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 2018 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 2018 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 8 March 2019.

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 basis except as disclosed in the significant accounting policies below.

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 judgement in the process of applying the Group and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

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

The Group and the Company have applied the following standards and amendments for the first time for the financial year beginning on 1 January 2018:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- Amendments to MFRS 2 'Share-based Payment – Classification and Measurement of Share-based Payment Transactions'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 128 'Investments in Associates and Joint Ventures'

2 BASIS OF PREPARATION (CONTINUED)

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

The detailed impact of adoption of MFRS 9 and MFRS 15 is set out in Note 4.

Other than disclosed in Note 4, the adoption of standards, amendments and interpretations listed above 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 to published standards and interpretations 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 after 1 January 2019. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Company, except the following as set out below:

- 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.

  The implementation of MFRS 16 "Leases" will result in almost all leases being recognised in the statement of financial position, as the distinction between operating and finance leases has been removed. The only exceptions are short-term leases and leases of low-value assets.

  The Group and the Company has reviewed its leasing arrangements, and the accounting standard will primarily affect the accounting for the Group's and the Company's operating leases, which mainly comprise leases of offices and buildings. The impact for the Group and the Company in respect of operating leases is an increase in property, plant and equipment and in financial liabilities.

  The lease cost includes an interest element will be recognised as a financial item. In the cash flow statement, the interest element will be presented in interest paid.

  The expected impact is calculated based on the Group's and the Company's incremental borrowing rate and lease term at the time of the calculation.

  In 2018, the Group and the Company has no finance lease recognised in accordance with MFRS 117. Accordingly, the Group and the Company will continue to recognise right-of-use assets and the related lease liabilities at their carrying amounts when accounting for leases in accordance with MFRS 16.

  The Group and the Company will apply the practical expedient to leases retrospectively, with the cumulative effect from the date of the initial application recognised as an adjustment to the opening balance of retained earnings, and will not restate comparative figures for the year prior to first adoption.

2. BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments to published standards and interpretations that have been issued but not yet effective (continued)

- 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. The adoption of IC Interpretation 23 will not have a significant impact in the Group's and the Company's financial statements.

- 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 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.

Apart from the implementation of IFRS 16, the adoption of new standards and amendments are not expected to have any significant impact on the Group's and the Company's financials or accounting policies, as they cover areas that are not material and/or relevant for the Group and the Company.

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.

The Group recognises any non-controlling interest's in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vi) Associates (continued)

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 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(ii) Foreign currency transactions (continued)

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) 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)

(c) 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.

(d) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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.

(e) 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)

(f) 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.

(g) Trade and other receivables

Trade receivables are amounts due from customers for goods sold performed in the ordinary course of business. Other receivables generally arise from transactions outside the ordinary course of business of the Group and the Company. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value. Other receivables are recognised initially at fair value.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance. Details on the Group's and the Company's impairment policies of trade and other receivables are provided in Note 3(u).

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in 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.

(i) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Equity instruments (continued)

(iii) Repurchase, disposal and reissue of share capital

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.

(iv) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(j) 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (continued)

(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.

(k) 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.

(l) Payables

Payables represent liabilities for goods or services provided to the Group and the Company prior to the end of financial year which are unpaid. Payables are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Payables are recognised initially at fair value. Payables are subsequently measured at amortised cost using the effective interest method.

(m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is capitalised as prepayment until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the borrowings that has been 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 within other income or finance costs.

Where the terms of borrowings are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the borrowings (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the borrowings and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Borrowings (continued)

Accounting policies applied from 1 January 2018

From 1 January 2018, when borrowings measured at amortised cost is modified without this resulting in derecognition, any gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, shall be recognised immediately in profit or loss in finance costs.

Accounting policies applied until 31 December 2017

Until 31 December 2017, the Group and the Company had accounted for modification of borrowings measured at amortised cost without resulting in extinguishment of the original borrowings and amortised the difference arising from the modification over the remaining life of the modified borrowings in finance costs.

(n) Revenue and other income

(i) Goods sold

Accounting policies applied from 1 January 2018

Revenue from contracts with customers comprises sales of beverages, sales of by-products and others.

Revenue from the sale of own-produced finished goods and by-products is recognised at the point in time when the control of goods and products is transferred customer with a right of return within a specified period, the Group and the Company considers the timing of recognition.

Revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group and the Company expects to be entitled in exchange for those goods. Amounts disclosed as revenue net discount.

The Group and the Company considers whether contracts include other promises that constitute separate performance obligations and to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group and the Company considers the effects of variable consideration. No element of financing is deemed present, as payment is generally made on the basis of cash on delivery or up to 60 days of credit.

The Group pay various discounts depending on nature of customer and business. Customer discounts comprise off-invoice discounts, volume and activity-related discounts, including specific promotion prices offered, and other discounts.

Off-invoice discounts arise from sales transactions where the customer immediately receives a reduction in the sales price. This also includes cash discounts and incentives for early payments.

Volume and activity-related discounts is a broad term covering incentives for customers to sustain business with the Group and the Company over a longer time and may be related to a current campaign or a sales target measured in volumes or total value. Examples include discounts paid as a lump sum, discounts for meeting all or certain sales targets or for exceeding targets, or progressive discounts offered in step with increasing sales to a customer.

Other discounts include listing fees, i.e. fees for certain listings on shelves, in coolers or in favourable store locations, as such specific promotions are closely related to the volumes sold.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue and other income (continued)

(i) Goods sold (continued)

Accounting policies applied until 31 December 2017

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

Dividends are received from financial assets measured at fair value through profit and loss ("FVTPL"). Dividend income from financial assets at FVTPL is recognised as part of net gains or net losses on these financial instruments.

