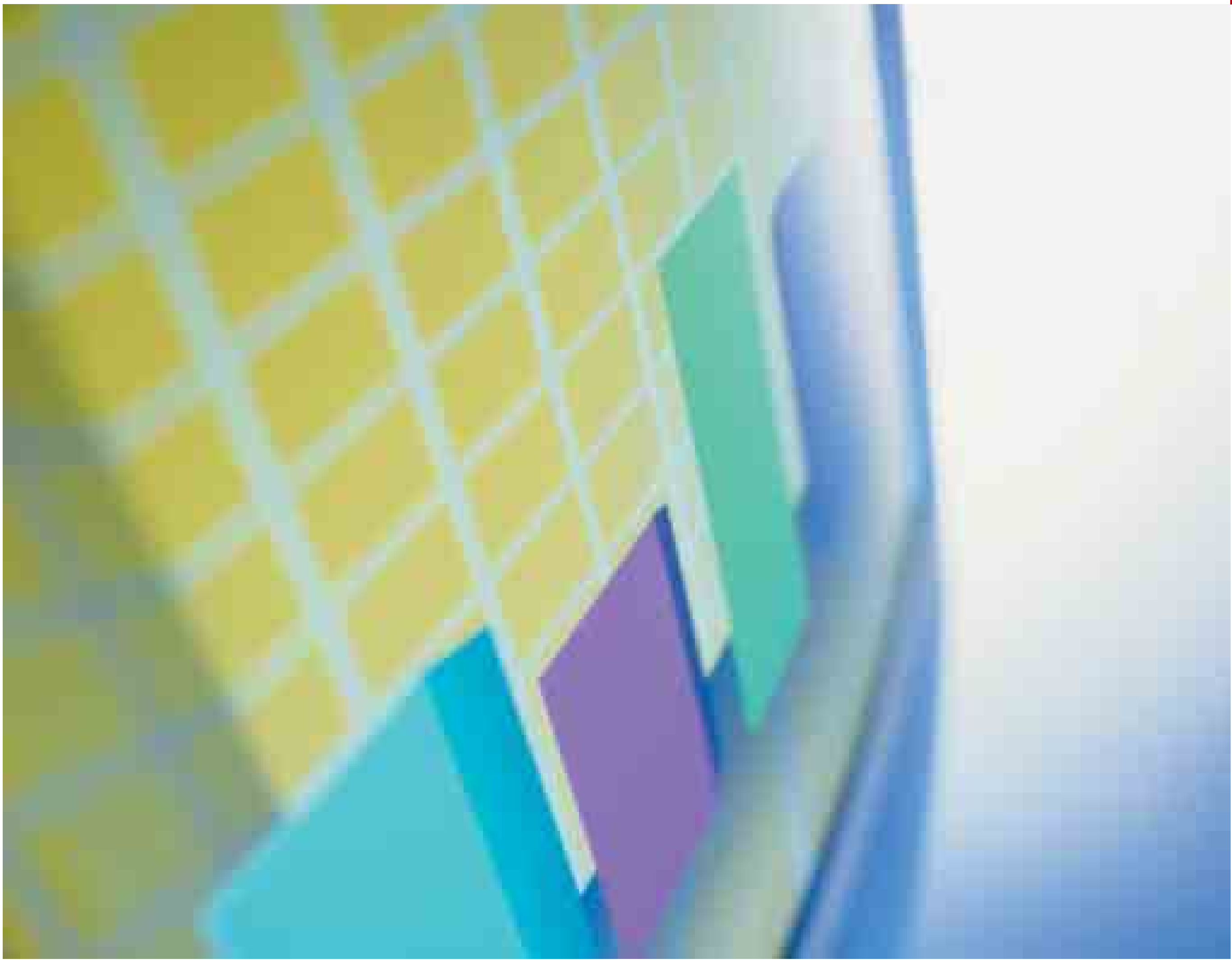
FINANCIAL STATEMENTS



CERTIFICATE OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE EMPLOYEES PROVIDENT FUND

FOR THE YEAR ENDED 31 DECEMBER 2006

TRANSLATION

I have audited the financial statements of the Employees Provident Fund as at 31 December 2006. The management is responsible for the said financial statements. My responsibilities are to audit and to give opinion to the aforesaid financial statements.

2. The auditing has been conducted pursuant to the Audit Act 1957 and in accordance with the approved auditing standards. Such standards require the auditing to be planned and to be conducted for the purpose of obtaining reasonable certainty whether the financial statements are free from significant errors or misstatement. The auditing included examining records on a test basis, verifying the evidence which support the amounts and ascertaining adequate disclosures in the financial statements. Evaluation has also been made on the accounting principles applied as well as the overall presentation of the financial statements.

3. In my opinion, the financial statements show a true and fair view of the financial position of the Employees Provident Fund and the Group as at 31 December 2006, the operational results and the cash flow of the said year based on the approved accounting standards.

4. I have considered the financial statements and the auditors' report for all subsidiary companies, of which I have not audited as stated in the Notes To The Financial Statements. I am satisfied that such financial statements that have been consolidated with the financial statements of the Employees Provident Fund are in a form and content appropriate and proper for the purpose of preparing the consolidated financial statements. I have also received satisfactory information and explanations as required for the said purpose.

5. The auditors' reports on the financial statements of such subsidiary companies do not contain any observations which could affect the consolidated financial statements.

Signed

(TAN SRI DATO' SETIA HAJI AMBRIN BIN BUANG)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
23 APRIL 2007

STATEMENT BY CHAIRMAN AND BOARD MEMBER AS TRUSTEES

We, **TAN SRI SAMSUDIN OSMAN** and **TUAN HAJI MD JAFAR BIN ABDUL CARRIM** as the Chairman and a member of the Board, as representatives of the Trustees of the **EMPLOYEES PROVIDENT FUND**, do hereby state that, in the opinion of the Board, the accompanying Financial Statements as set out on pages 164 to 215 are drawn up so as to give a true and fair view of the state of affairs of the **EMPLOYEES PROVIDENT FUND** as at 31 December 2006 and of the results of its operation and changes in cash flow position for the year ended on that date in accordance with the applicable approved Accounting Standards in Malaysia.

On behalf of the Board

Name	:	TAN SRI SAMSUDIN OSMAN
Title	:	CHAIRMAN OF EPF
Date	:	29 MARCH 2007
Place	:	KUALA LUMPUR

On behalf of the Board

Name	:	TUAN HAJI MD JAFAR BIN ABDUL CARRIM
Title	:	A BOARD MEMBER OF EPF
Date	:	29 MARCH 2007
Place	:	KUALA LUMPUR

DECLARATION OF PRINCIPAL OFFICER RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE EMPLOYEES PROVIDENT FUND

I, **MASUT MARTU**, as a representative of the Trustees and the officer primarily responsible for the financial management of the **EMPLOYEES PROVIDENT FUND**, do solemnly and sincerely declare that the accompanying Financial Statements as set out on pages 164 to 215 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and]
solemnly declared by]
the abovenamed in]
KUALA LUMPUR]
on 29 March 2007]

MASUT MARTU
Before me

PESURUHJAYA SUMPAH
W 351
ZAINUDIN @ NORDIN
BIN AB. MANAF
KP 3748832
MALAYSIA

COMMISSIONER FOR OATHS

1.08, Tkt. 1, Bangunan KWSP,
Jln. Raja Laut,
50350 Kuala Lumpur.
Tel: 03-26913880

BALANCE SHEETS

AS AT 31 DECEMBER 2006

	Note	GROUP 2006 (RM'000)	GROUP 2005 (RM'000)	EPF 2006 (RM'000)	EPF 2005 (RM'000)
UTILISATION OF MEMBERS' FUND					
ASSETS					
Deferred Tax Assets	6	**30,000**	20,000	**–**	–
Property, Plant And Equipment	7	**1,088,674**	1,066,553	**457,894**	422,497
Investment Properties	8	**908,560**	913,943	**905,946**	913,943
Intangible Assets	9	**8,190**	–	**6,803**	–
Asset Held For Sale	10	**244,618**	–	**–**	–
Goodwill On Consolidation Of Accounts	11	**–**	3,217	**–**	–
Land Held For Property Development	12	**64,938**	223,996	**64,938**	64,926
Property Development Costs	13	**166,503**	126,751	**133,632**	91,060
Investments In Subsidiaries	14	**–**	–	**1,281,838**	1,212,257
Interest In Associates	15	**477,445**	–	**684,604**	466,749
Investments	16	**252,066,706**	240,250,410	**252,023,078**	240,206,812
Loans, Advances And Financing	17	**5,086,389**	4,264,697	**–**	–
Staff Loans	18	**178,894**	177,894	**178,894**	177,894
Inventories Of Completed Properties	20	**29,921**	20,390	**–**	–
Receivables And Deposits	21	**454,861**	238,149	**366,472**	100,792
Tax Recoverable		**585,968**	854,310	**585,968**	854,310
Accrued Interest And Dividend		**2,500,439**	2,552,703	**2,500,472**	2,552,736
Deposits With Financial Institutions	22	**30,426,915**	16,576,422	**30,426,885**	16,576,394
Bank And Cash Balances		**941,181**	324,832	**596,629**	187,454
Total Assets		**295,260,202**	267,614,267	**290,214,053**	263,827,824
LIABILITIES					
Deferred Tax Liabilities	6	**26,166**	26,240	**–**	–
Provision For Employees Benefit	23	**77,428**	62,840	**77,428**	62,840
Provision For Other Liabilities And Charges	24	**3,380**	3,610	**–**	–
Provision For Taxation		**18,659**	18,659	**–**	–
Loans And Overdrafts	25	**294,625**	825,396	**–**	–
Contribution Withdrawals Payable		**70,641**	57,858	**70,641**	57,858
Deposits And Advances	26	**5,023,948**	3,474,784	**74,128**	117,102
Payables And Accrued Liabilities	27	**292,639**	188,561	**227,533**	130,974
Total Liabilities		**5,807,486**	4,657,948	**449,730**	368,774
NET ASSETS		**289,452,716**	262,956,319	**289,764,323**	263,459,050
MEMBERS' FUND					
Contributions Account	28	**289,055,707**	262,725,448	**289,055,707**	262,725,448
Reserves		**(98,858)**	(253,063)	**708,616**	733,602
		288,956,849	262,472,385	**289,764,323**	263,459,050
Minority Interest		**495,867**	483,934	**–**	–
		289,452,716	262,956,319	**289,764,323**	263,459,050

The notes set out form an integral part of, and should be read in conjunction with, these Balance Sheets.

