Notes to the Financial Statements

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

Registered office and principal place of business

No. 55, Persiaran Selangor,
Section 15, 40200 Shah Alam,
Selangor Darul Ehsan, Malaysia.

The consolidated financial statements as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate and a jointly-controlled entity. The financial statements of the Company as at and for the year ended 31 December 2010 do not include other entities.

The Company is principally engaged in the production of beer, stout, shandy and non-alcoholic beverages for distribution in the home market and for export while the other Group entities are primarily involved in the marketing and distribution of beer, stout, shandy and non-alcoholic beverages.

The immediate and ultimate holding companies during the financial year are Carlsberg Breweries A/S and Carlsberg A/S respectively. Both companies are incorporated in Denmark.

The financial statements were approved by the Board of Directors on 18 March 2011.

1. Basis of Preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards (FRS), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, Financial Instruments: Presentation – Classification of Right Issues

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, First Time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 12, Service Concession Agreements
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distributions of Non-cash Assets to Owners
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

1. Basis of Preparation (Continued)

(a) Statement of compliance (Continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, First Time Adoption of Financial Reporting Standards
  - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
  - Additional Exemption for First-time Adopters
- Amendments to FRS 7, Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments
- Amendments to FRS 2, Group Cash-settled Share-based Payment Transactions
- IC Interpretation 4, Determining whether an Arrangement contains a Lease
- IC Interpretation 18, Transfers of Assets from Customers
- Improvements to FRSs (2010)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement
- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, Related Party Disclosures (revised)
- IC Interpretation 15, Agreements for the Construction of Real Estate

The Group and Company plans to apply the abovementioned standards, amendments and interpretations from the annual period beginning on 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for IC Interpretation 12, which is not applicable to the Group and Company.

The initial application of the aforesaid applicable standards, amendments or interpretations are not expected to have any significant financial impact to the financial statements upon their first adoption.

Following the announcement by the MASB on 1 August 2008, the Group's and Company's financial statements will be prepared in accordance with the International Financial Reporting Standards (IFRS) framework for annual periods beginning on 1 January 2012. The management has yet to assess the impact of the adoption of the International Financial Reporting Standards (IFRS) framework on the financial position and performance of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in Note 2.

(c) Functional and presentation currency

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

1. Basis of Preparation (Continued)

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 4 – Intangible assets.

2. Significant Accounting Policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, other than those disclosed in the following notes:

- Note 2(c) – Financial instruments
- Note 2(e) – Leased assets
- Note 2(h) – Receivables
- Note 2(o) – Borrowing costs
- Note 2(r) – Operating segments

(a) Basis of consolidation

(i) Subsidiaries

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

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale.

(ii) Associates

Associates are entities in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

2. Significant Accounting Policies (Continued)

(a) Basis of consolidation (Continued)

(ii) Associates (Continued)

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale.

(iii) Jointly-controlled entities

Jointly-controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Jointly-controlled entities are accounted for in the consolidated financial statements using the proportionate method unless it is included in a disposal group that is classified as held for sale. The consolidated financial statements include the Group's share of the revenue, expenses, assets and liabilities of the jointly-controlled entity, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

Investments in jointly-controlled entities are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale.

(iv) Minority interest

Minority interest at the end of the reporting period, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Minority interest in the results of the Group are presented in the consolidated statement of comprehensive income as an allocation of the comprehensive income for the year between minority interest and the owners of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(v) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Significant Accounting Policies (Continued)

(b) Foreign currency

(i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR"). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

(c) Financial instruments

Arising from the adoption of FRS 139, Financial Instruments: Recognition and Measurement, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are set out in Note 27.

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant Accounting Policies (Continued)

(c) Financial instruments (Continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market that includes trade and other receivables and deposits with financial institutions.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(j)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. Significant Accounting Policies (Continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation less accumulated depreciation and any accumulated impairment losses.

Revalued property, plant and equipment where no revaluation policy is adopted

The Group has availed itself to the transitional provision when MASB first adopted IAS 16, Property, plant and equipment in 1998. Certain buildings of the Company and of the Group were revalued in 1981 and no later valuation has been recorded for these property, plant and equipment.

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

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property, plant and equipment is the estimated amount for which a property, plant and equipment could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Assets in-progress are not depreciated until the assets are ready for their intended use.

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

• Buildings	15 – 50 years
• Renovation	15 years
• Plant and machinery	5 – 20 years
• Motor vehicles	5 years
• Furniture and office equipment	3 – 5 years

2. Significant Accounting Policies (Continued)

(d) Property, plant and equipment (Continued)

(iii) Depreciation (Continued)

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and the leased assets are not recognised in the statement of financial position of the Group or the Company.

In the previous years, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

The Group has adopted the amendment made to FRS 117, Leases on 1 January 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Intangible assets

(i) Goodwill

Goodwill arising on business combinations is measured at cost less accumulated impairment losses.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

2. Significant Accounting Policies (Continued)

(f) Intangible assets (Continued)

(ii) Distribution rights

Distribution rights are measured at cost less accumulated impairment losses.

(iii) Customised computer software

Customised computer software that is not integral to the functionality of the related equipment is recognised as an intangible asset. These intangible assets that are acquired by the Group or the Company are stated at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Amortisation

Goodwill and distribution rights with indefinite useful lives are not amortised but tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful life of customised computer software is 3 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(h) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently measured at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(c).

2. Significant Accounting Policies (Continued)

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with Note 2(c).

(j) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries, associates and joint ventures) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the recoverable value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

2. Significant Accounting Policies (Continued)

(j) Impairment (Continued)

(ii) Other assets (Continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(l) Employee benefits

(i) Short term employee benefits

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

Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

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

(ii) State plans and defined contribution plan

The Group's contribution to the statutory pension funds and Carlsberg Brewery Malaysia Retirement Plan, a defined contribution plan are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. Significant Accounting Policies (Continued)

(l) Employee benefits (Continued)

(iii) Termination benefits

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

(iv) Share-based payment transactions

Certain employees of the Group are entitled to a share option programme set up by Carlsberg A/S that gives the right to Carlsberg A/S shares. The grant date fair value of the share options granted to these employees is recognised as an employee expense in profit or loss and a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options of the initial capital contribution initially recognised in the equity is treated as a capital distribution and would be recorded directly in equity.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

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

(n) Income recognition

(i) Revenue on goods sold

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

(ii) Dividend income

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

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Before 1 January 2010, all borrowing costs were recognised in profit or loss using the effective interest method in the period in which they are incurred.

Following the adoption of revised FRS 123, Borrowing Costs, 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.

2. Significant Accounting Policies (Continued)

(o) Borrowing costs (Continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

Unutilised reinvestment allowance and investment tax allowance are treated as tax base of assets and are recognised as a reduction of tax expense as and when they are utilised.