There are no changes in accounting policies upon adoption of MFRS 9.

(iii) Interest income

Interest income from financial assets at FVTPL is recognised as part of net gains or net losses on these financial instruments.

Accounting policies applied from 1 January 2018

Interest income on financial assets at amortised cost is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired.

For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Accounting policies applied until 31 December 2017

Interest income on loans and receivables is recognised as it accrues using the effective interest method in profit or loss as part of other income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

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.

(p) 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.

(q) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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.

(s) Financial instruments

Accounting policies applied from 1 January 2018

Classification – financial assets

From 1 January 2018, the Group and the Company classify its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost

The Group and the Company reclassify debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition – financial assets

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

Embedded derivatives in financial asset host contracts: The Group and the Company apply the classification and measurement of financial assets to the entire hybrid instrument for financial assets with embedded derivatives.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

Measurement – financial assets

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely for payment of principal and interest ("SPPI").

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company classify its debt instruments under amortised cost category.

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

(b) FVTPL

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ("FVOCI") are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss in the period which it arises.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the Group's and the Company's management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in the statement of comprehensive income as applicable.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial instruments (continued)

Accounting policies applied until 31 December 2017

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 FVTPL. Financial assets at FVTPL are initially recognised at fair value, and transaction costs are expensed in profit or loss.

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 FVTPL. 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.

Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at FVTPL

FVTPL 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 FVTPL 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 FVTPL, are subject to review for impairment (see Note 3(u)).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

Financial instrument categories and subsequent measurement (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as FVTPL.

FVTPL 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 FVTPL are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

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 expired. 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.

(t) 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.

(i) Cash flow hedge

The Group and the Company designate and document, 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Derivative and hedging activities (continued)

(i) Cash flow hedge (continued)

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 or 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.

The Group monitors the cash flow hedge relationship twice a year to assess whether the hedge is still effective. The ineffective portion primarily relates to aluminium hedge. Following the adoption of MFRS 9, there was no ineffectiveness.

(ii) Derivatives 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.

(u) Impairment of assets

Accounting policies applied from 1 January 2018

Impairment of financial assets

The Group and the Company apply the simplified approach to measure expected credit losses ("ECL"). This entails recognising a lifetime expected loss allowance for all trade receivables. Loss rates are determined based on grouping of receivables sharing the same credit risk characteristics and past due days.

Management assesses the ECL for portfolios of trade receivables based on customer segments, historical information on payment patterns, terms of payment, concentration maturity, and information about the general economic situation in the countries.

No significant changes to estimation techniques or assumptions were made during the reporting period.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

A significant increase in credit risk is presumed if a debtor is more than 60 days past due in making a contractual payment.

For other receivables and intercompany balances,the Group and the Company apply 3-stage approach to measure expected credit losses which reflect their credit risk and how the loss allowance is determined. The Group and the Company assessed the intercompany receivables as performing category with a low risk of default and a strong capacity to meet contractual cash flows. The basis of measuring ECL are based on 12 month ECL.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Impairment of assets (continued)

Accounting policies applied from 1 January 2018 (continued)

<u>**Impairment of other assets**</u>

There is no change in accounting policies as compared to accounting policies applied until 31 December 2017.

Accounting policies applied until 31 December 2017

<u>**Impairment of financial assets**</u>

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.

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.

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 "CGUs". Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs 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 CGU or a group of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value-in-use ("VIU") and its fair value less costs of disposal. In assessing VIU, 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 CGU.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Impairment of assets (continued)

Accounting policies applied until 31 December 2017 (continued)

<u>**Impairment of financial assets (continued)**</u>

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amounts of the other assets in the CGU (groups of CGUs) on a pro rata basis.

(v) 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.

(w) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously (as shown in Note 16.1). The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

4. CHANGE IN ACCOUNTING POLICIES

(a) MFRS 9 "Financial Instruments"

The Group and the Company has implemented the new classifications, hedging and impairment rules under MFRS 9. The impact of reclassifications and the calculation of ECL arising from these are not material to the consolidated financial statements, and the standard has thus been implemented without adjusting the opening balance at 1 January 2018.

The new MFRS 9 hedging rules will primarily have an impact on the effectiveness of aluminium hedges. Under MFRS 9, it is possible to designate the aluminium component of the cans as a hedged item, which led to all ineffective portions from prior periods being reversed in 2018. The amount was not material.

There was no impact on the classification and measurement recognised in relation to these financial assets and financial liabilities from the adoption of MFRS 9.

(b) MFRS 15 "Revenue from contracts with customers"

The Group and the Company applied MFRS 15 for the first time in the 2018 financial statements with the date of initial application of 1 January 2018 by using the modified retrospective transition method.

Under the modified retrospective transition method, the Group and the Company applies the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 2017 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111.

The implementation has impacted the Group's financials and revenue stream, as the standard requires certain payments to customers, such as supporting marketing activities and listing fees, to be recognised as net of revenue. Previously, these activities were recognised as marketing expenses. For the Group, the implementation of MFRS 15 was material to the consolidated financial statements. However, the implementation resulted only in changes in the classification and did not have an impact on the timing of revenue recognition.

The below impact show impact on the 2017 comparatives had the Group applied MFRS 15.

Statement of comprehensive income

	Before reclassification RM'000	Reclassification RM'000	After reclassification RM'000
Financial year ended 31 December 2017			
Revenue	1,768,223	(38,188)	1,730,035
Sales and distribution expenses	(271,414)	38,188	(233,226)

There is no MFRS 15 impact on the Company level.

5 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.

(i) Trade offer accruals

The Group estimates trade offer accruals using either the expected value method or the most likely amount method depending on which method better predicts the amount of consideration to which the customers will be entitled.