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	GROUP 2006 (RM'000)	GROUP 2005 (RM'000)	EPF 2006 (RM'000)	EPF 2005 (RM'000)
INCOME					
Gross Investment Income	29	**13,538,030**	13,321,788	**13,270,456**	13,108,476
Less:					
Investment Expenses	30	**75,522**	37,066	**75,522**	37,066
(Writeback of) / Allowance For Diminution In Value Of Investments And Loan Losses	31	**(644,588)**	314,186	**(674,477)**	334,055
(Writeback of) / Impairment Loss On Investments	32	**–**	–	**(385,934)**	114,861
Net Investment Income		**14,107,096**	12,970,536	**14,255,345**	12,622,494
Non-Investment Income	33	**119,414**	104,543	**90,989**	93,193
Total Income		**14,226,510**	13,075,079	**14,346,334**	12,715,687
Less:					
Statutory Charges	34	**46,531**	71,862	**46,531**	71,862
Dividend On Contribution Withdrawals		**409,417**	333,290	**409,417**	333,290
Operating Expenditures	35	**688,586**	656,409	**463,977**	419,197
(Reversal Of Provisions) / Provisions	36	**(8,557)**	7,290	**(8,557)**	3,947
Total Expenditures		**1,135,977**	1,068,851	**911,368**	828,296
Net Income		**13,090,533**	12,006,228	**13,434,966**	11,887,391
Add:					
Share Of Results Of Associates		**528,540**	43,895	**–**	–
		13,619,073	12,050,123	**13,434,966**	11,887,391
Taxation And Zakat	37	**9,509**	15,185	**–**	–
Net Income After Taxation And Zakat		**13,628,582**	12,065,308	**13,434,966**	11,887,391
Attributable To:					
Contributors Of EPF		**13,613,736**	12,051,489		
Minority Interest		**14,846**	13,819		
		13,628,582	12,065,308		

The notes set out form an integral part of, and should be read in conjunction with, these Statements.

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2006

GROUP

	Non-Distributable			Distributable	
	Reserve For CTML (RM'000)	Reserve Section 50(3) (RM'000)	Capital Reserve (RM'000)	Accumulated Surplus / (Deficit) (RM'000)	Total (RM'000)
As At 31 December 2004	197,313	115,913	98	(548,934)	(235,610)
Surplus Of Income For The Current Year	–	–	–	12,051,489	12,051,489
Add:					
Interest On Contributions Paid Late	–	19,050	–	–	19,050
Adjustment On The Implementation Of Invocation Of Section 50(3) In Previous Years	–	255	–	–	255
Less:					
Transfer To Contribution Account	(8,003)	–	–	–	(8,003)
Reclassification To Inactive CTML Account (Note 28)	(189,310)	–	–	–	(189,310)
Transfer To Accumulated Surplus	–	(7,070)	–	–	(7,070)
Payment On Invocation Of Section 50(3)	–	(27,275)	–	–	(27,275)
2005 Dividend Credited To Members' Accounts – 5.00%	–	–	–	(11,875,722)	(11,875,722)
Adjustment On Dividend Credited In Year 2004 – 4.75%	–	–	–	(2,756)	(2,756)
As At 31 December 2005	–	100,873	98	(375,923)	(274,952)
As At 31 December 2005:					
As Previously Reported	**–**	**100,873**	**98**	**(375,923)**	**(274,952)**
Prior Year Adjustments (Note 42)	**–**	**–**	**–**	**21,889**	**21,889**
As Restated	**–**	**100,873**	**98**	**(354,034)**	**(253,063)**
Surplus Of Income For The Current Year	**–**	**–**	**–**	**13,613,736**	**13,613,736**
Add:					
Share Options Granted Under Employee Share Option Scheme Recognised In Profit Or Loss	**–**	**–**	**421**	**–**	**421**
Less:					
Payment On Invocation Of Section 50(3)	**–**	**(31,497)**	**–**	**–**	**(31,497)**
Transfer To Accumulated Surplus	**–**	**(29,376)**	**–**	**29,376**	**–**
2006 Dividend Credited To Members' Accounts – 5.15%	**–**	**–**	**–**	**(13,424,425)**	**(13,424,425)**
Adjustment On Dividend Credited In Year 2005 – 5.00%	**–**	**–**	**–**	**(4,030)**	**(4,030)**
As At 31 December 2006	**–**	**40,000**	**519**	**(139,377)**	**(98,858)**

The notes set out form an intergral part of, and should be read in conjunction with, this Statement.

STATEMENT OF CHANGES IN RESERVES (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2006

EPF

	← Non-Distributable	→	Distributable	
	Reserve For CTML (RM'000)	**Reserve Section 50(3) (RM'000)**	**Accumulated Surplus / (Deficit) (RM'000)**	**Total (RM'000)**
As At 31 December 2004	197,313	115,913	601,927	915,153
Surplus Of Income For The Current Year	–	–	11,887,391	11,887,391
Add:				
Interest On Contributions Paid Late	–	19,050	–	19,050
Adjustment On The Implementation Of Invocation Of Section 50(3) In Previous Years	–	255	–	255
Less:				
Transfer To CTML / Contribution Account	(8,003)	–	–	(8,003)
Reclassification To Inactive CTML Account (Note 28)	(189,310)	–	–	(189,310)
Transfer To Accumulated Surplus	–	(7,070)	–	(7,070)
Payment On Invocation Of Section 50(3)	–	(27,275)	–	(27,275)
2005 Dividend Credited To Members' Accounts – 5.00%	–	–	(11,875,722)	(11,875,722)
Adjustment On Dividend Credited In Year 2004 – 4.75%	–	–	(2,756)	(2,756)
As At 31 December 2005	–	100,873	610,840	711,713
As At 31 December 2005:				
As Previously Reported	**–**	**100,873**	**610,840**	**711,713**
Prior Year Adjustments (Note 42)	**–**	**–**	**21,889**	**21,889**
As Restated	**–**	**100,873**	**632,729**	**733,602**
Surplus Of Income For The Current Year	**–**	**–**	**13,434,966**	**13,434,966**
Less:				
Payment On Invocation Of Section 50(3)	**–**	**(31,497)**	**–**	**(31,497)**
Transfer To Accumulated Surplus	**–**	**(29,376)**	**29,376**	**–**
2006 Dividend Credited To Members' Accounts – 5.15%	**–**	**–**	**(13,424,425)**	**(13,424,425)**
Adjustment On Dividend Credited In Year 2005 – 5.00%	**–**	**–**	**(4,030)**	**(4,030)**
As At 31 December 2006	**–**	**40,000**	**668,616**	**708,616**

The notes set out form an intergral part of, and should be read in conjunction with, this Statement.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	GROUP 2006 (RM'000)	GROUP 2005 (RM'000)	EPF 2006 (RM'000)	EPF 2005 (RM'000)
CASH FLOW FROM OPERATING ACTIVITIES					
Net Income Before Taxation		**13,090,533**	12,006,228	**13,434,966**	11,887,391
Add / (Less) Adjustments For:					
Amortisation Of Goodwill On Consolidation		**3,341**	2,083	**–**	–
Depreciation Of Property, Plant And Equipment		**47,670**	45,942	**31,475**	29,868
Depreciation Of Investment Properties		**17,301**	12,537	**17,301**	12,537
Amortisation Of Intangible Assets		**1,720**	–	**1,200**	–
Allowance For Diminution In Value Of Investments And Loan Losses		**322,637**	502,219	**292,747**	502,219
Impairment Loss On Investments		**5,679**	123,196	**5,679**	122,324
Allowance For Diminution In Value Of Investments And Loan Losses Written Back		**(977,420)**	(181,657)	**(977,420)**	(168,241)
Reversal Of Impairment Loss On Investments		**(391,643)**	(7,463)	**(391,613)**	(7,463)
Reversal Of Impairment Loss On Property, Plant & Equipment		**(16,510)**	–	**(16,510)**	–
Reversal Of Impairment Loss On Investment Properties		**(9,814)**	–	**(9,814)**	–
Provision For Employee Benefits / Staff Retirement Benefits		**17,258**	3,947	**17,258**	3,947
Reversal Of Provision For Staff Retirement Benefits		**(8,504)**	–	**–**	–
Allowance / Write Off On Bad And Doubtful Debts		**25,636**	15,098	**10,182**	–
Write Back On Bad Debt		**–**	(1,299)	**–**	–
Discount Received		**–**	(6,040)	**–**	–
Impairment Loss On Land Held For Property Development		**–**	1,263	**–**	–
Reversal Of Impairment Loss On Land Held For Property Development		**–**	(694)	**–**	–
Write Offs / Losses		**117**	106	**117**	106
Impairment Loss On Property, Plant And Equipment		**–**	3,467	**–**	–
Impairment Loss On Investment Properties		**510**	–	**510**	–
(Reversal) / Write Down Of Inventories Of Completed Properties		**(1,543)**	2,031	**–**	–
Gain On Disposal Of Property, Plant And Equipment		**(17,176)**	(44,190)	**(17,115)**	(44,024)
Gain On Disposal Of Land Held For Sale		**(2,742)**	(1,700)	**–**	–
Liquidated Damages Payable		**–**	229	**–**	–
Interest In Suspense Net Of Recoveries And Write Offs		**402,690**	402,329	**–**	–
Share Options Granted Under ESOS		**421**	–	**–**	–
Excess Of Income Before Changes In Operating Assets		**12,510,161**	12,877,632	**12,398,963**	12,338,664
(Increase) / Decrease In Operating Assets:					
Intangible Assets		**(8,003)**	–	**(8,003)**	–
Investments		**(11,141,789)**	(30,164,248)	**(11,141,789)**	(30,164,248)
Deposits With Financial Institutions		**(16,096,665)**	3,981,335	**(16,096,665)**	3,981,335
Loans, Advances And Financing		**(1,258,673)**	(1,102,788)	**–**	–
Debtors And Deposits		**(331,725)**	(52,511)	**(265,680)**	(64,532)
Tax Recoverable		**268,342**	(454,004)	**268,342**	(454,004)
Accrued Interest And Dividend		**52,264**	(290,383)	**52,264**	(290,239)
Staff Loans		**(1,103)**	4,468	**(1,103)**	4,468
Property Development Costs		**–**	(5,312)	**–**	–
Inventories Of Completed Properties		**(7,988)**	5,766	**–**	–
		(28,525,340)	(28,077,677)	**(27,192,634)**	(26,987,220)

CASH FLOW STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2006

		GROUP		EPF	
	Note	**2006 (RM'000)**	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
<u>Increase / (Decrease) In Operating Liabilities:</u>					
Net Contributions		**12,901,804**	11,986,560	**12,901,804**	11,986,560
Reserve Section 50(3)		**(31,497)**	(7,970)	**(31,497)**	(7,970)
Reserve For CTML		**–**	(197,313)	**–**	(197,313)
Provision For Employee Benefits / Staff Retirement Benefits		**(2,670)**	(2,310)	**(2,670)**	(2,310)
Creditors And Accrued Liabilities		**114,197**	(194,039)	**97,907**	(209,373)
Provision For Liabilities		**(230)**	(2,867)	**–**	–
Loans And Overdrafts		**(527,271)**	(433,749)	**–**	–
Deposits And Advances		**1,549,164**	1,245,456	**(42,974)**	13,158
Contribution Withdrawals Payable		**12,783**	(3,498)	**12,783**	(3,498)
		14,016,280	12,390,270	**12,935,353**	11,579,254
Income Tax Recovered		**–**	2,850	**–**	–
Real Property Gain Tax Paid		**(191)**	–	**–**	–
Zakat Paid		**(110)**	–	**–**	–
Net Cash Used For Operating Activities		**(1,999,200)**	(2,806,925)	**(1,858,318)**	(3,069,302)
CASH FLOW FROM INVESTING ACTIVITIES					
Investments In Group Companies		**435,135**	2,001,144	**98,498**	2,344,135
Purchase Of Property, Plant And Equipment		**(34,811)**	(47,483)	**(33,321)**	(61,557)
Purchase Of Investment Properties		**–**	(257,494)	**–**	(257,494)
Land Held For Property Development		**(12)**	(86)	**(12)**	(16)
Property Development Costs		**(44,253)**	(11,821)	**(42,572)**	(9,270)
Proceeds From Sale Of Land Held For Sale		**13,341**	19,500	**–**	–
Proceeds From Sale Of Property, Plant And Equipment		**5,279**	243,559	**74**	243,393
Net Cash From Investing Activities		**374,679**	1,947,319	**22,667**	2,259,191
CASH FLOW FROM FINANCING ACTIVITIES					
Other Loans		**–**	(11,441)	**–**	–
Proceeds From Ordinary Share Issued		**90**	–	**–**	–
Loan Sold To Cagamas		**(1,062)**	(1,608)	**–**	–
Dividend Paid		**(2,981)**	(3,239)	**–**	–
Net Cash Used For Financing Activities		**(3,953)**	(16,288)	**–**	–
Changes In Cash And Cash Equivalents		**(1,628,475)**	(875,894)	**(1,835,651)**	(810,111)
Cash And Cash Equivalents As At 01 January		**3,250,248**	4,126,142	**3,112,842**	3,922,953
Cash And Cash Equivalents As At 31 December	38	**1,621,773**	3,250,248	**1,277,191**	3,112,842

The notes as set out form an integral part of, and should be read in conjunction with, these Statements.

