taxation				
– Malaysian	26,799	21,926	1,680	1,680
– Foreign	1,634	1,708	–	–
	28,433	23,634	1,680	1,680
Deferred tax	2,386	2,001	–	–
(Over)/under provision in prior years				
– Malaysian income tax	(1,024)	393	(268)	(256)
	29,795	26,028	1,412	1,424

6. Taxation (Cont'd.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Profit before taxation	122,794	122,315	55,325	46,273
Taxation at Malaysian statutory tax rate of 28% (2002: 28%)	34,382	34,248	15,491	12,956
Different tax rates in other countries	(723)	(619)	–	–
Income not subject to tax (tax incentives/ exemption)	(9,306)	(10,229)	(19,946)	(11,770)
Expenses not deductible for tax purposes	12,989	9,778	6,173	494
Utilisation of tax losses and capital allowances	(6,397)	(7,543)	–	–
(Over)/under provision in prior years	(1,024)	393	(268)	(256)
Others	(126)	–	(38)	–
	29,795	26,028	1,412	1,424

The unutilised tax losses and reinvestment allowances of RM28,939,000 (2002: RM41,529,000) and RM40,304,000 (2002: RM77,220,000) respectively are available for offset against future taxable profits of the subsidiaries in which those items arose.

7. Earnings Per Share

Earnings per share is calculated by dividing the consolidated net profit for the year of RM84.0 million (2002: RM87.7 million) by 356 million (2002: 356 million) of ordinary shares of the Company in issue during the year.

8. Dividends

	GROUP AND COMPANY	
	Net per share sen	Amount RM'000
2003		
Final dividend in respect of previous financial year	7.0	24,954
Interim dividend	5.0	17,825
Special dividend	5.0	17,825
		60,604
2002		
Final dividend in respect of previous financial year	5.0	17,825
Interim dividend	5.0	17,825
		35,650

At the forthcoming Annual General Meeting, a final tax exempt dividend of 10 sen amounting to RM35,649,310 in respect of the current financial year on 356,493,101 ordinary shares will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profit in the financial year ending 30 September 2004.

9. Segmental Information

The Group's operating businesses are organised according to the nature of activities, namely soft drinks, dairy products, glass containers 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. 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 containers RM'000	Others RM'000	Group RM'000
Year ended 30 September 2003					
Revenue					
Total revenue	1,385,843	784,760	279,735	11,527	2,461,865
Inter – segment	(531,061)	(307,629)	(1,941)	(10,115)	(850,746)
External	854,782	477,131	277,794	1,412	1,611,119
Results					
Operating profit/(loss)	80,525	32,671	30,254	(2,099)	141,351
Interest expense					(4,069)
Interest income					5,262
Exceptional item					(19,750)
Taxation					(29,795)
Profit after taxation					92,999
Minority interest					(9,049)
Profit for the year					83,950
Other information					
Segment assets	514,404	293,017	378,115	120,784	1,306,320
Fixed deposits and cash & bank balances					307,290
Total assets					1,613,610
Segment liabilities	249,137	73,621	60,806	10,457	394,021
Unallocated liabilities					43,529
Bank borrowings					86,039
Total liabilities					523,589
Capital expenditure	25,257	10,706	43,286	10,255	89,504
Depreciation and amortisation	34,993	13,895	32,098	628	81,614

9. Segmental Information (Cont'd.)

	Soft drinks RM'000	Dairy products RM'000	Glass containers 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	<u>777,671</u>	<u>505,178</u>	<u>237,836</u>	<u>1,303</u>	<u>1,521,988</u>
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					<u>96,287</u>
Minority interest					(8,569)
Profit for the year					<u>87,718</u>
Other information					
Segment assets	479,589	306,676	340,420	128,005	1,254,690
Fixed deposits and cash & bank balances					<u>193,330</u>
Total assets					<u>1,448,020</u>
Segment liabilities	175,854	66,144	47,489	5,941	295,428
Unallocated liabilities					34,261
Bank borrowings					57,123
Total liabilities					<u>386,812</u>
Capital expenditure	16,358	7,575	91,611	453	115,997
Depreciation and amortisation	29,162	15,126	27,975	975	73,238

The following table presents the financial information by geographical segments:

	Revenue		Total Assets		Capital expenditure	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Malaysia	1,391,843	1,319,670	1,407,325	1,283,230	61,842	34,631
Vietnam	46,212	47,667	78,793	79,723	5,423	2,821
China	30,480	–	127,492	85,067	22,239	78,545
Singapore	78,414	76,246	–	–	–	–
Others	64,170	78,405	–	–	–	–
	<u>1,611,119</u>	<u>1,521,988</u>	<u>1,613,610</u>	<u>1,448,020</u>	<u>89,504</u>	<u>115,997</u>

