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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 2022 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 2022 do not include other entities.

The Company is principally engaged in the production of beer, stout, cider, 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 2 March 2023.

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’s 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 4.

(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 2022:

- Amendments to MFRS 16 ‘COVID-19-Related Rent Concessions beyond 30 June 2021’
- Amendments to MFRS 116 ‘Proceeds before Intended Use’
- Amendments to MFRS 137 ‘Onerous Contracts – Cost of Fulfilling a Contract’
- Annual Improvements to MFRS 9 ‘Fees in the ‘10 percent’ test for Derecognition of Financial Liabilities’
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Amendments to MFRS 3 ‘Reference to the Conceptual Framework’

The adoption of amendments to standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

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

New standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2022:

- There are two amendments to MFRS 101 'Presentation of Financial Statements'. The first amendments, 'Classification of liabilities as current or non-current' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

The second amendments, 'Non-current Liabilities with Covenants' specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

Both amendments are effective for the annual reporting periods beginning on or after 1 January 2024.

The amendments shall be applied retrospectively.

- Amendments to MFRS 108 'Definition of accounting estimates' redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors.
- Amendments to MFRS 101 and MFRS Practice Statement 2 'Disclosure on accounting policies' (effective 1 January 2023) require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications.

The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.
- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024) specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

The adoption of the above new standards and amendments are not expected to have any significant impact on the Group's and the Company's financial statements or accounting policies, as they cover areas that are not material and/or relevant for the Group and the Company.

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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 interests 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.

(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 or loss is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

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

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

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of 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.

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NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

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 average exchange rates.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(iii) Operations denominated in functional currencies other than Ringgit Malaysia (“RM”) (continued)

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.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(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.

(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. Freehold land is not depreciated. Assets in-progress are not depreciated until the assets are ready for their intended use.

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

• 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) Leases

(i) Accounting by lessee

Leases are recognised as right-of-use (“ROU”) asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Leased assets (including leasehold land) are presented as a separate line item in statement of financial position.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

(i) Accounting by lessee (continued)

ROU assets (continued)

ROU assets are subsequently measured at cost, less accumulated amortisation and impairment loss (if any). The ROU assets are generally amortised over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is amortised over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

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

- Leasehold land 40 – 99 years
- Buildings 3 - 10 years

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments may include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions. To determine the incremental borrowing rate, the Group uses recent third-party financing received as a starting point, with adjustments made to reflect changes in financing conditions since the third-party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of comprehensive income.

Reassessment of lease liabilities

The Group may be exposed to potential future increase in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short-term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets includes the lease of copy and printing machines. Payments associated with short-term leases and leases of low-value asset are recognised on a straight-line basis as an expense in profit or loss.

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

(ii) Accounting by lessor

As a lessor, the Group or the Company determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group or the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group or the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Operating leases

The Group or the Company classified a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. The Group or the Company recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group or the Company allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangible assets (continued)

(iv) Amortisation

Goodwill is 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 administrative expenses 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 3-10 years.

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

(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 and fair value through other comprehensive income, 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.

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 have 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 have no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (continued)

(iii) Share-based payment transactions

Certain employees of the Group and the Company are entitled to a share-based incentive programme established by Carlsberg A/S that is categorised as performance shares. Entitlement to performance shares requires fulfilment of service in the vesting period (2-3 years). The shares are transferred to the recipients based on the KPIs attached to the shares. The number of performance shares granted is the maximum number of performance shares that can vest. The number of shares outstanding at the end of the period is the numbers to vest, based on the extent to which the vesting conditions are expected to be met. The numbers of shares expected to vest is revised on a regular basis.

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

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group and the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits at the earlier of the following dates: (a) when the Group and the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after end of the reporting period are discounted to the present value.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have 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 sales tax payable to customs and 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 and borrowing costs

(i) 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.

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Borrowings and borrowing costs (continued)

(i) Borrowings (continued)

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 Group 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.

(ii) Borrowing costs

General and specific 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(iii) Borrowings subject to interest rate benchmark ("IBOR") reform

When the basis to determine the future contractual cash flows of the borrowings are modified entirely as a result of IBOR reform, the Group applies the reliefs provided by the Phase 2 amendments related to IBOR reform to adjust the effective interest rate of the borrowings with no modification gain or loss is recognised.

In situations where some or all of a change in the basis for determining the contractual cash flows of the borrowings does not meet the criteria of the Phase 2 amendments, the Group first applies the practical expedient to the changes required by IBOR reform, including updating the effective interest rate of the borrowings. Any additional changes are accounted for as modification of borrowings in accordance with the requirement in MFRS 9 (that is, assessed for modification or derecognition, with the resulting modification gain or loss recognised immediately in profit or loss where the borrowings are not derecognised).

(n) Revenue and other income

Revenue from contracts with customers

(i) Goods sold

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 to the customer with a right of return within a specified period, the Group and the Company consider the timing of recognition.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue and other income (continued)

Revenue from contracts with customers (continued)

(i) Goods sold (continued)

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 is net of discounts and trade offers.

Excise duties are imposed by the tax authorities and payable by the Group to the authorities at brewery or bonded warehouse upon leaving the warehouse. Sales tax are imposed by the tax authorities and payable by the Group to the authorities when the goods are sold to the customers.

Both excise duties and sales tax are borne by the Group and are not based on sales value sold to the customers, and therefore are recognised as part of the cost of the goods sold.

The Group and the Company consider 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 consider the effects of variable consideration such that the revenue is measured at an amount that reflects the expected consideration for those goods. 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.

Variable consideration

The sales of beverages are often sold with various discounts depending on nature of customer and business. Customer discounts comprise off-invoice discounts, volume and activity-related discounts 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 discounts are incentives for customers to sustain continued business with the Group and the Company 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.

Activity-related discounts are incentives for customers related to an event or promotional campaign offered with specific promotion prices. Examples include discounts paid as lump sum or progressive discounts offered in step with increasing sales to a customer.

Other discounts in relation to consideration payable to a customer 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. Consideration payable to a customer is recorded as a reduction of the arrangement's transaction price, thereby reducing the amount of revenue recognised, unless the payment is for a distinct good or service received from the customer. Consideration paid in excess of the fair value received reduces the transaction price of the arrangement with the customer and would represent a discount to the customer.

Significant accounting estimates and assumptions on trade offers are provided in Note 4(i).

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue and other income (continued)

Other income

(i) Management fee

Fee from management is recognised in the period in which the services are rendered.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income that are not generated as part of the Company's principal activities are classified as investment income.

(iii) Interest income

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 became 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).

(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.

(p) Earning per ordinary share

The Group presents basic and diluted 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.

Diluted EPS adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(r) Contingencies

(i) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

(ii) Contingent assets

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(s) Financial instruments

Classification – financial assets

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.

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 fair value through profit or loss ("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").

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial instruments (continued)

IBOR modification – financial assets

When the basis to determine the future contractual cash flows of the financial assets measured using amortised cost measurement (e.g. financial assets classified as amortised cost or fair value through other comprehensive income “FVOCI”) are modified entirely as a result of IBOR reform, the Group applies the reliefs provided by the Phase 2 amendments related to IBOR reform to adjust the effective interest rate with no modification gain or loss is recognised.

In situations where some or all of a change in the basis for determining the contractual cash flows of financial assets classified as amortised cost or FVOCI does not meet the criteria of the Phase 2 amendments, the Group first applies the practical expedient to the changes required by IBOR reform, including updating the effective interest rate. Any additional changes are accounted for as modification of financial assets in accordance with the requirement in MFRS 9 (that is, assessed for modification or derecognition, with the resulting modification gain or loss recognised immediately in profit or loss where the financial assets are not derecognised).

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 the following categories:

(i) 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 or losses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

(ii) 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 are recognised in profit or loss in the period which it arises.

(iii) FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (“OCI”), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gains or losses previously recognised in OCI is reclassified from equity to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 OCI. 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 OCI 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 OCI 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.

(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

Impairment of financial assets

The Group and the Company apply the simplified approach to measure expected credit losses (“ECL”) on trade receivables measured at amortised cost, FVOCI and trade intercompany balances. 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 which is based on past payment trends. Credit risk on trade receivables can be reduced through bank guarantees.

