

# FINANCIAL STATEMENTS

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**CERTIFICATE OF THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF THE  
EMPLOYEES PROVIDENT FUND  
FOR THE YEAR ENDED 31 DECEMBER 2010**

I have audited the financial statements of Employees Provident Fund and the Group for the year ended 31 December 2010. These financial statements are the responsibility of the management. My responsibility is to audit and express an opinion on these financial statements.

The audit has been carried out in accordance with the Audit Act 1957 and in conformity with approved standards on auditing. Those standards require an audit to be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement or omission. The audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessments of the accounting principles used, significant estimates made by the management as well as evaluating the overall presentation of the financial statements. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements give a true and fair view of the financial position of Employees Provident Fund and the Group as at 31 December 2010 and of the results of its operations and its cash flows for the year ended in accordance with the approved accounting standards.

I have considered the financial statements and the auditors' report of the subsidiary companies of which I have not acted as auditor as indicated in the notes to the consolidated financial statements. I am satisfied that the financial statements of the subsidiary companies that have been consolidated with Employees Provident Fund's financial statements are in appropriate form and content, proper for the purposes of the preparation of the consolidated financial statements. I have received satisfactory information and explanation as required by me for those purposes.

The auditors' reports on the financial statements of such subsidiary companies were not subject to any observations that could affect the consolidated financial statements.

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

PUTRAJAYA  
9 MARCH 2011



## STATEMENT BY CHAIRMAN AND A BOARD MEMBER AS TRUSTEES

We, **TAN SRI SAMSUDIN BIN OSMAN** and **HALIM BIN HAJI DIN** 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 which includes the Statement Of Financial Position, Income Statement, Statement Of Comprehensive Income, Statement Of Changes In Members' Fund and Cash Flow Statements, as follows together with the Notes To The Financial Statements 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 2010 and of the results of its operation and changes in financial position for the year ended on that date.

On behalf of the Board,



NAME : TAN SRI SAMSUDIN BIN OSMAN  
TITLE : CHAIRMAN OF EPF  
DATE : 07 MARCH 2011  
PLACE : KUALA LUMPUR

On behalf of the Board,



NAME : HALIM BIN HAJI DIN  
TITLE : A BOARD MEMBER OF EPF  
DATE : 07 MARCH 2011  
PLACE : KUALA LUMPUR

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

I, **SAZALIZA BIN ZAINUDDIN**, as a representative of the Trustee and officer primarily responsible for the financial management of the **EMPLOYEES PROVIDENT FUND** do solemnly and sincerely declare that the accompanying Financial Statements which includes the Statement Of Financial Position, Income Statement, Statement Of Comprehensive Income, Statement Of Changes In Members' Fund and Cash Flow Statements, in the following financial position together with the Notes To The Financial Statements 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 28 February 2011 ]



SAZALIZA BIN ZAINUDDIN  
Before me,



COMMISSIONER FOR OATHS  
Lot 1.08, Tingkat 1,  
Bangunan KWSP,  
Jln Raja Laut,  
50350 Kuala Lumpur.  
Tel: 014-6601125

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Note	GROUP		EPF	
		2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
<b>UTILISATION OF MEMBERS' FUND</b>					
<b>ASSETS</b>					
Deferred Tax Assets	6	376	375	-	-
Property, Plant And Equipment	7	389,520	420,056	281,585	277,761
Investment Properties	8	3,698,854	1,775,813	1,429,496	1,109,567
Intangible Assets	9	27,585	30,110	25,623	29,199
Prepaid Land Lease	10	116,937	118,281	107,151	108,330
Assets Held For Sale	11	209,355	1,362,700	209,355	1,362,700
Land Held For Property Development	12	64,954	64,946	64,954	64,946
Property Development Costs	13	150,309	152,019	148,140	148,051
Investments In Subsidiaries	14	-	-	3,365,493	1,218,985
Investments In Associates	15	11,328,667	10,183,162	9,678,159	9,452,704
Held-To-Maturity Investment Assets	16	167,701,121	161,486,121	167,701,121	161,443,051
Available-For-Sale Financial Assets	17	151,578,739	97,359,409	151,578,739	97,359,409
Financial Assets At Fair Value Through Profit / Loss	18	946,978	194,200	672,946	194,200
Loans, Advances And Financing	19	93,719,255	85,968,385	83,012,725	77,849,933
Inventories Of Completed Properties	20	121,780	125,460	-	-
Receivables, Deposits And Prepayments	21	1,579,746	525,517	1,342,114	394,675
Tax Recoverable		451,707	783,321	456,607	787,343
Accrued Interest And Dividend		2,842,603	2,438,633	2,842,571	2,438,637
Deposits With Financial Institutions	22	23,733,987	21,802,208	22,665,525	21,051,242
Bank And Cash Balances		410,983	207,035	265,875	173,749
<b>Total Assets</b>		<b>459,073,456</b>	<b>384,997,751</b>	<b>445,848,179</b>	<b>375,464,482</b>
<b>LIABILITIES</b>					
Deferred Tax Liabilities	6	19,256	17,704	-	-
Provision For Employee Benefits	23	139,802	123,635	139,802	123,635
Deferred Profit Guarantee		-	6	-	-
Provision For Taxation		84,004	27,662	-	-
Loans And Overdrafts	24	1,168,712	1,005,110	-	-
Contribution Withdrawals Payable		75,936	80,494	75,936	80,494
Derivative Liabilities		35,175	-	35,175	-
Deposits And Advances	25	10,624,507	7,700,172	140,839	137,867
Payables And Accrued Liabilities	26	691,567	677,894	496,921	579,325
<b>Total Liabilities</b>		<b>12,838,959</b>	<b>9,632,677</b>	<b>888,673</b>	<b>921,321</b>
<b>NET ASSETS</b>		<b>446,234,497</b>	<b>375,365,074</b>	<b>444,959,506</b>	<b>374,543,161</b>
<b>MEMBERS' FUND</b>					
Contributions Account	27	407,565,535	373,742,966	407,565,535	373,742,966
Other Members' Fund		38,010,206	991,095	37,393,971	800,195
		445,575,741	374,734,061	444,959,506	374,543,161
Minority Interest		658,756	631,013	-	-
		<b>446,234,497</b>	<b>375,365,074</b>	<b>444,959,506</b>	<b>374,543,161</b>

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



## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	GROUP		EPF	
		2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
<b>INCOME</b>					
Gross Investment Income	28	24,763,362	17,528,218	24,063,531	17,218,165
Investment Expenditures	29	(251,930)	(220,228)	(109,378)	(71,845)
Net Impairment Loss On Financial Investment Assets / Allowance For Diminution In Value Of Investments	30	(1,271,662)	2,392,927	(1,159,428)	2,502,825
Net Impairment Loss On Investments In Subsidiaries And Associated Companies	31	-	-	234,966	572,983
<b>Net Investment Income</b>		<b>23,239,770</b>	19,700,917	<b>23,029,691</b>	20,222,128
Non-Investment Income	32	172,635	143,118	78,729	67,202
		<b>23,412,405</b>	19,844,035	<b>23,108,420</b>	20,289,330
Operating Expenditures	33	(1,033,507)	(783,335)	(752,953)	(651,064)
Statutory Charges	34	(43,033)	(41,183)	(43,033)	(41,183)
Reversal Of Impairment Loss On Property, Plant And Equipment	35	-	29,379	-	29,379
<b>Total Expenditure</b>		<b>(1,076,540)</b>	(795,139)	<b>(795,986)</b>	(662,868)
<b>Net Income</b>		<b>22,335,865</b>	19,048,896	<b>22,312,434</b>	19,626,462
Share Of Results From Associated Companies		813,916	645,596	-	-
<b>Net Profit Before Tax And Zakat</b>		<b>23,149,781</b>	19,694,492	<b>22,312,434</b>	19,626,462
Taxation And Zakat	36	(63,599)	(24,342)	-	-
<b>Net Profit After Tax And Zakat</b>		<b>23,086,182</b>	19,670,150	<b>22,312,434</b>	19,626,462
<b>Attributable To:</b>					
Contributors Of EPF		23,036,554	19,651,395		
Minority Interest		49,628	18,755		
		<b>23,086,182</b>	19,670,150		

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

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	GROUP		EPF	
		2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
<b>Net Profit After Tax And Zakat</b>		<b>23,086,182</b>	19,670,150	<b>22,312,434</b>	19,626,462
Other Comprehensive Income:					
Available-For-Sale Financial Assets	37	<b>13,402,331</b>	-	<b>13,402,331</b>	-
<b>Total Comprehensive Income</b>		<b>36,488,513</b>	19,670,150	<b>35,714,765</b>	19,626,462

## STATEMENT OF CHANGES IN MEMBERS' FUND

FOR THE YEAR ENDED 31 DECEMBER 2010

GROUP	← Non-Distributable →		Distributable Accumulated (Deficit) / Surplus (RM'000)	Total (RM'000)
	Available-For-Sale Financial Asset Reserves (RM'000)	Section 50(3) Reserve (RM'000)		
As At 31 December 2008	-	40,000	919,814	959,814
Surplus Of Income For The Current Year	-	-	19,651,395	19,651,395
Transfer From Interest On Contributions Paid Late	-	6,536	-	6,536
Payment On Invocation Of Section 50(3)	-	(6,536)	-	(6,536)
2009 Dividend Credited To Members' Accounts - 5.65%	-	-	(19,371,921)	(19,371,921)
Dividend On Contribution Withdrawals	-	-	(241,829)	(241,829)
Adjustment On Dividend Credited In Previous Year	-	-	(6,364)	(6,364)
As At 31 December 2009	-	40,000	951,095	991,095
<b>As At 31 December 2009</b>	<b>23,162,278</b>	<b>40,000</b>	<b>951,095</b>	<b>24,153,373</b>
First Time Adjustment On Compliance To FRS 139 In 2010	-	-	(656,171)	(656,171)
<b>Balance As Restated</b>	<b>23,162,278</b>	<b>40,000</b>	<b>294,924</b>	<b>23,497,202</b>
Surplus Of Income For The Current Year	-	-	23,036,554	23,036,554
Transfer From Interest On Contributions Paid Late	-	10,797	-	10,797
Revaluation On Available-For-Sale Financial Assets	20,760,189	-	-	20,760,189
Adjustment On Disposal Of Available-For-Sale Financial Assets	(7,357,858)	-	-	(7,357,858)
Payment On Invocation Of Section 50(3)	-	(10,797)	-	(10,797)
2010 Dividend Credited To Members' Account - 5.80%	-	-	(21,610,131)	(21,610,131)
Dividend On Contribution Withdrawals	-	-	(302,150)	(302,150)
Adjustment On Dividend Credited In Previous Year	-	-	(13,600)	(13,600)
<b>As At 31 December 2010</b>	<b>36,564,609</b>	<b>40,000</b>	<b>1,405,597</b>	<b>38,010,206</b>

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

## STATEMENT OF CHANGES IN MEMBERS' FUND (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

EPF	← Non-Distributable →		Distributable Accumulated (Deficit) / Surplus (RM'000)	Total (RM'000)
	Available-For- Sale Financial Asset Reserves (RM'000)	Section 50(3) Reserve (RM'000)		
As At 31 December 2008	-	40,000	753,847	793,847
Surplus Of Income For The Current Year	-	-	19,626,462	19,626,462
Transfer From Interest On Contributions Paid Late	-	6,536	-	6,536
Payment On Invocation Of Section 50(3)	-	(6,536)	-	(6,536)
2009 Dividend Credited To Members' Accounts - 5.65%	-	-	(19,371,921)	(19,371,921)
Dividend On Contribution Withdrawals	-	-	(241,829)	(241,829)
Adjustment On Dividend Credited In Previous Year	-	-	(6,364)	(6,364)
As At 31 December 2009	-	40,000	760,195	800,195
<b>As At 31 December 2009</b>	<b>23,162,278</b>	<b>40,000</b>	<b>760,195</b>	<b>23,962,473</b>
First Time Adjustment On Compliance To FRS 139 In 2010	-	-	(357,386)	(357,386)
<b>Balance As Restated</b>	<b>23,162,278</b>	<b>40,000</b>	<b>402,809</b>	<b>23,605,087</b>
Surplus Of Income For The Current Year	-	-	22,312,434	22,312,434
Transfer From Interest On Contributions Paid Late	-	10,797	-	10,797
Revaluation On Available-For-Sale Financial Assets	20,760,189	-	-	20,760,189
Adjustment On Disposal Of Available-For-Sale Financial Assets	(7,357,858)	-	-	(7,357,858)
Payment On Invocation Of Section 50(3)	-	(10,797)	-	(10,797)
2010 Dividend Credited To Members' Account - 5.80%	-	-	(21,610,131)	(21,610,131)
Dividend On Contribution Withdrawals	-	-	(302,150)	(302,150)
Adjustment On Dividend Credited In Previous Year	-	-	(13,600)	(13,600)
<b>As At 31 December 2010</b>	<b>36,564,609</b>	<b>40,000</b>	<b>789,362</b>	<b>37,393,971</b>



## CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	GROUP		EPF	
		2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Net Income Before Taxation And Zakat		<b>23,149,781</b>	19,694,492	<b>22,312,434</b>	19,626,462
<i>Adjustments For:</i>					
Share Of Results From Associated Companies		<b>(813,916)</b>	(645,596)	-	-
Depreciation Of Property, Plant And Equipment		<b>35,302</b>	37,466	<b>28,147</b>	29,773
Depreciation Of Investment Properties		<b>43,298</b>	32,506	<b>31,407</b>	24,310
Amortisation Of Intangible Assets		<b>14,379</b>	14,907	<b>14,013</b>	14,012
Amortisation Of Prepaid Land Lease		<b>1,344</b>	1,209	<b>1,179</b>	1,044
Impairment Loss On Foreclosed Properties		<b>6,710</b>	-	-	-
Impairment Loss On Held-To-Maturity Investment Assets		<b>350,000</b>	-	<b>350,000</b>	-
Impairment Loss On Available-For-Sale Financial Assets		<b>830,423</b>	-	<b>830,423</b>	-
Impairment Loss On Loans, Advances And Financing		<b>112,234</b>	109,898	-	-
Allowance For Diminution In Value Of Investments		-	1,083,107	-	1,083,107
Allowance On Investment Security Losses		-	40,279	-	40,279
Reversal Of Impairment Loss On Held-To-Maturity Investment Assets		<b>(11,477)</b>	-	<b>(11,477)</b>	-
Reversal Of Impairment Loss On Available-For-Sale Financial Assets		<b>(1,096)</b>	-	<b>(1,096)</b>	-
Reversal Of Allowance For Diminution In Value Of Investments		-	(3,618,325)	-	(3,618,325)
Reversal Of Allowance For Losses On Investment Security Losses		-	(7,864)	-	(7,864)
Reversal Of Impairment Loss On Loans, Advances And Financing		<b>(8)</b>	(22)	<b>(8)</b>	(22)
Reversal Of Impairment Loss On Assets Held For Sale		<b>(8,414)</b>	-	<b>(8,414)</b>	-
Reversal Of Impairment Loss On Investments In Subsidiaries And Associated Companies		-	-	<b>(234,966)</b>	(572,983)
Reversal Of Impairment Loss On Property, Plant And Equipment		-	(29,379)	-	(29,379)
Provision For Employee Benefits		<b>20,431</b>	19,405	<b>20,431</b>	19,405
Allowance On Bad Doubtful Debt / Written Offs		<b>19,164</b>	19,641	-	-
Written Offs / Losses		<b>48</b>	219	<b>48</b>	219
Gain On Disposal Of Property, Plant And Equipment		<b>(265)</b>	(1,724)	<b>(258)</b>	(116)
Gain On Disposal Of Foreclosed Properties		<b>(200)</b>	(65)	-	-
Gain On Disposal Of Investment Properties		<b>(1,774)</b>	(1,616)	-	-
Gain On Disposal Of Inventories		<b>(190)</b>	(2,000)	-	-
Interest In Suspense, Net Of Recoveries And Written Offs		-	394,054	-	-
Share Options Granted - ESOS		<b>2,141</b>	-	-	-
		<b>23,747,915</b>	17,140,592	<b>23,331,863</b>	16,609,922

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

## CASH FLOW STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	GROUP		EPF	
		2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
<b>(Increase) / Decrease In Operating Assets:</b>					
Intangible Assets		(10,437)	-	(10,437)	-
Held-To-Maturity Investment Assets		(6,553,523)	(2,714,924)	(6,596,593)	(2,714,924)
Available-For-Sale Financial Assets		(55,048,657)	(9,060,825)	(55,048,657)	(9,060,825)
Financial Assets At Fair Value Through Profit / Loss		(752,778)	48,128	(478,746)	48,128
Asset Held For Sale		1,161,759	(191,865)	1,161,759	(191,865)
Deposits With Financial Institutions		(1,571,113)	(5,496,073)	(1,571,113)	(5,496,073)
Loans, Advances And Financing		(8,274,115)	(10,693,315)	(5,162,784)	(8,854,888)
Receivables, Deposits And Prepayments		(933,610)	(387,661)	(947,487)	(370,795)
Tax Recoverable		335,764	107,321	330,736	103,156
Accrued Interest / Dividend		(403,966)	40,828	(403,934)	40,836
Proceeds From Disposal Of Foreclosed Properties		6,200	283	-	-
Inventories		3,000	28,997	-	-
		<b>(72,041,476)</b>	<b>(28,319,106)</b>	<b>(68,727,256)</b>	<b>(26,497,250)</b>
<b>Increase / (Decrease) In Operating Liabilities:</b>					
Net Contributions		12,198,838	9,724,486	12,198,838	9,724,486
Dividend On Contribution Withdrawals		(302,150)	(241,829)	(302,150)	(241,829)
First Time Adjustment On Compliance To FRS 139 In 2010		(357,386)	-	(357,386)	-
Available-For-Sale Financial Asset Reserves		36,564,609	-	36,564,609	-
Derivative Liabilities		35,175	-	35,175	-
Provision For Employee Benefits		(4,264)	(3,464)	(4,264)	(3,464)
Creditors And Accrued Liabilities		13,725	300,640	(82,404)	262,460
Deferred Profit Guarantee		(6)	(301)	-	-
Loans And Overdraft		200,119	(305,235)	-	-
Deposits And Advances		2,924,305	1,223,372	2,972	(37,657)
Contribution Withdrawals Payable		(4,558)	7,912	(4,558)	7,912
		<b>51,268,407</b>	<b>10,705,581</b>	<b>48,050,832</b>	<b>9,711,908</b>
Tax And Zakat Paid		(13,888)	(19,343)	-	-
Tax Received		14	2,589	-	-
<b>Net Cash From / (Used In) Operating Activities</b>		<b>2,960,972</b>	<b>(489,687)</b>	<b>2,655,439</b>	<b>(175,420)</b>

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

## CASH FLOW STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	GROUP		EPF	
		2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>					
Investments In Subsidiaries / Associated Companies		(2,743,779)	189,270	(2,136,997)	3,107
Acquisition Of Property, Plant And Equipment		(66,181)	(143,441)	(31,875)	33,079
Acquisition Of Intangible Assets		(1,587,250)	(618)	-	-
Net Acquisition Of Investment Properties		(351,336)	(63,961)	(351,336)	(63,961)
Additional Cost On Land Held For Property Development		(8)	-	(8)	-
Property Development Costs		(89)	(107)	(89)	(107)
Proceeds From Sale Of Investment Properties		3,573	3,970	-	-
Proceeds From Sale Of Property, Plant And Equipment		367	2,832	162	132
Proceeds From Sale Of Inventory		870	-	-	-
<b>Net Cash Used In Investing Activities</b>		<b>(4,743,833)</b>	<b>(12,055)</b>	<b>(2,520,143)</b>	<b>(27,750)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Group Share / Partnership Capital		283,922	-	-	-
Interest On Loan		1,636,845	-	-	-
Advances Capital		481,522	-	-	-
Issuance Of Shares		182	-	-	-
Obligations On Loans Sold To Cagamas		(36,517)	1,000,610	-	-
Dividend Payment To Minority Interest		(18,479)	(5,591)	-	-
<b>Net Cash From Financing Activities</b>		<b>2,347,475</b>	<b>995,019</b>	<b>-</b>	<b>-</b>
(Deficit) / Surplus In Cash And Cash Equivalents		564,614	493,277	135,296	(203,170)
Cash And Cash Equivalents As At 01 January		963,590	470,313	179,338	382,508
<b>Cash And Cash Equivalents As At 31 December</b>	<b>38</b>	<b>1,528,204</b>	<b>963,590</b>	<b>314,634</b>	<b>179,338</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

### 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 2010, EPF operates in four (4) regions and 63 branches located at the main cities all over Malaysia.