The expected value method is used for contracts with more than one threshold due to the complexity and the activities agreed with the individual customer during the year.

Trade offer accruals consists primarily of trade discounts and sales volumes rebates which are recognised based on agreed trading terms and promotional activities with trade customers and distributors. Volume and activity related discounts are typically associated with certain sales target to be achieved by the customers and distributors. These trade offers represents variable considerations which the Group estimates using either expected value method or the most likely amount method depending on which method better predicts the amount of consideration based on the terms of the contracts. As a result, management required to make estimates on sales volume to be achieved by the customers and distributors to determine the trade offers. However, there is constraint on the amount of variable consideration to be included in the transaction price. The Group recognises trade offer accruals only to the extent that it is highly probable that a subsequent change in estimated variable consideration will not result in a significant reversal.

These accruals are netted off within Receivables, deposits and prepayments (Note 16.1). The senior management of the Group regularly reviews and updates its estimate of trade offers accruals at each reporting date until the uncertainty is resolved.

There were one-off adjustments that the Group made in prior year which totalled RM17.2 million in respect of trade offer accruals relating to Singapore operations.

5 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(ii) Impairment review of investment in subsidiaries

The Company performs impairment review of investment in subsidiaries on annual basis, in accordance with the accounting policy stated in Note 3(u).

The recoverable amount of the CGU was based on its VIU calculations. VIU of the CGU was determined by discounting the future cash flows forecasted to be generated from the continuing use of the CGU.

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.

The key assumptions used for the CGU Carlsberg Singapore Pte. Ltd are as follows:

	2018	2017
Sales volume (% annual growth)	2%	2%
Long-term growth rate (%)	1%	1%
Pre-tax discount rate (%)	6.4%	6.0%

For CGU Carlsberg Singapore Pte Ltd, the recoverable amount for the CGU was higher than the carrying amount of cost of investment and hence, no impairment loss was recognised during the financial year.

The recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows:

	2018		2017	
	From	to	From	to
Sales volume (% annual growth)	2.0%	(3.7%)	2.0%	(3.3%)
Long-term growth rate (%)	1.0%	0%	1.0%	0%
Pre-tax discount rate (%)	6.4%	7.4%	6.0%	7.0%

6 REVENUE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue from contracts with customers	**1,982,342**	1,768,223	**1,031,879**	805,328

Breakdown of the Group's revenue from contracts with customers:

	Manufacturing* RM'000	Marketing & Distribution RM'000	Total RM'000
2018			
Sales of beverages	**1,030,387**	**949,217**	**1,979,604**
Sales of by-products and others	**1,492**	**1,246**	**2,738**
	1,031,879	**950,463**	**1,982,342**
2017			
Sales of beverages	803,570	961,459	1,765,029
Sales of by-products and others	1,758	1,436	3,194
	805,328	962,895	1,768,223

** The manufacturing segment belongs to Company Level.*

NOTES TO THE **FINANCIAL STATEMENTS**

7 OPERATING PROFIT

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating profit is arrived at after charging:				
Allowance for inventories written down	300	300	300	300
Amortisation of intangible assets	458	1,176	139	484
Auditors' remuneration:				
- Audit services	382	360	148	148
- Audit related services	16	16	16	16
Depreciation of property, plant and equipment	40,376	31,788	35,400	25,254
Excise duties	938,233	832,267	696,955	557,417
Finance costs	8,079	6,437	2,404	1,674
Finished goods written off	737	494	29	355
Loss allowance on receivables	171	-	27	-
Personnel expenses (including key management personnel):				
- Wages, salaries and others	108,072	92,678	40,925	33,850
- Contributions to Employees Provident Fund	12,226	9,131	3,608	2,798
- Contributions to other defined contribution plan	765	727	323	310
Property, plant and equipment written off	639	79	558	34
Realised foreign exchange loss	-	1,277	-	-
Rental of land and buildings	6,632	6,459	2,715	1,468
Unrealised foreign exchange loss	15	-	497	-
Operating profit is arrived at after crediting:				
Dividends income from unquoted subsidiaries	-	-	226,004	218,340
Dividend income from a foreign quoted associate	-	-	1,772	-
Finance income	1,408	2,499	287	399
Gain on disposal of property, plant and equipment	1,385	2,041	138	96
Management fees charged to a subsidiary	-	-	12,227	14,687
Realised foreign exchange gain	564	-	392	573
Rental income from a subsidiary	-	-	780	780
Reversal of loss allowance on receivables	-	776	-	-
Unrealised foreign exchange gain	-	435	-	779

8 TAXATION

Recognised in profit or loss

Major components of taxation include:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current taxation				
Malaysian				
- current year	62,638	49,459	8,360	3,042
- under/(over) provision in prior years	549	(5,426)	634	(4,551)
Overseas				
- current year	14,237	14,704	-	-
- over provision in prior years	-	(330)	-	-
	77,424	58,407	8,994	(1,509)
Deferred tax expense				
Origination and reversal of temporary differences	(2,921)	4,007	(2,772)	3,611
Total deferred tax	(2,921)	4,007	(2,772)	3,611
Total taxation	74,503	62,414	6,222	2,102

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Reconciliation of taxation				
Profit before taxation	361,260	294,792	256,185	235,975
Tax at Malaysian tax rate of 24% (2017: 24%)	86,702	70,750	61,484	56,634
Effect of tax in foreign jurisdiction	(6,493)	(5,754)	-	-
Non-taxable income	(804)	(89)	(55,477)	(52,490)
Non-deductible expenses	1,753	3,629	1,132	2,509
Share of results of an associate	(5,029)	58	-	-
Double deduction on permitted expenses	(491)	(493)	-	-
Others	(1,684)	69	(1,551)	-
	73,954	68,170	5,588	6,653
Under/(Over) provision in prior years	549	(5,756)	634	(4,551)
Total taxation	74,503	62,414	6,222	2,102

