

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

1. CORPORATE INFORMATION

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.

The number of employees at the end of the financial year in the Group was 5,275 (2003 : 5,221) and in the EPF was 4,756 (2003 : 4,750).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis Of Accounting

The EPF and the Group Financial Statements 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.

The accounting standards adopted by the Group and the EPF are consistent with the accounting standards adopted in the previous year except for MASB 32 - Property Development Activities that has been adopted with effect from the financial year ended 31 December 2004.

2.2 Basis Of Consolidation

The Group Financial Statements include the Financial Statements of the EPF and its subsidiary companies 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 Statements 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. The carrying amount of the goodwill is reviewed at each Balance Sheet date and will be adjusted for impairment where it is considered necessary. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.30.

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.

The quoted and unquoted investments in subsidiary companies are stated at cost and thereafter adjusted to its recoverable value which takes into consideration the impairment loss in the said year, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.30.

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 quoted and unquoted investments in associated companies are stated at cost and thereafter adjusted to its recoverable value which takes into consideration the impairment loss in the said year, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.30.

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.

Interest In Joint Ventures is stated at cost and thereafter adjusted to its recoverable value which takes into consideration the impairment loss in the said year, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.30.

2.7 Basic 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 the date of maturity.

b. Malaysian Government Islamic Bonds

Malaysian Government Islamic Bonds 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 the date of maturity.

c. Guaranteed Loans And Debentures

Guaranteed Loans And Debentures are stated at cost and the value is written down when the Investment Panel considers that allowance for loan losses is to be provided. Allowance for loan losses in respect of non-performing loans is made in accordance with Note 2.12 and is disclosed as Allowance For Bad And Doubtful Debts.

d. 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 the date of maturity.

e. Private Debt Securities

Private Debt Securities 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 the date of maturity. Allowance for losses in respect of non-performing private debt securities is made in accordance with Note 2.12 and is disclosed as Allowance For Bad And Doubtful Debts when the Investment Panel considers that allowance for losses is to be provided.

f. Unquoted Shares

Unquoted Shares (other than investments in subsidiaries and associated companies) are stated at cost. Allowance for diminution in value of investments is made when the Investment Panel considers that there is a permanent diminution in value of such investments.

g. 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 (other than investments in subsidiaries and associated companies) 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. An increase in revaluation directly related to a previous decrease in carrying amount for the same investment that was charged to income will be credited to the Income Statement to the extent that it offsets the previously recorded losses in the Income Statement in the previous years.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

Long Term Quoted Shares And Investments With Portfolio Managers

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

- i. Allowance for diminution in value of investments is made on the purchase cost of shares subject to Capital Reduction Plan at minimum of 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 is made on shares subject to Mandatory General Offer Plan at minimum of 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 Bursa Malaysia Berhad 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 investments 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 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 Staff Loans

Staff Loans are stated at cost and the value is written down when the EPF Management considers that allowance for loan losses is to be provided. Allowance for loan losses in respect of non-performing staff loans is made in accordance with Note 2.12.

There are 3 types of loan scheme which are offered to the EPF staff at the interest rate approved by the Board based on the term and condition of service as follows:

- i. Housing Loan Scheme;
- ii. Vehicle Loan Scheme; and
- iii. Personal Loan Scheme.

With effect from year 2004, the fund used to finance staff loans for the abovementioned 3 schemes is considered as EPF investment of which the allocation limit of funds used is subject to the sum approved by the Board.

2.9 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.

2.10 Recognition Of Income On Granting Of Loans And Financing (MBSB)

Interest income and income from the Islamic Banking Scheme business are recognised on an accrual basis. When an account is classified as non-performing, interest is suspended with retrospective adjustments made to the date of first default until it is realised on a cash basis. Customers' accounts are classified as non-performing where repayments are in arrears for 6 months or more.

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

2.11 Recognition Of Income On Sale Of Properties (MBSB)

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 2.20.

Commitment fees are recognised as income based on time apportionment.

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

2.12 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.

In the case of loans advanced for joint venture developments where the actual moratorium period is 6 months or more and where the collateral valued on an estimated realisable 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, by the Directors 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 / GP 3" issued by Bank Negara Malaysia except that EPF has not made general allowances.

2.13 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%

Revaluation on properties comprising land and building is made every 5 years or at shorter intervals whenever the fair value of the revalued properties is expected to differ materially from it's carrying value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.30.

Property, Plant And Equipment which is categorised under Furniture, Fittings And Fixtures and Office Equipment 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%.

Upon the disposal of an item of Property, Plant And Equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the Income Statement.

2.14 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 Note 2.26).

2.15 Members' Assets / Contributions With Fund Manager Institutions

Contributions withdrawn by members for the purpose of investments by Fund Manager Institutions are not disclosed as assets and liabilities of EPF in the Balance Sheet. Details pertaining to current year withdrawals and the cumulative balance in respect of contributions withdrawn by the members for the purpose of investment through Members' Investment Withdrawal Scheme are disclosed in Note 23.

2.16 Interest And Dividend On Contributions Paid Late

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

2.17 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 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.

2.18 Provision For Employee Benefits / Staff Retirement Benefits**a. Short Term Benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees whereas short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

b. Defined Contribution Plans

Contribution is made to EPF for employees who have elected to receive EPF benefits and also the Government Pension Fund for those in the pensionable scheme. In addition, a subsidiary company also contributes 4% of gross salary of participating employees to a special fund established by the subsidiary company. Such contributions are recognised as an expense in the Income Statement as incurred.

c. Long Term Benefits

EPF has adopted MASB 29 - Employee Benefits of which payment of long term benefits to employees after retirement and / or after the completion of contract service is recognised on an accrual basis in the current year Income Statement as expenses for employee benefits whereas in the Balance Sheet such amount is recognised as a liability known as Provision For Employee Benefits. Types of long term benefit which will be recognised on an accrual basis are as follows:

- i. Medical benefit to retirees;
- ii. Cash award in lieu of annual leave (inclusive of the employer share on contribution for such payment); and
- iii. Gratuity paid to contract staff upon completion of service term.

The computation on medical benefits payable to retirees is determined by an actuarial valuation for every 3 years. The principal assumptions used on the actuarial valuation are:

- i. An inflation rate of 5% per annum on the medical treatment cost; and
- ii. A discount rate of 7% per annum.

However, the computation of cash in lieu of annual leave payable to retirees as well as gratuity payment to contract staff who complete the term of service is based on the actual information available on the Balance Sheet date and the eligibility based on term and condition of service. The current salary rate is used to compute these liabilities.

d. Equity Compensation Benefits (MBSB)

The MBSB Share Option Scheme (ESOS) allows its staff (including executive directors) other than subsidiaries which are dormant, to acquire ordinary shares of the subsidiary company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

2.19 Land Held For Property Development

Land Held For Property Development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at costs less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.30. Land Held For Property Development is classified as Property Development Costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

2.20 Property Development Costs

Property Development Costs comprise all costs that are directly attributable to development activities or that can be allocated on reasonable basis to such activities. When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the Income Statement using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred. Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property Development Costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value. The excess of revenue recognised in the Income Statement over billings to purchasers is classified as accrual billings within trade receivables and the excess of billings to purchasers over revenue recognised in the Income Statement is classified as progress billings within trade payables.

