

Notes to the Financial Statements

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

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 2013 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 2013 do not include other entities.

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

The financial statements were authorised for issue by the Board of Directors on 3 March 2014.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- *Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities*
- *Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities*
- *Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities*
- *Amendments to MFRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- *Amendments to MFRS 136, Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- *Amendments to MFRS 139, Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- *IC Interpretation 21, Levies*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- *Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- *Amendments to MFRS 2, Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- *Amendments to MFRS 3, Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- *Amendments to MFRS 8, Operating Segments (Annual Improvements 2010-2012 Cycle)*
- *Amendments to MFRS 13, Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- *Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- *Amendments to MFRS 119, Employee Benefits – Defined Benefit Plans: Employee Contributions*
- *Amendments to MFRS 124, Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- *Amendments to MFRS 138, Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- *Amendments to MFRS 140, Investment Properties (Annual Improvements 2011-2013 Cycle)*

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- *Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company plans to apply the abovementioned standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.
- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014.

The initial application of the above standards, amendments and interpretations is not expected to have any material financial impact to the current and prior period's financial statements upon their first adoption.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed in Note 2(c) (ii) in respect of the put option liability.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated 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. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Business combinations

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

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

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

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

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

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

(iii) Acquisitions 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.

(iv) Acquisitions of non-controlling interests

The Group treats 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.

(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. 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.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(vi) Associates (cont'd)

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.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. 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 the owners of the Company.

Loss 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) 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.

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

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

The assets and liabilities of operations denominated in functional currencies other than RM, including 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 exchange reserve ("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 or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

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

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

Financial liabilities

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

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

Financial liability in respect of put option held by non-controlling interests is initially recognised and measured based on the estimated exercise price of the put option. Any subsequent changes with respect to the financial liability held by non-controlling interests is recognised in equity.

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

(iii) Derecognition

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

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or 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.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated 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.

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date and in accordance to Note 2(a)(ii).

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.

(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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Assets in-progress are not depreciated until the assets are ready for their intended use.

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

• Leasehold land	90 – 999 years
• Buildings	15 – 50 years
• Renovation	15 years
• Plant and machinery	5 – 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.

(e) Leased assets

(i) Finance lease

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

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

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

2. Significant accounting policies (cont'd)

(e) Leased assets (cont'd)

(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.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less accumulated impairment losses. In respect of equity accounted investees, 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 investees.

(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 accumulated amortisation and 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

Amortisation is based on the cost of an asset less its residual value; if any.

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 they are available for use.

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

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

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

(g) Inventories

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

The cost of inventories is measured based on weighted average cost formula, 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.

2. Significant accounting policies (cont'd)

(g) Inventories (cont'd)

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.

In the current financial year, the Group adopted the amendments to *MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)* and classified spare parts as inventories unless the item of spare part is held for own use and expected to be used during more than one period in which it is classified as property, plant and equipment. In the previous financial years, all spare parts were classified as inventories. The change in accounting policy has been applied retrospectively and there is no impact to the financial statements.

(h) Cash and cash equivalents

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

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

(i) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investments in associates) 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.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

2. Significant accounting policies (cont'd)

(i) Impairment (cont'd)

(ii) Other assets (cont'd)

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

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

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

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

(j) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

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

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

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(k) 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 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.

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

2. Significant accounting policies (cont'd)

(k) Employee benefits (cont'd)

(ii) Termination benefits

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

(iii) Share-based payment transactions

Certain employees of the Group 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.

(l) Provisions

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

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

(m) Income recognition

(i) Revenue

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 discount 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, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

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

(iii) Interest income

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

2. Significant accounting policies (cont'd)

(n) Borrowing costs

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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

(o) Income tax

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

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

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

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 liabilities and assets 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.

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

(p) Earnings 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. Property, plant and equipment

Group	Note	Leasehold land RM'000	Freehold land RM'000	Buildings RM'000	Renovation RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Cost										
At 1 January 2012		10,571	19,097	55,612	444	325,369	23,135	41,245	4,132	479,605
Additions		-	-	349	251	10,783	5,755	7,322	7,381	31,841
Disposals		-	-	-	-	(41)	(3,296)	(1,159)	-	(4,496)
Written off		-	-	-	-	(210)	-	(84)	-	(294)
Transfers		-	-	584	-	3,781	-	-	(4,365)	-
Dilution of investment in a jointly-controlled entity		-	-	-	(112)	(62)	(25)	(497)	-	(696)
Effect of movements in exchange rates		-	-	-	2	40	1	35	-	78
At 31 December 2012/1 January 2013		10,571	19,097	56,545	585	339,660	25,570	46,862	7,148	506,038
Additions		-	-	903	56	18,067	5,060	3,909	1,960	29,955
Disposals		-	-	-	-	-	(4,264)	(103)	-	(4,367)
Written off		-	-	-	(187)	(133)	-	(486)	-	(806)
Transfers		-	-	200	-	4,564	-	-	(5,896)	(1,132)
Effect of movements in exchange rates		-	-	-	-	47	1	73	-	121
At 31 December 2013		10,571	19,097	57,648	454	362,205	26,367	50,255	3,212	529,809