8 TAXATION (CONTINUED)

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Recognised in Other Comprehensive Income				
Deferred tax				
Arising on income and expense recognised in other comprehensive income				
- Fair value of financial instruments treated as cash flow hedges	(1,221)	454	(1,221)	454

9 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2018 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 2018 RM'000	Group 2017 RM'000
Profit for the financial year attributable to shareholders	277,154	221,165

Weighted average number of ordinary shares:

	Group 2018 '000	Group 2017 '000
Issued ordinary shares	305,748	305,748
Basic earnings per ordinary share (sen)	90.65	72.34

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

The diluted earnings per share of the Group is equal to the basic earnings per share as the Group does not have any material potential dilutive ordinary shares in issue.

10 PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land (Note 10.1) 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 2017		10,571	19,097	61,027	492	454,736	21,192	30,409	800	598,324
Additions	10.2	-	-	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
Additions	10.2	-	-	3,070	2,618	36,395	3,957	1,722	8,902	56,664
Disposals		-	(145)	(277)	-	(8,376)	(3,935)	(964)	-	(13,697)
Written off		-	-	(409)	(220)	(20,197)	-	(5,465)	-	(26,291)
Transfers		-	-	745	-	1,210	-	-	(1,955)	-
Effect of movements in exchange rates		-	-	-	5	27	-	9	-	41
At 31 December 2018		10,571	18,952	65,563	4,116	492,926	16,057	24,091	8,770	641,046

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land (Note 10.1) 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
<u>Group</u>										
<u>Depreciation</u>										
At 1 January 2017		3,505	-	31,085	254	349,539	14,444	27,210	-	426,037
Depreciation for the financial year	7	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
Depreciation for the financial year	7	122	-	1,996	325	35,601	1,129	1,203	-	40,376
Disposals		-	-	(127)	-	(8,376)	(3,809)	(932)	-	(13,244)
Written off		-	-	(178)	(169)	(19,842)	-	(5,463)	-	(25,652)
Effect of movements in exchange rates		-	-	-	5	32	-	12	-	49
At 31 December 2018		3,749	-	34,606	681	381,183	6,828	21,012	-	448,059
<u>Carrying amounts</u>										
At 31 December 2018		6,822	18,952	30,957	3,435	111,743	9,229	3,079	8,770	192,987
At 31 December 2017		6,944	19,097	29,519	1,193	110,099	6,527	2,597	1,823	177,799

	Note	Leasehold land (Note 10.1) 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 2017		10,399	18,952	59,842	432,556	1,256	17,902	799	541,706
Additions	10.2	-	-	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
Additions	10.2	-	-	2,642	32,792	494	410	7,602	43,940
Disposals		-	-	-	(6,908)	(570)	(480)	-	(7,958)
Written off		-	-	(364)	(17,284)	-	(3,590)	-	(21,238)
Transfers		-	-	65	1,210	-	-	(1,275)	-
At 31 December 2018		10,399	18,952	63,399	468,753	549	14,694	8,148	584,894

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land (Note 10.1) 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 2017		3,415	-	30,567	334,600	844	17,044	-	386,470
Depreciation for the financial year	7	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
Depreciation for the financial year	7	118	-	1,908	32,731	49	594	-	35,400
Disposals		-	-	-	(6,908)	(456)	(480)	-	(7,844)
Written off		-	-	(155)	(16,936)	-	(3,589)	-	(20,680)
At 31 December 2018		3,651	-	34,101	365,714	113	13,722	-	417,301
Carrying amounts									
At 31 December 2018		6,748	18,952	29,298	103,039	436	972	8,148	167,593
At 31 December 2017		6,866	18,952	28,708	102,116	105	1,157	1,821	159,725

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

10.1 Leasehold land

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unexpired lease period less than 50 years	74	78	-	-
Unexpired lease period more than 50 years	6,748	6,866	6,748	6,866
	6,822	6,944	6,748	6,866

10.2 Purchase of property, plant and equipment

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Total additions of property, plant and equipment	56,664	37,966	43,940	30,006
Capitalised asset retirement cost	(2)	(327)	-	-
Purchase of property, plant and equipment	56,662	37,639	43,940	30,006

11 INTANGIBLE ASSETS

	Goodwill RM'000	Computer software RM'000	Total RM'000
Group			
Cost			
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
Acquisition	-	259	259
Written off	-	(1,112)	(1,112)
Effect of movements in exchange rates	-	9	9
At 31 December 2018	2,634	19,926	22,560

11 INTANGIBLE ASSETS (CONTINUED)

	Note	Goodwill RM'000	Computer software RM'000	Total RM'000
Group				
Amortisation				
1 January 2017		-	18,926	18,926
Amortisation for the financial year	7	-	1,176	1,176
Written off		-	(62)	(62)
Effect of movements in exchange rates		-	(57)	(57)
At 31 December 2017		-	19,983	19,983
Amortisation for the financial year	7	-	458	458
Written off		-	(1,112)	(1,112)
Effect of movements in exchange rates		-	12	12
At 31 December 2018		-	19,341	19,341
Carrying amounts				
At 31 December 2018		2,634	585	3,219
At 31 December 2017		2,634	787	3,421

11 INTANGIBLE ASSETS (CONTINUED)

	Note	Computer software RM'000
Company		
Cost		
At 1 January 2017		10,783
Additions		10
At 31 December 2017		**10,793**
Additions		**184**
Written off		**(788)**
At 31 December 2018		**10,189**
Amortisation		
At 1 January 2017		10,132
Amortisation for the financial year	7	484
At 31 December 2017		10,616
Amortisation for the financial year	7	**139**
Written off		**(788)**
At 31 December 2018		**9,967**
Carrying amounts		
At 31 December 2018		**222**
At 31 December 2017		177

11 INTANGIBLE ASSETS (CONTINUED)

11.1 Impairment testing for CGU 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	
	2018 RM'000	2017 RM'000
Subsidiary		
MayBev Pte. Ltd.	2,634	2,634

The recoverable amount of the CGU - MayBev Pte. Ltd. was based on its VIU 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 financial year.

