



# FRASER AND NEAVE, LIMITED

(Incorporated in the Republic of Singapore)

## RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

### Financial Statement And Dividend Announcement

The Directors are pleased to make the following announcement of the unaudited results for the year ended 30 September 2002:-

1. PROFIT STATEMENT	Group			Company		
	30/9/2002	30/9/2001 (restated)#	Change	30/9/2002	30/9/2001	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue						
- Sale of goods .....	3,480,595	2,939,042	18.4	-	-	-
- Other revenue .....	3,246	2,900	11.9	718	459	56.4
	3,483,841	2,941,942	18.4	718	459	56.4
	(2,335,916)	(1,900,424)	22.9	-	-	-
Cost of sales .....						
Gross Profit .....	1,147,925	1,041,518	10.2	718	459	56.4
Investment income .....	16,996	29,016	(41.4)	481,219	127,707	276.8
Other income including interest income	17,265	23,226	(25.7)	218	18,427	(98.8)
Operating profit .....	604,466	560,284	7.9	477,101	126,144	278.2
Income derived from associated and joint venture companies .....	29,136	22,175	31.4	-	-	-
Depreciation and amortisation .....	(135,430)	(124,029)	9.2	-	-	-
Foreign exchange gain/(loss) .....	2,523	3,875	(34.9)	(163)	1,025	N/M
Operating profit before interest, taxation and exceptional items .....	500,695	462,305	8.3	476,938	127,169	275.0
Interest income .....	17,265	23,226	(25.7)	218	18,427	(98.8)
Interest on borrowings .....	(64,755)	(67,304)	(3.8)	(17,179)	(20,647)	(16.8)
Profit before taxation and exceptional items .....	453,205	418,227	8.4	459,977	124,949	268.1
Exceptional items .....	17,982	33,664	(46.6)	5,432	(54,745)	N/M
Profit before taxation .....	471,187	451,891	4.3	465,409	70,204	N/M
Taxation .....	(122,985)	(116,502)	5.6	(104,143)	(29,563)	252.3
Profit after taxation .....	348,202	335,389	3.8	361,266	40,641	N/M
Attributable to outside shareholders .....	(107,187)	(118,854)	(9.8)	-	-	-
Attributable net profit						
- Before exceptional items .....	225,860	200,742	12.5	355,834	95,386	273.0
- Exceptional items .....	15,155	15,793	(4.0)	5,432	(54,745)	N/M
	241,015	216,535	11.3	361,266	40,641	N/M

Attributable net profit had there been no change in accounting policy #	245,868	225,741	8.9	361,266	40,641	N/M
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N/M - Not meaningful  
# - See paragraph 8



**2. RATIOS**

	<b>Group Figures</b>	
	<u>30/9/2002</u>	<u>30/9/2001</u> (restated)#
Operating profit after tax before deducting minority interests as a percentage of revenue .....	10.0%	11.4%
Earnings per ordinary share based on weighted average share capital		
- before exceptional items .....	80.3 cents	67.4 cents
- after exceptional items .....	85.7 cents	72.7 cents
Earnings per ordinary share on a fully diluted basis		
- before exceptional items .....	79.9 cents	67.2 cents
- after exceptional items .....	85.3 cents	72.5 cents
Net tangible asset backing per ordinary share .....	\$10.99	\$10.32
Earnings before exceptional items per ordinary share based on share capital at year end 266,995,132 (2001: 295,875,463) .....	84.6 cents	67.8 cents

**3. SEGMENTAL RESULTS**

	<b>Revenue</b>		<b>PBIT *</b>	
	<u>30/9/2002</u>	<u>30/9/2001</u> (restated) #	<u>30/9/2002</u>	<u>30/9/2001</u> (restated) #
<b>Group revenue and profit analysis</b>				
<b>By Business Activity</b>				
	\$'000	\$'000	\$'000	\$'000
Soft drinks .....	366,539	340,985	33,669	28,335
Dairies .....	347,317	353,514	16,183	10,256
Breweries .....	1,192,271	1,086,409	137,919	121,787
Printing & publishing .....	434,792	416,441	20,905	20,174
Glass containers .....	98,476	96,805	14,290	15,929
Investment property .....	188,287	187,262	117,336	116,214
Development property .....	834,689	448,545	133,744	116,351
Other .....	21,470	11,981	26,649	33,259
	<u>3,483,841</u>	<u>2,941,942</u>	<u>500,695</u>	<u>462,305</u>
<b>By Territory</b>				
Singapore .....	1,613,092	1,259,384	304,535	308,977
Malaysia .....	705,681	706,601	76,150	62,063
Rest of South East Asia .....	403,450	355,667	61,399	46,211
North East Asia .....	189,390	162,658	(11,577)	(15,275)
South Pacific .....	427,649	326,889	64,868	48,853
Europe/USA .....	144,579	130,743	5,320	11,476
	<u>3,483,841</u>	<u>2,941,942</u>	<u>500,695</u>	<u>462,305</u>