For other receivables and non-trade intercompany balances, the Group and the Company apply 3-stage approach to measure ECL 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 months ECL.

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Impairment of assets (continued)

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(ii) Individual assessment

Trade receivables that are in default or credit impaired are assessed individually.

Impairment of 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, an annual impairment will be performed and the recoverable amount is estimated at the end of each reporting period.

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.

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. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 values 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. 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.

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4 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The application of accounting standards and policies requires the Group to make estimates and assumptions about future events that directly affect its reported financial condition and operating performance. The accounting estimates and assumptions discussed below are those that the Group consider 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 consist primarily of trade discounts and sales volume rebates which are recognised based on agreed trading terms and promotional activities with trade customers and distributors. Volume related discounts are typically associated with certain sales targets to be achieved by the customers and distributors. Activity related discounts are typically associated with conditional events or promotional campaigns based on the agreed promotional prices with the customers. These trade offers represent 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 and historical experience. Management is required to make estimates on the sales volume to be achieved by the customers and distributors to determine the trade offers.

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.

(ii) Impairment review of investments in subsidiaries

The Company assesses impairment indicator of its investments in its subsidiaries at the end of each reporting period, in accordance with the accounting policy stated in Note 3(u).

The Company's cost of investment in Carlsberg Singapore Pte. Ltd. is higher than its recoverable amount as of 31 December 2022. Accordingly, impairment assessment has been performed by the Company. The recoverable amount of the CGU is based on its VIU calculations. The VIU of the CGU is determined by discounting the future cash flows forecasted to be generated from the continuing use of the CGU.

The 5-year cash flow forecasts are based on the average annual growth of sales volume based on past performance and management's expectations 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.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(ii) Impairment review of investments in subsidiaries (continued)

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

	2022	2021
Sales volume (% annual growth)	-1.7%	2.1%
Long-term growth rate (% per annum)	1.0%	1.0%
Pre-tax discount rate (% per annum)	8.3%	6.7%

For Carlsberg Singapore Pte. Ltd., the recoverable amount computed in its VIU analysis was higher than the carrying amount of its cost of investment and therefore, no impairment was recognised during the financial year. The Company's cost of investment in Carlsberg Singapore Pte. Ltd. as at 31 December 2022 was RM389,663,000.

There are no reasonable possible changes in any of the key assumptions used that would cause the carrying amount of the CGU to materially exceed its recoverable amount.

5 REVENUE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
- Sales of beverages	2,410,683	1,771,497	1,256,587	862,875
- Sales of by-products and others	1,782	1,324	1,478	969
Revenue from contracts with customers	2,412,465	1,772,821	1,258,065	863,844

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6 OPERATING PROFIT

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Operating profit is arrived at after charging:				
Amortisation of:				
- Intangible assets	2,237	2,541	592	667
- Right-of-use assets	2,413	2,028	118	118
Audit fees:				
- Payable to PricewaterhouseCoopers PLT	352	288	224	183
- Payable to PricewaterhouseCoopers International Limited	226	139	-	-
- Payable to other auditor	15	11	15	11
Audit related services				
- Payable to PricewaterhouseCoopers PLT	9	9	9	9
Excise duties and sales tax	1,178,773	913,710	909,196	626,477
Finance costs:				
- Interest on borrowings	2,849	3,003	6,397	5,005
- Interest on lease liability	158	194	-	-
Foreign exchange loss:				
- Realised	-	-	238	-
- Unrealised	1,577	198	1,638	221
Inventories:				
- Written down	4,314	5,574	1,894	5,630
- Finished goods written off	3,658	2,465	324	-
Loss allowance on:				
- Trade receivables	-	523	-	-
- Other receivables	36	-	-	-
Personnel expenses (including key management personnel):				
- Wages, salaries and others	143,864	122,809	40,453	36,314
- Contributions to Employees Provident Fund	13,209	10,767	3,657	2,934
- Contributions to other defined contribution plan	1,253	1,217	548	536
- Share based payment expense	1,341	1,127	1,172	863
- Termination benefits	19	4	-	-
Property, plant and equipment:				
- Depreciation*	41,705	52,679	34,224	44,851
- Impairment losses	2,445	-	2,445	-
- Written off	7,020	464	7,014	119
Management fees charged from related companies	11,340	12,081	7,416	7,074
Lease expenses relating to short-term and low value assets	1,012	819	121	134

* Included in the depreciation of property, plant and equipment of the Group and the Company are accelerated depreciation on 'plant and machinery' amounting to RM1,042,000 (2021: RM5,267,000) arising from the discontinuation of the bottling line that had been replaced in 2022.

NOTES TO THE FINANCIAL STATEMENTS

6 OPERATING PROFIT (CONTINUED)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Operating profit is arrived at after crediting:				
Dividend income from:				
- Unquoted subsidiaries	-	-	224,705	173,545
- A foreign quoted associate	-	-	7,550	7,531
Finance income	784	749	2	14
Realised gain on foreign exchange	190	420	-	324
Gain on disposal of property, plant and equipment	1,037	722	588	523
Management fees charged to a subsidiary	-	-	22,618	19,010
Operating lease income from a subsidiary	-	-	954	780
Reversal of loss allowance on:				
- Trade receivables	189	-	-	-

7 TAXATION

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current taxation				
Current tax:				
- Malaysian income tax	103,335	54,564	-	3
- foreign income tax	15,680	9,992	-	-
- under/(over) provision in prior years	3,397	(1,269)	527	-
	122,412	63,287	527	3
Deferred taxation (Note 14):				
- Reversal of temporary differences	(2,868)	(8,079)	(3,820)	(3,685)
Tax expense/(credit)	119,544	55,208	(3,293)	(3,682)

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7 TAXATION (CONTINUED)

A reconciliation of income tax expense/(credit) applicable to profit before taxation at the statutory income tax rate to income tax expense/(credit) at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before taxation	444,405	259,573	215,408	161,706
Statutory income tax at rate of 24% (2021: 24%)	106,657	62,298	51,698	38,809
Tax effects of:				
- different tax rates in foreign jurisdiction	(6,259)	(4,039)	-	-
- income not subject to tax	-	-	(55,742)	(43,458)
- expenses not deductible for tax purposes	1,281	2,018	1,126	782
- share of results of an associate	(5,165)	(3,644)	-	-
- expenses qualified for double deduction	-	(446)	-	-
- effects of changes in tax rate*	21,828	(191)	-	-
- Recognition of previously unrecognised temporary differences	(2,195)	481	(902)	185
	116,147	56,477	(3,820)	(3,682)
Under/(over) provision in prior years	3,397	(1,269)	527	-
Total tax charge/(credit)	119,544	55,208	(3,293)	(3,682)

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised in other comprehensive income:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax				
Items that will not be reclassified subsequently to profit or loss:				
- fair value of financial instruments treated as cash flow hedges	(2,223)	110	(2,223)	110

* Additional statutory income tax expense (2021: deferred tax income) relating to changes in tax rates due to the One-off "Cukai Makmur" tax rate (33%) imposed on the portion of Year of Assessment 2022 chargeable income of non- Micro, Small and Medium Enterprises (non-MSMEs) exceeding RM100 million. This is only applicable to Malaysian subsidiary.