### 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The EPF's overall financial risk management policy 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 EPF is required to ensure that its investment activities are balanced between the targeted annual dividend and various financial risks.

The EPF's overall risk management framework seeks to minimise potential adverse effects on its financial performance. The EPF invests based on broad asset allocation strategy which determines the long term, strategically optimal allocation of funds across asset classes. The Strategic Asset Allocation or SAA is typically based on the risk / return profile of a benchmark for each asset class. Varying the potential asset allocations will result in different magnitudes of risk. Given the returns and risk for each potential asset allocation, the Investment Panel will be able to adjust the allocations until the strategically optimal allocation for the EPF is arrived.

The SAA is the highest level of investment decision making and is the most important step in the investment process as it determines the majority of the risk of its investments.

The SAA decision is subject to the EPF's Risk Appetite Statements as follows:

- i. The EPF will not tolerate a greater than 10% chance of the dividend falling below 2.5% in any year over the next 10 years.
- ii. The EPF will not tolerate a greater than one third (1/3) chance of the annualised dividend falling below inflation +2% over any rolling three (3) year period.

Another decision in the investment process, the Tactical Asset Allocation (TAA), would allow the EPF to vary each asset class allocation from the strategic allocation determined in the SAA and prevent excessive deviation from the SAA.

In order for EPF to achieve its mission, it has to manage the various risks posed by ever changing business environment. These risks include operational risk and financial risk.

#### 2.1 Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

Operational Risk Management ("ORM") is used to support and enhance activities in all areas to ensure it is an integral part of the decision making processes and corporate culture.

A structured and consistent ORM approach is adopted to align strategy, policy, processes, people, technology and knowledge for the purpose of evaluating and managing the uncertainties in creating value to protect EPF financial standing, reputation and membership and optimisation of services to members.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

#### 2.1 Operational Risk (Cont'd.)

EPF continuously strive to embed a risk practicing culture among its staff through risk education, and implementation of controls and procedures.

#### 2.2 Financial Risk

Financial risks are risks associated with various changes in economic aspects which give impact to the EPF financial stability. There are three (3) types of financial risks faced by EPF as follows:

- i. Credit risk;
- ii. Liquidity risk; and
- iii. Market risk (which comprise of price risk, interest rate risk and foreign currency exchange risk).

In 2010, EPF has adopted the accounting standard FRS 7 (Financial Instruments : Disclosures). Detailed policies pertaining to each type of financial risk as listed above are disclosed in Note 41.

### 3. PRINCIPAL ACTIVITIES

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 45 and 46 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.

#### 4.1 Basis Of Preparation

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

- i. The historical cost convention;  
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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

##### a. Standards, Amendments And IC Interpretations To Published Standards That Have Been Adopted In The Current Year

On 01 January 2010, the Group and EPF have adopted the Accounting Standard FRS, Amendments and IC Interpretations to the following Standards:

- FRS 4	<i>Insurance Contract</i>
- FRS 5	<i>Non Current Assets Held For Sale and Discontinued Operation</i>
- FRS 7	<i>Financial Instruments – Disclosures</i>
- FRS 8	<i>Operating Segments</i>
- FRS 101	<i>Presentation of Financial Statements (Revised 2009)</i>
- FRS 123	<i>Borrowing Costs</i>
- FRS 139	<i>Financial Instruments: Recognition and Measurement</i>
Amendments to FRS 1	<i>First Time Adoption of Financial Reporting Standards dan Amendments to FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
Amendments to FRS 7	<i>Financial Instruments: Disclosures</i>
Amendments to FRS 107	<i>Statement of Cash Flows</i>
Amendments to FRS 108	<i>Accounting Policies, Changes in Accounting Estimates and Error</i>
Amendments to FRS 110	<i>Events After Reporting Period</i>
Amendments to FRS 116	<i>Property, Plant and Equipment</i>
Amendments to FRS 117	<i>Leases</i>
Amendments to FRS 118	<i>Revenue</i>
Amendments to FRS 119	<i>Employee Benefits</i>
Amendments to FRS 123	<i>Borrowing Cost</i>
Amendments to FRSs contained in the document entitled “Improvements to FRSs (2009)”	
- Amendments to IC Interpretation	
- IC Interpretation 9	<i>Reassessment of Embedded Derivatives</i>
- IC Interpretation 10	<i>Interim Financial Reporting and Impairment</i>
- IC Interpretation 11	<i>FRS 2 Group and Treasury Share Transactions</i>
- IC Interpretation 13	<i>Customer Loyalty Programmes</i>
- IC Interpretation 14	<i>FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction</i>

##### b. Standards, Amendments And IC Interpretations To Published Standards That Is Not Yet Effective

Revised FRS 3	<i>Business Combinations effective on 01 July 2010</i>
Amendments to FRS 1	<i>Additional Exemptions for First-time Adopters effective on 01 January 2011</i>
Amendments to FRS 2	<i>Group Cash – Settled Share Based Payments Transaction effective on 01 January 2011</i>
Amendments to FRS 7	<i>Improving Disclosures about Financial Instruments effective on 01 January 2011</i>
Amendments to FRS 132	<i>Financial Instruments : Presentation effective on 01 January 2011</i>
Amendments to FRS 134	<i>Interim Financial Reporting effective on 01 January 2011</i>
Amendments to FRS 139	<i>Financial Instruments: Recognition and Measurement effective on 01 January 2011</i>
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	<i>effective on 01 July 2010</i>

#### 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. 4, 2007. 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

#### 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 loss. Impairment loss on goodwill are not reversed. The policy for the recognition and measurement of impairment loss is in accordance with Note 4.12.

#### 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 controls 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 loss is in accordance with Note 4.12.

The Group has taken advantage of the exemption provided by FRS 3 (Business Combination) to apply this standard prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with this standards.

A purchase method is used in accounting for the consolidation of subsidiaries. Under the purchase method, subsidiaries are 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 acquisition is measured at fair value of the assets received, equity instruments issued and the existing outstanding liabilities or assumed at the date of exchange, plus direct costs attributable to the acquisition.

Identifiable assets and liabilities acquired 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. The accounting policy on goodwill is as per 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 the portion of the profit or loss and net assets of a subsidiary attributable to the equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

Minority Interest is measured in respect of it's share of the subsidiaries' identifiable assets and liabilities at fair value as at the acquisition date and the minority's share upon changes in equity of the subsidiaries from this date.

Intragroup transactions, balances and unrealised gains on transactions between companies of the Group are eliminated. Unrealised losses are also eliminated but is considered as impairment indicator on the assets 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 foreign exchange differences that relates to the subsidiary is recognised in the Consolidated Income Statement.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

#### 4.5 Investments In Associates

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 the power 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 has significant influence over another entity.

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

The Group's share of profits or 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 loss 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, is 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 loss is in accordance with Note 4.12.

#### 4.7 Investment Financial Assets

In conjunction with compliance to the accounting standard FRS 139 (Financial Instruments: Recognition And Measurement) which is effective from 01 January 2010, the EPF has revised its accounting policies in relation to the recognition and valuation of the investment financial assets.

Prior to this, the summary of EPF accounting policies on investment assets (other than Loans, Advances And Financing instruments which the accounting policies are disclosed separately in Note 4.8) are as follows:

##### a. Fixed Income Investment Instruments

Fixed Income Investment Instruments such as Malaysian Government Securities, Government Investment Issues, Bonds and Private Debt 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. Allowance for losses is made and disclosed as Allowance For Bad And Doubtful Debts when the Investment Panel considers that the allowance for losses is to be provided.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

#### 4.7 Investment Financial Assets (Cont'd.)

##### a. Fixed Income Investment Instruments (Cont'd.)

After FRS 139 is adopted, the fixed income investment instruments that are managed internally is still stated at amortised cost. However, the accounting policies with regard to the recognition of impairment loss has been revised.

##### b. Equity Investment Instruments

Equity Investment Instruments which include domestic and global equity comprising Quoted Equities and Unquoted Equities irregardless whether they have been managed internally or through External Fund Managers are stated at cost less allowance for diminution in value based on specific criteria and according to the type of equity investments.

After FRS 139 is adopted, the equity investment instruments are stated at fair value. Accounting policies with regard to recognition of impairment loss has also been revised in accordance with guidelines as set out by FRS 139.

In conjunction with compliance to FRS 139, the EPF has performed revaluation on the balances of all investment financial instruments for the position as at 01 January 2010 in which the financial implications to the compliance of FRS 139 has been adjusted to the opening balance of the Accumulated Surplus Account as disclosed in the Statement Of Changes In Members' Fund for the financial year ended 31 December 2010.

Details on financial implications due to compliance to FRS 139 with effect from 2010 are disclosed in Note 44.

With effect from 2010, the EPF classifies its investment financial assets based on FRS 139 as follows:

- i. Held-To-Maturity Investment Assets
- ii. Available-For-Sale Financial Assets
- iii. Loans And Receivables
- iv. Financial Assets At Fair Value Through Profit / Loss

The classification of financial assets based on FRS 139 depends on the purpose of each financial asset acquired by the EPF. The EPF determines the classification of financial assets at initial recognition. Apart from financial assets categorised as Loans, Advances And Financing as well as Deposits With Financial Institutions which are disclosed separately in the Statement Of Financial Position, the EPF accounting policies in respect of investment financial assets after adopting FRS 139 are as follows:

##### a. Held-To-Maturity Investment Assets

Held-To-Maturity Investment Assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the EPF has the positive intention and ability to hold these investment assets to maturity. If the EPF were to sell Held-To-Maturity Investment Assets other than an insignificant amount, the whole category of this financial asset would be tainted and reclassified as Available-For-Sale Financial Assets.

EPF investment instruments which have been classified as Held-To-Maturity Investment Assets are Malaysian Government Securities, Government Investment Issues, Bonds and Private Debt Securities.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

#### 4.7 Investment Financial Assets (Cont'd.)

##### b. Available-For-Sale Financial Assets

Available-For-Sale Financial Assets are non-derivative financial assets in which the EPF has designated in this category upon initial recognition or not classified in any of the other categories of the financial assets under FRS 139.

EPF investment instruments which have been classified as Available-For-Sale Financial Assets are domestic and global equity investment instruments that include Quoted Equities and Unquoted Equities irregardless whether they are managed internally or through External Fund Managers and domestic as well as global Fixed Income Investment Instruments managed by the External Fund Managers.

##### c. Financial Assets At Fair Value Through Profit / Loss

Financial Assets At Fair Value Through Profit / Loss are financial assets held for trading. A financial asset is classified in this category if it is acquired for trading purpose or repurchasing it in the near term. Derivative financial assets are also classified as Financial Assets At Fair Value Through Profit / Loss unless they are designated as hedges.

EPF investment instruments which have been classified as Financial Assets At Fair Value Through Profit / Loss are Fixed Income Investment Instruments designated as trading portfolio and derivative instruments which are purchased directly or embedded in the contracts that the EPF has entered into as at the Statement Of Financial Position.

Recognition and initial measurement of the financial assets after adopting FRS 139 are as follows:

- i. Purchases and sales of financial assets are recognised on the trade date, the date on which the EPF commits to purchase or sell the financial assets.
- ii. Financial assets are initially recognised at fair value plus related transaction costs.

Subsequent measurement of the financial assets (other than financial asset categorised as Loans, Advances And Financing which is separately disclosed in Note 4.8) after adopting FRS 139 are as follows:

##### i. Held-To-Maturity Investment Assets

Stated at amortised cost using the effective yield method.

##### ii. Available-For-Sale Financial Assets

Stated at fair value. Changes in the fair value as well as changes in foreign currency exchange rates for the global investment instruments are recognised in the Available-For-Sale Financial Asset Reserves except for impairment loss.

##### iii. Financial Assets At Fair Value Through Profit / Loss

Stated at fair value. Changes in the fair value as well as changes in foreign currency exchange rates for the global investment instruments are recognised in the Income Statement in the period in which the change occurs.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

#### 4.7 Investment Financial Assets (Cont'd.)

The accounting policies in relation to recognition of impairment loss on financial assets during subsequent measurement are as follows after adopting FRS 139:

##### i. Held-To-Maturity Investment Assets

The EPF assesses whether there is objective evidence that Held-To-Maturity Investment Assets are impaired on specific interval basis. This financial asset is considered impaired when there is an objective evidence resulting from several triggers that occurred after the initial recognition of the financial asset is made which has an impact to the estimated future cash flows of the financial assets that can be reliably estimated.

The criteria used by the EPF to determine whether there is an objective evidence of impairment has occurred for Held-To-Maturity Investment Assets include the following triggers:

- a. Decline in investment grade rating below the investment grade as set out by the EPF as at the Statement Of Financial Position date.
- b. Default in paying principal / interest according to the repayment schedule.
- c. Cease business operations / bankruptcy (upon filing of the case).
- d. Winding up order on business operations.
- e. Company in which EPF invested has been classified as PN17.
- f. Material fraud with publicised news / upon appointment of financial advisor.
- g. Company in which EPF invested received a Qualified Audit Certificate.

The amount of impairment loss is measured as the difference between the carrying amount of the Held-To-Maturity Investment Assets and the present value of estimated future cash flows discounted at the financial asset's original effective yield method. The carrying value of the Held-To-Maturity Investment Assets is reduced and the amount of the impairment loss is recognised in the Income Statement.

If the revaluation made in the subsequent period reveals that the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the Income Statement.

When the Held-To-Maturity Investment Asset is uncollectible, it is written off against the allowance for impairment loss account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

##### ii. Available-For-Sale Financial Assets

The EPF assesses whether there is objective evidence that Available-For-Sale Financial Assets are impaired on specific interval basis. The assessment method used by the EPF depends on the type of investment instruments which has been classified as Available-For-Sale Financial Assets as follows:

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

#### 4.7 Investment Financial Assets (Cont'd.)

##### ii. Available-For-Sale Financial Assets (Cont'd.)

##### a. Equity Investment Instruments

An impairment loss is recognised when there is a significant or prolonged decline in the fair value as compared to the original cost as at the Statement Of Financial Position date. If any such evidence exists, the cumulative loss that had been recognised directly in the Available-For-Sale Financial Asset Reserves is removed and the impairment loss is recognised in the Income Statement. The amount of cumulative loss that is reclassified in the Income Statement is the difference between the acquisition cost and the current fair value less any impairment loss that has been previously recognised in the Income Statement. Any impairment loss recognised in the Income Statement in the previous period with regard to equity investment instruments classified as Available-For-Sale Financial Assets are not reversed through the Income Statement for the current period.

##### b. Fixed Income Investment Instruments Managed By The External Fund Managers

The impairment assessment on the Fixed Income Investment Instruments Managed By The External Fund Managers is consistent with the method used for financial assets classified as Held-To-Maturity Investment Assets. The consistent criteria were also used by the EPF to determine whether there is an objective evidence of impairment that has occurred to the Fixed Income Investment Instruments Managed By The External Fund Managers which has been classified as Available-For-Sale Financial Assets as per the following triggers:

- Decline in investment grade rating below the investment grade as set out by the EPF as at the Statement Of Financial Position date.
- Default in paying principal / interest according to the repayment schedule.
- Cease business operations / bankruptcy (upon filing of the case).
- Winding up order on business operations.
- Company in which EPF invested has been classified as PN17.
- Material fraud with publicised news / upon appointment of financial advisor.
- Company in which EPF invested received a Qualified Audit Certificate.

The amount of impairment loss for Fixed Income Investment Instrument Managed By The External Fund Managers which has been classified as Available-For-Sale Financial Assets is measured as the difference between the carrying amount as at the Statement Of Financial Position date and the present value of estimated future cash flows discounted at the financial asset's original effective yield method. The carrying value of this financial asset is reduced and the amount of the impairment loss is recognised in the Income Statement. If the revaluation made in the subsequent period reveals that the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the impairment loss is recognised in the Income Statement.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

#### 4.8 Loans, Advances And Financing

Financial Assets classified as Loans, Advances And Financing are still disclosed separately after the EPF has adopted FRS 139 (Financial Instruments: Recognition And Measurement) with effect from 2010.

Loans, Advances And Financing are non-derivative financial assets that are classified as Loans And Receivables under FRS 139 with fixed or determinable payments that are not quoted in an active market. Loans, Advances And Financing are recognised on the trade date in which the EPF commits to give out loan plus related transaction costs, if any. The subsequent measurement of this financial asset is at amortised cost using the effective yield method.

After adopting FRS 139 with effect from 2010, the Group and EPF had assessed whether there is objective evidence that Loans, Advances And Financing are impaired on specific interval basis. This financial asset is considered impaired when there is an objective evidence resulting from several triggers that occurred after the initial recognition of the financial asset is made which has an impact to the estimated future cash flows of the financial assets that can be reliably estimated.

The criteria used by the EPF to determine whether there is an objective evidence of impairment has occurred for Loans, Advances And Financing include the following triggers:

- i. Decline in investment grade rating below the investment grade as set out by the EPF as at the Statement Of Financial Position date.
- ii. Default in paying principal / interest according to the repayment schedule.
- iii. Borrower ceased business operations / bankruptcy (upon filing of the case).
- iv. Borrower received winding up order on business operations.
- v. Material fraud with publicised news / upon appointment of financial advisor.
- vi. Borrower received a Qualified Audit Certificate.

The amount of impairment loss is measured as the difference between the carrying amount of the Loans, Advances And Financing and the present value of estimated future cash flows discounted at the financial asset's original effective yield method. The carrying value of the Loans, Advances And Financing is reduced through the use of an allowance account and the amount of the impairment loss is recognised in the Income Statement.

If the revaluation made in the subsequent period reveals that the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the Income Statement.

When the Loans, Advances And Financing is uncollectible, it is written off against the allowance for impairment loss account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Included in Loans, Advances And Financing are Staff Loans financial assets. There is no significant impact to state Staff Loan financial assets at fair value in the subsequent measurement. There are three (3) types of loan schemes offered to the EPF's staffs at the interest rate approved by the Board based on the terms and conditions of service as follows:

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

#### 4.8 Loans, Advances And Financing (Cont'd.)

The fund used to finance staff loans for the above mentioned three (3) schemes is considered as EPF investments of which the fund allocation usage is subject to the limit 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 bases its estimates on historical results, taking into consideration the types of customer, the types of transaction and the specifications of each arrangement.

##### i. Recognition Of Investment Income

Dividend from domestic Available-For-Sale Financial Assets, interest from Held-To-Maturity Investment Assets, interest from Loans, Advances And Financing, interest from Deposits With Financial Institutions and Rental Income are recognised on an accrual basis. Dividend from global Available-For-Sale Financial Assets is recognised on cash basis.

##### 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.

##### iv. Impairment Loss On Loans, Advances And Financing

In conjunction with compliance to the accounting standard FRS 139 (Financial Instruments: Recognition And Measurement) with effect from 2010, the recognition of impairment loss policies on Loans, Advances And Financing which was previously based on "Guidelines On The Suspension Of Interest On Non Performing Loans And Provision For Bad And Doubtful Debts – BNM / GP 3" as issued by the Bank Negara Malaysia is now in accordance with impairment loss policies as disclosed in Note 4.8.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

##### vi. Interest On Loans, Advances And Financing (MBSB)

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 Discount / Premium On Financial Assets

Accretion / amortisation of discount / premium on fixed income investment instrument financial assets are recognised using the effective yield 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.