VIU 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:

	2018	2017
Sales volume (% annual growth)	2%	2%
Long-term growth rate (%)	1%	1%
Pre-tax discount rate (%)	6.4%	6.0%

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.

12 INVESTMENTS IN SUBSIDIARIES

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares - at cost	391,572	391,572

Note 5(ii) sets out the key assumptions and judgements used in impairment testing. The recoverable amount is higher than the cost of investment hence no impairment loss is recognised during the financial year.

The following are the subsidiaries of the Group:

Name of company	Principal activities	Principal place of business/ country of incorporation	Effective ownership interest 2018 %	Effective ownership interest 2017 %
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 Limited which are separate and independent legal entities from PricewaterhouseCoopers PLT, Malaysia.

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

	Effective ownership interest held by NCI 2018 %	Effective ownership interest held by NCI 2017 %
MayBev Pte. Ltd.	49	49

NOTES TO THE FINANCIAL STATEMENTS

12 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.	
	2018 RM'000	2017 RM'000
As at 31 December		
Non-current assets	4,919	1,133
Current assets	40,132	47,400
Non-current liabilities	(687)	(179)
Current liabilities	(18,135)	(18,792)
Net Assets	26,229	29,562
Accumulated non-controlling interests	11,870	13,448
Year ended 31 December		
Revenue	129,606	135,707
Profit for the financial year	19,599	22,884
Total comprehensive income	19,599	22,884
Profit allocated to non-controlling interests	9,603	11,213
Dividend paid to non-controlling interests	11,181	6,123
Cash flow generated from operating activities	18,216	24,348
Cash flow (used in)/generated from investing activities	(4,124)	332
Cash flow used in financing activities	(22,989)	(12,401)
Net changes in cash and cash equivalents	(8,897)	12,279

13 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Quoted shares, outside Malaysia	25,164	25,164	25,164	25,164
Share of post-acquisition reserves	47,806	39,145	-	-
	72,970	64,309	25,164	25,164
Market value				
Quoted shares, outside Malaysia	258,618	284,637	258,618	284,637

Name of company	Principal activities	Principal place of business/ country of incorporation	Effective ownership interest 2018 %	Effective ownership interest 2017 %
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:

	2018 RM'000	2017 RM'000
As at 31 December		
Non-current assets	480,845	552,216
Current assets	314,380	284,025
Non-current liabilities	(235,557)	(268,965)
Current liabilities	(267,788)	(310,040)
Net assets	291,880	257,236
Year ended 31 December		
Revenue	1,029,614	729,645
Interest income	22,578	22,678
Interest expense	(49,861)	(60,872)
Tax (expense)/income	(61,156)	22,241
Profit for the financial year	84,426	39
Other comprehensive loss	(607)	(1,003)
Total comprehensive income/(loss)	83,819	(964)
Dividends received from associate	1,772	-

13 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Reconciliation to carrying amount:

	2018 RM'000	2017 RM'000
Net assets as at 1 January	257,236	292,296
Profit for the financial year	84,426	39
Other comprehensive loss	(607)	(1,003)
Dividend paid	(7,087)	-
Exchange differences	(42,088)	(34,096)
Net assets as at 31 December	291,880	257,236
Group share at 25%	72,970	64,309
Carrying amount	72,970	64,309

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.

14 DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group						
Property, plant and equipment	-	-	(22,852)	(22,907)	(22,852)	(22,907)
Trade and other payables	9,864	7,777	-	-	9,864	7,777
Others	767	-	(203)	(1,438)	564	(1,438)
Tax assets/(liabilities)	10,631	7,777	(23,055)	(24,345)	(12,424)	(16,568)
Set off tax	(7,278)	(5,083)	7,278	5,083	-	-
Net tax assets/(liabilities)	3,353	2,694	(15,777)	(19,262)	(12,424)	(16,568)
Company						
Property, plant and equipment	-	-	(20,604)	(21,441)	(20,604)	(21,441)
Trade and other payables	4,952	3,796	-	-	4,952	3,796
Others	767	-	(205)	(1,438)	562	(1,438)
Tax assets/(liabilities)	5,719	3,796	(20,809)	(22,879)	(15,090)	(19,083)
Set off tax	(5,719)	(3,796)	5,719	3,796	-	-
Net tax liabilities	-	-	(15,090)	(19,083)	(15,090)	(19,083)

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Movement in temporary differences during the financial year:

	At 1.1.2017 RM'000	Recognised in profit or loss (Note 8) RM'000	Recognised in other comprehensive income (Note 8) RM'000	Recognised in exchange reserve RM'000	At 1.1.2018 RM'000	Recognised in profit or loss (Note 8) RM'000	Recognised in other comprehensive income (Note 8) RM'000	Recognised in exchange reserve RM'000	At 31.12.2018 RM'000
Group									
Property, plant and equipment	(18,447)	(4,467)	-	7	(22,907)	53	-	2	(22,852)
Trade and other payables	7,317	460	-	-	7,777	2,087	-	-	9,864
Others	(984)	-	(454)	-	(1,438)	781	1,221	-	564
	(12,114)	(4,007)	(454)	7	(16,568)	2,921	1,221	2	(12,424)
Company									
Property, plant and equipment	(17,261)	(4,180)	-	-	(21,441)	837	-	-	(20,604)
Trade and other payables	3,227	569	-	-	3,796	1,156	-	-	4,952
Others	(984)	-	(454)	-	(1,438)	779	1,221	-	562
	(15,018)	(3,611)	(454)	-	(19,083)	2,772	1,221	-	(15,090)