\* PBIT = Profit before interest, taxation and exceptional items

# See paragraph 8



**4. ATTRIBUTABLE NET PROFIT**

	<b>Group</b>	
	<u>30/9/2002</u>	<u>30/9/2001</u> (restated)#
<b>By Business Activity</b>	<b>\$'000</b>	<b>\$'000</b>
Soft drinks .....	15,380	12,600
Dairies .....	6,619	3,587
Breweries .....	28,641	25,324
Printing & publishing .....	11,565	6,534
Glass containers .....	5,847	6,427
Investment property .....	73,241	60,413
Development property .....	83,875	70,451
Other .....	692	15,406
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	225,860	200,742
Exceptional items .....	15,155	15,793
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	<b>241,015</b>	<b>216,535</b>

**5. BALANCE SHEET**

	<b>Group</b>		<b>Company</b>	
	<u>30/9/2002</u>	<u>30/9/2001</u> (restated) #	<u>30/9/2002</u>	<u>30/9/2001</u>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Fixed assets .....	1,311,021	1,259,564	-	-
Investment properties .....	2,360,900	2,373,323	-	-
Properties under development .....	1,024,162	1,518,401	-	-
Subsidiary companies .....	-	-	3,984,447	3,331,836
Joint venture companies .....	163,428	63,283	-	-
Associated companies .....	118,256	16,358	-	-
Other investments .....	109,980	384,965	60,820	60,872
Intangible assets .....	40,422	32,030	-	-
Brands .....	10,601	12,344	-	-
Deferred tax assets.....	16,009	14,836	-	-
Current assets				
- Cash .....	659,569	679,988	7,508	63,551
- Others .....	1,979,255	1,220,263	19,951	56,767
Current liabilities				
- Borrowings .....	(1,557,247)	(812,885)	(279,194)	(54,050)
- Others .....	(861,004)	(749,780)	(33,596)	(25,199)
Non-current liabilities				
- Borrowings .....	(1,446,572)	(1,697,922)	(600,000)	(300,000)
- Others .....	(122,373)	(118,263)	-	-
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	<b>3,806,407</b>	<b>4,196,505</b>	<b>3,159,936</b>	<b>3,133,777</b>
Financed by:-				
Share capital .....	266,995	295,875	266,995	295,875
Share premium .....	333,472	534,209	333,472	534,209
Reserves .....	2,385,722	2,267,970	2,559,469	2,303,693
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	2,986,189	3,098,054	3,159,936	3,133,777
Outside shareholders .....	820,218	1,098,451	-	-
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	<b>3,806,407</b>	<b>4,196,505</b>	<b>3,159,936</b>	<b>3,133,777</b>

# See paragraph 8

**6. GROUP CASH FLOW STATEMENT**

	<u>30/9/2002</u>	<u>30/9/2001</u> <i>(restated)</i> #
	<i>\$'000</i>	<i>\$'000</i>
Profit before taxation and exceptional items .....	453,205	418,227
Adjustment for non-cash items .....	112,197	86,834
Changes in working capital .....	(19,630)	(133,072)
Income taxes paid .....	(97,958)	(76,331)
Adjustment for development properties profit .....	(153,286)	(116,350)
Progress payments from development properties sold .....	714,168	436,219
Development properties expenditure .....	(516,575)	(683,956)
	<u>492,121</u>	<u>(68,429)</u>
Cash inflow/(outflow) from operating activities .....		
Proceeds from return of capital from investments .....	27	24,459
Proceeds from disposal of assets and investments .....	65,204	340,565
Acquisition of assets and investments .....	(383,080)	(277,244)
Acquisition of additional interest in subsidiary companies .....	(336,822)	(17,909)
Investment income .....	38,270	42,950
	<u>(616,401)</u>	<u>112,821</u>
Cash inflow/(outflow) from investing activities .....		
Capital contribution by outside shareholders, net .....	14,822	23,388
Issue of shares by parent company .....	8,213	1,074
Payment on share buyback by parent company .....	(3,913)	(19,936)
Payment on capital reduction by parent company .....	(237,156)	-
Proceeds from loans .....	480,297	46,237
Payment of dividends .....	(158,402)	(102,565)
	<u>103,861</u>	<u>(51,802)</u>
Cash inflow/(outflow) from financing activities .....		
Net decrease in cash .....	(20,419)	(7,410)
Cash at beginning of year .....	679,988	687,398
	<u>659,569</u>	<u>679,988</u>
Cash at end of year .....		
Cash and cash equivalents comprise:		
- Bank fixed deposits .....	539,989	552,300
- Cash and bank balances .....	119,580	127,688
	<u>659,569</u>	<u>679,988</u>

