ACCOUNTANTS' REPORT ON PERMANIS
(Prepared for inclusion in this Abridged Prospectus)

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PERMANIS SDN BHD
ACCOUNTANTS' REPORT
(Prepared for inclusion in the Abridged Prospectus)

28 April 2004

The Board of Directors
C.I. Holdings Berhad
Level 17, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

Dear Sirs

1.0 INTRODUCTION

This report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Abridged Prospectus of C.I. Holdings Berhad to be dated 19 May 2004.

2.0 GENERAL INFORMATION

2.1 The Company

The Company was incorporated as a private limited company on 3 October 1973 under the name of Investico Construction Sdn Bhd. On 7 February 1975, the Company changed its name to its present name, Permanis Sdn Bhd.

The principal activities of the Company are selling, bottling and distribution of beverages.

The authorised and issued and paid-up share capital of the Company as at 31 December 2003 are as follows:-

	Amount RM
Authorised:	
90,850,000 ordinary shares of RM1.00 each	90,850,000
9,150,000 redeemable preference shares of RM1.00 each	9,150,000
Issued and paid-up:	
40,000,000 ordinary shares of RM1.00 each	40,000,000

2.2 The Subsidiary Companies

Information on the subsidiary companies is as follows:-

2.2.1 Permanis Sandilands Sdn Bhd ("PSSB")

PSSB was incorporated as a private limited company on 14 February 1974 under the name of Sandilands (Malaysia) Sdn Bhd. PSSB subsequently changed its name to Jardine Sandilands (Malaysia) Sdn Berhad on 9 March 1977, to Antah Jardine Sandilands Sdn Bhd on 22 February 1980 and to Antah Sandilands Sdn Bhd on 25 September 1986. On 25 January 2003, PSSB changed its name to its present name, Permanis Sandilands Sdn Bhd.

The principal activities of PSSB are marketing and distribution of beverages.

On 30 June 2001, Permanis acquired 8,400,000 ordinary shares of RM1.00 each representing 100% equity interest in PSSB for a cash consideration of RM1.00.

The authorised and issued and paid-up share capital of PSSB as at 31 December 2003 are as follows:-

	Amount RM
Authorised:	
30,400,000 ordinary shares of RM1.00 each	30,400,000
19,600,000 redeemable preference shares of RM1.00 each	19,600,000
Issued and paid-up:	
8,400,000 ordinary shares of RM1.00 each	8,400,000

2.2.2 Bevmac Sdn Bhd ("Bevmac")

Bevmac was incorporated as a private limited company on 25 July 1991 under the name of Antah Sandilands F&B Sdn Bhd. On 30 June 2000, Bevmac changed its name to its present name, Bevmac Sdn Bhd.

The intended principal activities of Bevmac are those relating to the distribution, selling, marketing, retailing and export of soft drinks and merchandise of all kinds. As at 31 December 2003 Bevmac has not commenced business operations.

On 7 June 2000, Permanis acquired 2 ordinary shares of RM1.00 each representing 100% equity interest in Bevmac for a cash consideration of RM2.00.

2.2 The Subsidiary Companies (contd.)

2.2.2 Bevmac Sdn Bhd ("Bevmac") (contd.)

The authorised and issued and paid-up share capital of Bevmac as at 31 December 2003 are as follows:-

	Amount RM
Authorised:	
3,750,000 ordinary shares of RM1.00 each	3,750,000
6,250,000 preference shares of RM1.00 each	6,250,000
Issued and paid-up:	
2 ordinary shares of RM1.00 each	2

2.2.3 Champs Water Sdn Bhd ("Champs")

Champs was incorporated as a private limited company on 28 February 2001 under the name of Fortune Prelude Sdn Bhd. On 7 August 2002, Champs changed its name to its present name, Champs Water Sdn Bhd.

The principal activities of Champs are selling, bottling and distribution of mineral water.

On 6 May 2002, Permanis acquired 2 ordinary shares of RM1.00 each representing 100% equity interest in Champs for a cash consideration of RM2.00.

The authorised and issued and paid-up share capital of Champs as at 31 December 2003 are as follows:-

	Amount RM
Authorised:	
100,000 ordinary shares of RM1.00 each	100,000
Issued and paid-up:	
2 ordinary shares of RM1.00 each	2

3.0 FINANCIAL STATEMENTS, BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

This report is based on the audited financial statements of Permanis and its subsidiary companies, PSSB, Bevmac and Champs which have been prepared in accordance with applicable approved accounting standards of the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965 and is presented on a basis consistent with the accounting policies normally adopted by the Group.

4.0 AUDITORS

The financial statements of Permanis and the subsidiary companies, PSSB, Bevmac and Champs ("Permanis Group" or "Group") for the relevant periods under review were audited by another firm of public accountants.

(a) Permanis

The financial statements of Permanis for the relevant periods under review were reported on by the auditors without qualification except for the period ended 31 December 2003. The Auditors' Reports of Permanis for the relevant periods under review did not include any emphasis of matter except for the financial years ended 30 June 1999, 2001, 2002 and 2003 and period ended 31 December 2003.

In the period ended 31 December 2003, the Auditors' Report for Permanis included qualification notes as follows:-

"The Group and the Company did not carry out physical count of its inventories and there were no practicable alternative auditing procedures that we could apply to confirm the quantities. Owing to the nature of the Group's and of the Company's records, we have been unable to satisfy ourselves as to the existence of inventories valued at RM16,701,874 and RM6,774,525 as at 31 December 2003 respectively.

The Company and a subsidiary company's accounting treatment for retirement benefit as indicated in Note 26 is not in compliance with the provision of MASB 29 Employee Benefits in which actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses. The obligations are measured on a discounted basis. As such, we are unable to satisfied ourselves as to the accuracy of the liabilities in respect of the retirement benefits plan amounted to RM323,502 as at 31 December 2003."

In the financial year ended 30 June 1999, the Auditors' Report for Permanis included an emphasis of matter note as follows:-

"Although the Company is taking reasonable steps to ensure its own systems are Y2K ready, it also relies on many third parties for products and services whose state of preparedness for the Y2K are beyond the Company's control. Should the third parties fail to properly operate and manage dates beyond 1999, this may adversely affect the Company's business operations and financial results. The Directors, however, believe that the impact could be minimised as the Company is taking reasonable steps to overcome the Y2K issue."

In the financial years ended 30 June 2001 and 2002, the Auditors' Reports for Permanis included an emphasis of matter note as follows:-

"The continuation of the Group as a going concern depends on the Group's ability to operate profitably in the foreseeable future and continue to receive adequate financial support from its shareholders. In the event that the going concern basis of preparing the financial statements of the Group is inappropriate, adjustments will have to be made to reclassify long term assets as current assets, long term liabilities as current liabilities, to restate the carrying value of the assets to their recoverable amounts and to provide for further liabilities which may arise."

4.0 AUDITORS (CONTD.)

(a) Permanis (Contd.)