(q) Earnings per ordinary share

The Group presents basic earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(r) Operating segments

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

Following the adoption of FRS 8, Operating Segments, an operating segment is a component of the Group that engages in business activities from which it earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. Property, Plant and Equipment

Group	Note	Leasehold land RM'000	Freehold land RM'000	Buildings RM'000	Renovation RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Cost/Valuation										
At 1 January 2009, restated		11,278	19,281	53,603	–	312,601	24,252	47,715	3,059	471,789
Additions		–	–	405	–	1,625	1,126	3,170	5,262	11,588
Disposals		(707)	(184)	(2,606)	–	(1)	(1,318)	(1,037)	–	(5,853)
Written off		–	–	–	–	(1,119)	–	(168)	–	(1,287)
Transfers		–	–	2,487	–	2,052	–	284	(4,823)	–
Acquisition of a subsidiary	21	–	–	5	–	1,452	8	226	–	1,691
Effect of movements in exchange rates		–	–	(6)	–	(30)	–	(15)	–	(51)
At 31 December 2009/ 1 January 2010, restated		**10,571**	**19,097**	**53,888**	**–**	**316,580**	**24,068**	**50,175**	**3,498**	**477,877**
Additions		**–**	**–**	**194**	**470**	**6,591**	**5,164**	**3,960**	**7,473**	**23,852**
Disposals		**–**	**–**	**–**	**–**	**–**	**(3,802)**	**(1,254)**	**–**	**(5,056)**
Written off		**–**	**–**	**–**	**–**	**(98)**	**–**	**(854)**	**–**	**(952)**
Transfers		**–**	**–**	**(35)**	**35**	**–**	**–**	**-**	**–**	**–**
Effect of movements in exchange rates		**–**	**–**	**6**	**–**	**8**	**–**	**9**	**–**	**23**
At 31 December 2010		**10,571**	**19,097**	**54,053**	**505**	**323,081**	**25,430**	**52,036**	**10,971**	**495,744**

Notes to the Financial Statements

3. Property, Plant and Equipment (Continued)

Group	Note	Leasehold land RM'000	Freehold land RM'000	Buildings RM'000	Renovation RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Depreciation										
At 1 January 2009, restated		2,668	–	19,887	–	248,065	12,499	40,512	–	323,631
Depreciation for the year	15	131	–	1,246	–	9,802	4,470	3,505	–	19,154
Disposals		(150)	–	(877)	–	(1)	(860)	(853)	–	(2,741)
Written off		–	–	–	–	(395)	–	(157)	–	(552)
Effect of movements in exchange rates		–	–	(6)	–	(16)	–	(13)	–	(35)
At 31 December 2009/ 1 January 2010, restated		**2,649**	**–**	**20,250**	**–**	**257,455**	**16,109**	**42,994**	**–**	**339,457**
Depreciation for the year	15	**123**	**–**	**1,319**	**43**	**9,176**	**3,449**	**3,588**	**–**	**17,698**
Disposals		**–**	**–**	**–**	**–**	**–**	**(3,151)**	**(1,254)**	**–**	**(4,405)**
Written off		**–**	**–**	**–**	**–**	**(93)**	**(3)**	**(826)**	**–**	**(922)**
Effect of movements in exchange rates		**–**	**–**	**6**	**–**	**8**	**–**	**12**	**–**	**26**
At 31 December 2010		**2,772**	**–**	**21,575**	**43**	**266,546**	**16,404**	**44,514**	**–**	**351,854**
Carrying amounts										
At 1 January 2009, restated		8,610	19,281	33,716	–	64,536	11,753	7,203	3,059	148,158
At 31 December 2009/ 1 January 2010, restated		**7,922**	**19,097**	**33,638**	**–**	**59,125**	**7,959**	**7,181**	**3,498**	**138,420**
At 31 December 2010		**7,799**	**19,097**	**32,478**	**462**	**56,535**	**9,026**	**7,522**	**10,971**	**143,890**

3. Property, Plant and Equipment (Continued)

Company	Note	Leasehold land RM'000	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Cost/Valuation									
At 1 January 2009, restated		10,399	18,952	50,077	312,340	4,132	16,906	3,059	415,865
Additions		–	–	373	1,451	331	451	5,262	7,868
Disposals		–	–	–	(1)	(518)	(12)	–	(531)
Written off		–	–	–	(162)	–	(84)	–	(246)
Transfers		–	–	2,487	2,052	–	284	(4,823)	–
Transfer to a subsidiary		–	–	–	–	(131)	–	–	(131)
At 31 December 2009/ 1 January 2010, restated		**10,399**	**18,952**	**52,937**	**315,680**	**3,814**	**17,545**	**3,498**	**422,825**
Additions		**–**	**–**	**149**	**6,591**	**363**	**527**	**6,891**	**14,521**
Disposals		**–**	**–**	**–**	**–**	**(1,852)**	**(320)**	**–**	**(2,172)**
Written off		**–**	**–**	**–**	**(98)**	**–**	**(93)**	**–**	**(191)**
Transfer to a subsidiary		**–**	**–**	**–**	**–**	**(157)**	**–**	**–**	**(157)**
At 31 December 2010		**10,399**	**18,952**	**53,086**	**322,173**	**2,168**	**17,659**	**10,389**	**434,826**
Depreciation									
At 1 January 2009, restated		2,471	–	18,836	248,063	1,882	15,011	–	286,263
Depreciation for the year	15	118	–	1,171	9,674	738	970	–	12,671
Disposals		–	–	–	(1)	(285)	(7)	–	(293)
Written off		–	–	–	(150)	–	(78)	–	(228)
Transfer to a subsidiary		–	–	–	–	(92)	–	–	(92)
At 31 December 2009/ 1 January 2010, restated		**2,589**	**–**	**20,007**	**257,586**	**2,243**	**15,896**	**–**	**298,321**
Depreciation for the year	15	**118**	**–**	**1,295**	**9,176**	**564**	**833**	**–**	**11,986**
Disposals		**–**	**–**	**–**	**–**	**(1,531)**	**(315)**	**–**	**(1,846)**
Written off		**–**	**–**	**–**	**(93)**	**–**	**(92)**	**–**	**(185)**
Transfer to a subsidiary		**–**	**–**	**–**	**(12)**	**(92)**	**–**	**–**	**(104)**
At 31 December 2010		**2,707**	**–**	**21,302**	**266,657**	**1,184**	**16,322**	**–**	**308,172**
Carrying amounts									
At 1 January 2009, restated		7,928	18,952	31,241	64,277	2,250	1,895	3,059	129,602
At 31 December 2009/ 1 January 2010, restated		**7,810**	**18,952**	**32,930**	**58,094**	**1,571**	**1,649**	**3,498**	**124,504**
At 31 December 2010		**7,692**	**18,952**	**31,784**	**55,516**	**984**	**1,337**	**10,389**	**126,654**

Notes to the Financial Statements

3. Property, Plant and Equipment (Continued)

3.1 Analysis of cost and valuation for leasehold land and buildings

Certain buildings of the Group and of the Company were revalued in 1981 by independent professionally qualified valuers using an open market value method. These assets have continued to be stated on the basis of their 1981 valuations, as allowed by the transitional provision in FRS 116_{2004}.