# See paragraph 8

**7. STATEMENT OF CHANGES IN EQUITY**

	<b>Group</b>		<b>Company</b>	
	<u>30/9/2002</u>	<u>30/9/2001</u> (restated) #	<u>30/9/2002</u>	<u>30/9/2001</u>
<b>Issued Capital</b>	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year .....	295,875	298,263	295,875	298,263
Issued upon exercise of share options .....	1,438	166	1,438	166
Repurchased and cancelled .....	(674)	(2,554)	(674)	(2,554)
Cancelled upon capital reduction .....	(29,644)	-	(29,644)	-
Balance at end of year .....	<u>266,995</u>	<u>295,875</u>	<u>266,995</u>	<u>295,875</u>
<b>Share Premium</b>				
Balance at beginning of year .....	534,209	533,301	534,209	533,301
Increase upon exercise of share options .....	6,775	908	6,775	908
Capital reduction .....	(207,512)	-	(207,512)	-
Balance at end of year .....	<u>333,472</u>	<u>534,209</u>	<u>333,472</u>	<u>534,209</u>
<b>Reserves</b>				
Balance at beginning of year .....	2,296,214	2,241,817	2,303,693	2,334,128
Restatement due to changes in accounting policies	(28,244)	(19,038)	-	-
Adjusted balance at beginning of year .....	2,267,970	2,222,779	2,303,693	2,334,128
Net profit for the year as reported .....		225,741		
Restatement due to changes in accounting policies .		(9,206)		
Net profit for the year .....	241,015	216,535	361,266	40,641
Share buyback .....	(3,239)	(17,382)	(3,239)	(17,382)
Revaluation of investments .....	(40,652)	(97,586)	-	-
Revaluation reserve realised .....	-	1,529	-	-
Adjustment to reserves due to changes in outside shareholders' interest .....	433	-	-	-
Currency exchange difference arising from translating foreign subsidiary, joint venture and associated companies .....	22,446	(4,211)	-	-
Dividend payment .....	(102,251)	(53,694)	(102,251)	(53,694)
Balance at end of year .....	<u>2,385,722</u>	<u>2,267,970</u>	<u>2,559,469</u>	<u>2,303,693</u>
<b>Total Shareholders' Equity</b> .....	<u>2,986,189</u>	<u>3,098,054</u>	<u>3,159,936</u>	<u>3,133,777</u>

# See paragraph 8

**8. CHANGE IN ACCOUNTING POLICY**

In compliance with new Statements of Accounting Standard, the group has this year modified its accounting policy in respect of:

- (i) deferred taxation; and
- (ii) provision for employee entitlements to annual leave for services rendered up to end of financial year.

In consequence, deferred taxation and accrued annual leave as at 1 October 2000, amounting to \$19.0 million was adjusted by a charge against reserves. The comparative figures in the profit statement have been restated in accordance with the new policies resulting in group's attributable profit for the year ended 30 September 2001, \$216.5 million, being lower than previously reported by \$9.2 million (last year as reported \$225.7million).



## **9. CORPORATE RESTRUCTURING**

### **Share Buy Back**

Pursuant to the shareholders' mandate given at the Annual General Meeting held on 22 February 2001, the Company repurchased 534,000 of its ordinary shares on issue. These, together with 140,000 ordinary shares repurchased near the end of the previous financial year, have been cancelled.

### **Acquisitions of shares in Centrepoint Properties Ltd and Times Publishing Limited**

In November 2001, the Company announced that it would offer to acquire all the issued ordinary shares it did not already own in Centrepoint Properties Ltd and Times Publishing Limited for \$2.07 and \$4.48 per share respectively in cash. These acquisitions were completed and the two companies were delisted in March 2002.

