

**EMPLOYEES PROVIDENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002**

1. PRINCIPAL ACTIVITIES OF THE BOARD

The Board established under the EPF Ordinance, 1951 which was later amended to the EPF Act, 1991 is the trustee of the Employees Provident Fund which is a defined contribution scheme. The principal activities of the Board are to receive and to collect contributions, to meet all withdrawals of savings and other benefits to members or their beneficiaries upon satisfaction of any condition for withdrawals and to invest its monies for the benefit of its members. The principal activities of the subsidiaries and associated companies are as stated in Notes 8 and 9 to the Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis Of Accounting

The EPF and the Group Accounts have been prepared in accordance with:

- i. The historical cost convention modified by the revaluation of the short term quoted shares; and
- ii. Approved accounting standards.

2.2 Basis Of Consolidation

The Group Financial Statement includes the Financial Statements of the EPF and its subsidiaries which have been prepared up to the end of the financial year. All intercompany transactions and balances have been eliminated on consolidation. The preparation of the EPF Consolidated Financial Statement is in compliance with Treasury Circular No. 15, 1994. The Board as the trustee and the manager of the Employees Provident Fund has no asset and liability and all operating expenditures are charged to the revenue of the Fund.

2.3 Goodwill

The goodwill arising on consolidation represents the excess of the purchase price over the value of the net assets of the subsidiary as at acquisition date. The goodwill is to be amortised over 10 years through the Consolidated Income Statement.

2.4 Investments In Subsidiaries

A subsidiary company is a company in which EPF controls the composition of its Board Of Directors or more than half of its voting power or holds more than half of its issued ordinary share capital.

Investments in subsidiaries are stated at cost and are written down when the Investment Panel considers that there is a permanent diminution in the value of such investments. For investments in subsidiaries which are listed at KLSE, allowance for diminution in value of investments is provided amounting to 20% per annum on unrealised loss of shares in subsidiary company. The requirement for allowance for diminution in value of investments is reviewed as at every balance sheet date. Allowance for diminution in value of investments will be adjusted and written back as income if as at the reported balance sheet date, the value of the related shares in subsidiary company is higher than the average cost.

2.5 Investments In Associated Companies

Associated companies are companies in which the EPF has a long term equity interest of 20% to 50% and where it exercises a significant influence in financial and operating policy decisions.

The Group's share of profits less losses of associated companies, as shown in the Consolidated Income Statement and the Group's interest in associated companies are stated at cost with adjustments to show changes of the Group's share of net assets of the associated companies. The cost of investments is written down when the Investment Panel considers that there is a permanent diminution in value of such investments.

2.6 Interest In Joint Ventures

Interest In Joint Ventures represents an amount which has been advanced under a contractual agreement with a joint venture partner to undertake construction projects and property development which is jointly controlled.

Equity method has been adopted to account for Interest In Joint Venture. The accounting for contracts in joint venture is based on the percentage of completion method and foreseeable losses, if any, are provided for in the year that it arises.

2.7 Basis Of Investment Valuation

a. Malaysian Government Securities

Malaysian Government Securities are stated at book value obtained from its cost and adjusted where necessary for amortisation of premium and accretion of discount from the date of purchase till redemption.

b. Malaysian Treasury Bills

Treasury Bills are stated at cost.

c. Guaranteed Loans And Debentures

Guaranteed Loans And Debentures are stated at cost.

d. Corporate Bonds

Bonds are stated at book value calculated from its cost and adjusted where necessary for amortisation of premium and accretion of discount from the date of purchase till redemption.

e. Unquoted Shares

Unquoted Shares are stated at cost. Allowance for diminution in value of investments is made where considered appropriate.

f. **Quoted Shares And Investments With Portfolio Managers**

Short Term Quoted Shares And Investment With Portfolio Managers

At every year end, the investment cost of Quoted Shares and Investments With Portfolio Managers which has been classified as short term investments is adjusted to market value. The difference arising will be accounted for as follows:

i. *Aggregate market value exceeds cost of investments*

Difference will be credited to the Investment Revaluation Account;

or

ii. *Aggregate market value less than cost of investments*

Difference will be debited to the opening balance of the Investment Revaluation Account (if available) and the remainder is recognised as a loss in the Income Statement.

Long Term Quoted Shares And Investments With Portfolio Managers

Quoted Shares and Investments With Portfolio Managers which have been classified as long term investments are stated at cost less allowance for diminution in value of investments. The allowance for diminution in value of investments is determined and calculated based on the following guidelines:

- i. Allowance for diminution in value of investments on the purchase cost of shares subject to Capital Reduction Plan amounting to 20% per annum commencing from the year which such Capital Reduction Plan is announced and allowances is made till it reaches 100% in the year such plan is finalised. Allowance for diminution in value of investments will be adjusted and written back as an income if the Capital Reduction Plan is cancelled and the value of shares exceeds the average cost.
- ii. Allowance for diminution in value of investments on shares subject to Mandatory General Offer Plan amounting to 20% per annum on losses derived from the difference between cost and offer price. Allowance is made commencing from the year the Mandatory General Offer is announced. Allowance is made till it reaches 100% in the implementation year of which the Mandatory General Offer is finalised. The allowance for diminution in value of investments will be adjusted and written back as an income if the Mandatory General Offer Plan is cancelled and the value of shares exceeds the average cost.
- iii. Long term quoted shares of which EPF has significant percentage share holding of which the Investment Panel has decided as having doubtful prospects are provided with allowance for diminution in value of investments for a minimum of 25% per annum on the unrealised loss till the allowance for diminution in value of investments reaches 100% at the balance sheet date. Allowance for diminution in value of investments will be adjusted and written back as income if such shares have been disposed or the value of shares exceeds the average cost.
- iv. Quoted shares which have been designated as status PN4 (Practice Note No. 4/2001) by the Kuala Lumpur Stock Exchange are provided with 100% allowance for diminution in value of investments on the investment cost as at the balance sheet date in the year the said company designated as status PN4. Allowance for diminution in value of investments will be adjusted and written back as income if such shares have been disposed or the value of shares exceeds the average cost.
- v. Long term quoted shares which have significant unrealised diminution in value are provided with allowance for diminution in value of investment for at least 20% per annum on the unrealised loss as at the balance sheet date till the unrealised loss is provided 100%. Allowance for diminution in value of investments will be adjusted as income if such shares have been disposed or the value of shares exceeds the average cost. A review of the required balance of the allowance for diminution in value is made at every balance sheet date. The additional allowance or the write back of the allowance as at the balance sheet date is made on an aggregate basis.
- vi. General allowance for diminution in value of investments on net unrealised loss of long term quoted shares is provided for at the balance sheet date. Allowance for diminution in value of investments will be adjusted and written back as income if the total allowance for diminution in value of investments exceeds the total cost. The additional allowance or the write back of the allowance as at the balance sheet date is made on an aggregate basis.

The criteria and guidelines to determine the allowance for diminution in value of investments on long term quoted shares and investment with portfolio managers as above are appropriate and in compliance with the view that the EPF is a long term retirement fund where shares are held for long term and there is no requirement to liquidate in order to meet its cash requirements to pay withdrawals of contributions.

2.8 Recognition Of Investment Income

Dividend from shares and interest on Malaysian Government Securities, Loans And Bonds, Fixed Deposits and Rental Income is accounted for on an accrual basis.

