NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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:

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

The consolidated financial statements as at and for the financial year ended 31 December 2017 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. The financial statements of the Company as at and for the financial year ended 31 December 2017 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 domestic market and for export while the other Group entities are primarily involved in the marketing and distribution of beer, stout, cider, shandy, liquor 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.

These financial statements were authorised for issue by the Board of Directors on 12 March 2018.

2 BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, as modified by the financial assets and financial liabilities (including derivative instruments designated as cash flow hedge).

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and interpretations that are effective

The Group and the Company has applied the following amendments for the first time for the financial year beginning on 1 January 2017:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative'
- Amendments to MFRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses'
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 12 'Disclosures of Interests in Other Entities'

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on or after 1 January 2018. None of these is expected to have a significant effect on the financial statements of the Group and the Company, except the following set out below:

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

  The effect of the above interpretation is currently being assessed by the Directors.

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

  MFRS 9 introduces new hedge-accounting rules and a new impairment model: the expected credit loss (ECL) model that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

  The new hedge accounting rules imply that it will generally be easier to apply hedge accounting, as the new rules are more in line with the Group's risk management practice. Based on an assessment of the Group's current hedge arrangements, primarily aluminium hedges, an increased portion will qualify for hedge accounting, resulting in an increased portion of the fair value adjustment being recognised in other comprehensive income. The change in accounting policies applies to all hedging instruments.

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments that have been issued but not yet effective (continued)

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'. (continued)

  The new impairment model requires recognition of impairment losses based on expected credit losses (ECL) rather than incurred losses as is the case under current practice. The ECL model involves a three-stage approach under which financial assets move through the stages as their credit quality changes.

  The stages determine how impairment losses are measured and the effective interest is applied. For trade receivables, the Group and the Company applies the simplified approach, which permits the use of lifetime ECL. Provision rates are determined based on grouping of trade receivables sharing the same credit risk characteristics and days past due.

  The overall principle of the current impairment policy of the Group and of the Company is that impairment losses are based on an individual review of the need for impairment, taking into consideration the customers' creditworthiness and expected ability to pay, customer insolvency or anticipated insolvency, and past due amounts as well as collateral received. However, when no objective indication of individual impairment exists, management assesses the need to recognise the impairment for a portfolio of receivables. The analysis is based on customer segments, historical information on payment patterns, terms of payment and concentration maturity, as well as information about the general economic situation in the markets.

  The expected impact from implementation of MFRS 9 and the determination of ECL will have a relatively insignificant impact on trade receivables and profit before taxation as the current policy on hedge accounting and impairment of trade receivables are considered reasonably consistent with MFRS 9.

  The Group and the Company will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparative for 2017 will not be restated.

- MFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and related interpretations.

  The Group and the Company has assessed the effects of applying the new standard on the Group's and the Company's financial statements and has identified the following areas that will be affected:

  The implementation of MFRS 15 'Revenue from Contracts with Customers' will impact the Group's and the Company's financials and revenue stream to the extent that the related costs of the marketing activities with customers need to be recognised as a discount to revenue. MFRS 15 thus affects only changes in classification and does not have an impact on the timing of revenue recognition of the Group and the Company.

  MFRS 15 requires entity to account for consideration payable to a customer as a reduction of the revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfer to the entity.

  Accordingly, related costs of the supporting marketing activities provided for or organised together with the Group's customers will be considered as part of the customer relationship and the related costs will be recognised as discounts, not as marketing expenses.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments that have been issued but not yet effective (continued)

- MFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and related interpretations. (continued)

  When applying the new policy, judgement is required to decide whether the related costs of an activity with a customer should be classified as a discount or a marketing expense, taking into account the drivers behind and the purpose of the activity. Generally, if the purpose of marketing activities is to increase sales with the individual customer, the related costs of the activities should be seen as a reduction of the transaction price and therefore classified as discount.

  The estimated impact from the implementation of MFRS 15 on the consolidated financial statements for 2017 is a reduction of the Group's revenue by 2% as a result of increased discounts. As this is merely a classification of marketing expenses to revenue, there is no impact to profit before taxation except for some financial ratios.

  The Group and the Company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The Group and the Company are still assessing financial impact of the following standards and amendments to published standards on the financial statements of the Group and of the Company in the year of initial adoption.

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments that have been issued but not yet effective (continued)

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

  In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 9 'Prepayment Features with Negative Compensation' (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

  The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

  - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

  - Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

  - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

  - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(vi) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the 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.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, 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 associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vi) Associates (continued)

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, 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. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) 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 associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(ii) Foreign currency transactions (continued)

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 not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur 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 exchange reserve ("ER") in equity.

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

The assets and liabilities of operations denominated in functional currencies other than RM, including 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 ER in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the ER related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(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.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

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 as 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.

(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.

Other 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.

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 3(j)(i)).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

The Group and the Company categorise financial instruments as follows: (continued)

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 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.

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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. 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 the 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, 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.

(d) Derivative and hedging activities

Derivative financial instruments are initially recognised in the statement of financial position at fair value at the trade date and subsequently re-measured at fair value at the end of each reporting period. Attributable transaction costs are recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Derivative and hedging activities (continued)

(i) Cash flow hedge

The Group and the Company designates and documents, at the inception of a hedging transaction, the hedging relationship so that the risk being hedged, the hedged item and the hedging instrument are clearly identified and the risk in the hedged item is the risk being hedged with the hedging instrument. Hedge accounting is only applied when the Group expects the derivative financial instrument to be highly effective in offsetting the designated hedged risk associated with the hedged item.

Changes in the portion of fair value of derivative financial instruments designated as and qualifying as a cash flow hedge and which effectively hedge changes in the value of the hedged item, are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit and loss. When the hedged transaction results in gains or losses, amounts previously recognised in other comprehensive income are transferred to the same item as the hedged item when the hedged item is recognised in the profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the non-financial asset is recognised.

(ii) Derivative that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

(e) Property, plant and equipment

(i) Recognition and measurement

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

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 cost 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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. 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 based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Company 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:

• Leasehold land	40 - 99 years
• Buildings	15 - 50 years
• Renovation	10 years
• Plant and machinery	3 - 20 years
• Motor vehicles	5 years
• Furniture and office equipment	3 - 5 years

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

(f) 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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leased assets (continued)

(ii) Operating lease

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

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. 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.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(g) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

(ii) 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 any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill with indefinite useful lives are not amortised but are 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 based on the cost of an asset less its residual value. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories

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

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in 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.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitment. 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 3(c)(ii).