In the financial year ended 30 June 2003 and period ended 31 December 2003, the Auditors' Reports for Permanis included an emphasis of matter note as follows:-

"The continuation of the Group as a going concern depends on the Group's ability to operate profitably in the foreseeable future and continue to receive adequate financial support from its shareholders. Should the going concern basis of preparing the financial statements of the Group be inappropriate, adjustments will have to be made to restate the carrying values of the assets to their recoverable amounts, to provide for further liabilities which may arise and to reclassify non-current assets and long term liabilities as current assets and current liabilities respectively."

(b) PSSB

The financial statements of PSSB for the relevant periods under review were reported on by the auditors without qualification except for the period ended 31 December 2003. The auditors' reports of PSSB for the relevant periods under review did not include any emphasis of matter except for the financial years ended 30 June 1999, 2001, 2002 and 2003 and period ended 31 December 2003.

In the period ended 31 December 2003, the Auditors' Report for PSSB included qualification notes as follows:-

"The Company did not carry out physical count of its inventories and there were no practicable alternative auditing procedures that we could apply to confirm the quantities. Owing to the nature of the Company's records, we have been unable to satisfy ourselves as to the existence of inventories amounted to RM11,299,577 as at 31 December 2003.

The Company's accounting treatment for retirement benefit as indicated in Note 15 is not in compliance with the provision of MASB 29 Employee Benefits in which actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses. The obligations are measured on a discounted basis. As such, we are unable to satisfy ourselves as to the accuracy of the liabilities in respect of the retirement benefits plan amounted to RM146,909 as at 31 December 2003."

In the financial year ended 30 June 1999, the Auditors' Report for PSSB included an emphasis of matter note as follows:-

"Although the Company is taking reasonable steps to ensure its own systems are Y2K ready, it also relies on many third parties for products and services whose state of preparedness for the Y2K are beyond the Company's control. Should the third parties fail to properly operate and manage dates beyond 1999, this may adversely affect the Company's business operations and financial results. The Directors, however, believe that the impact could be minimised as the Company is taking reasonable steps to overcome the Y2K issue."

4.0 AUDITORS (CONTD.)

(b) PSSB (Contd.)

In the financial years ended 30 June 2001 and 2002, the Auditors' Reports for PSSB included an emphasis of matter note as follows:-

"The continuation of the Company as a going concern depends on the Company's ability to operate profitably in the foreseeable future and continue to receive adequate financial support from its shareholders. In the event that the going concern basis of preparing the financial statements of the Company is inappropriate, adjustments will have to be made to reclassify long term assets as current assets, long term liabilities as current liabilities, to restate the carrying value of the assets to their recoverable amounts and to provide for further liabilities which may arise."

In the financial year ended 30 June 2003 and period ended 31 December 2003, the Auditors' Reports for PSSB included an emphasis of matter note as follows:-

"The continuation of the Company as a going concern depends on the Company's ability to operate profitably in the foreseeable future and continue to receive adequate financial support from its shareholders. Should the going concern basis of preparing the financial statements of the Company be inappropriate, adjustments will have to be made to restate the carrying values of the assets to their recoverable amounts, to provide for further liabilities which may arise and to reclassify non-current assets and long term liabilities as current assets and current liabilities respectively."

(c) Bevmac

The financial statements of Bevmac for the relevant periods under review were reported on by the auditors without qualification. The auditors' reports of Bevmac for the relevant periods under review did not include any emphasis of matter except for the financial years ended 30 June 1998, 1999, 2000 and 2003 and period ended 31 December 2003.

In the financial years ended 30 June 1998, 1999 and 2000 the Auditors' Reports for Bevmac included an emphasis of matter note as follows:-

"The continuation of the Company as a going concern depends on the Company's ability to operate profitably in the foreseeable future and to continue to receive adequate financial support from its shareholders. In the event that the going concern basis of preparing the financial statements of the Company is inappropriate, adjustments will have to be made to restate the carrying value of the assets to their recoverable amounts and to provide for further liabilities which may arise."

4.0 AUDITORS (CONTD.)

(c) Bevmac (Contd.)

In the financial year ended 30 June 2003 and period ended 31 December 2003, the Auditors' Reports for Bevmac included an emphasis of matter note as follows:-

"The continuation of the Company as a going concern depends on the Company's ability to operate profitably in the foreseeable future and to continue to receive adequate financial support from its shareholders. Should the going concern basis of preparing the financial statements of the Company be inappropriate, adjustments will have to be made to restate the carrying values of the assets to their recoverable amounts, to provide for further liabilities which may arise and to reclassify non-current assets as current assets."

(d) Champs

The financial statements of Champs for the relevant periods under review were reported on by the auditors without qualification except for the period ended 31 December 2003. The auditors' reports of Champs for the relevant periods under review did not include any emphasis of matter.

In the period ended 31 December 2003, the Auditors' Report for Champs included qualification notes as follows:-

"The Company did not carry out physical count of its inventories and there were no practicable alternative auditing procedures that we could apply to confirm the quantities. Owing to the nature of the Company's records, we have been unable to satisfy ourselves as to the existence of inventories amounted to RM431,064 as at 31 December 2003."

5.0 SUMMARISED INCOME STATEMENTS

5.1 Permanis Group

The summarised income statements of Permanis Group set out below are based on the audited financial statements of Permanis, PSSB, Bevmac and Champs and have been presented on the basis that the Group had been in existence throughout the relevant periods under review.

	Proforma Group			Group		
	Year ended 30 June					Period from 1.7.03 to 31.12.03
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	RM'000
Revenue	145,465	141,681	165,809	170,001	207,572	118,259
(Loss)/profit before depreciation, amortisation and interest	(12,665)	5,035	18,921	19,304	23,340	14,991
Depreciation and amortisation	(6,630)	(9,112)	(9,316)	(9,166)	(9,833)	(5,481)
Interest expense	(8,474)	(5,742)	(5,117)	(3,532)	(3,234)	(1,504)
(Loss)/profit before goodwill on consolidation written off	(27,769)	(9,819)	4,488	6,606	10,273	8,006
Goodwill on consolidation written off	-	-	(53,420)	-	-	-
Share of profit in an associated company	-	-	-	-	107	26
(Loss)/profit before taxation	(27,769)	(9,819)	(48,932)	6,606	10,380	8,032
Taxation	220	-	(608)	(264)	(2,304)	(2,615)
(Loss)/profit after taxation	(27,549)	(9,819)	(49,540)	6,342	8,076	5,417
(Loss)/earnings per ordinary share (sen)	(68.9)	(24.5)	(123.8)	15.9	20.2	13.5
Number of ordinary shares in issue ('000)	40,000	40,000	40,000	40,000	40,000	40,000

Notes:-

(1) Permanis acquired 100% equity interest in Bevmac and 100% equity interest in PSSB on 7 June 2000 and 30 June 2001 respectively as wholly owned subsidiaries. Accordingly, no consolidated financial statements were prepared at Permanis Group for the financial year ended 30 June 1999. The audited consolidated income statements of Permanis Group for the financial year ended 30 June 2000 do not include the audited income statements of Bevmac as Bevmac was acquired on 7 June 2000 and the audited consolidated income statements of Permanis Group for the financial year ended 30 June 2001 included only the audited income statements of Bevmac, excluding PSSB as PSSB was acquired on 30 June 2001.