3. Property, plant and equipment (cont'd)

Group	Note	Leasehold land RM'000	Freehold land RM'000	Buildings RM'000	Renovation RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Depreciation										
At 1 January 2012		2,894	-	22,936	83	260,220	13,517	33,324	-	332,974
Depreciation for the year	14	122	-	1,471	194	10,193	3,288	4,325	-	19,593
Disposals		-	-	-	-	(34)	(3,136)	(1,158)	-	(4,328)
Written off		-	-	-	-	(190)	-	(78)	-	(268)
Dilution of investment in a jointly-controlled entity		-	-	-	(44)	(85)	(15)	(230)	-	(374)
Effect of movements in exchange rates		-	-	-	-	(1)	-	-	-	(1)
At 31 December 2012/1 January 2013		3,016	-	24,407	233	270,103	13,654	36,183	-	347,596
Depreciation for the year	14	122	-	1,542	187	11,269	3,722	5,462	-	22,304
Disposals		-	-	-	-	-	(4,193)	(103)	-	(4,296)
Written off		-	-	-	(187)	(124)	-	(486)	-	(797)
Effect of movements in exchange rates		-	-	-	6	(2)	-	22	-	26
At 31 December 2013		3,138	-	25,949	239	281,246	13,183	41,078	-	364,833
Carrying amounts										
At 1 January 2012		7,677	19,097	32,676	361	65,149	9,618	7,921	4,132	146,631
At 31 December 2012/1 January 2013		7,555	19,097	32,138	352	69,557	11,916	10,679	7,148	158,442
At 31 December 2013		7,433	19,097	31,699	215	80,959	13,184	9,177	3,212	164,976

3. Property, plant and equipment (cont'd)

Company	Note	Leasehold land RM'000	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in progress RM'000	Total RM'000
Cost									
At 1 January 2012		10,399	18,952	54,562	323,757	2,066	18,579	4,132	432,447
Additions		-	-	307	10,782	359	782	7,381	19,611
Disposals		-	-	-	(41)	(292)	(440)	-	(773)
Written off		-	-	-	(210)	-	(56)	-	(266)
Transfers		-	-	584	3,781	-	-	(4,365)	-
Transfer to a subsidiary		-	-	-	-	-	(3)	-	(3)
At 31 December 2012/1 January 2013		10,399	18,952	55,453	338,069	2,133	18,862	7,148	451,016
Additions		-	-	903	15,757	570	707	1,860	19,797
Disposals		-	-	-	-	(296)	(70)	-	(366)
Written off		-	-	-	(131)	-	-	-	(131)
Transfers		-	-	200	4,564	-	-	(5,896)	(1,132)
At 31 December 2013		10,399	18,952	56,556	358,259	2,407	19,499	3,112	469,184
Depreciation									
At 1 January 2012		2,825	-	22,634	260,099	1,490	16,992	-	304,040
Depreciation for the year	14	118	-	1,434	10,193	304	891	-	12,940
Disposals		-	-	-	(34)	(272)	(440)	-	(746)
Written off		-	-	-	(190)	-	(56)	-	(246)
At 31 December 2012/1 January 2013		2,943	-	24,068	270,068	1,522	17,387	-	315,988
Depreciation for the year	14	118	-	1,505	10,987	223	870	-	13,703
Disposals		-	-	-	-	(296)	(70)	-	(366)
Written off		-	-	-	(122)	-	-	-	(122)
At 31 December 2013		3,061	-	25,573	280,933	1,449	18,187	-	329,203
Carrying amounts									
At 1 January 2012		7,574	18,952	31,928	63,658	576	1,587	4,132	128,407
At 31 December 2012/1 January 2013		7,456	18,952	31,385	68,001	611	1,475	7,148	135,028
At 31 December 2013		7,338	18,952	30,983	77,326	958	1,312	3,112	139,981