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 Provision For Liabilities

Provision For Liabilities are recognised when the subsidiary company has a present obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2.23 Taxation

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

Income tax of the subsidiary company on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the Balance Sheet date.

Deferred tax is provided for, using the liability method, on the temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary differences arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the Balance Sheet date. Deferred tax is recognised in the Income Statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

2.24 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. Income received in the current year is distributed to members to the maximum after taking into account all expenditures based on EPF accounting policies approved by the Board.

2.25 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.

2.26 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 requires the EPF Board to pay the employees' share of contributions as well as dividend attributable on the said contribution 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).

2.27 Reserve For Contributions With Incomplete Information

Reserve For Contributions With Incomplete Information (CTML) is created under Section 15, EPF Act, 1991 to account for contributions received from employer which do not have complete information and 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 three years and above.

2.28 Staff Loan Fund

Staff Loan Fund is abolished by the Board in year 2004. A balance amounting to RM212.50 million has been transferred to the opening balance of Accumulated Surplus as disclosed in the Statement Of Changes In Reserves for the year ended 31 December 2004.

2.29 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.

2.30 Impairment Of Assets

A revision is made on the carrying amount of assets other than inventories of completed properties, deferred tax asset and financial asset to determine whether there is any indication of impairment.

If any such indication exists, impairment is measured by comparing the carrying value of the assets with their recoverable amount. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash - generating unit. An impairment loss is charged to the Income Statement immediately.

Reversal of impairment loss recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased. Recognition of such reversal should not exceed the carrying amount that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the Income Statement immediately.

2.31 Comparative Figures

Comparative figures in the Financial Statement of the EPF and the Group will be reclassified (if necessary) to conform with the current year's presentation.

2.32 Currency

All amounts are stated in Ringgit Malaysia.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

3. DEFERRED TAX ASSETS / LIABILITIES

	GROUP	
	2004 (RM'000)	2003 (RM'000)
As At 01 January	27,586	27,511
<u>Less:</u>		
Amount Recognised In The Income Statement	(9,361)	75
As At 31 December	18,225	27,586
The above balance comprised of:		
Deferred Tax Assets	(10,000)	-
Deferred Tax Liabilities	28,225	27,586
	18,225	27,586

Deferred Tax Assets of the Group relates to deferred tax on tax losses.

Deferred Tax Liabilities of the Group relates to deferred tax on fair value adjustment of freehold and leasehold land.

4. PROPERTY, PLANT AND EQUIPMENT

4.1 GROUP

	As At 01 Jan	Additions	Disposals / Adjustments	Write Offs	Impairment Loss / Reversal Of Impairment Loss	As At 31 Dec
COST	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
			2004			
Freehold Land	514,826	-	2,025	-	-	512,801
Leasehold Land	198,719	2,118	-	-	-	200,837
Buildings	844,052	211,047	435	-	-	1,054,664
Building Plant And Machinery	27,258	56	7	-	-	27,307
Office / Building Renovation	51,842	9,902	12,794	-	-	48,950
Furniture, Fittings And Fixtures	42,110	552	174	49	-	42,439
Motor Vehicles	5,179	94	113	6	-	5,154
Office Equipment	88,255	797	417	455	-	88,180
Computer Software And Hardware	123,079	11,063	409	179	-	133,554
Work-In-Progress	894	26,872	(12,320)	-	-	40,086
	1,896,214	262,501	4,054	689	-	2,153,972

FOR THE YEAR ENDED 31 DECEMBER 2004

COST

ACCUMULATED DEPRECIATION

* Group's net impairment loss on building after taking into account the reversal of impairment loss in 2003 amounting to RM886,000.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

4.2 EPF

	As At 01 Jan	Additions	Disposals / Adjustments	Write Offs	Impairment Loss / Reversal Of Impairment Loss	As At 31 Dec
COST	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
2004						
Freehold Land	492,862	–	2,004	–	–	490,858
Leasehold Land	187,001	2,118	–	–	–	189,119
Buildings	681,017	93,846	407	–	–	774,456
Building Plant And Machinery	27,255	56	7	–	–	27,304
Office / Building Renovation	43,658	9,902	12,662	–	–	40,898
Furniture, Fittings And Fixtures	25,303	269	91	49	–	25,432
Motor Vehicles	4,506	94	109	6	–	4,485
Office Equipment	88,259	797	417	455	–	88,184
Computer Software And Hardware	111,408	5,082	409	179	–	115,902
Work-In-Progress	894	26,872	(12,320)	–	–	40,086
	1,662,163	139,036	3,786	689	–	1,796,724
ACCUMULATED DEPRECIATION						
2004						
Freehold Land	41,213	–	–	–	–	41,213
Leasehold Land	27,654	2,297	4	–	–	29,947
Buildings	200,958	13,635	–	–	–	214,593
Building Plant And Machinery	20,789	1,626	3	–	–	22,412
Office / Building Renovation	9,983	4,988	30	–	–	14,941
Furniture, Fittings And Fixtures	22,849	991	95	48	–	23,697
Motor Vehicles	2,669	700	109	7	–	3,253
Office Equipment	81,698	2,585	418	445	–	83,420
Computer Software And Hardware	92,606	12,284	639	166	–	104,085
	500,419	39,106	1,298	666	–	537,561

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

	As At 01 Jan	Additions	Disposals / Adjustments	Write Offs	Impairment Loss / Reversal Of Impairment Loss	As At 31 Dec
COST	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
	2003					
Freehold Land	492,542	320	-	-	-	492,862
Leasehold Land	184,795	2,206	-	-	-	187,001
Buildings	669,754	16,406	5,143	-	-	681,017
Building Plant And Machinery	25,907	1,625	277	-	-	27,255
Office / Building Renovation	25,979	18,022	343	-	-	43,658
Furniture, Fittings And Fixtures	25,062	743	267	235	-	25,303
Motor Vehicles	6,291	104	109	1,780	-	4,506
Office Equipment	87,807	2,448	874	1,122	-	88,259
Computer Software And Hardware	108,503	8,524	5,474	145	-	111,408
Work-In-Progress	7,824	2,091	9,021	-	-	894
	1,634,464	52,489	21,508	3,282	-	1,662,163

ACCUMULATED DEPRECIATION

	2003					
Freehold Land	-	-	-	-	41,213	41,213
Leasehold Land	5,944	2,206	-	-	19,504	27,654
Buildings	116,637	13,575	138	-	70,884	200,958
Building Plant And Machinery	19,334	1,455	-	-	-	20,789
Office / Building Renovation	6,199	3,784	-	-	-	9,983
Furniture, Fittings And Fixtures	22,075	1,096	267	55	-	22,849
Motor Vehicles	3,874	684	109	1,780	-	2,669
Office Equipment	86,189	2,637	6,675	453	-	81,698
Computer Software And Hardware	69,643	22,637	(326)	-	-	92,606
	329,895	48,074	6,863	2,288	131,601	500,419