5.1 Proforma Group (contd.)

Accordingly, for the purpose of illustration in this Report, the historical financial information of Permanis Group for the financial years 30 June 1999 to 2001 is presented as a proforma group on the basis that the subsidiary companies were held by Permanis throughout the relevant periods under review.

On 6 May 2002, Permanis acquired 100% equity interest in Champs. Champs was incorporated on 28 February 2001.

The historical financial information of Permanis Group for the financial years ended 30 June 2002 and 2003 are presented based on the audited consolidated financial statements of Permanis Group.

(2) The goodwill on consolidation written off in 2001 represents write off of the total goodwill of RM12,729 and RM53,407,387 arising from the acquisition of Bevmac in 2000 and PSSB in 2001 respectively.

(3) No provision for taxation has been made in the financial year 1999 as the Group incurred tax losses during the year. The tax credit in 1999 represents a reversal of over provision of taxation in prior years.

The effective tax rate of the Group for financial years ended 30 June 2000, 2001, 2002 and 2003 is lower than the statutory rate mainly due to the utilisation of unabsorbed reinvestment and capital allowances and unabsorbed business losses brought forward.

The effective tax rate of the Group for period ended 31 December 2003 is higher than the statutory rate mainly due to deferred tax liabilities not recognised in prior year but adjusted in current period.

(4) There were no extraordinary items in the relevant periods under review.

(5) The (loss)/earnings per share is calculated based on the (loss)/profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

5.2 Permanis (Company)

	Year ended 30 June 1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	Period from 1.7.03 to 31.12.03 RM'000
Revenue	106,816	93,716	114,039	118,901	142,583	81,336
Profit before depreciation, amortisation and interest	5,591	14,517	15,306	19,123	19,017	8,791
Depreciation and amortisation	(4,585)	(6,476)	(6,398)	(6,203)	(6,314)	(3,365)
Interest expense	(7,994)	(5,271)	(4,771)	(3,270)	(3,203)	(1,473)
(Loss)/profit before taxation	(6,988)	2,770	4,137	9,650	9,500	3,953
Taxation	220	-	-	(257)	(2,163)	(2,781)
(Loss)/profit after taxation	(6,768)	2,770	4,137	9,393	7,337	1,172
(Loss)/earnings per ordinary share (sen)	(16.9)	6.9	10.3	23.5	18.3	2.9
Number of ordinary shares in issue ('000)	40,000	40,000	40,000	40,000	40,000	40,000

Notes:-

(1) The tax credit in 1999 represents a reversal of over provision of taxation in prior years.

No provision for taxation has been made for years 2000 to 2001 as the Company utilised its unabsorbed tax losses and unutilised capital allowances brought forward.

The effective tax rate of the Company for 2002 is lower than the statutory rate due to the utilisation of unabsorbed reinvestment allowance and unabsorbed business losses brought forward.

The effective tax rate of the Company for financial year ended 30 June 2003 is lower than the statutory rate due to utilisation of unabsorbed reinvestment allowance brought forward.

The effective tax rate of the Company for period ended 31 December 2003 is higher than the statutory rate mainly due to deferred tax liabilities not recognised in prior year but adjusted in current period.

(2) There were no extraordinary items in the relevant periods under review.

(3) The earnings/(loss) per share is calculated based on the profit/(loss) after taxation and on the number of ordinary shares in issue in the relevant periods under review.

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5.3 PSSB

	Year ended 30 June 1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	Period from 1.7.03 to 31.12.03 RM'000
Revenue	135,686	131,880	162,930	166,169	196,863	104,070
(Loss)/profit before depreciation, amortisation and interest	(14,235)	(5,384)	3,616	(52)	4,682	6,358
Depreciation and amortisation	(2,045)	(2,636)	(2,918)	(2,963)	(3,279)	(1,956)
Interest expense	(4,499)	(4,567)	(346)	(262)	(31)	(31)
(Loss)/profit before taxation	(20,779)	(12,587)	352	(3,277)	1,372	4,371
Taxation	-	-	(608)	(7)	(82)	169
(Loss)/profit after taxation	(20,779)	(12,587)	(256)	(3,284)	1,290	4,540
(Loss)/earnings per share (sen)	(247.4)	(149.8)	(3.0)	(39.1)	15.4	54.0
Number of ordinary shares in issue ('000)	8,400	8,400	8,400	8,400	8,400	8,400

Notes:-

(1) No provision for taxation has been made for years 1999 to 2000 and 2002 as PSSB incurred tax losses.

No provision for taxation has been made for year 2001 as PSSB utilised its unabsorbed capital allowances brought forward. The taxation charge in 2001 and 2002 mainly relates to under provision of taxation in prior years.

The effective tax rate of PSSB for financial year ended 30 June 2003 and period ended 31 December 2003 is lower than the statutory rate due to the reversal of deferred tax assets not recognised during the financial year/ period.

(2) There were no extraordinary items in the relevant periods under review.

(3) The (loss)/earnings per share is calculated based on the (loss)/profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

5.4 Bevmac

	Year ended 30 June 1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	Period from 1.7.03 to 31.12.03 RM'000
Revenue	-	-	-	-	-	-
Loss before depreciation, amortisation and interest	(3)	(2)	(1)	(6)	(4)	(3)
Depreciation and amortisation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Loss before taxation	(3)	(2)	(1)	(6)	(4)	(3)
Taxation	-	-	-	-	-	-
Loss after taxation	(3)	(2)	(1)	(6)	(4)	(3)
Loss per share (RM)	(1,500.0)	(1,000.0)	(500.0)	(3,000.0)	(2,000.0)	(1,500.0)
Number of ordinary shares in issue	2	2	2	2	2	2

Notes:-

(1) As at 31 December 2003, Bevmac has not commenced business operations.

(2) No provision for taxation has been made for financial years ended 1999 to 2003 and period ended 31 December 2003 as Bevmac is in tax loss position.

(3) There were no extraordinary items in the relevant periods under review.

(4) The loss per share is calculated based on the loss after taxation and on the number of ordinary shares in issue in the relevant periods under review.

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5.5 Champs

	Period from 28.2.01 to 30.6.02 RM'000	Year ended 30 June 2003 RM'000	Period from 1.7.03 to 31.12.03 RM'000
Revenue	-	4,137	1,877
(Loss)/profit before depreciation, amortisation and interest	(1)	240	15
Depreciation and amortisation	-	-	-
Interest expense	-	-	-
(Loss)/profit before taxation	(1)	240	15
Taxation	-	(59)	(3)
(Loss)/profit after taxation	(1)	181	12
(Loss)/earnings per share (RM'000)	(0.5)	90.5	6.0
Number of ordinary shares in issue	2	2	2

Notes:-

(1) Champs was incorporated on 28 February 2001. Accordingly, the first audited financial statements cover the period from 28 February 2001 to 30 June 2002.

(2) No provision for taxation has been made for year 2002 as Champs is in tax loss position.

The effective tax rate of Champs for financial year ended 30 June 2003 and period ended 31 December 2003 is lower than the statutory rate due to the reduction in statutory tax rate on chargeable income of up to RM100,000.