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Buildings				
Cost	**45,775**	45,610	**44,808**	44,659
Valuation – 1981	**8,278**	8,278	**8,278**	8,278
	54,053	53,888	**53,086**	52,937
Leasehold land				
Cost	**527**	527	**355**	355
Valuation – 1981	**10,044**	10,044	**10,044**	10,044
	10,571	10,571	**10,399**	10,399

The Group has availed itself to the transitional provision when the MASB first issued FRS 116_{2004}, Property, Plant and Equipment in 2000. Due to the absence of historical records, the Group is not able to provide the carrying amounts of the revalued leasehold land and buildings had they been carried under the cost model.

3.2 Land

The carrying amounts of leasehold land at 1 January 2009 and 31 December 2009 have been adjusted following the adoption of the amendments to FRS 117, Leases, where leasehold land, in substance is a finance lease, has been reclassified from prepaid lease payments to property, plant and equipment.

Notes to the Financial Statements

4. Intangible Assets

Group	Note	Goodwill RM'000	Distribution rights RM'000	Computer software RM'000	Total RM'000
Cost					
At 1 January 2009		6,364	–	8,111	14,475
Additions		–	–	634	634
Acquisition of a subsidiary	21	36,043	338,910	151	375,104
Effect of movements in exchange rates		–	–	(15)	(15)
At 31 December 2009/1 January 2010		**42,407**	**338,910**	**8,881**	**390,198**
Additions	21	**23,452**	**–**	**1,254**	**24,706**
Written off		**–**	**–**	**(34)**	**(34)**
Effect of movements in exchange rates		**(469)**	**(7,429)**	**(14)**	**(7,912)**
At 31 December 2010		**65,390**	**331,481**	**10,087**	**406,958**
Amortisation					
At 1 January 2009		–	–	6,186	6,186
Amortisation for the year	15	–	–	1,253	1,253
Effect of movements in exchange rates		–	–	(13)	(13)
At 31 December 2009/1 January 2010		**–**	**–**	**7,426**	**7,426**
Amortisation for the year	15	**–**	**–**	**1,125**	**1,125**
Written off		**–**	**–**	**(34)**	**(34)**
Effect of movements in exchange rates		**–**	**–**	**(11)**	**(11)**
At 31 December 2010		**–**	**–**	**8,506**	**8,506**
Carrying amounts					
At 1 January 2009		6,364	–	1,925	8,289
At 31 December 2009/1 January 2010		**42,407**	**338,910**	**1,455**	**382,772**
At 31 December 2010		**65,390**	**331,481**	**1,581**	**398,452**

4. Intangible Assets (Continued)

Company	Note	Computer software RM'000
Cost		
At 1 January 2009		6,824
Additions		257
At 31 December 2009/1 January 2010		**7,081**
Additions		**343**
At 31 December 2010		**7,424**
Amortisation		
At 1 January 2009		5,062
Amortisation for the year	15	1,090
At 31 December 2009/1 January 2010		**6,152**
Amortisation for the year	15	**726**
At 31 December 2010		**6,878**
Carrying amounts		
At 1 January 2009		1,762
At 31 December 2009/1 January 2010		**929**
At 31 December 2010		**546**

4.1 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amount of goodwill allocated to each unit is as follows:

	Group 2010 RM'000	2009 RM'000
Subsidiaries		
Luen Heng F & B Sdn. Bhd.	**5,000**	5,000
Carlsberg Singapore Pte. Ltd.	**59,026**	36,043
Subsidiary of a jointly-controlled entity		
Carlsberg Cottingham Ltd. (formerly known as Cottingham & Co. Ltd.)	**1,364**	1,364
	65,390	42,407

The recoverable amounts of the cash generating unit ("CGU"), Luen Heng F & B Sdn. Bhd., Carlsberg Singapore Pte. Ltd. and Carlsberg Cottingham Ltd. were determined based on value in use calculations. The recoverable amounts for each CGU was higher than the carrying amount of the identifiable net assets and goodwill allocated and hence no impairment loss was recognised during the year.

Value in use of the CGU was determined by discounting the future cash flows generated from the continuing use of the CGU.

4. Intangible Assets (Continued)

4.1 Impairment testing for cash-generating units containing goodwill (Continued)

The key assumptions used for the significant CGUs are as follows:

Luen Heng F&B Sdn. Bhd.

- Cash flows were projected based on 9 years business projections to perpetuity and discounted at 9%, which is the weighted average cost of capital for domestic market.
- Growth in revenue is projected to contract by 19.3% in 2011, followed by increases by 7%, 5% and 4% year on year from 2012 to 2014 respectively and to remain constant from 2015 to 2019. Decrease in 2011 projection is to take into consideration the one-off significant increase in revenue in 2010.
- Gross profit margin is projected at 18%, 19%, 20% and 21% from 2011 to 2014 respectively and to remain constant from 2015 to 2019.
- The entity will continue its operations indefinitely and thus a projection beyond 9 years is used with the assumption of an average growth rate of 4% for year 10 onwards to obtain the terminal projections.

Carlsberg Singapore Pte. Ltd. ("CSPL")

- CSPL would have the continuing rights to distribute Carlsberg products in Singapore beyond 20 years.
- Cash flows were projected based on 9 years business projections to perpetuity and discounted at 10%, which is the weighted average cost of capital for foreign market.
- Growth in revenue is projected to increase by 3% and 0.6% from 2011 to 2012 respectively and increase by an average of 2.8% from 2014 to 2019.
- Gross profit margin is projected to remain constant throughout the years of projections.
- Long term growth rate of 1% per annum was applied to the discrete and terminal year projections taking into consideration Singapore's historical and projected inflation rates.

The values assigned to the key assumptions represent management's assessment of future trends in the alcohol beverage market of Malaysia and Singapore respectively and are based on both external sources and internal sources (historical data).

Management uses 9 years business projections as these are readily available information and was used in the initial purchase price allocation during the acquisition of CSPL. The terminal value is estimated based on the final year of the projected cash flow to perpetuity.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amounts to exceed the recoverable amounts of the CGUs. Based on this review, there is no evidence of impairment on the Group's goodwill.

4.2 Distribution rights

Distribution rights is in relation to the rights for the distribution and sale of Carlsberg products in Singapore arising from the acquisition of a new subsidiary, Carlsberg Singapore Pte. Ltd. ("CSPL"). Pursuant to the acquisition, Carlsberg Breweries A/S ("CBAS") has waived, for a period of 20 years from the completion date, its right to terminate the license granted by CBAS to CSPL to use the Carlsberg trademark and rights to distribute Carlsberg products in Singapore. After the expiry of the 20 years period (ie. from 2029 onwards), the distribution rights will continue unless terminated by either party upon 12 months prior written notice.