4.3 NET BOOK VALUE

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Freehold Land	471,555	473,580	449,645	451,649
Leasehold Land	170,092	170,432	159,172	159,347
Buildings	777,935	585,969	559,863	480,059
Building Plant And Machinery	4,880	6,454	4,892	6,466
Office / Building Renovation	25,976	33,895	25,957	33,675
Furniture, Fittings And Fixtures	4,123	6,767	1,735	2,454
Motor Vehicles	1,232	1,892	1,232	1,837
Office Equipment	4,776	6,573	4,764	6,561
Computer Software And Hardware	17,379	18,979	11,817	18,802
Work-In-Progress	40,086	894	40,086	894
	1,518,034	1,305,435	1,259,163	1,161,744

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

5. GOODWILL ON CONSOLIDATION

	GROUP	
	2004 (RM'000)	2003 (RM'000)
As At 01 January	7,383	9,466
<u>Less:</u>		
Amortisation Of Goodwill	(2,083)	(2,083)
As At 31 December	5,300	7,383

6. LAND HELD FOR PROPERTY DEVELOPMENT

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Freehold Land:				
Cost As At 01 January	425,873	423,095	-	-
<u>Add:</u>				
Additions For The Year	-	2,778	-	-
<u>Less:</u>				
Reversal	(3,484)	-	-	-
Disposal	(70,686)	-	-	-
Cost As At 31 December	351,703	425,873	-	-
Accumulated Impairment Loss As At 01 January	167,861	165,149	-	-
<u>Add:</u>				
Impairment Loss For The Year	-	2,712	-	-
<u>Less:</u>				
Reversal Of Impairment Loss For The Year	(5,881)	-	-	-
Disposal	(37,086)	-	-	-
Accumulated Impairment Loss As At 31 December	124,894	167,861	-	-
Carrying Amount As At 31 December	226,809	258,012	-	-
Leasehold Land:				
Cost As At 01 January	86,956	86,969	64,910	64,910
<u>Less:</u>				
Reversal	(64)	-	-	-
Disposal	-	(13)	-	-
Cost As At 31 December	86,892	86,956	64,910	64,910
Accumulated Impairment Loss As At 01 January	11,364	11,590	-	-
<u>Less:</u>				
Reversal Of Impairment Loss For The Year	(64)	(226)	-	-
Disposal	-	-	-	-
Accumulated Impairment Loss As At 31 December	11,300	11,364	-	-
Carrying Amount As At 31 December	75,592	75,592	64,910	64,910
Total Carrying Amount As At Balance Sheet Date	302,401	333,604	64,910	64,910

Included in Land Held For Property Development of the Group is a property with carrying value of RM24,000,000 (2003 : RM24,000,000) on which a Development Agreement had been signed with a third party. As a consideration for granting development rights on this land, the Group will receive 48 units of service apartments upon completion of the development. Included in Land Held For Property Development are the following carrying values in respect of:

	GROUP	
	2004 (RM'000)	2003 (RM'000)
Title Registered Under The Name Of A Subsidiary Company	8,200	8,200
Pending Transfer Of Title From A Third Party	680	700
	8,880	8,900

7. PROPERTY DEVELOPMENT COSTS

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Property Development Costs As At 01 January:				
Freehold Land	23,886	23,886	-	-
Leasehold Land	-	103,628	-	-
Development Costs	188,486	165,534	81,572	59,628
	212,372	293,048	81,572	59,628
Costs Incurred During The Year:				
Development Costs	5,998	7,936	-	-
Costs Recognised In Income Statement:				
As At 01 January	97,267	80,314	-	-
Add:				
Costs Recognised During The Year	-	25,945	-	-
Reversal Of Costs During The Year	(536)	-	-	-
As At 31 December	96,731	106,259	-	-
Transfers:				
To Inventories Of Completed Properties	(615)	-	-	-
Property Development Costs As At 31 December	121,024	194,725	81,572	59,628
Presented As Follows In The Balance Sheet:				
Property Development Costs - Assets	121,484	196,241	81,572	59,628
Property Development Costs - Liabilities	(460)	(1,516)	-	-
	121,024	194,725	81,572	59,628

The freehold and leasehold land of the Group are registered under the names of the respective joint venture partners.

Included in Property Development Costs of the Group are interest expense of RM7,057,000 (2003 : RM5,687,000) incurred during the financial year and interest capitalised amounting RM1,130,000 (2003 : RM1,130,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

8. INVESTMENTS IN SUBSIDIARIES

EPF

	2004		2003	
	Cost / Book Value	Market Value / Net Tangible Asset	Cost / Book Value	Market Value / Net Tangible Asset
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Quoted Shares In Malaysia	706,633	182,057	706,633	168,217
<u>Less:</u>				
Accumulated Impairment Loss	(524,576)		(538,416)	
	182,057		168,217	
Unquoted Shares In Malaysia	283,128	128	283,128	128
<u>Less:</u>				
Accumulated Impairment Loss	(3,000)		(3,000)	
	280,128		280,128	
	462,185		448,345	
Loans To Subsidiary Companies	484,419		983,019	
Advance To Subsidiary Companies	17,126		17,126	
Capital Advance *	139,628		124,059	
	641,173		1,124,204	
	1,103,358		1,572,549	

* 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
		2004	2003	
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 Subsidiary Companies are as follows:

	EPF	
	2004 (RM'000)	2003 (RM'000)
Maturing within 12 months	373,219	428,600
Maturing after 12 months	267,954	695,604
	641,173	1,124,204

9. INVESTMENTS IN ASSOCIATED COMPANIES

9.1 GROUP

	2004		2003	
	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)
Quoted Shares In Malaysia	4,409,841	3,419,879	4,634,416	3,254,591
<u>Less:</u>				
Accumulated Impairment Loss	(1,510,372)		(1,478,979)	
	2,899,469		3,155,437	
Unquoted Shares In Malaysia	102,500	23,635	19,000	14,738
<u>Less:</u>				
Accumulated Impairment Loss	(3,865)		(4,262)	
	98,635		14,738	
	2,998,104		3,170,175	
Loans	36,540		32,740	
	3,034,644		3,202,915	
<u>Add / (Less):</u>				
Profit / (Losses) In Associated Companies:				
Projek Bandar Samariang Sdn Bhd	(3,255)		(3,051)	
Panca Pesona Sdn Bhd	1,217		117	
Cycle & Carriage Bintang Bhd	51,600		117,580	
Rashid Hussain Bhd	(515,182)		(510,166)	
Commerce Asset Holdings Bhd	786,451		122,730	
Bandar Eco - Setia Sdn Bhd	(12)		-	
	320,819		(272,790)	
	3,355,463		2,930,125	

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

9.2 EPF

	2004		2003	
	Cost / Book Value	Market Value / Net Tangible Asset	Cost / Book Value	Market Value / Net Tangible Asset
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Quoted Shares In Malaysia	4,409,841	3,419,879	4,634,416	3,254,591
Less:				
Accumulated Impairment Loss	(1,510,372)		(1,478,979)	
	2,899,469		3,155,437	
Unquoted Shares In Malaysia	102,500	23,635	19,000	14,738
Less:				
Accumulated Impairment Loss	(3,865)		(4,262)	
	98,635		14,738	
	2,998,104		3,170,175	
Loans	36,540		32,740	
	3,034,644		3,202,915	

Details pertaining to the associated companies are as shown below:

Name Of The Company		Effective Interest		Principal Activity
		2004	2003	
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	20.62%	20.78%	Assembly, distribution and retailing of motor vehicles.
d.	Rashid Hussain Bhd	31.06%	31.89%	Investment holding company.
e.	Commerce Asset Holdings Bhd	25.41%	27.92%	Investment holding company, management company, property management, provision of consultancy services and dealing in securities.
f.	Bandar Eco - Setia Sdn Bhd	34.00%	–	Property development company.