15 INVENTORIES

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Finished goods	79,600	52,275	15,643	9,737
Work-in-progress	2,322	4,648	2,322	4,648
Raw, packaging and other materials	8,674	6,944	8,608	6,890
Spare parts for machinery	6,127	4,545	5,992	4,434
	96,723	68,412	32,565	25,709

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Recognised in profit or loss:				
Allowance for inventories written down	300	300	300	300
Finished goods written off	737	494	29	355
Inventories recognised as cost of sales	1,260,584	1,079,956	241,553	201,069

16 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current					
Trade					
Trade receivables	24.4	122,434	157,996	-	-
Less: Loss allowance	24.4	(632)	(1,356)	-	-
	16.1	121,802	156,640	-	-
Amount due from related companies	16.2	9,438	9,418	9,432	-
Amount due from a subsidiary	16.2	-	-	18,238	23,263
Amount due from immediate holding company	16.2	-	983	-	983
		131,240	167,041	27,670	24,246

NOTES TO THE FINANCIAL STATEMENTS

16 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-trade					
Amount due from immediate holding company	16.2	-	120	-	-
Amount due from a subsidiary	16.2	-	-	266	260
Amount due from an associate	16.2	7	14	7	14
Amount due from related companies	16.2	571	271	571	271
Other receivables		9,503	5,656	3,155	2,700
Deposits		733	1,002	187	174
Prepayments	16.3	65,579	74,095	17,126	25,612
		76,393	81,158	21,312	29,031
		207,633	248,199	48,982	53,277

16.1 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 60 days and therefore are all classified as current.

The Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The trade receivables of the Group are trade offer accruals are netted within trade receivables for the Group amounted to RM 89,602,677 (2017: RM 103,481,047).

16.2 Amounts due from immediate holding company, subsidiaries, associate and related companies

The trade balances are with a credit term of 30 days (2017: 30 days).

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

16.3 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 amortised upfront listing fee payments are recognised as discount to revenue.

Refer to Note 24.7 for disclosure of fair value information.

17 CASH AND CASH EQUIVALENTS

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Deposits with licensed banks with maturity period less than 3 months		-	11,200	-	1,200
Cash at bank		96,483	63,661	18,525	9,957
Cash held on hand		129	131	12	18
		96,612	74,992	18,537	11,175
Bank overdraft	20	-	(4,662)	-	-
		96,612	70,330	18,537	11,175

The interest rates of the deposits with licensed banks for the Group and the Company in 2017 ranging from 3.10% to 3.68%.

18 SHARE CAPITAL

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Authorised:				
- 600,000,000 ordinary shares with no par value				
At beginning of financial year	-	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	-	-	-	-
Issued:				
- 305,748,000 ordinary shares with no par value				
At beginning of financial year	149,363	154,039	149,363	154,039
Treasury shares cancelled	-	(12,043)	-	(12,043)
Transfer of share premium pursuant to no par value regime of Companies Act 2016	-	7,367	-	7,367
At end of financial year - ordinary shares with no par value	149,363	149,363	149,363	149,363

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.

18 SHARE CAPITAL (CONTINUED)

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 became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There was 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.

Reserves

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Other reserves:					
Capital reserve	18.1	3,931	3,931	-	-
Exchange reserve	18.2	174	10,673	-	-
Share option reserve	18.3	707	(110)	542	(391)
Cash flow hedge reserve	18.4	(2,427)	1,438	(2,427)	1,438
		2,385	15,932	(1,885)	1,047
Distributable reserves:					
Retained earnings		17,379	133,723	247,353	390,888
		19,764	149,655	245,468	391,935

18.1 Capital reserve

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

18.2 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.

18.3 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.

18.4 Cash flow hedge reserve

During the financial year, the Group and the Company has applied cash flow hedge. The cash flow hedges comprise aluminium hedges where the hedged 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.

Included in the amount due to immediate holding company (trade) is fair value loss on cash flow hedge of RM3,063,411 (2017: Included in the amount due from immediate holding company (trade) was fair value gain on cash flow hedge of RM1,669,605).

19 PAYABLES AND ACCRUALS

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current					
Provisions		329	327	-	-
Current					
Trade					
Trade payables	19.1	203,726	192,525	95,347	84,786
Amount due to ultimate holding company		449	-	-	-
Amount due to immediate holding company	19.2	6,703	1,881	3,967	-
Amount due to related companies	19.2	10,001	6,161	3,068	1,371
		220,879	200,567	102,382	86,157
Non-trade					
Other payables		44,722	16,085	30,785	4,856
Dividend payable		48,920	-	48,920	-
Accrued expenses		48,392	47,672	15,324	17,224
Amount due to ultimate holding company	19.3	3,649	2,668	3,649	2,668
Amount due to immediate holding company	19.3	1,488	689	1,303	689
Amount due to related companies	19.3	11,100	8,816	6,377	6,423
		158,271	75,930	106,358	31,860
		379,150	276,497	208,740	118,017
		379,479	276,824	208,740	118,017

19.1 Trade payables are with a credit term range from 0 day to 130 days (2017: 0 day to 130 days).

Note 24.5 and Note 24.7 set out disclosures of liquidity risk and fair value information respectively.