Management has assessed that it is unlikely that CBAS, its immediate holding company, will terminate the distribution rights after the 20 years period. Accordingly, the distribution rights is deemed to have an indefinite useful life and is not amortised.

4. Intangible Assets (Continued)

4.2 Distribution rights (Continued)

For the purpose of impairment testing, the recoverable amount of the distribution rights is estimated using the present value of expected future free cash flows generated by the distribution rights and based on the key assumptions as detailed in Note 4.1- Carlsberg Singapore Pte. Ltd..

The values assigned to the key assumptions represent management's assessment of future trends in the alcohol beverage market of Singapore and are based on both external sources and internal sources (historical data).

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the distribution rights to exceed the recoverable amount of the distribution rights. Based on this review, there is no evidence of impairment on the distribution rights.

5. Investments in Subsidiaries

	Company	
	2010 RM'000	2009 RM'000
Unquoted shares - at cost	**393,672**	370,220

Increase in the investments in subsidiaries is attributed to the final purchase consideration paid during the year for the acquisition of Carlsberg Singapore Pte. Ltd. ("CSPL") amounting to SGD10 million, which was determined subsequent to the finalisation of the final adjustment to the working capital of CSPL.

The following are the subsidiaries of the Group:

Name of company	Principal activities	Country of incorporation	Effective ownership interest 2010	Effective ownership interest 2009
Carlsberg Marketing Sdn. Bhd.	Marketing and distribution of beer, stout, shandy and non-alcoholic beverages	Malaysia	**100%**	100%
Euro Distributors Sdn. Bhd.	Dormant	Malaysia	**100%**	100%
Luen Heng F & B Sdn. Bhd.	Importation, distribution and sale of alcoholic and non-alcoholic beverages	Malaysia	**70%**	70%
Carlsberg Singapore Pte. Ltd. #	Importation and marketing of beer and liquor products	Singapore	**100%**	100%

\# *Audited by a member firm of KPMG International.*

In conjunction with the investment undertaken in Luen Heng F&B Sdn. Bhd. ("LHFB"), the Company entered into a call and put option with LHFB's corporate shareholder, Luen Heng Agency Sdn. Bhd., allowing the acquisition of both parties' interest in LHFB, at any time after three (3) years of the date of the acquisition. The purchase consideration is to be based on LHFB's fair value which is to be determined by an international firm of accountants.

6. Investment in an Associate

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Quoted shares outside Malaysia	**19,936**	19,936	**19,936**	19,936
Share of post-acquisition reserves	**6,401**	4,404	**–**	–
	26,337	24,340	**19,936**	19,936
Market value				
Quoted shares outside Malaysia	**97,626**	46,069	**–**	–

Name of company	Principal activities	Country of incorporation	Effective ownership interest 2010	Effective ownership interest 2009
Lion Brewery (Ceylon) PLC	Manufacturing, marketing and distribution of beer, stout, shandy and non-alcoholic beverages	Sri Lanka	**24.6%**	24.6%

Summary financial information on associate:

	2010 RM'000	2009 RM'000
Revenue (100%)	**141,386**	81,939
Profit (100%)	**22,195**	8,903
Total assets (100%)	**177,479**	144,236
Total liabilities (100%)	**66,817**	81,191

In conjunction with the investment undertaken in Lion Brewery (Ceylon) PLC, the Company had written a call option with the principal licensor, Carlsberg A/S, its ultimate holding company incorporated in Denmark, allowing Carlsberg A/S to acquire the Company's interest in the associate, should certain events occur. The purchase consideration is to be based on an agreed formula and in any event to be a minimum of the original purchase price paid by the Company. The Directors of the Company consider the likelihood of occurrence of such events as remote and hence, the option's fair value is insignificant.

7. Investment in a Jointly-Controlled Entity

	Company 2010 RM'000	Company 2009 RM'000
At cost:		
Unquoted shares	**5,366**	5,366
Less: Impairment loss	**(5,366)**	(5,366)
	–	–

Notes to the Financial Statements

7. Investment in a Jointly-Controlled Entity (Continued)

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest 2010	2009
Carlsberg Distributors Taiwan Limited ("CDTL")	Packaging, marketing, and distribution of beer, stout, shandy and non-alcoholic beverages	Taiwan	**50%**	50%
Subsidiary of CDTL				
Carlsberg Cottingham Ltd.	Distribution of premium beers, hard liquor products and other beverages	Taiwan	**75%**	75%

The jointly-controlled entity has the following effect on the Group's operating results, assets and liabilities:

	2010 RM'000	2009 RM'000
Long-term assets, net	**1,755**	1,748
Current assets, net	**6,662**	5,242
Current liabilities, net	**(14,045)**	(10,115)
Group's share of net liabilities	**(5,628)**	(3,125)
Revenue, net	**15,267**	12,988
Expenses, net	**(17,770)**	(15,167)
Decrease in the Group's profit for the year	**(2,503)**	(2,179)

8. Inventories

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At cost:				
Finished goods	**32,129**	45,101	**6,536**	9,178
Work-in-progress	**2,518**	824	**2,518**	824
Raw, packaging and other materials	**9,634**	6,996	**9,461**	6,819
Spare parts for machinery	**4,553**	5,669	**3,904**	5,669
	48,834	58,590	**22,419**	22,490

9. Receivables, Deposits and Prepayments

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Non-current					
Loan to a subsidiary	9.1	**–**	–	**10,100**	10,190
Current					
Trade					
Trade receivables		**178,696**	170,284	**–**	–
Allowance for impairment loss/doubtful debts	9.2	**(3,496)**	(3,300)	**–**	–
		175,200	166,984	**–**	–
Amount due from a subsidiary	9.3	**–**	–	**44,835**	101,699
Amount due from related companies	9.3	**2,952**	10,580	**115**	168
		178,152	177,564	**44,950**	101,867
Non-trade					
Amount due from related companies	9.3	**–**	209	**–**	–
Other receivables	9.4	**5,728**	17,787	**2,276**	6,322
Deposits		**7,142**	8,400	**6,384**	6,850
Prepayments		**16,201**	13,631	**17**	15
		29,071	40,027	**8,677**	13,187
		207,223	217,591	**53,627**	115,054

9.1 Loan to a subsidiary

The loan to a subsidiary is unsecured, and carries interest at a rate calculated as the average of the base lending rate and fixed deposit rate of Malayan Banking Berhad on such outstanding amount from time to time. The loan is not expected to be repaid by the subsidiary within the next twelve months.

9.2 Allowance for impairment loss

Allowance for impairment loss is considered on a debtor by debtor basis and in compliance with the Group's credit control and accounting policy. All debtors under legal cases are fully provided for, net of collaterals, and all confirmed bad debts are fully written off against the allowance for impairment loss (see Note 22).

The net allowance for impairment loss has been recognised in the following line item in statement of comprehensive income.

	Note	Group 2010 RM'000	Group 2009 RM'000
Sales and distribution costs	15	**(609)**	(749)

9.3 Amounts due from a subsidiary and related companies

Amounts due from a subsidiary and related companies are unsecured, interest free and are repayable on demand.

