

**EMPLOYEES PROVIDENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

1. CORPORATE INFORMATION

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

The number of employees at the end of the financial year in the Group was 5,221 (2002 : 5,028) and in the EPF was 4,750 (2002 : 4,591).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis Of Accounting

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

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

The accounting standards adopted by the Group and the EPF are consistent with the accounting standards adopted in the previous year except for the following accounting standards which have been adopted with effect from the financial year ended 31 December 2003:

- a. MASB 23 - Impairment Of Assets.
- b. MASB 25 - Income Taxes (Subsidiary Company only).
- c. MASB 27 - Borrowing Costs (Subsidiary Company only).
- d. MASB 28 - Discontinuing Operations (Subsidiary Company only).
- e. MASB 29 - Employee Benefits.

2.2 Basis Of Consolidation

The Group Financial Statement includes 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 Statement is in compliance with Treasury Circular No. 15, 1994. The Board as the trustee and the manager of the Employees Provident Fund has no asset and liability and all operating expenditures are charged to the revenue of the Fund.

2.3 Goodwill

The goodwill arising on consolidation represents the excess of the purchase price over the value of the net assets of the subsidiary as at acquisition date. The goodwill is to be amortised over 10 years through the Consolidated Income Statement. The carrying amount of the goodwill is reviewed at each Balance Sheet date and will be adjusted for impairment where it is considered necessary. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.29.

2.4 Investments In Subsidiaries

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

With effect from year 2003, the quoted and unquoted investments in subsidiary companies are stated at cost and thereafter adjusted to its recoverable value which takes into consideration the impairment loss in the said year, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.29.

2.5 Investments In Associated Companies

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

The Group's share of profits less losses of associated companies, as shown in the Consolidated Income Statement and the Group's interest in associated companies are stated at cost with adjustments to show changes of the Group's share of net assets of the associated companies.

With effect from year 2003, the quoted and unquoted investments in associated companies are stated at cost and thereafter adjusted to its recoverable value which takes into consideration the impairment loss in the said year, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.29.

2.6 Interest In Joint Ventures

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

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

With effect from year 2003, interest in joint ventures is stated at cost and thereafter adjusted to its recoverable value which takes into consideration the impairment loss in the said year, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.29.

2.7 Basis Of Investment Valuation

a. Malaysian Government Securities

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

b. Malaysian 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 redemption.

c. Guaranteed Loans And Debentures

Guaranteed Loans And Debentures are stated at cost and the value is written down when the Investment Panel considers that allowance for loan losses is to be provided. Allowance for loan losses in respect of non-performing loans is made in accordance with Note 2.11.

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 redemption.

e. 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.

f. Quoted Shares And Investments With Portfolio Managers

Short Term Quoted Shares And Investment With Portfolio Managers

At every year end, the investment cost of Quoted Shares and Investments With Portfolio Managers (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.

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 the Kuala Lumpur Stock Exchange are provided with 100% allowance for diminution in value of investments on the investment cost as at the Balance Sheet date in the year the said company designated as status PN4. Allowance for diminution in value of investments will be adjusted and written back as income if such shares have been disposed or the value of shares exceeds the average cost.
- v. Long term quoted shares which have significant unrealised diminution in value are provided with allowance for diminution in value of 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 date is made on an aggregate basis.

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

2.8 Recognition Of Investment Income

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

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

2.9 Recognition Of Income On Granting Of Loans (MBSB)

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

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

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

Income from sale of development properties is accounted for by the percentage of completion method. The percentage of completion is determined by reference to the cost incurred to date to the total estimated costs where the outcome of the projects can be reliably estimated. All anticipated losses on development properties are fully provided for.

Commitment fees are recognised as income based on time apportionment.

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

2.11 Loan Losses / Allowance For Loan Losses

Allowance for losses is made for non-performing loans that have been reviewed individually and identified specifically as bad or doubtful.

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

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

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

The policy on allowance for bad and doubtful loans which is practised by the EPF is in accordance with "Guidelines On The Suspension Of Interest On Non-Performing Loans And Provision For Bad And Doubtful Debts - BNM / GP 3" issued by Bank Negara Malaysia except that EPF has not made general allowances.

2.12 Property, Plant And Equipment And Depreciation

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

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

Revaluation on properties comprising land and building is made every 5 years or at shorter intervals whenever the fair value of the revalued properties is expected to differ materially from its carrying value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.29.

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

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

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

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

2.13 Accounting For Members' Contributions

Contributions are credited to members' account following the contribution month on cash received basis except for cases of which crediting is based on Invocation of Section 50(3), EPF Act, 1991 (refer Note 2.25).

2.14 Members' Assets / Contributions With Fund Manager Institutions

Contributions withdrawn by members for the purpose of investments by Fund Manager Institutions are not disclosed as assets and liabilities of EPF with effect from the financial year ended 31 December 2003.

2.15 Interest And Dividend On Contributions Paid Late

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

2.16 Interest On Loans Receivable

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

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

2.17 Provision For Employee Benefits / Staff Retirement Benefits

a. Short Term Benefits

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

b. Defined Contribution Plans

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

c. Long Term Benefits

With effect from the financial year ended 31 December 2003, EPF has adopted MASB 29 - Employee Benefits of which payment of long term benefits to employees after retirement and / or after the completion of contract service is recognised on an accrual basis in the current year Income Statement as expenses for employee benefits whereas in the Balance Sheet such amount is recognised as a liability known as Provision For Employee Benefits. Types of long term benefit which will be recognised on an accrual basis are as follows:

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

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

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

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

The financial impact to EPF in year 2003 on compliance to MASB 29 - Employee Benefits is the recognition of expenses amounting to RM61.08 million in the current year Income Statement and the same amount has also been recognised as long term liability in the Balance Sheet.

d. Provision For Staff Retirement Benefits (MBSB)

Provision For Staff Retirement Benefits is made in the Financial Statements for certain monetary payments that the subsidiary company may consider at its absolute discretion to some employees upon their retirement, death, permanent disability or leaving employment prior to retirement age but after completing 15 or more years of service. The provision is made based on the maximum possible allocation of 10% of gross salary over the number of years of service of their employees. As maximum possible allocation has been provided for, no actuarial valuation has been obtained by the subsidiary company. The directors are of the opinion that the present value of the benefit will not be materially different from the amount of provision made in the Financial Statements.