10. Share Capital

	GROUP AND COMPANY	
	2003 RM'000	2002 RM'000
Authorised:		
500,000,000 ordinary shares of RM 1 each	500,000	500,000
Issued and fully paid:		
356,493,101 ordinary shares of RM 1 each	356,493	356,493

11. Reserves

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Non-distributable:				
Share premium	339,990	339,990	339,990	339,990
Capital reserve	2,130	2,130	-	-
Reserve on consolidation	62,668	62,795	-	-
	404,788	404,915	339,990	339,990
Distributable:				
Capital reserve (Note a)	15,897	15,897	15,897	15,897
Retained profit (Note b)	220,777	197,431	72,085	78,776
	236,674	213,328	87,982	94,673
Total reserves	641,462	618,243	427,972	434,663

- (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 the payment of dividend out of its entire retained profit as at 30 September 2003.

12. 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 2002	132,676	50,943	143,903	297,188	114,367	739,077
Additions	–	–	250	46,437	42,817	89,504
Disposals/Write off	–	(403)	(176)	(1,901)	(4,884)	(7,364)
Reclassification	–	–	–	3	(3)	–
Transfer to properties under development	(24,462)	–	(12,362)	–	–	(36,824)
(Provision)/ write-back	–	–	–	(870)	255	(615)
Depreciation	–	(1,476)	(3,874)	(48,319)	(27,945)	(81,614)
At 30 September 2003	108,214	49,064	127,741	292,538	124,607	702,164
At 30 September 2003						
Cost	105,666	61,930	158,970	721,891	285,251	1,333,708
Valuation – 1983	2,548	–	1,350	–	–	3,898
Accumulated depreciation	–	(12,866)	(32,579)	(429,353)	(160,644)	(635,442)
Net book value	108,214	49,064	127,741	292,538	124,607	702,164
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

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

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

The net book value of property, plant and equipment pledged to financial institutions as security for the term loans, as referred to Note 20, is as follows:

	GROUP	
	2003 RM'000	2002 RM'000
Plant and machinery	64,894	77,610

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

	GROUP	
	2003 RM'000	2002 RM'000
Buildings	717	729

13. Subsidiary Companies

	COMPANY	
	2003 RM'000	2002 RM'000
Unquoted shares at cost	527,043	492,043

The details of the subsidiary companies are set out in Note 28 to the financial statements.

14. Advance to Associate

During the year, the Company disposed of its interest in Harmonic Fairway Sdn. Bhd. ("HFSB") of RM1.00 and novated its advances of RM22.25 million previously made, for a cash consideration of RM2.5 million.

HFSB was a joint venture company set up in 1997 between the F&N Group and Malaysian Resources Corporation Berhad to acquire a property that is earmarked for commercial development at the Kuala Lumpur Sentral station in Brickfields.

15. Property Under Development

	GROUP	
	2003 RM'000	2002 RM'000
At cost		
Freehold land and building	36,824	—
Development expenditure	5,567	—
	42,391	—

16. Inventories

	GROUP	
	2003 RM'000	2002 RM'000
At cost		
Manufactured inventories	74,628	49,990
Raw materials	50,012	57,843
Packaging materials	25,045	24,815
Engineering and other inventories	36,138	25,690
	185,823	158,338
At net realisable value		
Manufactured inventories	44,025	41,826
Containers	1,286	2,134
Packaging materials	551	803
Engineering and other inventories	11,471	15,600
	57,333	60,363
	243,156	218,701

17. Receivables

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade receivables	278,069	238,826	–	–
Allowance for doubtful debts	(10,306)	(11,271)	–	–
	267,763	227,555	–	–
Other receivables				
– Prepayments	2,748	3,933	–	–
– Deposits	2,913	4,507	–	–
– Others	27,252	28,327	694	1,305
	32,913	36,767	694	1,305
Dividend receivable	–	–	35,325	24,940
Subsidiary companies	–	–	89,531	176,427
Related companies	17,933	10,340	–	–
	318,609	274,662	125,550	202,672

17. Receivables (Cont'd.)

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
The currency exposure profile is as follows:				
– Ringgit Malaysia	268,297	253,531	125,550	202,672
– US Dollar	36,353	17,349	–	–
– Singaporean Dollar	1,831	3,752	–	–
– Renminbi	11,993	–	–	–
– Others	135	30	–	–
	318,609	274,662	125,550	202,672

The amounts due from subsidiary companies are unsecured, have no fixed terms of repayment and are non-interest bearing, except for amounts of RM62,800,000 (2002: RM148,730,000) which bear interest at 2.85% to 3.25% (2002: 2.90% to 3.20%) 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 Group's 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.