All associated companies as above are incorporated in Malaysia.

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

	EPF	
	2004 (RM'000)	2003 (RM'000)
Maturing within 12 months	–	32,740
Maturing after 12 months	36,540	–
	36,540	32,740

10. INTEREST IN JOINT VENTURES

	EPF	
	2004 At Cost (RM'000)	2003 At Cost (RM'000)
Usaha Sama KWSP – MBSB (Atabara)	218	218
Principal Activity:		
Housing project at Bandar Indera Mahkota, Kuantan, Pahang.		

11. INVESTMENTS

11.1 GROUP

	2004		2003	
	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)
QUOTED SECURITIES				
Short Term Quoted Shares In Malaysia	187,483	124,922	291,715	224,537
<u>Less:</u>				
Investment Revaluation Account	(62,561)		(67,178)	
Directors' Valuation	124,922		224,537	
Malaysian Government Securities	92,538,319	96,705,705	84,678,238	87,651,034
Malaysian Government Islamic Bonds	375,409	385,374	316,778	312,375
Long Term Quoted Shares In Malaysia	38,734,150	37,062,826	39,538,265	34,294,592
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(2,698,761)		(2,036,565)	
	36,035,389		37,501,700	
Long Term Quoted Shares Outside Malaysia	283,442	737,892	314,646	469,556
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(4,503)		(3,038)	
	278,939		311,608	
Long Term Investment With Portfolio Managers	7,525,967	7,467,693	5,299,555	5,246,629
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(125,065)		(95,357)	
	7,400,902		5,204,198	
Directors' Valuation	136,628,958	142,359,490	128,012,522	127,974,186

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

	2004		2003	
	Cost / Book Value (RM'000)	Market Value (RM'000)	Cost / Book Value (RM'000)	Market Value (RM'000)
UNQUOTED SECURITIES				
Unquoted Shares In Malaysia	151,366		152,141	
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(136,930)		(136,930)	
	14,436		15,211	
Unquoted Shares Outside Malaysia	472,144		513,753	
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(8,673)		-	
	463,471		513,753	
Directors' Valuation	477,907		528,964	
LOANS AND BONDS				
Guaranteed Loans And Debentures	38,632,017	-	31,619,032	-
<u>Less:</u>				
Specific Allowance For Bad And Doubtful Debts	(318,000)		(318,000)	
	38,314,017		31,301,032	
Islamic Bonds	100,000	-	100,000	-
Private Debt Securities	25,631,255	-	19,243,391	-
<u>Less:</u>				
Specific Allowance For Bad And Doubtful Debts	(171,617)		(171,617)	
	25,459,638		19,071,774	
Commercial Papers	64,533	-	-	-
Loans Stock	74,501	-	74,300	-
Quoted Loans Stock	346,951	344,106	350,196	337,059
<u>Less:</u>				
Accumulated Impairment Loss	(8,180)		(16,359)	
	338,771		333,837	
Fixed Income Fund Managers	2,729,784	2,739,476	1,130,969	1,095,795
Cagamas Securities	5,901,698	5,949,282	6,909,041	6,908,226
Danaharta Bonds	141,495	141,943	2,020,271	2,019,137
	73,124,437		60,941,224	
	210,356,224		189,707,247	

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

	GROUP	
	2004 (RM'000)	2003 (RM'000)
Maturing within 12 months	15,233,223	21,061,238
Maturing after 12 months	150,881,287	124,956,482
	166,114,510	146,017,720

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

11.2 EPF

	2004		2003	
	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)
QUOTED SECURITIES				
Short Term Quoted Shares In Malaysia	187,483	124,922	291,715	224,537
<u>Less:</u>				
Investment Revaluation Account	(62,561)		(67,178)	
Directors' Valuation	124,922		224,537	
Malaysian Government Securities	92,538,319	96,705,705	84,678,238	87,651,034
Malaysian Government Islamic Bonds	375,409	385,374	316,778	312,375
Long Term Quoted Shares In Malaysia	38,732,856	37,061,291	39,536,971	34,293,168
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(2,698,761)		(2,036,565)	
	36,034,095		37,500,406	
Long Term Quoted Shares Outside Malaysia	283,442	737,892	314,646	469,556
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(4,503)		(3,038)	
	278,939		311,608	
Long Term Investment With Portfolio Managers	7,525,967	7,467,693	5,299,555	5,246,629
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(125,065)		(95,357)	
	7,400,902		5,204,198	
Directors' Valuation	136,627,664	142,357,955	128,011,228	127,972,762
UNQUOTED SECURITIES				
Unquoted Shares In Malaysia	151,366		152,141	
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(136,930)		(136,930)	
	14,436		15,211	
Unquoted Shares Outside Malaysia	472,144		513,753	
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(8,673)		-	
	463,471		513,753	
Directors' Valuation	477,907		528,964	

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

	2004		2003	
	Cost / Book Value (RM'000)	Market Value (RM'000)	Cost / Book Value (RM'000)	Market Value (RM'000)
LOANS AND BONDS				
Guaranteed Loans And Debentures	38,632,017	-	31,619,032	-
<u>Less:</u>				
Specific Allowance For Bad And Doubtful Debts	(318,000)		(318,000)	
	38,314,017		31,301,032	
Islamic Bonds	100,000	-	100,000	-
Private Debt Securities	25,631,255	-	19,243,391	-
<u>Less:</u>				
Specific Allowance For Bad And Doubtful Debts	(171,617)		(171,617)	
	25,459,638		19,071,774	
Commercial Papers	64,533	-	-	-
Loans Stock	74,501	-	74,300	-
Quoted Loans Stock	338,665	341,578	333,731	336,692
Fixed Income Fund Managers	2,729,784	2,739,476	1,130,969	1,095,795
Cagamas Securities	5,901,698	5,949,282	6,909,041	6,908,226
Danaharta Bonds	141,495	141,943	2,020,271	2,019,137
	73,124,331		60,941,118	
	210,354,824		189,705,847	

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

	EPF	
	2004 (RM'000)	2003 (RM'000)
Maturing within 12 months	15,233,223	21,061,238
Maturing after 12 months	150,881,287	124,956,482
	166,114,510	146,017,720