9.4 Other receivables

Included in other receivables of the Group and of the Company is an amount of Nil (2009: RM113,462) in respect of a housing loan granted to a Director of the Company in accordance with the Housing Loan Scheme applicable to executive staff.

Notes to the Financial Statements

10. Cash and Cash Equivalents

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Deposits with licensed banks	**29,133**	58,446	**16,545**	58,446
Cash and bank balances	**72,237**	60,139	**18,125**	1,483
	101,370	118,585	**34,670**	59,929

11. Share Capital and Reserves

Share capital

	Group and Company			
	Amount 2010 RM'000	Number of shares 2010 '000	Amount 2009 RM'000	Number of shares 2009 '000
Authorised:				
Ordinary shares of RM0.50 each	**300,000**	**600,000**	300,000	600,000
Issued and fully paid:				
Ordinary shares of RM0.50 each	**154,039**	**308,078**	154,039	308,078

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group and the Company (see Note 11.4), all rights are suspended until those shares are reissued.

Reserves

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Non-distributable reserves:					
Share premium		**7,367**	7,367	**7,367**	7,367
Other reserves:					
Capital reserve	11.1	**8,678**	8,678	**4,747**	4,747
Foreign currency translation reserve	11.2	**(17,322)**	(7,233)	**–**	–
Share option reserve	11.3	**476**	524	**773**	501
Treasury shares	11.4	**(12,043)**	(12,043)	**(12,043)**	(12,043)
		(12,844)	(2,707)	**844**	572
Distributable reserves:					
Retained earnings	11.5	**438,232**	363,464	**381,068**	293,244
		425,388	360,757	**381,912**	293,816

11. Share Capital and Reserves (Continued)

11.1 Capital reserve

The capital reserve comprises revaluation reserve on long term leasehold properties held by the Company after adjusting for the potential deferred tax liability as required by FRS 112 and capitalisation of a subsidiary's retained earnings upon its bonus issue of shares previously.

The details are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revaluation reserve	**4,747**	4,747	**4,747**	4,747
Capitalisation upon bonus issue by a subsidiary	**3,931**	3,931	**–**	–
	8,678	8,678	**4,747**	4,747

11.2 Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

11.3 Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options by the holding company. The grant date fair value of the share options granted to these employees is recognised as an employee expense in profit or loss and a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. Any recharge by Carlsberg A/S in excess of the initial capital contribution initially recognised in the equity is treated as a capital distribution and would be recorded directly in equity.

11.4 Treasury shares

In 1999 via a resolution passed in a general meeting, the Company repurchased 2,330,000* of its issued share capital from the open market. The aggregate consideration paid for the repurchased shares was RM12,043,000, representing an average price of RM5.17* per ordinary share. The shares repurchased are being held as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965.

No further shares were repurchased during the financial year ended 31 December 2010 and none of the previously repurchased shares were reissued, distributed as share dividends, resold or cancelled.

* *After adjusting for the share split exercise in 2005*

11.5 Retained earnings

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable reserves as at 31 December 2010 if paid out as dividends.

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

12. Deferred Tax Liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Group						
Distribution rights	**–**	–	**(56,376)**	(57,640)	**(56,376)**	(57,640)
Property, plant and equipment						
– capital allowance	**–**	–	**(16,931)**	(15,882)	**(16,931)**	(15,882)
– revaluation	**–**	–	**(1,025)**	(1,025)	**(1,025)**	(1,025)
Others	**1,505**	2,219	**–**	–	**1,505**	2,219
Tax assets/(liabilities)	**1,505**	2,219	**(74,332)**	(74,547)	**(72,827)**	(72,328)
Set off of tax	**(1,505)**	(2,219)	**1,505**	2,219	**–**	–
Net tax liabilities	**–**	–	**(72,827)**	(72,328)	**(72,827)**	(72,328)
Company						
Property, plant and equipment						
– capital allowance	**–**	–	**(15,031)**	(14,786)	**(15,031)**	(14,786)
– revaluation	**–**	–	**(1,025)**	(1,025)	**(1,025)**	(1,025)
Others	**547**	1,323	**–**	–	**547**	1,323
Tax assets/(liabilities)	**547**	1,323	**(16,056)**	(15,811)	**(15,509)**	(14,488)
Set off of tax	**(547)**	(1,323)	**547**	1,323	**–**	–
Net tax liabilities	**–**	–	**(15,509)**	(14,488)	**(15,509)**	(14,488)

Movement in temporary differences during the year

	At 1.1.2009 RM'000	Recognised in profit or loss (note 17) RM'000	Acquisition of a subsidiary (note 21) RM'000	At 31.12.2009 RM'000	Exchange differences RM'000	Recognised in profit or loss (note 17) RM'000	At 31.12.2010 RM'000
Group							
Distribution rights	–	–	(57,640)	(57,640)	1,264	–	**(56,376)**
Property, plant and equipment	(18,742)	1,932	(97)	(16,907)	–	(1,049)	**(17,956)**
Others	1,523	696	–	2,219	–	(714)	**1,505**
	(17,219)	2,628	(57,737)	(72,328)	1,264	(1,763)	**(72,827)**
Company							
Property, plant and equipment	(17,172)	1,361	–	(15,811)	–	(245)	**(16,056)**
Others	811	512	–	1,323	–	(776)	**547**
	(16,361)	1,873	–	(14,488)	–	(1,021)	**(15,509)**

12. Deferred Tax Liabilities (Continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group 2010 RM'000	Group 2009 RM'000
Unutilised tax losses	**7,272**	4,768

Tax losses carry-forward is in respect of the jointly-controlled entity. Deferred tax assets have not been recognised in respect of the Group's share of unutilised tax losses carry-forward because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

13. Payables and Accruals

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade					
Trade payables		**142,980**	113,752	**43,706**	66,584
Amount due to immediate holding company	13.1	**7,351**	5,354	**982**	3,109
Amount due to related companies	13.1	**5,903**	4,369	**3,112**	2,640
Amount due to a subsidiary	13.1	**–**	–	**–**	97
		156,234	123,475	**47,800**	72,430
Non-trade					
Other payables		**27,405**	19,430	**6,943**	4,549
Accrued expenses		**28,303**	21,266	**13,301**	10,636
Amount due to ultimate holding company	13.1	**470**	–	**222**	–
Amount due to related companies	13.1	**496**	176,196	**457**	175,730
		56,674	216,892	**20,923**	190,915
		212,908	340,367	**68,723**	263,345

13.1 Amounts due to immediate holding company, ultimate holding company, related companies and a subsidiary

Amounts due to immediate holding company, ultimate holding company, related companies and a subsidiary are unsecured, interest free and are repayable on demand.

Included in the amount due to related companies in 2009 was an amount due to Carlsberg Asia Pte. Ltd. amounting to RM175,108,000, representing the present value of the balance of the deferred purchase consideration on the acquisition of Carlsberg Singapore Pte. Ltd., which was subsequently paid on 1 March 2010.