19.2 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 (2017: 90 days).

19.3 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.

20 LOANS AND BORROWINGS

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current - unsecured				
Bank overdraft	-	4,662	-	-
Revolving credits	75,000	12,115	75,000	-
	75,000	16,777	75,000	-

The short-term bank overdraft and revolving credits of the Group are subjected to interests ranging from 3.73% to 3.93% (2017: 1.04% to 2.33%) per annum.

Note 24.5 and Note 24.7 set out disclosures of liquidity risk and fair value information respectively.

21 KEY MANAGEMENT PERSONNEL COMPENSATION

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Directors:				
- Fees	331	212	331	212
- Remuneration	3,304	1,898	3,304	1,898
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	962	1,805	962	1,805
	4,597	3,915	4,597	3,915
- Share-based payments	936	115	936	115
	5,533	4,030	5,533	4,030
Other key management personnel:				
- Short-term employee benefits	14,878	13,399	5,096	3,763
- Share-based payments	909	76	909	76
	15,787	13,475	6,005	3,839
	21,320	17,505	11,538	7,869

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 entities either directly or indirectly.

22 DIVIDENDS

Dividends declared by the Company are:

	Sen per ordinary share	Total amount RM'000	Date of payment
2018			
Final and special 2017	77.0	235,426	18 May 2018
First interim 2018	20.0	61,150	3 July 2018
Second interim 2018	15.7	48,002	17 October 2018
Third interim 2018	16.0	48,920	30 January 2019
Total amount		393,498	
2017			
Final and special 2016	67.0	204,852	19 May 2017
First interim 2017	10.0	30,574	6 October 2017
Total amount		235,426	

Subsequent to financial year, the Board of Directors declared on 14 February 2019 a fourth single tier interim dividend of 16.6 sen per ordinary share in respect of the financial year ended 31 December 2018, which will be payable on 8 April 2019.

The Board of Directors has also recommended for shareholders' approval at the forthcoming Annual General Meeting a final single tier dividend of 22.4 sen per ordinary share and a special single tier dividend of 9.3 sen per ordinary share in respect of the financial year ended 31 December 2018.

	Sen per ordinary share	Total amount RM'000
For the financial year ended 31 December 2018		
Fourth interim 2018	16.6	50,754
Final	22.4	68,487
Special	9.3	28,435
		147,676

23 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.

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
2018				
Segment profit	254,649	92,859	-	347,508
Included in the measure of segment profit are:				
Revenue from external customers	1,413,246	569,096	-	1,982,342
Inter-segment revenue	69,645	-	-	69,645
Depreciation and amortisation	39,147	1,687	-	40,834
Not included in the measure of segment profit but provided to Group's Managing Director:				
Finance costs	(7,977)	(102)	-	(8,079)
Finance income	1,408	-	-	1,408
Income tax expense	(59,758)	(14,745)	-	(74,503)
Share of profit of equity - accounted associate, net of tax	-	-	20,955	20,955

23 OPERATING SEGMENTS (CONTINUED)

	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 Group's 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)

Reconciliation of segment profit or loss

	2018 RM'000	2017 RM'000
Profit		
Total segment profit	347,508	299,515
Inter-segment elimination	(532)	(544)
Finance costs	(8,079)	(6,437)
Finance income	1,408	2,499
Share of profit/(loss) of equity - accounted associate, net of tax	20,955	(241)
Consolidated profit before taxation	361,260	294,792

23 OPERATING SEGMENTS (CONTINUED)

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*	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Geographical location				
Malaysia	1,353,466	1,112,422	258,647	238,279
Singapore	569,508	597,265	10,529	7,250
Other countries	59,368	58,536	-	-
	1,982,342	1,768,223	269,176	245,529

* Non-current assets comprise of 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 of the Group's total revenue.

24 FINANCIAL INSTRUMENTS

24.1 Financial instruments by categories

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial assets at amortised cost				
Receivables and deposits	142,054	174,104	31,856	27,665
Cash and cash equivalents	96,612	74,992	18,537	11,175
	238,666	249,096	50,393	38,840
Financial liabilities at amortised cost				
Loans and borrowings	(75,000)	(16,777)	(75,000)	-
Payables and accruals	(379,479)	(276,824)	(208,740)	(118,017)
	(454,479)	(293,601)	(283,740)	(118,017)

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.2 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loans and receivables	**5,911**	5,482	**219**	(529)
Financial liabilities measured at amortised cost	**(8,524)**	(4,432)	**(2,862)**	33

No significant changes to the measurement category and the carrying amount of financial assets and financial liabilities in accordance with MFRS 139 and MFRS 9 at 1 January 2018.

24.3 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

24.4 Credit risk

Trade receivables using simplified approach

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

	Group	
	2018 RM'000	2017 RM'000
Malaysia	**71,151**	83,540
Singapore	**50,043**	72,387
Others	**608**	713
	121,802	156,640

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Trade receivables using simplified approach (continued)

(b) Reconciliation on loss allowance

The loss allowance for trade receivables as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Group		Company	
	2018 RM'000	2017* RM'000	2018 RM'000	2017* RM'000
At 1 January	(1,356)	(2,168)	-	-
Loss allowance recognised	(171)	-	(27)	-
Loss allowance reversed	-	776	-	-
Loss allowance written off	895	36	27	-
At 31 December	(632)	(1,356)	-	-

(*) Loss allowance disclosed in comparative period is based on MFRS 139's incurred loss model.

