



Section 3

Financial Statements

Directors' Report	38
Statement by Directors	42
Statutory Declaration	42
Report of the Auditors	43
Income Statements	44
Balance Sheets	45
Statement of Changes in Equity	46
Cash Flow Statements	47
Notes to the Financial Statements	49

Directors' Report

for the year ended 30 September 2001

The Directors present their report together with the audited financial statements of the Company and of the Group for the year ended 30 September 2001.

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	75,137	33,494
Retained profit brought forward	89,367	55,169
Attributable Profit	164,504	88,663
Dividends		
Additional final dividend due to conversion of warrants	(4,826)	(4,826)
Interim tax exempt dividend of 4%	(14,260)	(14,260)
Retained profit carried forward	145,418	69,577

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:

- As proposed in the previous report, a final dividend of 7%, less tax amounting to RM13,141,153 in respect of the previous financial year was paid on 27 March 2001;
- An additional payment of RM4,826,099 in respect of warrants converted to ordinary shares which qualified for the dividend payment approved on 27 February 2001; and
- An interim tax exempt dividend of 4% amounting to RM14,259,724 in respect of the current financial year was paid on 21 August 2001.

The Directors are recommending a final tax exempt dividend of 5 sen amounting to RM17,824,655 for the approval by shareholders at the forthcoming Annual General Meeting of the Company.

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

Dato' Fong Weng Phak

Mr. Ian Alastair MacLean

Mr. Tan Yam Pin

Dr. Radzuan bin A. Rahman

Mr. Lee Kong Yip

Puan Zaida Khalida binti Shaari (Appointed on 5.4.2001)

Mr. Leslie Oswin Struys (Appointed on 24.5.2001)

Mr. Tan Ang Meng (Appointed on 24.5.2001)

Dato' Dr. Yahya bin Ismail (Resigned on 27.2.2001)

Puan Kartini binti Hj Abdul Manaf (Resigned on 5.4.2001)

Mr. Lai Seck Khui (Resigned on 24.5.2001)

DIRECTORS (cont'd)

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

- Y.A.M. Tengku Syed Badarudin Jamalullail, Mr. Ian Alastair MacLean and Dr. Radzuan bin A. Rahman pursuant to Article 97 of the Company's Articles of Association; and
- Puan Zaida Khalida binti Shaari, Mr. Leslie Oswin Struys and Mr. Tan Ang Meng 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 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 new shares as warrant holders and 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, share options and/or warrants of the Company or its related corporations, as stated below:

Companies in which Director held interest	Number of shares/share options/warrants			
	As at 1/10/00/*	Bought/ Allocated	Sold/ Lapsed/ Exercised	As at 30/9/01
Y.A.M. Tengku Syed Badarudin Jamalullail				
Fraser & Neave Holdings Bhd				
- Ordinary shares	2,862,000	75,000	-	2,937,000
- New Warrants 2001	2,357,795	-	(2,357,795)	-
Ian Alastair MacLean				
Fraser and Neave Limited				
- Ordinary shares	154,081	50,000	(50,000)	154,081
- Share options	521,100	110,000	(158,000)	473,100
Asia Pacific Breweries Ltd				
- Ordinary shares	624	-	-	624
Centrepoint Properties Ltd				
- Ordinary shares	9,387	-	-	9,387
- Warrant 2000	2,000	-	(2,000)	-
Tan Yam Pin				
Fraser and Neave Limited				
- Ordinary shares	163,691	-	-	163,691
- Share options	645,150	135,000	(135,000)	645,150
Leslie Oswin Struys				
Fraser and Neave Limited				
- Ordinary shares	10,150*	-	-	10,150
Fraser & Neave Holdings Bhd				
- Ordinary shares	20,000*	-	-	20,000
- Share options	58,050*	-	-	58,050
Tan Ang Meng				
Fraser and Neave Limited				
- Ordinary shares	14,000*	-	-	14,000
Asia Pacific Breweries Ltd				
- Share options	264,380*	-	-	264,380

* Date of appointment

DIRECTORS' REPORT

for the year ended 30 September 2001

DIRECTORS (cont'd)

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

During the financial year, the issued and paid up share capital of the Company was increased from RM260,737,172 to RM356,493,101 by the issue of 95,755,879 new ordinary shares of RM1.00 each issued at RM3.28 per share and 50 new ordinary shares of RM1.00 each issued at RM7.30 per share on conversion of warrants.