When a particular account is considered as non-performing loan, the interest is suspended until it has been realised in cash. Loan accounts is treated as non-performing if the repayment of the principal or the interest portion is in arrears for 6 months. The policy with regard to the suspension of interest is in accordance with "Guidelines On The Suspension Of Interest On Non-Performing Loans And Provision For Bad And Doubtful Debts - BNM / GP 3" which is issued by Bank Negara Malaysia but has been modified for the usage of EPF.

Dividend credited in the investment account of the individual EPF's members under the investments share withdrawal scheme by the Fund Manager Institutions is not taken into account in the Income Statement.

2.9 Recognition Of Income On Granting Of Loans (MBSB)

Recognition of interest as income is suspended for all loans, when instalments are in arrears for six (6) months or more. The quantum of interest suspended is clawed-back to day one.

Loan arrangement fees and commissions are recognised as income on contractual basis.

2.10 Recognition Of Income On Development Properties And Project Management (MBSB)

Income from sale of properties under development is recognised on the percentage of completion method determined on the proportion of development cost incurred to date against total estimated cost where the outcome of the projects can be reliably estimated. All anticipated losses on properties under development are fully provided for.

Commitment fees are recognised as income based on time apportionment.

Income from project management is recognised as and when the service is rendered.

2.11 Loan Losses / Allowance For Loan Losses

Allowance for losses is made for non-performing loans that have been reviewed individually and identified specifically as bad or doubtful. Allowance for losses is made after taking into account the realised value of the security, if any.

In the case of loans advanced for joint venture developments where the actual moratorium period is 6 months or more and where the security valued on an open market basis is lower than the principal amount outstanding, specific allowances equivalent to the deficit are made.

A general allowance based on a percentage of loan receivable is also made to cover possible losses which are not specifically identified.

An uncollectable loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of collateral, if any, where in the judgement of the Management, there is no prospect of recovery.

The policy on allowance for bad and doubtful loans which is practised by the EPF is in accordance with "Guidelines On The Suspension Of Interest On Non-Performing Loans And Provision For Bad And Doubtful Debts - BNM / GP3" issued by Bank Negara Malaysia except that EPF has not made general allowances.

2.12 Property, Plant And Equipment And Depreciation

Property, Plant And Equipment are stated at cost after deduction of accumulated depreciation and accumulated impairment loss. Freehold Land and Work-In-Progress are not depreciated. All other Property, Plant And Equipment are depreciated using straight line method based on the estimated useful life at the following rates:

	Over the life of lease
Leasehold Land	
Buildings	2% - 3%
Building Plant And Machinery	10%
Office / Building Renovation	20%
Furniture, Fittings And Fixtures	20%
Motor Vehicles	20%
Office Equipment	20%
Computer Software And Hardware	20% - 33%

Property, Plant And Equipment which is categorised under Furniture, Fittings And Fixtures which costs RM1,000 and above per unit is capitalised. Furniture, Fittings And Fixtures and Office Equipment which costs below RM1,000 per unit, is charged to current year expenses.

Office / Building Renovation valued at RM100,000 and above is capitalised. For renovation of which the project cost is less than RM100,000, such renovation cost is charged to current year expenses.

The depreciation rate on the purchase of completed building of which the cost of land and building could not be specifically identified at the acquisition stage will follow the depreciation rate of building which is at 2%.

Changes in accounting policy in respect of depreciation calculation on the following items have been made in the financial year 2002:

- Depreciation rate on Office / Building Renovation on premises owned by EPF where the project cost is RM100,000 and above has been revised from 10% to 20% per annum. The change in accounting policy has resulted in an increase in the current year operating expenditure amounting to RM17 thousand.
- Office / Building Renovation on premises rented by EPF of which the project cost is RM100,000 and above will be capitalised and is depreciated at the rate 20% per annum or following the rental termination period whichever is earlier. The change in accounting policy has resulted to a decrease in the current year operating expenditure amounting to RM1.18 million.

Upon the disposal of an item of Property, Plant And Equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Income Statement.

2.13 Accounting For Members' Contributions

Contributions are credited to members' account following the contribution month on cash received basis except for cases of which crediting is based on Invocation of Section 50(3), EPF Act, 1991 (refer para 2.24).

2.14 Members' Assets / Contributions With Fund Manager Institutions

The members' contribution fund which has been invested through the members' selected fund managers is stated in the EPF's accounts at the year end at cost. The members' contribution throughout the period under the management of fund managers is not entitled to dividend paid by the EPF.

2.15 Interest And Dividend On Contributions Paid Late

Interest and Dividend On Contributions Paid Late are accounted for on the cash received basis.

2.16 Interest On Loans Receivable

In respect of end finance, interest receivable is computed at yearly and monthly rests. For yearly rests, interest debited to the loans account in any year is based on the balance at 31 December of the previous year, and on loans disbursed during the year, interest is charged accordingly from the day of disbursement to the end of the financial year in which it is made. For monthly rests, interest debited to the loans account in any month is based on the balance at the end of the previous month, and on loans disbursed during the month, interest is computed from the day of disbursement to the end of the month in which it is made.

In the case of bridging and term loans, interest receivable is computed on monthly rests so that interest debited to the bridging and term loan accounts in any month is based on the balance at the end of the previous month, and on loans disbursed during the month, interest is computed from the day of disbursement to the end of the month in which it is made.

2.17 Provision For Staff Retirement Benefits (MBSB)

Provision For Staff Retirement Benefits is made in the Financial Statements to cover the company's discretionary payment of retirement benefit to employees on retirement.

2.18 Properties Held For Development

Properties Held For Development consist of land held for future development and where no significant development has been undertaken and is stated at cost. Cost includes cost of land and attributable development expenditure. Allowance for diminution in value is made after comparing the cost with the open market value or the net recoverable value, whichever is higher. Such assets are classified as development properties when significant development work has been undertaken and the development is expected to be completed within the normal operating cycle.

2.19 Deferred Taxation

The tax expenses for the year is based on the profit for the year, as adjusted for tax purposes, together with a charge or credit for deferred taxation.

Deferred taxation is provided for by the liability method for all timing differences except when there is reasonable evidence that these timing differences will not reverse in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

2.20 Development Properties

Land and development expenditure are classified as Development Properties when significant development work has been undertaken and is expected to be completed within the normal operating cycle. Development Properties are stated at cost plus attributable profits less losses and applicable progress billings. Cost includes cost of land, all direct building costs, and other related development expenditure, including interest expenses incurred during the period of active development.

2.21 Inventories Of Completed Properties

Inventories Of Completed Properties are stated at the lower of cost (determined on specific identification basis) and net realisable value. Cost include costs of land, construction and appropriate development overheads.

2.22 Dividend Credited / Paid To Members

Annual dividend is calculated on the opening balance as at 01 January (less withdrawals) and dividend on monthly contributions following contributions month and credited to the members' account at the end of the financial year. Dividend on withdrawals is calculated from the beginning of the year in which the withdrawal is made until the date the contributions' account is debited. The contributions and minimum annual dividend of 2.5% are guaranteed by the Government except for members' contributions which are managed by Fund Manager Institutions.

2.23 Foreign Currency Conversion

Amounts receivable from tax that is deducted from dividends received from overseas have been converted to Malaysian Ringgit based on the rates of exchange ruling at year end date whereas the dividends when received have been converted at rates prevailing on the transaction dates. Any differences will be credited or debited to the Gain / Loss On Foreign Currency Exchange Account.

2.24 Reserve Section 50(3)

Reserve Section 50(3) is created under Section 15, EPF Act, 1991. The reserve is created to finance the implementation of Section 50(3), EPF Act, 1991 which require the EPF Board to pay the employees' share of contributions for deduction that has been made on the employees' salary should the employers fail to pay the share of such contributions. The Board has approved that the collection of interest penalty on contributions paid late is to be credited to this reserve to finance the payment incurred from Invocation of Section 50(3).