3. Property, plant and equipment (cont'd)

3.1 Leasehold land

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unexpired lease period less than 50 years	95	99	–	–
Unexpired lease period more than 50 years	7,338	7,456	7,338	7,456
	7,433	7,555	7,338	7,456

4. Intangible assets

Group	Note	Goodwill RM'000	Computer software RM'000	Total RM'000
Cost				
At 1 January 2012		6,312	14,425	20,737
Acquisition		–	1,380	1,380
Dilution of investment in a jointly-controlled entity		(1,312)	(1)	(1,313)
Effect of movements in exchange rates		–	8	8
At 31 December 2012/1 January 2013		5,000	15,812	20,812
Acquisition		–	1,169	1,169
Transfer of property, plant and equipment		–	1,132	1,132
Effect of movements in exchange rates		–	28	28
At 31 December 2013		5,000	18,141	23,141
Amortisation				
At 1 January 2012		–	9,149	9,149
Amortisation for the year	14	–	2,281	2,281
Dilution of investment in a jointly-controlled entity		–	(9)	(9)
Effect of movements in exchange rates		–	3	3
At 31 December 2012/1 January 2013		–	11,424	11,424
Amortisation for the year	14	–	2,395	2,395
Effect of movements in exchange rates		–	13	13
At 31 December 2013		–	13,832	13,832
Carrying amounts				
At 1 January 2012		6,312	5,276	11,588
At 31 December 2012/1 January 2013		5,000	4,388	9,388
At 31 December 2013		5,000	4,309	9,309

4. Intangible assets (cont'd)

Company	Note	Computer software RM'000
Cost		
At 1 January 2012		11,820
Additions		225
Transfer to a subsidiary		(3,485)
At 31 December 2012/1 January 2013		8,560
Additions		187
Transfer from property, plant and equipment		1,132
At 31 December 2013		9,879
Amortisation		
At 1 January 2012		7,385
Amortisation for the year	14	650
At 31 December 2012/1 January 2013		8,035
Amortisation for the year	14	334
At 31 December 2013		8,369
Carrying amounts		
At 1 January 2012		4,435
At 31 December 2012/1 January 2013		525
At 31 December 2013		1,510

4.1 Impairment testing for cash-generating units containing goodwill

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

	2013 RM'000	Group 2012 RM'000
Subsidiary		
Luen Heng F&B Sdn. Bhd.	5,000	5,000
	5,000	5,000

4. Intangible assets (cont'd)

The recoverable amount of the cash-generating unit ("CGU") - Luen Heng F&B Sdn. Bhd. was based on its value-in-use calculations. The recoverable amount for the CGU was higher than the aggregate carrying amount of the identifiable net assets and goodwill allocated and hence, no impairment loss was recognised during the year.

Value-in-use of the CGU was determined by discounting the future cash flows forecasted to be generated from the continuing use of the CGU. The key assumptions used for the CGU are as follows:

- Projected EBITDA are expected to approximate the annual net cash flow.
- EBITDA was projected for 6 years and discounted at 9%.

5. Investments in subsidiaries

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares - at cost	393,672	393,672

The following are the subsidiaries of the Group:

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2013 %	2012 %
Carlsberg Marketing Sdn. Bhd.	Marketing and distribution of beer, stout, shandy and non- alcoholic beverages	Malaysia	100	100
Euro Distributors Sdn. Bhd.	Dormant	Malaysia	100	100
Luen Heng F&B Sdn. Bhd.	Importation, distribution and sale of alcoholic and non-alcoholic beverages	Malaysia	70	70
Carlsberg Singapore Pte. Ltd. #	Importation and marketing of beer and liquor products	Malaysia	100	100

Audited by a member firm of KPMG International.

In conjunction with the investment undertaken in Luen Heng F&B Sdn. Bhd. ("LHFB") in 2008, the Company entered into a call and put option with LHFB's corporate shareholder, Luen Heng Agency Sdn. Bhd. ("LHA"), allowing the Company to acquire the remaining interest held by LHA or LHA to sell its interest in LHFB to the Company, at any time after three (3) years of the date of the acquisition. The consideration is to be based on LHFB's fair value which is to be determined by an international firm of accountants. Both parties have not exercised their rights during the year.