(3) There were no extraordinary items in the relevant periods under review.

(4) The (loss)/earnings per share is calculated based on the (loss)/profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

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6.0 DIVIDENDS

No dividend has been paid or declared by Permanis, PSSB, Bevmac and Champs in the relevant financial periods under review.

7.0 SUMMARISED BALANCE SHEETS

The summarised balance sheets of Permanis Group set out below are based on the audited financial statements of Permanis, PSSB, Bevmac and Champs and have been presented on the basis that the Group had been in existence throughout the relevant periods under review.

7.1 Permanis Group

	← Proforma Group* →		← Group			→
	← As at 30 June				→	As at
	1999	2000	2001	2002	2003	31.12.03
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	66.601	66,278	71,475	67,004	66,669	64,094
Investment in an associated company	-	-	-	-	127	232
Bottles and cases	7,054	6,531	7,041	6,734	6,448	6,160
Intellectual property	-	-	6,400	6,400	6,160	6,000
Deferred tax assets	-	-	-	-	-	140
Current assets	63,490	59,755	53,187	58,030	70,647	77,575
Current liabilities	(112,392)	(120,539)	(110,428)	(121,991)	(128,044)	(125,750)
Net current liabilities	(48,902)	(60,784)	(57,241)	(63,961)	(57,397)	(48,175)
	24,753	12,025	27,675	16,177	22,007	28,451
Share capital	40,000	40,000	40,000	40,000	40,000	40,000
Reserves	(25,912)	(35,731)	(32,730)	(32,340)	(24,264)	(18,849)
	14,088	4,269	7,270	7,660	15,736	21,151
Preference shares**	-	-	15,400	-	-	-
Long term and deferred liabilities	10.665	7,756	5,005	8,517	6,271	7,300
	24,753	12,025	27,675	16,177	22,007	28,451
Number of ordinary shares in issue ('000)	40,000	40,000	40,000	40,000	40,000	40,000
Net tangible assets per share (RM)	0.35	0.11	0.02	0.03	0.24	0.38

* The summarised balance sheets as at 30 June 1999 and 2000 are based on the audited financial statements of Permanis, PSSB and Bevmac for these respective years and are presented as a proforma group on the basis that the subsidiary companies were held by Permanis throughout these relevant periods under review.

** The 10% non-cumulative redeemable preference shares of RM1.00 each of RM13,400,000 as at 30 June 2002 and RM6,250,000 as at 30 June 2003 and RM6,250,000 as at 31 December 2003 are classified under current liabilities in these relevant periods under review.

7.2 Permanis (Company)

	As at 30 June 1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	As at 31.12.03 RM'000
Property, plant and equipment	55,525	51,475	58,898	54,638	50,018	48,063
Investment in subsidiary companies	-	*	**	***	***	***
Investment in an associated company	-	-	-	-	20	100
Bottles and cases	7,054	6,531	7,042	6,734	6,448	6,160
Current assets	96,570	105,649	102,893	111,442	125,560	128,805
Current liabilities	(96,839)	(102,466)	(95,468)	(100,628)	(104,525)	(103,334)
Net current (liabilities)/assets	(269)	3,183	7,425	10,814	21,035	25,471
	62,310	61,189	73,365	72,186	77,521	79,794
Share capital	40,000	40,000	40,000	40,000	40,000	40,000
Reserves	13,784	16,554	20,691	24,132	31,469	32,641
	53,784	56,554	60,691	64,132	71,469	72,641
Preference shares****	-	-	9,150	-	-	-
Long term and deferred liabilities	8,526	4,635	3,524	8,054	6,052	7,153
	62,310	61,189	73,365	72,186	77,521	79,794
Number of ordinary shares in issue ('000)	40,000	40,000	40,000	40,000	40,000	40,000
Net tangible assets per share (RM)	1.34	1.41	1.52	1.60	1.79	1.82

* RM2
** RM3
*** RM5
**** The 10% non-cumulative redeemable preference shares of RM1.00 each of RM7,150,000 as at 30 June 2002 are classified under current liabilities for the relevant period under review.

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7.3 PSSB

	As at 30 June 1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	As at 31.12.03 RM'000
Property, plant and equipment	11,076	14,803	12,577	12,366	16,652	16,032
Deferred tax assets	-	-	-	-	-	140
Current assets	49,235	42,720	45,898	45,906	58,996	65,979
Current liabilities	(97,857)	(106,673)	(109,522)	(113,622)	(129,951)	(131,986)
Net current liabilities	(48,622)	(63,953)	(63,624)	(67,716)	(70,955)	(66,007)
	(37,546)	(49,150)	(51,047)	(55,350)	(54,303)	(49,835)
Share capital	8,400	8,400	8,400	8,400	8,400	8,400
Accumulated losses	(48,086)	(60,672)	(60,929)	(64,213)	(62,922)	(58,382)
	(39,686)	(52,272)	(52,529)	(55,813)	(54,522)	(49,982)
Long term and deferred liabilities	2,140	3,122	1,482	463	219	147
	(37,546)	(49,150)	(51,047)	(55,350)	(54,303)	(49,835)
Number of ordinary shares in issue ('000)	8,400	8,400	8,400	8,400	8,400	8,400
Net tangible liabilities per share (RM)	(4.72)	(6.22)	(6.25)	(6.64)	(6.49)	(5.95)

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7.4 Bevmac

	As at 30 June 1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	As at 31.12.03 RM'000
Intellectual property	-	-	6,400	6,400	6,160	6,000
Current assets	*	*	*	*	240	400
Current liabilities	(11)	(13)	(164)	(6,420)	(6,425)	(6,427)
Net current liabilities	(11)	(13)	(164)	(6,420)	(6,185)	(6,027)
	(11)	(13)	6,236	(20)	(25)	(27)
Share capital	*	*	*	*	*	*
Accumulated losses	(11)	(13)	(14)	(20)	(25)	(27)
	(11)	(13)	(14)	(20)	(25)	(27)
Preference shares**	-	-	6,250	-	-	-
	(11)	(13)	6,236	(20)	(25)	(27)
Number of ordinary shares in issue	2	2	2	2	2	2
Net tangible liabilities per share (RM'000)	(5.50)	(6.50)	(3,207.00)	(3,210.00)	(3,092.50)	(3,013.50)

* RM2

** The 10% non-cumulative redeemable preference shares of RM1.00 each of RM6,250,000 as at 30 June 2002 and 2003 and 31 December 2003 are classified under current liabilities for the relevant periods under review.

7.5 Champs

	As at 30 June 2002 RM'000	As at 30 June 2003 RM'000	As at 31.12.03 RM'000
Current assets	*	4,787	6,293
Current liabilities	(1)	(4,607)	(6,101)
Net current (liabilities)/assets	(1)	180	192
	(1)	180	192
Share capital	*	*	*
(Accumulated losses)/retained profits	(1)	180	192
	(1)	180	192
Number of ordinary shares in issue	2	2	2
Net tangible (liabilities)/assets per share (RM'000)	(0.50)	90.00	96.00

* RM2

8.0 DETAILED STATEMENTS OF ASSETS AND LIABILITIES

The Detailed Statements of Assets and Liabilities set out below are based on the audited financial statements of Permanis as at 31 December 2003 and should be read in conjunction with the notes thereto.