2.18 Properties Held For Development

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

2.19 Development Properties

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

2.20 Inventories Of Completed Properties

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

2.21 Provision For Liabilities

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

2.22 Taxation

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

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

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

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

Prior to the adoption of MASB 25 - Income Taxes on 01 January 2003, deferred tax was provided for by the subsidiary company using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

2.23 Dividend Credited / Paid To Members

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

2.24 Foreign Currency Conversion

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

2.25 Reserve Section 50(3)

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

2.26 Reserve For Contributions With Incomplete Information

Reserve For Contributions With Incomplete Information (CTML) is created under Section 15, EPF Act, 1991 to account for contributions received from employer which do not have complete information and could not be posted. CTML is considered as could not be posted if it satisfies the following criteria:

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

2.27 Staff Loan Fund

Staff Loan Fund is created under Section 15, EPF Act, 1991 for the purpose of granting a loan with an interest rate which is approved by the Board to the EPF staff based on the term and condition of services. There are three types of loan scheme which are offered to the EPF staff as follows:

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

2.28 Cash And Cash Equivalents

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

2.29 Impairment

With effect from the financial year ended 31 December 2003, a revision is made on the carrying amount of assets other than inventories of completed properties, deferred tax asset and financial asset to determine whether there is any indication of impairment.

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

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

The financial impact to EPF in year 2003 on compliance to MASB 23 - Impairment Of Assets is the recognition of expenses amounting to RM131.60 million for properties, RM158.96 million for investments in subsidiaries and RM191.24 million for investments in associated companies in the current year Income Statement.

2.30 Comparative Figures

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

2.31 Currency

All amounts are stated in Ringgit Malaysia.

3. CONTRIBUTIONS ACCOUNT

Withdrawals And Refunds Of Contributions:

GROUP AND EPF

	2003 (RM'000)	2002 (RM'000)
3.1 55 Years Withdrawal Scheme	4,373,594	3,662,996
3.2 Re-election Withdrawal Scheme	2,585	2,214
3.3 50 Years Withdrawal Scheme	1,429,832	1,132,242
3.4 Incapacitation Withdrawal Scheme	195,298	191,734
3.5 Leaving Country Withdrawal Scheme	100,001	281,093
3.6 Housing Withdrawal Scheme	1,518,494	1,607,272
3.7 Reduction / Redemption Of Housing Loan Withdrawal Scheme	922,318	779,967
3.8 Medical Withdrawal Scheme	42,386	36,127
3.9 Death Withdrawal Scheme	368,477	347,699
3.10 Periodical Payment Withdrawal Scheme	8,962	6,875
3.11 Members' Investment Withdrawal Scheme	1,280,096	1,174,863
3.12 Annuity Insurance Withdrawal Scheme	-	125
3.13 Pensionable Employee Withdrawal Scheme	499,033	827,916
3.14 Computer Withdrawal Scheme	-	497,090
3.15 Education Withdrawal Scheme	117,871	120,337
3.16 Monthly Payment Withdrawal Scheme	44	10
3.17 Refunds To Foreign Worker Citizens	-	278,092
3.18 Refunds To Employers / Members - Rule 33(1), EPF Regulations & Rules, 1991	21,877	18,650
3.19 Refunds Of Employers' Share To Pension Trust Fund - Section 56, EPF Act, 1991	620,433	1,762,078
	11,501,301	12,727,380

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:

	2003 (RM'000)	2002 (RM'000)
Contributions payable within 12 months	21,906,210	16,184,079
Contributions payable after 12 months	196,818,558	184,437,636
	218,724,768	200,621,715

Members' Assets / Contributions With Fund Manager Institutions:

The cumulative amount which had been invested by EPF members in the Fund Manager Institutions that was not disclosed in the Balance Sheet as stated in Note 2.14 to the Financial Statement amounted to RM6,205,235,000 (2002 : RM5,464,905,000).

4. PROPERTY, PLANT AND EQUIPMENT
4.1 GROUP

COST	As At 01 Jan	Additions	Disposals / Adjustments	Write Offs	Impairment Loss / Reversal Of Impairment Loss	As At 31 Dec
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
	2003					
Freehold Land	514,524	360	58	-	-	514,826
Leasehold Land	196,513	2,206	-	-	-	198,719
Buildings	843,125	16,406	15,479	-	-	844,052
Building Plant And Machinery	26,214	1,629	277	-	-	27,566
Office / Building Renovation	34,202	18,022	382	-	-	51,842
Furniture, Fittings And Fixtures	41,886	764	305	235	-	42,110
Motor Vehicles	8,145	108	1,294	1,780	-	5,179
Office Equipment	87,499	2,444	874	1,122	-	87,947
Computer Software And Hardware	120,152	8,546	5,474	145	-	123,079
Work-In-Progress	7,824	2,091	9,021	-	-	894
	<u>1,880,084</u>	<u>52,576</u>	<u>33,164</u>	<u>3,282</u>	<u>-</u>	<u>1,896,214</u>

ACCUMULATED DEPRECIATION

2003						
Freehold Land	33	-	-	-	41,213	41,246
Leasehold Land	6,413	2,370	-	-	19,504	28,287
Buildings	171,848	17,258	1,021	-	69,998 *	258,083
Building Plant And Machinery	19,575	1,470	-	-	-	21,045
Office / Building Renovation	14,004	3,982	39	-	-	17,947
Furniture, Fittings And Fixtures	32,387	3,316	305	55	-	35,343
Motor Vehicles	5,295	938	1,166	1,780	-	3,287
Office Equipment	85,947	2,622	6,675	453	-	81,441
Computer Software And Hardware	80,639	23,135	(326)	-	-	104,100
	<u>416,141</u>	<u>55,091</u>	<u>8,880</u>	<u>2,288</u>	<u>130,715</u>	<u>590,779</u>

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

COST

2002						
Freehold Land	514,025	499	-	-	-	514,524
Leasehold Land	178,028	18,485	-	-	-	196,513
Buildings	716,807	126,318	-	-	-	843,125
Building Plant And Machinery	21,709	4,505	-	-	-	26,214
Office / Building Renovation	27,578	6,641	17	-	-	34,202
Furniture, Fittings And Fixtures	41,254	848	30	186	-	41,886
Motor Vehicles	7,641	1,185	499	182	-	8,145
Office Equipment	86,874	1,932	139	1,168	-	87,499
Computer Software And Hardware	111,534	9,789	42	1,129	-	120,152
Work-In-Progress	38,760	5,137	36,073	-	-	7,824
	<u>1,744,210</u>	<u>175,339</u>	<u>36,800</u>	<u>2,665</u>	<u>-</u>	<u>1,880,084</u>