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 EPF Headquarters is situated in EPF Building, Jalan Raja Laut, 50350 Kuala Lumpur. As at 31 December 2006, EPF operates in 4 Regions, 63 Service Branches and 46 Enforcement Branches located at the main cities all over Malaysia.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The EPF's overall financial risk management policies is to optimise value creation for members whilst minimising the potential adverse impact arising from fluctuation of the interest rates and the unpredictability of the financial markets. The risks identified are categorised as market, credit, operational and strategic risks.

The EPF operates within a risk management framework and a clear defined guidelines to be reviewed by the Board Risk Management Committee and the Investment Panel Risk Committee. Financial risk management is carried out through risk review programmes, internal control systems and adherence to the financial risk management policies.

3. PRINCIPAL ACTIVITY

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 14 and 15 to the Financial Statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Basis Of Preparation

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. MASB approved accounting standards in Malaysia for Entities other than Private Entities.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the EPF's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 5.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.1 Basis Of Preparation (Cont'd.)

a. Standards, Amendments To Published Standards And Interpretations That Are Effective

The new accounting standards, amendments to published standards and Issue Committees Interpretations (ICs) to existing standards effective for the EPF's financial year beginning 01 January 2006 are as follows:

FRS 1 First-time Adoption of Financial Reporting Standards
FRS 2 Share-based Payment
FRS 3 Business Combinations
FRS 5 Non-current Assets Held for Sale and Presentation of Discontinued Operations
FRS 101 Presentation of Financial Statements
FRS 102 Inventories
FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110 Events After the Balance Sheet Date
FRS 116 Property, Plant and Equipment
FRS 121 The Effect of Changes in Foreign Exchange Rates
FRS 127 Consolidated and Separate Financial Statements
FRS 128 Investment in Associates
FRS 131 Interests in Joint Ventures
FRS 132 Financial Instruments: Disclosure and Presentation
FRS 133 Earnings Per Share
FRS 136 Impairment of Assets
FRS 138 Intangible Assets
FRS 140 Investment Property

Amendment to FRS 119 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures – in relation to the asset ceiling test

. IC 107 Introduction of the Euro
. IC 110 Government Assistance – No Specific Relation to Operating Activities
. IC 112 Consolidation – Special Purpose Entities
. IC 113 Jointly Controlled Entities – Non-Monetary Contributions by Venturers
. IC 115 Operating Leases – Incentives
. IC 121 Income Taxes – Recovery of Revalued Non-Depreciable Assets
. IC 125 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
. IC 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
. IC 129 Disclosure – Service Concession Arrangements
. IC 131 Revenue – Barter Transactions Involving Advertising Services
. IC 132 Intangible Assets – Web Site Costs

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards, amendments to published standards and interpretations.

All standards, amendments and interpretations adopted by the Group require retrospective application other than:

FRS 2 – retrospective application for all equity instruments granted after 31 December 2004 and not vested at 01 April 2006;
FRS 3 – prospectively for business combinations for which the agreement date is or on after 01 January 2006;
FRS 5 – prospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and to operations that meet the criteria to be classified as discontinued on/after 01 January 2006;
FRS 116 – the exchange of property, plant and equipment is accounted at fair value prospectively;
FRS 121 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;
FRS 136 And FRS 138 – applies to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 01 January 2006 and all other assets prospectively from 01 January 2006;
FRS 140 – the effect of adopting the fair value model is adjusted to the opening balance of retained earnings for the period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.1 **Basis Of Preparation (Cont'd.)**

a. **Standards, Amendments To Published Standards And Interpretations That Are Effective (Cont'd.)**

A summary of the impact of the new accounting standards, amendments to published standards and interpretations to existing standards on the Financial Statements of the Group and EPF is set out in Note 41.

b. **Standards, Amendments To Published Standards And Interpretations To Existing Standards That Are Not Yet Effective And Have Not Been Early Adopted**

The new standards, amendments to published standards and interpretations that are mandatory for the Group's financial year beginning on or after 01 January 2007, but which the Group has not early adopted, are as follows:

FRS 117 Leases – This standard requires the classification of Leasehold Land as Prepaid Lease Payments.

FRS 124 Related Party Disclosures – This standard will affect the identification of related parties and some other related party disclosures.

* FRS 139 Financial Instruments: Recognition and Measurement – This new standard established principles for recognising and measuring financial assets and liabilities.

Effective for accounting periods beginning on or after 01 October 2006 – The Group will apply this standard from financial year beginning on 01 January 2007.

* Effective date yet to be determined by Malaysian Accounting Standards Board (MASB).

4.2 **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.

4.3 **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. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on Goodwill are not reversed. Previously, Goodwill is amortised over 10 years through the Consolidated Income Statement. The policy for the recognition and measurement of impairment losses is in accordance with Note 4.12. The impact of changes in accounting policy is shown in Note 41.

4.4 **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 existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group control another entity.

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 4.12.

The Group has taken advantage of the exemption provided by FRS 122_{2004} and FRS 3 to apply these standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these standards.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.4 Investments In Subsidiaries (Cont'd.)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill is in accordance with Note 4.3. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

Minority interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relates to the subsidiary is recognised in the Consolidated Income Statement.

4.5 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.

Significant influence is the power to participate in the financial and operating policy decisions of the associates but not to exercise control over those policies.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group have a significants influence over another entity.

Investments in associates are accounted for using the equity method of accounting and are initially at cost. The Group's investment in associated includes goodwill identified on acquisition, net of any accumulated impairment loss.

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 4.12.

4.6 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 4.12.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.7 **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 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 4.9.iv 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 4.9.iv 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.7 **Basis Of Investment Valuation (Cont'd.)**

g. **Quoted Shares And Investments With Portfolio Managers (Cont'd.)**

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 EPF 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 line 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.

h. **Quoted Shares Outside Malaysia**

Quoted Shares Outside Malaysia are stated at cost less provision for diminution in value. Diminution in value is recognised when the market value is lower then the acquisition cost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.8 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 4.9.iv.

There are three (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.

The fund used to finance staff loans for the above mentioned three (3) schemes is considered as EPF investment of which the allocation limit of funds used is subject to the sum approved by the Board.

4.9 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group based its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

i. **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. Dividend from investment in foreign share is recognised on receipt 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 more than six (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.

ii. **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 six (6) months or more.

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

iii. **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 4.17.

Commitment fees are recognised as income based on time apportionment.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.9 **Revenue Recognition (Cont'd.)**

iv. **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 six (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.

v. **Interest And Dividend On Contributions Paid Late**

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

vi. **Interest On Loans, Advances And Financing**

In respect of end financing, 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 outstanding on 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 outstanding 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.

vii. **Accretion / Amortisation Of Investments**

Previously, accretion / amortisation of investments are recognised on straight line basis. The adoption of FRS 118 – Revenue has resulted in a change in the method of accretion / amortisation to effective interest method.

4.10 **Property, Plant And Equipment And Depreciation**

Property, Plant And Equipment are stated at cost after deduction of accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the financial year in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.10 **Property, Plant And Equipment And Depreciation (Cont'd.)**

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:

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

Furniture, Fittings And Fixtures and Office Equipment which costs below RM1,000 per unit is depreciated fully on the year of acquisition.

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.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each Balance Sheet date. At each Balance Sheet date, the Group assesses whether there is any indication of impairment. Revaluation on properties is made once every five (5) years, to assess for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount as stated in Note 4.12.

The depreciation rate on 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 Property, Plant And Equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the Income Statement.

4.11 **Investment Properties**

Investment properties, comprising principally land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group. Investment properties are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on the straight line basis to write off the cost of the assets to their residual values over their estimated useful lives of 40 – 50 years. On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be eliminated from the Balance Sheet.

The difference between the net disposal proceeds and the carrying amount is recognised in the Income Statement in the period of the disposal.

4.12 **Impairment Of Assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An Impairment Loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non financial assets other than Goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each year.

An Impairment Loss is charged to the Income Statement. In respect of other assets, any subsequent increase in recoverable amount is recognised in the Income Statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.13 **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, which is in accordance with Note 4.24.

4.14 **Receivables**

Receivables are carried at invoice amount less an allowance for doubtful debts. The allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

4.15 **Assets Held For Sale**

Non-current assets (or disposal Groups) classified as assets held for sale are stated at the lower of carrying amount or fair value less costs to sell, if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

4.16 **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 4.12. 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.

4.17 **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.

Where the financial outcome of a development activity reliably estimated, property development revenue is recognised only to the extent property development costs incurred will be recovered, 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 capitalised as an expense are recognised as an asset, 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 accrued 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.

4.18 **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.

4.19 **Provision For Employee Benefits / Staff Retirement Benefits**

a. **Short Term Benefits**

Wages, salaries, bonuses, social security contributions and gratuity paid to contract staff are recognised as an expense in the year in which the associated services are rendered by employees. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.19 **Provision For Employee Benefits / Staff Retirement Benefits (Cont'd.)**

c. **Long Term Benefits**

EPF has adopted FRS 119 - Employee Benefits of which payment of long term benefits to employees after retirement and / or after the completion of contract service is recognised on 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 accrual basis are as follows:

i. Post-employment medical benefit; and
ii. Cash award in lieu of annual leave (inclusive of the employer share on contribution for such payment).

The computation on post-employment medical benefits is determined by an actuarial valuation every three (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.

The net cumulative actuarial gains and losses in excess of 10% of the present value of the Benefit Obligation is recognised in the Income Statement over the expected average remaining working lifes of the employees of 17 years.

The computation of cash in lieu of annual leave payable to retirees on the actual information available on the Balance Sheet date and the eligibility are based on term and condition of service. The current salary rate is used to compute these liabilities.

d. **Termination Benefits**

Termination Benefits are payable whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal.

e. **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.

4.20 **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.

4.21 **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 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 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.21 Taxation (Cont'd.)

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.

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

4.23 Foreign Currency

a. **Functional And Presentation Currency**

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Financial Statements are presented in Ringgit Malaysia, which is the EPF's functional and presentation currency.

b. **Transactions And Balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the Income Statement.