	Note	GROUP 2003 RM'000	COMPANY 2003 RM'000
PROPERTY, PLANT AND EQUIPMENT	C	64,094	48,063
INVESTMENT IN SUBSIDIARY COMPANIES	D	-	*
INVESTMENT IN AN ASSOCIATED COMPANY	E	232	100
INTELLECTUAL PROPERTY	F	6,000	-
BOTTLES AND CASES	G	6,160	6,160
DEFERRED TAX ASSETS	W	140	-
CURRENT ASSETS			
Inventories	H	16,702	6,774
Trade receivables	I	51,670	3,804
Other receivables, deposits and prepayments	J	3,993	2,001
Amount owing by subsidiary companies	K	-	115,837
Amount owing by an associated company	L	333	16
Cash and bank balances		4,877	373
		77,575	128,805
CURRENT LIABILITIES			
Trade payables	M	20,969	20,955
Other payables, deposits and accruals	N	18,919	5,909
Provision for warehouse and marketing expenses	O	2,794	254
Hire purchase and lease creditors	P	1,142	614
Bank borrowings (interest bearing)	Q	74,319	74,319
10% non-cumulative redeemable preference shares	R	6,250	-
Tax liabilities		1,357	1,283
		125,750	103,334
NET CURRENT (LIABILITIES)/ASSETS		(48,175)	25,471
		28,451	79,794
FINANCED BY:			
SHARE CAPITAL	S	40,000	40,000
CAPITAL RESERVE	T	1,168	1,168
(ACCUMULATED LOSSES)/RETAINED PROFITS	U	(20,017)	31,472
SHAREHOLDERS' EQUITY		21,151	72,641
LONG TERM AND DEFERRED LIABILITIES			
Hire purchase and lease creditors	P	553	553
Retirement benefits	V	324	177
Deferred tax liabilities	W	6,423	6,423
		28,451	79,794
Number of ordinary shares in issue ('000)		40,000	40,000
Net tangible assets per ordinary share (RM)		0.38	1.82

* RM5

9.0 NOTES TO THE DETAILED STATEMENTS OF ASSETS AND LIABILITIES

A. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to Group's financial risk management policies. The Board regularly reviews these risks and approves the treasury policies, which covers the management of these risks.

(a) Foreign currency exchange risk

The Group is exposed to foreign currency risk as a result of the foreign currency transactions entered into by companies in currencies other than Ringgit Malaysia. Such exposures arise from the purchase of raw and packaging materials (i.e. concentrates) from suppliers and the export of the goods to overseas.

The exposure to the Group to currency fluctuations of Ringgit Malaysia to the US Dollar is minimal as long as Ringgit Malaysia continues to be pegged against that currency.

(b) Interest rate risk

The Group finances its operations through bank borrowings. Interest rate exposure arises from the Group's borrowings mainly through the use of floating rate debt. As the Group's income and operating cash flows are substantially independent of changes in market interest rate, the Group does not use derivative financial instruments to hedge its risk.

(c) Credit risk

Credit risk arises when sales are made on deferred credit terms. The Group seeks to control credit risk by setting counterparty credit limits and ensuring that sales of products are made to customers with an appropriate credit history. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

(d) Liquidity risk

It is the Group's policy to maintain sufficient fund to meet its long and short term financial obligations. The availability of the funding is from the tightening of credit control to ensure that receivables are collected within the credit terms and the availability of funding through an adequate amount of committed bank facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

B. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention as modified by the revaluation of certain land and building unless otherwise indicated in the significant accounting policies, and on the basis of the accounting principles applicable to a going concern. Should the going concern basis of preparing the financial statements of the Group be inappropriate, adjustments will have to be made to restate the carrying values of the assets to their recoverable amounts, to provide for further liabilities which may arise and to reclassify non-current assets and long term liabilities as current assets and current liabilities respectively.

The preparation of financial statements in conformity with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the directors to make 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. Actual results could differ from those estimates.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to the end of the financial period using the acquisition method of accounting. Inter-company transactions and balances are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

The difference between the purchase price and the fair value of the net assets of the subsidiary companies at the date of acquisition is treated as goodwill or reserve on consolidation. Goodwill on consolidation is stated at cost less impairment losses. The results of subsidiary companies acquired or disposed of during the financial period are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

B. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Property, plant and equipment and depreciation

The gross carrying amounts of property, plant and equipment are initially measured at cost. Certain leasehold land which have been subsequently revalued, are stated at valuation less accumulated depreciation and impairment losses, if any. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Surplus arising from such valuation is credited to shareholders' equity as a revaluation surplus and any subsequent deficit is charged against such surplus to the extents that the decrease offsets any increase. In all other cases, the deficit will be charged to the income statement.

Freehold land is not depreciated. Depreciation on plant and machinery under construction commences when the assets are ready for their intended used. Depreciation of other property, plant and equipment is calculated to write off the cost of the assets on the straight line basis over their expected useful lives. The principal annual depreciation rates used are as follows:-

Leasehold land and buildings	2%
Freehold buildings	2%
Plant and machinery	10%-15%
Office furniture and equipment	15% - 25%
Furniture and fittings	15%
Motor vehicles	20%

During the current financial period, as a result of a change in the estimated useful life, the annual depreciation rate for some office equipment of the Group was increased from 15% to 25%. The effect of the change is an increase in depreciation charge of RM295,724 for the current financial period.

(d) Impairment of assets

The carrying amount of the Group's and Company's assets, other than financial assets, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation surplus account to the extent of the surplus credited from the previous revaluation for the same assets with the excess of the impairment loss charged to the income statement. All reversals of an impairment loss are recognised as income immediately in the income statement except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation surplus account of the same asset.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed its carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

B. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Investments

(i) Subsidiary companies

A subsidiary company is a company in which a group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiary companies which are eliminated on consolidation are stated at cost less impairment losses, if any.

(ii) Associated company

An associated company is a company in which the Group and the Company have a long term equity interest between 20% to 50% and where the Group and the Company is in a position to exercise significant influence over the financial and operating policies of the investee company.

The Company's investment in an associated company is stated at cost less impairment losses, if any.

Investment in an associated company is accounted for in the consolidated financial statements using the equity method. The Group's interests in an associated company is stated at cost plus adjustments to reflect changes in the Group's share of profits and losses in the associated company.

Goodwill or negative goodwill arising on acquisition represents the difference between the cost of investment and the Group's share of the value of net assets of the associated company at the date of acquisition.

The Group's share of results and reserve in the associated company acquired or disposed of are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

(f) Intellectual property

Expenditure on acquired trademark and intellectual property is capitalised and amortised using the straight line basis over their estimated useful lives but not exceeding 20 years, whichever is shorter. The carrying amount of trademark and intellectual property is reviewed annually and adjusted for any impairment in value where it is considered necessary.