12. LOANS, ADVANCES AND FINANCING

	GROUP	
	2004 (RM'000)	2003 (RM'000)
End Finance:		
Normal Housing Programme	1,678,224	1,170,968
Low Cost Housing Programme	23,729	32,319
Islamic:		
Property	47,769	-
Personal	48,872	-
Bridging And Term Loans	4,775,033	4,794,042
Staff Loans	1,246	963
Gross Loans, Advances And Financing	6,574,873	5,998,292
<u>Less:</u>		
Allowance For Bad And Doubtful Loans:		
Specific	(607,427)	(672,639)
General	(37,776)	(32,386)
Interest-In-Suspense	(2,141,371)	(2,054,743)
Net Loans, Advances And Financing	3,788,299	3,238,524

The Group has no significant concentration of credit risk within Loans, Advances And Financing that may arise from exposures to a single debtor or to groups of debtor. Included in the bridging and term loans granted by the Group in respect of joint venture projects are the following non-performing loans amounts:

	GROUP	
	2004 (RM'000)	2003 (RM'000)
Loans To Joint Venture Partners	1,215,059	1,251,040
	1,215,059	1,251,040

13. STAFF LOANS

The maturity structure of Staff Loans are as follows:

	GROUP AND EPF	
	2004 (RM'000)	2003 (RM'000)
Maturing within 12 months	16,435	14,390
Maturing after 12 months	165,862	161,417
	182,297	175,807

14. ALLOWANCE FOR LOAN, ADVANCE AND FINANCING LOSSES

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
<u>Specific Allowance</u>				
Balance As At 01 January	1,162,288	1,121,150	489,649	489,734
Allowance Made During The Year	16,340	91,114	168	10
Reclassified To Interest-In-Suspense	(38,523)	-	-	-
Amount Written Back In Respect Of Recoveries And Reversals	(15,821)	(49,976)	(3)	(95)
Amount Written Off	(27,043)	-	-	-
Balance As At 31 December	1,097,241	1,162,288	489,814	489,649
<u>General Allowance</u>				
Balance As At 01 January	32,386	36,966	-	-
Allowance Made / (Written Back) During The Year	5,390	(4,580)	-	-
Balance As At 31 December	37,776	32,386	-	-
<u>Interest-In-Suspense</u>				
Balance As At 01 January	2,190,134	1,842,676	135,391	114,780
Interest Suspended During The Year	475,777	441,974	45,127	45,000
Reclassified From Specific Allowance	38,523	-	-	-
Interest Suspended Reclassified To Other Receivables	-	(40,578)	-	-
Amount Written Back In Respect Of Recoveries And Reversals	(44,420)	(23,496)	-	(7)
Amount Written Off	(338,125)	(30,442)	-	(24,382)
Balance As At 31 December	2,321,889	2,190,134	180,518	135,391

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
<u>The maturity structure of the non-performing Loans, Advances And Financing:</u>				
a. Receivable Within 12 Months				
Non-Performing Staff Loans	197	32	197	32
Non-Performing Guaranteed Loans And Debentures	243,000	—	243,000	—
	243,197	32	243,197	32
b. Receivable After 12 Months				
Non-Performing Guaranteed Loans And Debentures	75,000	318,000	75,000	318,000
Non-Performing Private Debt Securities	171,617	171,617	171,617	171,617
Non-Performing Loans, Advances And Financing	2,192,894	2,325,963	—	—
	2,439,511	2,815,580	246,617	489,617
	2,682,708	2,815,612	489,814	489,649

15. INVENTORIES OF COMPLETED PROPERTIES

	GROUP	
	2004 (RM'000)	2003 (RM'000)
At Cost	4,133	3,518
At Net Realisable Value	24,054	28,457
	28,187	31,975

The cost of inventories recognised as an expense was RM3,555,000 (2003 : Nil). During the prior financial year, there was a reversal of a write-down of inventories of RM439,000. The reversal arose from an increase in net realisable value as a result of an increase in expected selling prices for certain properties during the prior year.

16. DEBTORS AND DEPOSITS

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Prepayment And Deposits	2,412	1,196	2,412	1,196
Rental Deposits	1,995	1,916	1,995	1,916
Income Tax Recoverable	400,306	514,681	400,306	514,681
Rental Of Buildings	2,102	2,209	2,102	2,209
Amount Due From Subsidiary Companies	—	—	—	4,767
Unsecured Advances For Joint Venture Projects	7,971	28,148	—	—
Miscellaneous	144,804	105,895	29,751	28,926
	559,590	654,045	436,566	553,695

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

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Maturing within 12 months	559,590	654,045	436,566	553,695

17. DEPOSITS WITH FINANCIAL INSTITUTIONS

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

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Maturing within 12 months	15,216,473	10,716,694	15,216,383	10,716,694
Maturing after 12 months	6,036,333	10,629,738	6,036,333	10,629,738
	21,252,806	21,346,432	21,252,716	21,346,432

18. PROVISION FOR EMPLOYEE BENEFITS / STAFF RETIREMENT BENEFITS

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
As At 01 January	69,734	9,923	61,076	–
<u>Add:</u>				
Provision Made During The Year	1,467	61,076	1,467	61,076
Reversal Of Provision During The Year	(8,658)	(845)	–	–
	62,543	70,154	62,543	61,076
<u>Less:</u>				
Payment Made During The Year	(1,340)	(420)	(1,340)	–
As At 31 December	61,203	69,734	61,203	61,076

The maturity structure of the Provision For Employee Benefits / Staff Retirement Benefits are as follows:

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Maturing within 12 months	886	1,482	886	1,482
Maturing after 12 months	60,317	68,252	60,317	59,594
	61,203	69,734	61,203	61,076

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

19. PROVISION FOR LIABILITIES

	GROUP	
	2004 (RM'000)	2003 (RM'000)
As At 01 January	3,062	–
Add:		
Provision Made During The Year	3,186	3,062
As At 31 December	6,248	3,062

Provision for liquidated damages is in respect of projects undertaken by subsidiary company. The provision is recognised for expected liquidated damages claims based on the terms of the applicable sale and purchase agreements.

The maturity structure of the Provision For Liabilities are as follows:

	GROUP	
	2004 (RM'000)	2003 (RM'000)
Maturing within 12 months	6,248	2,361
Maturing after 12 months	–	701
	6,248	3,062

20. LOANS AND OVERDRAFTS

	GROUP	
	2004 (RM'000)	2003 (RM'000)
Bank Negara Malaysia Loans	11,441	23,477
Capital Advance	4,500	4,500
Bank Borrowings And Overdrafts	1,229,753	1,110,976
	1,245,694	1,138,953

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

	GROUP	
	2004 (RM'000)	2003 (RM'000)
Maturing within 12 months	1,219,454	1,105,548
Maturing after 12 months	26,240	33,405
	1,245,694	1,138,953

The following are details in respect of Loans And Overdrafts:

20.1 Bank Borrowings

Bank borrowings are unsecured and interest charged on these borrowings is based on the lenders' cost of funds plus 0.50% to 1.00% (2003 : cost of funds plus 0.50% to 1.00%).