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8 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share as at 31 December 2022 and 2021 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2022 RM'000	2021 RM'000
Profit for the financial year attributable to shareholders	317,046	200,988

Weighted average number of ordinary shares:

	Group	
	2022 RM'000	2021 RM'000
Issued ordinary shares	305,748	305,748
Basic earnings per ordinary share (sen)	103.70	65.74

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

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9 PROPERTY, PLANT AND EQUIPMENT

	Note	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>Cost</u>									
At 1 January 2021		18,952	68,966	4,170	507,606	13,970	12,643	15,733	642,040
Additions		-	372	732	19,621	259	1,479	34,359	56,822
Disposals		-	(68)	-	(9,981)	(1,554)	(7)	-	(11,610)
Written off		-	(405)	(1,375)	(13,788)	-	(774)	-	(16,342)
Transfers		-	479	-	11,581	-	311	(12,371)	-
Transfer to intangible assets	10	-	-	-	-	-	-	(226)	(226)
Effect of movements in exchange rates		-	-	48	76	-	57	-	181
At 31 December 2021/1 January 2022		18,952	69,344	3,575	515,115	12,675	13,709	37,495	670,865
Additions		-	329	1,733	42,489	1,179	1,267	100,755	147,752
Disposals		-	-	-	(24,470)	(2,049)	(6)	-	(26,525)
Written off		-	(210)	-	(99,118)	-	(2,713)	-	(102,041)
Transfers		-	23,673	170	102,458	-	369	(126,670)	-
Transfer to intangible assets	10	-	-	-	-	-	-	(747)	(747)
Effect of movements in exchange rates		-	-	215	330	-	271	-	816
At 31 December 2022		18,952	93,136	5,693	536,804	11,805	12,897	10,833	690,120

NOTES TO THE FINANCIAL STATEMENTS

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	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>Less: Accumulated depreciation</u>									
At 1 January 2021		-	39,204	2,064	375,430	6,732	10,399	-	433,829
Depreciation for the financial year	6	-	2,851	1,001	45,888	1,987	952	-	52,679
Disposals		-	(42)	-	(9,926)	(1,031)	(4)	-	(11,003)
Written off		-	(129)	(1,314)	(13,666)	-	(769)	-	(15,878)
Effect of movements in exchange rates		-	-	24	54	-	36	-	114
At 31 December 2021/1 January 2022		-	41,884	1,775	397,780	7,688	10,614	-	459,741
Depreciation for the financial year	6	-	2,705	887	35,509	1,287	1,317	-	41,705
Disposals		-	-	-	(24,452)	(1,583)	(5)	-	(26,040)
Written off		-	(160)	-	(92,152)	-	(2,709)	-	(95,021)
Impairment losses		-	-	-	2,445	-	-	-	2,445
Effect of movements in exchange rates		-	-	133	233	-	194	-	560
At 31 December 2022		-	44,429	2,795	319,363	7,392	9,411	-	383,390
<u>Carrying amounts</u>									
At 31 December 2022		18,952	48,707	2,898	217,441	4,413	3,486	10,833	306,730
At 31 December 2021		18,952	27,460	1,800	117,335	4,987	3,095	37,495	211,124

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9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	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
<u>Company</u>								
<u>Cost</u>								
At 1 January 2021		18,952	66,807	479,812	549	7,485	15,664	589,269
Additions		-	372	16,898	-	543	34,031	51,844
Disposals		-	(68)	(9,882)	-	-	-	(9,950)
Written off		-	(3)	(10,686)	-	(120)	-	(10,809)
Transfers		-	479	11,581	-	311	(12,371)	-
Transfer to intangible assets	10	-	-	-	-	-	(118)	(118)
At 31 December 2021/1 January 2022		18,952	67,587	487,723	549	8,219	37,206	620,236
Additions		-	242	37,490	720	299	100,755	139,506
Disposals		-	-	(24,145)	(549)	(6)	-	(24,700)
Written off		-	(210)	(96,305)	-	(2,140)	-	(98,655)
Transfers		-	23,673	102,458	-	369	(126,500)	-
Transfer to intangible assets	10	-	-	-	-	-	(628)	(628)
At 31 December 2022		18,952	91,292	507,221	720	6,741	10,833	635,759

NOTES TO THE FINANCIAL STATEMENTS

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Note	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
<u>Less: Accumulated depreciation</u>								
At 1 January 2021		-	38,369	359,037	301	7,159	-	404,866
Depreciation for the financial year	6	-	2,719	41,755	99	278	-	44,851
Disposals		-	(42)	(9,882)	-	-	-	(9,924)
Written off		-	(1)	(10,569)	-	(120)	-	(10,690)
At 31 December 2021/1 January 2022		-	41,045	380,341	400	7,317	-	429,103
Depreciation for the financial year	6	-	2,563	31,204	59	398	-	34,224
Disposals		-	-	(24,140)	(450)	(5)	-	(24,595)
Written off		-	(160)	(89,344)	-	(2,137)	-	(91,641)
Impairment losses		-	-	2,445	-	-	-	2,445
At 31 December 2022		-	43,448	300,506	9	5,573	-	349,536
<u>Carrying amounts</u>								
At 31 December 2022		18,952	47,844	206,715	711	1,168	10,833	286,223
At 31 December 2021		18,952	26,542	107,382	149	902	37,206	191,133

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9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

9.1 Leasing arrangements

The Company leases certain buildings with carrying amount of RM6,814,000 (2021: RM7,284,000) to a subsidiary under operating leases with rentals payable monthly.

Minimum lease receivable on buildings are as follows:

	Company	
	2022 RM'000	2021 RM'000
Within 1 year	954	954
Between 1 and 2 years	954	954
Between 2 and 3 years	954	954
Between 3 and 4 years	954	954
Between 4 and 5 years	954	954
More than 5 years	1,020	1,020
	5,790	5,790

NOTES TO THE FINANCIAL STATEMENTS

10 INTANGIBLE ASSETS

	Note	Goodwill RM'000	Computer software RM'000	Total RM'000
<u>Group</u>				
<u>Cost</u>				
At 1 January 2021		2,634	12,460	15,094
Acquisition		-	600	600
Transfer from property, plant and equipment	9	-	226	226
Written off		-	(1,574)	(1,574)
Effect of movements in exchange rates		-	35	35
At 31 December 2021/1 January 2022		2,634	11,747	14,381
Acquisition		-	504	504
Transfer from property, plant and equipment	9	-	747	747
Effect of movements in exchange rates		-	202	202
At 31 December 2022		2,634	13,200	15,834
<u>Amortisation</u>				
At 1 January 2021		-	7,859	7,859
Amortisation for the financial year	6	-	2,541	2,541
Written off		-	(1,574)	(1,574)
Effect of movements in exchange rates		-	22	22
At 31 December 2021/1 January 2022		-	8,848	8,848
Amortisation for the financial year	6	-	2,237	2,237
Effect of movements in exchange rates		-	168	168
At 31 December 2022		-	11,253	11,253
<u>Carrying amounts</u>				
At 31 December 2022		2,634	1,947	4,581
At 31 December 2021		2,634	2,899	5,533

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10 INTANGIBLE ASSETS (CONTINUED)

	Note	Computer software RM'000
<u>Company</u>		
<u>Cost</u>		
At 1 January 2021		3,602
Additions		5
Transfer from property, plant and equipment	9	118
Written off		(23)
At 31 December 2021/1 January 2022		3,702
Additions		12
Transfer from property, plant and equipment	9	628
At 31 December 2022		4,342
<u>Amortisation</u>		
At 1 January 2021		2,307
Amortisation for the financial year	6	667
Written off		(23)
At 31 December 2021/1 January 2022		2,951
Amortisation for the financial year	6	592
At 31 December 2022		3,543
<u>Carrying amounts</u>		
At 31 December 2022		799
At 31 December 2021		751

NOTES TO THE FINANCIAL STATEMENTS

10 INTANGIBLE ASSETS (CONTINUED)

10.1 Impairment testing for CGUs containing goodwill

For the purpose of impairment testing, goodwill of RM2,634,000 (2021: RM2,634,000) is arising from the Group's previous acquisition on Maybev Pte. Ltd., a 51% owned subsidiary incorporated in Singapore which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of the CGU 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 was recognised during the financial year.