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:

Buildings	2% – 3%
Building Plant And Machinery	10% – 20%
Office / Building Renovation	10% – 20%
Furniture, Fixtures And Fittings	20%
Motor Vehicles	20%
Office Equipment	20%
Computer Software And Hardware	20% – 33%

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each Statement Of Financial Position date. At each Statement Of Financial Position 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. An Impairment Loss is recognised if the carrying amount exceeds the recoverable amount as disclosed in Note 4.12.

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 Property, Plant And Equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the Income Statement. If changes occurred on the intention of utilisation of Owned Used Property to Investments Property, such property will be revalued based on fair value and thereafter reclassified as Investment Property.

#### 4.11 Investment Properties

Investment Properties, comprising principally land and office 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 accumulated impairment losses. Investment Properties are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful life 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 Statement Of Financial Position.

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

The depreciation rate for building which has been classified as Investment Property is at 2% – 3% as stated in Note 4.10.

#### 4.12 Impairment Of Non-Financial Assets

Non-financial assets that have indefinite useful life are not subject to amortisation and are assessed annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recovered.

An impairment loss is recognised when the carrying amount of non-financial assets exceeds its recoverable amount. The recoverable amount is the higher of fair value of non-financial assets less costs to sell or value in use.

For the purposes of assessing impairment, non-financial assets are grouped at the lowest level for which cash flows (cash –generating units) can be separately identified. Non-financial assets other than Goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting year.

An impairment loss is charged to the Income Statement. In respect of other non-financial assets, any subsequent increase in the recoverable amount is recognised in the Income Statement except for the reversal of an impairment loss on a revalued non-financial assets in which it is accounted for in the Revaluation Surplus Account.

#### 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 is in accordance with Note 4.24.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

#### 4.14 Receivables

Receivables financial asset are carried at invoice amount less allowance for impairment loss. There is no significant impact to state Receivables financial asset at fair value in the subsequent measurement. An allowance for impairment loss is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of Receivables as disclosed in Note 4.8.

#### 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 and 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 loss 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 of 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 cannot be 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 includes costs of land, construction and appropriate development overheads.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

#### 4.19 Provision For Employee 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 of the Group. Short term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees whereas short term non-accumulated 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.

##### c. Long Term Benefits

The EPF has adopted FRS 119 – Employee Benefits of which payment for 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 employee benefit expenses whereas in the Statement Of Financial Position such amount is recognised as liability known as Provision For Employee Benefits. Types of long term benefit which will be recognised on an 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 lives of the employees of 17 years.

The computation of cash in lieu of annual leave payable to retirees is based on the actual information available as at the Statement Of Financial Position and the eligibility is based on the 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 either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

##### 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

#### 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 Statement Of Financial Position 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 of 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 Statement Of Financial Position date.

Deferred tax is provided for, using the liability method, on the temporary differences at the Statement Of Financial Position 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 Statement Of Financial Position 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

#### 4.23 Foreign Currency (Cont'd.)

##### b. Transactions And Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Financial assets and liabilities in foreign currency are translated using the exchange rate as at the Statement Of Financial Position date. The difference resulted from the settlement of foreign currency transactions and from the translation of financial assets and liabilities in foreign currency is recognised 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. Any amount in excess / deficit of RM40 million will be transferred to / from accumulated surplus.

#### 4.25 Available-For-Sale Financial Asset Reserves

In conjunction with compliance to the accounting standard FRS 139 (Financial Instruments: Recognition And Measurement) with effect from 2010, Available-For-Sale Financial Asset Reservers has been established to account for the movement in change of fair value of financial asset which is classified as Available-For-Sale Financial Assets. The Available-For-Sale Financial Asset Reserves Account is credited when there is a positive change in the fair value of Available-For-Sale Financial Assets. On the contrary, this reserve account is debited when there is a negative change in the fair value of Available-For-Sale Financial Assets or when there is a disposal of Available-For-Sale Financial Assets. When impairment loss occurred to any item classified as Available-For-Sale Financial Assets, the whole balance which exists in the Available-For-Sale Financial Asset Reserves of the related items will be recycled where the impairment loss is recognised in full in the Income Statement.

#### 4.26 Contingent Liabilities And Contingent Assets

The Group does not recognise a Contingent Liability but discloses its existence in the Financial Statements. 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.

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. Subsequent to the initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment loss. Intangible Assets are amortised on a straight line basis over the estimated economic useful life for five (5) years and assessed for impairment whenever there is indication that the intangible asset may be impaired.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

#### 4.29 Leases

##### a. Leases – Where The Group Is Lessee

###### Operating Lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the period of the lease.

The up front payments made for leasehold land represent prepaid lease rentals and are amortised on straight line basis over the lease term.

Where an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period when termination takes place.

##### b. Leases – Where The Group Is Lessor

###### Operating Lease

When assets are leased out under an operating lease, the asset is included in the Statement Of Financial Position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight line basis.

#### 4.30 Deferred Profit Guarantee

Income from Profit Guarantee on residential parcels sold is recognised within 60 days after the expiry of 12 months from the date of launching.

Income from Profit Guarantee on residential parcels sold or not sold is recognised within 60 days after the expiry of 24 months from the date of launching.

Income received for such activities that take place after the financial year is taken up as deferred income.

#### 4.31 Rental Guarantee

Rental Guarantee are fair value on inception excluding Value Added Tax (VAT). Cash received under the instrument is allocated to the asset. The fair value of the rental guarantee is assessed on an annual basis with any movements being recognised under finance costs in the Income Statement.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

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 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 at every three (3) years for actuarial valuation. The latest actuarial valuation was done in year 2009. 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 differ by 10% from the management's estimates, the carrying amount of Post-Employment Medical Benefit Obligations would be estimated at RM11.30 million higher or RM10 million lower.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 6. DEFERRED TAX

	GROUP	
	2010 (RM'000)	2009 (RM'000)
As At 01 January	17,329	1,203
Amount Recognised In Income Statement	1,551	16,126
<b>As At 31 December</b>	<b>18,880</b>	<b>17,329</b>
The following Amount Determined After Appropriate Set Off In The Statement Of Financial Position:		
Deferred Tax Assets	(376)	(375)
Deferred Tax Liabilities	19,256	17,704
	<b>18,880</b>	<b>17,329</b>

The components and movements in Deferred Tax Assets and Liabilities during the financial year comprise the followings:

#### 6.1 DEFERRED TAX ASSETS / LIABILITIES

	Unutilised Tax Losses (RM'000)	Fair Value Adjustment From Business Combination (RM'000)	Property Plant And Equipment (RM'000)	Other Temporary Differences (RM'000)	Total (RM'000)
As At 01 January 2010	(1,152)	23,679	(5,273)	75	17,329
Amount Recognised In Income Statement	-	(75)	1,626	-	1,551
<b>As At 31 December 2010</b>	<b>(1,152)</b>	<b>23,604</b>	<b>(3,647)</b>	<b>75</b>	<b>18,880</b>
As At 01 January 2009	(17,152)	23,753	(5,848)	450	1,203
Amount Recognised In Income Statement	16,000	(74)	575	(375)	16,126
As At 31 December 2009	(1,152)	23,679	(5,273)	75	17,329

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 7. PROPERTY, PLANT AND EQUIPMENT

#### 7.1 GROUP

2010	As At 01 January	Additions	(Disposals) / Adjustments / Reclassification	Written Off	(Reversal Of Impairment) / Impairment	As at 31 December
COST	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Freehold Land	26,412	9,968	(7,062)	-	-	29,318
Leasehold Land	29,465	-	(29,465)	-	-	-
Buildings	408,522	19,303	(32,015)	(729)	-	395,081
Building Plant And Machinery	30,523	4,353	71	(26)	-	34,921
Office / Building Renovation	87,496	11,862	14,893	-	-	114,251
Furniture, Fixtures And Fittings	50,543	1,596	(77)	(231)	-	51,831
Motor Vehicles	5,184	1,139	(76)	(612)	-	5,635
Office Equipment	90,730	1,065	1,217	(883)	-	92,129
Computer Software And Hardware	153,953	4,555	3,427	(767)	-	161,168
Work-In-Progress	95,734	12,893	(22,700)	-	-	85,927
	<b>978,562</b>	<b>66,734</b>	<b>(71,787)</b>	<b>(3,248)</b>	<b>-</b>	<b>970,261</b>

2010						
ACCUMULATED DEPRECIATION						
Freehold Land	371	-	-	-	-	371
Leasehold Land	294	-	(294)	-	-	-
Buildings	181,658	10,825	(8,338)	(278)	-	183,867
Building Plant And Machinery	28,325	606	2	(23)	-	28,910
Office / Building Renovation	71,772	10,733	(1,082)	-	-	81,423
Furniture, Fixtures And Fittings	46,554	1,922	(50)	(231)	-	48,195
Motor Vehicles	4,200	396	(1)	(612)	-	3,983
Office Equipment	86,058	2,054	-	(880)	-	87,232
Computer Software And Hardware	139,274	8,766	(513)	(767)	-	146,760
	<b>558,506</b>	<b>35,302</b>	<b>(10,276)</b>	<b>(2,791)</b>	<b>-</b>	<b>580,741</b>

2009						
COST						
Freehold Land	27,018	-	(606)	-	-	26,412
Leasehold Land	-	29,465	-	-	-	29,465
Buildings	485,371	185	(76,478)	(556)	-	408,522
Building Plant And Machinery	30,603	90	-	(170)	-	30,523
Office / Building Renovation	82,914	4,582	-	-	-	87,496
Furniture, Fixtures And Fittings	48,730	1,441	583	(211)	-	50,543
Motor Vehicles	5,319	495	(142)	(488)	-	5,184
Office Equipment	89,977	1,379	471	(1,097)	-	90,730
Computer Software And Hardware	154,357	2,592	516	(3,512)	-	153,953
Work-In-Progress	75,636	26,326	(6,228)	-	-	95,734
	<b>999,925</b>	<b>66,555</b>	<b>(81,884)</b>	<b>(6,034)</b>	<b>-</b>	<b>978,562</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

#### 7.1 GROUP (CONT'D.)

2009	As At 01 January	Additions	(Disposals) / Adjustments / Reclassification	Written Off	(Reversal Of Impairment) / Impairment	As at 31 December
ACCUMULATED DEPRECIATION	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Freehold Land	371	-	-	-	-	371
Leasehold Land	-	294	-	-	-	294
Buildings	211,902	11,535	(12,035)	(365)	(29,379)	181,658
Building Plant And Machinery	27,610	879	-	(164)	-	28,325
Office / Building Renovation	62,605	9,167	-	-	-	71,772
Furniture, Fixtures And Fittings	44,916	1,850	(1)	(211)	-	46,554
Motor Vehicles	4,447	383	(142)	(488)	-	4,200
Office Equipment	85,266	1,885	-	(1,093)	-	86,058
Computer Software And Hardware	135,432	11,473	(4,120)	(3,511)	-	139,274
	572,549	37,466	(16,298)	(5,832)	(29,379)	558,506

#### 7.2 EPF

2010	As At 01 January	Additions	(Disposals) / Adjustments / Reclassification	Written Off	(Reversal Of Impairment) / Impairment	As at 31 December
COST	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Buildings	241,460	724	154	(729)	-	241,609
Building Plant And Machinery	30,522	4,353	71	(26)	-	34,920
Office / Building Renovation	70,684	7,738	17,299	-	-	95,721
Furniture, Fixtures And Fittings	27,337	572	31	(231)	-	27,709
Motor Vehicles	4,400	988	-	(612)	-	4,776
Office Equipment	90,487	1,065	1,217	(883)	-	91,886
Computer Software And Hardware	139,666	4,095	3,928	(767)	-	146,922
Work-In-Progress	97,248	12,893	(22,700)	-	-	87,441
	701,804	32,428	-	(3,248)	-	730,984

2010	As At 01 January	Additions	(Disposals) / Adjustments / Reclassification	Written Off	(Reversal Of Impairment) / Impairment	As at 31 December
ACCUMULATED DEPRECIATION	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Buildings	90,695	7,186	-	(278)	-	97,603
Building Plant And Machinery	28,325	606	2	(23)	-	28,910
Office / Building Renovation	60,977	9,146	(2)	-	-	70,121
Furniture, Fixtures And Fittings	26,410	647	-	(231)	-	26,826
Motor Vehicles	3,679	259	-	(612)	-	3,326
Office Equipment	86,001	2,018	-	(880)	-	87,139
Computer Software And Hardware	127,956	8,285	-	(767)	-	135,474
	424,043	28,147	-	(2,791)	-	449,399

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

#### 7.2 EPF (Cont'd.)

2009	As At 01 January	Additions	(Disposals) / Adjustments / Reclassification	Written Off	(Reversal Of Impairment) / Impairment	As at 31 December
COST	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Buildings	317,556	185	(75,725)	(556)	-	241,460
Building Plant And Machinery	30,602	90	-	(170)	-	30,522
Office / Building Renovation	70,084	600	-	-	-	70,684
Furniture, Fixtures And Fittings	26,729	232	587	(211)	-	27,337
Motor Vehicles	4,605	283	-	(488)	-	4,400
Office Equipment	89,855	1,258	471	(1,097)	-	90,487
Computer Software And Hardware	135,914	2,095	5,169	(3,512)	-	139,666
Work-In-Progress	77,150	26,326	(6,228)	-	-	97,248
	752,495	31,069	(75,726)	(6,034)	-	701,804

2009	As At 01 January	Additions	(Disposals) / Adjustments / Reclassification	Written Off	(Reversal Of Impairment) / Impairment	As at 31 December
ACCUMULATED DEPRECIATION	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Buildings	125,188	7,015	(11,764)	(365)	(29,379)	90,695
Building Plant And Machinery	27,610	879	-	(164)	-	28,325
Office / Building Renovation	52,961	8,016	-	-	-	60,977
Furniture, Fixtures And Fittings	25,879	742	-	(211)	-	26,410
Motor Vehicles	3,900	267	-	(488)	-	3,679
Office Equipment	85,237	1,857	-	(1,093)	-	86,001
Computer Software And Hardware	120,470	10,997	-	(3,511)	-	127,956
	441,245	29,773	(11,764)	(5,832)	(29,379)	424,043

#### 7.3 NET BOOK VALUE

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Freehold Land	28,947	26,041	-	-
Leasehold Land	-	29,171	-	-
Buildings	211,214	226,864	144,006	150,765
Building Plant And Machinery	6,011	2,198	6,010	2,197
Office / Building Renovation	32,828	15,724	25,600	9,707
Furniture, Fixtures And Fittings	3,636	3,989	883	927
Motor Vehicles	1,652	984	1,450	721
Office Equipment	4,897	4,672	4,747	4,486
Computer Software And Hardware	14,408	14,679	11,448	11,710
Work-In-Progress	85,927	95,734	87,441	97,248
	389,520	420,056	281,585	277,761



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 8. INVESTMENT PROPERTIES

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
<b>Net Book Value</b>				
As At 01 January				
As Stated Before	1,775,813	1,574,651	1,109,567	1,069,916
Reclassification From Property, Plant And Equipment	29,170	75,725	-	75,725
Restated Amount	1,804,983	1,650,376	1,109,567	1,145,641
Additions	1,938,582	170,498	352,749	-
Disposals	(2,010)	(791)	(2,010)	-
Depreciation	(43,032)	(33,714)	(31,141)	(25,518)
Adjustment On Depreciation	(266)	1,208	(266)	1,208
	(43,298)	(32,506)	(31,407)	(24,310)
Adjustment On Accumulated Depreciation On Disposals	597	-	597	-
Reclassification Of Depreciation From Property, Plant And Equipment	-	(11,764)	-	(11,764)
<b>As At 31 December</b>	<b>3,698,854</b>	<b>1,775,813</b>	<b>1,429,496</b>	<b>1,109,567</b>

### 9. INTANGIBLE ASSETS

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
As At 01 January	30,110	43,866	29,199	43,211
Reclassification Of Depreciation From Property, Plant And Equipment	-	533	-	-
	30,110	44,399	29,199	43,211
Additions	11,854	618	10,437	-
Amortisation	(14,379)	(14,907)	(14,013)	(14,012)
<b>As At 31 December</b>	<b>27,585</b>	<b>30,110</b>	<b>25,623</b>	<b>29,199</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 10. PREPAID LAND LEASE

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
<b>Cost</b>				
As At 01 January	141,770	141,770	130,052	130,052
<b>As At 31 December</b>	<b>141,770</b>	<b>141,770</b>	<b>130,052</b>	<b>130,052</b>
<b>Accumulated Amortisation / Impairment Loss</b>				
As At 01 January	23,489	22,280	21,722	20,678
Amortisation	1,324	1,425	1,159	1,260
Adjustment On Amortisation	20	(216)	20	(216)
	1,344	1,209	1,179	1,044
<b>As At 31 December</b>	<b>24,833</b>	<b>23,489</b>	<b>22,901</b>	<b>21,722</b>
<b>Net Book Value As At 31 December</b>	<b>116,937</b>	<b>118,281</b>	<b>107,151</b>	<b>108,330</b>

### 11. ASSETS HELD FOR SALE

The Group and EPF's assets are classified as Assets Held For Sale on the Consolidated Statement Of Financial Position as at 31 December 2010 are as follows:

	GROUP AND EPF			
	2010		2009	
	Cost / Book Value (RM'000)	Market Value (RM'000)	Cost / Book Value (RM'000)	Market Value (RM'000)
<u>Quoted Equities</u>				
Ordinary Equities	209,355	580,898	1,371,114	1,396,855
Provision Of Impairment Loss	-	-	(8,414)	-
	209,355	580,898	1,362,700	1,396,855

Included in Assets Held For Sale for EPF are RHB Capital Berhad's shares which will be disposed based on the extension of time approved by Bank Negara Malaysia.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 12. LAND HELD FOR PROPERTY DEVELOPMENT

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
<b>Leasehold Land</b>				
Cost As At 01 January	64,946	64,946	64,946	64,946
Additions	8	-	8	-
<b>Total Cost / Carrying Value As At 31 December</b>	<b>64,954</b>	<b>64,946</b>	<b>64,954</b>	<b>64,946</b>

### 13. PROPERTY DEVELOPMENT COSTS

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
As At 01 January :				
Freehold Land	11,446	11,446	-	-
Development Costs	154,208	154,101	148,051	147,944
Accumulated Costs Recognised In Income Statement	(8,992)	(8,992)	-	-
Development Costs Sold	(4,643)	(3,082)	-	-
	152,019	153,473	148,051	147,944
Costs Recognised During The Year:				
Development Costs	89	107	89	107
Disposal:				
Freehold Land Disposed	(1,799)	(1,561)	-	-
<b>Property Development Costs As At 31 December</b>	<b>150,309</b>	<b>152,019</b>	<b>148,140</b>	<b>148,051</b>

Included in Group Property Development Costs are interest capitalised during the financial year amounting RM1,129,631 (2009 : RM1,129,631).

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 14. INVESTMENTS IN SUBSIDIARIES

	EPF			
	2010		2009	
	Cost / Book Value (RM'000)	Recoverable Amount (RM'000)	Cost / Book Value (RM'000)	Recoverable Amount (RM'000)
Domestic Quoted Equities	908,758	693,173	915,146	476,124
Allowance For Impairment Loss	(215,585)		(439,022)	
	693,173		476,124	
Domestic Unquoted Equities	145,496	142,411	145,496	142,411
Allowance For Impairment Loss	(3,085)		(3,085)	
	142,411		142,411	
	835,584		618,535	
Global Unquoted Equities	1,994,618	1,994,618	-	
Loans To Subsidiary Companies	-		50,000	
Advance To Subsidiary Companies	511,000		526,453	
Capital Advance *	24,291		23,997	
	535,291		600,450	
	<b>3,365,493</b>		<b>1,218,985</b>	

\* Capital Advance will be capitalised as EPF's shares in the related subsidiary companies as approved by the Ministry Of Finance.