18. Fixed Deposits, Cash and Bank Balances

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Fixed deposits with:				
– Local licensed banks	219,824	111,673	165,393	74,872
– Foreign licenced banks	24,615	17,173	–	–
	244,439	128,846	165,393	74,872
Cash and bank balances	62,851	64,484	377	382
	307,290	193,330	165,770	75,254

The currency exposure profile is as follows:

– Ringgit Malaysia	280,482	170,975	165,770	75,254
– US Dollar	25,530	18,594	–	–
– Renminbi	1,278	3,761	–	–
	307,290	193,330	165,770	75,254

The weighted average interest rates during the financial year and the average maturities of deposits at 30 September 2003 were as follows:

	Weighted Average Interest Rates (%)	Average Maturities Days
Local banks	2.85	90
Foreign banks	0.75	30

19. Payables

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade payables	137,310	105,186	–	–
Other payables				
– Accrued expenses	26,725	25,136	39	25
– Deposits	9,135	6,331	–	–
– Excise duty and sales tax payable	6,719	4,840	–	–
– Staff costs payable	24,251	18,756	–	–
– Marketing costs	12,185	12,092	–	–
– Dividend payable	–	44	–	40
– Other payables	108,870	73,813	1,443	800
Subsidiary companies	–	–	–	120
Related companies	31,162	8,728	55	26
Holding company	57	63	–	5
	356,414	254,989	1,537	1,016

The currency exposure profile is as follows:

– Ringgit Malaysia	291,990	230,270	1,537	1,016
– US Dollar	51,485	23,158	–	–
– Renminbi	8,722	–	–	–
– Others	4,217	1,561	–	–
	356,414	254,989	1,537	1,016

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.

20. Borrowings

	Currency	GROUP		COMPANY	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current					
Bank advance	Renminbi	2,750	–	–	–
Term loan	Renminbi	20,655	–	–	–
Term Loan	USD	11,491	9,193	11,491	–
		34,896	9,193	11,491	–
Non-current					
Term loan	USD	20,684	29,111	20,684	–
Term loan	Renminbi	30,459	18,819	–	–
		51,143	47,930	20,684	–
		86,039	57,123	32,175	–

20. Borrowings (Cont'd.)

The bank advance consist of bankers' acceptance and bears interest at 6.00%. The term loans bear interest at 5.80% to 6.63% (2002: 5.80% to 6.63%) per annum. The term loans are unsecured except for an amount of RM51.1 million (2002: RM18.9 million) which is secured over plant and machinery of the subsidiary company as disclosed in Note 12.

The USD term loan with fixed interest rate is payable quarterly over a five year period and the Renminbi term loan with variable interest rate is payable monthly over a four year period.

The estimated fair value of USD term loan is RM34.8 million (2002: RM37.0 million).

The borrowings are repayable over the following periods:

	GROUP	
	2003 RM'000	2002 RM'000
Term loans		
Within one year	32,146	9,193
More than 1 year and less than 2 years	13,783	13,020
More than 2 years and less than 5 years	37,360	34,910
	83,289	57,123
Bank advance		
Within one year	2,750	–

21. Provision for Retirement Benefits

	GROUP	
	2003 RM'000	2002 RM'000
At 1 October	40,439	39,716
Provision for the year	1,056	3,985
Payment for the year	(3,888)	(3,262)
At 30 September	37,607	40,439

Certain companies within the Group provide retirement benefits in accordance with agreements for their eligible employees. The provisions are assessed in accordance with the advice of independent qualified actuaries using the Projected Unit Credit Method. The latest actuarial valuations were conducted at 30 September 2003. The major assumptions used were:

	2003 %	2002 %
Discount rate	7	7–8
Rate of increase in salaries	4–7	3–5

22. Deferred Taxation

Deferred taxation is provided on temporary differences between the tax bases and carrying amounts of assets and liabilities at the balance sheet date.

	GROUP	
	2003 RM'000	2002 RM'000
At 1 October	31,142	28,311
Charged/(credited) to income statement		
– property, plant and equipment	(3,833)	(733)
– tax losses and unabsorbed capital allowances	6,397	7,543
– provisions	538	(3,130)
– tax effect on revaluation surplus	(716)	(1,679)
	2,386	2,001
Reclassification	133	830
At 30 September	33,661	31,142

The components of deferred tax assets and liabilities are as follows:

Deferred tax assets

– Tax losses	(8,103)	(11,628)
– Provisions	(14,951)	(15,490)
– Unabsorbed capital allowances	–	(2,872)
	(23,054)	(29,990)

Deferred tax liabilities

Subject to income tax:

– Property, plant and equipment	51,365	55,198
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Subject to capital gains tax:

– Revaluation surplus	5,350	5,934
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	56,715	61,132
	33,661	31,142

23. Capital Commitments

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Amount approved and contracted for	43,349	48,839	–	33,600
Amount approved but not not contracted for	52,838	48,765	–	–
	96,187	97,604	–	33,600

24. Lease Commitments

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

	GROUP	
	2003 RM'000	2002 RM'000
Within one year	1,757	2,298
More than 1 year and less than 2 years	187	1,065
	1,944	3,363

25. Contingent Asset

In the previous 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.