ACCUMULATED DEPRECIATION

2002						
Freehold Land	-	-	-	-	33	33
Leasehold Land	4,125	2,288	-	-	-	6,413
Buildings	120,959	17,045	-	-	33,844 *	171,848
Building Plant And Machinery	18,987	588	-	-	-	19,575
Office / Building Renovation	13,025	979	-	-	-	14,004
Furniture, Fittings And Fixtures	29,205	3,398	30	186	-	32,387
Motor Vehicles	4,625	1,026	174	182	-	5,295
Office Equipment	84,316	2,938	139	1,168	-	85,947
Computer Software And Hardware	58,024	23,744	-	1,129	-	80,639
	<u>333,266</u>	<u>52,006</u>	<u>343</u>	<u>2,665</u>	<u>33,877</u>	<u>416,141</u>

* Group's net impairment loss on building after taking into account the reversal of impairment loss in 2002 amounting to RM574,000.

4.2 EPF

	As At 01 Jan	Additions	Disposals / Adjustments	Write Offs	Impairment Loss / Reversal Of Impairment Loss	As At 31 Dec
COST	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
				2003		
Freehold Land	492,542	320	-	-	-	492,862
Leasehold Land	184,795	2,206	-	-	-	187,001
Buildings	669,754	16,406	5,143	-	-	681,017
Building Plant And Machinery	26,214	1,629	277	-	-	27,566
Office / Building Renovation	25,979	18,022	343	-	-	43,658
Furniture, Fittings And Fixtures	25,062	743	267	235	-	25,303
Motor Vehicles	6,291	104	109	1,780	-	4,506
Office Equipment	87,499	2,444	874	1,122	-	87,947
Computer Software And Hardware	108,503	8,524	5,474	145	-	111,408
Work-In-Progress	7,824	2,091	9,021	-	-	894
	<u>1,634,463</u>	<u>52,489</u>	<u>21,508</u>	<u>3,282</u>	<u>-</u>	<u>1,662,162</u>

ACCUMULATED DEPRECIATION

	2003					
Freehold Land	-	-	-	-	41,213	41,213
Leasehold Land	5,944	2,206	-	-	19,504	27,654
Buildings	116,637	13,575	138	-	70,884	200,958
Building Plant And Machinery	19,575	1,470	-	-	-	21,045
Office / Building Renovation	6,199	3,784	-	-	-	9,983
Furniture, Fittings And Fixtures	22,075	1,096	267	55	-	22,849
Motor Vehicles	3,874	684	109	1,780	-	2,669
Office Equipment	85,947	2,622	6,675	453	-	81,441
Computer Software And Hardware	69,643	22,637	(326)	-	-	92,606
	<u>329,894</u>	<u>48,074</u>	<u>6,863</u>	<u>2,288</u>	<u>131,601</u>	<u>500,418</u>

COST

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

ACCUMULATED DEPRECIATION

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

4.3 NET BOOK VALUE

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Freehold Land	473,580	514,491	451,649	492,542
Leasehold Land	170,432	190,100	159,347	178,851
Buildings	585,969	671,277	480,059	553,117
Building Plant And Machinery	6,521	6,639	6,521	6,639
Office / Building Renovation	33,895	20,198	33,675	19,780
Furniture, Fittings And Fixtures	6,767	9,499	2,454	2,987
Motor Vehicles	1,892	2,850	1,837	2,417
Office Equipment	6,506	1,552	6,506	1,552
Computer Software And Hardware	18,979	39,513	18,802	38,860
Work-In-Progress	894	7,824	894	7,824
	1,305,435	1,463,943	1,161,744	1,304,569

5. GOODWILL ON CONSOLIDATION

	GROUP 2003 (RM'000)	2002 (RM'000)
As At 01 January	9,466	11,549
<u>Less:</u>		
Amortisation Of Goodwill	(2,083)	(2,083)
As At 31 December	7,383	9,466

6. PROPERTIES HELD FOR DEVELOPMENT

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Freehold Land	277,825	210,505	-	-
Leasehold Land	72,969	135,519	64,910	64,910
Development Expenditure	162,035	174,420	-	-
	512,829	520,444	64,910	64,910
<u>Less:</u>				
Accumulated Impairment Loss	(179,326)	(187,119)	-	-
	333,503	333,325	64,910	64,910

Included in Properties Held For Development of the Group is a property with carrying value of RM24,000,000 (2002 : RM25,500,000) 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 Properties Held For Development are the following carrying values in respect of:

	GROUP	
	2003 (RM'000)	2002 (RM'000)
Title Registered Under The Name Of A Subsidiary Company	8,200	8,200
Pending Transfer Of Title From A Third Party	700	700
	8,900	8,900

7. DEVELOPMENT PROPERTIES

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Freehold Land	235,253	233,597	-	-
<u>Less:</u> Accumulated Impairment Loss	(2,846)	-	-	-
	232,407	233,597	-	-
Leasehold Land	173,376	158,388	-	-
Development Expenditure	318,094	309,919	59,628	59,628
<u>Less:</u> Accumulated Impairment Loss	(6,146)	-	-	-
	311,948	309,919	59,628	59,628
<u>Less:</u>				
Non Current Portion - Classified As Properties Held For Development	(447,919)	(455,534)	-	-
	269,812	246,370	59,628	59,628
<u>Less:</u>				
Recognised Losses	(21,951)	(15,739)	-	-
Foreseeable Losses	(27,613)	(28,387)	-	-
Progress Billings	(20,904)	(19,936)	-	-
	199,344	182,308	59,628	59,628

The Development Properties of the Group are registered under the names of the respective joint venture partners.

Included in Development Expenditure of the Group is the interest capitalised during the financial year amounting to RM143,130 (2002 : RM2,805,130). Cost of Development Properties of the Group recognised as an expense during the financial year amounted RM1,497,000 (2002 : RM14,128,000).