The list of Subsidiary Companies are disclosed in Note 45.

The maturity structure of the Loans And Advances to Subsidiary Companies are as follows:

	EPF	
	2010 (RM'000)	2009 (RM'000)
Maturing Within 12 Months	-	50,000
Maturing After 12 Months	535,291	550,450
	<b>535,291</b>	<b>600,450</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 15. INVESTMENTS IN ASSOCIATED COMPANIES

#### 15.1 GROUP

	2010		2009	
	Cost / Book Value (RM'000)	Recoverable Amount (RM'000)	Cost / Book Value (RM'000)	Recoverable Amount (RM'000)
Domestic Quoted Equities	6,647,581	9,593,714	6,300,472	6,172,278
Allowance For Impairment Loss	(615,228)		(623,333)	
	6,032,353		5,677,139	
Domestic Unquoted Equities	2,160,217	2,129,506	2,255,217	2,221,082
Allowance For Impairment Loss	(30,711)		(34,135)	
	2,129,506		2,221,082	
Loans	8,161,859		7,898,221	
Private Debt Securities	1,516,300		36,686	
	9,678,159		1,517,797	
			9,452,704	
<u>Add / (Less):</u>				
Profit / (Loss) And Adjustments On Associates:				
Projek Bandar Samariang Sdn Bhd	(3,117)		(3,515)	
Panca Pesona Sdn Bhd	6,077		4,216	
Malaysian Resources Corporation Bhd	(103,788)		(251,006)	
Bandar Eco-Setia Sdn Bhd	60,135		45,117	
RHB Capital Berhad	1,530,772		800,573	
Iskandar Investment Berhad	(23,348)		(12,160)	
Sunway South Quay Sdn Bhd	2,163		(844)	
HSBC Amanah Takaful (M) Sdn Bhd	(1,493)		(16,244)	
Malakoff Corporation Berhad	226,587		147,852	
Columbia Asia Sdn Bhd	(43,480)		16,469	
	1,650,508		730,458	
	11,328,667		10,183,162	

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

	GROUP	
	2010 (RM'000)	2009 (RM'000)
Assets	67,997,757	62,086,677
Liabilities	60,712,659	54,937,559
Revenue	5,074,472	4,714,619
Profit After Taxation	828,910	697,865

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

#### 15.2 EPF

	2010		2009	
	Cost / Book Value (RM'000)	Recoverable Amount (RM'000)	Cost / Book Value (RM'000)	Recoverable Amount (RM'000)
Domestic Quoted Equities	6,647,581	9,593,714	6,300,472	6,172,278
Allowance For Impairment Loss	(615,228)		(623,333)	
	6,032,353		5,677,139	
Domestic Unquoted Equities	2,160,217	2,129,506	2,255,217	2,221,082
Allowance For Impairment Loss	(30,711)		(34,135)	
	2,129,506		2,221,082	
Loans	8,161,859		7,898,221	
Private Debt Securities	-		36,686	
	1,516,300		1,517,797	
	9,678,159		9,452,704	

The maturity structure of the Loans and Private Debt Securities Associated Companies are as follows:

	GROUP AND EPF	
	2010 (RM'000)	2009 (RM'000)
Maturing Within 12 Months	-	36,686
Maturing After 12 Months	1,516,300	1,517,797
	1,516,300	1,554,483

The list of Associated Companies are disclosed in Note 46.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 16. HELD-TO-MATURITY INVESTMENT ASSETS

#### 16.1 GROUP

	2010	2009	
	Amortised Cost (RM'000)	Cost / Book Value (RM'000)	Market Value (RM'000)
Malaysian Government Securities	90,923,386	93,111,100	96,278,141
Government Investment Issues	27,593,753	20,986,669	20,989,665
Private Debt Securities	41,563,419	37,604,750	-
Allowance For Impairment Loss On Held-To-Maturity Investment Assets / Allowance For Losses On Investment Securities	(438,362)	(100,133)	
	41,125,057	37,504,617	
Commercial Papers	180,655	235,981	-
Loan Stocks	-	165,586	-
Cagamas Securities	2,508,830	3,165,459	3,187,458
Conventional Bonds	2,386,304	2,456,142	1,971,921
Islamic Bonds	1,843,247	1,940,000	1,886,321
Negotiable Certificates	750,000	1,300,000	-
Negotiable Islamic Certificates	389,889	620,567	-
	<b>167,701,121</b>	161,486,121	

The gross maturity structure of the Held-To-Maturity Investment Assets are as follows:

	GROUP	
	2010 (RM'000)	2009 (RM'000)
Maturing Within 12 Months	11,199,063	11,767,485
Maturing After 12 Months	156,502,058	149,718,636
	<b>167,701,121</b>	161,486,121

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 16. HELD-TO-MATURITY INVESTMENT ASSETS

#### 16.2 EPF

	2010 Amortised Cost (RM'000)	2009 Cost / Book Value (RM'000)	Market Value (RM'000)
Malaysian Government Securities	90,923,386	93,111,100	96,278,141
Government Investment Issues	27,593,753	20,986,669	20,989,665
Private Debt Securities	41,563,419	37,604,750	-
Allowance For Impairment Loss On Held-To-Maturity Investment Assets / Allowance For Losses On Investment Securities	(438,362)	(100,133)	
	41,125,057	37,504,617	
Commercial Papers	180,655	235,981	-
Loan Stocks	-	122,516	-
Cagamas Securities	2,508,830	3,165,459	3,187,458
Conventional Bonds	2,386,304	2,456,142	1,971,921
Islamic Bonds	1,843,247	1,940,000	1,886,321
Negotiable Certificates	750,000	1,300,000	-
Negotiable Islamic Certificates	389,889	620,567	-
	<b>167,701,121</b>	161,443,051	

The gross maturity structure of the Held-To-Maturity Investment Assets are as follows:

	EPF	
	2010 (RM'000)	2009 (RM'000)
Maturing Within 12 Months	11,199,063	11,724,415
Maturing After 12 Months	156,502,058	149,718,636
	<b>167,701,121</b>	161,443,051



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

#### 17.1 GROUP

	2010	2009	
	Fair Value (RM'000)	Cost / Book Value (RM'000)	Market Value (RM'000)
<b>EQUITY INVESTMENT INSTRUMENTS</b>			
<b>QUOTED EQUITIES</b>			
Domestic Equities Internally Managed	91,518,022	62,287,587	76,425,170
Allowance For Diminution In Value Of Investments	-	(2,848,350)	
	91,518,022	59,439,237	
Domestic Equities Managed By External Fund Managers	11,454,966	10,942,055	11,344,349
Allowance For Diminution In Value Of Investments	-	(667,012)	
	11,454,966	10,275,043	
Global Equities Internally Managed	21,475,789	11,476,108	14,696,529
Global Equities Managed By External Fund Managers	15,823,782	7,961,293	8,987,388
	140,272,559	89,151,681	
<b>UNQUOTED EQUITIES</b>			
Unquoted Domestic Equities	488,878	373,021	-
Unquoted Global Equities	1,053,475	894,397	-
Allowance For Diminution In Value Of Investments	-	(22,346)	
	1,053,475	872,051	
	1,542,353	1,245,072	
<b>FIXED INCOME INVESTMENT INSTRUMENTS WITH EXTERNAL FUND MANAGER</b>			
Domestic Fixed Income Investments Instrument Managed By External Fund Manager	7,452,842	6,970,625	6,901,691
Allowance For Impairment Loss On Available-For-Sale Financial Assets / Allowance For Losses On Investment Securities	(108,199)	(60,113)	
	7,344,643	6,910,512	
Global Fixed Income Investments Instrument Managed By External Fund Manager	2,303,306	-	-
	9,647,949	6,910,512	
<b>OTHER INVESTMENT INSTRUMENTS</b>			
Quoted Loans Stock	115,878	52,144	140,787
	151,578,739	97,359,409	

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONT'D.)

#### 17.2 EPF

	2010 Fair Value (RM'000)	2009 Cost / Book Value (RM'000)	Market Value (RM'000)
<b>EQUITY INVESTMENT INSTRUMENTS</b>			
<b>QUOTED EQUITIES</b>			
Domestic Equities Internally Managed	91,518,022	62,287,587	76,425,170
Allowance For Diminution In Value Of Investments	-	(2,848,350)	
	<b>91,518,022</b>	<b>59,439,237</b>	
Domestic Equities Managed By External Fund Managers	11,454,966	10,942,055	11,344,349
Allowance For Diminution In Value Of Investments	-	(667,012)	
	<b>11,454,966</b>	<b>10,275,043</b>	
Global Equities Internally Managed	21,475,789	11,476,108	14,696,529
Global Equities Managed By External Fund Managers	15,823,782	7,961,293	8,987,388
	<b>140,272,559</b>	<b>89,151,681</b>	
<b>UNQUOTED EQUITIES</b>			
Unquoted Domestic Equities	488,878	373,021	-
Unquoted Global Equities	1,053,475	894,397	-
Allowance For Diminution In Value Of Investments	-	(22,346)	
	<b>1,053,475</b>	<b>872,051</b>	
	<b>1,542,353</b>	<b>1,245,072</b>	
<b>FIXED INCOME INVESTMENT INSTRUMENTS WITH EXTERNAL FUND MANAGER</b>			
Domestic Fixed Income Investments Instrument Managed By External Fund Manager	7,452,842	6,970,625	6,901,691
Allowance For Impairment Loss On Available-For-Sale Financial Assets / Allowance For Losses On Investment Securities	(108,199)	(60,113)	
	<b>7,344,643</b>	<b>6,910,512</b>	
Global Fixed Income Investments Instrument Managed By External Fund Manager	2,303,306	-	-
	<b>9,647,949</b>	<b>6,910,512</b>	
<b>OTHERS INVESTMENT INSTRUMENTS</b>			
Quoted Loans Stock	115,878	52,144	140,787
	<b>151,578,739</b>	<b>97,359,409</b>	

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT / LOSS

#### 18.1 GROUP

	2010	2009	
	Fair Value (RM'000)	Cost / Book Value (RM'000)	Market Value (RM'000)
Global Alternative Investments	689,584	149,921	-
Held-For-Trading Investment Assets	65,090	44,279	44,919
Derivative Financial Assets	99,394	-	-
Embedded Derivative Financial Assets	92,910	-	-
	<b>946,978</b>	194,200	

#### 18.2 EPF

	2010	2009	
	Fair Value (RM'000)	Cost / Book Value (RM'000)	Market Value (RM'000)
Global Alternative Investments	415,552	149,921	-
Held-For-Trading Investment Assets	65,090	44,279	44,919
Derivative Financial Assets	99,394	-	-
Embedded Derivative Financial Assets	92,910	-	-
	<b>672,946</b>	194,200	

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 19. LOANS, ADVANCES AND FINANCING

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Guaranteed Loans	<b>82,877,673</b>	77,725,106	<b>82,877,673</b>	77,725,106
End Finance:				
Normal Housing Programme	<b>3,910,292</b>	4,022,632	-	-
Low Cost Housing Programme	<b>21,008</b>	20,329	-	-
Islamic Loans:				
Property	<b>1,873,299</b>	1,603,197	-	-
Personal Loans	<b>3,981,833</b>	1,363,160	-	-
Bridging And Term Loans	<b>4,688,898</b>	4,782,810	-	-
Staff Loans	<b>128,786</b>	99,473	<b>106,483</b>	99,039
Conventional Loans:				
Staff Loans	<b>103,908</b>	101,132	<b>103,908</b>	101,132
Gross Loans, Advances And Financing	<b>97,585,697</b>	89,717,839	<b>83,088,064</b>	77,925,277
Allowance Impairment Loss On Loan Advances And Financing	<b>(3,866,377)</b>	(782,426)	<b>(75,274)</b>	(75,282)
Interest / Income-In-Suspense	<b>(65)</b>	(2,967,028)	<b>(65)</b>	(62)
<b>Net Loans, Advances And Financing</b>	<b>93,719,255</b>	85,968,385	<b>83,012,725</b>	77,849,933

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

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Maturing Within 12 Months	<b>5,625,132</b>	6,588,883	<b>5,576,653</b>	6,573,705
Maturing After 12 Months	<b>91,960,565</b>	83,128,956	<b>77,511,411</b>	71,351,572
	<b>97,585,697</b>	89,717,839	<b>83,088,064</b>	77,925,277

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	
	2010 (RM'000)	2009 (RM'000)
Loans To Joint Venture Partners	<b>138,616</b>	151,063

Details on financial assets with regard to Loans, Advances And Financing which assessed impaired as at 31 December 2010 are disclosed in Note 41.1a. Movement of accumulated impairment loss which has been accounted as Allowance For Impairment Loss On Loans, Advances And Financing is disclosed as stated in Note 41.1c.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 20. INVENTORIES OF COMPLETED PROPERTIES

	GROUP	
	2010 (RM'000)	2009 (RM'000)
<b>At Cost</b>	<b>160</b>	<b>160</b>
<u>At Net Realisable Value:</u>		
Inventories Of Completed Properties	-	3,000
Land Held For Sale	<b>121,620</b>	122,300
	<b>121,780</b>	125,460

The cost of inventories recognised as an expense was RM974,000 (2009 : RM26,987,000).

Included in the inventories are land acquired for development with the following carrying amounts:

	GROUP	
	2010 (RM'000)	2009 (RM'000)
Title Registered Under The Name Of A Subsidiary	<b>8,197</b>	8,200
Pending Transfer Of Title From A Third Party	-	680
	<b>8,197</b>	8,880

### 21. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Prepayments And Deposits	<b>1,158</b>	69,851	<b>1,158</b>	484
Rental Deposits	<b>32,275</b>	1,620	<b>1,777</b>	1,620
Rental Of Buildings	<b>478</b>	164	<b>478</b>	164
Unsecured Advances For Joint Venture Projects	<b>200,576</b>	180,666	-	-
Accruals On Sale Of Investments	<b>470,599</b>	265,359	<b>470,599</b>	265,359
Interest Exempted From Restructuring Scheme	-	40,578	-	-
Foreclosed Properties	<b>74,335</b>	-	-	-
Service Charge Receivables	<b>21,797</b>	25,623	<b>21,797</b>	16,883
Trade Receivables	<b>30,253</b>	41,385	-	-
Miscellaneous	<b>931,114</b>	110,781	<b>846,305</b>	110,165
	<b>1,762,585</b>	736,027	<b>1,342,114</b>	394,675
Allowance For Doubtful Debts	<b>(182,839)</b>	(210,510)	-	-
	<b>1,579,746</b>	525,517	<b>1,342,114</b>	394,675

All Receivables, Deposits And Prepayments are maturing within 12 months.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 22. DEPOSITS WITH FINANCIAL INSTITUTIONS

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Licensed Banks / Islamic Banks	15,898,191	16,728,937	15,582,587	15,977,971
Licensed Investment Banks	4,429,992	3,300,000	4,429,992	3,300,000
Central Bank Of Malaysia	48,759	5,589	48,759	5,589
Other Financial Institutions	3,357,045	1,767,682	2,604,187	1,767,682
	<b>23,733,987</b>	21,802,208	<b>22,665,525</b>	21,051,242

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

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Maturing Within 12 Months	23,733,987	21,787,299	22,665,525	21,036,333
Maturing After 12 Months	-	14,909	-	14,909
	<b>23,733,987</b>	21,802,208	<b>22,665,525</b>	21,051,242

### 23. PROVISION FOR EMPLOYEE BENEFITS

	GROUP AND EPF	
	2010 (RM'000)	2009 (RM'000)
As At 01 January	123,635	107,694
Provision Made During The Year	20,787	19,676
Adjustment During The Year	(356)	(271)
	<b>144,066</b>	127,099
Payment Made During The Year	(4,264)	(3,464)
<b>As At 31 December</b>	<b>139,802</b>	123,635

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

	GROUP AND EPF	
	2010 (RM'000)	2009 (RM'000)
Maturing Within 12 Months	719	1,145
Maturing After 12 Months	139,083	122,490
	<b>139,802</b>	123,635

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 24. LOANS AND OVERDRAFTS

	GROUP	
	2010 (RM'000)	2009 (RM'000)
Bank Borrowings And Overdrafts	200,119	–
Recourse Obligations On Loans Sold To Cagamas Berhad	964,093	1,000,610
Other Borrowings	4,500	4,500
	<b>1,168,712</b>	<b>1,005,110</b>

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

	GROUP	
	2010 (RM'000)	2009 (RM'000)
Maturing Within 12 Months	209,644	50,604
Maturing After 12 Months	959,068	954,506
	<b>1,168,712</b>	<b>1,005,110</b>

The following detail in respect of Loans And Overdrafts are as follows:

#### 24.1 Bank Borrowings

Bank borrowings are unsecured and interest charged on these borrowings is based on the lenders' cost of funds plus 0.5% (2009 : cost of funds plus 0.5%). The bank borrowings are due within one (1) year.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 25. DEPOSITS AND ADVANCES

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Employers' Instalments	44,731	48,718	44,731	48,718
Remittance Suspense	4,810	5,593	4,810	5,593
Clients' Deposits	10,483,743	7,562,410	-	-
Deposits From Subsidiary Companies	-	-	75	105
Deposits Of Office Rentals	12,909	12,930	12,909	12,930
Advances For Joint Venture Projects	78,132	70,190	78,132	70,190
Miscellaneous Deposits	182	331	182	331
	<b>10,624,507</b>	<b>7,700,172</b>	<b>140,839</b>	<b>137,867</b>

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

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Maturing Within 12 Months	9,497,234	7,700,172	140,839	137,867
Maturing After 12 Months	1,127,273	-	-	-
	<b>10,624,507</b>	<b>7,700,172</b>	<b>140,839</b>	<b>137,867</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 26. PAYABLES AND ACCRUED LIABILITIES

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Trade Payables	7,031	7,197	-	-
Accrued Expenses	360,269	256,396	293,728	253,635
Accruals On Purchases Of Investments	124,598	254,151	124,598	254,151
Rent Received In Advance	33,925	5,106	3,290	5,032
Invocation Of Section 50(3)	4,785	8,647	4,785	8,647
Miscellaneous	160,959	146,397	70,520	57,860
	<b>691,567</b>	677,894	<b>496,921</b>	579,325

The maturity structure of the Payables And Accrued Liabilities are as follows:

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Maturing Within 12 Months	578,694	677,894	496,921	579,325
Maturing After 12 Months	112,873	-	-	-
	<b>691,567</b>	677,894	<b>496,921</b>	579,325

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 27. CONTRIBUTIONS ACCOUNT

	GROUP AND EPF	
	2010 (RM'000)	2009 (RM'000)
Balance As At 01 January	373,742,966	344,640,195
<b>Contributions Received And Adjusted During The Year</b>		
Contributions Received From Employers	35,755,813	33,467,703
Redemption Of Investment In Unit Trusts By Members	2,506,233	808,678
Refunds / Cancellation Of Annuity Policies By Members	329,580	142,522
Reinstatements / Adjustments Of Members Contributions Account	17,662	16,170
	<b>38,609,288</b>	<b>34,435,073</b>
<b>Dividend Distributed To Members</b>		
Dividend Credited – 5.80% (2009 – 5.65%)	21,610,131	19,371,921
Adjustment On Dividend Credited For Previous Year	13,600	6,364
	<b>21,623,731</b>	<b>19,378,285</b>
<u>Less:</u>		
<b>Withdrawals And Refunds Of Contributions</b>		
55 Years Withdrawal Scheme	8,516,380	8,343,368
50 Years Withdrawal Scheme	3,207,134	3,150,765
Incapacitation Withdrawal Scheme	289,976	313,675
Leaving Country Withdrawal Scheme	185,955	157,879
Housing Withdrawal Scheme	1,896,550	1,768,951
Reduction / Redemption Of Housing Loan / Monthly Housing Loan Withdrawal Scheme	2,413,363	3,000,635
Medical Withdrawal Scheme	35,343	39,697
Death Withdrawal Scheme	660,861	610,895
Periodical Payment Withdrawal Scheme	13,310	15,198
Members' Investment Withdrawal Scheme	4,415,591	3,313,065
Pensionable Withdrawal Scheme	4,009,783	3,290,664
Education Withdrawal Scheme	269,867	266,000
Monthly Payment Withdrawal Scheme	127	114
Saving Of More Than RM1 Million Withdrawal Scheme	362,428	322,587
Refunds To Employers / Members – Rule 33(1), EPF Regulations & Rules, 1991	23,749	15,823
Refunds Of Employers' Share To Pension Trust Fund – Section 56, EPF Act, 1991	110,033	101,271
	<b>26,410,450</b>	<b>24,710,587</b>
<b>Balance As At 31 December</b>	<b>407,565,535</b>	<b>373,742,966</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 27. CONTRIBUTIONS ACCOUNT (CONT'D.)