OPTIONS GRANTED OVER UNISSUED SHARES AND DEBENTURES

Warrants 2001 and New Warrants 2001

During the year, 50 Warrants 2001 and 95,755,879 New Warrants 2001 were converted into new ordinary shares. The remaining unexercised warrants expired on 20 February 2001.

No other options were granted to any person to take up unissued shares or debentures of the Company other than the above.

SIGNIFICANT EVENTS DURING THE YEAR

- (a) On 27 February 2001, it was announced that a total of 95,755,929 warrants were converted into 95,755,929 new ordinary shares of RM1.00 each. The conversion gave rise to a total proceeds of RM314,079,648, part of which was utilised to repay the RM250,000,000 0.75% Unsecured Bonds which matured on 20 May 2001.
- (b) On 8 August 2001, it was announced that its wholly owned subsidiary, Malaya Glass Products Sdn Bhd ("MGP") had entered into a Joint Venture Agreement with the Tuopai Group of The People's Republic of China ("PRC") to build a glass container manufacturing plant in Sichuan Province in the PRC. The joint venture company, Sichuan Malaya Glass Co Ltd will be 60% owned by MGP. The equity contribution from MGP is US\$10.08 million or RM38.3 million and will be funded by borrowings. The plant is expected to commence operations from October 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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision 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 provision 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.

OTHER STATUTORY INFORMATION (cont'd)

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.

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,

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

Director

Tan Ang Meng

Director

Kuala Lumpur, Malaysia
7 November 2001

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 44 to 60 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 2001 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,

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

Director

Tan Ang Meng

Director

Kuala Lumpur, Malaysia
7 November 2001

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 44 to 60, 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) **Tony Lee Cheow Fui**
at Kuala Lumpur in the Federal Territory)
on 7 November 2001)

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 44 to 60. 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 2001 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 1060/03/02 (J/PH)
Partner

Kuala Lumpur, Malaysia
7 November 2001

Income Statements

for the year ended 30 September 2001

	Note	Group		Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
REVENUE	1(l)	1,541,253	1,366,517	29,300	41,028
COST OF SALES		(1,146,098)	(1,010,587)	-	-
GROSS PROFIT		395,155	355,930	29,300	41,028
OPERATING EXPENSES					
Distribution expenses		(141,123)	(140,526)	-	-
Marketing expenses		(64,236)	(57,330)	-	-
Administration expenses		(72,684)	(60,484)	(1,792)	(1,545)
Other operating expenses		(8,132)	(9,268)	-	-
		(286,175)	(267,608)	(1,792)	(1,545)
OPERATING PROFIT	2	108,980	88,322	27,508	39,483
Exceptional items	2	(6,053)	(4,038)	-	-
Net financing cost	3	635	(11,465)	8,287	209
PROFIT BEFORE TAXATION		103,562	72,819	35,795	39,692
Taxation	5	(19,461)	(10,456)	(2,301)	(9,353)
PROFIT AFTER TAXATION		84,101	62,363	33,494	30,339
Minority interest		(8,964)	(5,957)	-	-
NET PROFIT FOR THE YEAR		75,137	56,406	33,494	30,339
Basic/Diluted earnings per share (sen)	6	23.6	25.6		
Dividend per share (sen)	20				
Interim		4.0	3.6		
Final		-	5.0		