26. Significant Related Party Transactions

Significant related party transactions with related companies are disclosed in Note 3 and 4 and below are recurrent transactions with related parties.

At an Extraordinary General Meeting held on 23 January 2003, the Company obtained a Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of revenue of trading in nature with the below companies.

Company	Transacting party	Nature of transaction	Interested party	2003 RM'000	2002 RM'000
F&N Coca-Cola (Malaysia) Sdn Bhd F&N Dairies (Malaysia) Sdn Bhd	F&N (S) Pte Ltd	Royalties and corporate charges	F&N Ltd	17,902	16,349
F&N Dairies (Malaysia) Sdn Bhd	F&N Ltd	Royalties	F&N Ltd	1,050	–
F&N Dairies (Malaysia) Sdn Bhd Premier Milk (Malaya) Sdn Berhad	F&N Foods Pte Ltd	Royalties and corporate charges	F&N Ltd	1,781	2,664
F&NCC Beverages Sdn Bhd F&N Foods Sdn Bhd Premier Milk (Malaya) Sdn Berhad	F&N Foods Pte Ltd	Sale of finished goods	F&N Ltd	51,281	52,326
F&N Dairies (Malaysia) Sdn Bhd	F&N Foods Pte Ltd	Purchase of ingredients	F&N Ltd	1,620	2,132
F&NCC Beverages Sdn Bhd Premier Milk (Malaya) Sdn Berhad F&N Foods Sdn Bhd	Interflavine Pte Ltd	Purchase of ingredients and concentrates	F&N Ltd	104,536	85,280

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

Company	Transacting party	Nature of transaction	Interested party	2003 RM'000	2002 RM'000
F&N Dairies (Malaysia) Sdn Bhd	F&N United Ltd	Purchase of finished goods	F&N Ltd	12,585	10,619
F&N Coca-Cola (Malaysia) Sdn Bhd	Times Information Systems Sdn Bhd	Electronic sales and distribution	F&N Ltd	568	—
Malaya Glass Products Sdn Bhd	Asia Pacific Breweries (S) Pte Ltd	Sale of finished goods	F&N Ltd	18,975	17,481
Malaya Glass Products Sdn Bhd	SP Holdings Ltd	Sale of finished goods	F&N Ltd	5,547	7,136
Malaya Glass Products Sdn Bhd Malaya Vietnam Glass Limited	Vietnam Brewery Ltd	Sale of finished goods	F&N Ltd	3,438	1,939
Malaya Glass Products Sdn Bhd	Myanmar Brewery Ltd	Sale of finished goods	F&N Ltd	780	3,875
Malaya Glass Products Sdn Bhd Kuala Lumpur Glass Manufacturers Co Sdn Bhd	Guinness Anchor Bhd	Sale of finished goods	F&N Ltd	17,782	14,112
Malaya Vietnam Glass Limited	Saigon Beer Ltd	Sale of finished goods	Saigon Beer*	6,699	4,101
F&NCC Beverages Sdn Bhd	F&N Coca-Cola (S) Pte Ltd	Sale of finished goods	The Coca-Cola Company*	3,158	2,221
F&NCC Beverages Sdn Bhd	Caribbean International Sales Corp Inc	Purchase of concentrates	The Coca-Cola Company*	69,980	62,344
Sichuan Malaya Glass Co Ltd	Tuopai Yeast Liquor Co Ltd	Sale of finished goods	Tuopai*	31,082	—
Premier Milk (Malaya) Sdn Berhad	Nestle Products Sdn Bhd	Sale of finished goods	Nestle S.A. Vevey*	—	20,171

* Waiver granted by Kuala Lumpur Stock Exchange on Shareholders' Mandate

27. Financial Instruments and Risk Management

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

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 Group does 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.

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 exists 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 rate 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 and bank borrowings. 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 debt.

Fair values

The following methods and assumptions are used to estimate the fair value of each class of financial instruments, 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 and trade payables

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

27. Financial Instruments and Risk Management (Cont'd.)

Fair values (Cont'd.)

Amount due from/to related companies

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.

Borrowings

The fair value of borrowings is estimated by discounting the expected future cashflows using the current interest rates for liabilities with similar risk profiles.

28. Subsidiary Companies

The details of the subsidiary companies are as follows:

Name of Company	Place of Incorporation	Principal activities	Equity Interest Held (%)	
			2003	2002
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	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	Property development activities	100	100
Brampton Holdings Sdn Bhd*	Malaysia	Inactive	100	—

* Not audited as company was incorporated on 22 May 2003.