(j) Impairment

(i) Financial assets

All financial assets 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. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

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 fair 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(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 goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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 cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of 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 ("VIU") and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated 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 cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

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 financial year in which the reversals are recognised.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Equity instruments

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

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, 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.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company 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

The Group's and the Company'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 financial year to which they relate. Once the contributions have been paid, the Group and the Company has no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee benefits (continued)

(iii) Share-based payment transactions

Certain employees of the Group and the Company are entitled to a share option programme established 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 from the grant date until the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Any reimbursement to Carlsberg A/S in relation to the share option programme is treated as a capital distribution and would be recorded directly in equity.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group and the Company can no longer withdraw the offer to those benefits and when the Group and the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group and the Company 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.

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue and other income (continued)

(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.

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.

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. Current tax and deferred tax are 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 or receivable on the taxable income or loss 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 financial 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (continued)

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(q) Earning per ordinary share

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

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, adjusted for own shares held.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may 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.

(s) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and 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.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The application of accounting standards and policies requires the Group to make estimates and assumptions about future events that directly affect its reported financial condition and operating performance. The accounting estimates and assumptions discussed are those that the Group considers to be most critical to its financial statements. An accounting estimate is considered critical if both (a) the nature of estimates or assumptions is material due to the level of subjectivity and judgement involved, and (b) the impact within a reasonable range of outcomes of the estimates and assumptions is material to the Group's financial condition of operating performance.

Trade offer accruals

Trade offer accruals which consists primarily of trade discounts and volume rebates, are based on agreed trading terms and promotional activities with trade customers and distributors. Trade offer accruals are recognised under the terms of these agreements, to reflect the expected rebates, sales volume and historical experience. The calculation of trade discounts and volume rebate accruals is complex as it involved the use of critical accounting estimates and assumptions made by management in determining the expected sales volume. These accruals are reported within Receivables, Deposits and Prepayments (Note 14). The estimates for these accruals are regularly reviewed by senior management of the Group.

There were one-off adjustments that the Group made in the financial year which totalled RM 17.2 million in respect of trade offer accruals relating to Singapore operations.

NOTES TO THE FINANCIAL STATEMENTS

5 OPERATING PROFIT

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Operating profit is arrived at after charging:				
Cost of materials and excise duties	**970,820**	883,274	**696,992**	673,996
Allowance for inventories written down	**300**	300	**300**	300
Amortisation of intangible assets	**1,176**	1,581	**484**	820
Auditors' remuneration:				
- Audit services	**273**	452	**121**	72
- Audit related services	**103**	13	**47**	13
Depreciation of property, plant and equipment	**31,788**	32,123	**25,254**	25,700
Finished goods written off	**494**	1,871	**355**	72
Impairment loss on receivables	**–**	665	**–**	–
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	**9,131**	9,513	**2,798**	2,576
- Contributions to other defined contribution plan	**727**	698	**310**	274
- Wages, salaries and others	**92,678**	86,478	**33,850**	34,509
Property, plant and equipment written off	**79**	–	**34**	–
Rental of land and buildings	**6,459**	7,994	**1,468**	2,003
Realised foreign exchange loss	**1,277**	127	**–**	503
Unrealised foreign exchange loss	**–**	561	**–**	1,211
and after crediting:				
Dividend income from unquoted subsidiaries	**–**	–	**218,340**	243,399
Dividend income from a foreign quoted associate	**–**	–	**–**	1,478
Finance income	**2,499**	1,910	**399**	325
Gain on disposal of property, plant and equipment	**2,041**	288	**96**	14
Rental income from subsidiary	**–**	–	**780**	780
Reversal of impairment loss on receivables	**776**	837	**–**	–
Realised foreign exchange gain	**–**	–	**573**	–
Unrealised foreign exchange gain	**435**	–	**779**	–
Management fees charged to a subsidiary	**–**	–	**14,687**	11,500

6 TAX EXPENSE

Recognised in profit or loss

Major components of tax expense include:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax expense				
Malaysian				
- current year	49,459	48,140	3,042	5,225
- (over)/under provision in prior years	(5,426)	5,211	(4,551)	(622)
Overseas				
- current year	14,704	17,874	–	–
- over provision in prior years	(330)	–	–	–
	58,407	71,225	(1,509)	4,603
Deferred tax expense				
Origination and reversal of temporary differences	4,007	1,953	3,611	1,722
Total deferred tax	4,007	1,953	3,611	1,722
Total tax expense	62,414	73,178	2,102	6,325

Reconciliation of tax expense

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Profit before tax	294,792	283,843	235,975	259,534
Tax at Malaysian tax rate of 24% (2016: 24%)	70,750	68,122	56,634	62,288
Effect of tax in foreign jurisdiction	(5,754)	(6,615)	–	–
Non-taxable income	(89)	(845)	(52,490)	(58,842)
Non-deductible expenses	3,629	5,882	2,509	3,501
Share of results of associates	58	1,213	–	–
Double deduction on permitted expenses	(493)	(542)	–	–
Other items	69	752	–	–
	68,170	67,967	6,653	6,947
(Over)/under provision in prior years	(5,756)	5,211	(4,551)	(622)
Total tax expense	62,414	73,178	2,102	6,325

NOTES TO THE FINANCIAL STATEMENTS

6 TAX EXPENSE (CONTINUED)

Recognised in Other Comprehensive Income

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax				
Arising on income and expense recognised in other comprehensive income				
- Fair value of financial instruments treated as cash flow hedges	454	–	454	–

7 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2017 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	
	2017 RM'000	2016 RM'000
Profit for the financial year attributable to shareholders	221,165	204,978

Weighted average number of ordinary shares:

	Group	
	2017 '000	2016 '000
Issued ordinary shares	305,748	308,078
Effect of treasury shares held	–	(2,330)
	305,748	305,748
Basic earnings per ordinary share (sen)	72.34	67.04

All shares bought back in 1999 which were retained as treasury shares were cancelled on 17 May 2017.