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

Balance Sheets

as at 30 September 2001

	Note	Group		Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Share capital	7	356,493	260,737	356,493	260,737
Reserves	8	566,230	291,856	425,464	192,733
Shareholders' equity		922,723	552,593	781,957	453,470
Minority interest		56,793	53,661	–	–
		979,516	606,254	781,957	453,470
REPRESENTED BY					
Property, plant and equipment	9	705,056	744,658	–	–
Subsidiary companies	10	–	–	695,988	649,584
Other investments	11	22,254	22,254	22,250	22,250
Deferred expenditure	12	–	454	–	450
CURRENT ASSETS					
Inventories	13	270,594	215,705	–	–
Trade receivables	14	248,209	244,688	–	–
Other receivables		29,520	31,977	21,270	23,088
Amount due from related companies	15	15,741	12,961	–	–
Fixed deposits	16	103,181	73,197	43,700	21,824
Cash and bank balances		52,954	47,477	614	4,029
		720,199	626,005	65,584	48,941
CURRENT LIABILITIES					
Trade payables		115,956	115,836	–	–
Other payables	17	145,105	131,947	1,121	4,327
Amount due to holding company	15	–	65,294	–	–
Amount due to related companies	15	1,610	4,518	–	–
Borrowings	18	128,094	385,961	–	250,000
Provision for taxation		9,201	15,029	744	287
Proposed dividend		–	13,141	–	13,141
		399,966	731,726	1,865	267,755
NET CURRENT ASSETS/(LIABILITIES)		320,233	(105,721)	63,719	(218,814)
DEFERRED LIABILITIES					
Provision for retirement benefits		39,716	36,720	–	–
Deferred taxation	19	28,311	18,671	–	–
		(68,027)	(55,391)	–	–
		979,516	606,254	781,957	453,470

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

Statement of Changes in Equity

for the year ended 30 September 2001

	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
Group							
At 1 October 1999		173,824	11,139	2,497	61,888	55,122	304,470
Rights Issue, net of expenses		86,912	110,526	–	–	–	197,438
Subscription for New Warrants 2001		–	–	15,897	–	–	15,897
Conversion of New Warrants 2001		1	2	–	–	–	3
Transfer in accordance with Article 30 of Foreign Investment Laws of Vietnam		–	–	(367)	–	367	–
Arising from acquisition of subsidiary company		–	–	–	907	–	907
Net profit for the year		–	–	–	–	56,406	56,406
Dividends	20	–	–	–	–	(22,528)	(22,528)
At 30 September 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	20	–	–	–	–	(19,086)	(19,086)
At 30 September 2001		356,493	339,990	18,027	62,795	145,418	922,723

	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Retained profit RM'000	Total RM'000
Company						
At 1 October 1999		173,824	11,139	–	47,358	232,321
Rights Issue, net of expenses		86,912	110,526	–	–	197,438
Subscription for New Warrants 2001		–	–	15,897	–	15,897
Conversion of New Warrants 2001		1	2	–	–	3
Net profit for the year		–	–	–	30,339	30,339
Dividends	20	–	–	–	(22,528)	(22,528)
At 30 September 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	20	–	–	–	(19,086)	(19,086)
At 30 September 2001		356,493	339,990	15,897	69,577	781,957

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

Cash Flow Statements

for the year ended 30 September 2001

	Note	Group		Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Cash flow from operating activities					
Profit before tax		103,562	72,819	35,795	39,692
Adjustments for:					
Depreciation		76,311	73,263	-	-
Gain on disposal of property, plant and equipment		(2,362)	(490)	-	-
Amortisation of deferred expenditure		454	1,162	450	675
Provision for retirement benefits		6,804	4,022	-	-
Provision for property, plant and equipment write-off		5,454	2,171	-	-
Provision for doubtful debts		8,010	9,303	-	-
Provision for obsolete inventories		4,714	2,465	-	-
Provision for furnace shutdown		-	1,536	-	-
Provision for doubtful debts written back		-	(3,856)	-	-
Net financing cost	3	(635)	11,465	(8,287)	(209)
Operating profit before working capital changes		202,312	173,860	27,958	40,158
(Increase)/Decrease in inventories		(59,603)	32,494	-	-
(Increase)/Decrease in receivables		(9,074)	(32,993)	1,818	(17,846)
Increase/(Decrease) in payables		9,558	33,323	(3,206)	2,332
Decrease in related/subsidiary companies		(71,635)	(3,149)	(46,404)	(125,929)
Cash generated from/(used in) operations		71,558	203,535	(19,834)	(101,285)
Net financing cost	3	635	(11,465)	8,287	209
Tax paid		(15,261)	(5,613)	(1,844)	(9,749)
Payment of retirement benefits		(3,155)	(3,196)	-	-
Payment of deferred expenditure		-	(2)	-	-
Net cash generated from/(used in) operating activities		53,777	183,259	(13,391)	(110,825)
Cash flow from investing activities					
Proceeds from sale of property, plant and equipment		5,643	2,934	-	-
Purchase of property, plant and equipment		(45,444)	(44,180)	-	-
Net cash flow from acquisition of subsidiary company		-	(57,735)	-	(60,680)
Other investments		-	(13,462)	-	(13,462)
Net cash used in investing activities		(39,801)	(112,443)	-	(74,142)