The interest charged on these borrowings during the year ranged from 3.83% to 4.30% (2003 : 3.70% to 7.00%) per annum.

20.2 Bank Negara Malaysia Loans

	GROUP	
	2004 (RM'000)	2003 (RM'000)
Maturing within 12 months	5,769	12,247
Maturing after 12 months	5,672	11,230
	11,441	23,477

These loans are for financing the Low Cost Housing Finance Programme and are secured by assets arising from the said programme with a carrying value of RM19,800,000 (2003 : RM26,180,000).

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.

21. DEPOSITS AND ADVANCES

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Employers' Instalments	73,309	98,823	73,309	98,823
Remittance Suspense	513	592	513	592
Clients' Deposits	2,125,484	1,168,067	–	–
Deposits From Subsidiary Companies	–	–	92	124
Miscellaneous Deposits	30,030	5,345	30,030	5,345
	2,229,336	1,272,827	103,944	104,884

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

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Maturing within 12 months	2,229,336	1,259,317	103,944	104,884
Maturing after 12 months	–	13,510	–	–
	2,229,336	1,272,827	103,944	104,884

22. CREDITORS

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Accrued Expenses	338,721	243,441	338,721	243,441
Rent Received In Advance	7	103	7	103
Bank Balances *	27,916	66,266	27,916	66,266
Miscellaneous	268,944	265,442	44	680
	635,588	575,252	366,688	310,490

* 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

The maturity structure of the Creditors are as follows:

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Maturing within 12 months	635,588	575,252	366,688	310,490

23. CONTRIBUTIONS ACCOUNT

	GROUP AND EPF	
	2004 (RM'000)	2003 (RM'000)
Balance As At 01 January	218,724,768	200,621,715
<u>Add: Contributions Received And Adjusted During The Year</u>		
Contributions Received From Employers	21,859,706	20,142,992
Redemption Of Investment In Unit Trusts By Members	1,205,309	344,496
Refunds / Cancellation Of Annuity Policies By Members	175,208	149,323
Reinstatements / Adjustments Of Members Contributions Account *	9,437	-
	23,249,660	20,636,811
<u>Add: Dividend Distributed To Members</u>		
Dividend Credited - 4.75% (2003 - 4.50%)	10,285,584	8,963,228
Adjustment On Dividend Credited For Previous Years	3,913	4,315
	10,289,497	8,967,543
<u>Less: Withdrawals And Refunds Of Contributions</u>		
55 Years Withdrawal Scheme	4,905,643	4,373,594
Re-election Withdrawal Scheme	2,110	2,585
50 Years Withdrawal Scheme	1,599,341	1,429,832
Incapacitation Withdrawal Scheme	221,409	195,298
Leaving Country Withdrawal Scheme	109,064	100,001
Housing Withdrawal Scheme	1,660,341	1,518,494
Reduction / Redemption Of Housing Loan Withdrawal Scheme	1,049,833	922,318
Medical Withdrawal Scheme	55,676	42,386
Death Withdrawal Scheme	431,969	368,477
Periodical Payment Withdrawal Scheme	17,917	8,962
Members' Investment Withdrawal Scheme	1,897,383	1,280,096
Pensionable Employee Withdrawal Scheme	602,424	499,033
Education Withdrawal Scheme	136,171	117,871
Monthly Payment Withdrawal Scheme	81	44
Refunds To Employers / Members - Rule 33(1), EPF Regulations & Rules, 1991	14,110	21,877
Refunds Of Employers' Share To Pension Trust Fund - Section 56, EPF Act, 1991	700,043	620,433
	13,403,515	11,501,301
Balance As At 31 December	238,860,410	218,724,768

* Reinstatements / Adjustments Of Members Contributions Account amounting to RM9,437,000 is disclosed separately with effect from year 2004 of which previously it was included in Contributions Received From Employers.

The maturity structure of Contributions Account:

The Contributions eligible to be withdrawn by members under the age of 50 and 55 years withdrawal schemes within 12 months period are as follows:

	2004 (RM'000)	2003 (RM'000)
Contributions payable within 12 months	17,544,306	21,906,210
Contributions payable after 12 months	221,316,104	196,818,558
	238,860,410	218,724,768

Members' Assets / Contributions With Fund Manager Institutions:

The cumulative amount which had been invested by EPF members in the Fund Manager Institutions that was not disclosed in the Balance Sheet as stated in Note 2.15 to the Financial Statements amounted to RM6,892,687,000 (2003 : RM6,205,235,000).

24. GROSS INVESTMENT INCOME

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Interest From Conventional Investments	8,966,899	8,545,669	8,963,549	8,570,087
Profit From Islamic Investments	70,354	20,058	70,354	20,058
Interest / Profit From Bank Balances	2,104	1,768	2,104	1,766
Dividends From Investments	1,479,732	1,286,743	1,479,732	1,286,743
Income / (Losses) From Portfolio Managers / Fund Managers	505,542	498,587	505,542	498,587
Realised Profit From Investment Trading	864,807	730,961	695,124	576,251
Rental Income	27,533	26,332	21,417	20,205
Miscellaneous Income	194	489	194	489
	11,917,165	11,110,607	11,758,016	10,974,186

25. INVESTMENT EXPENSES

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Actuarial Fees	101	136	101	136
CDS Registration Fees	1,041	823	1,041	823
Technical Services Fees	136	645	136	645
External Fund Managers' Fees	31,074	25,393	31,074	25,393
	32,352	26,997	32,352	26,997

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

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

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Allowance For Diminution In Value Of Investments	838,995	865,325	838,995	865,325
Allowance For Diminution In Value Of Investments Written Back	(140,783)	(84,628)	(140,783)	(84,628)
	698,212	780,697	698,212	780,697
Allowance For Loan Losses And Loan Losses	1,703	36,905	-	-
Allowance For Loan Losses Written Back	-	-	-	-
	1,703	36,905	-	-
	699,915	817,602	698,212	780,697

27. IMPAIRMENT LOSS ON INVESTMENTS

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Impairment Loss On Subsidiary Companies	-	-	-	158,958
Reversal Of Impairment Loss On Subsidiary Companies	-	-	(13,840)	-
	-	-	(13,840)	158,958
Impairment Loss On Associated Companies	32,640	191,242	32,640	191,242
Reversal Of Impairment Loss On Associated Companies	(1,643)	-	(1,643)	-
	30,997	191,242	30,997	191,242
	30,997	191,242	17,157	350,200

28. NON-INVESTMENT INCOME

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Interest / Profit From Staff Loans	6,432	5,522	6,389	5,482
Dividend From Contributions Paid Late	17,948	20,007	17,948	20,007
Gain / (Losses) On Disposal Of Property, Plant And Equipment	13,491	690	538	257
Miscellaneous Income	39,952	48,816	33,476	44,770
	77,823	75,035	58,351	70,516

29. STATUTORY CHARGES

	GROUP AND EPF	
	2004	2003
	(RM'000)	(RM'000)
Death Benefit - Section 58(1)	48,333	40,080
Incapacitation Benefit - Section 58(2)	36,061	28,967
	84,394	69,047