8. INVESTMENTS IN SUBSIDIARIES

EPF	2003		2002	
	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	706,633	168,217	706,633	69,203
<u>Less:</u>				
Accumulated Impairment Loss	(538,416)		(382,459)	
	168,217		324,174	
Unquoted Shares In Malaysia	283,128	128	3,128	3,128
<u>Less:</u>				
Accumulated Impairment Loss	(3,000)		-	
	280,128		3,128	
	448,345		327,302	
Loans To Subsidiary Companies	983,019		1,101,619	
Advance To Subsidiary Companies	17,126		17,126	
Capital Advance *	124,059		95,662	
	1,124,204		1,214,407	
	1,572,549		1,541,709	

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

The subsidiary companies of EPF are as follows:

Name Of The Company	Effective Interest		Principal Activity
	2003	2002	
a. Malaysia Building Society Berhad	63.02%	63.02%	Granting of loans on the security of freehold and leasehold properties.
b. YTR Harta Sdn Bhd	85.00%	85.00%	Property development.
c. Affordable Homes Sdn Bhd	100.00%	100.00%	Property development.
d. PPNK - Harta Sdn Bhd	85.00%	85.00%	Property development and management.

All subsidiary companies as above are incorporated in Malaysia.

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

	2003	EPF	2002
	(RM'000)		(RM'000)
Maturing within 12 months	428,600		8,600
Maturing after 12 months	695,604		1,205,807
	1,124,204		1,214,407

9. INVESTMENTS IN ASSOCIATED COMPANIES
9.1 GROUP

	2003		2002	
	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	4,634,416	3,254,591	238,654	238,654
<u>Less:</u>				
Accumulated Impairment Loss	(1,478,979)		-	
	3,155,437		238,654	
Unquoted Shares	19,000	14,738	19,000	19,000
<u>Less:</u>				
Accumulated Impairment Loss	(4,262)		-	
	14,738		19,000	
	3,170,175		257,654	
Loans	32,740		38,390	
	3,202,915		296,044	
<u>Add / (Less):</u>				
Profit / (Losses) In Associated Companies:				
Projek Bandar Samariang Sdn Bhd	(3,051)		(4,142)	
Panca Pesona Sdn Bhd	117		(120)	
Cycle & Carriage Bintang Bhd	117,580		116,136	
Rashid Hussain Bhd	(510,166)		-	
Commerce Asset Holdings Bhd	122,730		-	
	(272,790)		111,874	
	2,930,125		407,918	

9.2 EPF

	2003		2002	
	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	4,634,416	3,254,591	238,654	238,654
<u>Less:</u>				
Accumulated Impairment Loss	(1,478,979)		-	
	3,155,437		238,654	
Unquoted Shares	19,000	14,738	19,000	19,000
<u>Less:</u>				
Accumulated Impairment Loss	(4,262)		-	
	14,738		19,000	
	3,170,175		257,654	
Loans	32,740		38,390	
	3,202,915		296,044	

Details pertaining to the associated companies are as shown below:

Name Of The Company	Effective Interest		Principal Activity
	2003	2002	
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	20.78%	21.00%	Assembly, distribution and retailing of motor vehicles.
d. Rashid Hussain Bhd	31.89%	-	Investment holding company.
e. Commerce Asset Holdings Bhd	27.92%	-	Investment holding company, management company, property management, provision of consultancy services and dealing in securities.

All associated companies as above are incorporated in Malaysia.

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

	2003 (RM'000)	EPF 2002 (RM'000)
Maturing within 12 months	32,740	-
Maturing after 12 months	-	38,390
	32,740	38,390

10. INTEREST IN JOINT VENTURES

EPF

	2003 At Cost (RM'000)	2002 At Cost (RM'000)
Usaha Sama KWSP - MBSB (Atabara)	218	218

Principal Activity:

Housing project at Bandar Indera Mahkota, Kuantan, Pahang.

11. INVESTMENTS

11.1 GROUP

	2003		2002	
	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	291,715	224,537	339,277	211,828
<u>Less:</u>				
Investment Revaluation Account	(67,178)		(127,449)	
Directors' Valuation	224,537		211,828	
Malaysian Government Securities	84,678,238	87,651,034	72,979,858	80,745,242
Malaysian Government Islamic Bonds	316,778	312,375	-	-
Long Term Quoted Shares In Malaysia	39,538,371	34,294,959	42,383,561	29,599,588
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(2,036,565)		(3,211,766)	
Long Term Quoted Shares Outside Malaysia	314,646	469,556	222,725	239,967
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(3,038)		(1,513)	
Long Term Investment With Portfolio Managers	5,299,555	5,246,629	5,033,794	4,321,826
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(95,357)		(104,467)	
Directors' Valuation	5,204,198		4,929,327	
	128,012,628	127,974,553	117,302,192	114,906,623
UNQUOTED SECURITIES				
Unquoted Shares In Malaysia	152,141		151,316	
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(136,930)		(136,815)	
	15,211		14,501	
Unquoted Shares Outside Malaysia	513,753		529,170	
Directors' Valuation	528,964		543,671	
LOANS AND BONDS				
Guaranteed Loans And Debentures	31,619,032	-	23,164,534	-
<u>Less:</u>				
Specific Allowance For Bad And Doubtful Debts	(318,000)		(318,000)	
	31,301,032		22,846,534	
Islamic Bonds	100,000	-	100,000	-
Corporate Bonds	17,952,305	-	14,102,701	-
<u>Less:</u>				
Specific Allowance For Bad And Doubtful Debts	(171,617)		(171,617)	
Promissory Notes	17,780,688	-	13,931,084	-
Loans Stock	1,291,086	-	590,623	-
Loans Stock	74,300	-	50,000	-
Quoted Loans Stock	333,731	336,692	308,031	309,393
Fixed Income Fund Managers	1,130,969	1,095,795	1,048,070	1,069,497
Cagamas Securities	6,909,041	6,908,226	8,314,598	8,409,026
Danaharta And Danamodal Bonds	2,020,271	2,019,137	4,455,403	4,503,263
	60,941,118		51,644,343	
	189,707,247		169,702,034	

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

	GROUP	
	2003 (RM'000)	2002 (RM'000)
Maturing within 12 months	21,061,238	22,576,033
Maturing after 12 months	124,956,482	102,179,754
	146,017,720	124,755,787