8 PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land (Note 8.1) 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
Group										
Cost										
At 1 January 2016		10,571	19,097	59,998	486	386,559	18,166	52,429	11,169	558,475
Additions	8.2	–	–	1,029	6	36,086	4,201	1,234	183	42,739
Disposals		–	–	–	–	(804)	(1,175)	–	–	(1,979)
Written off		–	–	–	–	(59)	–	(1,064)	–	(1,123)
Transfers		–	–	–	–	10,552	–	–	(10,552)	–
Reclassification		–	–	–	–	22,285	–	(22,285)	–	–
Effect of movements in exchange rates		–	–	–	–	117	–	95	–	212
At 31 December 2016/ 1 January 2017		**10,571**	**19,097**	**61,027**	**492**	**454,736**	**21,192**	**30,409**	**800**	**598,324**
Additions	8.2	–	–	**1,342**	**1,221**	**30,151**	**2,402**	**1,060**	**1,790**	**37,966**
Disposals		–	–	–	–	**(1,067)**	**(7,559)**	**(1,136)**	–	**(9,762)**
Written off		–	–	–	–	**(518)**	–	**(1,433)**	–	**(1,951)**
Transfers		–	–	**65**	–	**702**	–	–	**(767)**	–
Effect of movements in exchange rates		–	–	–	–	**(137)**	–	**(111)**	–	**(248)**
At 31 December 2017		**10,571**	**19,097**	**62,434**	**1,713**	**483,867**	**16,035**	**28,789**	**1,823**	**624,329**

NOTES TO THE FINANCIAL STATEMENTS

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land (Note 8.1) 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
Group										
Depreciation										
At 1 January 2016		3,383	-	29,280	212	306,703	13,181	43,473	-	396,232
Depreciation for the year	5	122	-	1,805	42	26,505	2,314	1,335	-	32,123
Disposals		-	-	-	-	(315)	(1,051)	-	-	(1,366)
Written off		-	-	-	-	(59)	-	(1,064)	-	(1,123)
Reclassification		-	-	-	-	16,600	-	(16,600)	-	-
Effect of movements in exchange rates		-	-	-	-	105	-	66	-	171
At 31 December 2016/ 1 January 2017		3,505	-	31,085	254	349,539	14,444	27,210	-	426,037
Depreciation for the year	5	122	-	1,830	273	25,894	2,392	1,277	-	31,788
Disposals		-	-	-	-	(1,052)	(7,328)	(828)	-	(9,208)
Written off		-	-	-	-	(484)	-	(1,388)	-	(1,872)
Effect of movements in exchange rates		-	-	-	(7)	(129)	-	(79)	-	(215)
At 31 December 2017		3,627	-	32,915	520	373,768	9,508	26,192	-	446,530
Carrying amounts										
At 31 December 2017		6,944	19,097	29,519	1,193	110,099	6,527	2,597	1,823	177,799
At 31 December 2016		7,066	19,097	29,942	238	105,197	6,748	3,199	800	172,287

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land (Note 8.1) 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
Company									
Cost									
At 1 January 2016		10,399	18,952	58,813	389,396	1,256	18,230	11,168	508,214
Additions	8.2	–	–	1,029	33,471	–	613	183	35,296
Disposals		–	–	–	(804)	(60)	–	–	(864)
Written off		–	–	–	(59)	–	(941)	–	(1,000)
Transfers		–	–	–	10,552	–	–	(10,552)	–
Transfer from subsidiary		–	–	–	–	60	–	–	60
At 31 December 2016/ 1 January 2017		**10,399**	**18,952**	**59,842**	**432,556**	**1,256**	**17,902**	**799**	**541,706**
Additions	8.2	**–**	**–**	**1,214**	**26,200**	**–**	**802**	**1,790**	**30,006**
Disposals		**–**	**–**	**–**	**–**	**(631)**	**(350)**	**–**	**(981)**
Written off		**–**	**–**	**–**	**(515)**	**–**	**–**	**–**	**(515)**
Transfers		**–**	**–**	**–**	**702**	**–**	**–**	**(702)**	**–**
Transfer to subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**(66)**	**(66)**
At 31 December 2017		**10,399**	**18,952**	**61,056**	**458,943**	**625**	**18,354**	**1,821**	**570,150**

NOTES TO THE FINANCIAL STATEMENTS

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land (Note 8.1) 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
Company									
Depreciation									
At 1 January 2016		3,297	–	28,811	311,871	604	17,502	–	362,085
Depreciation for the year	5	118	–	1,756	23,103	240	483	–	25,700
Disposals		–	–	–	(315)	(60)	–	–	(375)
Written off		–	–	–	(59)	–	(941)	–	(1,000)
Transfer from subsidiary		–	–	–	–	60	–	–	60
At 31 December 2016/ 1 January 2017		**3,415**	**–**	**30,567**	**334,600**	**844**	**17,044**	**–**	**386,470**
Depreciation for the year	5	**118**	**–**	**1,781**	**22,708**	**147**	**500**	**–**	**25,254**
Disposals		**–**	**–**	**–**	**–**	**(471)**	**(347)**	**–**	**(818)**
Written off		**–**	**–**	**–**	**(481)**	**–**	**–**	**–**	**(481)**
At 31 December 2017		**3,533**	**–**	**32,348**	**356,827**	**520**	**17,197**	**–**	**410,425**
Carrying amounts									
At 31 December 2017		**6,866**	**18,952**	**28,708**	**102,116**	**105**	**1,157**	**1,821**	**159,725**
At 31 December 2016		6,984	18,952	29,275	97,956	412	858	799	155,236

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

8.1 Leasehold land

Included in the carrying amount of leasehold land are lease of land with:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unexpired lease period less than 50 years	78	82	–	–
Unexpired lease period more than 50 years	6,866	6,984	6,866	6,984
	6,944	7,066	6,866	6,984

8.2 Purchase of property, plant and equipment

Purchase of property, plant and equipment for the year is presented in the statement of cash flow after deducting the capitalised asset retirement cost as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total additions of property, plant and equipment	37,966	42,739	30,006	35,296
Capitalised asset retirement cost	(327)	–	–	–
Purchase of property, plant and equipment	37,639	42,739	30,006	35,296

9 INTANGIBLE ASSETS

	Goodwill RM'000	Computer software RM'000	Total RM'000
Group			
Cost			
At 1 January 2016	2,634	20,453	23,087
Acquisition	–	705	705
Written off	–	(579)	(579)
Effect of movements in exchange rates	–	57	57
At 31 December 2016/1 January 2017	2,634	20,636	23,270
Acquisition	–	255	255
Written off	–	(62)	(62)
Effect of movements in exchange rates	–	(59)	(59)
At 31 December 2017	2,634	20,770	23,404