(g) Bottles and cases

Bottles and cases are stated at cost less breakages and amortisation. The carrying value of bottles and cases is written off and amortised as follows:-

(i) equivalent deposit values of bottles and cases are written off based on actual breakages and losses; and

(ii) excess of cost over their related deposit values are amortised based on the straight line basis over a period of five years.

B. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow moving inventories.

Cost of raw materials is determined on a first-in, first-out basis comprises the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

The cost of finished goods and work-in-progress includes the cost of raw materials, direct labour and a proportion of manufacturing overheads.

(i) Receivables

Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection. In addition, a general allowance based on a percentage of receivables is made to cover possible losses which are not specifically identified.

(j) Deferred tax liabilities and assets

Deferred tax liabilities and assets are provided for under the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowance.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

(k) Assets acquired under hire-purchase and lease agreements

Assets financed by hire-purchase and lease arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

Finance charges are charged to the income statement over the period of the agreements to give a constant periodic rate of charge on the remaining balance of the hire-purchase and lease liabilities.

B. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Foreign currency transactions and translation

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the approximate rates of exchange at the balance sheet date.

All gain or losses from currency transactions are taken up in the income statement.

The principal closing rates used in the translation of foreign currency amounts were:-

1 US Dollar	RM3.8
1 Thai Baht	RM0.1
1 Euro	RM4.3

(m) Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(n) Liabilities

Payables and borrowings are stated at cost.

(o) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of share issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, otherwise it is charged to the income statement.

Dividends to shareholders are recognised in equity in the period when the shareholder's right to receive payment is established.

(p) Revenue recognition

Revenue from sales of goods is recognised in the income statement upon delivery of goods and acceptance by customers.

B. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Employee benefits

(i) Short-term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

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

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(ii) Defined contribution plan

The Group makes contributions to a statutory provident fund. These contributions are recognised as an expense in the financial year in which they are incurred.

(iii) Defined benefit plan

The Company and a subsidiary company operate unfunded defined benefit plans for non-executive staff who are entitled to a payment calculated by reference to their length of service and earnings.

Provision for retirement benefits is calculated based on the predetermined rate of basic salaries and length of service of the employees.

(r) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments that are readily convertible to cash and which are subject to insignificant risk of changes in value.

B. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(s) Financial instruments

(i) Financial instruments recognised in the balance sheet

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(a) Redeemable preference shares

The redeemable preference shares give the holder the rights to require the Company to redeem the shares at the maturity date. As such, these shares are classified as financial liability.

(b) Other financial instruments

Other financial instruments which are recognised in the balance sheet comprise receivables, payables, borrowings and share capital. These financial instruments are recognised when a contractual relationship has been established. The information about the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing certainty of future cash flows are disclosed in the respective notes, where applicable.

(ii) Disclosure of fair values

The carrying values of the financial assets and liabilities maturing within 12 months are stated at approximately the fair values as at balance sheet date.

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C. PROPERTY, PLANT AND EQUIPMENT

Group

	At valuation		At cost												
	Short term leasehold land RM'000	Long term leasehold land RM'000	Short term leasehold building RM'000	Long term leasehold land and buildings RM'000	Freehold land RM'000	Freehold buildings RM'000	Plant and machinery RM'000	Plant and machinery under hire-purchase RM'000	Plant and machinery under construction RM'000	Office furniture and equipment RM'000	Office furniture and equipment under hire-purchase RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Motor vehicles under hire-purchase RM'000	Total RM'000
COST/VALUATION															
As at 1 July 2003	1,691	210	2,018	20,921	6,692	1,236	82,200	1,332	1,197	2,249	108	53	1,921	3,394	125,222
Additions	-	-	-	-	-	-	582	854		788	-	3	-	230	2,457
Disposals	-	-	-	-	-	-	(324)	-	-	-	-	-	-	-	(324)
As at 31 December 2003	1,691	210	2,018	20,921	6,692	1,236	82,458	2,186	1,197	3,037	108	56	1,921	3,624	127,355
ACCUMULATED DEPRECIATION															
As at 1 July 2003	771	103	639	3,867	-	148	47,710	504	-	960	40	28	1,668	2,114	58,552
Additions	17	2	20	211	-	13	3,636	129	-	586	17	5	55	342	5,033
Disposals	-	-	-	-	-	-	(324)	-	-	-	-	-	-	-	(324)
As at 31 December 2003	788	105	659	4078	-	161	51,022	633	-	1,546	57	33	1,723	2,456	63,261
NET BOOK VALUE															
As at 31 December 2003	903	105	1,359	16,843	6,692	1,075	31,436	1,553	1,197	1,491	51	23	198	1,168	64,094

C. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company

	At valuation		At cost											
	Short term leasehold land RM'000	Long term leasehold land RM'000	Short term leasehold building RM'000	Long term leasehold land and buildings RM'000	Freehold land RM'000	Freehold buildings RM'000	Plant and machinery RM'000	Plant and machinery under hire-purchase RM'000	Plant and machinery under construction RM'000	Office furniture and equipment RM'000	Office furniture and equipment under hire-purchase RM'000	Motor vehicles RM'000	Motor vehicles under hire-purchase RM'000	Total RM'000
COST/VALUATION														
As at 1 July 2003	1,691	210	2,018	20,921	6,692	1,236	52,944	1,186	1,197	731	108	1,817	3,394	94,144
Additions	-	-	-	-	-	-	175	-	-	717	-	-	230	1,122
Disposals	-	-	-	-	-	-	(247)	-	-	-	-	-	-	(247)
As at 31 December 2003	1,691	210	2,018	20,921	6,692	1,236	52,872	1,186	1,197	1,447	108	1,817	3,624	95,019
ACCUMULATED DEPRECIATION														
As at 1 July 2003	771	103	639	3,868	-	148	33,878	465	-	481	40	1,620	2,114	44,127
Additions	17	2	20	211	-	12	2,094	60	-	257	17	44	342	3,076
Disposals	-	-	-	-	-	-	(247)	-	-	-	-	-	-	(247)
As at 31 December 2003	788	105	659	4,078	-	161	35,725	525	-	738	57	1,664	2,456	46,956
NET BOOK VALUE														
As at 31 December 2003	903	105	1,359	16,843	6,692	1,075	17,147	661	1,197	709	51	153	1,168	48,063

C. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Had the revalued assets been carried at cost less depreciation, the carrying amounts would have been as follows:-

	GROUP/COMPANY		
	Cost	Accumulated depreciation	Net book value
2003	**RM'000**	**RM'000**	**RM'000**
Short term leasehold land	170	78	92
Long term leasehold land	280	140	140
	450	218	232

(a) The leasehold land of the Company was revalued by the directors in November 1983 based on a professional valuation carried out by an independent firm of valuers and appraisers on the fair market value basis. The valuation has not been updated since then as the directors have not adopted a policy of regular revaluation. The Company is adopting the transitional provision of International Accounting Standards 16 (Revised), "Property, Plant and Equipment", issued by the Malaysian Accounting Standards Board, which allows the Company to retain the carrying amount on the basis of the previous valuation.

(b) Certain freehold land and long term leasehold land and buildings of the Company with a carrying value of RM4,994,692 and RM12,447,086 respectively, have been pledged as security for the redemption of the preference shares and payment of dividend on the preference shares by the Company and a subsidiary company.