2.25 Reserve For Contributions With Incomplete Information (CTML)

Reserves For Contributions With Incomplete Information has been established to account for Contributions With Incomplete Information (CTML) which could not be posted. CTML is considered as could not be posted if it satisfies the following criteria:

- i. CTML case which has only one / no member's details and aged for three months and above; and
- ii. CTML case which has two / three member's details and aged for six months and above.

2.26 Cash And Cash Equivalents

Cash And Cash Equivalents consist of cash in hand and at banks and deposits with financial institutions to facilitate any need of liquidity.

2.27 Comparative Figures

The presentation of the financial statements follows the format as prescribed by the Malaysian Accounting Standards Board No. 1 : Presentation Of Financial Statements. Certain comparative figures in the Financial Statements of the EPF and the Group have been reclassified to conform with the current year's presentation.

2.28 Currency

All amounts are stated in Ringgit Malaysia.

3. WITHDRAWALS AND REFUNDS OF CONTRIBUTIONS

		GROUP AND EPF	
		2002 (RM'000)	2001 (RM'000)
3.1	55 Years Withdrawal Scheme	3,662,996	2,843,988
3.2	Re-election Withdrawal Scheme	2,214	2,312
3.3	50 Years Withdrawal Scheme	1,132,242	1,046,216
3.4	Incapacitation Withdrawal Scheme	191,734	194,295
3.5	Leaving Country Withdrawal Scheme	281,093	342,341
3.6	Housing Withdrawal Scheme	1,607,272	1,606,085
3.7	Reduction / Redemption Of Housing Loan Withdrawal Scheme	779,967	810,972
3.8	Medical Withdrawal Scheme	36,127	31,730
3.9	Death Withdrawal Scheme	347,699	294,767
3.10	Periodical Payment Withdrawal Scheme	6,875	3,471
3.11	Members' Investment Withdrawal Scheme	1,174,863	1,032,790
3.12	Annuity Insurance Withdrawal Scheme	125	3,325,123
3.13	Pensionable Employee Withdrawal Scheme	827,916	3,821,978
3.14	Computer Withdrawal Scheme	497,090	1,148,581
3.15	Education Withdrawal Scheme	120,337	92,955
3.16	Monthly Payment Withdrawal Scheme	10	-
3.17	Refunds To Foreign Worker Citizens	278,092	-
3.18	Refunds To Employers / Members - Rule 33(1), EPF Regulations & Rules, 1991	18,650	15,211
3.19	Refunds Of Employers' Share To Pension Trust Fund - Section 56, EPF Act, 1991	1,762,078	5,354,964
		<u>12,727,380</u>	<u>21,967,779</u>

The maturity structure of the Contributions eligible to be withdrawn by the members under age of 50 and 55 withdrawals within 12 months period are as follows:

	2002 (RM'000)	2001 (RM'000)
Contributions payable within 12 months	16,184,079	8,694,276
Contributions payable after 12 months	184,437,636	176,472,493
	<u>200,621,715</u>	<u>185,166,769</u>

4. PROPERTY, PLANT AND EQUIPMENT

4.1 GROUP

	As At 01 Jan	Additions	Disposals / Adjustments	Write Offs/ Impairment Loss	As At 31 Dec
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
2002					
COST					
Freehold Land	514,025	499	-	-	514,524
Leasehold Land	178,028	18,485	-	-	196,513
Buildings	716,807	126,318	-	-	843,125
Building Plant And Machinery	21,709	4,505	-	-	26,214
Office / Building Renovation	27,578	6,641	17	-	34,202
Furniture, Fittings And Fixtures	41,254	848	30	186	41,886
Motor Vehicles	7,641	1,185	499	182	8,145
Office Equipment	86,874	1,932	139	1,168	87,499
Computer Software And Hardware	111,534	9,789	42	1,129	120,152
Work-In-Progress	38,760	5,137	36,073	-	7,824
	<u>1,744,210</u>	<u>175,339</u>	<u>36,800</u>	<u>2,665</u>	<u>1,880,084</u>
ACCUMULATED DEPRECIATION					
2002					
Leasehold Land	4,125	2,288	-	-	6,413
Buildings	120,959	17,045	-	(33,877)	171,881
Building Plant And Machinery	18,987	588	-	-	19,575
Office / Building Renovation	13,025	979	-	-	14,004
Furniture, Fittings And Fixtures	29,205	3,398	30	186	32,387
Motor Vehicles	4,625	1,026	174	182	5,295
Office Equipment	84,316	2,938	139	1,168	85,947
Computer Software And Hardware	58,024	23,744	-	1,129	80,639
	<u>333,266</u>	<u>52,006</u>	<u>343</u>	<u>(31,212)</u>	<u>416,141</u>

COST

	2001				
Freehold Land	514,025	-	-	-	514,025
Leasehold Land	166,862	11,166	-	-	178,028
Buildings	502,467	240,755	47	26,368	716,807
Building Plant And Machinery	21,140	716	-	147	21,709
Office / Building Renovation	18,400	9,178	-	-	27,578
Furniture, Fittings And Fixtures	30,458	11,591	617	178	41,254
Motor Vehicles	6,883	1,854	656	440	7,641
Office Equipment	105,577	2,754	18,888	2,569	86,874
Computer Software And Hardware	58,250	53,316	29	3	111,534
Work-In-Progress	148,108	33,990	143,267	71	38,760
	<u>1,572,170</u>	<u>365,320</u>	<u>163,504</u>	<u>29,776</u>	<u>1,744,210</u>

ACCUMULATED DEPRECIATION

	2001				
Leasehold Land	2,030	2,095	-	-	4,125
Buildings	106,407	14,586	34	-	120,959
Building Plant And Machinery	18,709	425	-	147	18,987
Office / Building Renovation	11,967	1,058	-	-	13,025
Furniture, Fittings And Fixtures	25,832	3,603	52	178	29,205
Motor Vehicles	4,936	785	656	440	4,625
Office Equipment	102,653	2,996	18,764	2,569	84,316
Computer Software And Hardware	18,671	20,723	(18,632)	2	58,024
	<u>291,205</u>	<u>46,271</u>	<u>874</u>	<u>3,336</u>	<u>333,266</u>

4.2 EPF

	As At 01 Jan	Additions	Disposals / Adjustments	Write Offs/ Impairment Loss	As At 31 Dec
COST	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
			2002		
Freehold Land	492,043	499	-	-	492,542
Leasehold Land	166,310	18,485	-	-	184,795
Buildings	543,436	126,318	-	-	669,754
Building Plant And Machinery	21,709	4,505	-	-	26,214
Office / Building Renovation	19,487	6,509	17	-	25,979
Furniture, Fittings And Fixtures	24,435	843	30	186	25,062
Motor Vehicles	5,696	1,185	408	182	6,291
Office Equipment	86,874	1,932	139	1,168	87,499
Computer Software And Hardware	99,907	9,767	42	1,129	108,503
Work-In-Progress	38,760	5,137	36,073	-	7,824
	<u>1,498,657</u>	<u>175,180</u>	<u>36,709</u>	<u>2,665</u>	<u>1,634,463</u>