Notes to the Financial Statements

14. Loans and Borrowings

	Interest rates % p.a.	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Current - unsecured					
Short term bank loan	2.96 – 3.09	**10,645**	8,586	**–**	–
Revolving credits	2.96 – 3.09	**42,306**	–	**40,306**	–
		52,951	8,586	**40,306**	–

15. Operating Profit

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Operating profit arrived at after charging:					
Allowance for impairment loss on trade receivables	9	**609**	749	**–**	–
Amortisation of intangible assets	4	**1,125**	1,253	**726**	1,090
Auditors' remuneration					
– Audit services		**162**	150	**91**	79
Depreciation of property, plant and equipment	3	**17,698**	19,154	**11,986**	12,671
Property, plant and equipment written off		**30**	735	**6**	18
Finance cost		**4,594**	875	**3,108**	875
Inventories written off		**257**	604	**257**	441
Personnel expenses (including key management personnel):					
– Contributions to Group's defined contribution plan		**494**	474	**248**	249
– Contributions to Employees Provident Fund		**5,705**	5,733	**2,378**	2,485
– Wages, salaries and others		**55,932**	50,243	**25,588**	21,589
Rental of land and buildings		**1,441**	2,761	**312**	365
Net foreign exchange loss		**1,056**	175	**–**	127
Share-based payments		**427**	524	**495**	501

15. Operating Profit (Continued)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Operating profit arrived at after crediting:					
Bad debts recovered		**602**	527	**–**	–
Dividend income from an unquoted subsidiary in Malaysia		**–**	–	**114,980**	59,400
Dividend income from a foreign quoted associate		**–**	–	**1,652**	–
Gain on disposal of property, plant and equipment		**1,350**	1,990	**618**	64
Interest income		**1,084**	4,021	**1,176**	3,486
Net foreign exchange gain		**–**	–	**129**	–
Rental income from subsidiary		**–**	–	**840**	840

16. Key Management Personnel Compensation

The key management personnel compensation are as follows:

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Directors:				
– Fees	**116**	286	**116**	286
– Remuneration	**1,486**	1,607	**1,486**	1,607
– Other short term employee benefits (including estimated monetary value of benefits-in-kind)	**1,231**	976	**1,231**	976
	2,833	2,869	**2,833**	2,869
– Post-employment benefits	**103**	140	**103**	140
– Share-based payments	**167**	402	**167**	402
	3,103	3,411	**3,103**	3,411
Other key management personnel:				
– Short term employee benefits	**3,248**	3,499	**1,802**	1,925
– Post-employment benefits	**144**	137	**72**	70
– Share-based payments	**162**	498	**111**	373
	3,554	4,134	**1,985**	2,368
	6,657	7,545	**5,088**	5,779

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

Notes to the Financial Statements

17. Tax expense

Recognised in profit or loss

Components of tax expense include:

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Current tax expense					
Malaysian					
– current year		**31,447**	28,136	**11,635**	3,563
– (over)/under provision in prior years		**(702)**	212	**(76)**	95
Overseas					
– current		**9,905**	115	**–**	–
Total current tax		**40,650**	28,463	**11,559**	3,658
Deferred tax expense					
Origination and reversal of temporary differences		**(280)**	(2,733)	**(269)**	(2,118)
Under provision in prior years		**2,043**	105	**1,290**	245
Total deferred tax recognised in profit or loss	12	**1,763**	(2,628)	**1,021**	(1,873)
Total tax expense		**42,413**	25,835	**12,580**	1,785

Reconciliation of tax expense

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Profit before tax	**176,536**	102,560	**158,878**	62,805
Share of profit after tax of equity accounted associate	**(5,460)**	(2,190)	**–**	–
Profit before tax excluding share of profit after tax of equity accounted associate	**171,076**	100,370	**158,878**	62,805
Tax at Malaysian tax rate of 25% (2009: 25%)	**42,769**	25,093	**39,720**	15,701
Effect of tax in foreign jurisdiction	**(4,214)**	(119)	**–**	–
Tax exempt income	**–**	–	**–**	(14,908)
Non taxable income	**(29)**	(707)	**(28,745)**	–
Non-deductible expenses	**4,588**	762	**449**	461
Double deduction on permitted expenses	**(2,616)**	(495)	**–**	–
Tax incentives	**–**	(73)	**–**	(73)
Other items	**(52)**	399	**(58)**	264
Current year losses for which no deferred tax asset was recognised	**626**	658	**–**	–
	41,072	25,518	**11,366**	1,445
Under provision in prior years	**1,341**	317	**1,214**	340
Tax expense	**42,413**	25,835	**12,580**	1,785

18. Earnings Per Ordinary Share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share as at 31 December 2010 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

Profit attributable to ordinary shareholders

	Group	
	2010 RM'000	2009 RM'000
Profit for the year attributable to shareholders	**133,242**	76,142

Weighted average number of ordinary shares

	Group	
	2010 '000	2009 '000
Issued ordinary shares as at 1 January/31 December	**308,078**	308,078
Effect of treasury shares held	**(2,330)**	(2,330)
	305,748	305,748
Basic earnings per ordinary share (sen)	**43.58**	24.90

19. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2010			
Interim 2010 ordinary	**3.8**	**11,466**	**8 October 2010**
Special interim 2010 ordinary	**1.9**	**5,732**	**8 October 2010**
Final 2009 ordinary	**5.6**	**17,198**	**18 May 2010**
Special Final 2009 ordinary	**7.9**	**24,078**	**18 May 2010**
Total amount		**58,474**	
2009			
Interim 2009 ordinary	3.8	11,466	6 October 2009
Final 2008 ordinary	5.6	17,198	18 May 2009
Total amount		28,664	

After the reporting period, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial reports upon approval by the shareholders.

	Sen per share (net of tax)	Total amount RM'000
Final ordinary	5.6	17,198
Final ordinary - special	32.3	98,604
Total amount		115,802

20. Operating Segments

The Group has three reportable segments, which are the Group's geographical segments. The strategic business units offer similar products but are managed separately because they require different marketing strategies due to the geographical locations. For each of the strategic business units, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis.

Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

The following summary describes the operations in each of the Group's reportable segments:

- Malaysia – Includes manufacturing, marketing and distribution of both alcoholic and non-alcholic beverages.
- Singapore – Includes marketing and distribution of both alcoholic and non-alcoholic beverages.
- Others – Includes marketing and distribution of both alcoholic and non-alcoholic beverages in geographical locations other than Malaysia and Singapore.

Segment assets, liabilities and capital expenditures

Segment assets, liabilities and capital expenditures information are not included in the internal management reports nor provided regularly to the Group's Managing Director. Hence no disclosure is made.