6. Investment in an associate

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Quoted shares, outside Malaysia	19,936	19,936	19,936	19,936
Share of post-acquisition reserves	20,944	14,720	-	-
	40,880	34,656	19,936	19,936
Market value				
Quoted shares, outside Malaysia	178,914	127,235	-	-

Name of company	Principal activities	Country of Incorporation	Effective ownership interest	
			2013 %	2012 %
Lion Brewery (Ceylon) PLC	Manufacturing, marketing and distribution of beer, stout, shandy and non-alcoholic beverages	Sri Lanka	24.6	24.6

Summary financial information on associate:

	2013 RM'000	2012 RM'000
Revenue (100%)	338,272	302,759
Profit after taxation (100%)	23,894	30,915
Total assets (100%)	532,448	306,463
Total liabilities (100%)	377,440	175,345

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

7. Receivables, deposits and prepayments

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-current					
Loan to a subsidiary	7.1	-	-	648	4,848
Current					
Trade					
Trade receivables	20.4	222,113	215,469	-	-
Allowance for impairment loss	20.4	(4,833)	(4,850)	-	-
		217,280	210,619	-	-
Amount due from related companies	7.2	3,270	376	-	-
		220,550	210,995	-	-
Non-trade					
Amount due from subsidiaries	7.2	-	-	190	121
Amount due from related companies	7.2	265	363	230	363
Other receivables		7,094	4,132	1,797	1,993
Deposits		7,050	10,383	5,350	7,200
Prepayments	7.3	53,003	34,584	329	714
		67,412	49,462	7,896	10,391
		287,962	260,457	7,896	10,391

7.1 Loan to a subsidiary

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

7.2 Amounts due from subsidiaries and related companies

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

7.3 Prepayments

Prepayments comprise of upfront cash payment to sales outlets which are amortised over the duration of the contracts entered with these outlets.

8. Deferred tax assets/(liabilities)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Property, plant and equipment	-	-	(19,967)	(22,871)	(19,967)	(22,871)
Others	2,927	3,094	-	-	2,927	3,094
Tax assets/(liabilities)	2,927	3,094	(19,967)	(22,871)	(17,040)	(19,777)
Set off of tax	(2,891)	(2,231)	2,891	2,231	-	-
Net tax liabilities	36	863	(17,076)	(20,640)	(17,040)	(19,777)

Company

Property, plant and equipment	-	-	(17,351)	(21,040)	(17,351)	(21,040)
Others	991	546	-	-	991	546
Tax assets/(liabilities)	991	546	(17,351)	(21,040)	(16,360)	(20,494)
Set off of tax	(991)	(546)	991	546	-	-
Net tax liabilities	-	-	(16,360)	(20,494)	(16,360)	(20,494)

Movement in temporary differences during the year

Group	Recognised in profit or loss		Recognised in profit or loss		At 31.12.2013 RM'000
	At 1.1.2012 RM'000	(Note 16) RM'000	At 1.1.2013 RM'000	(Note 16) RM'000	
Property, plant and equipment	(20,021)	(2,850)	(22,871)	2,904	(19,967)
Others	1,675	1,419	3,094	(167)	2,927
	(18,346)	(1,431)	(19,777)	2,737	(17,040)

Company

Property, plant and equipment	(18,277)	(2,763)	(21,040)	3,689	(17,351)
Others	1,263	(717)	546	445	991
	(17,014)	(3,480)	(20,494)	4,134	(16,360)

9. Inventories

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Finished goods	35,386	36,029	9,163	6,846
Work-in-progress	2,457	2,382	2,457	2,382
Raw, packaging and other materials	8,394	5,204	8,314	5,005
Spare parts for machinery	3,470	3,225	3,275	3,017
	49,707	46,840	23,209	17,250
Recognised in profit or loss:				
Allowance for inventories written down/(back)	320	733	300	(246)
Finished goods written off	2,032	3,323	162	98

10. Cash and cash equivalents

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits with licensed banks	1,990	2,030	1,200	1,430
Cash and bank balances	42,151	55,658	2,236	16,272
	44,141	57,688	3,436	17,702

11. Share capital and reserves**Share capital**

	Group and Company		Number of shares 2012 '000
	Amount 2013 RM'000	Number of shares 2013 '000	
Authorised:			
Ordinary shares of RM0.50 each	300,000	600,000	300,000
Issued and fully paid:			
Ordinary shares of RM0.50 each	154,039	308,078	154,039

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

11. Share capital and reserves (cont'd)**Reserves**

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-distributable reserves:					
Share premium		7,367	7,367	7,367	7,367
Other reserves:					
Capital reserve	11.1	3,931	3,931	-	-
Exchange reserve	11.2	505	(2,334)	-	-
Share option reserve	11.3	747	146	554	205
Treasury shares	11.4	(12,043)	(12,043)	(12,043)	(12,043)
Put option reserve	11.5	(20,057)	-	(20,057)	-
Others		(780)	(780)	-	-
		(20,330)	(3,713)	(24,179)	(4,471)
Distributable reserves:					
Retained earnings	11.6	140,017	148,713	294,854	341,464
		119,687	145,000	270,675	336,993

11.1 Capital reserve

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

11.2 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.