### **Capital Reduction and Capital Distribution to Shareholders**

At an extraordinary general meeting on 15 March 2002, shareholders approved a capital reduction and capital distribution of 80 cents in cash per share held and the cancellation of one share for every ten shares held. The capital reduction and capital distribution was completed in April 2002 with the total number of ordinary shares issued reduced by 29,644,569 to 266,801,108.

## **10. REVIEW OF OPERATIONS**

The principal activities of the group are:-

- (i) production and sale of soft drinks, beer, stout, dairy products and glass containers,
- (ii) development of and investment in property, and
- (iii) printing, publishing and the provision of education services.

These activities are carried out through the Company's subsidiary, joint venture and associated companies to which the Company also provides management and administrative services.

### **Investment Income**

Investment income of the Company is derived mainly from dividends from its subsidiary companies. The substantial increase in this income this year represents special dividends declared by certain Singapore subsidiary companies out of accumulated reserves to ensure the transfer of related tax credits to the Company for future use.

### **Group**

The financial results under review commenced shortly after the September 11 terrorist attack in the United States. In spite of this and global economic uncertainties, adversely affecting consumer sentiment, the group is pleased to report a 12.5% improvement, to \$225.9 million, in attributable net profit (before exceptional items).

Group revenue grew by 18.4%, to \$3,483.8 million for the year under review and profit before interest and tax (PBIT) improved by 8.3%. Earnings per share (before exceptional items) based on year end share capital of 266,995,132 rose to 84.6 cents (80.3 cents based on weighted average share capital of 281,394,267).

### **Soft Drinks**

Revenue from soft drinks grew by 7.5%. Revenue growth, coupled with better product mix and management's focus to improve productivity, raised PBIT for the year by 18.8%, to \$33.7 million.

### **Dairies**

Despite the marginal decline in revenue (by 1.8% compared to last year) PBIT for dairy products for the year was up by a substantial 57.8%, to \$16.2 million as it benefited from lower cost of milk powder.

### **Breweries**

Revenue from the breweries increased by 9.7%, to \$1,192.3 million for the year as volume improvements were reported in all the territories where the breweries operate except for New Zealand and Hainan, China. In Singapore, exports of Tiger Beer continue to record strong growth. Malaysia benefited from increased sales volume and the write back of provisions that were no longer required. Despite a 16% depreciation in the kina, Papua New Guinea was able to boost PBIT with tight control over operating costs. Improved product mix in New Zealand was offset partially by higher marketing spend. Profitability grew strongly in Indochina due to higher sales and improved product mix in Vietnam. In the consolidating China beer market, sales continue to grow in Shanghai and margins were under pressure as Asia Pacific Breweries Limited (APBL) defended its dominant market position on Hainan Island.

**Development Property**

Revenue from development projects increased by 86%. With appropriate timing of sale launches and competitive pricing the group successfully launched 3 residential projects (Cote D'Azur, Lilydale and Rosewood), and completed 5 (Euphony Gardens, Yishun Sapphire, Yishun Emerald, The Petals and Compass Heights) during the year in Singapore. In United Kingdom, the 15-unit Annandale was sold en-bloc, and in Australia, the 46-unit Pavilions on the Bay at Glebe Point was launched for sale. PBIT improved by 14.9%, to \$133.7 million.

The group replenished its residential land bank in Singapore with the acquisition of two leasehold sites (Sophia Road and Choa Chu Kang Street 64) and two freehold sites (Pasir Panjang Road and Jalan Ulu Sembawang).

**Investment Property**

Occupancies remained high at 98% and rental income from investment properties at \$188.3 million was at last year's level. PBIT for the year was stable at \$117.3 million.

The group property operations increased its presence in Shanghai, China and took a 32% equity interest in a joint venture to develop a residential, commercial cum serviced apartment development in the Luwan District. In Sydney, Australia the group acquired the Regent Theatre site for a residential and commercial development.

**Printing and Publishing**

Revenue from Times Publishing rose 4.4% to \$434.8 million. Printing sales benefited from the new businesses acquired; Argyle Times Graphics in Australia, Everbest Printing in Hong Kong and Vine Graphics in Singapore. Higher sales from publishing in Singapore were offset by the declines in Europe and Hong Kong. The marketing and distribution business continued to rationalise its under-performing bookshop outlets in Singapore and Malaysia.