4.24 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 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. During the year, the Board has approved that the reserve should be maintained at RM40.00 million. If the reserve balance is lower than RM40.00 million, the shortage will be transferred from retained earnings and vice versa.

4.25 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 (1) / no member's details and aged for three (3) months and above; and
ii. CTML case which has two (2) / three (3) member's details and aged for three (3) years and above.

In 2005, the Board has approved the reclassification of cumulative balance amounting to RM189.31 million existing in Reserve For CTML to Inactive CTML Account which forms part of Contributions Account. This reclassification presents more accurate and fairer disclosure as the amount is not EPF's reserves but is a saving of a particular member as soon as the posting to a specified member's contribution account has been executed.

4.26 Contingent Liabilities And Contingent Assets

The Group does not recognise a contingent liability but discloses its existence in the Financial Satements. A Contingent Liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one (1) or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A Contingent Liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.26 Contingent Liabilities And Contingent Assets (Cont'd.)

A Contingent Asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one (1) or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

4.27 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.

4.28 Intangible Assets

The expenditure incurred on the Information Technology Software Licence is measured on recognition cost. Following an initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight line basis over the estimated economic useful lifes and assessed for impairment whenever there is indication that the intangible asset may be impaired.

4.29 Comparative Figures

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's result and financial position are tested for sensitivity to changes in the underlying parameters.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

5.1 Post-Employment Benefit Obligation

The present value of the post-employment medical obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for post-employment medical include the discount rate and the expected medical cost rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate once every three (3) years when the actuarial valuation is performed. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

In determining the appropriate discount rate, the Group considers the interest rates of high-quality Corporate Bonds that are denominated in the currency in which the benefits will be paid, and that have term to maturity approximating the terms of the related liability.

The medical cost rate is based on the average historical cost incurred by EPF.

Where the expected medical cost rate to differ by 10% from Management's estimates, the carrying value of Post-Employment Benefit Obligations would be an estimated RM11.30 million higher or RM10.00 million lower.

Where the discount rate used to differ by 10% from Management's estimates, the carrying amount of Post-Employment Benefit Obligations would be an estimated RM13.80 million lower or RM16.80 million higher.

6. DEFERRED TAX ASSETS / LIABILITES

	GROUP	
	2006 (RM'000)	2005 (RM'000)
As At 01 January	**6,240**	18,225
Less:		
Amount Recognised In The Income Statement	**(10,074)**	(12,335)
	(3,834)	5,890
Add:		
Amount Credited To Revaluation Surplus On Property, Plant And Equipment By Subsidiary Company	**–**	350
As At 31 December	**(3,834)**	6,240
The Above Balance Comprised Of:		
Deferred Tax Assets	**(30,000)**	(20,000)
Deferred Tax Liabilities	**26,166**	26,240
	(3,834)	6,240

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.

7. PROPERTY, PLANT AND EQUIPMENT

7.1 GROUP

COST	As At 01 January (RM'000)	Additions (RM'000)	Disposals / Adjustments / Reclassification / Transfer (RM'000)	Write Offs (RM'000)	(Reversal Of Impairment Loss) / Impairment Loss / Revaluation Surplus (RM'000)	As At 31 December (RM'000)
				2006		
Freehold Land	170,133	–	5,075	–	–	175,208
Leasehold Land	200,744	–	(24,179)	–	–	176,565
Buildings	822,843	13,329	4,073	–	–	840,245
Building Plant And Machinery	27,959	237	(95)	–	–	28,101
Office / Building Renovation	65,923	12,244	406	–	–	78,573
Furniture, Fittings And Fixtures	44,927	1,192	(1,502)	–	–	44,617
Motor Vehicles	5,123	115	(74)	–	–	5,164
Office Equipment	88,390	1,209	(682)	–	–	88,917
Computer Software And Hardware	135,071	27,040	(13,574)	–	–	148,537
Work-In-Progress	32,028	98,083	(73,646)	–	–	56,465
	1,593,141	153,449	(104,198)	–	–	1,642,392

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

7.1 GROUP (Cont'd.)

ACCUMULATED DEPRECIATION	As At 01 January (RM'000)	Additions (RM'000)	Disposals / Adjustments / Reclassification / Transfer (RM'000)	Write Offs (RM'000)	(Reversal Of Impairment Loss) / Impairment Loss / Revaluation Surplus (RM'000)	As At 31 December (RM'000)
			2006			
Freehold Land	**33**	**–**	**3,938**	**–**	**(3,600)**	**371**
Leasehold Land	**33,153**	**2,174**	**(4,099)**	**–**	**(8,145)**	**23,083**
Buildings	**185,121**	**22,509**	**6,710**	**–**	**(8,526)**	**205,814**
Building Plant And Machinery	**24,086**	**1,006**	**(108)**	**–**	**–**	**24,984**
Office / Building Renovation	**32,294**	**10,869**	**(1,955)**	**–**	**–**	**41,208**
Furniture, Fittings And Fixtures	**41,192**	**1,626**	**(214)**	**–**	**–**	**42,604**
Motor Vehicles	**3,697**	**636**	**(69)**	**–**	**–**	**4,264**
Office Equipment	**83,974**	**1,746**	**(660)**	**–**	**–**	**85,060**
Computer Software And Hardware	**123,038**	**7,104**	**(3,812)**	**–**	**–**	**126,330**
	526,588	**47,670**	**(269)**	**–**	**(20,271)**	**553,718**

COST

			2005			
Freehold Land	255,216	4,885	(89,968)	–	–	170,133
Leasehold Land	200,837	–	(93)	–	–	200,744
Buildings	527,810	53,230	237,705	–	4,098	822,843
Building Plant And Machinery	27,307	709	(57)	–	–	27,959
Office / Building Renovation	48,950	17,363	(390)	–	–	65,923
Furniture, Fittings And Fixtures	42,439	2,853	(255)	(110)	–	44,927
Motor Vehicles	5,154	915	(509)	(437)	–	5,123
Office Equipment	88,180	2,132	(206)	(1,716)	–	88,390
Computer Software And Hardware	133,554	3,304	(1,331)	(456)	–	135,071
Work-In-Progress	40,086	37,233	(45,291)	–	–	32,028
	1,369,533	122,624	99,605	(2,719)	4,098	1,593,141

ACCUMULATED DEPRECIATION

			2005			
Freehold Land	39,274	–	(39,241)	–	–	33
Leasehold Land	30,745	2,410	(2)	–	–	33,153
Buildings	163,248	19,857	524	–	1,492	185,121
Building Plant And Machinery	22,427	1,670	(11)	–	–	24,086
Office / Building Renovation	22,974	7,454	(109)	–	1,975	32,294
Furniture, Fittings And Fixtures	38,316	3,225	(241)	(108)	–	41,192
Motor Vehicles	3,922	721	(509)	(437)	–	3,697
Office Office Equipment	83,404	2,126	(288)	(1,268)	–	83,974
Computer Software And Hardware	116,175	8,479	(1,163)	(453)	–	123,038
	520,485	45,942	(41,040)	(2,266)	3,467	526,588

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

7.2 EPF

COST	As At 01 January (RM'000)	Additions (RM'000)	Disposals / Adjustments / Reclassification / Transfer (RM'000)	Write Offs (RM'000)	(Reversal Of Impairment Loss) / Impairment Loss / Revaluation Surplus (RM'000)	As At 31 December (RM'000)
			2006			
Freehold Land	–	–	–	–	–	–
Leasehold Land	**189,026**	–	**(24,179)**	–	–	**164,847**
Buildings	**292,886**	**13,329**	–	–	–	**306,215**
Building Plant And Machinery	**27,956**	**217**	**(97)**	–	–	**28,076**
Office / Building Renovation	**56,236**	**11,913**	–	–	–	**68,149**
Furniture, Fittings And Fixtures	**25,405**	**881**	**(146)**	–	–	**26,140**
Motor Vehicles	**4,458**	**6**	**(69)**	–	–	**4,395**
Office Equipment	**88,382**	**1,154**	**(681)**	–	–	**88,855**
Computer Software And Hardware	**116,975**	**26,376**	**(11,016)**	–	–	**132,335**
Work-In-Progress	**30,110**	**98,083**	**(73,646)**	–	–	**54,547**
	831,434	**151,959**	**(109,834)**	–	–	**873,559**

ACCUMULATED DEPRECIATION	As At 01 January (RM'000)	Additions (RM'000)	Disposals / Adjustments / Reclassification / Transfer (RM'000)	Write Offs (RM'000)	(Reversal Of Impairment Loss) / Impairment Loss / Revaluation Surplus (RM'000)	As At 31 December (RM'000)
			2006			
Freehold Land	–	–	–	–	–	–
Leasehold Land	**32,190**	**2,009**	**(4,243)**	–	**(8,145)**	**21,811**
Buildings	**108,828**	**8,300**	–	–	**(8,365)**	**108,763**
Building Plant And Machinery	**24,071**	**1,003**	**(93)**	–	–	**24,981**
Office / Building Renovation	**22,183**	**10,507**	–	–	–	**32,690**
Furniture, Fittings And Fixtures	**24,349**	**1,122**	**(145)**	–	–	**25,326**
Motor Vehicles	**3,349**	**532**	**(68)**	–	–	**3,813**
Office Equipment	**83,988**	**1,739**	**(675)**	–	–	**85,052**
Computer Software And Hardware	**109,979**	**6,263**	**(3,013)**	–	–	**113,229**
	408,937	**31,475**	**(8,237)**	–	**(16,510)**	**415,665**

COST	As At 01 January (RM'000)	Additions (RM'000)	Disposals / Adjustments / Reclassification / Transfer (RM'000)	Write Offs (RM'000)	(Reversal Of Impairment Loss) / Impairment Loss / Revaluation Surplus (RM'000)	As At 31 December (RM'000)
			2005			
Freehold Land	233,273	4,885	(238,158)	–	–	–
Leasehold Land	189,119	–	(93)	–	–	189,026
Buildings	247,602	45,291	(7)	–	–	292,886
Building Plant And Machinery	27,304	709	(57)	–	–	27,956
Office / Building Renovation	40,898	15,728	(390)	–	–	56,236
Furniture, Fittings And Fixtures	25,432	227	(144)	(110)	–	25,405
Motor Vehicles	4,485	532	(122)	(437)	–	4,458
Office Equipment	88,184	2,120	(206)	(1,716)	–	88,382
Computer Software And Hardware	115,902	2,566	(1,037)	(456)	–	116,975
Work-In-Progress	40,086	35,315	(45,291)	–	–	30,110
	1,012,285	107,373	(285,505)	(2,719)	–	831,434

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

7.2 EPF

ACCUMULATED DEPRECIATION	As At 01 January (RM'000)	Additions (RM'000)	Disposals / Adjustments / Reclassification / Transfer (RM'000)	Write Offs (RM'000)	(Reversal Of Impairment Loss) / Impairment Loss / Revaluation Surplus (RM'000)	As At 31 December (RM'000)
			2005			
Freehold Land	39,241	–	(39,241)	–	–	–
Leasehold Land	29,947	2,245	(2)	–	–	32,190
Buildings	101,112	7,717	(1)	–	–	108,828
Building Plant And Machinery	22,412	1,670	(11)	–	–	24,071
Office / Building Renovation	14,941	7,351	(109)	–	–	22,183
Furniture, Fittings And Fixtures	23,697	890	(130)	(108)	–	24,349
Motor Vehicles	3,253	655	(122)	(437)	–	3,349
Office Equipment	83,420	2,124	(288)	(1,268)	–	83,988
Computer Software And Hardware	104,085	7,216	(869)	(453)	–	109,979
	422,108	29,868	(40,773)	(2,266)	–	408,937