11.3 Share option reserve

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

11.4 Treasury shares

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

No further shares were repurchased during the financial year ended 31 December 2013 and none of the previously repurchased shares were reissued, distributed as share dividends, resold or cancelled.

* After adjusting for the share split exercise in 2005.

11.5 Put option reserve

As disclosed in Note 5, in 2008, the Company entered into a call and put option with LHFB's corporate shareholder, LHA, allowing the Company to acquire the remaining interest held (30%) by LHA or LHA to sell its interest in LHFB to the Company, at any time after (3) years of the acquisition. The put option liability is recognised based on projected multiples of LHFB's 2013 EBITDA and is recognised as a liability and correspondingly in the put option reserve.

11. Share capital and reserves (cont'd)**11.6 Retained earnings**

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. Under this system, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. The Company has made an irrevocable election to pay dividends under the single tier tax system.

12. Payables and accruals

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade					
Trade payables		159,977	152,456	47,977	50,410
Amount due to immediate holding company	12.1	13,670	12,232	5,803	4,852
Amount due to related companies	12.1	9,530	2,054	5,793	253
		183,177	166,742	59,573	55,515
Non-trade					
Other payables	12.2	21,257	29,637	6,543	9,364
Accrued expenses		16,548	20,853	6,461	6,644
Amount due to ultimate holding company	12.3	149	613	149	613
Amount due to subsidiary	12.3	–	–	55,352	16,069
Amount due to related companies	12.3	109	72	109	72
Put option reserve	11.5	20,057	–	20,057	–
		58,120	51,175	88,671	32,762
		241,297	217,917	148,244	88,277

12.1 Amounts due to immediate holding company and related companies

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

12.2 Other payables

Included in other payables of the Group is a loan given to a subsidiary by its non-controlling shareholder amounting to RM0.28 million (2012: RM2.08 million). The loan is unsecured, carries interest at a rate calculated as the average of the base lending rate and fixed deposit rate of Malayan Banking Berhad of 4.85% (2012: 4.83%) on such outstanding amount from time to time and is repayable on demand.

12.3 Amounts due to ultimate holding company, subsidiary and related companies

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

13. Loans and borrowings

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current-unsecured				
Bank overdraft	8,422	-	-	-
Revolving credits	32,000	5,000	-	-
	40,422	5,000	-	-

The short term bank loan and revolving credits of the Group are subjected to interests ranging from 1.30% to 4.76% (2012: 4.66% to 4.68%) per annum.

14. Operating profit

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Operating profit is arrived at after charging:				
Amortisation of intangible assets	2,395	2,281	334	650
Auditors' remuneration:				
– Audit services	393	349	91	91
Depreciation of property, plant and equipment	22,304	19,593	13,703	12,940
Allowance for inventories written down	320	733	300	-
Inventories written off	2,032	3,323	162	98
Impairment loss on receivables	423	850	-	-
Bad debts written off	236	-	45	-
Personnel expenses (including key management personnel):				
– Contributions to Employees Provident Fund	8,295	8,816	2,489	2,577
– Contributions to other defined contribution plan	608	589	253	264
– Wages, salaries and others	78,402	75,955	26,667	25,627
Property, plant and equipment written off	9	26	9	20
Share of net liability of jointly-controlled entity arising from restructuring	-	-	-	11,655
Rental of land and buildings	4,153	4,319	1,679	1,074
Realised foreign exchange loss	286	-	161	-
Unrealised foreign exchange loss	-	707	283	124

14. Operating profit (cont'd)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
and after crediting:				
Allowance for inventories written back	-	-	-	246
Bad debts recovered	370	628	-	-
Dividend income from unquoted subsidiaries	-	-	116,880	126,457
Dividend income from a foreign quoted associate	-	-	1,700	1,667
Gain on disposal of property, plant and equipment	1,530	1,143	101	92
Gain on disposal of other assets	101	-	-	-
Interest income	977	654	550	598
Realised foreign exchange gain	-	1,592	-	1,131
Rental income from subsidiary	-	-	840	840
Unrealised foreign exchange gain	102	-	-	-