The 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 were as follows:

	2022	2021
Sales volume (% annual growth)	2.3%	9.4%
Long-term growth rate (% per annum)	1.0%	1.0%
Pre-tax discount rate (% per annum)	8.3%	6.7%

The 5-year cash flows forecast were based on the average annual growth of sales volume 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 believe that any reasonable possible changes in the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

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NOTES TO THE FINANCIAL STATEMENTS

11 RIGHT-OF-USE ASSETS/LEASES

11.1 Amounts recognised in the statements of financial position:

Right-of-use assets

	Note	Leasehold land RM'000	Offices and warehouse RM'000	Total RM'000
<u>Group</u>				
<u>Net book value</u>				
At 1 January 2022		6,454	3,656	10,110
Additions		-	1,140	1,140
Amortisation charge for the financial year	6	(122)	(2,291)	(2,413)
Adjustment due to lease modifications		-	1,954	1,954
Effect of movements in exchange rates		-	(75)	(75)
At 31 December 2022		6,332	4,384	10,716
<u>At 31 December 2022</u>				
Cost		10,571	12,424	22,995
Accumulated amortisation		(4,239)	(8,040)	(12,279)
		6,332	4,384	10,716
<u>Net book value</u>				
At 1 January 2021		6,576	5,564	12,140
Amortisation charge for the financial year	6	(122)	(1,906)	(2,028)
Effect of movements in exchange rates		-	(2)	(2)
At 31 December 2021		6,454	3,656	10,110
<u>At 31 December 2021</u>				
Cost		10,571	9,330	19,901
Accumulated amortisation		(4,117)	(5,674)	(9,791)
		6,454	3,656	10,110

NOTES TO THE FINANCIAL STATEMENTS

11 RIGHT-OF-USE ASSETS/LEASES (CONTINUED)

11.1 Amounts recognised in the statements of financial position: (continued)

Right-of-use assets (continued)

	Note	Leasehold land RM'000
<u>Company</u>		
<u>Net book value</u>		
At 1 January 2022		6,390
Amortisation charge for the financial year	6	(118)
At 31 December 2022		6,272
<u>At 31 December 2022</u>		
Cost		10,399
Accumulated amortisation		(4,127)
		6,272
<u>At 31 December 2021</u>		
At 1 January 2021		6,508
Amortisation charge for the financial year	6	(118)
At 31 December 2021		6,390
<u>At 31 December 2021</u>		
Cost		10,399
Accumulated amortisation		(4,009)
		6,390

Lease liabilities

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current	2,138	1,321	-	-
Non-current	2,660	2,590	-	-
	4,798	3,911	-	-

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NOTES TO THE FINANCIAL STATEMENTS

11 RIGHT-OF-USE ASSETS/LEASES (CONTINUED)

11.2 Amounts recognised in the statements of comprehensive income and statements of cash flows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Amortisation charge of right-of-use assets</u>				
Leasehold land	122	122	118	118
Buildings	2,291	1,906	-	-
	2,413	2,028	118	118
Interest expense (included in finance cost)	158	194	-	-
Lease expenses relating to short-term and low value assets that are not shown above (included in sales, distribution and administrative expenses)	1,012	819	121	134

The Group's and the Company's total cash outflow for all leases including leases expenses relating to short-term and low value assets in 2022 are RM3,276,000 (2021: RM2,941,000) and RM121,000 (2021: RM134,000) respectively.

11.3 The Group's leasing activities

The Group leases offices and a warehouse. Rental contracts are typically made for fixed periods of 5 to 6 years, but may have extension or termination options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

NOTES TO THE FINANCIAL STATEMENTS

12 INVESTMENTS IN SUBSIDIARIES

	Company	
	2022 RM'000	2021 RM'000
Unquoted shares – at cost	391,572	391,572

Note 4(ii) sets out the key assumptions and judgements used in impairment testing. The recoverable amounts of Carlsberg Singapore Pte. Ltd. assessed were higher than the respective carrying costs of investment and therefore no impairment was 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	
			2022 %	2021 %
Carlsberg Marketing Sdn. Bhd.	Marketing and distribution of beer, stout, cider, shandy and non-alcoholic beverages	Malaysia	100	100
Euro Distributors Sdn. Bhd.	Marketing and distribution of non-alcoholic beverages	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	
	2022 %	2021 %
MayBev Pte. Ltd.	49	49

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12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Set out below is the 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.	
	2022 RM'000	2021 RM'000
<u>At 31 December</u>		
Non-current assets	4,287	6,424
Current assets	41,758	27,564
Non-current liabilities	(5,647)	(2,966)
Current liabilities	(23,912)	(19,637)
Net assets	16,486	11,385
Accumulated non-controlling interests	6,462	4,456
<u>Year ended 31 December</u>		
Revenue	134,678	78,447
Profit for the financial year	15,950	6,892
Total comprehensive income	15,950	6,892
Profit allocated to non-controlling interests	7,815	3,377
Dividend paid to non-controlling interests	5,809	5,694
Cash flow generated from operating activities	20,527	10,278
Cash flow used in investing activities	(153)	(215)
Cash flow used in financing activities	(14,849)	(5,781)
Net changes in cash and cash equivalents	5,525	4,282

13 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Quoted shares, outside Malaysia	25,164	25,164	25,164	25,164
Share of post-acquisition reserves	41,709	69,584	-	-
	66,873	94,748	25,164	25,164
Market value				
Quoted shares, outside Malaysia	135,298	221,655	135,298	221,655

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENT IN AN ASSOCIATE (CONTINUED)

The fair value of the investment in the associate falls under Level 1 in the fair value level hierarchy.

Name of company	Principal activities	Principal place of business/ country of incorporation	Effective ownership interest	
			2022 %	2021 %
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:

	2022 RM'000	2021 RM'000
<u>At 31 December</u>		
Non-current assets	261,675	424,938
Current assets	374,006	363,187
Non-current liabilities	(89,672)	(163,947)
Current liabilities	(278,522)	(245,185)
Net assets	267,487	378,993
<u>Year ended 31 December</u>		
Revenue	1,253,821	1,133,878
Interest income	17,747	11,802
Interest expense	(21,994)	(18,113)
Tax expense	(54,661)	(37,425)
Profit for the financial year	86,074	60,719
Total comprehensive income	86,074	60,719
Dividends received from associate	7,550	7,531

Reconciliation to carrying amount:

	2022 RM'000	2021 RM'000
Net assets as at 1 January	378,993	369,944
Profit for the financial year	86,074	60,719
Dividend paid	(30,201)	(30,124)
Exchange differences	(167,379)	(21,546)
Net assets as at 31 December	267,487	378,993
Group share at 25%	66,873	94,748
Carrying amount	66,873	94,748

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 therefore, has deemed the option's fair value to be insignificant.

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14 DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Group</u>						
Property, plant and equipment	-	-	(21,234)	(23,974)	(21,234)	(23,974)
Right-of-use assets	-	-	(272)	(635)	(272)	(635)
Trade and other receivables	-	1,893	(736)	-	(736)	1,893
Trade and other payables	18,110	15,311	-	-	18,110	15,311
Lease liabilities	346	679	-	-	346	679
Others	1,086	-	-	(1,137)	1,086	(1,137)
Tax assets/(liabilities)	19,542	17,883	(22,242)	(25,746)	(2,700)	(7,863)
Offsetting	(13,372)	(10,723)	13,372	10,723	-	-
Net tax assets/(liabilities)	6,170	7,160	(8,870)	(15,023)	(2,700)	(7,863)
<u>Company</u>						
Property, plant and equipment	-	-	(18,951)	(21,428)	(18,951)	(21,428)
Trade and other payables	9,273	7,930	-	-	9,273	7,930
Others	1,086	-	-	(1,137)	1,086	(1,137)
Tax assets/(liabilities)	10,359	7,930	(18,951)	(22,565)	(8,592)	(14,635)
Offsetting	(10,359)	(7,930)	10,359	7,930	-	-
Net tax liabilities	-	-	(8,592)	(14,635)	(8,592)	(14,635)

NOTES TO THE FINANCIAL STATEMENTS

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Movement in temporary differences during the financial year:

Group	At	Recognised	Recognised	Foreign	At	Recognised	Recognised	Foreign	At
	1.1.2021	to profit	to other	exchange	31.12.2021	to profit	to other	exchange	31.12.2022
	RM'000	or loss	income	differences	RM'000	or loss	income	differences	RM'000
		(Note 7)	(Note 7)	RM'000		(Note 7)	(Note 7)	RM'000	
Property, plant and equipment	(24,206)	237	-	(5)	(23,974)	2,767	-	(27)	(21,234)
Right-of-use assets	(948)	324	-	(11)	(635)	387	-	(24)	(272)
Trade and other receivables	(628)	2,521	-	-	1,893	(2,629)	-	-	(736)
Trade and other payables	9,980	5,325	-	6	15,311	2,704	-	95	18,110
Lease liabilities	995	(328)	-	12	679	(361)	-	28	346
Others	(1,027)	-	(110)	-	(1,137)	-	2,223	-	1,086
	(15,834)	8,079	(110)	2	(7,863)	2,868	2,223	72	(2,700)
<u>Company</u>									
Property, plant and equipment	(21,508)	80	-	-	(21,428)	2,477	-	-	(18,951)
Trade and other payables	4,325	3,605	-	-	7,930	1,343	-	-	9,273
Others	(1,027)	-	(110)	-	(1,137)	-	2,223	-	1,086
	(18,210)	3,685	(110)	-	(14,635)	3,820	2,223	-	(8,592)