NOTES TO THE FINANCIAL STATEMENTS

9 INTANGIBLE ASSETS (CONTINUED)

		Goodwill RM'000	Computer software RM'000	Total RM'000
Group				
Amortisation				
At 1 January 2016		–	17,873	17,873
Amortisation for the year	5	–	1,581	1,581
Written off		–	(579)	(579)
Effect of movements in exchange rates		–	51	51
At 31 December 2016/1 January 2017		**–**	**18,926**	**18,926**
Amortisation for the year	5	**–**	**1,176**	**1,176**
Written off		**–**	**(62)**	**(62)**
Effect of movements in exchange rates		**–**	**(57)**	**(57)**
At 31 December 2017		**–**	**19,983**	**19,983**
Carrying amounts				
At 31 December 2017		**2,634**	**787**	**3,421**
At 31 December 2016		2,634	1,710	4,344

9 INTANGIBLE ASSETS (CONTINUED)

	Note	Computer software RM'000
Company		
Cost		
At 1 January 2016		11,126
Additions		254
Written off		(161)
Transfer to subsidiary		(436)
At 31 December 2016/1 January 2017		**10,783**
Additions		**10**
At 31 December 2017		**10,793**
Amortisation		
At 1 January 2016		9,909
Amortisation for the year	5	820
Written off		(161)
Transfer to subsidiary		(436)
At 31 December 2016/1 January 2017		**10,132**
Amortisation for the year	5	**484**
At 31 December 2017		**10,616**
Carrying amounts		
At 31 December 2017		**177**
At 31 December 2016		651

NOTES TO THE FINANCIAL STATEMENTS

9 INTANGIBLE ASSETS (CONTINUED)

9.1 Impairment testing for cash-generating units containing goodwill

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

	Group	
	2017 RM'000	2016 RM'000
Subsidiary		
MayBev Pte. Ltd.	**2,634**	2,634

The recoverable amount of the cash-generating units ("CGU") - MayBev Pte. Ltd. was based on its value-in-use calculations. The recoverable amount for the CGU was higher than the aggregate 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 forecasted to be generated from the continuing use of the CGU. The key assumptions used for the CGU are as follows:

	2017	2016
Sales volume (% annual growth)	**2%**	3%
Long-term growth rate (%)	**1%**	1%
Pre-tax discount rate (%)	**6%**	9%

The 5-year cash flows forecast are based on the average annual growth of sales volume approved by the Directors based on past performance and management's expectation of market development. The discount rates used to discount the future cash flows are pre-tax and reflect the specific risks relating to the CGU.

The Directors of the Company believes that any reasonable change in the key assumptions would not cause the carrying amount of the CGU to exceed their recoverable amount.

10 INVESTMENTS IN SUBSIDIARIES

	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares – at cost	**391,572**	391,572

The following are the subsidiaries of the Group:

Name of company	Principal activities	Principal place of business/country of incorporation	Effective ownership interest 2017 %	Effective ownership interest 2016 %
Carlsberg Marketing Sdn. Bhd.	Marketing and distribution of beer, stout, cider, shandy and non-alcoholic beverages	Malaysia	**100**	100
Euro Distributors Sdn. Bhd.	Dormant	Malaysia	**100**	100
Carlsberg Singapore Pte. Ltd. #	Importation and marketing of beer and liquor products	Singapore	**100**	100
MayBev Pte. Ltd. #	Importation and marketing of beer and liquor products	Singapore	**51**	51

Audited by a member firm of PriceWaterhouseCoopers International

The Group's subsidiary that has material non-controlling interest ("NCI") is as follows:

	Effective ownership interest held by NCI 2017 %	Effective ownership interest held by NCI 2016 %
MayBev Pte. Ltd.	**49**	49

NOTES TO THE FINANCIAL STATEMENTS

10 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Set out below is summarised financial information for MayBev Pte. Ltd., the subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

	MayBev Pte. Ltd.	
	2017	**2016**
	RM'000	**RM'000**
As at 31 December		
Non-current assets	**1,133**	1,751
Current assets	**47,400**	34,028
Non-current liabilities	**(179)**	(183)
Current liabilities	**(18,792)**	(15,776)
Net Assets	**29,562**	19,820
Accumulated non-controlling interests	**13,448**	8,358
Year ended 31 December		
Revenue	**142,556**	101,848
Profit for the financial year	**22,884**	11,607
Total comprehensive income	**22,884**	11,607
Profit allocated to non-controlling interests	**11,213**	5,687
Dividend paid to non-controlling interests	**6,123**	4,342
Cash flow generated from operating activities	**24,348**	12,194
Cash flow generated from/(used in) investing activities	**332**	(228)
Cash flow used in financing activities	**(12,401)**	(13,405)
Net changes in cash and cash equivalents	**12,279**	(1,439)

11 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Quoted shares, outside Malaysia	**25,164**	25,164	**25,164**	25,164
Share of post-acquisition reserves	**39,145**	47,910	**–**	–
	64,309	73,074	**25,164**	25,164
Market value				
Quoted shares, outside Malaysia	**284,637**	278,944	**284,637**	278,944

Name of company	Principal activities	Principal place of business/country of incorporation	Effective ownership interest 2017 %	2016 %
Lion Brewery (Ceylon) PLC	Manufacturing, marketing and distribution of beer, stout, cider, shandy and non-alcoholic beverages	Sri Lanka	**25**	25

Summary financial information on associate after fair value adjustment:

	2017 RM'000	2016 RM'000
As at 31 December		
Non-current assets	**552,216**	611,662
Current assets	**284,025**	373,016
Non-current liabilities	**(268,965)**	(266,549)
Current liabilities	**(310,040)**	(425,833)
Net assets	**257,236**	292,296
Year ended 31 December		
Revenue	**729,645**	891,317
Interest income	**22,678**	12,717
Interest expense	**(60,872)**	(49,523)
Tax income/(expense)	**22,241**	(25,169)
Profit/(loss) for the financial year	**39**	(20,431)
Other comprehensive (loss)/income	**(1,003)**	209
Total comprehensive loss	**(964)**	(20,222)
Dividends received from associate	**–**	1,478

NOTES TO THE FINANCIAL STATEMENTS

11 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Reconciliation to carrying amount:

	2017 RM'000	2016 RM'000
Net assets as at 1 January	**292,296**	320,660
Profit/(loss) for the financial year	**39**	(20,431)
Other comprehensive (loss)/income	**(1,003)**	209
Dividend paid	**–**	(5,912)
Exchange differences	**(34,096)**	(2,230)
Net assets as at 31 December	**257,236**	292,296
Group share at 25%	**64,309**	73,074
Carrying amount	**64,309**	73,074

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.