15. Key management personnel compensation

The key management personnel compensation are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors:				
- Fees	168	160	168	160
- Remuneration	1,332	1,205	1,332	1,205
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	1,010	913	1,010	913
	2,510	2,278	2,510	2,278
- Post-employment benefits	108	97	108	97
- Share-based payments	172	107	172	107
	2,790	2,482	2,790	2,482
Other key management personnel:				
- Short term employee benefits	8,767	9,190	2,205	2,519
- Post-employment benefits	292	320	69	85
- Share-based payments	213	194	107	120
	9,272	9,704	2,381	2,724
	12,062	12,186	5,171	5,206

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

16. Tax expense

Recognised in profit or loss

Major components of tax expense include:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current tax expense				
Malaysian				
– current year	44,788	38,970	8,771	6,849
– over provision in prior year	(478)	(987)	(753)	(215)
Overseas				
– current year	8,269	12,469	–	–
– (over)/under provision in prior year	(33)	15	–	–
	52,546	50,467	8,018	6,634
Deferred tax expense				
Origination and reversal of temporary differences	(325)	1,387	(249)	244
(Over)/Under provision in prior year	(2,412)	44	(3,885)	3,236
Total deferred tax	(2,737)	1,431	(4,134)	3,480
Total tax expense	49,809	51,898	3,884	10,114
Reconciliation of tax expense				
Profit before tax	236,429	245,651	149,895	139,406
Share of profit of equity accounted associate, net of tax	(5,878)	(7,605)	–	–
Profit before tax excluding share of profit after tax of equity accounted associate	230,551	238,046	149,895	139,406
Tax at Malaysian tax rate of 25% (2012: 25%)	57,638	59,512	37,474	34,852
Effect of tax in foreign jurisdiction	(4,000)	(5,797)	–	–
Non taxable income	(547)	(474)	(29,783)	(32,168)
Non-deductible expenses	2,054	2,092	831	4,409
Double deduction on permitted expenses	(2,383)	(2,521)	–	–
Other items	(163)	(251)	–	–
Current year losses for which no deferred tax asset was recognised	133	265	–	–
(Over)/Under provision in prior year	52,732 (2,923)	52,826 (928)	8,522 (4,638)	7,093 3,021
Tax expense	49,809	51,898	3,884	10,114

17. Earnings per ordinary share**Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share at 31 December 2013 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

	2013 RM'000	Group 2012 RM'000
Profit for the year attributable to shareholders	183,925	191,632

Weighted average number of ordinary shares

	2013 '000	Group 2012 '000
Issued ordinary shares as at 1 January/31 December	308,078	308,078
Effect of treasury shares held	(2,330)	(2,330)
	305,748	305,748
Basic earnings per ordinary share (sen)	60.16	62.68

18. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2013			
First interim 2013 ordinary – single tier	5.0	15,287	11 October 2013
Final & special 2012 ordinary – single tier	58.0	177,334	20 May 2013
Total amount		192,621	
2012			
First interim 2012 ordinary – single tier	5.0	15,287	11 October 2012
Final 2011 ordinary – tax exempt	2.0	6,115	18 May 2012
Special Final 2011 ordinary	49.1	150,199	18 May 2012
Total amount		171,601	

18. Dividends (cont'd)

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

	Sen per RM0.50 share	Total amount RM'000
2013		
Final and special ordinary – single tier	56.0	171,219

19. Operating segments

The Group has three reportable segments, which are the Group's geographical segments. The strategic business units offer similar products but are managed separately because they require different marketing strategies due to the geographical locations. For each of the strategic business 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 reportable 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 an entity in Singapore.
- Others Includes 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. Hence no disclosure is made.

	Malaysia RM'000	Singapore RM'000	Others RM'000	Total RM'000
2013				
Segment profit	184,251	50,637	-	234,888
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	1,219,324	335,825	-	1,555,149
Inter-segment revenue	54,110	-	-	54,110
Depreciation and amortisation	23,158	1,541	-	24,699
<i>Not included in the measure of segment profit but provided to Managing Director:</i>				
Finance costs	(4,682)	(636)	-	(5,318)
Interest income	977	-	-	977
Income tax expense	(41,598)	(8,211)	-	(49,809)
Share of profit of equity accounted associate, net of tax	-	-	5,878	5,878