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15 INVENTORIES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Finished goods	101,966	57,798	17,190	18,846
Work-in-progress	3,574	3,728	3,574	3,728
Raw, packaging and other materials	13,277	10,754	13,215	10,705
Spare parts for machinery	5,623	6,673	5,192	6,342
	124,440	78,953	39,171	39,621
Recognised in profit or loss:				
Allowance for inventories written down	4,314	5,574	1,894	5,630
Finished goods written off	3,658	2,465	324	-
Inventories recognised as Cost of Sales	278,472	202,193	218,453	142,751

16 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group			Company	
		31.12.2022 RM'000	31.12.2021 RM'000 Restated	1.1.2021 RM'000 Restated	2022 RM'000	2021 RM'000
<u>Current</u>						
<u>Trade</u>						
Trade receivables from contracts with customers	16.1	397,041	273,820	241,364	-	-
Less: Loss allowance		(1,177)	(1,366)	(1,017)	-	-
		395,864	272,454	240,347	-	-
Prepayments	16.3	41,952	39,993	40,019	27,418	34,539
Amount due from immediate holding company	16.2	-	1,959	2,082	-	1,959
Amount due from subsidiaries	16.2	-	-	-	25,072	-
Amounts due from related companies	16.2	2,210	3,568	8,771	2,210	3,531
		440,026	317,974	291,219	54,700	40,029

NOTES TO THE FINANCIAL STATEMENTS

16 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

	Note	Group			Company	
		31.12.2022 RM'000	31.12.2021 RM'000 Restated	1.1.2021 RM'000 Restated	2022 RM'000	2021 RM'000
<u>Non-trade</u>						
Amount due from immediate holding company	16.2	253	-	-	-	-
Amount due from a subsidiary	16.2	-	-	-	63	281
Amount due from related companies	16.2	-	-	191	-	-
Amount due from an associate	16.2	2,450	-	-	2,450	-
Other receivables		2,402	1,532	2,576	741	507
Deposits		1,471	1,848	1,180	55	45
Prepayments		413	377	100	105	30
		6,989	3,757	4,047	3,414	863
		447,015	321,731	295,266	58,114	40,892

16.1 Trade receivables from contracts with customers

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.

Included in trade receivables is a portfolio of receivables which are subject to factoring arrangement. Under this arrangement, the Group will transfer the relevant trade receivables to a bank in exchange for cash with no recourse to the Group subsequent to the transfer. The Group considers the hold to collect and sell business model remains appropriate for these receivables and therefore continues to measure these financial assets at FVOCI as disclosed in Note 24.1. This instrument is carried under the Level 3 fair value hierarchy which is determined through discounting future cash flows at agreed bank charges rates. The fair value of the debt instruments is equivalent to the carrying amount as the initial cost assessed is insignificant.

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

The trade balances have a credit term of 30 days (2021: 30 days).

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

16.3 Prepayments

Prepayments comprise excise duties and upfront cash payments in relation 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 a discount to revenue.

Refer to Note 24.7 for disclosure of fair value information.

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17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash at bank	91,200	75,537	6,639	6,124
Cash held on hand	51	49	-	-
	91,251	75,586	6,639	6,124

18 SHARE CAPITAL

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Issued and fully paid-up:				
- 305,748,000 ordinary shares with no par value				
At beginning/end of financial year	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.

Reserves

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other reserves:					
Capital reserve	18.1	3,931	3,931	-	-
Exchange reserve	18.2	(48,790)	(8,906)	-	-
Equity contribution reserve	18.3	2,420	2,131	2,029	1,659
Cash flow hedge reserve	18.4	(4,734)	2,307	(4,734)	2,307
		(47,173)	(537)	(2,705)	3,966
Distributable reserves:					
Retained earnings		45,465	62,300	177,088	292,124
		(1,708)	61,763	174,383	296,090

NOTES TO THE FINANCIAL STATEMENTS

18 SHARE CAPITAL (CONTINUED)

18.1 Capital reserve

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

18.2 Exchange reserve

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 Equity contribution reserve

Equity contribution reserve comprises the cumulative value of employee services received for the performance shares granted by the ultimate holding company. The grant date fair value of the performance share 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 performance shares. Any reimbursement to Carlsberg A/S in relation to the share-based incentive programme 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 have applied cash flow hedge. 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.

As at 31 December 2022, the unrealised fair value loss on cash flow hedge included in the amount due from immediate holding company (trade) was RM6,229,000 (2021: fair value gain of RM3,036,000).

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19 PAYABLES AND ACCRUALS

	Note	Group			Company	
		31.12.2022 RM'000	31.12.2021 RM'000 Restated	1.1.2021 RM'000 Restated	2022 RM'000	2021 RM'000
<u>Non-current</u>						
Provision		355	334	329	-	-
<u>Current</u>						
<u>Trade</u>						
Trade payables	19.1	530,891	401,915	363,007	124,841	103,122
Amount due to immediate holding company	19.2	18,003	2,294	3,338	8,001	-
Amount due to a subsidiary	19.2	-	-	-	-	2,017
Amounts due to related companies	19.2	5,039	11,697	9,361	-	-
		553,933	415,906	375,706	132,842	105,139
<u>Non-trade</u>						
Other payables	19.3	71,846	21,314	11,448	53,403	12,339
Accrued expenses		79,174	57,600	49,243	24,771	16,188
Amount due to immediate holding company	19.4	3,403	547	1,077	3,403	417
Amount due to a subsidiary	19.5	-	-	-	142,364	94,761
Amounts due to related companies	19.4	13,077	7,097	8,052	10,123	6,088
		167,500	86,558	69,820	234,064	129,793
		721,433	502,464	445,526	366,906	234,932
		721,788	502,798	445,855	366,906	234,932

19.1 Trade payables carry credit terms ranging from 0 to 130 days (2021: 0 to 130 days).

Included in trade payables of the Group are trade offer accruals amounting to RM244,114,000 (2021: RM186,858,000) which is payable in the next twelve months.

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, subsidiary and related companies

Amounts due to immediate holding company, subsidiary and related companies are unsecured, interest free and subject to credit terms of 90 days (2021: 90 days).

19.3 These amounts comprise liabilities of goods and services provided to the Group and the Company. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTES TO THE FINANCIAL STATEMENTS

19 PAYABLES AND ACCRUALS (CONTINUED)

19.4 Amounts due to immediate holding company and related companies

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

19.5 Amounts due to a subsidiary

The Company has entered into a cash pooling arrangement with its subsidiary. The cash pooling arrangement is repayable on demand, unsecured, and subjected to fixed interest rate of 2.5% (2021: 2.5%) based on an overnight sweep arrangement. Interest expenses from the cash pooling arrangement amounting to RM4,730,000 (2021: RM2,811,000) is presented within the finance cost in the statements of comprehensive income.

20 LOANS AND BORROWINGS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Non-current - unsecured</u>				
Term loan	4,046	5,504	-	-
	4,046	5,504	-	-
<u>Current - unsecured</u>				
Term loan	1,810	1,667	-	-
Revolving credits	115,122	31,623	115,122	10,000
	116,932	33,290	115,122	10,000

The term loan of the Group is subjected to fixed interest rate of 2% per annum.

The revolving credits of the Group and the Company are subjected to interests ranging from 3.24% to 3.50% (2021: 0.84% to 2.17%) per annum.

As at 31 December 2022, the Group and the Company has undrawn facilities of RM249 million and RM185 million (2021: RM331 million and RM292 million) respectively.

The maturity analysis of the loans and borrowings at end of reporting date is disclosed in Note 24.5 under liquidity risk.