ACCUMULATED DEPRECIATION

	2002				
Leasehold Land	3,821	2,123	-	-	5,944
Buildings	104,278	12,359	-	-	116,637
Building Plant And Machinery	18,987	588	-	-	19,575
Office / Building Renovation	5,485	714	-	-	6,199
Furniture, Fittings And Fixtures	21,166	1,125	30	186	22,075
Motor Vehicles	3,412	727	83	182	3,874
Office Equipment	84,316	2,938	139	1,168	85,947
Computer Software And Hardware	47,900	22,871	-	1,129	69,643
	<u>289,365</u>	<u>43,445</u>	<u>252</u>	<u>2,665</u>	<u>329,894</u>

COST

	2001				
Freehold Land	492,043	-	-	-	492,043
Leasehold Land	165,644	666	-	-	166,310
Buildings	462,890	80,546	-	-	543,436
Building Plant And Machinery	21,140	716	-	147	21,709
Office / Building Renovation	10,315	9,172	-	-	19,487
Furniture, Fittings And Fixtures	24,272	925	584	178	24,435
Motor Vehicles	4,861	1,563	288	440	5,696
Office Equipment	86,916	2,754	227	2,569	86,874
Computer Software And Hardware	65,350	34,559	-	2	99,907
Work-In-Progress	85,158	32,889	79,287	-	38,760
	<u>1,418,589</u>	<u>163,790</u>	<u>80,386</u>	<u>3,336</u>	<u>1,498,657</u>

ACCUMULATED DEPRECIATION

	2001				
Leasehold Land	1,891	1,930	-	-	3,821
Buildings	94,334	9,944	-	-	104,278
Building Plant And Machinery	18,709	425	-	147	18,987
Office / Building Renovation	4,867	618	-	-	5,485
Furniture, Fittings And Fixtures	20,039	1,325	20	178	21,166
Motor Vehicles	3,677	463	288	440	3,412
Office Equipment	83,992	2,996	103	2,569	84,316
Computer Software And Hardware	28,078	19,823	-	2	47,900
	<u>255,587</u>	<u>37,524</u>	<u>411</u>	<u>3,336</u>	<u>289,365</u>

4.3 NET BOOK VALUE

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
Freehold Land	514,524	514,025	492,542	492,043
Leasehold Land	190,100	173,903	178,851	162,489
Buildings	671,244	595,848	553,117	439,158
Building Plant And Machinery	6,639	2,722	6,639	2,722
Office / Building Renovation	20,198	14,553	19,780	14,002
Furniture, Fittings And Fixtures	9,499	12,049	2,987	3,269
Motor Vehicles	2,850	3,016	2,417	2,284
Office Equipment	1,552	2,558	1,552	2,558
Computer Software And Hardware	39,513	53,510	38,860	52,007
Work-In-Progress	7,824	38,760	7,824	38,760
	<u>1,463,943</u>	<u>1,410,944</u>	<u>1,304,569</u>	<u>1,209,292</u>

5. GOODWILL ON CONSOLIDATION

	GROUP	
	2002 (RM'000)	2001 (RM'000)
As At 01 January	11,549	13,632
<u>Add:</u>		
Acquisition Of Subsidiary Company In The Current Year	-	18,565
	<u>11,549</u>	<u>32,197</u>
<u>Less:</u>		
Written Off / Amortisation Of Goodwill	2,083	20,648
	<u>9,466</u>	<u>11,549</u>

6. PROPERTIES HELD FOR DEVELOPMENT

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
Freehold Land	210,505	366,382	-	-
Leasehold Land	135,519	138,025	64,910	60,268
Development Expenditure	174,420	331,355	-	-
	<u>520,444</u>	<u>835,762</u>	<u>64,910</u>	<u>60,268</u>
<u>Less:</u>				
Allowance For Diminution In Value	(187,119)	320,970	-	-
	<u>333,325</u>	<u>514,792</u>	<u>64,910</u>	<u>60,268</u>

Included in Properties Held For Development of the Group in the prior year are properties with carrying values amounting to RM239,861,000 which are registered in the respective joint venture partners' name. During the financial year, the carrying amount of RM179,180,000 are reflected as loans as at 31 December 2002.

Also included in Properties Held For Development of the Group is a property with carrying value of RM25,500,000 (2001 : RM25,500,000) on which a Development Agreement had been signed with a third party. In exchange for granting development rights on its land, the Group will obtain 48 units of service apartments upon its completion. As at 31 December 2002, the construction on the land has not commenced.

7. DEVELOPMENT PROPERTIES

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
Land At Cost:				
Freehold Land	233,597	370,431	-	-
Leasehold Land	158,388	149,559	-	-
Development Expenditure	309,919	527,086	59,628	53,819
	701,904	1,047,076	59,628	53,819
<u>Less:</u>				
Non Current Portion - Reclassified As Properties Held For Development	(455,534)	(775,494)	-	-
	246,370	271,582	59,628	53,819
<u>Less:</u>				
Recognised Losses	15,739	(5,699)		
	230,631	265,883		
<u>Less:</u>				
Foreseeable Losses	(28,387)	(28,996)		
Progress Billings	(19,936)	(11,658)		
	182,308	225,229		

Included in Development Properties in the prior year are properties with carrying values amounting to RM88,259,000 which are registered in the respective joint venture partners' name. During the financial year, the carrying amount of RM67,214,000 are reflected as loans in the Financial Statements as at 31 December 2002. The Development Properties of the Group as at 31 December 2002 which are registered in the joint venture partners' name, represent active projects.

Also included in Development Properties are freehold land, leasehold land and development expenditure of the Group amounting to RM43,484,000 (2001 : RM180,318,000), RM8,059,000 (2001 : RM76,495,000) and RM100,327,000 (2001 : RM276,365,000) respectively which have been pledged as security for loan facility granted. Included in the development expenditure of the Group are interest capitalised during the year amounting to RM2,804,000 (2001 : RM41,710,000).

8. INVESTMENTS IN SUBSIDIARIES

EPF	2002		2001	
	Cost/Book Value (RM'000)	Market Value (RM'000)	Cost/Book Value (RM'000)	Market Value (RM'000)
Quoted Shares In Malaysia	706,633	69,203	706,633	149,053
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(382,459)		(199,367)	
	324,174		507,266	
Unquoted Shares In Malaysia	3,128		3,128	
	327,302		510,394	
Loans To Subsidiaries	1,101,619		1,107,705	
Advance To Subsidiaries	17,126		12,126	
Capital Advance *	95,662		56,247	
	1,214,407		1,176,078	
	1,541,709		1,686,472	

* Capital Advance will be capitalised as EPF's shares in the related subsidiary companies as approved by the Ministry Of Finance. Capital Advance represents accumulated payment by stages for the construction of building by the EPF.

The subsidiary companies of EPF are as follows:

Name Of The Company	Effective Interest		Principal Activity
	2002	2001	
a) Malaysia Building Society Berhad	63.02%	63.02%	Granting of loans on the security of freehold and leasehold properties.
b) YTR Harta Sdn Bhd	85.00%	85.00%	Property development.
c) Affordable Homes Sdn Bhd	100.00%	100.00%	Property development.
d) PPNK - Harta Sdn Bhd	85.00%	85.00%	Property development and management.

All subsidiary companies as above are incorporated in Malaysia.