The Contributions eligible to be withdrawn by members under 50 Years and 55 Years Withdrawal Schemes are as follows:

	GROUP AND EPF	
	2010 (RM'000)	2009 (RM'000)
Contributions Eligible To Be Withdrawn Within 12 Months	83,078,055	71,004,637
Contributions Eligible To Be Withdrawn After 12 Months	324,487,480	302,738,329
	<b>407,565,535</b>	<b>373,742,966</b>

#### 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 Statement Of Financial Position as the risk and reward of the investment is borne by the members.

### 28. GROSS INVESTMENT INCOME

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Interest And Profit From Investments:				
Internally Managed	9,059,783	8,583,427	9,059,783	8,586,827
External Fund Managers	390,809	378,428	390,809	378,428
	<b>9,450,592</b>	<b>8,961,855</b>	<b>9,450,592</b>	<b>8,965,255</b>
Dividend From Investments:				
Internally Managed	4,023,167	2,873,917	4,080,649	2,911,576
External Fund Managers	598,415	453,606	598,415	453,606
	<b>4,621,582</b>	<b>3,327,523</b>	<b>4,679,064</b>	<b>3,365,182</b>
Realised Profit From Trading Of Investments:				
Internally Managed	4,430,914	1,202,776	4,278,411	1,277,032
External Fund Managers	1,954,720	163,950	1,954,720	163,950
	<b>6,385,634</b>	<b>1,366,726</b>	<b>6,233,131</b>	<b>1,440,982</b>
Interest Income From Loans, Advances And Financing	4,001,891	3,739,446	3,508,905	3,358,251
Rental Income	166,919	127,175	100,703	84,541
Interest / Profit From Bank Balances	560	638	560	638
Unrealised Profit From Financial Assets At Fair Value Through Profit / Loss	126,943	-	88,097	-
Miscellaneous Income	9,241	4,855	2,479	3,316
	<b>24,763,362</b>	<b>17,528,218</b>	<b>24,063,531</b>	<b>17,218,165</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 29. INVESTMENT EXPENDITURES

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
External Fund Managers' Fees	92,194	71,226	92,194	71,226
Interest On Deposits, Loans And Overdrafts	142,552	148,383	-	-
Tax Paid On Global Investments	6,689	-	6,689	-
Miscellaneous	10,495	619	10,495	619
	<b>251,930</b>	<b>220,228</b>	<b>109,378</b>	<b>71,845</b>

### 30. NET IMPAIRMENT LOSS ON FINANCIAL INVESTMENT ASSETS / ALLOWANCE FOR DIMINUTION IN VALUE OF INVESTMENTS

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Impairment Loss On Held-To-Maturity Investment Assets	(350,000)	-	(350,000)	-
Impairment Loss On Available-For-Sale Financial Assets	(830,423)	-	(830,423)	-
Impairment Loss On Loans, Advances And Financing	(112,234)	(109,898)	-	-
Allowance For Diminution In Value Of Investments	-	(1,083,107)	-	(1,083,107)
Allowance For Investment Security Losses	-	(40,279)	-	(40,279)
	<b>(1,292,657)</b>	<b>(1,233,284)</b>	<b>(1,180,423)</b>	<b>(1,123,386)</b>
Reversal Of Impairment Loss On Held-To-Maturity Investment Assets	11,477	-	11,477	-
Reversal Of Impairment Loss On Available-For-Sale Financial Assets	1,096	-	1,096	-
Allowance For Diminution In Value Of Investments Written Back	-	3,618,325	-	3,618,325
Allowance For Investment Security Written Back	-	7,864	-	7,864
Reversal Of Impairment Loss On Loans, Advances And Financing	8	22	8	22
Reversal Of Impairment Loss On Assets Held For Sale	8,414	-	8,414	-
	<b>20,995</b>	<b>3,626,211</b>	<b>20,995</b>	<b>3,626,211</b>
	<b>(1,271,662)</b>	<b>2,392,927</b>	<b>(1,159,428)</b>	<b>2,502,825</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 31. NET IMPAIRMENT LOSS ON INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Reversal Of Impairment Loss On Investment In Subsidiaries	-	-	223,437	91,925
	-	-	223,437	91,925
Impairment Loss On Investment In Associated Companies	-	-	(7,145)	(27,124)
Reversal Of Impairment Loss On Investment In Associated Companies	-	-	18,674	508,182
	-	-	11,529	481,058
	-	-	234,966	572,983

### 32. NON-INVESTMENT INCOME

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Interest / Profit From Staff Loans	7,346	6,893	7,346	6,893
Dividend / Interest From Contributions Paid Late	35,128	42,430	35,128	42,430
Gain From Disposal Of Property, Plant And Equipment	265	1,724	258	116
Service Charge	88,706	37,721	21,797	16,883
Miscellaneous Income	41,190	54,350	14,200	880
	172,635	143,118	78,729	67,202

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 33. OPERATING EXPENDITURES

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Salaries, Allowances And Staff Costs	572,219	469,278	512,676	428,457
Audit Fees	859	1,085	335	753
Actuary Fees	17	39	17	39
CDS Registration Fees	1,043	1,152	1,043	1,152
Fees And Professional Charges	28,911	15,680	16,075	14,821
Printing And Stationery	6,107	4,152	4,788	4,152
Postal And Telephone Charges	24,438	17,483	20,017	17,483
Transport And Travelling	11,256	7,993	8,565	7,993
Rent And Assessment	15,122	12,349	12,349	11,852
Insurance On Property	911	795	828	714
Maintenance On Property, Plant And Equipment Assets Not Capitalised	62,870	58,113	52,419	50,755
Depreciation Of Property, Plant And Equipment	2,461	1,112	2,461	1,092
Depreciation Of Investment Properties	35,302	37,466	28,147	29,773
Amortisation Of Intangible Assets	43,298	32,506	31,407	24,310
Amortisation Of Prepaid Land Lease	14,379	14,907	14,013	14,012
Property, Plant And Equipment Written Offs	1,344	1,209	1,179	1,044
Written Offs / Losses	43,828	-	-	-
Allowances On Bad And Doubtful Debts / Written Offs	48	219	48	219
Technical Services Fees	19,164	19,641	-	-
Advertisements	20,451	17,315	20,451	17,315
Honorarium For Board Members / Investment Panel	5,524	3,861	2,115	1,891
Directors' Remuneration	923	921	923	868
Employee Benefits	1,001	628	-	-
Miscellaneous Expenses	20,787	19,676	20,787	19,676
	101,244	45,755	2,310	2,693
	<b>1,033,507</b>	<b>783,335</b>	<b>752,953</b>	<b>651,064</b>

### 34. STATUTORY CHARGES

	GROUP AND EPF	
	2010 (RM'000)	2009 (RM'000)
Death Benefit – Section 58(1)	38,243	36,702
Incapacitation Benefit – Section 58(2)	4,790	4,481
	<b>43,033</b>	<b>41,183</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 35. REVERSAL OF IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

	GROUP AND EPF	
	2010 (RM'000)	2009 (RM'000)
Reversal Of Impairment Loss On Property, Plant And Equipment	-	29,379
	-	29,379

### 36. TAXATION AND ZAKAT

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Zakat	524	539	-	-
Income Tax:				
Current Year	64,645	7,616	-	-
(Over) / Under Accrual In Prior Years	(3,122)	62	-	-
Deferred Tax Recognised During The Year	1,552	16,125	-	-
	63,599	24,342	-	-

Income tax is calculated at the Malaysian statutory rate of 25% (2009 : 25%) based on the estimated taxable income for the current year. Deferred tax amount for the financial year ended 31 December 2010 have been adjusted accordingly.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 36. TAXATION AND ZAKAT (CONT'D.)

The reconciliation between the tax expense and the profit before tax charged at the statutory rate for the Group and EPF are as follows:

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Profit Before Tax	23,149,781	19,694,492	22,312,434	19,626,462
Tax At Malaysian Statutory Rate Of 25% (2009 : 25%)	5,787,445	4,886,661	5,578,109	4,906,616
Non-Taxable Income	(5,745,838)	(4,878,189)	(5,578,109)	(4,906,616)
Foreign Taxation	251	-	-	-
Non-Deductible Expenses For Tax Purposes	18,630	13,028	-	-
Utilisation Of Unabsorbed Tax Losses And Unutilised Capital Allowance Previously Not Recognised	501	(21,415)	-	-
Recognition On Deferred Tax Asset Previously Not Recognised	5,831	23,679	-	-
(Over) / Under Provision Tax Expense For Previous Year	(3,108)	62	-	-
(Over) / Under Provision Of Last Years Deferred Tax Liability	(14)	-	-	-
Recognition On Deferred Tax On Fair Value Adjustment Upon Consolidation	(74)	(74)	-	-
Different Taxation Rates	(25)	590	-	-
	63,599	24,342	-	-

### 37. OTHER COMPREHENSIVE INCOME

Other Comprehensive Income represents the net movement in fair value of Available-For-Sale Financial Assets recognised in Available-For-Sale Financial Assets Reserves as follows:

	GROUP AND EPF	
	2010 (RM'000)	2009 (RM'000)
Net Unrealised Profit On Fair Value Revaluation Of Available-For-Sale Financial Assets	20,760,189	-
Adjustment On Recycle Of Available-For-Sale Financial Asset Reserves Recognised In The Current Year Income Statement On Disposal Of Available-For-Sale Financial Assets	(7,357,858)	-
	13,402,331	-



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 38. 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 Statement Of Financial Position as follows:

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Bank And Cash Balances	410,983	207,035	265,875	173,749
Fixed Deposits With Licensed Bank	1,068,462	750,966	-	-
Money Market Account – Bank Negara Malaysia	48,759	5,589	48,759	5,589
	<b>1,528,204</b>	<b>963,590</b>	<b>314,634</b>	<b>179,338</b>

### 39. CAPITAL COMMITMENTS

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
<b>a. Capital Commitments</b>				
Approved And Contracted For	30,693	31,570	30,693	31,570
Approved But Not Contracted For	253,669	214,469	213,883	202,304
	<b>284,362</b>	<b>246,039</b>	<b>244,576</b>	<b>233,874</b>
<b>b. Operational Commitments</b>				
Loan Commitments Not Provided				
For In The Financial Statements:				
End Finance	104,870	230,584	-	-
Bridging, Structured And Term Loans	174,234	175,045	-	-
Islamic	147,824	342,907	-	-
	<b>426,928</b>	<b>748,536</b>	<b>-</b>	<b>-</b>
Property Development:				
Approved And Contracted For	421,528	421,528	-	-
	<b>421,528</b>	<b>421,528</b>	<b>-</b>	<b>-</b>
<b>c. Contingencies</b>				
Financial Guarantee To Secure Payments				
By A Borrowed (Fully Secured)	19,405	47,430	-	-
	<b>19,405</b>	<b>47,430</b>	<b>-</b>	<b>-</b>
	<b>1,152,223</b>	<b>1,463,533</b>	<b>244,576</b>	<b>233,874</b>

The fully secured contingency is secured by way of fixed charge over the borrower's development project and a debenture creating a fixed and floating charge over the entire assets of the borrower.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 40. CONTINGENT LIABILITIES

#### 40.1 Civil Action

- a. A former borrower of the subsidiary company has instituted a civil suit against the subsidiary company for an alleged breach of facility agreement and is claimed damages amounting up to RM43.31 million. The subsidiary company had terminated the said facilities due to the former borrower's breach of facility agreement and subsequently sold the loan asset to an unrelated company.

On 30 September 2010, the Court dismissed the borrower's claim with costs. The Borrower has filed an appeal on 25 October 2010. The appeal is pending a hearing date.

- b. A former borrower of the subsidiary company has instituted a civil suit against the subsidiary company for an alleged breach of facility agreement and is claiming damages amounting to RM16.14 million with interest and costs thereon.

On 06 May 2009, the Court allowed the subsidiary Company's application to strike out the Plaintiff's claim with costs.

The Plaintiff's solicitors have filed a Notice of Appeal to the Court of Appeal on 29 May 2009. No hearing date has been fixed as yet.

- c. A subsidiary company had instituted civil suit against the borrower for its failure to repay the terms loans amounting to RM239 million in relation to uncompleted development projects in Melaka ("Melaka Project") and Penang ("Penang Project").

As for the Melaka Project, the subsidiary borrower has filed a counterclaim seeking damages amounting to RM453 million against the subsidiary company for an alleged breach of contract. For the Penang Project, the subsidiary company's solicitors have filed the notice of Appeal to the Court on 15 April 2009 against the Judge in Chambers decision of the subsidiary company's application for Summary Judgement on 13 April 2009 which was dismissed with costs.

Both parties have entered into a settlement and the above-mentioned suit has been withdrawn pursuant to the Deed of Proposed Settlement dated 26 October 2010.

No provision has been made in the financial statements in respect of above claims since the Directors of the subsidiary company, after obtaining legal advice from the subsidiary company's solicitors, are of the opinion that the subsidiary company has reasonably good cases in respect of all the claims against the subsidiary 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 RM14.10 million (2009 : RM14.65 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 2010, contingent liabilities in respect of Death Benefits amounted to RM11.69 million (2009 : RM11.71 million) whereas Incapacitation Benefits amounted to RM6.43 million (2009 : RM6.44 million).

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 41. FINANCIAL RISK

#### 41.1 Credit Risk

Credit Risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from its lending, hedging, trading and investing activities.

The primary objective of credit risk management in EPF is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

EPF maintains an average portfolio rating of AA for its debt securities and loans. As a matter of policy, EPF invests only in debt securities with initial rating of A3 / A – or better. However, EPF may also invest in unrated assets where a rating is assigned using internal rating model that is consistent with the approach used by external rating agency.

The counterparty credit risk which arises from deposit placement with financial institution is managed by setting limits such that all deposits are to be held by parties with a financial institution rating of A3 / A – or better.

The maximum exposure without taking into account the fair value of collateral for each class of financial assets is the net carrying value of these assets as below:

	GROUP	EPF
	2010 (RM'000)	2010 (RM'000)
Held-To-Maturity Investment Assets	167,701,121	167,701,121
Available-For-Sale Financial Assets	9,763,827	9,763,827
Loans, Advances And Financing	93,719,255	83,012,725
Financial Assets At Fair Value Through Profit / Loss	158,000	158,000
Deposits With Financial Institutions And Bank Balances	24,144,970	22,931,400
Other Financial Assets	4,872,898	4,640,134
	<b>300,360,071</b>	<b>288,207,207</b>

#### a. Credit Quality

EPF has developed tools to measure credit risk such as Credit Portfolio Model which computes Credit Value-at-Risk and Corporate Rating Template to provide an internal risk rating for corporate borrowers.

EPF's debt portfolios are managed by internal as well as external fund managers appointed by the Investment Panel. Both portfolios are subject to maximum exposure to ensure the portfolios are diversified.

EPF also invests in short-term papers which include an approved list of Commercial Papers or Commercial Papers Universe. The Universe facilitates the trading process and provides assurance to EPF that the exposure to commercial papers is only to strongly rated borrowers.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 41. FINANCIAL RISK (CONT'D.)

#### 41.1 Credit Risk (Cont'd.)

##### a. Credit Quality (Cont'd.)

EPF classifies debt securities into internal rating scales which are consistent with domestic and foreign rating agencies. The Credit Quality classification is as follows:

##### Quality Classification

##### i. Long-Term Rating For Payment Long-Term Financial Obligations

Long-Term	Credit Rating	Definition Of Quality Classifications
Sovereign	Sovereign	Issued by the Government.
Strong	AAA and AA	Superior / high safety to meet financial obligations.
Moderate	A	Adequate safety to meet financial obligations.
Sub-Standard	BBB and below	Moderate / low safety to meet financial obligations.

##### ii. Short-Term Rating For Payment Short-Term Financial Obligations

Short-Term	Credit Rating	Definition Of Quality Classifications
Strong	P1	Strong capacity to meet financial obligations.
Moderate	P2	Adequate capacity to meet financial obligations.

##### iii. Non-Rated Financial Assets

This refers to financial assets such as receivables, deposits, accrued interest and dividend and others which do not have credit rating.

##### iv. Impaired

Exposure assessed individually which is considered impaired based on EPF's accounting policies.

Distribution of gross financial assets by credit quality as at 31 December 2010 is as follows:

GROUP	2010						
	Sovereign (RM'000)	Strong (RM'000)	Moderate (RM'000)	Sub – Standard (RM'000)	Non – Rated (RM'000)	Impaired (RM'000)	Total (RM'000)
Held-To-Maturity Investment Assets	118,517,139	46,037,595	2,838,185	110,100	-	636,464	168,139,483
Available-For-Sale Financial Assets	-	6,610,697	1,424,685	92,186	1,620,917	123,541	9,872,026
Loans, Advances And Financing	-	82,144,178	5,817,634	13,136	4,577,350	5,033,334	97,585,632
Financial Assets At Fair Value Through Profit / Loss	65,090	75,299	-	17,611	-	-	158,000
Deposits With Financial Institutions And Bank Balances	-	16,469,254	4,732,527	-	2,943,189	-	24,144,970
Other Financial Assets	-	-	188,818	-	4,684,080	-	4,872,898
	118,582,229	151,337,023	15,001,849	233,033	13,825,536	5,793,339	304,773,009

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 41. FINANCIAL RISK (CONT'D.)

#### 41.1 Credit Risk (Cont'd.)

##### a. Credit Quality (Cont'd.)

Distribution of gross financial assets by credit quality as at 31 December 2010 is as follows (Cont'd.):

EPF	2010						
	Sovereign (RM'000)	Strong (RM'000)	Moderate (RM'000)	Sub - Standard (RM'000)	Non - Rated (RM'000)	Impaired (RM'000)	Total (RM'000)
Held-To-Maturity Investment Assets	118,517,139	46,037,595	2,838,185	110,100	-	636,464	168,139,483
Available-For-Sale Financial Assets	-	6,610,697	1,424,685	92,186	1,620,917	123,541	9,872,026
Loans, Advances And Financing	-	82,144,178	645,359	13,136	209,964	75,362	83,087,999
Financial Assets At Fair Value Through Profit / Loss	65,090	75,299	-	17,611	-	-	158,000
Deposits With Financial Institutions And Bank Balances	-	15,380,425	4,732,527	-	2,818,448	-	22,931,400
Other Financial Assets	-	-	-	-	4,640,134	-	4,640,134
	118,582,229	150,248,194	9,640,756	233,033	9,289,463	835,367	288,829,042

##### b. Aging Analysis

The amounts in the following table reflect exposure on gross financial assets designated as past due but not impaired:

GROUP	2010					
	Neither Past Due Nor Impaired (RM'000)	Past Due Up To 1 Month (RM'000)	Past Due 1 To 3 Months (RM'000)	Past Due 3 To 6 Months (RM'000)	Past Due More Than 6 Months (RM'000)	Total (RM'000)
Held-To-Maturity Investment Assets	167,503,019	-	-	-	-	167,503,019
Available-For-Sale Financial Assets	9,748,485	-	-	-	-	9,748,485
Loans, Advances And Financing	83,012,637	3,350	364	4,379	9,531,568	92,552,298
Financial Assets At Fair Value Through Profit / Loss	158,000	-	-	-	-	158,000
Deposits With Financial Institutions And Bank Balances	24,144,970	-	-	-	-	24,144,970
Other Financial Assets	4,684,080	1,569	-	2	187,247	4,872,898
	289,251,191	4,919	364	4,381	9,718,815	298,979,670

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 41. FINANCIAL RISK (CONT'D.)