(c) Long term leasehold land and buildings, plant and machinery and office equipment, furniture and fittings of the Company with a carrying value of RM2,097,153, RM5,672,759 and RM5,824 respectively, were used by a subsidiary company for its operation.

D. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY 2003
	RM
Unquoted shares – at cost	5

Details of the subsidiary companies, which are incorporated in Malaysia, are as follows:-

Name of Company	Effective equity interest 2003	Principal activities
Permanis Sandilands Sdn. Bhd. (formerly known as Antah Sandilands Sdn. Bhd.)	100%	Marketing and distribution of beverages
Bevmac Sdn. Bhd.	100%	Inactive
Champs Water Sdn. Bhd.	100%	Selling, bottling and distribution of beverages

E. INVESTMENT IN AN ASSOCIATED COMPANY

	GROUP 2003 RM'000	COMPANY 2003 RM'000
Unquoted shares – at cost	100	100
Share of post acquisition retained profits and reserves	132	-
	232	100

	GROUP 2003 RM'000
The Group's investment in an associated company is represented by:-	
Group's share of net assets	256
Premium on acquisition	(24)
	232

The details of the associated company which is incorporated in Malaysia are as follows:-

Name of Company	Interest in equity held by Company	Principal activities
Bevmac Engineering Sdn. Bhd.	20%	Assembling/servicing beverage refrigerators and operation of vending machines

The results of the associated company have been accounted for based on the unaudited management financial statements for the financial period ended 31 December 2003.

F. INTELLECTUAL PROPERTY

	GROUP 2003 RM'000
Trade mark - at cost	6,400
Less: Amortisation	(400)
	6,000

G. BOTTLES AND CASES

	GROUP/ COMPANY 2003 RM'000
Bottles and cases (on hand and in circulation) consist of the following:-	
Equivalent deposit values of bottles and cases	6,160
Excess of cost over their related deposit values	288
Less: Amortisation	(288)
	-
	6,160

H. INVENTORIES

	GROUP 2003 RM'000	COMPANY 2003 RM'000
At cost		
Raw materials	7,206	6,774
Finished goods	9,496	-
	16,702	6,774

I. TRADE RECEIVABLES

	GROUP 2003 RM'000	COMPANY 2003 RM'000
Trade receivables	63,646	4,471
Less: Allowance for doubtful debts	(11,976)	(667)
	51,670	3,804

The credit terms of trade receivables range from 30 to 90 days.

The currency exposure of trade receivables are as follows:-

	GROUP 2003 RM'000	COMPANY 2003 RM'000
Ringgit Malaysia	50,996	3,130
US Dollar	670	670
Euro	4	4
	51,670	3,804

J. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP 2003 RM'000	COMPANY 2003 RM'000
Other receivables	1,253	1,177
Deposits	1,731	468
Prepayments	1,009	356
	3,993	2,001

K. AMOUNTS OWING BY SUBSIDIARY COMPANIES

Company

These amounts represent balances arising from normal trade transactions, advances and payments made on behalf which are unsecured, interest-free and have no fixed terms of repayment.

L. AMOUNT OWING BY AN ASSOCIATED COMPANY

Group and Company

This amount represents balances arising from disposal of property, plant and equipment which is unsecured, interest-free and has no fixed terms of repayment.

M. TRADE PAYABLES

The credit terms of trade payables range from 30 to 90 days.

The currency exposure of trade payables are as follows:-

	GROUP 2003 RM'000	COMPANY 2003 RM'000
Ringgit Malaysia	20,420	20,406
US Dollar	333	333
Thai Baht	216	216
	20,969	20,955

N. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	GROUP 2003 RM'000	COMPANY 2003 RM'000
Other payables	12,732	2,468
Deposits received	174	174
Accruals	5,574	3,267
Subsidy received from a principal	439	-
	18,919	5,909

Included in other payables of the Group is an amount of RM8,390,056 owing to third party which represents outstanding logistic and distribution costs.

N. OTHER PAYABLES, DEPOSITS AND ACCRUALS (CONTD.)

The currency exposure is as follows:-

	GROUP 2003 RM'000	COMPANY 2003 RM'000
Ringgit Malaysia	18,870	5,909
US Dollar	49	-
	18,919	5,909

O. PROVISION FOR WAREHOUSE AND MARKETING EXPENSES

	GROUP 2003 RM'000	COMPANY 2003 RM'000
Balance as at 1 July 2003	1,624	69
Provision for the financial period	1,690	185
Payment made	(520)	-
Balance as at 31 December 2003	2,794	254

P. HIRE-PURCHASE AND LEASE CREDITORS

	GROUP 2003 RM'000	COMPANY 2003 RM'000
Minimum hire-purchase and lease payments:-		
- not later than one year	1,392	848
- later than one year and not later than five years	527	527
- more than five years	102	102
	2,021	1,477
Less: Future interest charges	(326)	(310)
Present value of hire-purchase and lease liabilities	1,695	1,167
Repayable as follows:-		
Current liabilities:		
- not later than one year	1,142	614
Non-current liabilities:		
- later than one year and not later than five years	461	461
- more than five years	92	92
	553	553
	1,695	1,167

Q. BANK BORROWINGS (INTEREST BEARING)

	GROUP/ COMPANY 2003 RM'000
Secured:-	
Revolving credit	5,000
Unsecured:-	
Bankers' acceptance	46,031
Revolving credits	18,016
Bank overdrafts	5,272
	69,319
	74,319

The revolving credit is secured by means of a fixed charge over the freehold land and buildings of a third party.

The bank borrowings are also guaranteed by a third party.

The bankers' acceptance, revolving credits and bank overdrafts are guaranteed by the ultimate holding company and third parties.

	GROUP/ COMPANY 2003 %
Average effective interest rate:-	
Bankers' acceptance	3.15 - 3.65
Revolving credits	4.75 - 4.99
Bank overdrafts	7.00

R. 10% NON-CUMULATIVE REDEEMABLE PREFERENCE SHARES

The 10% non-cumulative redeemable preference shares carry the following rights and conditions:-

(i) the entitlement to non-cumulative dividend of 10% per annum on the nominal value of the preference shares.
(ii) the preference shares are redeemable by the Company within 1½ years after the date of issuance.
(iii) the preference shares shall not be convertible into any other class of shares.
(iv) the preference shares do not carry any voting rights.
(v) in the event of any liquidation, dissolution or winding up of the Company and subject to the provisions of the Act, the preference shareholders shall rank in preference to holders of ordinary shares, but shall not be entitled to participate in surplus assets or profits.

S. SHARE CAPITAL

	GROUP/ COMPANY 2003 RM'000
Authorised:	
90,850,000 ordinary shares of RM1.00 each	90,850
9,150,000 redeemable preference shares of RM1.00 each	9,150
Issued and fully-paid:	
40,000,000 ordinary shares of RM1.00 each	40,000

T. CAPITAL RESERVE

Group and Company

The non-distributable capital reserve is in respect of revaluation surplus arising from the valuation of the Company's leasehold land in 1983.