CASH FLOW STATEMENTS (CONT'D)

for the year ended 30 September 2001

Note	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Cash flow from financing activities				
Proceeds from rights issue net of expenses	–	197,438	–	197,438
Proceeds from warrants subscription	–	15,897	–	15,897
Proceeds from conversion of warrants	314,079	3	314,079	3
Short term borrowings	(7,867)	(232,186)	–	–
Payment of bonds	(250,000)	–	(250,000)	–
Payment of dividend	(32,227)	(13,142)	(32,227)	(13,142)
Payment of dividend to minority shareholders by subsidiary companies	(2,500)	(5,060)	–	–
Net cash generated from/(used in) financing activities	21,485	(37,050)	31,852	200,196
Net increase in cash and cash equivalents	35,461	33,766	18,461	15,229
Cash and cash equivalents at beginning of year	120,674	86,908	25,853	10,624
Cash and cash equivalents at end of year	156,135	120,674	44,314	25,853
Cash at end of year comprise:				
Fixed deposits	103,181	73,197	43,700	21,824
Cash and bank balances	52,954	47,477	614	4,029
	156,135	120,674	44,314	25,853

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

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 comply with applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to 30 September 2001. 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. Goodwill on consolidation is netted off against reserve on consolidation and the net amount is carried forward.

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.

(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 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%

(d) Investments in subsidiary companies

Subsidiary companies are those companies in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from its activities. Investments in subsidiary companies are stated at cost. Provision for diminution in value is provided when the Directors are of the opinion that there is a permanent decline in value.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Inventories (cont'd)

Engineering inventories are valued at the weighted average cost basis less appropriate allowance for obsolete items.

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

(f) Trade and other receivables

Receivables are valued 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.

(g) 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.

(h) 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. 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.

(i) Deferred taxation

Deferred taxation is provided, 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.

(j) Deferred expenditure

Deferred expenditure comprises preliminary, pre-operating and bond issue expenses. This expenditure was written off to income statement during the year.

(k) 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.

(l) 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.

(m) Net financing cost

Interest 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 financing cost. Net financing cost comprises interest payable on borrowings and interest receivable on funds invested.

2. OPERATING PROFIT

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
This has been arrived at after charging:				
Depreciation of property, plant and equipment	76,311	73,263	-	-
Provision for doubtful debts	8,010	9,303	-	-
Provision for retirement benefits	6,804	4,022	-	-
Amortisation of deferred expenditure	454	1,162	450	675
Rental of premises	3,856	2,559	-	-
Rental of equipment	3,080	3,031	-	-
Royalties	17,031	16,659	-	-
Directors' remuneration				
- Fees	660	655	414	417
- Other emoluments	1,240	1,131	-	-
Auditors' remuneration				
- Audit	436	352	25	25
- Non-audit	39	-	-	-
Provision for furnace shutdown	-	1,536	-	-
Provision for obsolete inventories	4,714	2,465	-	-
Provision for inventory write-off	3,766	3,935	-	-
Provision for property, plant and equipment write-off	5,454	2,171	-	-
Exceptional items (Note a)	6,053	4,038	-	-
Staff costs	178,387	166,197	-	-
And crediting:				
Dividend income from subsidiary companies	-	-	29,300	41,028
Gain on disposal of property, plant and equipment	195	490	-	-
Provision for doubtful debts written back	-	3,856	-	-
Rental of premises	321	-	-	-

(a) The exceptional items are analysed as follows:

	Group	
	2001 RM'000	2000 RM'000
Provision for retrenchment cost	-	4,755
Closure of plant	5,966	-
Write-off surplus container inventory	4,800	-
Sale of property	(2,167)	-
Write back of provision for shut down expenses	(2,546)	-
Gain on unwinding of surplus forward foreign currency contract	-	(717)
	6,053	4,038

(b) The number of employees of the Group including directors at the end of the year was 4,304 (2000: 4,135).