#### 41.1 Credit Risk (Cont'd.)

##### b. Aging Analysis (Cont'd.)

EPF	2010					Total (RM'000)
	Neither Past Due Nor Impaired (RM'000)	Past Due Up To 1 Month (RM'000)	Past Due 1 To 3 Months (RM'000)	Past Due 3 To 6 Months (RM'000)	Past Due More Than 6 Months (RM'000)	
Held-To-Maturity Investment Assets	167,503,019	-	-	-	-	167,503,019
Available-For-Sale Financial Assets	9,748,485	-	-	-	-	9,748,485
Loans, Advances And Financing	83,012,637	-	-	-	-	83,012,637
Financial Assets At Fair Value Through Profit / Loss	158,000	-	-	-	-	158,000
Deposits With Financial Institutions And Bank Balances	22,931,400	-	-	-	-	22,931,400
Other Financial Assets	4,640,134	-	-	-	-	4,640,134
	287,993,675	-	-	-	-	287,993,675

##### c. Financial Assets Exposed To Credit Risk Individually Assessed As Impaired

An analysis of financial assets individually assessed as impaired and the movements on the impairment allowance during the year are as follows:

GROUP	2010					Allowances As At 31 December (RM'000)
	Allowances As At 01 January (RM'000)	Allowances Made During The Year (RM'000)	Adjustments (RM'000)	Recoveries / Amounts Written Back (RM'000)	Amounts Written Off (RM'000)	
Held-To-Maturity Investment Assets	99,874	350,000	(35)	(11,477)	-	438,362
Available-For-Sale Financial Assets	67,371	42,252	(328)	(1,096)	-	108,199
Loans, Advances And Financing	4,003,928	110,818	-	(8)	(248,361)	3,866,377
	4,171,173	503,070	(363)	(12,581)	(248,361)	4,412,938

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 41. FINANCIAL RISK (CONT'D.)

#### 41.1 Credit Risk (Cont'd.)

##### c. Financial Assets Exposed To Credit Risk Individually Assessed As Impaired (Cont'd.)

EPF	2010					
	Allowances As At 01 January (RM'000)	Allowances Made During The Year (RM'000)	Adjustments (RM'000)	Recoveries / Amounts Written Back (RM'000)	Amounts Written Off (RM'000)	Allowances As At 31 December (RM'000)
Held-To-Maturity Investment Assets	99,874	350,000	(35)	(11,477)	-	438,362
Available-For-Sale Financial Assets	67,371	42,252	(328)	(1,096)	-	108,199
Loans, Advances And Financing	75,282	-	-	(8)	-	75,274
	242,527	392,252	(363)	(12,581)	-	621,835

##### d. Financial Assets Exposed To Credit Risk Which Were Past Due And Impaired

The estimated fair value of the collateral held on financial assets that were past due and individually assessed as impaired is as follows:

2010	GROUP	EPF
	(RM'000)	(RM'000)
Fair Value Of Collateral	8,390,878	153,447

##### e. Financial Asset Exposed To Credit Risk Which Had Been Renegotiated During The Year

Financial assets that had been renegotiated during the year that would otherwise be past due or impaired are as follows:

2010	GROUP	EPF
	(RM'000)	(RM'000)
Carrying Amount Of Financial Assets	204,554	-

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 41. FINANCIAL RISK (CONT'D.)

#### 41.2 Liquidity Risk

Liquidity Risk relates to the inability of EPF to meet its financial commitments and obligations when they fall due. EPF maintains adequate levels of liquid assets in the form of cash and placements in financial institutions in order to meet members' withdrawal and other financial commitments and obligations.

The table as set out below provides details of the Group and EPF's financial liabilities categorised into relevant maturity groupings based on the remaining period at the Statement Of Financial Position date to the contractual maturity date. The amounts in the table are the contractual undiscounted repayment obligation.

GROUP	2010			
	On Demand Or Within One Year (RM'000)	One To Five Years (RM'000)	Over Five Years (RM'000)	Total (RM'000)
<b>Financial Liabilities:</b>				
Loans And Overdrafts	209,644	123,491	835,577	1,168,712
Contribution Withdrawals Payables	75,936	-	-	75,936
Deposits And Advances	9,497,159	1,127,348	-	10,624,507
Others	613,869	22,824	90,049	726,742
	<b>10,396,608</b>	<b>1,273,663</b>	<b>925,626</b>	<b>12,595,897</b>

EPF	2010			
	On Demand Or Within One Year (RM'000)	One To Five Years (RM'000)	Over Five Years (RM'000)	Total (RM'000)
<b>Financial Liabilities:</b>				
Contribution Withdrawals Payables	75,936	-	-	75,936
Deposits And Advances	140,839	-	-	140,839
Others	511,374	20,722	-	532,096
	<b>728,149</b>	<b>20,722</b>	<b>-</b>	<b>748,871</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 41. FINANCIAL RISK (CONT'D.)

#### 41.3 Market Risk

Market Risk is the risk of loss arising from changes in the value of portfolios and financial instruments due to the movements in equity prices, interest rates and foreign exchange rate.

The primary objective of market risk management is to ensure that losses from market risk can be promptly mitigated, and risk positions are sufficiently liquid, to enable the fund to reduce its position without incurring potential loss that is beyond the Risk Appetite.

EPF adopts the following measurement to quantify market risk:

- Value at Risk (VaR)—an estimation of the amount of market value that a portfolio can lose over a certain time horizon with a given probability. The Monte Carlo Simulation is used to compute VaR to measure the riskiness of the portfolios.
- Duration—a linear measure of risk for a bond to define the percentage increase (decrease) in the bond's value for a 1% fall (rise) in the bond's yield.
- Tracking Error—refers to the standard deviation of the portfolio's excess returns relative to a benchmark.
- Simulation analysis, including stress testing, is another method of examining portfolio risk in extreme situations. Stress testing involves setting parameters such as correlation, volatility and returns at different values as well as assessing how a portfolio's risk may change.
- Beta measurement—used for the purpose of gauging the equity's price sensitivities against benchmark.

#### a. Price Risk

Price Risk arises predominantly from two exposures, namely domestic and global equities. To manage price risk arising from investments in equities, EPF has identified acceptable benchmarks for various portfolios. Limits are then set against benchmarks to ensure the risk of the portfolios is within EPF's risk appetite.

EPF's policy is to manage price risk through diversification and prudent selection of securities within specified limits set by the Investment Panel Risk Committee and Investment Panel.

EPF's policy requires that the overall market position is monitored on a daily basis and is reviewed on a quarterly basis by the Investment Panel Risk Committee. Compliance with the investment policies are reported to the Management on a monthly basis.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 41. FINANCIAL RISK (CONT'D.)

#### 41.3 Market Risk (Cont'd.)

##### a. Price Risk (Cont'd.)

The table set out below summarises the impact on the carrying amount of equity positions as at Statement Of Financial Position date should there be a change in equity market prices. The analysis is based on the assumption that the index components within the benchmark increased or decreased by a reasonable possible shift, with all other variables held constant and that the fair value of the equities moved according to the historical correlation with the index.

GROUP AND EPF		2010			
Index	Available-For-Sale Equities	Fair Value	Reasonable Possible Shift	Sensitivity Impact On The Balance Of Available-For-Sale Financial Asset Reserves Increase / (Decrease)	Sensitivity Impact To Income Statement Increase / (Decrease)
		(RM'000)	(RM'000)	(RM'000)	(RM'000)
FBM 100 Ethical	Domestic	102,972,988	+5%	5,143,251	-
			-5%	(5,112,177)	(52,637)
MSCI World	Global	37,299,571	+10%	3,729,933	-
			-10%	(3,725,663)	(4,294)
		<b>140,272,559</b>			

There is no material impact on unquoted equities with regard to sensitivity exposure to price risk.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 41. FINANCIAL RISK (CONT'D.)

#### 41.3 Market Risk (Cont'd.)

##### b. Interest Rate Risk

The Group and EPF are exposed to various risks associated with the fluctuations in the prevailing levels of market interest rate on its financial positions and cash flows. The following table indicates the effective interest rate at the Statement Of Financial Position date and the periods in which the financial instruments reprice or mature, whichever is earlier.

GROUP	Non-Trading Book					Non-Interest Sensitive	Trading Book	Total	Effective Interest Rate
	2010	Up To 1 Month	> 1 – 3 Months	> 3 – 12 Months	> 1 – 5 Years				
<b>ASSETS</b>									
Investment In Associated Companies	-	-	-	804,975	711,325	9,812,367	-	11,328,667	9.00
Held-To-Maturity Investment Assets	305,843	440,628	10,452,592	75,301,782	81,200,276	-	-	167,701,121	1.78 – 16.00
Available-For-Sale Financial Assets	1,583,400	70,381	462,316	3,911,466	3,620,386	141,930,790	-	151,578,739	2.10 – 21.33
Financial Assets At Fair Value Through Profit / Loss	-	-	-	-	-	881,888	65,090	946,978	-
Loans, Advances And Financing	604,585	655,908	4,323,731	48,935,410	37,396,462	1,803,159	-	93,719,255	3.61 – 7.80
Deposits With Financial Institutions	17,635,976	4,060,509	1,833,693	203,809	-	-	-	23,733,987	0.07 – 5.10
Other Non-Interest Sensitive Assets	-	-	-	-	-	10,064,709	-	10,064,709	-
<b>Total Assets</b>	<b>20,129,804</b>	<b>5,227,426</b>	<b>17,072,332</b>	<b>129,157,442</b>	<b>122,928,449</b>	<b>164,492,913</b>	<b>65,090</b>	<b>459,073,456</b>	
<b>LIABILITIES</b>									
Loans And Overdraft	211,345	11,319	72,135	873,913	-	-	-	1,168,712	-
Deposits And Advances	4,238,267	3,273,997	1,844,132	1,127,347	-	140,764	-	10,624,507	-
Other Non-Interest Sensitive Liabilities	-	-	-	-	-	1,045,740	-	1,045,740	-
<b>Total Liabilities</b>	<b>4,449,612</b>	<b>3,285,316</b>	<b>1,916,267</b>	<b>2,001,260</b>	<b>-</b>	<b>1,186,504</b>	<b>-</b>	<b>12,838,959</b>	
Contributions Account	-	-	-	-	-	407,565,535	-	407,565,535	-
Other Members' Fund	-	-	-	-	-	38,010,206	-	38,010,206	-
Minority Interest	-	-	-	-	-	658,756	-	658,756	-
<b>Total Liabilities And Equities</b>	<b>4,449,612</b>	<b>3,285,316</b>	<b>1,916,267</b>	<b>2,001,260</b>	<b>-</b>	<b>447,421,001</b>	<b>-</b>	<b>459,073,456</b>	
On Statement Of Financial Position									
Interest Sensitivity Gap	15,680,192	1,942,110	15,156,065	127,156,182	122,928,449	(282,928,088)	65,090	-	-
<b>Total Interest Sensitivity Gap</b>	<b>15,680,192</b>	<b>1,942,110</b>	<b>15,156,065</b>	<b>127,156,182</b>	<b>122,928,449</b>	<b>(282,928,088)</b>	<b>65,090</b>	<b>-</b>	

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 41. FINANCIAL RISK (CONT'D.)

#### 41.3 Market Risk (Cont'd.)

##### b. Interest Rate Risk (Cont'd.)

GROUP	Non-Trading Book					Non-Interest Sensitive	Trading Book	Total	Effective Interest Rate
	Up To 1 Month	> 1 - 3 Months	> 3 - 12 Months	> 1 - 5 Years	Over 5 Years				
2009	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	%
<b>ASSETS</b>									
Investment In Associated Companies	-	5,966	30,720	604,145	913,652	8,628,679	-	10,183,162	7.05
Held-To-Maturity Investment Assets	577,468	2,701,151	8,740,213	70,749,499	78,717,790	-	-	161,486,121	2.00 - 12.00
Available-For-Sale Financial Assets	201,895	48,402	422,551	3,115,341	3,122,323	90,448,897	-	97,359,409	-
Financial Assets At Fair Value Through Profit / Loss	-	-	-	-	-	149,921	44,279	194,200	-
Loans, Advances And Financing	610,633	42,099	5,936,011	38,380,581	39,464,455	1,534,606	-	85,968,385	3.15 - 7.00
Deposits With Financial Institutions	17,036,212	4,357,012	8,984	400,000	-	-	-	21,802,208	2.00 - 8.00
Other Non-Interest Sensitive Assets	-	-	-	-	-	8,004,266	-	8,004,266	-
<b>Total Assets</b>	<b>18,426,208</b>	<b>7,154,630</b>	<b>15,138,479</b>	<b>113,249,566</b>	<b>122,218,220</b>	<b>108,766,369</b>	<b>44,279</b>	<b>384,997,751</b>	
<b>LIABILITIES</b>									
Loans And Overdraft	22,740	-	61,300	921,070	-	-	-	1,005,110	5.60
Deposits And Advances	2,913,612	2,146,268	1,913,760	638,774	-	87,758	-	7,700,172	2.73 - 3.28
Other Non-Interest Sensitive Liabilities	-	-	-	-	-	927,395	-	927,395	-
<b>Total Liabilities</b>	<b>2,936,352</b>	<b>2,146,268</b>	<b>1,975,060</b>	<b>1,559,844</b>	<b>-</b>	<b>1,015,153</b>	<b>-</b>	<b>9,632,677</b>	
Contributions Account	-	-	-	-	-	373,742,966	-	373,742,966	-
Other Members' Fund	-	-	-	-	-	991,095	-	991,095	-
Minority Interest	-	-	-	-	-	631,013	-	631,013	-
<b>Total Liabilities And Equities</b>	<b>2,936,352</b>	<b>2,146,268</b>	<b>1,975,060</b>	<b>1,559,844</b>	<b>-</b>	<b>376,380,227</b>	<b>-</b>	<b>384,997,751</b>	
On Statement Of Financial Position									
Interest Sensitivity Gap	15,489,856	5,008,362	13,163,419	111,689,722	122,218,220	(267,613,858)	44,279	-	-
<b>Total Interest Sensitivity Gap</b>	<b>15,489,856</b>	<b>5,008,362</b>	<b>13,163,419</b>	<b>111,689,722</b>	<b>122,218,220</b>	<b>(267,613,858)</b>	<b>44,279</b>	<b>-</b>	

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 41. FINANCIAL RISK (CONT'D.)

#### 41.3 Market Risk (Cont'd.)

##### b. Interest Rate Risk (Cont'd.)

EPF	Non-Trading Book					Non-Interest Sensitive	Trading Book	Total	Effective Interest Rate
	Up To 1 Month	> 1 - 3 Months	> 3 - 12 Months	> 1 - 5 Years	Over 5 Years				
2010	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	%
<b>ASSETS</b>									
Investment In Subsidiary	-	-	-	-	535,291	2,830,202	-	3,365,493	-
Investment In Associated Companies	-	-	-	804,975	711,325	8,161,859	-	9,678,159	9.00
Held-To-Maturity Investment Assets	305,843	440,628	10,452,592	75,301,782	81,200,276	-	-	167,701,121	1.78 - 16.00
Available-For-Sale Financial Assets	1,583,400	70,381	462,316	3,911,466	3,620,386	141,930,790	-	151,578,739	2.10 - 21.33
Financial Assets At Fair Value Through Profit / Loss	-	-	-	-	-	607,856	65,090	672,946	-
Loans, Advances And Financing	601,472	655,569	4,319,613	48,785,833	28,650,238	-	-	83,012,725	3.61 - 7.80
Deposits With Financial Institutions	16,855,525	4,010,000	1,800,000	-	-	-	-	22,665,525	0.07 - 5.10
Other Non-Interest Sensitive Assets	-	-	-	-	-	7,173,471	-	7,173,471	-
<b>Total Assets</b>	<b>19,346,240</b>	<b>5,176,578</b>	<b>17,034,521</b>	<b>128,804,056</b>	<b>114,717,516</b>	<b>160,704,178</b>	<b>65,090</b>	<b>445,848,179</b>	
<b>LIABILITIES</b>									
Other Non-Interest Sensitive Liabilities	-	-	-	-	-	888,673	-	888,673	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>888,673</b>	<b>-</b>	<b>888,673</b>	
Contributions Account	-	-	-	-	-	407,565,535	-	407,565,535	-
Other Members' Fund	-	-	-	-	-	37,393,971	-	37,393,971	-
<b>Total Liabilities And Equities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>445,848,179</b>	<b>-</b>	<b>445,848,179</b>	
On Statement Of Financial Position									
Interest Sensitivity Gap	19,346,240	5,176,578	17,034,521	128,804,056	114,717,516	(285,144,001)	65,090	-	-
<b>Total Interest Sensitivity Gap</b>	<b>19,346,240</b>	<b>5,176,578</b>	<b>17,034,521</b>	<b>128,804,056</b>	<b>114,717,516</b>	<b>(285,144,001)</b>	<b>65,090</b>	<b>-</b>	

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 41. FINANCIAL RISK (CONT'D.)

#### 41.3 Market Risk (Cont'd.)

##### b. Interest Rate Risk (Cont'd.)

EPF	Non-Trading Book					Non-Interest Sensitive	Trading Book	Total	Effective Interest Rate
	Up To 1 Month	> 1 – 3 Months	> 3 – 12 Months	> 1 – 5 Years	Over 5 Years				
2009	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	%
<b>ASSETS</b>									
Investment In Subsidiary	4,167	8,333	37,500	-	550,450	618,535	-	1,218,985	3.28
Investment In Associated Companies	-	5,966	30,720	604,145	913,652	7,898,221	-	9,452,704	7.05
Held-To-Maturity Investment Assets	577,468	2,701,151	8,740,213	70,749,499	78,674,720	-	-	161,443,051	2.00 – 12.00
Available-For-Sale Financial Assets	201,895	48,402	422,551	3,115,341	3,122,323	90,448,897	-	97,359,409	-
Financial Assets At Fair Value Through Profit / Loss	-	-	-	-	-	149,921	44,279	194,200	-
Loans, Advances And Financing	601,455	41,658	5,930,452	38,218,360	33,058,008	-	-	77,849,933	3.15 – 7.00
Deposits With Financial Institutions	16,711,990	3,933,663	5,589	400,000	-	-	-	21,051,242	2.00 – 8.00
Other Non-Interest Sensitive Assets	-	-	-	-	-	6,894,958	-	6,894,958	-
<b>Total Assets</b>	<b>18,096,975</b>	<b>6,739,173</b>	<b>15,167,025</b>	<b>113,087,345</b>	<b>116,319,153</b>	<b>106,010,532</b>	<b>44,279</b>	<b>375,464,482</b>	
<b>LIABILITIES</b>									
Other Non-Interest Sensitive Liabilities	-	-	-	-	-	921,321	-	921,321	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>921,321</b>	<b>-</b>	<b>921,321</b>	
Contributions Account	-	-	-	-	-	373,742,966	-	373,742,966	-
Other Members' Fund	-	-	-	-	-	800,195	-	800,195	-
<b>Total Liabilities And Equities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>375,464,482</b>	<b>-</b>	<b>375,464,482</b>	
On Statement Of Financial Position									
Interest Sensitivity Gap	18,096,975	6,739,173	15,167,025	113,087,345	116,319,153	(269,453,950)	44,279	-	-
<b>Total Interest Sensitivity Gap</b>	<b>18,096,975</b>	<b>6,739,173</b>	<b>15,167,025</b>	<b>113,087,345</b>	<b>116,319,153</b>	<b>(269,453,950)</b>	<b>44,279</b>	<b>-</b>	

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 41. FINANCIAL RISK (CONT'D.)