U. RETAINED PROFITS

Company

Subject to the agreement from the Inland Revenue Board, the Company has:-

(i) tax exempt account of approximately RM43,010,000 for distribution of tax exempt dividend; and

(ii) sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of net dividends out of all its retained profits as at 31 December 2003 without incurring additional tax liability.

V. RETIREMENT BENEFITS

	GROUP 2003 RM'000	COMPANY 2003 RM'000
Balance as at 1 July 2003	565	346
Payments during the financial period	(241)	(169)
Balance as at 31 December 2003	324	177

The Company and a subsidiary company operate unfunded defined benefit plans for non-executive staff who are entitled to a payment calculated by reference to their length of service and earnings. Provision for retirement benefits is calculated based on the predetermined rate of basic salaries and length of service of the employees.

The accounting treatment for retirement benefit plans is not in compliance with the provision of MASB 29 Employee Benefits in which actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses. The obligations are measured on a discounted basis.

W. DEFERRED TAX

	GROUP 2003 RM'000	COMPANY 2003 RM'000
At beginning of financial period	5,142	5,142
Recognised in the income statement	1,141	1,281
	6,283	6,423
Presented after appropriate offsetting:		
Deferred tax assets, net	(140)	-
Deferred tax liabilities	6,423	6,423
	6,283	6,423

The deferred tax assets and liabilities at the end of the financial period comprise tax effects of:-

	GROUP 2003 RM'000	COMPANY 2003 RM'000
Deferred tax assets		
Unutilised tax losses	840	-
Deferred tax liabilities		
Revaluation of leasehold land	455	455
Temporary differences on:-		
- accelerated capital allowances	5,028	4,328
- provision for liabilities	(121)	(121)
- recognition of bottles and cases	1,761	1,761
	7,123	6,423

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

	GROUP 2003 RM'000
Unutilised tax losses	5,678
Provision for liabilities	41
Receivables	3,167
	8,886

Deferred tax assets have not been recognised in respect of these items as it is not probable that taxable profit of a subsidiary company will be available against which the deductible temporary differences can be utilised.

X. FINANCIAL INSTRUMENTS

(a) Credit risk

As at 31 December 2003, the Group has trade receivables of RM10,562,883 which has been outstanding for more than 90 days. Other than as mentioned, the Group has no significant concentration of credit risk. The maximum exposure to credit risk are represented by the carrying amounts of the financial assets in the balance sheets.

(b) Fair values

The carrying amounts of the financial assets and liabilities of the Group and of the Company as at 31 December 2003 approximate their fair values.

Y. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

(i) On 16 July 2003, the Company and Parksen Enterprise Sdn. Bhd. had entered into a conditional Sale and Purchase Agreement for the disposal of a property known as No. 52, Salak Perusahaan 3, Kawasan Perusahaan Prai, Pulau Pinang for a total consideration of RM980,000 to be satisfied wholly in cash. The transaction has yet to be completed as at the date of the report.

(ii) On 1 August 2003, the Company disposed assets at their net book value of RM80,000 satisfied by 80,000 ordinary shares of RM1.00 each of BESB. As a result, the Company shareholding in Bevmac Engineering Sdn. Bhd. ("BESB") increased to 100,000 ordinary shares of RM1.00 each representing 20% of the enlarged capital of BESB.

Z. EVENT SUBSEQUENT TO BALANCE SHEET DATE

(i) The Company and CLF Trading Sdn. Bhd. have entered into a conditional Sale and Purchase Agreement for the disposal of a leasehold property known as PT No. 35167 Mukim of Kuala Kuantan, District of Kuantan Pahang. Application for sale and transfer approval has been made in March 2004. The transaction has yet to be completed as at the date of the report.

(ii) On 20 January 2004, a subsidiary company of the Company has fully redeemed the 6,250,000 10% non-cumulative redeemable preference shares of RM1.00 each from Starlight Expansion Sdn. Bhd.

AA. COMMITMENTS

		GROUP 2003 RM'000	COMPANY 2003 RM'000
(i)	Expenditure in respect of property, plant and equipment:-		
	- contracted but not provided for	2,444	2,444
	- approved but not contracted for	1,700	1,700
(ii)	Non-cancellable operating lease:-		
	- Payable within one year	-	105
	- Payable between one to two years	-	9
		-	114

Company No.: 37918-A

ERNST & YOUNG
AF: 0039

10.0 CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement of Permanis Group set out below is based on the audited financial statements of Permanis Group for the period ended 31 December 2003.

	GROUP 2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	8,032
Adjustments for:-	
Amortisation of trademark and intellectual property	160
Allowance for doubtful debts	1,687
Bad debts written off	6
Breakages and amortisation of bottles and cases	288
Depreciation of property, plant and equipment	5,032
Gain on disposal of property, plant and equipment	(96)
Interest expense	1,504
Interest income	(3)
Provision for warehouse and marketing expenses	1,691
Share of profit in an associated company	(26)
Operating profit before working capital changes	18,275
Increase in inventories	1,942
Increase in trade receivables	(6,904)
Decrease in other receivables, deposits and prepayments	(1,094)
Increase in trade payables	(953)
Increase in other payables, deposits and accruals	(1,045)
Cash generated from operations	10,221
Warehouse and marketing expenses paid	(520)
Tax paid	(817)
Interest paid	(265)
Interest received	3
Retirement benefits paid	(242)
Net cash from operating activities	8,380
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment (Note (a))	(1,395)
Proceeds from disposal of property, plant and equipment	96
Purchase of investment in an associated company	(80)
Net advances to an associated company	302
Net cash used in investing activities	(1,077)
CASH FLOWS FROM FINANCING ACTIVITIES	
Interest paid	(1,239)
Drawdown of bank borrowings	10,101
Repayment of hire-purchase and lease creditors	(867)
Net cash used in financing activities	7,995
NET DECREASE IN CASH AND CASH EQUIVALENTS	15,298
CASH AND CASH EQUIVALENTS AS AT 1 JULY 2003	(15,693)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2003	(395)

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10.0 CONSOLIDATED CASH FLOW STATEMENT (CONTD.)

Cash and cash equivalents comprise as follows:-

	GROUP 2003 RM'000
Cash and banks balances	4,877
Bank overdrafts	(5,272)
	(395)

Notes:-

(a) During the financial period, the Group made the following cash payments to purchase property, plant and equipment:-

	GROUP 2003 RM'000
Purchase of property, plant and equipment	2,457
Financed by hire-purchase and lease arrangement	(1,062)
Cash payments on purchase of property, plant and equipment	1,395

11.0 NET TANGIBLE ASSETS COVER

Based on the net tangible assets of the Group and of the Company of RM15,151,574 and RM72,640,650 respectively and the number of ordinary shares of RM1 each in issue of 40,000,000, the net tangible assets per share of the Group and of the Company as at 31 December 2003 are RM0.38 and RM1.82 respectively.

12.0 AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2003.

Yours faithfully

Ernst & Young
AF: 0039
Chartered Accountants

Yeo Eng Seng
1212/12/04(J)
Partner

Kuala Lumpur, Malaysia