12 DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group						
Property, plant and equipment	–	–	(22,907)	(18,447)	(22,907)	(18,447)
Trade and other payables	7,777	7,317	–	–	7,777	7,317
Others	–	–	(1,438)	(984)	(1,438)	(984)
Tax assets/(liabilities)	7,777	7,317	(24,345)	(19,431)	(16,568)	(12,114)
Set off tax	(5,083)	(4,230)	5,083	4,230	–	–
Net tax assets/(liabilities)	2,694	3,087	(19,262)	(15,201)	(16,568)	(12,114)
Company						
Property, plant and equipment	–	–	(21,441)	(17,261)	(21,441)	(17,261)
Trade and other payables	3,796	3,227	–	–	3,796	3,227
Others	–	–	(1,438)	(984)	(1,438)	(984)
Tax assets/(liabilities)	3,796	3,227	(22,879)	(18,245)	(19,083)	(15,018)
Set off tax	(3,796)	(3,227)	3,796	3,227	–	–
Net tax assets/(liabilities)	–	–	(19,083)	(15,018)	(19,083)	(15,018)

12 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Movement in temporary differences during the year:

	At 1.1.2016 RM'000	Recognised in profit or loss (Note 6) RM'000	At 1.1.2017 RM'000	Recognised in profit or loss (Note 6) RM'000	Recognised in other comprehensive income (Note 6) RM'000	Recognised in exchange reserve RM'000	At 31.12.2017 RM'000
Group							
Property, plant and equipment	(16,236)	(2,211)	(18,447)	(4,467)	–	7	**(22,907)**
Trade and other payables	7,059	258	7,317	460	–	–	**7,777**
Others	(984)	–	(984)	–	(454)	–	**(1,438)**
	(10,161)	(1,953)	(12,114)	(4,007)	(454)	7	**(16,568)**
Company							
Property, plant and equipment	(15,102)	(2,159)	(17,261)	(4,180)	–	–	**(21,441)**
Trade and other payables	2,790	437	3,227	569	–	–	**3,796**
Others	(984)	–	(984)	–	(454)	–	**(1,438)**
	(13,296)	(1,722)	(15,018)	(3,611)	(454)	–	**(19,083)**

13 INVENTORIES

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Finished goods	**52,276**	81,361	**9,737**	9,477
Work-in-progress	**4,647**	3,438	**4,648**	3,438
Raw, packaging and other materials	**6,944**	6,882	**6,890**	6,838
Spare parts for machinery	**4,545**	4,602	**4,434**	4,451
	68,412	96,283	**25,709**	24,204
Recognised in profit or loss:				
Allowance for inventories written down	**300**	300	**300**	300
Finished goods written off	**494**	1,871	**355**	72

14 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current					
Trade					
Trade receivables	22.4	**157,996**	186,056	**–**	–
Allowance for impairment loss	22.4	**(1,356)**	(2,168)	**–**	–
		156,640	183,888	**–**	–
Amount due from related companies	14.1	**9,418**	10,530	**–**	–
Amount due from a subsidiary	14.1	**–**	–	**10,869**	25,309
Amount due from immediate holding company	14.1	**983**	1,120	**983**	1,039
		167,041	195,538	**11,852**	26,348

NOTES TO THE FINANCIAL STATEMENTS

14 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-trade					
Amount due from immediate holding company	14.1	**120**	–	**–**	–
Amount due from a subsidiary	14.1	**–**	–	**260**	212
Amount due from related companies	14.1	**285**	502	**285**	502
Other receivables		**5,656**	13,347	**2,700**	2,692
Deposits		**1,002**	3,644	**174**	213
Prepayments	14.2	**74,095**	57,034	**25,612**	18,252
		81,158	74,527	**29,031**	21,871
		248,199	270,065	**40,883**	48,219

14.1 Amounts due from immediate holding company, subsidiaries and related companies

The trade balances are with a credit term of 30 days (2016: 30 days).

The non-trade balances are unsecured, interest free and repayable on demand.

14.2 Prepayments

Prepayments comprise of excise duties and upfront cash payments in relations to listing fees provided to the sales outlets. The listing fees are amortised over the duration of the contracts entered with these outlets. The upfront listing fee payments are recognised as discount to revenue.

15 CASH AND CASH EQUIVALENTS

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Deposits with licensed banks with maturity period less than 3 months		**11,200**	1,200	**1,200**	1,200
Cash at bank		**63,661**	34,911	**9,957**	685
Cash held on hand		**131**	159	**18**	11
		74,992	36,270	**11,175**	1,896
Bank overdraft	18	**(4,662)**	(3,951)	**–**	–
		70,330	32,319	**11,175**	1,896

16 SHARE CAPITAL

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Authorised:				
- 600,000,000 ordinary shares with no par value (2016: par value of RM0.50 each)				
At beginning of financial year	**300,000**	300,000	**300,000**	300,000
Effect of transition on 31 January 2017 under the Companies Act 2016	**(300,000)**	–	**(300,000)**	–
At end of financial year– ordinary shares with no par value (2016: par value of RM0.50 each)	**–**	300,000	**–**	300,000
Issued:				
- 305,748,000 ordinary shares with no par value (2016: 308,078,000 ordinary shares with par value of RM0.50 each)				
At beginning of financial year	**154,039**	154,039	**154,039**	154,039
Treasury shares cancelled	**(12,043)**	–	**(12,043)**	–
Transfer of share premium pursuant to no par value regime of the Companies Act 2016	**7,367**	–	**7,367**	–
At end of financial year – ordinary shares with no par value (2016: par value of RM0.50 each)	**149,363**	154,039	**149,363**	154,039

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 regards 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 16.4), all rights are suspended until those shares are reissued.

The Companies Act 2016 (the "Act") which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amounts standing credit of the share premium account of RM 7,367,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the number of ordinary share in issue or the relative entitlement of any of the members as a result of this transition.

NOTES TO THE FINANCIAL STATEMENTS

16 SHARE CAPITAL (CONTINUED)

Reserves

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Share premium		–	7,367	–	7,367
Other reserves:					
Capital reserve	16.1	3,931	3,931	–	–
Exchange reserve	16.2	10,673	20,515	–	–
Share option reserve	16.3	(110)	(104)	(391)	(391)
Treasury shares	16.4	–	(12,043)	–	(12,043)
Cash flow hedge reserve	16.5	1,438	–	1,438	–
Others		–	(780)	–	–
		15,932	18,886	1,047	(5,067)
Distributable reserves:					
Retained earnings		133,723	148,764	390,888	392,441
		149,655	167,650	391,935	387,374

16.1 Capital reserve

The capital reserve comprises reserve capitalised by a subsidiary for bonus issue of shares in prior years.