7.3 NET BOOK VALUE

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Freehold Land	**174,837**	170,100	**–**	–
Leasehold Land	**153,482**	167,591	**143,036**	156,836
Buildings	**634,431**	637,722	**197,452**	184,058
Building Plant And Machinery	**3,117**	3,873	**3,095**	3,885
Office / Building Renovation	**37,365**	33,629	**35,459**	34,053
Furniture, Fittings And Fixtures	**2,013**	3,735	**814**	1,056
Motor Vehicles	**900**	1,426	**582**	1,109
Office Equipment	**3,857**	4,416	**3,803**	4,394
Computer Software And Hardware	**22,207**	12,033	**19,106**	6,996
Work-In-Progress	**56,465**	32,028	**54,547**	30,110
	1,088,674	1,066,553	**457,894**	422,497

8. INVESTMENT PROPERTIES

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Net Book Value				
As At 01 January	**913,943**	668,986	**913,943**	668,986
Transfer From Property, Plant And Equipment	**2,614**	–	**–**	–
Additions	**–**	257,494	**–**	257,494
Depreciation	**(17,301)**	(12,537)	**(17,301)**	(12,537)
Impairment Losses	**(510)**	–	**(510)**	–
Reversal of Impairment Losses	**9,814**	–	**9,814**	–
As At 31 December	**908,560**	913,943	**905,946**	913,943
Cost	**1,044,547**	1,041,933	**1,041,933**	1,041,933
Accumulated Depreciation And Impairment	**(135,987)**	(127,990)	**(135,987)**	(127,990)
Net Book Value As At 31 December	**908,560**	913,943	**905,946**	913,943

9. INTANGIBLE ASSET

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
License Of Accounting System As At 01 January:				
Reclassified From Property, Plant And Equipment	**1,907**	–	**–**	–
Additions	**8,003**	–	**8,003**	–
Less:				
Amortisation	**(1,720)**	–	**(1,200)**	–
As At 31 December	**8,190**	–	**6,803**	–

10. ASSETS HELD FOR SALE

The major classes of assets and liabilities of the Group classified as Assets Held For Sale on the consolidated Balance Sheet as at 31 December 2006 are as follows:

	GROUP		
	Carrying Value Immediately Before Classification (RM'000)	Allocation Of Remeasurement (RM'000)	Carrying Value (RM'000)
Other Receivables	38,936	54,774	93,710
Land Held For Development	159,070	(11,802)	147,268
Property, Plant And Equipment	3,742	(102)	3,640
	201,748	42,870	244,618

Included in Assets Held For Sale of the Group is a property with carrying value of RM24,000,000 (2005 : 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 Assets Held For Sale are the following carrying values in respect of:

	GROUP	
	2006 (RM'000)	2005 (RM'000)
Title Registered Under The Name Of A Subsidiary	8,500	8,500
Pending Transfer Of Title From A Third Party	680	680
	9,180	9,180

11. GOODWILL ON CONSOLIDATION

	GROUP	
	2006 (RM'000)	2005 (RM'000)
As At 01 January	3,217	5,300
Additions	124	–
Less:		
Impairment Of Goodwill	(3,341)	–
Amortisation Of Goodwill	–	(2,083)
As At 31 December	–	3,217

12. LAND HELD FOR PROPERTY DEVELOPMENT

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Freehold Land:				
Cost As At 01 January	**203,675**	273,006	**–**	–
Add:				
Acquisition For The Year	**–**	30,016	**–**	–
Less:				
Reversal	**–**	(838)	**–**	–
Transfer To Other Receivables	**–**	(30,709)	**–**	–
Reclassified As Assets Held For Sale	**(158,240)**	–	**–**	–
Disposal / Redemption	**(45,435)**	(67,800)	**–**	–
Cost As At 31 December	**–**	203,675	**–**	–
Accumulated Impairment Losses As At 01 January	**120,980**	124,894	**–**	–
Less:				
Reversal Of Impairment Losses For The Year	**–**	(3,914)	**–**	–
Reclassified As Assets Held For Sale	**(60,170)**	–	**–**	–
Disposal / Redemption	**(60,810)**	–	**–**	–
Accumulated Impairment Losses As At 31 December	**–**	120,980	**–**	–
Carrying Value As At Balance Sheet Date	**–**	82,695	**–**	–
Leasehold Land:				
Cost As At 01 January	**156,391**	165,589	**64,926**	64,910
Add:				
Acquisition / Additional Cost For The Year	**12**	16	**12**	16
Less:				
Reclassified As Assets Held For Sale	**(76,375)**	–	**–**	–
Reversal	**–**	(1,414)	**–**	–
Disposal / Redemption	**(15,090)**	(7,800)	**–**	–
Cost As At 31 December	**64,938**	156,391	**64,938**	64,926
Accumulated Impairment Losses As At 01 January	**15,090**	11,300	**–**	–
Add:				
Impairment Losses For The Year	**–**	3,790	**–**	–
Less:				
Reclassified As Assets Held For Sale	**(15,090)**	–	**–**	–
Accumulated Impairment Losses As At 31 December	**–**	15,090	**–**	–
Carrying Value As At Balance Sheet Date	**64,938**	141,301	**64,938**	64,926
Total Carrying Value As At Balance Sheet Date	**64,938**	223,996	**64,938**	64,926

13. PROPERTY DEVELOPMENT COSTS

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Property Development Costs As At 01 January:				
Freehold Land	**23,886**	23,886	**81,790**	–
Development Costs	**173,813**	165,669	**9,270**	81,790
	197,699	189,555	**91,060**	81,790
Costs Incurred During The Year:				
Development Costs	**44,253**	18,121	**42,572**	9,270
Cost Recognised In Income Statement:				
As At 01 January	**(70,948)**	(68,313)	**–**	–
Add:				
Costs Recognised During The Year	**–**	(2,635)	**–**	–
As At 31 December	**(70,948)**	(70,948)	**–**	–
Transfers:				
To Trade Receivables	**–**	(9,705)	**–**	–
To Trade Payables	**–**	(272)	**–**	–
To Property, Plant And Equipment	**(4,501)**	–	**–**	–
Property Development Costs As At 31 December	**166,503**	126,751	**133,632**	91,060
Presented As Follows In The Balance Sheet:				
Property Development Costs – Assets	**166,503**	126,751	**133,632**	91,060
	166,503	126,751	**133,632**	91,060

The freehold land under the Land Held For Property Development and Property Development Costs of the Group are registered under the names of the respective joint venture partners.

No interest expense were included in Property Development Costs of the Group incurred during the financial year (2005 : RM716,000).

14. INVESTMENTS IN SUBSIDIARIES

EPF	2006 Cost / Book Value (RM'000)	2006 Market Value / Net Tangible Asset (RM'000)	2005 Cost / Book Value (RM'000)	2005 Market Value / Net Tangible Asset (RM'000)
Quoted Shares In Malaysia	**706,668**	**253,424**	706,633	136,277
Less:				
Accumulated Impairment Loss	**(453,244)**		(570,356)	
	253,424		136,277	
Unquoted Shares In Malaysia	**299,756**	**296,628**	299,632	296,632
Less:				
Accumulated Impairment Loss	**(3,128)**		(3,000)	
	296,628		296,632	
	550,052		432,909	
Loans To Subsidiary Companies	**200,000**		250,000	
Advance To Subsidiary Companies	**383,069**		382,972	
Capital Advance *	**148,717**		146,376	
	731,786		779,348	
	1,281,838		1,212,257	

* 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 2006	Effective Interest 2005	Principal Activity
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.
e.	**Hartanah Progresif Sdn Bhd**	**100.00%**	100.00%	Property investment.

All subsidiary companies as above are incorporated in Malaysia.

14. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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

	EPF	
	2006 (RM'000)	2005 (RM'000)
Maturing within 12 months	**50,000**	50,000
Maturing after 12 months	**681,786**	729,348
	731,786	779,348

15. INVESTMENTS IN ASSOCIATED COMPANIES

15.1 **GROUP**

	2006		2005	
	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	**1,860,854**	**588,849**	1,913,007	326,613
Less:				
Accumulated Impairment Loss	**(1,318,559)**		(1,586,394)	
	542,295		326,613	
Unquoted Shares In Malaysia	**102,500**	**100,359**	102,500	99,246
Less:				
Accumulated Impairment Loss	**(2,141)**		(3,254)	
	100,359		99,246	
	642,654		425,859	
Loans	**41,950**		40,890	
	684,604		466,749	
Add / (Less):				
Profit / (Losses) In Associated Companies:				
Projek Bandar Samariang Sdn Bhd	**(704)**		(2,141)	
Panca Pesona Sdn Bhd	**3,124**		2,217	
Cycle & Carriage Bintang Bhd	**14,636**		54,105	
Rashid Hussain Bhd	**(206,341)**		(411,065)	
Malaysian Resources Corporation Bhd	**(34,746)**		(111,040)	
Bandar Eco – Setia Sdn Bhd	**16,872**		1,175	
	(207,159)		(466,749)	
	477,445		–	

15. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D.)

15.1 GROUP (Cont'd.)

Based on effective equity interest as of year end, the financial positions of the associates are as follows:

	GROUP	
	2006 (RM'000)	2005 (RM'000)
Assets	**31,893,273**	28,850,414
Liabilities	**30,759,282**	27,733,381
Revenue	**1,981,525**	1,667,557
Profit After Taxation	**92,676**	112,192

15.2 EPF

	2006		2005	
	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	**1,860,854**	**588,849**	1,913,007	326,613
Less: Accumulated Impairment Loss	**(1,318,559)**		(1,586,394)	
	542,295		326,613	
Unquoted Shares In Malaysia	**102,500**	**100,359**	102,500	99,246
Less: Accumulated Impairment Loss	**(2,141)**		(3,254)	
	100,359		99,246	
	642,654		425,859	
Loans	**41,950**		40,890	
	684,604		466,749	

15. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D.)