The maturity structure of the Loans To Subsidiaries are as follows:

	2002 (RM'000)	EPF 2001 (RM'000)
Maturing within 12 months	8,600	482,831
Maturing after 12 months	1,205,807	693,247
	<u>1,214,407</u>	<u>1,176,078</u>

9. INVESTMENTS IN ASSOCIATED COMPANIES

	GROUP At Cost (RM'000)		EPF At Cost (RM'000)	
	2002	2001	2002	2001
Quoted Shares	238,654	238,654	238,654	238,654
Unquoted Shares	19,000	154,149	19,000	154,149
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	-	(135,034)	-	(135,034)
	<u>257,654</u>	257,769	<u>257,654</u>	257,769
Loans	38,390	46,454	38,390	46,454
	<u>296,044</u>	304,223	<u>296,044</u>	304,223
<u>Add / (Less):</u>				
Profit / (Losses) In Associated Companies:				
Sistem Transit Aliran Ringan Sdn Bhd *	-	(210,713)	-	-
Projek Bandar Samariang Sdn Bhd	(4,142)	(4,491)	-	-
Panca Pesona Sdn Bhd	(120)	(151)	-	-
Cycle & Carriage Bintang Bhd	116,136	104,741	-	-
	<u>111,874</u>	(110,614)	-	-
	<u>407,918</u>	193,609	<u>296,044</u>	304,223

Details pertaining to the associated companies are as shown below:

<u>Name Of The Company</u>	<u>Effective Interest</u>		<u>Principal Activity</u>
	2002	2001	
a) Projek Bandar Samariang Sdn Bhd	40.00%	40.00%	Property development company.
b) Panca Pesona Sdn Bhd	30.00%	30.00%	Developing industry and housing project.
c) Cycle & Carriage Bintang Bhd	21.00%	21.04%	Assembly, distribution and retailing of motor vehicles.
d) Sistem Transit Aliran Ringan Sdn Bhd *	-	20.00%	Managing light rail transit system.
e) RHB - H & F Management Co. Sdn Bhd *	-	29.41%	Provision for investment consultancy and management services.
f) Malaysian Capital Venture Sdn Bhd *	-	35.71%	Investment holding company.
g) First Sukuk Al-Ijara Sdn Bhd	-	30.00%	Dormant.

All associated companies as above are incorporated in Malaysia.

* The abovementioned companies are in the process of winding up by liquidators as at 31 December 2002.

The maturity structure of the Loans To Associated Companies are as follows:

	2002 (RM'000)	EPF 2001 (RM'000)
Maturing within 12 months	-	1,200
Maturing after 12 months	38,390	45,254
	<u>38,390</u>	<u>46,454</u>

10. INTEREST IN JOINT VENTURES

	GROUP At Cost (RM'000)		EPF At Cost (RM'000)	
	2002	2001	2002	2001
Usaha Sama KWSP - MBSB (Atabara)	<u>-</u>	<u>-</u>	<u>218</u>	<u>204</u>
Principal Activity:				
Housing project at Bandar Indera Mahkota, Kuantan, Pahang.				

11. INVESTMENTS
11.1 GROUP

	2002		2001	
	Cost/Book Value (RM'000)	Market Value (RM'000)	Cost/Book Value (RM'000)	Market Value (RM'000)
QUOTED SECURITIES				
Short Term Quoted Shares In Malaysia	339,277	211,828	299,537	192,276
<u>Less:</u>				
Investment Revaluation Account	(127,449)		(107,261)	
Directors' Valuation	211,828		192,276	
Malaysian Government Securities	72,979,858	80,745,242	68,338,627	77,994,895
Long Term Quoted Shares In Malaysia	42,383,561	29,599,588	36,910,826	27,100,727
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(3,211,766)		(1,417,269)	
	39,171,795		35,493,557	
Long Term Quoted Shares Outside Malaysia	222,725	239,967	269,742	239,967
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(1,513)		-	
	221,212		269,742	
Long Term Investment With Portfolio Managers	5,033,794	4,321,826	3,364,758	2,756,302
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(104,467)		(21,809)	
	4,929,327		3,342,949	
Directors' Valuation	117,302,192	114,906,623	107,444,875	108,091,891
UNQUOTED SECURITIES				
Unquoted Shares In Malaysia	151,316		16,193	
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(136,815)		(1,781)	
	14,501		14,412	
Unquoted Shares Outside Malaysia	529,170		537,340	
Directors' Valuation	543,671		551,752	
LOANS AND BONDS				
Guaranteed Loans And Debentures	23,164,534	-	19,380,301	-
<u>Less:</u>				
Specific Allowance For Bad And Doubtful Debts	(318,000)		(250,000)	
	22,846,534		19,130,301	
Islamic Bonds	100,000	-	-	-
Corporate Bonds	14,102,701	-	14,646,828	-
<u>Less:</u>				
Specific Allowance For Bad And Doubtful Debts	(171,617)		(280,000)	
	13,931,084		14,366,828	
Promissory Notes	590,623	-	1,194,923	-
Loans Stock	50,000	-	50,000	-
Quoted Loans Stock	308,031	309,393	30,893	35,435
Fixed Income Fund Managers	1,048,070	1,069,497	-	-
Cagamas Securities	8,314,598	8,409,026	5,460,177	5,553,073
Danaharta And Danamodal Bonds	4,455,403	4,503,263	3,397,389	3,491,197
	51,644,343		43,630,511	
	169,702,034		151,819,414	

The maturity structure of the Malaysian Government Securities, Promissory Notes and Loans And Bonds are as follows:

	GROUP	
	2002 (RM'000)	2001 (RM'000)
Maturing within 12 months	22,576,033	12,936,892
Maturing after 12 months	102,179,754	94,021,173
	124,755,787	106,958,065

11.2 EPF

	2002		2001	
	Cost/Book Value (RM'000)	Market Value (RM'000)	Cost/Book Value (RM'000)	Market Value (RM'000)
QUOTED SECURITIES				
Short Term Quoted Shares In Malaysia	339,277	211,828	299,537	192,276
<u>Less:</u>				
Investment Revaluation Account	(127,449)		(107,261)	
Directors' Valuation	211,828		192,276	
Malaysian Government Securities	72,979,858	80,745,242	68,338,627	77,994,895
Long Term Quoted Shares In Malaysia	42,383,561	29,599,588	36,910,826	27,100,727
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(3,211,766)		(1,417,269)	
	39,171,795		35,493,557	
Long Term Quoted Shares Outside Malaysia	222,725	239,967	269,742	239,967
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(1,513)		-	
	221,212		269,742	
Long Term Investment With Portfolio Managers	5,033,794	4,321,826	3,364,758	2,756,302
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(104,467)		(21,809)	
	4,929,327		3,342,949	
Directors' Valuation	117,302,192	114,906,623	107,444,875	108,091,891
UNQUOTED SECURITIES				
Unquoted Shares In Malaysia	150,816		15,693	
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(136,815)		(1,781)	
	14,001		13,912	
Unquoted Shares Outside Malaysia	529,170		537,340	
Directors' Valuation	543,171		551,252	
LOANS AND BONDS				
Guaranteed Loans And Debentures	23,164,534	-	19,380,301	-
<u>Less:</u>				
Specific Allowance For Bad And Doubtful Debts	(318,000)		(250,000)	
	22,846,534		19,130,301	
Islamic Bonds	100,000	-	-	-
Corporate Bonds	14,102,701	-	14,646,828	-
<u>Less:</u>				
Specific Allowance For Bad And Doubtful Debts	(171,617)		(280,000)	
	13,931,084		14,366,828	
Promissory Notes	590,623	-	1,194,923	-
Loans Stock	50,000	-	50,000	-
Quoted Loans Stock	308,031	309,393	30,893	35,435
Fixed Income Fund Managers	1,048,070	1,069,497	-	-
Cagamas Securities	8,314,598	8,409,026	5,460,177	5,553,073
Danaharta And Danamodal Bonds	4,455,403	4,503,263	3,397,389	3,491,197
	51,644,343		43,630,511	
	169,701,534		151,818,914	