16.2 Exchange 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.

16.3 Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options granted by the ultimate 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.

16.4 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 127(4) of the Companies Act 2016. All treasury shares were cancelled on 17 May 2017.

* After adjusting for the share split exercise in 2005.

16 SHARE CAPITAL (CONTINUED)

16.5 Cash flow hedge reserve

During the year, the Group and the Company has applied cash flow hedge. The cash flow hedges comprise aluminium hedges where the hedge item is aluminium cans that will be used by the Company. Aluminium swaps are used to hedge the risk of volatile aluminium prices associated with the purchase of cans.

The fair value changes of effective cash flow hedge on aluminium hedge contracts are recognised in other comprehensive income and attributed to this reserve.

17 PAYABLES AND ACCRUALS

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current					
Accrued expenses		–	1,698	–	1,496
Provisions		327	–	–	–
		327	1,698	–	1,496
Current					
Trade					
Trade payables		192,525	167,410	72,392	62,315
Amount due to immediate holding company	17.1	1,881	2,215	–	–
Amount due to related companies	17.1	6,161	7,420	1,371	1,334
		200,567	177,045	73,763	63,649
Non-trade					
Other payables		16,085	32,106	4,856	5,811
Accrued expenses		47,672	25,309	17,224	15,424
Amount due to ultimate holding company	17.2	2,668	2,743	2,668	2,743
Amount due to immediate holding company	17.2	689	744	689	593
Amount due to related companies	17.2	8,816	14,174	6,423	6,907
		75,930	75,076	31,860	31,478
		276,497	252,121	105,623	95,127
		276,824	253,819	105,623	96,623

NOTES TO THE FINANCIAL STATEMENTS

17 PAYABLES AND ACCRUALS (CONTINUED)

17.1 Amounts due to immediate holding company and related companies

Amounts due to immediate holding company and related companies are unsecured, interest free and subjected to credit terms of 90 days (2016: 90 days).

17.2 Amounts due to ultimate holding company, immediate holding company and related companies

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

18 LOANS AND BORROWINGS

	Group	
	2017 RM'000	2016 RM'000
Current-unsecured		
Bank overdraft	4,662	3,951
Revolving credits	12,115	29,488
	16,777	33,439

The short-term bank overdraft and revolving credits of the Group are subjected to interests ranging from 1.04% to 2.33% (2016: 1.12% to 2.13%) per annum.

19 KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors:				
- Fees	212	168	212	168
- Remuneration	1,898	2,004	1,898	2,004
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	483	518	483	518
	2,593	2,690	2,593	2,690
- Post-employment benefits	251	197	251	197
- Share-based payments	1,186	1,303	1,186	1,303
	4,030	4,190	4,030	4,190

19 KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other key management personnel:				
- Short-term employee benefits	**12,264**	10,128	**3,221**	2,262
- Post-employment benefits	**93**	198	**61**	163
- Share-based payments	**1,083**	672	**520**	329
- Termination benefits	**–**	656	**–**	–
	13,440	11,654	**3,802**	2,754
	17,470	15,844	**7,832**	6,944

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.

20 DIVIDENDS

Dividends declared by the Company are:

	Sen per ordinary share	Total amount RM'000	Date of payment
2017			
First interim 2017	**10.0**	**30,574**	**6 October 2017**
Final and special 2016	**67.0**	**204,852**	**19 May 2017**
Total amount		**235,426**	
2016			
First interim 2016	5.0	15,287	7 October 2016
Final and special 2015	67.0	204,852	20 May 2016
Total amount		220,139	

NOTES TO THE FINANCIAL STATEMENTS

20 DIVIDENDS (CONTINUED)

After the reporting period, the following dividend was proposed by the Directors. The dividends will be recognised in subsequent financial report upon approval by the shareholders.

	Sen per ordinary share	Total amount RM'000
For the financial year ended 31 December 2017		
Final	66.0	201,794
Special	11.0	33,632
		235,426

21 OPERATING SEGMENTS

The Group has three operating 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 unit, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis.

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

- Malaysia — Includes manufacturing, marketing and distribution of both alcoholic and non-alcoholic beverages by entities in Malaysia.
- Singapore — Includes marketing and distribution of both alcoholic and non-alcoholic beverages by entities in Singapore.
- Other — Includes manufacturing, marketing and distribution of both alcoholic and non-alcoholic beverages in geographical locations other than Malaysia and Singapore.

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.

21 OPERATING SEGMENTS (CONTINUED)

Segment assets, liabilities and capital expenditures

Segment assets, liabilities and capital expenditures information is neither included in the internal management reports nor provided regularly to the Group's Managing Director who is considered the Group's chief operating decision maker. Hence no such disclosures are provided below.

	Malaysia RM'000	Singapore RM'000	Other RM'000	Total RM'000
2017				
Segment profit	**216,931**	**82,584**	**–**	**299,515**
Included in the measure of segment profit are:				
Revenue from external customers	**1,170,958**	**597,265**	**–**	**1,768,223**
Inter-segment revenue	**75,654**	**–**	**–**	**75,654**
Depreciation and amortisation	**30,808**	**2,156**	**–**	**32,964**
Not included in the measure of segment profit but provided to Managing Director:				
Finance costs	**(6,047)**	**(390)**	**–**	**(6,437)**
Finance income	**2,499**	**–**	**–**	**2,499**
Income tax expense	**(48,158)**	**(14,256)**	**–**	**(62,414)**
Share of loss of equity-accounted associate, net of tax	**–**	**–**	**(241)**	**(241)**
2016				
Segment profit	195,553	98,408	–	293,961
Included in the measure of segment profit are:				
Revenue from external customers	1,096,377	583,117	–	1,679,494
Inter-segment revenue	73,401	–	–	73,401
Depreciation and amortisation	31,494	2,210	–	33,704
Not included in the measure of segment profit but provided to Managing Director:				
Finance costs	(6,515)	(552)	–	(7,067)
Finance income	1,910	–	–	1,910
Income tax expense	(55,388)	(17,790)	–	(73,178)
Share of loss of equity-accounted associate, net of tax	–	–	(5,056)	(5,056)

NOTES TO THE FINANCIAL STATEMENTS

21 OPERATING SEGMENTS (CONTINUED)

Reconciliation of segment profit or loss

	2017 RM'000	2016 RM'000
Profit		
Total segment profit	**299,515**	293,961
Inter-segment elimination	**(544)**	95
Finance costs	**(6,437)**	(7,067)
Finance income	**2,499**	1,910
Share of loss of equity-accounted associate, net of tax	**(241)**	(5,056)
Consolidated profit before tax	**294,792**	283,843

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.