	Malaysia RM'000	Singapore RM'000	Others RM'000	Consolidated total RM'000
2010				
Segment profit/(loss)	**124,393**	**52,744**	**(2,172)**	**174,965**
Included in the measure of segment profit are:				
Revenue from external customers	**1,038,432**	**314,459**	**15,267**	**1,368,158**
Inter-segment revenue	**52,586**	**–**	**–**	**52,586**
Depreciation and amortisation	**(18,021)**	**(664)**	**(138)**	**(18,823)**
Not included in the measure of segment profit but provided to Managing Director:				
Finance costs	**(4,140)**	**(74)**	**(380)**	**(4,594)**
Interest income	**1,084**	**–**	**–**	**1,084**
Income tax expense	**(32,399)**	**(10,014)**	**–**	**(42,413)**
Share of profit of equity accounted associate, net of tax	**–**	**–**	**5,460**	**5,460**
2009				
Segment profit/(loss)	97,995	1,706	(2,477)	97,224
Included in the measure of segment profit are:				
Revenue from external customers	986,203	46,292	12,988	1,045,483
Inter-segment revenue	768	–	–	768
Depreciation and amortisation	(20,116)	(124)	(167)	(20,407)

20. Operating Segments (Continued)

	Malaysia RM'000	Singapore RM'000	Others RM'000	Consolidated total RM'000
Not included in the measure of segment profit but provided to Managing Director:				
Finance costs	(875)	–	–	(875)
Interest income	4,014	7	–	4,021
Income tax expense	(25,709)	(99)	(27)	(25,835)
Share of profit of equity accounted associate, net of tax	–	–	2,190	2,190

Reconciliations of reportable segment revenues and profit or loss

	2010 RM'000	2009 RM'000
Profit		
Total segment profit	**174,965**	97,224
Inter-segment elimination	**(379)**	–
Finance costs	**(4,594)**	(875)
Interest income	**1,084**	4,021
Share of profit of equity accounted associate, net of tax	**5,460**	2,190
Consolidated profit before tax	**176,536**	102,560

No reconciliation is performed for reportable segment revenue to consolidated total revenue as there is no difference.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investments in associates) and deferred tax assets.

Geographical location	Revenue RM'000	Non-current assets RM'000
2010		
Malaysia	**1,012,901**	**147,966**
Singapore	**314,459**	**392,972**
Hong Kong	**13,792**	**–**
Taiwan	**15,267**	**1,753**
Other countries	**11,739**	**–**
	1,368,158	**542,691**

Notes to the Financial Statements

20. Operating Segments (Continued)

Geographical location	Revenue RM'000	Non-current assets RM'000
2009		
Malaysia	976,902	143,107
Singapore	46,292	376,689
Taiwan	12,988	1,748
Other countries	9,301	–
	1,045,483	521,544

Major customers

The Group does not transact with a single external customer amounting to 10% or more than the Group's total revenue.

21. Acquisition of a Subsidiary

In the previous year, the Company completed the acquisition of Carlsberg Singapore Pte. Ltd. ("CSPL").

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Pre acquisition carrying amounts RM'000	Fair value adjustments RM'000	Recognised values on acquisition RM'000
Property, plant and equipment	1,691	–	1,691
Other investment	356	–	356
Intangible assets	151	338,910	339,061
Inventories	10,843	–	10,843
Receivables, deposits and prepayments	57,496	–	57,496
Cash and cash equivalents	24,459	146	24,605
Deferred tax liabilities	(97)	(57,640)	(57,737)
Payables and accruals	(30,501)	–	(30,501)
Loans and borrowings	(120)	–	(120)
Current tax liabilities	(5,762)	–	(5,762)
Net identifiable assets and liabilities	58,516	281,416	339,932
Goodwill on acquisition			36,043
Total purchase consideration*			375,975
Cash acquired			(24,605)
Present value of the deferred purchase consideration payable			(175,108)
Cash flow on acquisition, net of cash acquired			176,262

* *Includes professional fees of RM1,740,000 and the effect of discounting the deferred purchase consideration amounting to RM1,748,000.*

21. Acquisition of a Subsidiary (Continued)

Pre-acquisition carrying amounts were determined based on applicable FRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values.

The deferred purchase consideration of RM175,108,000 was fully settled during the year.

On 27 July 2010, subsequent to the finalisation of the final adjustment relating to the working capital of CSPL pursuant to the clause stated in the purchase agreement, the Company paid an additional SGD10,000,000 or equivalent to approximately RM23,452,000.

22. Financial Instruments

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R);

(b) Other financial liabilities measured at amortised cost (OL).

	Carrying amount RM'000	L&R/ (OL) RM'000	Others RM'000
2010			
Financial assets			
Group			
Trade and other receivables	207,223	191,022	16,201
Cash and cash equivalents	101,370	101,370	–
	308,593	292,392	16,201
Company			
Trade and other receivables	53,627	53,610	17
Cash and cash equivalents	34,670	34,670	–
Loan to a subsidiary	10,100	10,100	–
	98,397	98,380	17
2010			
Financial liabilities			
Group			
Loans and borrowings	(52,591)	(52,591)	–
Trade and other payables	(212,908)	(212,908)	–
	(265,499)	(265,499)	–
Company			
Loans and borrowings	(40,306)	(40,306)	–
Trade and other payables	(68,723)	(68,723)	–
	(109,029)	(109,029)	–

22. Financial Instruments (Continued)

22.2 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

22.3 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on new customers requiring credit. The Group normally requires collateral from its customers.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables, net of impairment loss, as at the end of the reporting period by geographical region was:

	Group 2010 RM'000
Malaysia	**123,202**
Singapore	**51,036**
Others	**962**
	175,200

Impairment losses

The ageing of receivables as at the end of the reporting period was:

Group 2010	Gross RM'000	Individual impairment RM'000	Net RM'000
Not past due	**139,982**	**–**	**139,982**
Past due 1 – 30 days	**11,925**	**–**	**11,925**
Past due 31 – 60 days	**18,544**	**–**	**18,544**
Past due 61 – 90 days	**2,850**	**–**	**2,850**
Past due more than 90 days	**5,395**	**(3,496)**	**1,899**
	178,696	**(3,496)**	**175,200**

22. Financial Instruments (Continued)

22.3 Credit risk (Continued)

The movements in the allowance for impairment losses of receivables during the financial year were:

	Group 2010 RM'000
At 1 January	**(3,300)**
Impairment loss recognised	**(1,612)**
Impairment loss reversed	**1,003**
Impairment loss written off	**413**
At 31 December	**(3,496)**

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries were not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year. Non-current loans to subsidiaries are not overdue.

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group's and Company's short term deposits are placed as fixed rates investments and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents are placed with licensed financial institutions.

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that cash and cash equivalents were not recoverable.

22. Financial Instruments (Continued)

22.4 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as and when they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Group	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000
2010				
Payables and accruals	**212,908**	**–**	**212,908**	**212,908**
Bank borrowings	**52,951**	**2.96% – 3.09%**	**54,553**	**54,553**
	265,859	**–**	**267,461**	**267,461**

Company	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000
2010				
Payables and accruals	**68,723**	**–**	**68,723**	**68,723**
Bank borrowings	**40,306**	**2.96% – 3.09%**	**40,618**	**40,618**
	109,029	**–**	**109,341**	**109,341**

22.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's and the Company's financial position or cash flows.