The maturity structure of the Malaysian Government Securities, Promissory Notes and Loans And Bonds are as follows:

	EPF	
	2002 (RM'000)	2001 (RM'000)
Maturing within 12 months	22,576,033	12,936,892
Maturing after 12 months	102,179,754	94,021,173
	124,755,787	106,958,065

12. LOANS RECEIVABLE

	GROUP	
	2002 (RM'000)	2001 (RM'000)
End Finance:		
Normal Housing Programme	1,172,829	1,199,734
Low Cost Housing Programme	41,811	54,701
Bridging And Term Loans	<u>4,522,404</u>	<u>3,835,744</u>
	<u>5,737,044</u>	<u>5,090,179</u>
<u>Less:</u>		
Allowance For Doubtful Loans:		
Specific	(607,504)	(560,857)
General	(36,966)	(36,635)
Interest-In-Suspense	<u>(1,751,808)</u>	<u>(1,232,351)</u>
	<u>3,340,766</u>	<u>3,260,336</u>

Bridging And Term Loan facilities granted to the joint venture partners and its subsidiaries for joint venture developments amounting to RM135,916,000 (2001 : RM557,938,000) and RM124,644,000 (2001 : RM299,068,000) respectively are non - performing loans. Included in Loans Receivable within 12 months of the Group are amounts relating to non - performing loans of RM2,090,597,000 (2001 : RM1,586,176,000).

13. STAFF LOANS

The maturity structure of Staff Loans are as follows:

	GROUP AND EPF	
	2002 (RM'000)	2001 (RM'000)
Maturing within 12 months	11,358	8,869
Maturing after 12 months	<u>139,485</u>	<u>110,404</u>
	<u>150,843</u>	<u>119,273</u>

14. ALLOWANCE FOR LOAN LOSSES

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
<u>Specific Allowance</u>				
Balance As At 01 January	1,090,857	1,339,947	530,000	1,038,800
Allowance Made During The Year	164,088	837,518	68,117	530,000
Allowance Due To Reclassification Of Joint Venture Loans	34,803	-	-	-
Amount Written Back In Respect Of Recoveries And Reversals	(161,864)	(1,086,608)	(108,383)	(1,038,800)
Amount Written Off	(30,646)	-	-	-
Balance As At 31 December	<u>1,097,238</u>	<u>1,090,857</u>	<u>489,734</u>	<u>530,000</u>
<u>General Allowance</u>				
Balance As At 01 January	36,635	-	-	-
Allowance Made During The Year	331	36,635	-	-
Balance As At 31 December	<u>36,966</u>	<u>36,635</u>	<u>-</u>	<u>-</u>
<u>Interest-In-Suspense</u>				
Balance As At 01 January	1,302,872	1,127,093	70,521	186,822
Interest Suspended During The Year	505,495	443,058	69,390	60,072
Interest Suspended Due To Reclassification Of Joint Venture Loans	158,579	-	-	-
Amount Written Back In Respect Of Recoveries And Reversals	(48,430)	(262,124)	(25,131)	(176,373)
Interest Capitalised	(1,651)	-	-	-
Amount Written Off	50,277	(5,155)	-	-
Balance As At 31 December	<u>1,866,588</u>	<u>1,302,872</u>	<u>114,780</u>	<u>70,521</u>
<u>The maturity structure of the Loans:</u>				
a) Receivable Within 12 Months				
Net Guaranteed Loans And Debentures	-	780,000	-	780,000
Staff Loans	153	40	153	40
Net Loans Receivable	<u>2,168,874</u>	<u>2,168,961</u>	<u>-</u>	<u>-</u>
	<u>2,169,027</u>	<u>2,949,001</u>	<u>153</u>	<u>780,040</u>
b) Receivable After 12 Months				
Net Guaranteed Loans And Debentures	489,617	-	489,617	-
Net Loans Receivable	<u>1,171,892</u>	<u>1,091,375</u>	<u>-</u>	<u>-</u>
	<u>1,661,509</u>	<u>1,091,375</u>	<u>489,617</u>	<u>-</u>
	<u>3,830,536</u>	<u>4,040,376</u>	<u>489,770</u>	<u>780,040</u>

15. INVENTORIES OF COMPLETED PROPERTIES

	GROUP	
	2002 (RM'000)	2001 (RM'000)
At Cost	3,788	3,631
At Net Realisable Value	28,799	36,104
	<u>32,587</u>	<u>39,735</u>

The cost of inventories recognised as an expense during the financial year amounted to RM7,148,000 (2001 : RM10,812,000).

16. DEBTORS AND DEPOSITS

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
Prepayment And Deposits	990	1,099	990	1,099
Rental Deposits	1,690	2,042	1,690	2,042
Income Tax Recoverable	394,575	157,466	394,575	157,466
Rental Of Buildings	1,817	1,408	1,817	1,408
Amount Due From Subsidiaries	-	-	4,767	10,294
Unsecured Advances For Joint Venture Projects	27,067	16,447	-	-
Miscellaneous	95,270	38,246	18,217	16,191
	<u>521,409</u>	<u>216,708</u>	<u>422,056</u>	<u>188,500</u>

The maturity structure of the Debtors And Deposits are as follows:

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
Maturing within 12 months	<u>521,409</u>	<u>216,708</u>	<u>422,056</u>	<u>188,500</u>

17. DEPOSITS WITH FINANCIAL INSTITUTIONS

The maturity structure of the Deposits With Financial Institutions are as follows:

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
Maturing within 12 months	16,041,348	14,967,637	16,041,348	14,967,637
Maturing after 12 months	10,447,107	14,538,508	10,447,107	14,538,508
	<u>26,488,455</u>	<u>29,506,145</u>	<u>26,488,455</u>	<u>29,506,145</u>

18. DEFERRED TAXATION

	GROUP	
	2002 (RM'000)	2001 (RM'000)
As At 01 January	25,670	17,531
Deferred Tax Arising From Acquisition Of Subsidiary	-	5,183
	<u>25,670</u>	<u>22,714</u>
Transfer From / (To) Income Statement	-	2,956
As At 31 December	<u>25,670</u>	<u>25,670</u>

19. LOANS AND OVERDRAFTS

	GROUP	
	2002 (RM'000)	2001 (RM'000)
Bank Negara Malaysia Loans	38,141	59,013
Capital Advance	4,500	4,500
Bank Borrowings And Overdrafts	1,316,422	1,209,977
	<u>1,359,063</u>	<u>1,273,490</u>

The maturity structure of the Loans And Overdrafts are as follows:

	GROUP	
	2002 (RM'000)	2001 (RM'000)
Maturing within 12 months	1,290,009	1,139,701
Maturing after 12 months	69,054	133,789
	<u>1,359,063</u>	<u>1,273,490</u>

The following are details in respect of Loans And Overdrafts:

19.1 Bank Borrowings

Bank borrowings are unsecured and interest charged on these borrowings is based on KLIBOR + 0.50% to 1.00% (2001 : KLIBOR + 0.50% to 1.00%) plus costs of maintaining statutory and liquidity reserves of the respective banks. The interest charged on these borrowings ranged from 3.70% to 7.90% (2001 : 3.60% to 5.75%) per annum.

19.2 Bank Negara Malaysia Loans

	GROUP	
	2002 (RM'000)	2001 (RM'000)
Maturing within 12 months	15,052	21,425
Maturing after 12 months	<u>23,089</u>	<u>37,588</u>
	<u><u>38,141</u></u>	<u><u>59,013</u></u>

These loans are for financing the Low Cost Housing Finance Programme and are secured by assets arising from the said programme with the carrying value of RM34,799,000 (2001 : RM47,510,000). The interest rates applicable to these loans are 2.50% and 4.50% (2001 : 2.50% to 4.50%) per annum. The payment of interest on each drawdown commences two years after the respective dates of drawdown and thereafter is payable annually. The principal of each drawdown is repayable over a twenty-year-period commencing three years after the date of drawdown.