NOTES TO THE FINANCIAL STATEMENTS

30 September 2001

2. OPERATING PROFIT (cont'd)

(c) The aggregate remuneration of the Directors of the Company is as follows:

	2001 RM'000	2000 RM'000
Executive Director		
– Fees	9	1
– Emoluments	436	558
– Benefits in kind	41	25
Non-executive Directors		
– Fees	494	499

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

Range of Remuneration (RM)	Number of Directors			
	2001 Executive directors	2001 Non- executive directors	2000 Executive directors	2000 Non- executive directors
1 – 50,000	–	9	–	8
50,001 – 100,000	–	2	–	–
100,001 – 150,000	–	1	–	2
400,001 – 450,000	1	–	–	–
550,001 – 600,000	–	–	1	–

3. NET FINANCING COST

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Interest payable				
Bank borrowings	4,038	11,751	–	390
Bonds	1,194	1,875	1,194	1,875
Others	763	562	–	–
	5,995	14,188	1,194	2,265
Less:				
Interest receivable				
Bank deposits	(6,473)	(2,518)	(3,968)	(873)
Subsidiary companies	–	–	(5,513)	(1,601)
Others	(157)	(205)	–	–
	(635)	11,465	(8,287)	(209)

4. SEGMENTAL ANALYSIS

	Revenue RM'000	Profit before taxation RM'000	Total assets RM'000
By Activities			
2001			
Soft Drinks	737,020	48,821	455,092
Dairies	568,534	11,326	276,223
Glass	235,169	34,793	294,375
Others	530	8,622	421,819
	1,541,253	103,562	1,447,509
2000			
Soft Drinks	655,908	21,535	457,168
Dairies	501,519	26,012	239,458
Glass	208,639	23,123	269,380
Others	451	2,149	427,365
	1,366,517	72,819	1,393,371
By Geographical Location			
2001			
Malaysia	1,493,240	92,917	1,359,329
Vietnam	48,013	10,645	88,180
	1,541,253	103,562	1,447,509
2000			
Malaysia	1,307,350	64,002	1,303,869
Vietnam	59,167	8,817	89,502
	1,366,517	72,819	1,393,371

5. TAXATION

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Based on results for the year:				
Current taxation				
– Malaysia	8,617	11,665	2,301	9,353
– Foreign	1,541	1,821	–	–
	10,158	13,486	2,301	9,353
Deferred taxation	9,699	(2,341)	–	–
	19,857	11,145	2,301	9,353
Overprovision in prior years	(396)	(689)	–	–
	19,461	10,456	2,301	9,353

The Group's effective tax rate is lower than the statutory rate mainly due to the utilisation of accumulated losses.

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2001

6. EARNINGS PER SHARE

The basic and diluted earnings per share have been calculated by dividing the consolidated net profit for the year of RM75.1 million (2000: RM56.4 million) by 318 million (2000: 220 million) weighted average number of ordinary shares of RM1.00 in issue during the year.

7. SHARE CAPITAL

	Group and Company	
	2001	2000
	RM'000	RM'000
Authorised:		
500,000,000 ordinary shares of RM1.00 each	500,000	500,000

8. RESERVES

	Group		Company	
	2001	2000	2001	2000
	RM'000	RM'000	RM'000	RM'000
Non-distributable:				
Share premium	339,990	121,667	339,990	121,667
Capital reserve	2,130	2,130	-	-
Reserve on consolidation	62,795	62,795	-	-
	404,915	186,592	339,990	121,667
Distributable:				
Capital reserve (Note a)	15,897	15,897	15,897	15,897
Retained profit (Note b)	145,418	89,367	69,577	55,169
	161,315	105,264	85,474	71,066
Total reserves	566,230	291,856	425,464	192,733

- (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 RM55,792,000 of its revenue reserve as at 30 September 2001 as dividends.