22.5.1 Currency risk

The Group and the Company are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD).

Risk management objectives, policies and processes for managing the risk
The Group and the Company did not hedge any foreign trade receivables and trade payables denominated in foreign currency during the year. In respect of other monetary assets and liabilities held in currencies other than Ringgit Malaysia, the Group ensures that the net exposure is kept to an acceptable level.

Currency risk sensitivity analysis
The exposure to currency risk of Group entities which do not have a USD functional currency is not material and hence, sensitivity analysis is not presented.

22. Financial Instruments (Continued)

22.5 Market risk (Continued)

22.5.2 Interest rate risk (Continued)

The Group's and the Company's borrowings are not exposed to a risk of change in their fair values due to changes in interest rates. The Group's and the Company's borrowings are exposed to a risk of change in cash flows due to changes in interest rate. Receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk
The Group's and the Company's borrowings are short-term in nature. As such, the Group and the Company do not engage in any hedging activities to manage interest risk fluctuations.

Exposure to interest rate risk
The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed rate instruments				
Financial liabilities	**(52,951)**	(8,586)	**(40,306)**	–
Deposits with licensed banks	**29,133**	58,446	**16,545**	58,446
Floating rate instruments				
Loan to a subsidiary	**–**	–	**(10,100)**	(10,190)

Interest rate for loan to a subsidiary is disclosed in Note 9.

Interest rate risk sensitivity analysis
The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

The exposure to interest rate risk arising from floating rate instruments is not material, and hence, sensitivity analysis is not presented.

22.6 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

The fair value of the loan to a subsidiary of the Company approximates its carrying value. Sensitivity analysis of floating rate instruments is also not presented.

Notes to the Financial Statements

23. Capital Management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with regulatory requirements.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

24. Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Less than one year	**343**	2,417	**343**	77
Between one and five years	**65**	642	**65**	–
	408	3,059	**408**	77

The Group and the Company lease a number of sales offices under operating leases. The leases typically run for a period of two (2) years, with an option to renew the lease after the date of expiration. None of the leases includes contingent rentals.

25. Capital Commitments

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Capital expenditure commitments				
Plant and equipment				
Authorised but not contracted for	**330**	1,376	**119**	883
Contracted but not provided for and payable:				
Within one year	**–**	1,021	**–**	849
	330	2,397	**119**	1,732

26. Related Parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with the holding company and its related corporations, its subsidiaries (see Note 5), an associate (see Note 6), a jointly-controlled entity (see Note 7), Directors and key management personnel.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

26. Related Parties (Continued)

Details of the related party relationships, which are having related party transactions with the Group are as follows:

	Transaction value year ended 31 December 2010 RM'000	Transaction value year ended 31 December 2009 RM'000	Balance outstanding as at 31 December 2010 RM'000	Balance outstanding as at 31 December 2009 RM'000
Group				
Immediate holding company			**(7,351)**	(5,354)
Management fees payable	**3,217**	1,338		
Purchases of materials and products	**505**	573		
Reimbursement of expenses	**4,356**	5,963		
Royalties payable	**32,486**	19,939		
Jointly-controlled entity			**–**	15
Sale of goods and services	**–**	1,568		
Reimbursement of expenses	**–**	385		
Related companies				
Acquisition of CSPL	**–**	375,983	**–**	(175,108)
Purchases of materials and products	**30,989**	10,757	**(3,093)**	(2,833)
Purchases of services	**489**	410	**(490)**	(410)
Sale of goods and services	**13,792**	3		
Rental of premises	**754**	757		
Purchases of materials and services	**918**	583	**(202)**	(212)
Company				
Immediate holding company			**(982)**	(3,109)
Management fees payable	**1,966**	1,287		
Purchases of materials and products	**505**	547		
Reimbursement of expenses	**2,071**	4,153		
Royalties payable	**5,110**	4,567		
Subsidiaries			**44,835**	101,699
Sale of goods and services	**755,695**	665,185		
Transfer of property, plant and equipment to at net book value	**53**	39		
Management fee received	**11,500**	11,500		
Rental income	**840**	840		
Dividend income	**114,980**	59,400		
Interest received	**425**	406		
Loan	**–**	–	**10,100**	10,190
Related companies				
Acquisition of CSPL	**–**	375,983	**–**	(175,108)
Purchases of services	**452**	410	**(452)**	(410)
Purchases of materials and products	**21,569**	9,603	**(3,112)**	(2,639)

The terms and conditions for the above transactions are based on normal trade terms. All the amounts outstanding are unsecured and expected to be settled with cash.

27. Significant Changes in Accounting Policies

27.1 FRS 139, Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

Inter-company loans

Prior to the adoption of FRS 139, inter-company loans were recorded at cost. With the adoption of FRS 139, inter-company loans are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Finance income and costs are recognised in profit or loss using the effective interest method.

Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

There has been no significant impact with the change in accounting policy.

27.2 FRS 8, Operating Segments

As of 1 January 2010, the Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114_{2004}, Segment Reporting.

Comparative segment information has been re-presented. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

27.3 FRS 101, Presentation of Financial Statements (revised)

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

27. Significant Changes in Accounting Policies (Continued)

27.4 FRS 117, Leases

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic earnings per ordinary share for the current and prior periods.

28. Comparative Figures

28.1 FRS 101, Presentation of Financial Statements (revised)

Arising from the adoption of FRS 101 (revised), income statements for the year ended 31 December 2009 have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

28.2 FRS 117, Leases

Following the adoption of the amendment to FRS 117, certain comparatives have been re-presented as follows:

	Group			
	31.12.2009		1.1.2009	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Cost				
Property, plant and equipment	138,420	130,498	148,158	139,548
Prepaid lease payments	–	7,922	–	8,610

	Company			
	31.12.2009		1.1.2009	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Cost				
Property, plant and equipment	124,504	116,694	129,602	121,674
Prepaid lease payments	–	7,810	–	7,928

A third statement of financial position is not presented as the effect of the reclassification is not judged to be material to the Group and Company.

Notes to the Financial Statements

29. Supplementary Information on the Breakdown of Realised and Unrealised Profits or Losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group 2010 RM'000	Company 2010 RM'000
Total retained earnings of the Company and its subsidiaries:		
– realised	**518,844**	**395,814**
– unrealised	**(74,471)**	**(14,746)**
	444,373	**381,068**
Total retained earnings of an associate:		
– realised	**5,460**	**–**
	449,833	**381,068**
Total accumulated losses of jointly-controlled entity:		
– realised	**(10,309)**	**–**
– unrealised	**(42)**	**–**
	439,482	**381,068**
Less: Consolidation adjustments	**(1,250)**	**–**
Total retained earnings	**438,232**	**381,068**

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by Malaysian Institute of Accountants on 20 December 2010.