20. DEPOSITS AND ADVANCES

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
Employers' Instalments	96,970	68,100	96,970	68,100
Remittance Suspense	922	2,624	922	2,624
Clients' Deposits	1,117,180	1,250,315	-	-
Deposits From Subsidiaries	-	-	124	124
Miscellaneous Deposits	3,298	2,617	3,298	2,617
	<u>1,218,370</u>	<u>1,323,656</u>	<u>101,314</u>	<u>73,465</u>

The maturity structure of the Deposits And Advances are as follows:

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
Maturing within 12 months	1,204,860	1,323,656	101,314	73,465
Maturing after 12 months	13,510	-	-	-
	<u>1,218,370</u>	<u>1,323,656</u>	<u>101,314</u>	<u>73,465</u>

21. CREDITORS

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
Accrued Expenses	441,471	727,387	441,471	727,387
Rent Received In Advance	3	20	3	20
Bank Balances *	57,994	15,549	57,994	15,549
Contribution From Post Office	36	36	36	36
Miscellaneous	309,398	231,488	1,040	7,548
	<u>808,902</u>	<u>974,480</u>	<u>500,544</u>	<u>750,540</u>

* Credit balance for the withdrawal and the payment accounts refer to cash book balances. The balances as per the bank statements show debit balance. Allocation of funds to those accounts are made daily.

The maturity structure of the Creditors are as follows:

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
Maturing within 12 months	808,902	974,480	500,544	750,540

22. GROSS INVESTMENT INCOME

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
Interest / Profit From Investments	8,468,906	8,818,213	8,512,668	8,833,781
Profit From Islamic Bonds And AI - Mudharabah Accounts	11,968	9,080	11,968	9,080
Interest / Profit From Bank Balances	2,791	4,190	2,780	4,186
Dividend From Investments	947,411	723,849	947,411	723,849
Income / (Losses) From Portfolio Managers	224,822	118,960	224,822	118,960
Rental Income	24,285	20,719	18,274	17,269
Realised Profit From Investment Trading	1,063,328	234,512	863,919	(111,086)
Miscellaneous Income	28	18	28	18
	<u>10,743,539</u>	<u>9,929,541</u>	<u>10,581,870</u>	<u>9,596,057</u>

23. INVESTMENT EXPENSES

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
Actuarial Fees	220	192	220	192
CDS Registration Fees	749	503	749	503
Technical Services Fees	1,262	1,196	1,262	1,196
Portfolio Managers' Fees	44,287	10,697	44,287	10,697
Write Offs / Losses	25	-	25	-
	<u>46,543</u>	<u>12,588</u>	<u>46,543</u>	<u>12,588</u>

24. ALLOWANCE FOR DIMINUTION IN VALUE OF INVESTMENTS AND LOAN LOSSES

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
Allowance For Diminution In Value Of Investments	1,959,222	1,108,294	2,142,314	1,197,848
Allowance For Diminution In Value Of Investments Written Back	(60,367)	(586,851)	(60,367)	(586,851)
	<u>1,898,855</u>	<u>521,443</u>	<u>2,081,947</u>	<u>610,997</u>
Allowance For Loan Losses And Loan Losses	112,102	831,715	68,000	530,000
Allowance For Loan Losses Written Back	(65,544)	(1,038,800)	(65,544)	(1,038,800)
	<u>46,558</u>	<u>(207,085)</u>	<u>2,456</u>	<u>(508,800)</u>
	<u>1,945,413</u>	<u>314,358</u>	<u>2,084,403</u>	<u>102,197</u>

25. NON-INVESTMENT INCOME

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
Interest / Profit From Staff Loans	4,997	3,981	4,934	3,893
Dividend From Contributions Paid Late	22,658	21,261	22,658	21,261
Gain / (Losses) On Disposal Of Property, Plant And Equipment	206	209	160	32
Miscellaneous Income	24,407	15,100	21,683	11,869
	<u>52,268</u>	<u>40,551</u>	<u>49,435</u>	<u>37,055</u>

26. STATUTORY CHARGES

	GROUP AND EPF	
	2002 (RM'000)	2001 (RM'000)
Death Benefit - Section 58(1)	36,902	44,528
Incapacitation Benefit - Section 58(2)	12,795	14,731
	<u>49,697</u>	<u>59,259</u>

27. OPERATING EXPENDITURE

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
Salaries, Allowances And Staff Costs	204,439	224,505	188,425	206,638
Audit Fees	295	280	200	183
Fees And Professional Charges	6,641	2,919	4,202	2,419
Printing And Stationery	8,664	11,056	8,040	10,471
Postal, Telephone And Telex Charges	13,942	13,723	12,869	12,462
Transport And Travelling	8,346	9,473	7,906	8,686
Rent And Assessment	15,712	16,089	14,593	15,144
Insurance On Staff And Property	605	1,271	501	919
Maintenance On Property, Plant And Equipment	33,633	32,373	32,740	31,060
Depreciation Of Plant, Property And Equipment	52,006	46,271	43,445	37,524
Write Offs / Losses	257	3,327	257	3,256
Allowances / Write Offs On Bad And Doubtful Debts	(6,261)	97,527	-	-
Allowance For Diminution In Value On Properties Held For Development	59,531	152,685	-	-
Technical Services Fees	5,358	5,546	5,358	5,546
Honorarium For Board Members / Investment Panel	125	117	125	117
Directors' Remuneration	75	67	-	-
Amortisation Of Goodwill On Consolidation	2,083	20,648	-	-
Provision For Staff Retirement Benefits	1,095	726	-	-
Interest Payable On Deposits, Loans And Overdrafts	104,270	136,533	-	-
Impairment Loss On Property, Plant And Equipment	33,877	26,368	-	-
Changes In Development Properties And Inventories Of Completed Properties	1,205	28,581	-	-
Contract Costs	14,128	(5,517)	-	-
Allowance For Anticipated Losses On Projects	1,332	31,209	-	-
Miscellaneous Expenses	15,891	19,782	11,573	14,932
	577,249	875,559	330,234	349,357

28. EXCEPTIONAL ITEM

Exceptional Item for year 2001 represents payment of the difference of employers' share between the statutory rate and the rate of 17.5% inclusive of accrued dividend for 277 EPF staff who had opted to contribute to EPF from the Harun Salary Scheme in 1975 and Cabinet Committee Salary Scheme in 1977 as well as the compensation to 118 staff who had opted for optional pension and had been reappointed.

29. TAXATION

The EPF is exempt from income tax on its income under paragraph 20 - Schedule 6, Part 1, Income Tax Act, 1967.