15.2 EPF (Cont'd.)

Details pertaining to the associated companies are as shown below:

	Name Of The Company	Effective Interest 2006	Effective Interest 2005	Principal Activity
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**	**20.41%**	20.62%	Assembly, distribution and retailing of motor vehicles.
d.	**Rashid Hussain Bhd**	**29.94%**	30.90%	Investment holding company.
e.	**Malaysian Resources Corporation Bhd**	**28.47%**	30.69%	Investment holding company, management company, property management, provision of consultancy services and dealing in securities.
f.	**Bandar Eco – Setia Sdn Bhd**	**34.00%**	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 2006 (RM'000)	EPF 2005 (RM'000)
Maturing within 12 months	**41,950**	–
Maturing after 12 months	**–**	40,890
	41,950	40,890

16. INVESTMENTS

16.1 GROUP

	2006 Cost / Book Value (RM'000)	2006 Market Value / Net Tangible Asset (RM'000)	2005 Cost / Book Value (RM'000)	2005 Market Value / Net Tangible Asset (RM'000)
QUOTED SECURITIES				
Short Term Quoted Shares In Malaysia	4,424	1,446	179,712	120,607
Less:				
Investment Revaluation Account	(2,978)		(59,105)	
Directors' Valuation	1,446		120,607	
Malaysian Government Securities	98,701,356	104,256,423	97,809,728	102,603,695
Malaysian Government Islamic Bonds	3,878,273	3,907,897	2,710,311	2,723,563
Long Term Quoted Shares In Malaysia	44,571,757	49,804,590	42,152,721	39,157,142
Less:				
Allowance For Diminution In Value Of Investments	(2,628,742)		(3,091,626)	
	41,943,015		39,061,095	
Long Term Investment With Portfolio Managers Outside Malaysia	812,087	854,884	–	–
Long Term Quoted Shares Outside Malaysia	1,024,185	1,828,047	268,958	714,539
Long Term Investment With Portfolio Managers	9,035,942	9,408,659	8,671,433	7,756,730
Less:				
Allowance For Diminution In Value Of Investments	(146,841)		(146,094)	
	8,889,101		8,525,339	
Directors' Valuation	155,248,017	170,060,500	148,375,431	152,955,669
UNQUOTED SECURITIES				
Unquoted Shares In Malaysia	557,824		399,996	
Less:				
Allowance For Diminution In Value Of Investments	(135,000)		(135,000)	
	422,824		264,996	
Unquoted Shares Outside Malaysia	668,170		538,210	
Less:				
Allowance For Diminution In Value Of Investments	(8,673)		(8,673)	
	659,497		529,537	
Directors' Valuation	1,082,321		794,533	

16. INVESTMENTS (CONT'D.)

16.1 **GROUP (Cont'd.)**

	2006 Cost / Book Value (RM'000)	**2006** Market Value / Net Tangible Asset (RM'000)	2005 Cost / Book Value (RM'000)	2005 Market Value / Net Tangible Asset (RM'000)
LOANS AND BONDS				
Guaranteed Loans And Debentures	**48,435,833**	**–**	48,017,426	–
Less: Specific Allowance For Bad And Doubtful Debts	**(75,000)**		(75,000)	
	48,360,833		47,942,426	
Private Debt Securities	**33,649,685**	**–**	30,725,803	–
Less: Specific Allowance For Bad And Doubtful Debts	**–**		(171,617)	
	33,649,685		30,554,186	
Commercial Papers	**67,200**	**–**	419,574	–
Loans Stock	**147,552**	**–**	172,363	–
Quoted Loans Stock	**277,862**	**459,594**	333,537	339,287
Less: Accumulated Impairment Loss	**–**		(9,052)	
	277,862		324,485	
Fixed Income Fund Managers	**5,226,035**	**5,265,136**	4,588,560	4,565,515
Less: Specific Allowance For Bad And Doubtful Debts	**(8,632)**		–	
	5,217,403		4,588,560	
Cagamas Securities	**4,873,612**	**4,902,277**	6,157,329	6,162,577
Conventional Bonds	**660,775**	**660,857**	320,916	320,342
Islamic Bonds	**2,480,000**	**2,478,290**	480,000	475,858
	95,734,922		90,959,839	
	252,066,706		240,250,410	

16. INVESTMENTS (CONT'D.)

16.1 GROUP (Cont'd.)

The gross maturity structure of the Malaysian Government Securities, Loans And Bonds (exclude Loan Stock and Quoted Loan Stock) are as follows:

	GROUP	
	2006 (RM'000)	2005 (RM'000)
Maturing within 12 months	**24,203,446**	23,110,910
Maturing after 12 months	**173,769,323**	168,122,472
	197,972,769	191,233,382

16.2 EPF

	2006		2005	
	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	**4,424**	**1,446**	179,712	120,607
Less: Investment Revaluation Account	**(2,978)**		(59,105)	
Directors' Valuation	**1,446**		120,607	
Malaysian Government Securities	**98,701,356**	**104,256,423**	97,809,728	102,603,695
Malaysian Government Islamic Bonds	**3,878,273**	**3,907,897**	2,710,311	2,723,563
Long Term Quoted Shares In Malaysia	**44,571,199**	**49,804,032**	42,151,427	39,156,721
Less: Allowance For Diminution In Value Of Investments	**(2,628,742)**		(3,091,626)	
	41,942,457		39,059,801	
Long Term Investment With Portfolio Managers Outside Malaysia	**812,087**	**854,884**	–	–
Long Term Quoted Shares Outside Malaysia	**1,024,185**	**1,828,047**	268,958	714,539
Long Term Investment With Portfolio Managers	**9,035,942**	**9,408,659**	8,671,433	7,756,730
Less: Allowance For Diminution In Value Of Investments	**(146,841)**		(146,094)	
	8,889,101		8,525,339	
Directors' Valuation	**155,247,459**	**170,059,942**	148,374,137	152,955,248

16. INVESTMENTS (CONT'D.)

16.2 EPF (Cont'd.)

	2006 Cost / Book Value (RM'000)	2006 Market Value / Net Tangible Asset (RM'000)	2005 Cost / Book Value (RM'000)	2005 Market Value / Net Tangible Asset (RM'000)
UNQUOTED SECURITIES				
Unquoted Shares In Malaysia	514,754		399,996	
Less: Allowance For Diminution In Value Of Investments	(135,000)		(135,000)	
	379,754		264,996	
Unquoted Shares Outside Malaysia	668,170		538,210	
Less: Allowance For Diminution In Value Of Investments	(8,673)		(8,673)	
	659,497		529,537	
Directors' Valuation	1,039,251		794,533	
LOANS AND BONDS				
Guaranteed Loans And Debentures	48,435,833	–	48,017,426	–
Less: Specific Allowance For Bad And Doubtful Debts	(75,000)		(75,000)	
	48,360,833		47,942,426	
Private Debt Securities	33,649,685	–	30,725,803	–
Less: Specific Allowance For Bad And Doubtful Debts	–		(171,617)	
	33,649,685		30,554,186	
Fixed Income Fund Managers	5,226,035	5,265,136	4,588,560	4,565,515
Less: Specific Allowance For Bad And Doubtful Debts	(8,632)		–	
	5,217,403		4,588,560	
Commercial Papers	67,200	–	419,574	–
Loans Stock	147,552	–	129,293	–
Quoted Loans Stock	277,862	459,594	325,251	338,273
Cagamas Securities	4,873,612	4,902,277	6,157,329	6,162,577
Conventional Bonds	660,775	660,857	320,916	320,342
Islamic Bonds	2,480,000	2,478,290	480,000	475,858
	95,734,922		90,917,535	
	252,023,078		240,206,812	

16. INVESTMENTS (CONT'D.)

16.2 EPF (Cont'd.)

The gross maturity structure of the Malaysian Government Securities, Loans And Bonds (exclude Loan Stock and Quoted Loan Stock) are as follows:

	EPF	
	2006 (RM'000)	2005 (RM'000)
Maturing within 12 months	**24,203,446**	23,110,910
Maturing after 12 months	**173,769,323**	168,122,472
	197,972,769	191,233,382

17. LOANS, ADVANCES AND FINANCING

	GROUP	
	2006 (RM'000)	2005 (RM'000)
End Finance:		
Normal Housing Programme	**3,149,859**	2,336,186
Low Cost Housing Programme	**18,313**	17,481
Islamic:		
Property	**342,599**	157,088
Personal	**134,271**	92,247
Bridging And Term Loans	**4,526,345**	4,559,335
Staff Loans	**1,022**	643
Gross Loans, Advances And Financing	**8,172,409**	7,162,980
Less:		
Allowance For Bad And Doubtful Loans:		
Specific	**(585,195)**	(576,634)
General	**(52,499)**	(42,912)
Interest / Income-In-Suspense	**(2,448,326)**	(2,278,737)
Net Loans, Advances And Financing	**5,086,389**	4,264,697

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	
	2006 (RM'000)	2005 (RM'000)
Loans To Joint Venture Partners	**243,111**	315,151

18. STAFF LOANS

The maturity structure of Staff Loans are as follows:

	GROUP AND EPF	
	2006 (RM'000)	2005 (RM'000)
Maturing within 12 months	**15,185**	15,609
Maturing after 12 months	**163,709**	162,285
	178,894	177,894

19. ALLOWANCE FOR LOAN LOSSES, ADVANCES AND FINANCING AND INVESTMENT ON LOAN AND BOND

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
<u>Specific Allowance</u>				
Balance As At 01 January	**823,382**	1,093,200	**246,748**	489,814
Allowance Made During The Year	**96,128**	30,189	**9,996**	12
Amount Written Back In Respect Of Recoveries And Reversals	**(240,566)**	(286,398)	**(172,878)**	(243,078)
Amount Written Off	**(9,883)**	(13,609)	**–**	–
Balance As At 31 December	**669,061**	823,382	**83,866**	246,748
<u>General Allowance</u>				
Balance As At 01 January	**42,912**	37,776	**–**	–
Allowance Made / (Written Back) During The Year	**9,587**	7,650	**–**	–
Amount Recovered	**–**	(2,514)	**–**	–
Balance As At 31 December	**52,499**	42,912	**–**	–
<u>Interest-In-Suspense</u>				
Balance As At 01 January	**2,279,580**	2,311,926	**843**	180,518
Interest Suspended During The Year	**451,504**	444,261	**3,871**	3,551
Amount Written Back In Respect Of Recoveries And Reversals	**(35,120)**	(225,821)	**(4,160)**	(183,226)
Amount Written Off	**(247,084)**	(250,786)	**–**	–
Balance As At 31 December	**2,448,880**	2,279,580	**554**	843

19. ALLOWANCE FOR LOAN LOSSES, ADVANCES AND FINANCING AND INVESTMENT ON LOAN AND BOND (CONT'D.)

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
The maturity structure of the Gross Non-Performing Loans, Advances And Financing:				
a. Receivable Within 12 Months				
Non-Performing Staff Loans	**233**	131	**233**	131
b. Receivable After 12 Months				
Non-Performing Guaranteed Loans And Debentures	**75,000**	75,000	**75,000**	75,000
Non-Performing Private Debt Securities	**–**	171,617	**–**	171,617
Non-Performing Loans, Advances And Financing	**4,179,875**	4,217,471	**–**	–
	4,254,875	4,464,088	**75,000**	246,617
	4,255,108	4,464,219	**75,233**	246,748

20. INVENTORIES OF COMPLETED PROPERTIES

	GROUP	
	2006 (RM'000)	2005 (RM'000)
At Cost	**107**	3,363
At Net Realisable Value	**29,814**	17,027
	29,921	20,390

The cost of inventories recognised as an expense was RM10,488,627 (2005 : RM5,896,000). During the financial year, there was a writeback of inventories of RM1,543,000 (2005 : RM2,031,000).

21. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Prepayment And Deposits	**366**	877	**677**	930
Rental Deposits	**1,459**	1,903	**1,459**	1,903
Rental Of Buildings	**4,320**	2,227	**4,320**	2,183
Unsecured Advances For Joint Venture Projects	**192,636**	118,433	**–**	–
Miscellaneous	**488,154**	269,816	**361,566**	95,776
	686,935	393,256	**368,022**	100,792
Less:				
Allowance For Doubtful Debts	**(232,074)**	(155,107)	**(1,550)**	–
	454,861	238,149	**366,472**	100,792

21. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D.)