**Exceptional Items**

	Group		Company	
	<u>30/9/2002</u>	<u>30/9/2001</u>	<u>30/9/2002</u>	<u>30/9/2001</u>
The exceptional items comprise:-	\$'000	\$'000	\$'000	\$'000
Gain on disposal of businesses .....	2,370	39,053	5,432	-
Gain on disposal of investments/properties .....	16,202	35,649	-	46,604
Provision for permanent impairment in value of investments .....	(18,658)	(32,601)	-	(101,349)
Provision for cost of re-organisaion of production facilities .....	(10,749)	(4,890)	-	-
Negative goodwill arising from additional investments in subsidiaries .....	28,817	-	-	-
Exchange loss on long term borrowing of a subsidiary ....	-	(3,547)	-	-
	<u>17,982</u>	<u>33,664</u>	<u>5,432</u>	<u>(54,745)</u>

**11. OUTLOOK**

The political and economic uncertainties which recent events have created make it difficult to predict how our markets will respond in the months ahead. However, there are factors that suggest our group is well placed to face the coming challenges.

**Fraser & Neave Holdings (F&NHB)**

Positive factors in the year ahead are F&NHB's ongoing rationalisation efforts, management's focus on improving productivity, the effect of lower cost of some key materials such as milk powder, and a new revenue stream from the glass plant in China's Sichuan province. In addition, F&NHB's food and beverage products are widely consumed in Malaysia and for that reason sales are expected to be relatively resilient despite the slowing economy.

**Breweries**

APBL continues to benefit from its investments in new markets in the early and mid nineties. PBIT from Indochina and Thailand now account for 37% of APBL's PBIT, up from 27% last year. While losses in China have increased during this financial year, APBL remain positive about the longer term prospects of its operations in China. Sales and market share in Shanghai are on an upward trend.



### **Properties**

Although occupancies and rentals from existing investment properties are expected to be maintained, profit contribution could be lower if the government off-budget measures in respect of property tax rebate cease in December 2002 as planned.

The group plans to launch two residential projects in the new financial year (at Boon Lay and Pasir Ris) but timing will depend on market demand. However, units sold from projects already launched will underpin earnings in the new financial year.

Additionally, as announced earlier this week, the Compass Point shopping mall, developed by Centrepont Properties, has been sold by way of securitisation. This sale will contribute 17 cents per share to group profit in the year ahead. The group will retain a 45% interest in the property which will be managed by Centrepont Properties under its Malls of Centrepont brand. The retained interest will be divested at an appropriate time.

### **Printing and Publishing**

In the current year, the group intends to consolidate the recent acquisitions made in printing and publishing whilst significantly increasing its publishing programmes in all markets to increase sales, and at the same time working to improve results in under-performing operations.

### **Overall**

While economic uncertainties continue to dampen sentiment, barring unforeseen circumstances the Directors believe that profit should further improve and that the Company is on track to achieving its objective earnings of \$1 per share.

Except as stated above, no significant trend or event affecting the earnings of the Company or the group has occurred between the end of the financial year, 30 September 2002, and the date of this announcement.

## **12. DIVIDEND/NOTICE OF ANNUAL GENERAL MEETING**

- (i) In view of the strong earnings achieved, the Directors propose, subject to shareholders' approval at the Annual General Meeting to be held on 30 January 2003, a final dividend of 20 Singapore cents per \$1 share, being AFTER deduction of Singapore tax, to be paid on 20 February 2003. This is equivalent to a gross dividend of 25.6%. Taken with the interim dividend this will give an enhanced total distribution for the year of 35 cents per share after tax or 44.9% gross (last year: 30 cents after tax or 41.1% gross).
- (ii) Registrable transfers received by the Company's Registrars, Barbinder & Co Pte Ltd, 8 Cross Street #11-00 PWC Building, Singapore 048424 up to 5.00 pm on 10 February 2003 will be registered before entitlements to the dividend are determined. Notice is hereby given that the share registers will be closed from 11 February 2003 to 13 February 2003, both dates inclusive, for preparation of dividend warrants.
- (iii) Notice is hereby given that the Annual General Meeting of the Company will be held at Level 2, Alexandra Point, 438 Alexandra Road, Singapore 119958 on Thursday 30 January 2003 at 10.00 am.

BY ORDER OF THE BOARD  
Anthony Cheong Fook Seng  
Company Secretary

15 November 2002