11.2 EPF

	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	291,715	224,537	339,277	211,828
<u>Less:</u>				
Investment Revaluation Account	(67,178)		(127,449)	
Directors' Valuation	224,537		211,828	
Malaysian Government Securities	84,678,238	87,651,034	72,979,858	80,745,242
Malaysian Government Islamic Bonds	316,778	312,375	-	-
Long Term Quoted Shares In Malaysia	39,536,971	34,293,168	42,383,561	29,599,588
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(2,036,565)		(3,211,766)	
Long Term Quoted Shares Outside Malaysia	314,646	469,556	222,725	239,967
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(3,038)		(1,513)	
Long Term Investment With Portfolio Managers	5,299,555	5,246,629	5,033,794	4,321,826
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(95,357)		(104,467)	
Directors' Valuation	5,204,198		4,929,327	
	128,011,228	127,972,762	117,302,192	114,906,623
UNQUOTED SECURITIES				
Unquoted Shares In Malaysia	152,141		150,816	
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(136,930)		(136,815)	
Unquoted Shares Outside Malaysia	513,753		529,170	
Directors' Valuation	528,964		543,171	
LOANS AND BONDS				
Guaranteed Loans And Debentures	31,619,032	-	23,164,534	-
<u>Less:</u>				
Specific Allowance For Bad And Doubtful Debts	(318,000)		(318,000)	
Islamic Bonds	100,000	-	100,000	-
Corporate Bonds	17,952,305	-	14,102,701	-
<u>Less:</u>				
Specific Allowance For Bad And Doubtful Debts	(171,617)		(171,617)	
Promissory Notes	1,291,086	-	590,623	-
Loans Stock	74,300	-	50,000	-
Quoted Loans Stock	333,731	336,692	308,031	309,393
Fixed Income Fund Managers	1,130,969	1,095,795	1,048,070	1,069,497
Cagamas Securities	6,909,041	6,908,226	8,314,598	8,409,026
Danaharta And Danamodal Bonds	2,020,271	2,019,137	4,455,403	4,503,263
	60,941,118		51,644,343	
	189,705,847		169,701,534	

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

	EPF	
	2003 (RM'000)	2002 (RM'000)
Maturing within 12 months	21,061,238	22,576,033
Maturing after 12 months	124,956,482	102,179,754
	146,017,720	124,755,787

12. LOANS, ADVANCES AND FINANCING

	GROUP	
	2003 (RM'000)	2002 (RM'000)
End Finance:		
Normal Housing Programme	1,170,968	1,172,829
Low Cost Housing Programme	32,319	41,811
Bridging And Term Loans	4,794,042	4,522,404
	<u>5,997,329</u>	<u>5,737,044</u>
<u>Less:</u>		
Allowance For Doubtful Loans:		
Specific	(672,639)	(631,416)
General	(32,386)	(36,966)
Interest-In-Suspense	(2,054,743)	(1,727,896)
	<u>3,237,561</u>	<u>3,340,766</u>

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 a group 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	
	2003 (RM'000)	2002 (RM'000)
Loans To Joint Venture Partners	1,251,040	1,240,319
	<u>1,251,040</u>	<u>1,240,319</u>

The maturity structure of Loans, Advances And Financing are as follows:

	GROUP	
	2003 (RM'000)	2002 (RM'000)
Maturing within 12 months	4,410,578	4,585,457
Maturing after 12 months	1,586,751	1,151,587
	<u>5,997,329</u>	<u>5,737,044</u>

13. STAFF LOANS

The maturity structure of Staff Loans are as follows:

	GROUP AND EPF	
	2003 (RM'000)	2002 (RM'000)
Maturing within 12 months	14,390	11,358
Maturing after 12 months	161,417	139,485
	<u>175,807</u>	<u>150,843</u>

14. ALLOWANCE FOR LOAN, ADVANCE AND FINANCING LOSSES

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
<u>Specific Allowance</u>				
Balance As At 01 January	1,121,150	1,112,208	489,734	530,000
Allowance Made During The Year	91,114	164,088	10	68,117
Allowance Due To Reclassification Of Joint Venture Loans	-	34,803	-	-
Amount Written Back In Respect Of Recoveries And Reversals	(49,976)	(161,864)	(95)	(108,383)
Amount Written Off	-	(28,085)	-	-
Balance As At 31 December	<u>1,162,288</u>	<u>1,121,150</u>	<u>489,649</u>	<u>489,734</u>
<u>General Allowance</u>				
Balance As At 01 January	36,966	36,635	-	-
Allowance Made / (Written Back) During The Year	(4,580)	331	-	-
Balance As At 31 December	<u>32,386</u>	<u>36,966</u>	<u>-</u>	<u>-</u>
<u>Interest-In-Suspense</u>				
Balance As At 01 January	1,842,676	1,281,521	114,780	70,521
Interest Suspended During The Year	441,974	502,600	45,000	69,390
Interest Suspended Due To Reclassification Of Joint Venture Loans	-	158,579	-	-
Interest Suspended Reclassified To Other Receivables	(40,578)	-	-	-
Amount Written Back In Respect Of Recoveries And Reversals	(23,496)	(48,430)	(7)	(25,131)
Amount Written Off	(30,442)	(51,594)	(24,382)	-
Balance As At 31 December	<u>2,190,134</u>	<u>1,842,676</u>	<u>135,391</u>	<u>114,780</u>

The maturity structure of the non-performing Loans.

Advances And Financing:

a. Receivable Within 12 Months				
Non-Performing Staff Loans	32	153	32	153
Non-Performing Loans, Advances And Financing	2,276,267	2,722,013	-	-
	<u>2,276,299</u>	<u>2,722,166</u>	<u>32</u>	<u>153</u>
b. Receivable After 12 Months				
Non-Performing Guaranteed Loans And Debentures	489,617	489,617	489,617	489,617
	<u>489,617</u>	<u>489,617</u>	<u>489,617</u>	<u>489,617</u>
	<u>2,765,916</u>	<u>3,211,783</u>	<u>489,649</u>	<u>489,770</u>

15. INVENTORIES OF COMPLETED PROPERTIES

	GROUP		GROUP	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
At Cost	3,518		3,788	
At Net Realisable Value	28,457		28,799	
	<u>31,975</u>		<u>32,587</u>	

The cost of inventories recognised as an expense during the financial year amounted to RM7,148,000. During the year, write down of inventories of RM439,000 (2002 : Nil) was reversed. The reversal arose from an increase in net realisable value as a result of increase in expected selling price for certain properties during the year.