The maturity structure of the Receivables, Deposits And Prepayments are as follows:

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Maturing within 12 months	**454,861**	238,149	**366,472**	100,792

22. DEPOSITS WITH FINANCIAL INSTITUTIONS

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

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Maturing within 12 months	**26,371,586**	11,227,936	**26,371,556**	11,227,908
Maturing after 12 months	**4,055,329**	5,348,486	**4,055,329**	5,348,486
	30,426,915	16,576,422	**30,426,885**	16,576,394

23. PROVISION FOR EMPLOYEE BENEFITS / STAFF RETIREMENT BENEFITS

	GROUP AND EPF	
	2006 (RM'000)	2005 (RM'000)
As At 01 January	**62,840**	61,203
<u>Add:</u>		
Provision Made During The Year	**17,258**	3,947
	80,098	65,150
<u>Less:</u>		
Payment Made During The Year	**(2,670)**	(2,310)
As At 31 December	**77,428**	62,840

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

	GROUP AND EPF	
	2006 (RM'000)	2005 (RM'000)
Maturing within 12 months	**7,063**	2,223
Maturing after 12 months	**70,365**	60,617
	77,428	62,840

24. PROVISION FOR OTHER LIABILITIES AND CHARGES

	GROUP	
	2006 (RM'000)	2005 (RM'000)
As At 01 January	**3,610**	6,248
Add:		
Provisions Made During The Year	**–**	229
	3,610	6,477
Less:		
Reversal Of Provisions During The Year	**(230)**	(2,867)
As At 31 December	**3,380**	3,610

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 Other Liabilities And Charges are as follows:

	GROUP	
	2006 (RM'000)	2005 (RM'000)
Maturing within 12 months	**3,380**	3,610

25. LOANS AND OVERDRAFTS

	GROUP	
	2006 (RM'000)	2005 (RM'000)
Other Borrowings	**2,062**	4,500
Bank Borrowings And Overdrafts	**277,557**	804,828
Recourse Obligations On Loans Sold To Cagamas Berhad	**15,006**	16,068
	294,625	825,396

25. LOANS AND OVERDRAFTS (CONT'D.)

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

	GROUP	
	2006 (RM'000)	2005 (RM'000)
Maturing within 12 months	**278,606**	806,492
Maturing after 12 months	**16,019**	18,904
	294,625	825,396

The following details in respect of Loans And Overdraft are as follows:

25.1 **Bank Borrowings**

Bank Borrowings are unsecured and interest charged on these borrowings is based on the lenders' cost of funds plus 0.50% to 0.75% (2005 : cost of funds plus 0.50% to 0.75%). The interest charged on these borrowings during the year ranged from 3.59% to 4.51% per annum (2005 : 3.35% to 4.30%). The Bank Borrowings are due within one (1) year.

26. DEPOSITS AND ADVANCES

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Employers' Installments	**64,225**	76,282	**64,225**	76,282
Remittance Suspense	**528**	431	**528**	431
Clients' Miscellaneous Deposits	**4,949,920**	3,357,782	**–**	–
Deposits From Subsidiary Companies	**–**	–	**100**	100
Miscellaneous Deposits	**9,275**	40,289	**9,275**	40,289
	5,023,948	3,474,784	**74,128**	117,102

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

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Maturing within 12 months	**5,023,948**	3,474,784	**74,128**	117,102

27. PAYABLES AND ACCRUED LIABILITIES

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Trade Payables	**15,314**	15,699	**–**	–
Accrued Expenses	**219,689**	127,885	**219,689**	127,885
Rent Received In Advance	**1,473**	1,462	**1,473**	1,462
Bank Balances *	**227**	1,575	**227**	1,575
Miscellaneous	**55,936**	41,940	**6,144**	52
	292,639	188,561	**227,533**	130,974

* Credit balance refer to cash book balances. The balances as per the bank statements show debit balance.

The maturity structure of the Creditors are as follows:

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Maturing within 12 months	**292,639**	188,561	**227,533**	130,974

28. CONTRIBUTIONS ACCOUNT

	GROUP AND EPF	
	2006 (RM'000)	2005 (RM'000)
Balance As At 01 January	**262,725,448**	238,860,410
<u>Add: Contributions Received And Adjusted During The Year</u>		
Contributions Received From Employers	**26,191,192**	24,367,174
Redemption Of Investment In Unit Trusts By Members	**1,563,484**	663,586
Refunds / Cancellation Of Annuity Policies By Members	**189,977**	187,548
Reinstatements / Adjustments Of Members Contributions Account	**8,619**	10,813
Amount Reclassified From Reserve For CTML	**–**	189,310
	27,953,272	25,418,431
<u>Add: Dividend Distributed To Members</u>		
Dividend Credited – 5.15% (2005 – 5.00%)	**13,424,425**	11,875,722
Adjustment On Dividend Credited For Previous Years	**4,030**	2,756
	13,428,455	11,878,478

28. CONTRIBUTIONS ACCOUNT (CONT'D.)

	GROUP AND EPF	
	2006 (RM'000)	2005 (RM'000)
Less: Withdrawals And Refunds Of Contributions		
55 Years Withdrawal Scheme	**5,381,029**	4,828,114
Re-election Withdrawal Scheme	**2,802**	2,741
50 Years Withdrawal Scheme	**1,717,573**	1,598,143
Incapacitation Withdrawal Scheme	**189,250**	205,198
Leaving Country Withdrawal Scheme	**124,539**	103,820
Housing Withdrawal Scheme	**1,444,206**	1,481,898
Reduction / Redemption Of Housing Loan Withdrawal Scheme	**1,851,301**	1,089,069
Medical Withdrawal Scheme	**45,576**	60,743
Death Withdrawal Scheme	**443,609**	428,878
Periodical Payment Withdrawal Scheme	**55,272**	25,280
Members' Investment Withdrawal Scheme	**2,186,441**	2,177,704
Pensionable Employee Withdrawal Scheme	**720,781**	613,485
Education Withdrawal Scheme	**140,424**	116,332
Monthly Payment Withdrawal Scheme	**64**	61
Refunds To Employers / Members - Rule 33(1), EPF Regulations & Rules, 1991	**17,945**	17,007
Refunds Of Employers' Share To Pension Trust Fund - Section 56, EPF Act, 1991	**730,656**	683,398
	15,051,468	13,431,871
Balance As At 31 December	**289,055,707**	262,725,448

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:

	2006 (RM'000)	2005 (RM'000)
Contributions payable within 12 months	**34,565,017**	29,383,058
Contributions payable after 12 months	**254,490,690**	233,342,390
	289,055,707	262,725,448

Members' Assets / Contributions With Fund Manager Institutions:
The cumulative amount which had been invested by EPF members in the Fund Manager Institutions was not disclosed in the Financial Statements as the risk and reward of the investment is borne by the members.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2006

29. GROSS INVESTMENT INCOME

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Interest From Conventional Investments	**10,333,292**	9,683,584	**10,333,292**	9,683,566
Profit From Islamic Investments	**319,618**	209,650	**319,618**	209,650
Interest / Profit From Bank Balances	**2,401**	2,605	**2,401**	2,605
Dividend From Investments	**1,988,958**	1,866,095	**1,996,823**	1,877,225
Income From Portfolio Managers / Fund Managers	**880,111**	715,669	**880,111**	715,669
Interest Income From Loans, Advances And Financing	**239,901**	193,747	**–**	–
Realised (Loss) / Profit From Trading Of Investment	**(307,504)**	581,325	**(307,504)**	581,325
Rental Income From Investments Properties	**80,676**	68,033	**45,138**	37,356
Miscellaneous Income	**577**	1,080	**577**	1,080
	13,538,030	13,321,788	**13,270,456**	13,108,476

30. INVESTMENT EXPENSES

	GROUP AND EPF	
	2006 (RM'000)	2005 (RM'000)
Actuarial Fees	**46**	27
CDS Registration Fees	**894**	601
Technical Services Fees	**531**	509
External Fund Managers' Fees	**37,683**	34,761
Losses On Foreign Currency Exchange	**36,299**	1,073
Miscellaneous	**69**	95
	75,522	37,066

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

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Allowance For Diminution In Value Of Investments	**292,747**	502,219	**292,747**	502,219
Allowance For Diminution In Value Of Investments Written Back	**(805,775)**	(53,180)	**(805,775)**	(53,180)
	(513,028)	449,039	**(513,028)**	449,039
Allowance For Loan Losses / Specific Allowance For Bad And Doubtful Debts	**105,999**	23,055	**10,182**	–
Allowance For Loan Losses / Specific Allowance For Bad And Doubtful Debts Written Back	**(237,559)**	(157,908)	**(171,631)**	(114,984)
	(131,560)	(134,853)	**(161,449)**	(114,984)
	(644,588)	314,186	**(674,477)**	334,055

32. IMPAIRMENT LOSS ON INVESTMENTS

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Impairment Loss On Subsidiary Companies	**–**	–	**127**	45,780
Reversal Of Impairment Loss On Subsidiary Companies	**–**	–	**(117,113)**	–
	–	–	**(116,986)**	45,780
Impairment Loss On Associated Companies	**–**	–	**5,551**	76,544
Reversal Of Impairment Loss On Associated Companies	**–**	–	**(274,499)**	(7,463)
	–	–	**(268,948)**	69,081
	–	–	**(385,934)**	114,861

33. NON-INVESTMENT INCOME

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Interest / Profit From Staff Loans	**6,472**	6,583	**6,426**	6,534
Interest And Dividend From Contributions Paid Late	**36,879**	17,226	**36,879**	17,226
Gain On Disposal Of Property, Plant And Equipment	**19,918**	45,890	**17,115**	44,024
Miscellaneous Income	**56,145**	34,844	**30,569**	25,409
	119,414	104,543	**90,989**	93,193

34. STATUTORY CHARGES

	GROUP AND EPF	
	2006 (RM'000)	2005 (RM'000)
Death Benefit – Section 58(1)	**39,164**	41,887
Incapacitation Benefit – Section 58(2)	**7,367**	29,975
	46,531	71,862

35. OPERATING EXPENDITURES

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Salaries, Allowances And Staff Costs	**324,663**	288,246	**302,222**	267,880
Audit Fees	**385**	343	**220**	210
Fees And Professional Charges	**12,251**	12,073	**10,009**	8,554
Printing And Stationery	**5,277**	6,218	**4,373**	5,538
Postal And Telephone Charges	**19,072**	18,059	**16,772**	15,623
Transport And Travelling	**9,480**	9,431	**8,065**	8,363
Rent And Assessment	**13,314**	15,237	**11,289**	12,160
Insurance On Property	**1,013**	1,238	**638**	684
Maintenance On Property, Plant And Equipment	**40,366**	37,642	**36,390**	32,971
Assets Not Capitalised	**1,272**	1,576	**1,224**	1,527
Depreciation Of Property, Plant And Equipment	**47,670**	45,942	**31,475**	29,868
Depreciation Of Investment Properties	**17,301**	12,537	**17,301**	12,537
Amortisation Of Intangible Assets	**1,720**	–	**1,200**	–
Write Offs / Losses	**117**	12	**117**	12
Allowances / Write Offs On Bad And Doubtful Debts	**8,446**	10,096	**–**	–
Technical Services Fees	**19,989**	20,091	**19,989**	20,091
Advertisements	**930**	941	**930**	936
Honorarium For Board Members / Investment Panel	**295**	346	**295**	346
Directors' Remuneration	**200**	294	**–**	–
Amortisation Of Goodwill On Consolidation	**3,341**	2,083	**–**	–
Interest Payable On Deposits, Loans And Overdrafts	**146,965**	164,497	**–**	–
Changes In Property Development Costs And Inventories Of Completed Properties	**10,210**	10,773	**–**	–
(Reversal Of Contract Costs)	**(365)**	(7,070)	**–**	–
Miscellaneous Expenses	**4,674**	5,804	**1,468**	1,897
	688,586	656,409	**463,977**	419,197