30. OPERATING EXPENDITURES

	GROUP		EPF	
	2004	2003	2004	2003
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Salaries, Allowances And Staff Costs	226,244	212,051	208,588	197,289
Audit Fees	361	274	200	183
Fees And Professional Charges	8,460	5,688	6,612	6,066
Printing And Stationery	7,759	8,556	7,159	7,983
Postal And Telephone Charges	21,224	15,555	19,370	14,567
Transport And Travelling	9,720	8,785	8,972	8,389
Rent And Assessment	15,449	15,560	14,487	14,551
Insurance On Property	1,164	1,419	673	788
Maintenance On Property, Plant And Equipment	36,376	35,539	34,472	33,703
Assets Not Capitalised	1,878	2,447	1,878	2,447
Depreciation Of Property, Plant And Equipment	47,295	55,091	39,106	48,074
Write Offs / Losses	285	269	285	269
Allowances / Write Offs On Bad And Doubtful Debts	7,931	18,757	-	-
Technical Services Fees	18,679	8,831	18,679	8,831
Advertisements	1,504	2,022	1,498	2,022
Honorarium For Board Members / Investment Panel	301	127	301	127
Directors' Remuneration	62	74	-	-
Amortisation Of Goodwill On Consolidation	2,083	2,083	-	-
Interest Payable On Deposits, Loans And Overdrafts	126,092	123,180	-	-
Changes In Property Development Costs And Inventories Of Completed Properties	4,597	(1,057)	-	-
Contract Costs / (Reversal Of Contract Costs)	(486)	2,188	-	-
Allowance / (Write Back Of Allowance) For Anticipated Losses On Projects	(16,688)	(774)	-	-
Miscellaneous Expenses	8,321	2,432	2,970	1,853
	528,611	519,097	365,250	347,142

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

31. PROVISIONS

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Impairment Loss On Property, Plant And Equipment	-	130,715	-	131,601
Impairment Loss On Property Development Costs	-	8,992	-	-
Impairment Loss / (Reversal Of Impairment Loss) On Land Held For Property Development	(5,947)	2,591	-	-
Employee Benefits / Staff Retirement Benefits	1,287	60,231	1,467	61,076
	(4,660)	202,529	1,467	192,677

32. TAXATION

Taxation amounting to RM609,000 in year 2003 represented tax expense on EPF income from foreign investments in the United States Of America of which the Malaysian Government does not have Double Taxation Agreement with the said country.

33. PRIOR YEAR ADJUSTMENT

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Accumulated Surplus / (Deficit):				
Balance As At 01 January As Previously Stated	(463,319)	(664,635)	374,721	368,932
<u>Add:</u>				
Adjustment On Dividend Advanced By EPF On Invocation Cases Under Section 50(3) Through Reserve Section 50(3) As Per Accounting Policy Stated In Note 2.26	2,013	-	2,013	-
Adjustment On The Balance Of Staff Loan Fund Account Which Has Been Abolished In Year 2004	212,250	-	212,250	-
Adjustment On Deferred Tax Liabilities	-	1	-	-
Adjustment On Consolidation Of Account	271,786	-	-	-
Balance As At 01 January As Restated	22,730	(664,634)	588,984	368,932

34. 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	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
Bank And Cash Balances	532,018	421,608	328,919	259,902
Bank Balances (refer Note 22)	(27,916)	(66,266)	(27,916)	(66,266)
Fixed Deposits With Licensed Bank	90	-	-	-
Money Market Account - Bank Negara Malaysia	3,621,950	5,379,166	3,621,950	5,379,166
	4,126,142	5,734,508	3,922,953	5,572,802

35. CAPITAL COMMITMENTS

	GROUP		EPF	
	2004 (RM'000)	2003 (RM'000)	2004 (RM'000)	2003 (RM'000)
a. Capital Commitments				
Approved And Contracted As At 31 December But Not Provided For In The Financial Statements	27,259	106,414	23,131	77,051
Approved But Not Contracted For As At 31 December	172,507	117,933	159,945	116,162
	199,766	224,347	183,076	193,213
b. Operational Commitments				
Loan Commitments Not Provided For In The Financial Statements Amounting To:				
End Finance	702,143	410,360	-	-
Bridging And Term Loans	103,808	88,308	-	-
Islamic	65,156	-	-	-
	871,107	498,668	-	-
Property Development:				
Approved And Contracted For	535,079	539,936	-	-
Approved And Not Contracted For	-	12,804	-	-
	535,079	552,740	-	-
c. Contingencies (Partly Secured)				
Obligation To Secure Performance By Third Parties	296,000	322,000	-	-
	1,901,952	1,597,755	183,076	193,213

The contingencies are partly secured by 2 pieces of land which had been provided as collateral for loans granted to third parties.

The excess of the security value over the net loans amounted to RM53,703,000 (2003 : RM53,782,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

36. CONTINGENT LIABILITIES

36.1 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 RM7.00 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 Case Management by the Court. The hearing date has not been fixed.
- b. In a civil suit brought against the subsidiary company, a borrower is claiming the amount of RM400.31 million for an alleged breach of the loan agreement committed by the subsidiary company. The borrower's Appeal against the Court's decision to dismiss their application for Summary Judgement was dismissed on 11 March 2004. The Court has fixed 03 February 2005 for Case Management with regard to this matter.
- c. In a civil suit brought against the subsidiary company, a borrower is claiming RM1.48 million for an alleged breach of the loan agreement committed by the subsidiary company. The borrower has not as yet set the matter down for trial.
- d. In two civil suits brought against the subsidiary company, a contractor appointed by one of the subsidiary company's borrower is claiming damages amounting to RM2.54 million for an alleged breach of contract. The suits were filed in High Court at Kuala Lumpur as well as in the High Court at Kota Bahr. The contractor's application for Summary Judgement has been dismissed by the Court. Both suits have since been consolidated and will be heard in the High Court at Kuala Lumpur. The Court has fixed 31 January 2005 for Case Management with regard to this matter.
- e. Upon the default by a borrower, the subsidiary company has proceeded with foreclosure proceedings to foreclose the property provided by a third party chargor as security for the facilities granted to the borrower. In turn the third party chargor has proceeded with legal suit against the subsidiary company for an alleged breach of the terms relating to the Charge. The matter is now fixed for trial on 07 March 2005. In respect of the foreclosure proceedings, the subsidiary company has to date obtained an Order for Sale. An Auction was held on 28 October 2003 but was aborted by the Land Office as there were no bidders. The owner has filed motion in Court to set aside the Order for Sale. The motion was subsequently dismissed by the Court on 22 April 2004. The Land Office has yet to fix a fresh auction date for the sale of the property.
- f. In a civil suit brought against the subsidiary company, a borrower is claiming damages amounting to RM134.40 million as a result of the subsidiary company's failure to perform its obligations under the Loan Agreement. The Case Management for the matter on 19 February 2004 has been adjourned to 01 July 2005.
- g. Upon the winding up of an unrelated company, the creditor of the said unrelated company has named a subsidiary company as well as three other defendants as co-conspirators in a scheme to sell off a major asset of the unrelated company and thereafter allowing the said unrelated company to be wound up in order to defeat the said creditor's claim for payment from the unrelated company amounting to RM4.80 million for goods sold and delivered. In the said suit, the creditor claims that by virtue of such conspiracy all the defendants including the subsidiary company are deemed to be constructive trustees of the creditor and are either jointly or severally liable to account to the said creditor for the amount of RM4.80 million. The subsidiary company has to date filed an Application to Strike Out the creditor's suit. The said Application is fixed for Hearing on 02 February 2005.
- h. A borrower of the subsidiary company has instituted a legal suit against the subsidiary company's and three of its subsidiaries for an alleged breach of terms of a Joint Venture Agreement and the Supplementary thereto entered into by the borrower, the subsidiary company and one of it's subsidiary company and a Loan Agreement together with the terms as annexed to the Charge entered into between the borrower and the subsidiary company. The borrower has sought for a Declaration that the subsidiary company and it's subsidiaries are in breach of the said agreements, rescission of the said agreements, judgement in the sum of RM40.08 million being loss of profits and commission, general as well as exemplary damages, interests and costs. The subsidiary company and one of it's subsidiary company have filed their Defences on 23 August 2004. The subsidiary company and all its subsidiaries have to date also filed separate Application to Strike Out the borrower's suit. The said Applications are fixed for Hearing on 14 February 2005.