19. Operating segments (cont'd)**Segment assets, liabilities and capital expenditures (cont'd)**

	Malaysia RM'000	Singapore RM'000	Others RM'000	Total RM'000
2012				
Segment profit/(loss)	167,809	74,708	(1,336)	241,181
<i>Included in the measure of segment profit/(loss) are:</i>				
Revenue from external customers	1,208,928	371,061	4,791	1,584,780
Inter-segment revenue	57,440	–	–	57,440
Depreciation and amortisation	20,598	1,229	47	21,874
<i>Not included in the measure of segment profit but provided to Managing Director:</i>				
Finance costs	(4,058)	(692)	(221)	(4,971)
Interest income	653	1	–	654
Income tax expense	(39,408)	(12,490)	–	(51,898)
Share of profit of equity accounted associate, net of tax	–	–	7,605	7,605

Reconciliations of segment profit or loss

	2013 RM'000	2012 RM'000
Profit		
Total segment profit	234,888	241,181
Inter-segment elimination	4	1,182
Finance costs	(5,318)	(4,971)
Interest income	977	654
Share of profit of equity accounted associate, net of tax	5,878	7,605
Consolidated profit before tax	236,429	245,651

Geographical segments

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

Geographical location	Revenue		Non-current assets	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Malaysia	1,211,009	1,203,827	170,557	165,524
Singapore	335,825	371,061	3,728	2,671
Taiwan	–	4,791	–	–
Other countries	8,315	5,101	–	–
	1,555,149	1,584,780	174,285	168,195

Major customers

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

20. Financial instruments

20.1 Categories of financial instruments

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

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

31 December 2013	Carrying amount RM'000	L&R/ (OL) RM'000
Group		
Financial assets		
Trade and other receivables*	234,959	234,959
Cash and cash equivalents	44,141	44,141
	279,100	279,100
Financial liabilities		
Loans and borrowings	(40,422)	(40,422)
Payables and accruals	(241,297)	(241,297)
	(281,719)	(281,719)
Company		
Financial assets		
Trade and other receivables*	7,567	7,567
Cash and cash equivalents	3,436	3,436
Loan to a subsidiary	648	648
	11,651	11,651
Financial liabilities		
Payables and accruals	(148,244)	(148,244)

20. Financial instruments (cont'd)**20.1 Categories of financial instruments (cont'd)**

31 December 2012	Carrying amount RM'000	L&R/ (OL) RM'000
Group		
Financial assets		
Trade and other receivables*	225,873	225,873
Cash and cash equivalents	57,688	57,688
	283,561	283,561
Financial liabilities		
Loans and borrowings	(5,000)	(5,000)
Payables and accruals	(217,917)	(217,917)
	(222,917)	(222,917)
Company		
Financial assets		
Trade and other receivables*	9,677	9,677
Cash and cash equivalents	17,702	17,702
Loan to a subsidiary	4,848	4,848
	32,227	32,227
Financial liabilities		
Payables and accruals	(88,277)	(88,277)

*excluding prepayments

20.2 Net gains and losses arising from financial instruments

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Loans and receivables	1,368	(321)	438	684
Financial liabilities measured at amortised cost	(5,896)	(4,925)	(737)	(1,024)

20. Financial instruments (cont'd)

20.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

20.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

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

	2013 RM'000	2012 RM'000
Malaysia	151,899	154,891
Singapore	65,381	55,728
	217,280	210,619

20. Financial instruments (cont'd)**20.4 Credit risk (cont'd)****Receivables (cont'd)***Impairment losses*

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

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
31 December 2013			
Not past due	188,494	–	188,494
Past due 1 – 30 days	23,090	(820)	22,270
Past due 31 – 60 days	4,181	(78)	4,103
Past due 61 – 90 days	1,373	(30)	1,343
Past due more than 90 days	4,975	(3,905)	1,070
	222,113	(4,833)	217,280
31 December 2012			
Not past due	182,415	–	182,415
Past due 1 – 30 days	14,144	–	14,144
Past due 31 – 60 days	5,247	–	5,247
Past due 61 – 90 days	6,271	–	6,271
Past due more than 90 days	7,392	(4,850)	2,542
	215,469	(4,850)	210,619

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

	2013 RM'000	2012 RM'000
At 1 January	(4,850)	(15,270)
Impairment loss recognised	(423)	(2,751)
Impairment loss reversed	–	1,901
Impairment loss written off	440	11,270
At 31 December	(4,833)	(4,850)

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

20. Financial instruments (cont'd)

20.4 Credit risk (cont'd)

Intercompany balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk and credit quality

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

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries were not recoverable. Non-current loans to subsidiaries are not overdue whilst advances to subsidiaries have been outstanding for less than a year.