16. DEBTORS AND DEPOSITS

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Prepayment And Deposits	1,196	990	1,196	990
Rental Deposits	1,916	1,690	1,916	1,690
Income Tax Recoverable	514,681	394,575	514,681	394,575
Rental Of Buildings	2,209	1,817	2,209	1,817
Amount Due From Subsidiary Companies	-	-	4,767	4,767
Unsecured Advances For Joint Venture Projects	28,148	27,067	-	-
Miscellaneous	100,301	92,442	28,926	18,217
	<u>648,451</u>	<u>518,581</u>	<u>553,695</u>	<u>422,056</u>

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

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Maturing within 12 months	648,451	518,581	553,695	422,056

17. DEPOSITS WITH FINANCIAL INSTITUTIONS

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

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Maturing within 12 months	10,716,694	16,041,348	10,716,694	16,041,348
Maturing after 12 months	10,629,738	10,447,107	10,629,738	10,447,107
	<u>21,346,432</u>	<u>26,488,455</u>	<u>21,346,432</u>	<u>26,488,455</u>

18. DEFERRED TAXATION

	GROUP		GROUP	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
As At 01 January	27,512		27,586	
Reversal Of Deferred Taxation	75		(74)	
As At 31 December	<u>27,587</u>		<u>27,512</u>	

Deferred tax liability relates to deferred tax on fair adjustment of freehold and leasehold land.

19. **PROVISION FOR EMPLOYEE BENEFITS / STAFF RETIREMENT BENEFITS**

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
As At 01 January	9,923	8,909	-	-
<u>Add:</u>				
Provision Made During The Year	61,076	1,095	61,076	-
Reversal Of Provision During The Year	(845)	-	-	-
	70,154	10,004	61,076	-
<u>Less:</u>				
Payment Made During The Year	(420)	(81)	-	-
As At 31 December	69,734	9,923	61,076	-

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

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Maturing within 12 months	1,482	-	1,482	-
Maturing after 12 months	68,252	9,923	59,594	-
	69,734	9,923	61,076	-

20. **PROVISION FOR LIABILITIES**

	GROUP	
	2003 (RM'000)	2002 (RM'000)
As At 01 January	-	-
<u>Add:</u>		
Provision Made During The Year	1,023	-
As At 31 December	1,023	-

Provision for liquidated ascertained damages is in respect of projects undertaken by certain subsidiaries. The provision is recognised for expected liquidated ascertained damages claims based on the sale and purchase agreements.

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

	GROUP	
	2003 (RM'000)	2002 (RM'000)
Maturing within 12 months	1,023	-

21. **LOANS AND OVERDRAFTS**

	GROUP	
	2003 (RM'000)	2002 (RM'000)
Bank Negara Malaysia Loans	23,477	38,141
Capital Advance	4,500	4,500
Bank Borrowings And Overdrafts	1,110,976	1,365,972
	1,138,953	1,408,613

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

	GROUP	
	2003 (RM'000)	2002 (RM'000)
Maturing within 12 months	1,105,548	1,331,474
Maturing after 12 months	33,405	77,139
	1,138,953	1,408,613

The following are details in respect of Loans And Overdrafts:

21.1 **Bank Borrowings**

Bank borrowings are unsecured and interest charged on these borrowings is based on the lenders' cost of funds plus 0.50% to 1.00% (2002 : cost of funds plus 0.50% to 1.00%). The interest charged on these borrowings during the year ranged from 3.70% to 7.00% (2002 : 3.70% to 7.90%) per annum.

21.2 **Bank Negara Malaysia Loans**

	GROUP	
	2003 (RM'000)	2002 (RM'000)
Maturing within 12 months	12,247	15,052
Maturing after 12 months	11,230	23,089
	23,477	38,141

These loans are for financing the Low Cost Housing Finance Programme and are secured by assets arising from the said programme with a carrying value of RM26,180,000 (2002 : RM34,799,000). The payment of interest on each drawdown commences two years after the respective dates of drawdown and thereafter is payable annually. The principal of each drawdown is repayable over a twenty-year-period commencing three years after the date of drawdown.

22. DEPOSITS AND ADVANCES

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Employers' Instalments	98,823	96,970	98,823	96,970
Remittance Suspense	592	922	592	922
Clients' Deposits	1,168,067	1,117,180	-	-
Deposits From Subsidiary Companies	-	-	124	124
Miscellaneous Deposits	5,345	3,298	5,345	3,298
	<u>1,272,827</u>	<u>1,218,370</u>	<u>104,884</u>	<u>101,314</u>

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

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Maturing within 12 months	1,206,599	1,204,860	104,884	101,314
Maturing after 12 months	66,228	13,510	-	-
	<u>1,272,827</u>	<u>1,218,370</u>	<u>104,884</u>	<u>101,314</u>

23. CREDITORS

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Accrued Expenses	243,441	441,471	243,441	441,471
Rent Received In Advance	103	3	103	3
Bank Balances *	66,266	57,994	66,266	57,994
Contribution From Post Office	-	36	-	36
Miscellaneous	265,441	257,020	680	1,040
	<u>575,251</u>	<u>756,524</u>	<u>310,490</u>	<u>500,544</u>

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

The maturity structure of the Creditors are as follows:

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Maturing within 12 months	575,251	756,524	310,490	500,544

24. GROSS INVESTMENT INCOME

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Interest / Profit From Investments	8,545,669	8,468,906	8,570,087	8,512,668
Profit From Islamic Bonds And AI - Mudharabah Accounts	20,058	11,968	20,058	11,968
Interest / Profit From Bank Balances	1,768	2,791	1,766	2,780
Dividend From Investments	1,286,743	947,411	1,286,743	947,411
Income / (Losses) From Portfolio Managers / Fund Managers	498,587	197,964	498,587	197,964
Realised Profit From Investment Trading	730,961	1,090,186	576,251	890,777
Rental Income	26,322	24,285	20,195	18,274
Miscellaneous Income	489	28	489	28
	<u>11,110,597</u>	<u>10,743,539</u>	<u>10,974,176</u>	<u>10,581,870</u>

25. INVESTMENT EXPENSES

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Actuarial Fees	136	220	136	220
CDS Registration Fees	823	749	823	749
Technical Services Fees	645	1,262	645	1,262
Portfolio Managers' Fees	25,393	44,287	25,393	44,287
Write Offs / Losses	-	25	-	25
	<u>26,997</u>	<u>46,543</u>	<u>26,997</u>	<u>46,543</u>