- i. A borrower of the subsidiary company has instituted a civil suit against the subsidiary company and its subsidiary company for an alleged breach of the terms of a Joint Agreement entered into by the borrower, the subsidiary company and its subsidiary company. The borrower has sought for judgement in the sum of RM52.01 million being loss of profits from the project contemplated under Joint Venture Agreement, the sum of RM0.02 million being part payment for the purchase of several parcels of project land and sum of RM4.39 million being the compensation paid by the State Government directly to the subsidiary company for the acquisition of a portion of the project land, damages for losses suffered by the Plaintiff as a result of claims made by third parties, consultants and contractors involved in the Joint Venture Project, damages for loss of reputation, interests and costs. The subsidiary company and one of its subsidiaries have filed their Defences on 04 August 2004. The subsidiary company has further filed an Application to Strike Out the borrower's suit against the subsidiary company. The said Application is fixed for Hearing on 20 January 2005.
- j. A borrower of the subsidiary company has instituted a civil suit against the subsidiary company and its subsidiary company for an alleged breach of terms of an undated Joint Venture Agreement entered into by the borrower, the subsidiary company and its subsidiary company. As against the subsidiary company, the borrower has sought for damages to be assessed by the Court, a true account status of the loan, a change in the interest rate in accordance with the rate that is at par with the interest rate imposed in the financial market, interest and cost. As against its subsidiary company, the borrower has sought for damages to be assessed by the Court, specific performance to compel such subsidiary company to ensure premium payments are made to the authorities for the conditions for the use of the project land mentioned in the said suit is converted buildings for the purpose of housing, interest and costs. Both the subsidiary company and its subsidiary company have entered their appearance in Court on 26 January 2005 and will proceed to take the necessary course of action upon the advice of their respective solicitors.

No provision has been made in the Financial Statements in respect of claims as per item b, c, d, e, f, g, h, i and j as above since the Directors of the subsidiary company, after obtaining legal advice from the solicitors, are of the opinion that the claims are unlikely to succeed.

36.2 Contingent Claims

a. 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 RM103.68 million (2003 : RM111.60 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.

b. Statutory Charges Under Section 58(1) And (2), EPF Act, 1991

Statutory charges comprising death benefits under Section 58(1) and incapacitation benefits under Section 58(2), EPF Act, 1991 are paid to members utilising EPF's revenue and not the members' credits. In the event a member or his / her beneficiary did not encash the payment made in a particular financial year, should such payment be claimed in the subsequent year, the repayment made to such member or his / her beneficiary would utilise the revenue in the year the said claim was made. As at 31 December 2004, contingent liabilities in respect of death benefits amounted to RM14.41 million whereas incapacitation benefits amounted to RM6.53 million.

c. Claim For Interest On Development Cost Which Has Been Advanced By Subsidiary Company On Joint Venture Project

A claim amounting to RM10.49 million was received by the EPF on November 2004 from a subsidiary company in respect of joint venture project in Sungai Besi. The joint venture project has been terminated in year 2001 whereas the confirmation on the cancellation of the Representee's Letter Of Authority was received from the Court in year 2003. The termination of joint venture project at Sungai Besi of which the subsidiary company acted as a project manager was due to the financial difficulties at that point of time. Subsequent to the termination of the joint venture project, EPF has taken over the development of the said project and the development cost payment has been made accordingly to the subsidiary company and such costs had been capitalised as EPF Property Development Costs.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2004

The additional claim of RM10.49 million received by EPF in the month of November 2004 is the interest amount calculated by the subsidiary company as at year 2004. The EPF Management disagree with the amount calculated by the subsidiary company. As such, comprehensive checking on the amount calculated will be made and further course of action will be tabled to the Investment Panel for the final decision in year 2005.

37. EVENTS AFTER BALANCE SHEET DATE

In January 2005, the settlement of non-performing loan amounting to RM500.00 million for Realmild (M) Sdn Bhd has been finalised of which upon settlement, EPF has received equity in Malaysian Resources Corporation Berhad valuing RM119.59 million and in Media Prima Berhad valuing RM32.61 million and other investment instruments and cash amounting to RM144.78 million. Subsequent to this, there was an increase in the equity held in both Malaysian Resources Corporation Berhad and Media Prima Berhad in conjunction with the loan settlement scheme in Realmild (M) Sdn Bhd. The increase in equity held in Malaysian Resources Corporation Berhad in January 2005 has resulted the said company to be categorised as EPF associated company as at that date.

38. COMPARATIVE FIGURES

The following comparative figures have been restated in the Financial Statement for year 2004 to reflect the changes in accounting policies as per Note 2.26 and 2.28 as well as reclassification on the presentation to such items in the current year Financial Statement:

	GROUP		EPF	
	As Restated (RM'000)	As Previously Stated (RM'000)	As Restated (RM'000)	As Previously Stated (RM'000)
Income Statement				
Gross Investment Income	10,974,186	10,974,176	10,974,186	10,974,176
Non-Investment Income	70,516	71,634	70,516	71,634
Operating Expenditures	(347,142)	(540,927)	(347,142)	(540,927)
Provisions	(192,677)	-	(192,677)	-
Statement Of Changes In Reserves				
Accumulated Surplus As At 01 January 2004	588,984	374,721	588,984	374,721
Adjustment On Reserve Section 50(3)	-	2,013	-	2,013
Adjustment On Staff Loan Fund	-	212,250	-	212,250
Balance Sheet				
Other Receivables	93,691	94,654	-	-
Loans, Advances And Financing	3,238,524	3,237,561	-	-
	14,426,082	14,426,082	11,093,867	11,093,867