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21 KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors:				
- Fees	402	311	402	311
- Defined contribution plan	172	178	172	178
- Short-term employee benefits (including estimated monetary value of benefits-in-kind)	3,436	3,115	3,436	3,115
	4,010	3,604	4,010	3,604
- Share-based payments	523	521	523	521
	4,533	4,125	4,533	4,125
Other key management personnel:				
- Defined contribution plan	1,027	1,059	399	318
- Short-term employee benefits	15,418	13,887	3,893	4,134
- Share-based payments	818	606	411	54
	17,263	15,552	4,703	4,506
	21,796	19,677	9,236	8,631

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

22 DIVIDENDS

Dividends declared by the Company are:

	Sen per ordinary share	Total amount RM'000	Date of payment
<u>2022</u>			
Final 2021	46.0	140,644	12 May 2022
First interim 2022	22.0	67,265	22 June 2022
Second interim 2022	22.0	67,264	15 September 2022
Third interim 2022	19.0	58,092	9 December 2022
Total amount		333,265	
<u>2021</u>			
Interim 2020	10.0	30,575	2 April 2021
Final 2020	30.0	91,724	18 May 2021
Interim 2021	10.0	30,575	17 November 2021
Total amount		152,874	

NOTES TO THE FINANCIAL STATEMENTS

22 DIVIDENDS (CONTINUED)

The Board of Directors recommended for shareholders' approval at the forthcoming Annual General Meeting a final single-tier dividend of 25.0 sen per ordinary share in respect of the financial year ended 31 December 2022.

	Sen per ordinary share	Total amount RM'000
<u>For the financial year ended 31 December 2022</u>		
Final	25.0	76,437

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.
- **Others** 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.

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23 OPERATING SEGMENTS (CONTINUED)

	Malaysia RM'000	Singapore RM'000	Others RM'000	Total RM'000
<u>2022</u>				
Segment profit	332,490	89,859	-	422,349
Included in the measure of segment profit are:				
Revenue from external customers	1,732,561	679,904	-	2,412,465
Inter-segment revenue*	48,546	-	-	48,546
Depreciation and amortisation	40,923	5,432	-	46,355
Impairment	2,445	-	-	2,445
Not included in the measure of segment profit but provided to Group's Managing Director:				
Finance costs	(2,558)	(449)	-	(3,007)
Finance income	784	-	-	784
Income tax expense	(103,641)	(15,903)	-	(119,544)
Share of profit of equity - accounted associate, net of tax	-	-	21,519	21,519
<u>2021</u>				
Segment profit	189,851	58,014	-	247,865
Included in the measure of segment profit are:				
Revenue from external customers	1,211,766	561,055	-	1,772,821
Inter-segment revenue*	56,387	-	-	56,387
Depreciation and amortisation	52,601	4,647	-	57,248
Not included in the measure of segment profit but provided to Group's Managing Director:				
Finance costs	(2,890)	(307)	-	(3,197)
Finance income	749	-	-	749
Income tax expense	(46,227)	(8,981)	-	(55,208)
Share of profit of equity - accounted associate, net of tax	-	-	15,180	15,180

* Inter-segment revenue derived from Singapore.

NOTES TO THE FINANCIAL STATEMENTS

23 OPERATING SEGMENTS (CONTINUED)

Reconciliation of segment profit or loss

	2022 RM'000	2021 RM'000
<u>Profit</u>		
Total segment profit	422,349	247,865
Inter-segment elimination	2,760	(1,024)
Finance costs	(3,007)	(3,197)
Finance income	784	749
Share of profit of equity - accounted associate, net of tax	21,519	15,180
Consolidated profit before taxation	444,405	259,573

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Non-current assets are based on the geographical location of the assets.

	Revenue		Non-current assets*	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Geographical location</u>				
Malaysia	1,691,202	1,171,040	308,114	214,285
Singapore	691,925	574,347	13,914	12,482
Other countries	29,338	27,434	66,872	94,748
	2,412,465	1,772,821	388,900	321,515

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

Major customers

The revenue derived from transactions with single external customer that amounted to 10% or more of the Group's revenue for the financial year was RM465,144,000 (2021: RM685,239,000 was derived from transactions with two external customers).

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24 FINANCIAL INSTRUMENTS

24.1 Financial instruments by categories

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

	Group			Company	
	31.12.2022 RM'000	31.12.2021 RM'000 Restated	1.1.2021 RM'000 Restated	2022 RM'000	2021 RM'000
<u>Financial assets at FVOCI</u>					
Receivables	81,442	86,675	45,216	-	-
<u>Financial assets at amortised cost</u>					
Receivables and deposits	323,208	194,686	209,931	30,591	6,323
Cash and cash equivalents	91,251	75,586	93,991	6,639	6,124
	414,459	270,272	303,922	37,230	12,447
<u>Financial liabilities at amortised cost</u>					
Payables and accruals*	(678,677)	(475,626)	(425,307)	(352,819)	(225,799)
Loans and borrowings	(120,978)	(38,794)	(122,540)	(115,122)	(10,000)
Lease liabilities	(4,798)	(3,911)	(5,839)	-	-
	(804,453)	(518,331)	(553,686)	(467,941)	(235,799)

* Net of provisions and payroll liabilities

24.2 Net gains/(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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial assets at FVOCI and amortised cost	(250)	646	(1,104)	175
Financial liabilities at amortised cost	(3,397)	(3,814)	(6,930)	(5,387)

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONTINUED)

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 (including intercompany balances) using simplified approach

- (a) The credit risks concentration profile for trade receivables (including intercompany balances), net of loss allowance, as at the end of the reporting period analysed by geographic region was:

	Group			Company	
	31.12.2022 RM'000	31.12.2021 RM'000 Restated	1.1.2021 RM'000 Restated	2022 RM'000	2021 RM'000
Malaysia	295,594	198,612	162,953	25,072	-
Singapore	99,712	74,150	77,478	-	-
Others	2,768	5,219	10,769	2,210	5,490
	398,074	277,981	251,200	27,282	5,490

- (b) Reconciliation on loss allowance

The loss allowance for trade and other receivables as at 31 December 2022 reconciles to the opening loss allowance for that provision as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	(1,366)	(1,017)	-	-
Loss allowance recognised	(87)	(1,110)	-	-
Loss allowance reversed	276	587	-	-
Loss allowance written off	-	174	-	-
At 31 December	(1,177)	(1,366)	-	-

The loss allowance account in respect of trade and other receivables are 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.

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24 FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Trade receivables (including intercompany balances) using simplified approach (continued)

(c) Maximum exposure to credit risk

The grouping of trade receivables (including intercompany balances) for ECL assessment is as below:

	Group			Company	
	31.12.2022 RM'000	31.12.2021 RM'000 Restated	1.1.2021 RM'000 Restated	2022 RM'000	2021 RM'000
Assessed collectively	399,251	279,347	252,217	27,282	5,490
Total trade receivables (including intercompany balances)	399,251	279,347	252,217	27,282	5,490

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised:

Group	Current	1 - 30 days past due	More than 30 days past due	More than 60 days past due	Total
<u>31.12.2022</u>					
Expected loss rate	-	-	-	35%	
<u>RM'000</u>					
Gross carrying amount					
- Trade receivables (assessed collectively)	375,860	14,992	2,974	3,215	397,041
- Amounts due from related companies	1,151	826	116	117	2,210
Carrying amount	377,011	15,818	3,090	3,332	399,251
Loss allowance	-	-	-	(1,177)	(1,177)
Carrying amount (net of loss allowance)	377,011	15,818	3,090	2,155	398,074

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Trade receivables (including intercompany balances) using simplified approach (continued)

(c) Maximum exposure to credit risk (continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised: (continued)

Group	Current	1 - 30 days past due	More than 30 days past due	More than 60 days past due	Total
<u>31.12.2021 (Restated)</u>					
Expected loss rate	-	-	16%	71%	
<u>RM'000</u>					
Gross carrying amount					
- Trade receivables (assessed collectively)	267,192	4,082	824	1,722	273,820
- Amounts due from related companies	1,723	1,808	37	-	3,568
- Amount due from immediate holding company	1,959	-	-	-	1,959
Carrying amount	270,874	5,890	861	1,722	279,347
Loss allowance	-	-	(139)	(1,227)	(1,366)
Carrying amount (net of loss allowance)	270,874	5,890	722	495	277,981
<u>1.1.2021 (Restated)</u>					
Expected loss rate	-	-*	4%	65%	
<u>RM'000</u>					
Gross carrying amount					
- Trade receivables (assessed collectively)	233,851	5,247	747	1,519	241,364
- Amounts due from related companies	3,866	4,875	30	-	8,771
- Amount due from immediate holding company	2,082	-	-	-	2,082
Carrying amount	239,799	10,122	777	1,519	252,217
Loss allowance	-	(4)	(33)	(980)	(1,017)
Carrying amount (net of loss allowance)	239,799	10,118	744	539	251,200

* Less than 1%

The Company's trade intercompany balances were considered fully recoverable, and no loss allowance has been recognised during the current financial year (2021: Nil).