26. ALLOWANCE FOR DIMINUTION IN VALUE OF INVESTMENTS AND LOAN LOSSES	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Allowance For Diminution In Value Of Investments	865,325	1,959,222	865,325	1,959,222
Allowance For Diminution In Value Of Investments Written Back	(84,628)	(60,367)	(84,628)	(60,367)
	780,697	1,898,855	780,697	1,898,855
Allowance For Loan Losses And Loan Losses	36,905	112,102	-	68,000
Allowance For Loan Losses Written Back	-	(65,544)	-	(65,544)
	36,905	46,558	-	2,456
	817,602	1,945,413	780,697	1,901,311

27. IMPAIRMENT LOSS ON INVESTMENTS	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Impairment Loss On Subsidiary Companies	-	-	158,958	183,092
Impairment Loss On Associated Companies	191,242	-	191,242	-
	191,242	-	350,200	183,092

28. NON-INVESTMENT INCOME	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Interest / Profit From Staff Loans	5,522	4,997	5,482	4,934
Dividend From Contributions Paid Late	20,007	22,658	20,007	22,658
Gain / (Losses) On Disposal Of Property, Plant And Equipment	690	206	257	160
Miscellaneous Income	49,934	24,407	45,888	21,683
	76,153	52,268	71,634	49,435

29. STATUTORY CHARGES	GROUP AND EPF	
	2003 (RM'000)	2002 (RM'000)
Death Benefit - Section 58(1)	40,080	36,902
Incapacitation Benefit - Section 58(2)	28,967	12,795
	69,047	49,697

30. OPERATING EXPENDITURE	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Salaries, Allowances And Staff Costs	209,930	204,005	195,168	187,991
Audit Fees	274	295	183	200
Fees And Professional Charges	3,844	6,641	4,222	4,202
Printing And Stationery	8,556	8,664	7,983	8,040
Postal And Telephone Charges	15,555	13,942	14,567	12,869
Transport And Travelling	8,785	8,346	8,389	7,906
Rent And Assessment	15,560	15,712	14,551	14,593
Insurance On Staff And Property	1,419	605	788	501
Maintenance On Property, Plant And Equipment	35,462	34,710	33,626	33,817
Depreciation Of Plant, Property And Equipment	55,091	52,006	48,074	43,445
Impairment Loss On Plant, Property And Equipment*	130,715	33,877	131,601	-
Impairment Loss On Development Properties	8,992	-	-	-
Impairment Loss On Properties Held For Development	2,591	59,531	-	-
Write Offs / Losses	269	257	269	257
Allowances / Write Offs On Bad And Doubtful Debts	18,757	(6,261)	-	-
Technical Services Fees	8,831	6,470	8,831	6,470
Honorarium For Board Members / Investment Panel	127	125	127	125
Employee Benefits / Staff Retirement Benefits **	60,231	1,095	61,076	-
Directors' Remuneration	74	75	-	-
Amortisation Of Goodwill On Consolidation	2,083	2,083	-	-
Interest Payable On Deposits, Loans And Overdrafts	123,180	104,270	-	-
Changes In Development Properties And Inventories Of Completed Properties	(1,057)	1,205	-	-
Contract Costs	2,188	14,128	-	-
Allowance For Anticipated Losses On Projects	(774)	1,332	-	-
Miscellaneous Expenses	12,050	14,136	11,472	9,818
	722,733	577,249	540,927	330,234

* A total of RM131,601,000 (2002 : Nil) has been recognised as an operating expenditure in 2003 due to compliance of MASB 23 - Impairment Of Assets with effect from year 2003.

** A total of RM61,076,000 (2002 : Nil) has been recognised as an operating expenditure in 2003 due to compliance of MASB 29 - Employee Benefits with effect from year 2003.

31. TAXATION

Taxation amounting to RM609,000 (2002 : Nil) represents tax expense on EPF income from foreign investments in the United States Of America of which the Malaysian Government does not have Double Taxation Agreement with the said country.

32. CASH AND CASH EQUIVALENTS

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

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
Bank And Cash Balances	421,608	357,751	259,902	253,633
Bank Balances (refer Note 23)	(66,266)	(57,994)	(66,266)	(57,994)
Money Market Account - Bank Negara Malaysia	5,379,166	5,600,706	5,379,166	5,600,706
	<u>5,734,508</u>	<u>5,900,463</u>	<u>5,572,802</u>	<u>5,796,345</u>

33. CAPITAL COMMITMENTS

	GROUP		EPF	
	2003 (RM'000)	2002 (RM'000)	2003 (RM'000)	2002 (RM'000)
a. Capital Commitments				
Approved And Contracted				
As At 31 December But Not Provided For In The Financial Statements	106,392	92,625	77,051	25,533
Approved But Not Contracted For As At 31 December	117,933	169,900	116,162	169,900
	<u>224,325</u>	<u>262,525</u>	<u>193,213</u>	<u>195,433</u>
b. Operational Commitments				
Loan Commitments Not Provided For In The Financial Statements Amounting To:				
End Finance	410,360	269,544	-	-
Bridging And Term Loans	88,308	83,547	-	-
	<u>498,668</u>	<u>353,091</u>	<u>-</u>	<u>-</u>
Property Development:				
Approved And Contracted For	539,936	739,620	-	-
Approved And Not Contracted For	5,163	12,421	-	-
	<u>545,099</u>	<u>752,041</u>	<u>-</u>	<u>-</u>
c. Contingencies (Partly Secured)				
Obligation To Secure Performance By Third Parties	322,000	322,000	-	-
	<u>1,590,092</u>	<u>1,689,657</u>	<u>193,213</u>	<u>195,433</u>

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

The excess of the security value over the net loans amounted to RM53,782,000 (2002 : RM53,782,000).

34. CONTINGENT LIABILITIES

34.1 Civil Action

- Civil action has been taken by a company against EPF that the company and EPF had entered into a valid and a binding contract for processing EPF Forms A through scanning. The Plaintiff also alleged the EPF has breached the contract by non-performance of the contract. EPF has claimed that there was no valid / binding contract entered into but it only a due diligence study carried out. A claim for special damages for RM7 million was made besides general damages and interest as well as costs. The EPF has filed a Statement Of Defence at High Court Kuala Lumpur and the status of this case is still in the stage of Case Management by the Court. The hearing date has not been fixed.
- 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 2003, contingent liabilities in respect of death benefits amounted to RM14.90 million whereas incapacitation benefits amounted to RM7.02 million.