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant & machinery RM'000	Others RM'000	Total RM'000
Group						
Cost or valuation						
At beginning of year	133,867	63,480	173,636	628,862	273,874	1,273,719
Additions	–	–	484	26,509	18,451	45,444
Disposals	(1,191)	–	(171)	(7,960)	(16,512)	(25,834)
Reclassifications	–	–	2,191	12,088	(14,279)	–
At end of year	132,676	63,480	176,140	659,499	261,534	1,293,329
Accumulated depreciation						
At beginning of year	–	8,591	23,147	360,642	136,681	529,061
Charge for the year	–	1,504	4,114	44,605	26,088	76,311
Disposals	–	–	(28)	(7,603)	(14,922)	(22,553)
Reclassifications	–	–	6	563	(569)	–
Provision for write off	–	–	167	4,350	937	5,454
At end of year	–	10,095	27,406	402,557	148,215	588,273
Charge for 30 September 2000	–	1,431	4,356	43,194	24,282	73,263
Net book value						
At 30 September 2001	132,676	53,385	148,734	256,942	113,319	705,056
At 30 September 2000	133,867	54,889	150,489	268,220	137,193	744,658

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 No. 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.

All the property, plant and equipment are stated at cost except for freehold land and buildings as detailed below:

	Cost RM'000	Valuation 1983 RM'000	Total RM'000
Group – 30/9/01			
Freehold land	130,128	2,548	132,676
Buildings	174,790	1,350	176,140
Group – 30/9/00			
Freehold land	131,349	2,548	133,897
Buildings	172,286	1,350	173,636

NOTES TO THE FINANCIAL STATEMENTS

30 September 2001

10. SUBSIDIARY COMPANIES

	Company	
	2001 RM'000	2000 RM'000
Unquoted shares at cost	492,043	492,043
Amounts due from subsidiary companies	204,055	207,323
Amount due to subsidiary companies	(110)	(49,782)
	695,988	649,584

The amounts due from/(to) subsidiary companies are unsecured, have no fixed terms of repayment and are non-interest bearing except for the amounts due from subsidiary companies of RM176,714,074 (2000: RM179,978,508) which bear interest at rates ranging from 2.95% to 3.20% (2000: 2.70% to 3.05%) per annum.

The details of the subsidiary companies are set out in Note 24 to the financial statements.

11. OTHER INVESTMENTS

This represents progress advance made to an associated company to acquire property earmarked for commercial development at KL Sentral.

12. DEFERRED EXPENDITURE

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Cost	12,410	12,410	4,919	4,919
Less: Amortisation	(12,410)	(11,956)	(4,919)	(4,469)
	-	454	-	450

13. INVENTORIES

	Group	
	2001 RM'000	2000 RM'000
Manufactured inventories	117,032	91,308
Containers	33,432	46,348
Raw materials	81,037	47,768
Packaging materials	25,542	22,376
Engineering and other inventories	47,731	50,739
	304,774	258,539
Less: Provision for obsolete inventories	(34,180)	(42,834)
	270,594	215,705

14. TRADE RECEIVABLES

	Group	
	2001 RM'000	2000 RM'000
Trade receivables	263,889	262,082
Less: Provision for doubtful debts	(15,680)	(17,394)
	248,209	244,688

15. 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 of companies. The amounts due from/(to) related companies are trade in nature and non-interest bearing.