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24 FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Group has transactions with related companies. The Group monitors the collectability of the amounts owing from related companies regularly.

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.

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
AAA	25,096	21,185	6,549	6,062
AA1	77	37	61	33
AA2	-	-	-	-
AA3	95	849	29	29
A1	65,932	53,466	-	-
	91,200	75,537	6,639	6,124

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONTINUED)

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.

The Group's and the Company's current liabilities exceeded its current assets by RM225.0 million and RM377.7 million (2021: RM89.6 million and RM154.9 million) respectively as of 31 December 2022. In considering liquidity risk, the Group has reviewed the cash flow and funding requirements for the next 12 months from the date of approval of the financial statements. The cash flow forecasts have been prepared, taking into consideration sources of liquidity to fund anticipated operating activities, investing activities, repayments of financing obligations and returns to shareholders.

The key assumption underpinning the Group's and the Company's cash flow and funding requirements is the continuous profitable performance of both the Group and Company in the next 12 months from the date of approval of the financial statements based on market expectations and forecasts to generate sufficient net cash inflow from its operating activities. In the current financial year, both the Group and the Company have registered net profits of RM324.9 million and RM218.7 million (2021: RM204.4 million and RM165.4 million) respectively and generated net cash inflow from operating activities of RM414.5 million and RM95.0 million (2021: RM275.9 million and RM35.9 million) respectively.

As disclosed in Note 20, as of 31 December 2022, the Group and Company has undrawn credit facilities of RM249.0 million and RM185.0 million respectively. These undrawn credit facilities are available as and when it is needed, for the next 12 months from the date of approval of the financial statements to fund the working capital and financing requirements of its business.

At Company level, the Company would be able to meet its obligations or liabilities as and when it is needed, through the available funds from the undrawn banking facilities and dividend income from its profitable subsidiaries.

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

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24 FINANCIAL INSTRUMENTS (CONTINUED)

24.5 Liquidity risk (continued)

Maturity analysis

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000
<u>Group</u>						
<u>31.12.2022</u>						
Payables and accruals*	678,677	-	678,677	678,677	-	-
Loans and borrowings	120,978	2.00-3.50	121,221	117,082	1,910	2,229
Lease liabilities	4,798	0.71-4.05	5,111	2,421	2,421	269
	804,453		805,009	798,180	4,331	2,498
<u>31.12.2021 (Restated)</u>						
Payables and accruals*	475,626	-	475,626	475,626	-	-
Loans and borrowings	38,794	0.84-2.17	39,155	33,470	1,795	3,890
Lease liabilities	3,911	4.05	4,162	1,471	1,346	1,345
	518,331		518,943	510,567	3,141	5,235
<u>1.1.2021 (Restated)</u>						
Payables and accruals*	425,307	-	425,307	425,307	-	-
Loans and borrowings	122,540	0.95-3.47	123,568	123,568	-	-
Lease liabilities	5,839	4.05	6,257	2,095	1,471	2,691
	553,686		555,132	550,970	1,471	2,691

* Net of provisions, payroll liabilities and amount due to a subsidiary (non-trade)

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000
<u>Company</u>						
<u>2022</u>						
Payables and accruals*	210,455	-	210,455	210,455	-	-
Loans and borrowings	115,122	3.24-3.50	115,171	115,171	-	-
Amount due to a subsidiary (non-trade)	142,364	2.50	142,364	142,364	-	-
	467,941		467,990	467,990	-	-
<u>2021</u>						
Payables and accruals*	131,038	-	131,038	131,038	-	-
Loans and borrowings	10,000	2.17	10,017	10,017	-	-
Amount due to a subsidiary (non-trade)	94,761	2.50	94,761	94,761	-	-
	235,799		235,816	235,816	-	-

* Net of provisions, payroll liabilities and amount due to a subsidiary (non-trade)

24.6 Market risk

Market risk comprises currency risk, price risk and interest rate risk 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 Sri Lankan Rupee ("LKR").

The Group holds a number of investments in foreign subsidiaries and associate where the translation of net assets to Ringgit Malaysia ("RM") is exposed to foreign exchange risks. The revaluation of the net investments of the Group's foreign operations is recognised in OCI. The currency giving rise to the risk in terms of revaluation of the net investment is primarily from LKR due both to the size of the net investment and to the economic situation in Sri Lanka which resulted in high volatility of LKR currency.

Risk management objectives, policies and processes for managing the risk

The Group and the Company did not hedge on any net investments, foreign trade receivables and trade payables denominated in foreign currency during the financial 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.

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24 FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

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	LKR RM'000
<u>Group</u>				
<u>31.12.2022</u>				
Trade receivables	2,545	-	-	-
Cash and cash equivalents	6,731	368	-	4,453
Trade payables	(22,620)	(343)	(2,874)	-
Intercompany balances	(4,964)	6,860	(385)	-
Net exposure	(18,308)	6,885	(3,259)	4,453
<u>31.12.2021 (Restated)</u>				
Trade receivables	2,430	-	-	-
Cash and cash equivalents	7,118	399	-	6,584
Trade payables	(12,436)	(477)	(5,720)	-
Intercompany balances	(8,519)	-	(520)	-
Net exposure	(11,407)	(78)	(6,240)	6,584
<u>1.1.2021 (Restated)</u>				
Trade receivables	3,805	-	-	-
Cash and cash equivalents	7,165	6,551	-	-
Trade payables	(11,258)	(320)	(948)	-
Intercompany balances	(478)	-	(1,202)	-
Net exposure	(766)	6,231	(2,150)	-

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

	Denominated in			
	USD RM'000	SGD RM'000	EUR RM'000	LKR RM'000
<u>Company</u>				
<u>2022</u>				
Cash and cash equivalents	1,848	209	-	4,453
Trade payables	(19,079)	-	(1,477)	-
Intercompany balances	2,210	6,860	-	-
Net exposure	(15,021)	7,069	(1,477)	4,453
<u>2021</u>				
Cash and cash equivalents	239	89	-	6,584
Trade payables	(10,630)	(3)	(4,724)	-
Intercompany balances	3,531	-	-	-
Net exposure	(6,860)	86	(4,724)	6,584

Currency risk sensitivity analysis

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

A 2% (2021: 2%) 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. A 2% (2021: 2%) weakening of the following currencies against RM would have the equal but opposite effect to the amounts shown below, on the basis that all other variables remain constant.

	Group			Company	
	31.12.2022 RM'000	31.12.2021 RM'000 Restated	1.1.2021 RM'000 Restated	2022 RM'000	2021 RM'000
USD	366	228	15	300	137
SGD	(137)	2	(125)	(141)	(2)
EUR	65	125	43	30	94
	294	355	(67)	189	229

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24 FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

Currency risk sensitivity analysis (continued)

The effects to the Group's and the Company's post-tax profit or loss if the LKR had further weakened by a similar basis comparable with current year at 40% (2021:2%) against RM are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
LKR	1,781	132	1,781	132

A 40% (2021: 2%) strengthening of LKR against RM would have the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

24.6.2 Price risk

The Group is exposed to price risk arising from the fluctuating prices of aluminium cans. To manage its price risk arising from prices of aluminium cans, the Group engages in the hedging of aluminium prices. Hedging is performed by fixed-price purchase agreement with suppliers. The fair value of the cash flow hedge is disclosed in the consolidated statement of changes in equity.

24.6.3 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.

The Group's and 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 rate fluctuations. In year 2021, the Group entered into long-term bank loans at fixed interest rate. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings.