36. (REVERSAL OF PROVISIONS) / PROVISIONS

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Net (Reversal Of Impairment Loss) / Impairment Loss On Property, Plant And Equipment	**(16,510)**	3,467	**(16,510)**	–
(Reversal Of Impairment Loss) On Investment Properties	**(9,304)**	–	**(9,304)**	–
(Reversal Of Impairment Loss) Held For Property Development	**–**	(124)	**–**	–
Employee Benefits / Staff Retirement Benefits	**17,257**	3,947	**17,257**	3,947
	(8,557)	7,290	**(8,557)**	3,947

37. TAXATION AND ZAKAT

	GROUP	
	2006 (RM'000)	2005 (RM'000)
Zakat	**(110)**	–
Income Tax		
Current Year	**(264)**	–
(Over) / Under Accrual In Prior Years	**(191)**	2,850
Deferred Tax		
Origination And Reversal Of Temporary Differences	**–**	(2,803)
Recognised During The Year	**10,074**	15,138
	9,509	15,185

38. CASH AND CASH EQUIVALENTS

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

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
Bank And Cash Balances	**941,181**	324,832	**596,629**	187,454
Bank Balances (refer Note 27)	**(227)**	(1,575)	**(227)**	(1,575)
Fixed Deposits With Licensed Bank	**30**	28	**–**	–
Money Market Account – Bank Negara Malaysia	**680,789**	2,926,963	**680,789**	2,926,963
	1,621,773	3,250,248	**1,277,191**	3,112,842

39. CAPITAL COMMITMENTS

	GROUP		EPF	
	2006 (RM'000)	2005 (RM'000)	**2006 (RM'000)**	2005 (RM'000)
a. Capital Commitments				
Approved And Contracted As At 31 December But Not Provided For In The Financial Statements	**31,329**	116,959	**29,818**	116,429
Approved But Not Contracted For As At 31 December	**184,685**	195,479	**172,044**	190,645
	216,014	312,438	**201,862**	307,074
b. Operational Commitments				
Loan Commitments Not Provided For In The Financial Statements Amounting To:				
End Finance	**718,120**	814,376	**–**	–
Bridging And Term Loans	**1,161,938**	1,094,137	**–**	–
Islamic	**189,159**	68,828	**–**	–
	2,069,217	1,977,341	**–**	–
Property Development: Approved And Contracted For	**532,166**	530,964	**–**	–
	532,166	530,964	**–**	–
c. Contingencies				
Financial Guarantee To Secure Payments By A Borrowed (Fully Secured)	**22,000**	22,000	**–**	–
Obligation To Secure Performance By Third Parties (Partly Secured)	**285,911**	285,911	**–**	–
	307,911	307,911	**–**	–
	3,125,308	3,128,654	**201,862**	307,074

The partly secured contingencies are secured by two (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 RM50,868,000 (2005 : RM51,977,000).

40. CONTINGENT LIABILITIES

40.1 Civil Action

a. 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 matter is now fixed for case management on 19 April 2007.

b. 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 05 August 2004. The subsidiary company has further filed an application to strike out the borrower's suit against the subsidiary company. The Courts had on 28 September 2005 struck out the borrower's suit against the subsidiary company. However, the borrower still has an existing suit against the subsidiary company. The borrower has yet to take any further steps in relation to the proceedings against the subsidiary company since the filing of the said subsidiary company's defense.

c. A former borrower of the subsidiary company has instituted a civil suit against the subsidiary company for an alleged breach of an agreement to grant loan facilities to the former borrower for their commercial development project. The subsidiary company had terminated the said facilities due to the former borrower's breach of the said agreement and had thereafter sold the loan asset to Pengurusan Danaharta Nasional Berhad. Notwithstanding the same, the former borrower now alleges that the subsidiary company had failed to fully disburse the said facilities pursuant to the terms of the Facility Agreement. As such the former borrower has sought for damages amounting to RM18.01 million as at 31 July 2002, interest on a monthly rest basis at the rate of 2% per annum above Malayan Banking Berhad's Base Lending Rate on the sum of RM18.01 million from 01 August 2002 until the date of full settlement, penalty interest of 1% per annum on the sum of RM18.01 million from 01 August 2002 until the date of full settlement with regard to the liabilities incurred by the former borrower in relation to the said commercial development project or in the alternative to the above mentioned reliefs, damages amounting to RM18.24 million being the total development expenditure incurred by the former borrower, damages amounting to RM43.31 million for loss of profit or alternatively damages to be assessed by the Court as well as costs. The subsidiary company has filed its appearance in Court on 26 July 2005 and had on 05 September 2005 served and filed their Defense against the former borrower. The former borrower's solicitors served Summons for Withdrawals as Solicitors on 28 August 2006. This matter is now fixed for Mention on 25 May 2007 to enable the borrower's solicitors to serve the fair order of withdrawal on the borrower.

No provision has been made in the Financial Statements in respect of claims as per item a, b and c as above since the Director of the subsidiary company, after obtaining legal advice from the solicitors, are of the opinion that the subsidiary company has reasonably good cases in respect of all the claims againts the company.

40.2 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 RM56.72 million (2005 : RM89.24 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 2006, contingent liabilities in respect of death benefits amounted to RM39.16 million (2005 : RM14.10 million) where as incapacitation benefits amounted to RM7.37 million (2005 : RM6.47 million).

40. CONTINGENT LIABILITIES (CONT'D.)

40.2 **Contingent Claims (Cont'd.)**

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. 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. The Investment Panel has approved the repayment of the interest claim to the subsidiary company an amount of RM5.00 million. This matter has been informed to the subsidiary company for further action. The subsidiary company has presented this matter to it's Board Of Directors. However, as at the Balance Sheet date, the final decision has not been obtained from the subsidiary company with regard to this matter.

41. CHANGES IN ACCOUNTING POLICIES

The list of new accounting standards, amendments to published standards and interpretations on existing standards that are effective for the EPF's accounting periods beginning on or after 01 January 2006, is set out in Note 4.1.a.

The following describes the impact of new standards, amendments and interpretations on the Financial Statements of the Group and EPF.

a. **Irrelevant Or Immaterial Effect On Financial Statements**

The adoption of FRS 1, FRS 102, FRS 108, FRS 110, FRS 116, FRS 127, FRS 128, FRS 131, FRS 132, FRS 133, the asset ceiling amendment to FRS 119 and ICs did not have a material impact on the Financial Statements of the Group and EPF.

FRS 5 resulted in the reclassification of Property, Plant And Equipment to Assets Held For Sale which has met criteria set by FRS 5.

b. **Reclassification Of Prior Year Comparatives**

Set out below are changes in accounting policies that resulted in reclassification of prior year comparatives but did not affect the recognition and measurement of the Group and EPF's net assets:

i. Under FRS 101, the Group's share of results of associates are now shown net of tax.
ii. FRS 140 resulted in the reclassification of land and buildings from Property, Plant And Equipment to Investment Properties.

c. **Goodwill**

The adoption of FRS 3, FRS 136 and FRS 138 resulted in a change in the Accounting Policy for Goodwill prospectively from 01 January 2006.

Until 31 December 2005, Goodwill was amortised on a straight line basis over a period of 10 years and assessed for an indication of impairment at each Balance Sheet date.

In accordance with the provisions of FRS 3:

- The Group ceased amortisation of Goodwill from 01 January 2006;
- Accumulated amortisation as at 31 December 2005 has been eliminated with a corresponding decrease in the cost of Goodwill; and
- From the year ended 31 December 2006 onwards, Goodwill is stated at cost less accumulated impairment, and is tested annually for impairment, as well as when there are indications of impairment.

As this standard is applied prospectively, there is no impact of this change in accounting policy on prior year Consolidated Financial Statements.

41. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

d. **FRS 118 – Revenue**

The adoption of FRS 118, requires interest income to be recognised on effective yield method. This has resulted in a change in accounting policy on the basis accretion / (amortisation) of investments, from straight line to effective yield method. The effect may be found in Notes 42.

e. **FRS 2 – Share-based Payments**

The adoption of FRS 2, requires an entity to recognise share-based payments transactions in its Financial Statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the Entity.

The subsidiary company operates an equity-settled, share-based compensation plan for its employees, the Malaysia Building Society Berhad Employee Share Options Scheme (ESOS). Prior to 01 January 2006, no compensation expense was recognised in the Income Statement for share options granted.

With the adoption of FRS 2, the compensation expense relating to share options recognised in the Income Statement over the vesting periods of the grants with a corresponding increase in equity.

The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using a Binomial Model. At every Balance Sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date.

Any revision of this estimate is included in the Income Statement with a corresponding adjustment to equity over the remaining vesting period. The financial impact to the Group arising from the change in this accounting policy is as follows:

	GROUP
	2006 (RM'000)
Recognised In Income Statement	**(421)**
Increase In Equity Compensation Reserve (Included In Capital Reserve)	**421**
	–

42. COMPARATIVE FIGURES

The following comparative figures have been restated, to reflect the changes in presentation as well as reclassification of such items in the current year Financial Statement:

GROUP

	Property, Plant And Equipment (RM'000)	Investment Property (RM'000)	Accumulated Surplus / (Deficit) (RM'000)	Investments (RM'000)	Deposit With Financial Institutions (RM'000)
As At 31 December 2005					
As Previously Reported	1,980,496	–	(375,923)	240,227,779	16,577,164
Adoption Of FRS 140	(913,943)	913,943	–	–	–
Over Recognition Of Management Fee Expenses	–	–	26,364	26,364	–
Over Accretion Of Discount On Investments - FRS 118	–	–	(4,475)	(3,733)	(742)
As Restated	1,066,553	913,943	(354,034)	240,250,410	16,576,422

EPF

	Property, Plant And Equipment (RM'000)	Investment Property (RM'000)	Accumulated Surplus / (Deficit) (RM'000)	Investments (RM'000)	Deposit With Financial Institutions (RM'000)
As At 31 December 2005					
As Previously Reported	1,336,440	–	610,840	240,184,181	16,577,136
Adoption Of FRS 140	(913,943)	913,943	–	–	–
Over Recognition Of Management Fee Expenses	–	–	26,364	26,364	–
Over Accretion Of Discount On Investments - FRS 118	–	–	(4,475)	(3,733)	(742)
As Restated	422,497	913,943	632,729	240,206,812	16,576,394

43. IMPORTANT EVENT AFTER BALANCE SHEET DATE

On 08 March 2007, Employees Provident Fund (EPF) offer to acquire 32% equity interest in Rashid Hussain Berhad (RHB) from Utama Banking Group (UBG) totalling RM2.25 billion was successful.

After completion of all the requirements, EPF will make a Mandatory General Offer (MGO) for all RHB and RHB Capital shares from the other shareholders at RM1.80 and RM4.80 per share respectively.

Upon completion of this exercise, RHB will be a subsidiary of EPF.