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

(c) Maximum exposure to credit risk

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

Group 2018	Current	1-30 days past due	More than 30 days past due	More than 60 days past due	Total
Expected loss rate	-	-	-	90%	
RM'000					
Gross carrying amount - Trade receivables	113,807	6,849	1,076	702	122,434
Loss allowance	-	-	-	(632)	(632)
Carrying amount (net of loss allowance)	113,807	6,849	1,076	70	121,802

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Trade receivables using simplified approach (continued)

(c) Maximum exposure to credit risk (continued)

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

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company has transactions with subsidiaries and related companies. The Company monitors the collectability of the amounts owing from subsidiaries and related companies 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 amounts due from subsidiaries and related companies are not recoverable. The amounts due from subsidiaries and related companies have been outstanding for less than a year.

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.4 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
AAA	60,095	39,712	18,453	9,849
AA1	-	1	-	-
AA2	88	11,331	72	1,308
A1	36,300	23,817	-	-
	96,483	74,861	18,525	11,157

24.5 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.

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.5 Liquidity risk (continued)

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

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					
2018					
Payables and accruals	379,479	-	379,479	379,150	329
Loans and borrowings	75,000	3.73-3.93	75,189	75,189	-
	454,479		454,668	454,339	329
2017					
Payables and accruals	276,824	-	276,824	276,497	327
Loans and borrowings	16,777	1.04-2.33	16,794	16,794	-
	293,601		293,618	293,291	327
Company					
2018					
Payables and accruals	208,740	-	208,740	208,740	-
Loans and borrowings	75,000	3.73-3.93	75,189	75,189	-
	283,740		283,929	283,929	-
2017					
Payables and accruals	118,017	-	118,017	118,017	-

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.6 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.

24.6.1 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				
2018				
Trade receivables	2,396	-	-	-
Cash and cash equivalents	3,417	331	-	-
Trade payables	(9,536)	-	(1,648)	-
Intercompany balances	(10,390)	-	(2,342)	(3,915)
Net exposure	(14,113)	331	(3,990)	(3,915)
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)

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

	Denominated in USD RM'000	SGD RM'000	EUR RM'000	DKK RM'000
Company				
2018				
Cash and cash equivalents	71	157	-	-
Trade payables	(9,601)	-	(1,648)	-
Intercompany balances	1,828	266	(1,466)	(3,639)
Net exposure	(7,702)	423	(3,114)	(3,639)
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)

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% (2017: 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.

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
USD	1,411	524	770	1,316
SGD	(33)	(157)	(42)	(28)
EUR	399	429	311	295
DKK	392	387	364	388
	2,169	1,183	1,403	1,971

24.6.2 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

The Group's and the Company's borrowings are short term in nature. As such, the Group and the Company 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Floating rate instruments				
Bank overdraft	-	(4,662)	-	-
Revolving credits	(75,000)	(12,115)	(75,000)	-

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

24.6.2 Interest rate risk (continued)

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.

24.7 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.

25 CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. 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.

The gearing ratio as at 31 December 2018 and 2017 are as follows:

	Group	
	2018 RM'000	2017 RM'000
Total debt	75,000	16,777
Total equity	180,997	312,466
Total capital	255,997	329,243
Gearing ratio	29%	5%

There were no changes in the Group's approach to capital management during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

26 OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Less than one year	3,455	4,592	189	396
Between one and five years	10,776	12,191	-	189
More than five years	-	1,720	-	-
	14,231	18,503	189	585

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.

27 CAPITAL COMMITMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Capital expenditure commitments				
Plant and equipment				
Authorised and contracted for	1,399	3,102	1,031	2,847

28 CONTINGENT LIABILITIES

On 23 September 2014, the Board of Directors of the Company had announced to 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 the period from 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 the period from 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.

29 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 ultimate holding company and its related corporations, its subsidiaries (see Note 12), an associate (see Note 13), 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 A/S	Denmark	Ultimate holding company
Carlsberg Breweries A/S	Denmark	Immediate 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 Distributors Taiwan Ltd	Taiwan	Associate company of immediate holding company

29 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 and of the Company either directly or indirectly. The key management personnel includes all the Directors of the Group and of the Company, and certain members of senior management of the Group and of the Company.

Details of the related party transactions (other than key management personnel remuneration disclosed in Note 21 to the financial statements) with the Group and the Company are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Immediate holding company				
Purchases of materials and products	412	747	412	662
Purchases of services	6,311	4,225	4,910	3,646
Royalties payable	39,550	35,300	7,856	6,719
Net settlements in respect of gain from hedging contracts	(1,041)	(3,846)	(1,041)	(3,846)
Related companies				
Management fees payable	6,738	6,421	2,534	5,040
Purchases of materials and products	31,326	26,505	6,613	2
Purchases of services	4,109	4,104	2,362	2,287
Sale of goods and services	(56,534)	(53,667)	(19,076)	-

	Company	
	2018 RM'000	2017 RM'000
Subsidiaries		
Sale of goods and services	1,012,871	823,907
Management fee received	12,227	14,687
Rental income	780	780
Dividend income	226,004	218,340
Associate		
Dividend income	1,772	-

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 16 and 19.

30 RECLASSIFICATION

The Company reclassified an account in the comparative to confirm with the current year's presentation. This only impact the presentation of the Company's statement of financial position with no impact to other statements.

Impact to the Statement of Financial Position

	Before reclassification RM'000	Reclassification RM'000	After reclassification RM'000
Balance as at 31 December 2017			
Receivables, Deposits and Prepayments			
Amount due from a subsidiary (Trade)	10,869	12,394	23,263
Payables and Accruals			
Trade payables	72,392	12,394	84,786

As result of initiative to standardise the financial statements mapping, deposits owing to a subsidiary has been reclassed from amount due from a subsidiary to trade payables.