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Floating rate instruments</u>				
Loan and borrowings	(115,122)	(31,623)	(115,122)	(10,000)

The Group has variable rate borrowing such as revolving credits and the Group considers the risk of significant changes to interest rate on these borrowings to be unlikely due to the relative short-term nature of the borrowings. The Group actively reviews its debt portfolio to manage the timings of repayment of these borrowings and monitors the interest rates on these borrowings closely to ensure they are maintained at favourable rates.

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

24.6.3 Interest rate risk (continued)

As at the reporting date, if the annual interest rates increase/decrease by 0.5% (2021: 0.5%) respectively and all other variables including tax and interest rates being held constant, the profit after tax will be higher/lower by RM713,000 (2021: RM188,000) as a result of higher/lower interest expense on these borrowings. However, since all fixed-rate borrowings are measured at amortised cost, there is no impact on profit or loss. The sensitivity analysis is based on the financial instruments recognised at the reporting date.

24.7 Fair value of financial instruments

The carrying amounts of the current financial assets and liabilities of the Group and the Company measured at amortised cost as at the reporting date 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 ratio is calculated as total debt divided by total capital. Total debt is calculated as sum of total borrowings (including "current and non-current loan and borrowing" and "lease liabilities" as shown in the statement of financial position). Total capital is calculated as sum of total equity and total debt.

The gearing ratio as at 31 December 2022 and 2021 are as follows:

	Group	
	2022 RM'000	2021 RM'000
Total debt	125,776	42,705
Total equity	154,117	215,582
Total capital	279,893	258,287
Gearing ratio	45%	17%

26 CAPITAL COMMITMENTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Authorised and contracted for				
- Property, plant and equipment	4,929	73,196	4,021	71,210

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27 EFFECT OF IBOR REFORM

As at reporting date, there is no change to the Group's KLIBOR-linked contracts. The Group will closely monitor the regulators' announcement on the alternative benchmark rate or discontinuation of publication of the KLIBOR for the relevant tenors; and engage the counterparties to discuss necessary changes to the related contracts.

28 SIGNIFICANT EVENTS DURING THE YEAR

Devaluation in Sri Lanka Rupees "LKR"

On 7 March 2022, the Central Bank of Sri Lanka (CBSL) announced that it would allow greater flexibility in the exchange rate and hence devalued the currency to LKR.230 per US dollar. For the Group's books, the closing rate as at 31 December 2022 was LKR.82.71 per RM1 compared with the December 2021 closing rate of LKR.48.73 per RM1, approximately 70% devaluation against RM. As a result, under the Group's investment in its associate, Lion Brewery (Ceylon) PLC ("LBCP"), an unrealised foreign exchange loss amounting to approximately RM41.8 million was recorded as at 31 December 2022.

One-time surcharge tax in Sri Lanka

In the 2022 Sri Lanka's National Budget, the Sri Lanka government proposed a one-time retrospective surcharge tax at a rate of 25% for companies with a taxable income exceeding Sri Lankan Rupee 2 billion for the year of assessment 2020/2021. The Surcharge Tax Act No. 14 of 2022 was passed by the Sri Lanka parliament on 8 April 2022. Consequently, LBCP incur a surcharge tax of LKR.1,194 million (approximately RM14.8 million) attributable to its taxable income of LKR.4,776 million (approximately RM59.4 million) in respect of its financial year ended 31 March 2021. The Group has accounted for Carlsberg Malaysia's share of the additional tax expense amounts to approximately LKR.298.5 million, equivalent to RM3.7 million in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

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
Euro Distributors Sdn. Bhd.	Malaysia	Subsidiary
MayBev Pte. Ltd.	Singapore	Subsidiary
Lion Brewery (Ceylon) PLC	Sri Lanka	Associate
Carlsberg Supply Company AG	Switzerland	Fellow subsidiary
Brasseries Kronenbourg SAS	France	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
Carlsberg Vietnam Breweries Limited	Vietnam	Fellow subsidiary
Lao Brewery Co. Ltd.	Laos	Fellow subsidiary
Carlsberg Brewery (Anhui) Company Ltd	China	Fellow subsidiary
Cambrew Limited	Cambodia	Fellow subsidiary
Monster the Cat GmbH	Switzerland	Fellow subsidiary
Saku Õlletehase AS	Estonia	Fellow subsidiary
Carlsberg Taiwan Trading Company Ltd.	Taiwan	Associate company of immediate holding company

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.

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29 RELATED PARTIES (CONTINUED)

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Ultimate holding company</u>				
Reimbursement for share based payments granted to employees	1,668	1,564	1,274	1,164
<u>Immediate holding company</u>				
Purchases of materials and products	-	18	-	-
Purchases of services	9,488	7,465	4,993	4,143
Royalties	41,947	29,603	10,242	5,237
Net settlements in respect of gain from hedging contracts	(2,485)	(6,875)	(2,485)	(6,875)
<u>Related companies</u>				
Management fees	11,340	12,081	7,416	7,074
Purchases of materials and products	41,495	37,382	-	-
Purchase of kegs	1,560	-	-	-
Purchases of services	5,035	5,373	2,589	2,616
Sale of goods and services	(28,684)	(27,196)	(28,684)	(27,196)
Royalties	62	5	-	-

	Company	
	2022 RM'000	2021 RM'000
<u>Subsidiaries</u>		
Sale of goods and services	1,229,584	837,296
Management fee received	22,618	19,010
Operating leases income	954	780
Dividend income	224,705	173,545
Interest expenses on cash pooling arrangement	4,730	2,811
<u>Associate</u>		
Dividend income	7,550	7,531

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.

NOTES TO THE FINANCIAL STATEMENTS

30 RECLASSIFICATION

The Group has made certain reclassifications in its comparative financial information to conform with the current year's presentation. This reclassifications only impact the presentation of the Group's Statements of Financial Position and both the Group's and the Company's Statements of Cash Flows with no impact to the other statements.

30.1 In the current financial year, the Group has reclassified its trade offer accruals which was previously offset against the trade receivables from receivables, deposits and prepayments (Note 16) to payables and accruals (Note 19) as the Group does not have a legally enforceable right to offset these receivables with the trade offers accruals in all circumstances with its customers. Accordingly, the Group has also restated its comparative financial information to conform with the current year's presentation. The trade offer accruals are presented under trade payables under Note 19.

Impact to the Statements of Financial Position

	Before reclassification RM'000	Reclassification RM'000	After reclassification RM'000
At 31 December 2021			
<u>Current assets</u>			
Receivables, deposits and prepayments	134,873	186,858	321,731
<u>Current liabilities</u>			
Payables and accruals	(315,606)	(186,858)	(502,464)
At 1 January 2021			
<u>Current assets</u>			
Receivables, deposits and prepayments	130,830	164,436	295,266
<u>Current liabilities</u>			
Payables and accruals	(281,090)	(164,436)	(445,526)

Impact to the Statements of Cash Flows

	Before reclassification RM'000	Reclassification RM'000	After reclassification RM'000
For the financial year ended 31 December 2021:			
<u>Changes in working capital</u>			
Receivables, deposits and prepayments	(3,891)	(22,422)	(26,313)
Payables and accruals	32,334	22,422	54,756

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NOTES TO THE FINANCIAL STATEMENTS

30 RECLASSIFICATION (CONTINUED)

30.2 In the current financial year, the Company has reclassified the cash inflow of the advances from a subsidiary arising from its cash pooling arrangement as described in Note 19.5 from net cash generated from operating activities to net cash used in financing activities. These advances from a subsidiary are non-trade in nature and it is part of the Company's financing arrangement with its subsidiary. Accordingly, the Company has also restated its comparative financial information to conform with the current year's presentation.

Impact to the Company's Statement of Cash Flows

	Before reclassification RM'000	Reclassification RM'000	After reclassification RM'000
For the financial year ended 31 December 2021:			
Cash flows from operating activities:			
Changes in working capital: Payables and accruals	103,985	(94,761)	9,224
Cash generated from operations	130,953	(94,761)	36,192
Net cash generated from operating activities	130,675	(94,761)	35,914
Cash flows from financing activities:			
Advances from a subsidiary	-	94,761	94,761
Net cash used in financing activities	(264,318)	94,761	(169,557)