30. CASH AND CASH EQUIVALENTS

Cash And Cash Equivalents which has been included in the Cash Flow Statement is made up of items and amounts as reported in the Balance Sheet as follows:

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
Bank And Cash Balances	357,751	261,312	253,633	241,245
Bank Balances (refer Note 21)	(57,994)	(15,549)	(57,994)	(15,549)
Money Market Account - Bank Negara Malaysia	5,600,706	10,637,073	5,600,706	10,637,073
	5,900,463	10,882,836	5,796,345	10,862,769

31. CAPITAL COMMITMENTS

	GROUP		EPF	
	2002 (RM'000)	2001 (RM'000)	2002 (RM'000)	2001 (RM'000)
a) Capital Commitments				
Approved And Contracted				
As At 31 December But Not Provided For In The Financial Statements	70,193	226,656	25,533	155,944
Approved But Not Contracted For As At 31 December	192,332	89,309	169,900	57,458
	262,525	315,965	195,433	213,402
b) Operational Commitments				
Loan Commitments Not Provided For In The Financial Statements Amounting To:				
End Finance	269,544	311,566	-	-
Bridging And Term Loans	83,547	1,041,504	-	-
	353,091	1,353,070	-	-
Property Development:				
Approved And Contracted For	739,620	774,171	-	-
Approved And Not Contracted For	12,421	12,439	-	-
	752,041	786,610	-	-
c) Contingencies	322,000	323,100	-	-
	1,689,657	2,778,745	195,433	213,402

32. CONTINGENT LIABILITIES

32.1 Civil Action

- a) Civil action has been taken by a company against EPF that the company and EPF had entered into a valid and a binding contract for processing EPF Forms A through scanning. The Plaintiff also alleged the EPF has breached the contract by non-performance of the contract. EPF has claimed that there was no valid/binding contract entered into but it only a due diligence study carried out. A claim for special damages for RM7 million was made besides general damages and interest as well as costs. The EPF has filed a Statement Of Defence at High Court Kuala Lumpur and the status of this case is still in the stage of court management. The hearing date has not been fixed.
- b) In the Statement Of Defence to a civil suit filed by a subsidiary for payment of interest and recovery of loan facilities granted by the subsidiary, the borrower and the guarantors made a counter-claim of RM592 million against the subsidiary being the estimated loss of profit from their project based on their allegation that the subsidiary has breached the Loan Agreement by recalling the loan facilities. The subsidiary has to date filed an appeal against the decision by the Deputy Registrar to allow the borrowers and guarantors to amend their Defence and Counter - Claim which is scheduled to be heard on the 17 September 2003. The hearing for the borrowers and guarantors' application to disallow or to strike out various paragraphs in the subsidiary's amended Defence and Counter - Claim has been fixed on the 17 September 2003. Hearing date for summary judgement has not been fixed. The auction which was scheduled on 19 February 2003 has been called off indefinitely by the High Court Registrar as the Federal Court has granted the borrowers and guarantors' application for interim stay of execution. The motion to set aside the *ex - parte* order and the hearing has been adjourned to 05 May 2003.
- c) Two claims for damages totalling RM401.8 million were brought by two borrowers against a subsidiary for alleged breach of contract on the part of the subsidiary to disburse and / or terminate loan facilities granted. The hearing of the Plaintiff's appeal against the decision to dismiss the Plaintiff's application has been fixed on 14 August 2003.
- d) A claim for damages of RM2.5 million was brought against the subsidiary by a contractor of a development project, premises upon an alleged breach of assurance to release loan advances to finance the construction cost. The contractor's application for summary judgement has been dismissed and the matter having been transferred from the Kota Bharu High Court to the Kuala Lumpur High Court was earlier struck off by the court on the 19 August 2002. The case has since been re - instated by the Plaintiff and the Court has fixed 09 May 2003 for case management pending the hearing of an application by the land owner to consolidate this suit with another suit filed at Kota Bharu High Court.
- e) The owner of a piece of land, pledged as security for a bridging loan granted to a developer, has filed a suit against a subsidiary company for alleged breach of terms in the charge document. The said owner is seeking damages for loss suffered, and an Order that the charge be discharged. The court has, however, struck out the matter and the matter has now been postponed pending the borrower's application to reinstate the matter. The court has fixed the hearing for the amendment to the statement of claim on the 02 April 2003 and the judge has directed a written submission on the amendment to be submitted for the hearing.
- f) A claim for damages amounting to RM134.408 juta has been filed against the subsidiary company by a developer for the loss and / or loss of profits following the cancellation of the term loan and the bridging loan facilities. The court had adjourned the case management to 15 July 2003.
- g) A developer has filed a defence and counter claim for the amount of RM100.6 million alleging that the refusal of the breakdown of the bridging loan has resulted in the failure of the project. The court has fixed the hearing for the Originating Summons for foreclosure proceeding against the land owners on 30 June 2003. In the civil suit proceeding, the High Court has fixed the case management against one of the Corporate Guarantors on 18 June 2003.

No provision has been made in the financial statements in respect of claims as per item b, c, d, e, f and g as above since the Directors of the subsidiary, after obtaining legal advice, are of the opinion that the claims are unlikely to succeed.

32.2 Invocation Of Section 50(3), EPF Act 1991

This section of the Act requires the EPF to pay the employee's share of the contributions for any deduction made from the wages of the employee if the employer fails to pay the contributions. The amount of contingent liability is estimated at RM97.795 million (2001 : RM71.860 million) is not inclusive of the accrued dividend from the time of deduction. This section is only invoked after all efforts to ensure the employers to pay the contributions has failed.

33. PROVISION FOR STAFF RETIREMENT BENEFITS (EPF)

The Board contributes to the EPF for its staff who have elected to receive EPF benefits and also to the Government Pension Fund for those in the pensionable scheme.

34. SIGNIFICANT EVENT

During the period between 1996 and 2001, the Group entered into various Joint Venture ("JV") Arrangements with third parties ("JV Partners") for the development of properties. Subsidiary company was involved in the development of the project lands with JV Partners. Subsidiary company was the financier for the development projects.

The nature of the Group's participation was such that it warranted the inclusion of the project lands and the related development costs as the Group's assets notwithstanding that JV Partners are the legal owners of the project lands.

During the financial year, the Group resolved to discontinue with the JV Arrangements ("JVA") and initiated negotiations with the JV Partners to terminate the JVA, in accordance with its rights as stipulated in the JVA. Discussions were held with the JV Partners for the development projects to be taken over by them and for them to make the necessary repayments to the subsidiary company.

Generally,

- * For active development projects whereby the subsidiaries play an active role in the development, no reclassification of development properties and stock of completed properties were made unless the JV Partners have agreed to take over the development projects and assume all liabilities.
- * For inactive projects, the land held for development and development properties were reclassified as loans.

In view of the above, the Group has now reflected the carrying amounts of 13 out of the total 15 development projects under certain affected JVA as loans due from the JV Partners.

The following is the effect of the above:

	Without Reclassification RM '000	After Reclassification RM '000
Balance Sheet:		
Properties Held For Development	446,081	268,415
Development Properties	60,834	7,134
Loan Receivable	<u>3,109,400</u>	<u>3,340,766</u>

35. SUBSEQUENT EVENT

On 06 March 2003, the subsidiary company has announced the following:

- i. A restricted issue of RM165 million Redeemable Convertible Preference Share ("RCPS") of RM1.00 each at RM2.00 per share.
- ii. An Employee Share Option Scheme ("ESOS") for eligible employees and Executive Directors of the subsidiary company.

The subsidiary company has on the same day entered into a subscription agreement with Employees Provident Fund Board ("EPF") and Permodalan Nasional Berhad ("PNB") for the proposed restricted issue of RM165 million RCPS, to these parties.

The consideration for RCPS will be settled by EPF via the conversion of its RM280 million outstanding loans extended to the subsidiary company, while PNB will settle the consideration for RCPS via the conversion of its RM50 million deposits maintained with the subsidiary company.

36. NUMBER OF EMPLOYEES

	GROUP		EPF	
	2002	2001	2002	2001
Number Of Employees At The End Of The Financial Year	<u>5,028</u>	<u>4,811</u>	<u>4,591</u>	<u>4,277</u>