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group's and Company's short term deposits are placed as fixed 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 and credit quality

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

Impairment losses

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

20.5 Liquidity risk

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

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

20. Financial instruments (cont'd)**20.5 Liquidity risk (cont'd)***Maturity analysis*

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000
Group				
31 December 2013				
Payables and accruals *	220,962	-	220,962	220,962
Loan from a subsidiary's non-controlling shareholder	278	4.85	291	291
Bank borrowings	40,422	1.30 - 4.76	40,497	40,497
	261,662		261,750	261,750
31 December 2012				
Payables and accruals	215,840	-	215,840	215,840
Loan from a subsidiary's non-controlling shareholder	2,077	4.83	2,177	2,177
Bank borrowings	5,000	4.66 - 4.68	5,058	5,058
	222,917		223,075	223,075
Company				
31 December 2013				
Payables and accruals *	128,187	-	128,187	128,187
31 December 2012				
Payables and accruals	88,277	-	88,277	88,277

* excluding put option reserve

20.6 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.

20.6.1 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").

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 Singapore Dollar, the Group ensures that the net exposure is kept to an acceptable level.

Currency risk sensitivity analysis

The exposure to currency risk of Group entities to USD is not material and hence, sensitivity analysis is not presented.

20. Financial instruments (cont'd)**20.6 Market risk (cont'd)****20.6.2 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 do not engage in any hedging activities to manage interest risk fluctuations.

Exposure to interest rate risk

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fixed rate instruments				
Deposits with licensed banks	1,990	2,030	1,200	1,430
Floating rate instruments				
Bank overdraft	(8,422)	-	-	-
Loan to a subsidiary	-	-	648	4,848
Loan from a subsidiary's non-controlling shareholder	(278)	(2,077)	-	-
Revolving credits	(32,000)	(5,000)	-	-

Interest rate risk sensitivity analysis

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

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

20.7 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.

The fair value of the loan to subsidiary of the Company approximates its carrying value.

21. Capital management

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

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

22. Operating leases**Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Less than one year	4,593	3,960	508	250
Between one and five years	4,006	2,737	172	60
	8,599	6,697	680	310

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.

23. Capital commitments

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Capital expenditure commitments				
Plant and equipment				
Authorised and contracted for	779	3,759	–	2,628
Authorised but not contracted for	–	1,109	–	1,109
	779	4,868	–	3,737

24. 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 a related party relationship with the holding company and its related corporations, its subsidiaries (see Note 5), an associate (see Note 6), Directors and key management personnel.

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

24. Related parties (cont'd)**Identity of related parties (cont'd)**

Details of the related party transactions (other than key management personnel remuneration disclosed in Note 15 to the financial statements) with the Group are as follows:

	Transaction value year ended 31 December			
	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Immediate holding company				
Management fees payable	4,303	4,144	3,171	3,036
Purchases of materials and products	1,372	919	647	759
Reimbursement of expenses	9,449	11,559	5,029	7,989
Royalties payable	31,531	31,624	6,132	5,861
Related companies				
Purchases of materials and products	34,835	23,835	16,122	1,724
Purchases of services	569	452	569	452
Sale of goods and services	410	-	-	-
Rental of premises	832	817	-	-
Others	944	196	25	-
Companies deemed related to certain directors of a subsidiary				
Sale of goods and services	4,738	3,602	-	-
Purchases of materials and products	516	-	-	-
Rental of premises	78	26	-	-

	Transaction value year ended 31 December	
	2013 RM'000	2012 RM'000
Subsidiaries		
Sale of goods and services	766,890	757,911
Transfer of property, plant and equipment at net book value	-	3
Transfer of intangible assets at net book value	-	3,845
Management fee received	11,500	11,500
Rental income	840	840
Dividend income	116,880	126,459
Interest received	132	319

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 7 and 12.

25. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2013, into realised and unrealised profits pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained earnings of the Company and its subsidiaries:				
– realised	516,916	527,575	313,881	359,108
– unrealised	(19,334)	(17,509)	(19,027)	(17,644)
	497,582	510,066	294,854	341,464
Total share of retained earnings of associate:				
– realised	23,710	16,837	–	–
– unrealised	(5,818)	(3,782)	–	–
	515,474	523,121	294,854	341,464
Less: Consolidation adjustments	(375,457)	(374,408)	–	–
Total retained earnings	140,017	148,713	294,854	341,464

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