- c. In a civil suit taken out by the subsidiary company for the recovery of loan facilities and the payment of interest, the borrowers and guarantors have filed a Counter-Claim based upon an allegation that the subsidiary company had breached the Loan Agreement by recalling the said loan facilities. The quantum under the Counter-Claim amounts to RM592.03 million being the claim for loss of profit from the Defendants' project. The subsidiary company has filed an appeal against the decision by the Deputy Registrar to allow the borrowers and guarantors to amend their Defence and Counter-Claim which was scheduled to be heard on 17 September 2003 and has been postponed to 02 December 2003. The Hearing for the borrowers and guarantors application to strike out various paragraphs in the subsidiary company's Reply to the Borrower's Amended Defence and Counter-Claim which was fixed on 20 February 2003 was heard by the Court on the said date and the Hearing of the said application was fixed on 21 July 2003 but the matter was adjourned. The subsidiary company will be advised by the solicitors on the next date for the Hearing of this application. In respect of the subsidiary company's application to foreclose the property pledged to the subsidiary company as security for the loan facilities, the Hearing of the application on 21 August 2003 was postponed to a date which is yet to be fixed by the Court. Both the civil suits and the foreclosure proceedings have been kept in abeyance pending amicable settlement of the claims of both parties.
- d. Two claims were brought against the subsidiary company by two of the subsidiary company's borrowers to the amount of RM400.31 million and RM1.48 million respectively on alleged breaches of contract by the subsidiary company for failure to disburse and / or termination of the loan facilities. In respect of the former claim, the borrower's appeal against the decision to dismiss their application for Summary Judgement has been dismissed on 11 Mac 2004. In respect of the latter claim of RM1.48 million, the borrower has not as yet set the matter down for trial.
- e. A claim for damages of RM2.54 million which was brought against the subsidiary company by a contractor of a development project, premises upon an alleged breach of assurance to release loan advances directly to the contractor who is not the borrower. The contractor's application for summary judgement has been dismissed. The matter has since been transferred from the Kota Bharu High Court to the Kuala Lumpur High Court. The contractor's application to consolidate this suit with another suit filed at Kota Bharu High Court was allowed by the Kuala Lumpur High Court on 19 June 2003. The Court has fixed 25 April 2004 for the Case Management with regard to this matter.
- f. The owner pledged a piece of land by way of third party charge as security for a bridging loan by the subsidiary company to a Developer. The subsidiary company has commenced foreclosure action in respect of the charge. On 02 April 2003, the Court allowed the owner's application to amend their Statement Of Claim. The subsidiary company's appeal against the decision of the Court to allow the owner's application to amend their Statement Of Claim was dismissed on 16 October 2003. The matter is now fixed for Case Management on 03 March 2004. In respect of the foreclosure proceeding, the Auction has been fixed on 28 October 2003 but was aborted by Land Office due to no bidders. The owner has filed a motion in court to overturn the Order for Auction granted by the Land Office. The Court has fixed 14 and 29 February 2004 for both parties to file in written submission regarding this matter. No further Auction Date has been fixed pending the Court's decision on this matter.
- g. A claim for damages amounting to RM134.408 million has been filed against the subsidiary company by a developer for the loss and / or loss of profits following the cancellation of the term loan and the bridging loan facilities. The Case Management for the matter on 19 February 2004 has been adjourned to 14 April 2004.
- h. In a civil suit taken out by the subsidiary company against the borrower and three other parties (the "Defendants"), the subsidiary company has sought from the Court a Declaration that the Loan Agreement and the Joint Venture Agreement entered into between the parties are void and of no effect and to claim for damages amounting to RM59.499 million from the Defendants, together with general damages, interests and costs. In turn the third and fourth Defendants, have filed a Counter-Claim seeking damages amounting to RM185.1 million for alleged breach of the Joint Venture Agreement, estimated general damages of RM750 million, the amount of which is to be determined by the Court and an indemnity as to all costs, damages payable to third parties. The subsidiary company has filed its Reply and Defence to the Defence and Counter-Claim on 30 October 2003. The Court has yet to fix a date for Case Management with regard to this matter.

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

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

This section of the Act requires the EPF to pay the employee's share of the contributions for any deduction made from the wages of the employee if the employer fails to pay the contributions. The amount of contingent liability is estimated at RM111.600 million (2002 : RM97.795 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.

35. SIGNIFICANT EVENT

On 22 August 2003, the subsidiary company allotted and issued RM140 million and RM25 million Redeemable Convertible Preference Shares ("RCPS") via a restricted issue to EPF and Permodalan Nasional Berhad respectively.

36. **COMPARATIVE FIGURES**

The following comparative figures have been restated in the Financial Statement for year 2003 to reflect the changes in accounting policies (refer Note 2.4, 2.5 and 2.14) as well as reclassification on the presentation to such items in the current year Financial Statement:

	GROUP		EPF	
	As Restated (RM'000)	As Previously Stated (RM'000)	As Restated (RM'000)	As Previously Stated (RM'000)
Income Statement				
Allowance For Diminution In Value Of Investments And Loan Losses	1,901,311	2,084,403	1,901,311	2,084,403
Impairment Loss On Investments	183,092	-	183,092	-
Dividend On Contribution Withdrawals	329,518	335,975	329,518	335,975
Surplus Of Income For The Current Year	7,790,910	7,784,453	7,790,910	7,784,453
Statement Of Changes In Reserves				
Effects Of Adopting MASB 25 By The Subsidiary Company				
- Accumulated Losses As At 01 January 2003	817,350	815,508	-	-
Balance Sheet				
Contributions Received During The Year	20,056,040	20,440,008	20,056,040	20,440,008
Redemption Of Investment In Unit Trusts By Members	173,534	-	173,534	-
Refunds / Cancellation Of Annuity Policies By Members	203,977	-	203,977	-
Adjustment On Dividend Credited For Previous Year	6,457	-	6,457	-
Members' Assets With Fund Manager Institutions	-	5,464,905	-	5,464,905
Members' Contributions With Fund Manager Institutions	-	(5,464,905)	-	(5,464,905)
Other Receivables	93,778	96,606	-	-
Trade Payables	(69,511)	(72,339)	-	-
Deferred Tax Liabilities	(27,512)	(25,670)	-	-
	31,458,944	31,458,944	30,644,839	30,644,839