	Revenue		Non-current assets*	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Geographical location				
Malaysia	**1,112,422**	1,027,924	**238,279**	242,935
Singapore	**597,265**	583,117	**7,250**	6,770
Other countries	**58,536**	68,453	**–**	–
	1,768,223	1,679,494	**245,529**	249,705

* Non-current assets comprise property, plant and equipment, intangible assets and investment in associate.

Major customers

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

22 FINANCIAL INSTRUMENTS

22.1 Categories for financial instruments

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

(a) Loans and receivables ("L&R"); and
(b) Other financial liabilities measured at amortised cost ("OL").

	Group		Company	
	Carrying amount RM'000	L&R/(OL) RM'000	Carrying amount RM'000	L&R/(OL) RM'000
2017				
Financial assets				
Receivables and deposits	**174,104**	**174,104**	**15,271**	**15,271**
Cash and cash equivalents	**74,992**	**74,992**	**11,175**	**11,175**
	249,096	**249,096**	**26,446**	**26,446**
Financial liabilities				
Loans and borrowings	**(16,777)**	**(16,777)**	**–**	**–**
Payables and accruals	**(276,824)**	**(276,824)**	**(105,623)**	**(105,623)**
	(293,601)	**(293,601)**	**(105,623)**	**(105,623)**
2016				
Financial assets				
Receivables and deposits	213,031	213,031	29,967	29,967
Cash and cash equivalents	36,270	36,270	1,896	1,896
	249,301	249,301	31,863	31,863
Financial liabilities				
Loans and borrowings	(33,439)	(33,439)	–	–
Payables and accruals	(253,819)	(253,819)	(96,623)	(96,623)
	(287,258)	(287,258)	(96,623)	(96,623)

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL INSTRUMENTS (CONTINUED)

22.2 Net gains and losses arising from financial instruments

Net gains/(losses) arising from financial instruments comprises finance income/(expense), unrealised foreign exchange gains/(losses) and impairment losses.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans and receivables	**5,482**	5,738	**(529)**	204
Financial liabilities measured at amortised cost	**(4,432)**	(8,089)	**33**	(3,527)

22.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

22.4 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, placements and cash maintained with financial institutions. The Company's exposure to credit risk arises principally from balances with subsidiaries, placements and cash maintained with financial institutions.

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 required to be 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 90 days, which are deemed to have higher credit risk, are monitored individually.

22 FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Credit risk (continued)

Receivables (continued)

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

	2017 RM'000	2016 RM'000
Malaysia	**84,253**	87,604
Singapore	**72,387**	96,284
	156,640	183,888

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

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
2017			
Neither past due nor impaired	**140,972**	**–**	**140,972**
Past due but not impaired:			
1 - 30 days	**15,309**	**–**	**15,309**
31 - 60 days	**23**	**–**	**23**
61 - 90 days	**336**	**–**	**336**
Impaired	**1,356**	**(1,356)**	**–**
	157,996	**(1,356)**	**156,640**
2016			
Neither past due nor impaired	147,784	–	147,784
Past due but not impaired:			
1 - 30 days	27,373	–	27,373
31 - 60 days	5,739	–	5,739
61 - 90 days	609	–	609
Impaired	4,551	(2,168)	2,383
	186,056	(2,168)	183,888

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Credit risk (continued)

Receivables (continued)

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

	2017 RM'000	2016 RM'000
At 1 January	**(2,168)**	(3,471)
Impairment loss recognised	**–**	(665)
Impairment loss reversed	**776**	837
Impairment loss written off	**36**	1,131
At 31 December	**(1,356)**	(2,168)

The allowance account in respect of trade 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 advances to subsidiaries and related companies. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk

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.

Credit quality

As at the end of the reporting period, there was no indication that the advances to the subsidiaries and related companies are not recoverable. The advances to subsidiaries and related companies have been outstanding for less than a year.

22 FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Credit risk (continued)

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

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

Cash and cash equivalents are placed only with licensed financial institutions.

Exposure to credit risk

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.

Credit quality

Counterparties with external credit rating:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
AAA	**39,712**	17,843	**9,849**	445
AA1	**1**	1	**–**	–
AA2	**11,331**	1,463	**1,308**	1,440
A1	**23,817**	16,804	**–**	–
	74,861	36,111	**11,157**	1,885

22.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as 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 maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL INSTRUMENTS (CONTINUED)

22.5 Liquidity risk (continued)

Maturity analysis

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	More than 1 year RM'000
Group					
2017					
Payables and accruals	**276,497**	**–**	**276,497**	**276,497**	**–**
Loans and borrowings	**16,777**	**1.04-2.33**	**16,794**	**16,794**	**–**
	293,274		**293,291**	**293,291**	**–**
2016					
Payables and accruals	253,819	–	253,819	252,121	1,698
Loans and borrowings	33,439	1.12-2.13	33,469	33,469	–
	287,258		287,288	285,590	1,698
Company					
2017					
Payables and accruals	**105,623**	**–**	**105,623**	**105,623**	**–**
2016					
Payables and accruals	96,623	–	96,623	95,127	1,496

22 FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk

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

22.6.1 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"), Singapore Dollar ("SGD"), Euro ("EUR") and Danish Krone ("DKK").

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 RM and SGD, the Group ensures that the net exposure is kept to an acceptable level.

Exposure to foreign currency risk

The Group's and the Company's exposure to foreign currency (a currency which is other than the functional currency of any entity in the Group and the Company) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in			
	USD RM'000	SGD RM'000	EUR RM'000	DKK RM'000
Group				
2017				
Trade receivables	**3,556**	**4**	**–**	**–**
Cash and cash equivalents	**1,703**	**1,565**	**–**	**–**
Trade payables	**(9,099)**	**–**	**(971)**	**–**
Intercompany balances	**(1,404)**	**–**	**(3,318)**	**(3,875)**
Net exposure	**(5,244)**	**1,569**	**(4,289)**	**(3,875)**
2016				
Trade receivables	7,945	4	–	–
Cash and cash equivalents	9,283	1,878	–	–
Trade payables	(12,125)	–	(1,616)	–
Intercompany balances	(3,148)	–	(3,119)	(4,108)
Net exposure	1,955	1,882	(4,735)	(4,108)

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk (continued)

22.6.1 Currency risk (continued)

	Denominated in			
	USD RM'000	SGD RM'000	EUR RM'000	DKK RM'000
Company				
2017				
Cash and cash equivalents	**335**	**7**	**–**	**–**
Trade payables	**(8,831)**	**–**	**(956)**	**–**
Intercompany balances	**(4,666)**	**281**	**(1,995)**	**(3,875)**
Net exposure	**(13,162)**	**288**	**(2,951)**	**(3,875)**
2016				
Cash and cash equivalents	369	15	–	–
Trade payables	(11,865)	–	(1,616)	–
Intercompany balances	(5,191)	212	(1,381)	(4,100)
Net exposure	(16,687)	227	(2,997)	(4,100)

Currency risk sensitivity analysis

Foreign currency risk arises primarily for transactions denominated in USD, SGD, EUR and DKK. The exposure to currency risk for transaction other than USD, SGD, EUR and DKK is not material and hence, sensitivity analysis is not presented.