16. FIXED DEPOSITS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Fixed deposits with:				
– Local banks	83,508	52,935	43,700	21,824
– Foreign banks	19,673	20,262	–	–
	103,181	73,197	43,700	21,824

17. OTHER PAYABLES

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Accrued expenses	23,176	20,427	25	25
Deposits	26,113	23,219	–	–
Excise duty and sales tax payable	5,995	6,177	–	–
Staff costs payable	17,144	22,080	–	–
Provision for marketing costs	22,672	10,263	–	–
Dividend payable	90	3,232	90	3,232
Other payables	49,915	46,549	1,006	1,070
	145,105	131,947	1,121	4,327

18. BORROWINGS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Repayable within one year:				
Unsecured				
0.75% Bonds 1996 (Note a)	–	250,000	–	250,000
Other borrowings (Note b)	128,094	135,961	–	–
	128,094	385,961	–	250,000

- (a) The RM250,000,000 0.75% Bonds 1996 were fully redeemed on its maturity date 20 May 2001.
- (b) The other borrowings consist of bankers' acceptances and revolving credits which bear interest at rates ranging from 3.10% to 3.33% (2000: 3.20% to 6.75%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2001

19. DEFERRED TAXATION

	Group	
	2001 RM'000	2000 RM'000
The deferred taxation arose as a result of:		
Excess of net book value over tax written down value of:		
– Property, plant and equipment	52,101	43,774
– Container inventories	–	1,368
Provision, expenses and income taken to tax in different year	(5,823)	(5,809)
Tax effect on revaluation surplus	4,076	5,071
Unutilised losses and unabsorbed capital allowances	(22,043)	(25,733)
	28,311	18,671

20. DIVIDENDS

	Group and Company	
	Net per share sen	Amount RM'000
2001		
Additional dividend in respect of warrants converted to ordinary shares	5.0	4,826
Interim dividend	4.0	14,260
		19,086
2000		
Interim dividend	3.6	9,387
Proposed final dividend	5.0	13,141
		22,528

In the previous financial year, final dividend was accrued as a liability when proposed by the Directors. The Group has now adopted the new Malaysian Accounting Standards Board (MASB) Standard No. 19, Events after the Balance Sheet Date, to recognise dividends in the shareholders' equity in the period in which the obligation to pay is established.

The proposed final tax exempt dividend of 5 sen per share amounting to RM17,824,655 for the current year will be recognised in the financial statements only upon the approval by shareholders at the forthcoming Annual General Meeting.

21. CAPITAL COMMITMENTS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Amount approved and contracted for	112,985	68,757	65,538	65,538
Amount approved but not contracted for	5,036	13,555	–	–
	118,021	82,312	65,538	65,538

22. LEASE COMMITMENTS

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

	Group	
	2001 RM'000	2000 RM'000
Amount payable within 12 months	1,131	3,625
Amount payable after 12 months	2,038	3,060
	3,169	6,685

23. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Related companies				
Sales to:				
Asia Pacific Brewery (S) Pte Ltd	16,306	13,412	-	-
F&N Foods Pte Ltd	61,414	53,503	-	-
Myanmar Brewery Ltd	5,688	2,273	-	-
SP Holdings Ltd	4,969	4,003	-	-
Others	834	1,502	-	-
Purchases from:				
F&N Foods Pte Ltd	13,634	7,539	-	-
Interflavine Pte Ltd	63,528	19,374	-	-
F&N United Ltd	20,639	4,592	-	-
Others	59	62	-	-
Management fees to:				
F&N (S) Pte Ltd	1,200	2,400	-	-
Others	65	-	-	-
Royalties to:				
F&N (S) Pte Ltd	15,373	14,422	-	-
F&N Foods Pte Ltd	1,312	790	-	-
Corporate charges to:				
F&N (S) Pte Ltd	1,516	-	-	-
Others	344	-	-	-
Subsidiary companies				
Interest income from:				
F&NCC Beverages Sdn Bhd	-	-	2,788	620
Premier Milk (Malaya) Sdn Berhad	-	-	1,425	144
Others	-	-	1,301	837

These transactions with related parties are based on terms determined on a commercial basis. At the year end, the balances unpaid were within normal trade credit terms.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2001

24. SUBSIDIARY AND ASSOCIATED COMPANIES

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

Name of Company	Place of Incorporation	Principal Activities	Equity Interest Held	
			2001 %	2000 %
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
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	Dormant	100	100
Wimanis Sdn Bhd	Malaysia	Dormant	100	100
Harmonic Fairway Sdn Bhd	Malaysia	Dormant	25	25