A 10% (2016: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group and the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
USD	**524**	(196)	**1,316**	1,669
SGD	**(157)**	(188)	**(28)**	(23)
EUR	**429**	474	**295**	300
DKK	**387**	411	**388**	410
	1,183	501	**1,971**	2,356

22 FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk (continued)

22.6.2 Interest rate risk

The Group's borrowings are not exposed to a risk of change in their fair values due to changes in interest rates. The Group'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 borrowings are short term in nature. As such, the Group does not engage in any hedging activities to manage interest rate 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Floating rate instruments				
Bank overdraft	**(4,662)**	(3,951)	**–**	–
Revolving credits	**(12,115)**	(29,488)	**–**	–

Interest rate risk sensitivity analysis

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

22.7 Fair value of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

23 CAPITAL MANAGEMENT

The Group's and the Company'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. Capital consists of total equity, less amounts accumulated in equity related to cash flow hedges. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with regulatory requirements.

24 OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Less than one year	**2,290**	2,317	**396**	274
Between one and five years	**3,443**	5,399	**189**	361
	5,733	7,716	**585**	635

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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Capital expenditure commitments				
<u>Plant and equipment</u>				
Authorised and contracted for	**3,102**	766	**2,847**	620

26 CONTINGENT LIABILITIES

On 23 September 2014, the Board of Directors of the Company had announced to the Bursa Malaysia that the Company had on 19 September 2014 received two bills of demand both dated 17 September 2014 from the Selangor State Director of Royal Malaysian Customs ("State Customs") for the following:

(i) Excise duty amounting to RM35,698,219.81 for period 1 July 2011 to 14 January 2014;
(ii) Sales tax amounting to RM13,763,381.02 and penalty amounting to RM6,881,690.56 for period of 1 July 2011 to 14 January 2014.

The Company has not agreed to the demands made by the State Customs. Based on legal advice sought, there are reasonable grounds to object the basis of the bills of demand issued by the State Customs. At this stage, the Directors believe that it is not probable that a future outflow of economic benefits will be required. The Director General of Customs has yet to decide in relation to the Company's appeal against the two bills of demand.

27 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 or the Company 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 or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has related party relationship with the holding company and its related corporations, its subsidiaries (see Note 10), an associate (see Note 11), Directors and key management personnel. The relationship of related parties are identified as below:

Name of company	Country of incorporation	Classes of Related parties
Carlsberg Breweries A/S	Denmark	Immediate parent company
Carlsberg A/S	Denmark	Ultimate holding company
Carlsberg Marketing Sdn. Bhd.	Malaysia	Subsidiary
Carlsberg Singapore Pte. Ltd.	Singapore	Subsidiary
MayBev Pte. Ltd.	Singapore	Subsidiary
Lion Brewery (Ceylon) PLC	Sri Lanka	Associate
Carlsberg Hong Kong Ltd.	Hong Kong	Fellow subsidiary
Carlsberg Supply Company AG	Switzerland	Fellow subsidiary
Carlsberg Business Solutions	Denmark	Fellow subsidiary
Brasseries Kronenbourg SAS	France	Fellow subsidiary
CB Distribution Co. Ltd.	Thailand	Fellow subsidiary
Carlsberg Croatia D.O.O.	Croatia	Fellow subsidiary
Carlsberg Brewery Hong Kong Ltd.	Hong Kong	Fellow subsidiary
Carlsberg Supply Co. Asia Ltd.	Hong Kong	Fellow subsidiary
Kronenbourg Supply Company	France	Fellow subsidiary
Carlsberg Vietnam Breweries Limited	Vietnam	Fellow subsidiary
Lao Brewery Co. Ltd.	Laos	Fellow subsidiary
Carlsberg Taiwan Trading	Taiwan	Associate company of ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

27 RELATED PARTIES (CONTINUED)

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.

Details of the related party transactions (other than key management personnel remuneration disclosed in Note 19 to the financial statements) with the Group and the Company are as follows:

	Transaction value for year ended 31 December			
	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Immediate holding company				
Purchases of materials and products	**747**	184	**662**	184
Purchases of services	**4,225**	4,184	**3,646**	4,151
Royalties payable	**35,300**	33,057	**6,719**	6,156
Net settlements in respect of (gain)/loss from hedging contracts	**(3,846)**	1,861	**(3,846)**	1,861
Related companies				
Management fees payable	**6,421**	5,433	**5,040**	3,892
Purchases of materials and products	**26,505**	40,915	**2**	2,758
Purchases of services	**4,104**	10,633	**2,287**	2,292
Sale of goods and services	**53,667**	58,943	**–**	–

	Transaction value for year ended 31 December	
	Company	
	2017 RM'000	2016 RM'000
Subsidiaries		
Sale of goods and services	**823,907**	774,037
Management fee received	**14,687**	11,500
Rental income	**780**	780
Dividend income	**218,340**	243,399

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

Outstanding balances are disclosed accordingly in Notes 14 and 17.

28 RECLASSIFICATION

The Company reclassified an account in the comparative for 31 December 2017 financial statements to conform the current year presentation. This only impact the presentation in the Company's statement of profit or loss and other comprehensive income with no impact to other statements.

Impact to the Statement of Profit or Loss and Other Comprehensive Income:

	Before reclassification RM'000	Reclassification RM'000	After reclassification RM'000
Financial year ended 31 December 2016			
Other income	6,183	11,500	17,683
Administrative expenses	(22,850)	(11,500)	(34,350)

As result of initiative to standardise the financial statements mapping, management income received from a subsidiary is reclassed from administrative expenses to other income.