#### 41.3 Market Risk (Cont'd.)

##### b. Interest Rate Risk (Cont'd.)

Interest Rate Risk arises from investments in floating interest rate instruments classified as loans and receivables, and fixed interest rate instruments classified as available-for-sale and fair value through profit or loss.

Estimate of cash flows as well as the impact of fluctuations in interest rates are monitored and reviewed regularly. The overall objectives of these strategies are to limit the net changes in the value of assets and expected income arising from interest rate movements.

The table set out below summarises the impact on the interest income from fixed income investment instruments as Statement Of Financial Position should interest rates change by 100 basis points:

GROUP	Impact To Income Statement When Interest Rates Change $\pm$ 100 Basis Points Increase / (Decrease) (RM'000)		Impact On The Balance Of Available-For-Sale Financial Asset Reserves When Interest Rates Change $\pm$ 100 Basis Points Increase / (Decrease) (RM'000)	
	+ 100 bps	- 100 bps	+ 100 bps	-100 bps
<b>Fixed Income Instruments</b>	<b>122,442</b>	<b>(122,343)</b>	<b>(303,217)</b>	<b>463,563</b>

  

EPF	Impact To Income Statement When Interest Rates Change $\pm$ 100 Basis Points Increase / (Decrease) (RM'000)		Impact On The Balance Of Available-For-Sale Financial Asset Reserves When Interest Rates Change $\pm$ 100 Basis Points Increase / (Decrease) (RM'000)	
	+ 100 bps	- 100 bps	+ 100 bps	-100 bps
<b>Fixed Income Instruments</b>	<b>74,373</b>	<b>(74,274)</b>	<b>(303,217)</b>	<b>463,563</b>

##### c. Foreign Exchange Risk

EPF operates internationally and is exposed to foreign exchange risk arising from various currency exposures other than the Ringgit Malaysia, the functional currency.

The foreign exchange risk in the investments in global equities and bonds are managed through diversification in various currencies as per approved mandate. Exposure in private equity and properties overseas are unhedged due to their long-term investment nature. Other exposures are hedged where appropriate at the transaction level.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 41. FINANCIAL RISK (CONT'D.)

#### 41.3 Market Risk (Cont'd.)

##### c. Foreign Exchange Risk (Cont'd.)

The following table summarises the carrying amount of global investments of the Group and EPF by currency as at the Statement Of Financial Position date:

GROUP AND EPF	2010	
	Global Investments (RM'000)	%
<b>Currency:</b>		
United States Dollars	10,304,326	25
Singapore Dollars	7,005,533	17
Pound Sterling	3,912,489	10
Hong Kong Dollars	3,124,959	8
North Korean Won	3,093,271	8
Thai Baht	2,500,335	6
Japanese Yen	2,460,109	6
Indonesian Rupiah	2,360,830	5
Others	6,263,515	15
	<b>41,025,367</b>	<b>100</b>

There is no material impact on global investments with regard to sensitivity exposure to foreign exchange risk.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 42. RELATED PARTY TRANSACTIONS

#### a. Related Parties And Relationships

The related parties of and their relationship with the EPF are as follows:

Related Parties	Relationships
Malaysia Building Society Berhad	Subsidiary Companies
YTR Harta Sdn Bhd	Subsidiary Companies
Affordable Homes Sdn Bhd	Subsidiary Companies
PPNK – Harta Sdn Bhd	Subsidiary Companies
Kwasa Properties Sdn Bhd	Subsidiary Companies
Rashid Hussain Berhad	Subsidiary Companies
Kwasa Land Sdn Bhd (Previously Known As Kwasa Cochrane Sdn Bhd)	Subsidiary Companies
KWASA Global (Jersey) Limited	Subsidiary Companies
Cengal Private Equity Investments (Plc)	Subsidiary Companies
Jati Private Equity Fund LP	Subsidiary Companies
Merbau Investors Offshore LP	Subsidiary Companies
Panca Pesona Sdn Bhd	Associated Companies
Malaysian Resources Corporation Bhd	Associated Companies
Bandar Eco-Setia Sdn Bhd	Associated Companies
Iskandar Investment Berhad	Associated Companies
HSBC Amanah Takaful (M) Sdn Bhd	Associated Companies
RHB Capital Berhad	Associated Companies
Sunway South Quay Sdn Bhd	Associated Companies
Malakoff Corporation Berhad	Associated Companies
Columbia Asia Sdn Bhd	Associated Companies
Subsidiaries And Associated Companies	Subsidiaries of Subsidiary And Associated Companies as above are part of EPF's subsidiary and associated companies, as disclosed in Note 45 and 46.
Key Management Personnel	Key Management Personnel consists of the EPF's Board of Directors and its Key Management Personnel.
Related Parties Of Key Management Personnel	i. Close family members and dependents of Key Management Personnel. ii. Entities of which significant voting power in such entity resides with the Key Management Personnel or its close family members.

#### b. Significant Related Party Balances And Transactions

	GROUP	
	Key Management Personnel	
	2010 (RM'000)	2009 (RM'000)
<b>Amount Due To</b>		
EPF's Contributions *	<b>31,793</b>	22,152

\* The EPF's Contribution balances are for Key Management Personnel, which has a significant balance.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 42. RELATED PARTY TRANSACTIONS (CONT'D.)

	EPF					
	Subsidiaries		Associates		Key Management Personnel	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
<b>As At 31 December</b>						
<b>Income</b>						
Interest On Loan	875	3,400	-	-	-	-
Rental Income	276	299	-	-	-	-
Management Fees	1	4	-	-	-	-
Other Non-Operational Income	48,085	37,340	-	-	-	-
	<b>49,237</b>	41,043	-	-	-	-
<b>Amount Due From</b>						
Loans, Advances And Financing	535,291	600,450	-	36,686	-	-
Private Debt Securities	-	-	1,516,300	1,517,797	-	-
	<b>535,291</b>	600,450	<b>1,516,300</b>	1,554,483	-	-
<b>Amount Due To</b>						
Other Liabilities	5	1	-	-	-	-
EPF's Contributions *	-	-	-	-	31,793	22,152
	<b>5</b>	1	-	-	<b>31,793</b>	22,152

\* The EPF's Contribution balances are for Key Management Personnel, which has a significant balance.

#### Key Management Personnel

The remuneration of the Board of Directors, Investment Panels and other members of Key Management Personnel are as follows:

	GROUP		EPF	
	2010 (RM'000)	2009 (RM'000)	2010 (RM'000)	2009 (RM'000)
Short Term Employee Benefits:				
Fees / Honorarium	1,514	1,467	923	839
Salary And Other Remunerations	4,475	2,567	3,743	2,567
Benefit-In-Kind	3,140	135	131	135
Share-Based-Payment	769	-	-	-
	<b>9,898</b>	4,169	<b>4,797</b>	3,541

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 43. OPERATING LEASES

#### 43.1 Group And EPF As Lessee

The Group and EPF leases a number of premises under operating lease. The leases typically run for an initial period of three (3) years, with an option to renew the leases. None of the lease includes contingent rentals. The future minimum lease payments under these non-cancellable operating lease are as follows:

	GROUP AND EPF	
	2010 (RM'000)	2009 (RM'000)
Within 1 Year	13,584	6,767
Between 1 To 5 Years	12,383	9,299
	<b>25,967</b>	16,066

#### 43.2 Group And EPF As Lessor

The Group and EPF leases out its Investment Properties under operating leases with the terms of the leases ranging between three (3) to five (5) years. None of these leases include contingent rentals. The future minimum lease payments under these non-cancellable operating lease are as follows:

	GROUP AND EPF	
	2010 (RM'000)	2009 (RM'000)
Within 1 Year	112,399	86,129
Between 1 To 5 Years	417,361	316,907
More Than 5 Years	–	59,048
	<b>529,760</b>	462,084

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 44. COMPARATIVE FIGURES

The following comparative figures have been restated in the Financial Statement for year 2010 to reflect changes in the presentation of related items as well as reclassifications of such items in the current year Financial Statements:

	GROUP		EPF	
	As Restated (RM'000)	As Previously Reported (RM'000)	As Restated (RM'000)	As Previously Reported (RM'000)
<b>Statement Of Financial Position</b>				
Investments	-	256,883,182	-	256,840,112
Held-To-Maturity Investment Assets	161,486,121	-	161,443,051	-
Available-For-Sale Financial Assets	97,359,409	-	97,359,409	-
Financial Assets At Fair Value Through Profit / Loss	194,200	-	194,200	-
Deposit With Financial Institutions	21,802,208	23,958,756	21,051,242	23,207,790
<b>Income Statement</b>				
Gross Investment Income	17,528,218	17,575,467	17,218,165	17,265,414
Investment Expenditures	(220,228)	-	(71,845)	-
Operating Expenditures	(783,335)	(1,050,812)	(651,064)	(770,158)
<b>Statement Of Changes In Members' Fund</b>				
Balance As At 31 December 2009	294,924	951,095	402,809	760,195
First Time Adjustment On Compliance To FRS 139 In 2010	656,171	-	357,386	-
	<b>298,317,688</b>	298,317,688	<b>297,303,353</b>	297,303,353

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 44. COMPARATIVE FIGURES (CONT'D.)

As disclosed in Note 4.7, the Group and EPF have adopted the accounting standards FRS 139 (Financial Instruments: Recognition And Measurement) with effect from 01 January 2010. The financial impact on 01 January 2010 subsequent to the compliance of FRS 139 is as follows:

<b>GROUP</b>				
	Balance In The Statement Of Financial Position As At 31 December 2009	<b>Balance In The Statement Of Financial Position As At 01 January 2010</b>		
	As Previously Reported  (RM'000)	Reclassifications  (RM'000)	Net Adjustment On Compliance To FRS 139 (RM'000)	As Restated After Adopting FRS 139 (RM'000)
<b>Financial Investment Assets</b>				
Investments	256,883,182	(256,883,182)	-	-
Held-To-Maturity Investment Assets	-	161,486,121	294	<b>161,486,415</b>
Available-For-Sale Financial Assets	-	97,359,409	22,800,389	<b>120,159,798</b>
Financial Assets At Fair Value Through Profit / Loss	-	194,200	4,209	<b>198,409</b>
Deposit With Financial Institutions	23,958,756	(2,156,548)	-	<b>21,802,208</b>
Loans, Advances And Financing	85,968,385	-	(298,785)	<b>85,669,600</b>
<b>Total Financial Investment Assets Which Have Been Reclassified And Net Adjustments On Compliance To FRS 139</b>			<b>22,506,107</b>	
<b>Members' Fund</b>				
Accumulated Surplus	951,095	-	(656,171)	<b>294,924</b>
Available-For-Sale Financial Asset Reserves	-	-	23,162,278	<b>23,162,278</b>
<b>Total Members' Fund After Net Adjustment On Compliance To FRS 139</b>			<b>22,506,107</b>	

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 44. COMPARATIVE FIGURES (CONT'D.)

EPF				
	Balance In The Statement Of Financial Position As At 31 December 2009	Balance In The Statement Of Financial Position As At 01 January 2010		
	As Previously Reported  (RM'000)	Reclassifications  (RM'000)	Net Adjustment On Compliance To FRS 139 (RM'000)	As Restated After Adopting FRS 139 (RM'000)
<b>Financial Investment Assets</b>				
Investments	256,840,112	(256,840,112)	-	-
Held-To-Maturity Investment Assets	-	161,443,051	294	<b>161,443,345</b>
Available-For-Sale Financial Assets	-	97,359,409	22,800,389	<b>120,159,798</b>
Financial Assets At Fair Value Through Profit / Loss	-	194,200	4,209	<b>198,409</b>
Deposit With Financial Institutions	23,207,790	(2,156,548)	-	<b>21,051,242</b>
<b>Total Financial Investment Assets Which Have Been Reclassified And Net Adjustments On Compliance To FRS 139</b>		<b>-</b>	<b>22,804,892</b>	
<b>Members' Fund</b>				
Accumulated Surplus	760,195	-	(357,386)	<b>402,809</b>
Available-For-Sale Financial Asset Reserves	-	-	23,162,278	<b>23,162,278</b>
<b>Total Members' Fund After Net Adjustment On Compliance To FRS 139</b>		<b>-</b>	<b>22,804,892</b>	

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 45. LIST OF SUBSIDIARY COMPANIES AS AT 31 DECEMBER 2010

a. Details of the Subsidiary Companies are as follows:

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2010 %	2009 %	
<b>Direct Holding – EPF</b>				
Malaysia Building Society Berhad	Malaysia	66.43	67.33	Operating of loans on the security of freehold and leasehold properties.
Rashid Hussain Berhad #	Malaysia	98.33	98.33	Investment holding.
YTR Harta Sdn Bhd	Malaysia	81	81	Property development.
Affordable Homes Sdn Bhd	Malaysia	100	100	Property development.
PPNK – Harta Sdn Bhd	Malaysia	85	85	Property development and management.
Kwasa Properties Sdn Bhd	Malaysia	100	100	Property investment.
Kwasa Land Sdn Bhd (Previously Known As Kwasa Cochrane Sdn Bhd)	Malaysia	100	–	Dormant.
KWASA Global (Jersey) Limited	Channel Islands, Britain	100	–	Investment holding.
Cengal Private Equity Investments (Plc)	Republic Ireland	99.50	–	Investment holding fund.
Jati Private Equity Fund LP	Cayman Islands	99	–	Investment holding fund.
Merbau Investors Offshore LP	Cayman Islands	99.5	–	Investment holding fund.
<b>Subsidiaries Held Through Malaysia Building Society Berhad</b>				
MBSB Properties Sdn Bhd	Malaysia	100	100	Letting of real property.
MBSB Development Sdn Bhd	Malaysia	100	100	Property development.
Prudent Legacy Sdn Bhd	Malaysia	92	92	Property development.
Sigmaprise Sdn Bhd	Malaysia	100	100	Hotel operation.
Gadini Sdn Bhd	Malaysia	100	100	Property development.
Ganesha Sdn Bhd	Malaysia	100	100	Property development.
Springtide Sdn Bhd	Malaysia	100	100	Property development.
Trimonds Sdn Bhd	Malaysia	100	100	Investment holding.
MBSB Project Management Sdn Bhd	Malaysia	100	100	Ceased operations.
Definite Pure Sdn Bhd	Malaysia	100	100	Dormant.
Malaya Borneo Building Society Limited (MBBS)	Singapore	100	100	Dormant.
Farawide Sdn Bhd	Malaysia	100	100	Hotel Operation.
Raynergy Sdn Bhd	Malaysia	100	100	Dormant.
Idaman Usahamas Sdn Bhd	Malaysia	100	100	Dormant.
<b>Subsidiary Held Through KWASA Global (Jersey) Limited</b>				
KWSP – KWAP (Jersey) Limited	Channel Islands, Britain	100	–	Property investment.
<b>Subsidiaries Held Through KWSP – KWAP (Jersey) Limited</b>				
Whitefriars Limited	Channel Islands, Britain	100	–	Property investment.
Portman Square (No.1) Limited	Channel Islands, Britain	100	–	Property investment.
One Sheldon Square Limited	Channel Islands, Britain	100	–	Property investment.
Poertman Square (No. 2) Limited	Channel Islands, Britain	100	–	Property investment.

# The above mentioned companies are in the process of winding up by liquidators as at 31 December 2010.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 46. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2010

a. Details of the Associated Companies are as follows:

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2010 %	2009 %	
<b>Direct Holding – EPF</b>				
Projek Bandar Samariang Sdn Bhd	Malaysia	-	40	Property development.
Panca Pesona Sdn Bhd	Malaysia	30	30	Housing developer and industry project.
Malaysian Resources Corporation Bhd	Malaysia	41.58	30.63	Company construction, property development and management and provision of management services.
Bandar Eco – Setia Sdn Bhd	Malaysia	34	34	Property development.
Iskandar Investment Berhad	Malaysia	20	20	Development of Wilayah Pembangunan Iskandar.
HSBC Amanah Takaful (M) Sdn Bhd	Malaysia	20	20	Insurance.
RHB Capital Berhad	Malaysia	45	45	Banking.
Sunway South Quay Sdn Bhd	Malaysia	20	20	Property development.
Malakoff Corporation Berhad	Malaysia	30	30	Investment holding and provision for management.
Columbia Asia Sdn Bhd	Malaysia	29.72	29.72	Hospital.
<b>Subsidiaries Held Through RHB Capital Berhad</b>				
RHB Bank Berhad	Malaysia	100	100	Commercial banking.
RHB Investment Bank Berhad	Malaysia	100	100	Investment banking.
RHB Insurance Berhad	Malaysia	94.70	79.50	General insurance.
Straits Asset Holdings Sdn Bhd	Malaysia	100	100	Investment holding.
RHB Hartanah Sdn Bhd	Malaysia	100	100	Property investment.
RHB Equities Sdn Bhd	Malaysia	100	100	Equity related services.
RHB Capital (Jersey) Limited	Jersey, Channel Islands	100	100	Investment holding.
RHB Kawal Sdn Bhd	Malaysia	100	100	Security services.
RHBF Sdn Bhd	Malaysia	100	100	Dormant.
RHB Venture Capital Sdn Bhd	Malaysia	100	100	Dormant.
<b>Subsidiaries Held Through RHB Bank Berhad</b>				
RHB Islamic Bank Berhad	Malaysia	100	100	Islamic banking.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 46. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2010 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2010 %	2009 %	
<b>Subsidiaries Held Through RHB Bank Berhad (Cont'd.)</b>				
RHB Bank (L) Ltd	Malaysia	100	100	Offshore banking.
RHB Capital Nominees (Tempatan) Sdn Bhd	Malaysia	100	100	Nominee services for Malaysian beneficial shareholders.
RHB Investment Ltd	Singapore	100	100	Property investment and rental.
Banfora Pte Ltd	Singapore	100	100	Property investment and rental.
RHB Bank Nominees Pte Ltd	Singapore	100	100	Nominee services for foreign beneficial shareholder.
RHB Leasing Sdn Bhd	Malaysia	100	100	Leasing.
RHB Trade Services Limited	Hong Kong	100	100	Processing of letters of credit reissuance favouring Hong Kong beneficiaries.
RHB Capital Properties Sdn Bhd	Malaysia	100	100	Property investment.
Utama Assets Sdn Bhd	Malaysia	100	100	Property investment.
UMBC Sdn Bhd	Malaysia	100	100	Dormant.
RHB Delta Sdn Bhd	Malaysia	100	100	Dormant.
RHB Delta Nominees (Tempatan) Sdn Bhd	Malaysia	-	100	Dormant.
Utama Gilang Sdn Bhd	Malaysia	100	100	Dormant.
<b>Subsidiary Held Through RHB Bank (L) Ltd</b>				
RHB International Trust (L) Ltd	Malaysia	100	100	Offshore trust company.
<b>Subsidiary Held Through RHB International Trust (L) Ltd</b>				
RHB Corporate Services Sdn Bhd	Malaysia	100	100	Corporate secretarial services.
<b>Subsidiary Held Through RHB Capital Nominees (Tempatan) Sdn Bhd</b>				
RHB Capital Nominees (Asing) Sdn Bhd	Malaysia	100	100	Nominee services for foreign beneficial shareholders.
<b>Subsidiaries Held Through RHB Investment Bank Berhad</b>				
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	100	100	Nominee services for Malaysian beneficial shareholders.
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	100	100	Nominee services for foreign beneficial shareholders.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 46. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2010 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2010 %	2009 %	
<b>Subsidiaries Held Through RHB Investment Bank Berhad (Cont'd.)</b>				
RHB Nominees Sdn Bhd	Malaysia	100	100	Nominee and custodian services.
RHB Nominees (Asing) Sdn Bhd	Malaysia	100	100	Nominee and custodian services for foreign beneficial shareholders.
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	100	100	Nominee and custodian services for Malaysian beneficial shareholders.
RHB Investment Management Sdn Bhd	Malaysia	100	100	Asset management services and management of unit trust funds.
RHB Research Institute Sdn Bhd	Malaysia	100	100	Research services.
RHB Private Equity Holdings Sdn Bhd	Malaysia	100	100	Investment holding.
RHB Excel Sdn Bhd	Malaysia	100	100	Dormant.
RHB Progressive Sdn Bhd	Malaysia	100	100	Dormant.
RHB Marketing Services Sdn Bhd	Malaysia	100	100	Dormant.
RHB Unit Trust Management Berhad	Malaysia	100	100	Dormant.
<b>Subsidiary Held Through RHB Investment Management Sdn Bhd</b>				
RHB Islamic Asset Management Sdn Bhd	Malaysia	100	-	Islamic asset management services and islamic unit trust fund management.
<b>Subsidiaries Held Through RHB Private Equity Holdings Sdn Bhd</b>				
RHB Private Equity Management Ltd	Malaysia	100	100	Investment advisers, investment consultants and other related services funds private.
RHB Private Equity Fund Ltd (Cayman Islands)	Cayman Islands	100	100	Investment company.
<b>Subsidiaries Held Through Straits Asset Holdings Sdn Bhd</b>				
SSSB Services (Melaka) Sdn Bhd	Malaysia	100	100	Dormant.
SFSB Services (Melaka) Sdn Bhd	Malaysia	100	100	Dormant.
<b>Subsidiaries Held Through RHB Hartanah Sdn Bhd</b>				
Positive Properties Sdn Bhd	Malaysia	100	50	Property investment.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 46. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2010 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2010 %	2009 %	
<b>Subsidiaries Held Through RHB Hartanah Sdn Bhd (Cont'd.)</b>				
RHB Property Management Sdn Bhd	Malaysia	100	-	Property investment.
<b>Subsidiary Held Through RHB Equities Sdn Bhd</b>				
KYB Sdn Bhd	Malaysia	100	100	Dormant.
<b>Subsidiary Held Through RHB Capital (Jersey) Limited</b>				
Rashid Hussain Securities (Philippines) Inc.	Philippines	100	100	Investment holding.
<b>Subsidiary Held Through RHBF Sdn Bhd</b>				
KYF Sdn Bhd	Malaysia	100	100	Dormant.
<b>Subsidiaries Held Through Malaysian Resources Corporation Berhad</b>				
Excellence Bonanza Sdn Bhd	Malaysia	60	60	Property development.
Kuala Lumpur Sentral Sdn Bhd	Malaysia	64.38	64.38	Property development.
Konsortium KOP-HG-MRCB ISOPLAS	Unincorporated	100	100	Design and build a transmission line and sub-station.
Landas Utama Sdn Bhd	Malaysia	100	100	Investment holding.
MRCB Utama Sdn Bhd	Malaysia	100	100	Property development.
MRCB Sentral Properties Sdn Bhd	Malaysia	100	100	Property development, management and investment.
MRCB Engineering Sdn Bhd	Malaysia	100	100	Engineering services and construction.
MRCB Environmental Services Sdn Bhd	Malaysia	100	100	Investment holding.
MRCB Prasarana Sdn Bhd	Malaysia	100	100	Project management and investment holding.
MRCB Technologies Sdn Bhd	Malaysia	100	100	Information technology services and professional outsourcing.
Malaysian Resources Development Sdn Bhd	Malaysia	100	100	Property development and investment holding.
Malaysian Resources Sentral Sdn Bhd	Malaysia	100	100	Provision of facility management.
Mimix Sdn Bhd	Malaysia	100	100	Civil and infrastructure building contractor.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 46. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2010 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2010 %	2009 %	
<b>Subsidiaries Held Through Malaysian Resources Corporation Berhad (Cont'd.)</b>				
Onesentral Park Sdn Bhd	Malaysia	51	51	Property development.
Prema Bonanza Sdn Bhd	Malaysia	51	51	Property development.
Semasa Sentral Sdn Bhd	Malaysia	100	100	Operation, management and maintenance of KL Central railway station.
Semasa Services Sdn Bhd	Malaysia	100	100	Building management services.
Semasa Parking Sdn Bhd	Malaysia	100	100	Car park management.
Sooka Sentral Sdn Bhd	Malaysia	100	100	Work operations, management and maintenance of the club house in KL Central.
SynarGym Sdn Bhd	Malaysia	100	100	Managing and operating centres exercise.
Superview Development Sdn Bhd	Malaysia	100	100	Property development, management and stock trading.
Transmission Technology Sdn Bhd	Malaysia	100	100	Engineering, construction and commissioning services to power transmission systems.
Mafira Holdings Sdn Bhd	Malaysia	100	100	Investment holding.
MR Securities Sdn Bhd	Malaysia	100	100	Investment holding.
MR Construction Sdn Bhd	Malaysia	51	51	Construction.
MR Enterprises Sdn Bhd	Malaysia	100	100	Construction.
MR Management Sdn Bhd	Malaysia	100	100	Investment holding and management services.
MR-H Piling And Civil Engineering (M) Sdn Bhd	Malaysia	51	51	Piling and civil engineering.
MRCB Ceramics Sdn Bhd	Malaysia	100	100	Manufacturing, distribution and sale of ceramic tiles.
MRCB Dotcom Sdn Bhd	Malaysia	100	100	Planning and management services.
MRCB Intelligent System And Control Sdn Bhd	Malaysia	100	100	System maintenance and application services and other technological application.
Semasa District Cooling Sdn Bhd	Malaysia	100	100	One-stop card technology service provider.
MRCB Land Sdn Bhd	Malaysia	100	100	Property investment and management.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 46. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2010 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2010 %	2009 %	
<b>Subsidiaries Held Through Malaysian Resources Corporation Berhad (Cont'd.)</b>				
MRCB Property Management Sdn Bhd	Malaysia	100	100	Property investment and management services.
MRCB Trading Sdn Bhd	Malaysia	100	100	Trading in building materials.
Region Resources Sdn Bhd	Malaysia	100	100	Quarry operations.
Sibexlink Sdn Bhd	Malaysia	100	100	Sale of business information and website development.
Cheq Point (M) Sdn Bhd	Malaysia	75	75	Charge card services and investment holding.
Harmonic Fairway Sdn Bhd	Malaysia	100	100	Investment holding.
MRCB Energy International Sdn Bhd	Malaysia	100	100	Pre-operation.
Semasa Sentral (Penang) Sdn Bhd	Malaysia	100	100	Pre-operation.
Semasa ACE Urusharta	Malaysia	100	100	Pre-operation.
MRCB Green Energy Sdn Bhd	Malaysia	100	100	Pre-operation.
GSB Sentral Sdn Bhd	Malaysia	100	40	Property development and outsourcing activities.
Cosy Bonanza Sdn Bhd	Malaysia	65.70	40.70	Property development.
<b>Subsidiary Held Through Kuala Lumpur Sentral Sdn Bhd</b>				
Unity Portfolio Sdn Bhd	Malaysia	64.38	64.38	Property management.
<b>Subsidiary Held Through MRCB Utama Sdn Bhd</b>				
Country Annexe Sdn Bhd	Malaysia	100	100	Pre-operating.
<b>Subsidiary Held Through MRCB Engineering Sdn Bhd</b>				
MRCB (Thailand) Ltd	Thailand	100	100	Pre-operating.
<b>Subsidiary Held Through MRCB Environmental Services Sdn Bhd</b>				
MRCB Environment Sdn Bhd	Malaysia	55	55	Infrastructure design and build construction works.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 46. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2010 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2010 %	2009 %	
<b>Subsidiary Held Through</b>				
<b>MRCB Prasarana Sdn Bhd</b>				
MRCB Lingkaran Selatan Sdn Bhd	Malaysia	100	100	Construction, development, design, project management, operations and maintenance and financing of expressway and infrastructure related project.
<b>Subsidiary Held Through</b>				
<b>MRCB Lingkaran Selatan Sdn Bhd</b>				
MRCB Southern Link Bhd	Malaysia	100	100	Construction, development, design project management, operations and maintenance and financing of expressway.
<b>Subsidiaries Held Through</b>				
<b>Malaysian Resources Development Sdn Bhd</b>				
MR Properties Sdn Bhd	Malaysia	100	100	Property development.
Bitar Enterprises Sdn Bhd	Malaysia	100	100	Property investment.
<b>Subsidiaries Held Through</b>				
<b>Bitar Enterprises Sdn Bhd</b>				
MRCB Land (Australia) Pty Ltd (Previously Known As Yes 88 Pty Ltd)	Australia	70	-	Property investment.
Golden East Corporation Sdn Bhd	Malaysia	100	100	Development and property management.
Seri Iskandar Utilities Corporation Sdn Bhd	Malaysia	100	100	Pre-operating.
Sunrise Properties Sdn Bhd	Malaysia	100	100	Property development.
Taiyee Development Sdn Bhd	Malaysia	100	100	Property development.
MRCB Property Development Sdn Bhd	Malaysia	100	100	Investment holding.
<b>Subsidiary Held Through</b>				
<b>MRCB Property Development Sdn Bhd</b>				
MRCB Cahaya Mutiara Sdn Bhd	Malaysia	100	100	Property development and management.
<b>Subsidiary Held Through</b>				
<b>Malaysian Resources Development Sdn Bhd</b>				
Seri Iskandar Development Corporation Sdn Bhd	Malaysia	70	70	Property development.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 46. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2010 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2010 %	2009 %	
<b>Subsidiary Held Through Mafira Holdings Sdn Bhd</b>				
Zen Concrete Industries Sdn Bhd	Malaysia	<b>38.60</b>	38.60	Manufacturing and sale of pre-stressed spun concrete poles.
<b>Subsidiary Held Through MR Securities Sdn Bhd</b>				
Semasa Security Sdn Bhd	Malaysia	<b>100</b>	100	Security guard services.
<b>Subsidiary Held Through Region Resources Sdn Bhd</b>				
Syarikat Gemilang Quarry Sdn Bhd	Malaysia	<b>100</b>	100	Quarry operations.
<b>Subsidiaries Held Through Malaysian Resources Corporation Berhad</b>				
Nuzen Corporation Sdn Bhd	Malaysia	<b>30</b>	30	Investment holding.
One IFC Sdn Bhd	Malaysia	<b>30</b>	30	Investment holding.
Penang Sentral Sdn Bhd	Malaysia	<b>49</b>	49	Property development.
Suasana Sentral Two Sdn Bhd	Malaysia	<b>30</b>	30	Property development.
Multimedia Consulting Sdn Bhd (Previously Known As MRCB Multimedia Consortium Sdn Bhd)	Malaysia	<b>29</b>	29	Applications services relating to information technologies.
Kota Francais (M) Sdn Bhd	Malaysia	<b>20</b>	20	Franchising property management and consultancy.
<b>Subsidiaries Held Through Iskandar Investment Berhad</b>				
Medini Iskandar Malaysia Sdn Bhd ("MIM")	Malaysia	<b>75</b>	75	Property investment holding and provision of construction services.
Iskandar Coast Sdn Bhd ("ICSB") (Previously Known As Iskandar Waterfront Development Sdn Bhd)	Malaysia	<b>80</b>	51.20	Investment holding and property development.
Iskandar Development And Management Services Sdn Bhd ("IDMS")	Malaysia	<b>100</b>	100	Management services.
SJIC Bina Sdn Bhd	Malaysia	<b>100</b>	100	Construction.
Menara Burj Sdn Bhd	Malaysia	<b>60</b>	60	Property management.
Peak Alpha Express Sdn Bhd	Malaysia	<b>100</b>	100	Investment holding.
Education @ Iskandar Sdn Bhd	Malaysia	<b>100</b>	100	Development and management property services.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 46. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2010 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2010 %	2009 %	
<b>Subsidiaries Held Through Iskandar Investment Berhad (Cont'd.)</b>				
Iskandar Assets Sdn Bhd	Malaysia	100	100	Property investment.
Iskandar Harta Holdings Sdn Bhd	Malaysia	100	100	Property investment holding.
Medini Land Sdn Bhd	Malaysia	100	100	Property investment holding.
Iskandar Investment Pte Ltd ("I IPL")	Singapore	100	100	Management services.
Medini City Management Sdn Bhd	Malaysia	100	100	Dormant.
Medini Security Services Sdn Bhd	Malaysia	100	100	Dormant.
Medini Leisure And Entertainment Sdn Bhd	Malaysia	100	100	Dormant.
<b>Subsidiaries Held Through ICSB</b>				
KST Assets Sdn Bhd	Malaysia	-	38.40	Property investment holding and management.
KST Planners & Developers Sdn Bhd	Malaysia	-	51.20	Dormant.
Pembinaan KS Tebrau Sdn Bhd	Malaysia	-	51.20	Civil engineering and building works.
Global Corporate Development Sdn Bhd	Malaysia	-	35.80	Property development.
Pembangunan KS Tebrau Sdn Bhd	Malaysia	-	51.20	Dormant.
Nodedua Sdn Bhd	Malaysia	67.20	47.10	Dormant.
River Retreat Sdn Bhd	Malaysia	70	51.20	Dormant.
Iskandar Waterfront Sdn Bhd	Malaysia	-	51.20	Dormant.
<b>Subsidiary Held Through IDMS</b>				
Iskandar Management Services Sdn Bhd	Malaysia	100	100	Dormant.
<b>Subsidiary Held Through Peak Alpha Express Sdn Bhd</b>				
IDR Resorts Sdn Bhd	Malaysia	100	100	Investment holding.
<b>Subsidiaries Held Through IDR Resorts Sdn Bhd</b>				
IDR Assets Sdn Bhd	Malaysia	100	100	Property development.
IDR Operations Sdn Bhd	Malaysia	100	100	Dormant.
<b>Subsidiary Held Through Iskandar Harta Holding Sdn Bhd</b>				
Ujung Medini Sdn Bhd	Malaysia	100	100	Property investment.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 46. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2010 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2010 %	2009 %	
<b>Subsidiaries Held Through Education @ Iskandar Sdn Bhd</b>				
Iskandar Education Village Sdn Bhd	Malaysia	100	-	Management and property development.
Iskandar British School Sdn Bhd	Malaysia	100	-	Management and property development.
Iskandar Education Enterprise Sdn Bhd	Malaysia	100	-	Management and property development.
Iskandar Medical School Sdn Bhd	Malaysia	100	-	Management and property development.
<b>Subsidiaries Held Through Malakoff Corporation Berhad</b>				
Segari Energy Ventures Sdn Bhd	Malaysia	93.75	93.75	Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of power plant.
GB3 Sdn Bhd	Malaysia	75	75	Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of power plant.
Wirazone Sdn Bhd	Malaysia	100	100	Build, own an operate an electricity distribution system and a centralised chilled waterplant system.
Prai Power Sdn Bhd	Malaysia	100	100	Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of power plant.
Tanjung Bin Power Sdn Bhd	Malaysia	90	90	Design, engineering, procurement, construction, installation and commisioning, testing, operation and maintenance of 2,100 MW coal fired electricity generating facilities and sales of electrical energy and generating capacity of the power plant.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 46. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2010 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2010 %	2009 %	
<b>Subsidiaries Held Through Malakoff Corporation Berhad (Cont'd.)</b>				
Teknik Janakuasa Sdn Bhd	Malaysia	100	100	Operation and maintenance of power plant.
Malakoff Engineering Sdn Bhd	Malaysia	100	100	Provides engineering services and project management.
Desa Kilat Sdn Bhd	Malaysia	54	54	Land reclamation, construction and sale of land construction.
Hypergantic Sdn Bhd	Malaysia	100	100	Investment holding.
Tuah Utama Sdn Bhd	Malaysia	100	100	Investment holding.
Transpool Sdn Bhd	Malaysia	100	100	Dormant.
Malakoff Capital (L) Ltd	Malaysia	100	100	Dormant.
Spring Assets Limited	British, Virgin Islands	100	100	Dormant.
Malakoff International Limited	Cayman Islands	100	100	Offshore investment holding.
Malakoff Power Sdn Bhd	Malaysia	100	-	Dormant.
<b>Subsidiaries Held Through Teknik Janakuasa Sdn Bhd</b>				
Natural Analysis Sdn Bhd	Malaysia	100	100	Running and maintenance of power plant.
TJSB Global Sdn Bhd	Malaysia	100	100	Investment holding.
TJSB International Limited	Cayman Islands	100	100	Offshore investment holding.
<b>Subsidiaries Held Through TJSB International Limited</b>				
TJSB Middle East Limited	British, Virgin Islands	100	100	Running and maintenance of power plant.
TJSB International (Shoaiba) Limited	British, Virgin Islands	100	100	Offshore investment holding.
<b>Subsidiary Held Through Malakoff Engineering Sdn Bhd</b>				
MESB Project Management Sdn Bhd	Malaysia	100	100	Provides engineering services and project management.
<b>Subsidiaries Held Through Malakoff International Limited</b>				
Malakoff Gulf Limited	British, Virgin Islands	100	100	Offshore investment holding.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 46. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2010 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2010 %	2009 %	
<b>Subsidiaries Held Through Malakoff International Limited (Cont'd.)</b>				
Malakoff Technical (Dhofar) Limited	British, Virgin Islands	100	100	Offshore investment holding.
Malakoff Al-Djazair Desal Sdn Bhd	Malaysia	100	100	Investment holding.
Malakoff Jordan Generation Limited	British, Virgin Islands	100	100	Offshore investment holding.
Malakoff Ras Azzour Limited	British, Virgin Islands	100	100	Dormant.
<b>Subsidiary Held Through Malakoff Al-Djazair Desal Sdn Bhd</b>				
Tlemcen Desalination Investment Company SAS	France	70	70	Offshore investment holding.
<b>Associates Held Through Malakoff Corporation Berhad</b>				
Port Dickson Power Berhad	Malaysia	25	25	Generate and sell electricity.
Kapar Energy Ventures Sdn Bhd	Malaysia	40	40	Generate and sell electricity.
Lekir Bulk Terminal Sdn Bhd	Malaysia	20	20	Terminal handling services and coal.
Malaysian Shoaiba Consortium Sdn Bhd	Malaysia	40	40	Investment holding.
Saudi-Malaysia Water & Electricity Company Limited	Saudi Arabia	20	20	Offshore investment holding.
Shuaibah Water & Electricity Company Limited	Saudi Arabia	12	12	Design, build, test, running and maintenance of fuel power plants and minerals.
Shuaibah Expansion Holding Company Limited	Saudi Arabia	12	12	Production of drinking water.
Shuaibah Expansion Project Company Limited	Saudi Arabia	11.70	11.70	Development, construction, maintenance water-based products.
Oman Technical Partners Limited	British, Virgin Islands	43.40	43.40	Offshore investment holding.
Salalah Power Holdings Limited	Bermuda	43.40	43.40	Offshore investment holding.
Enara Energy Investment Company	Jordan	25	25	Offshore investment holding.
Central Electricity Generating Company Limited	Jordan	12.75	12.75	Generate and sell electricity.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

### 46. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2010 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2010 %	2009 %	
<b>Associates Held Through Malakoff Corporation Berhad (Cont'd.)</b>				
Al-Imtiaz Operation And Maintenance Company Limited	Saudi Arabia	20	20	Implement and maintain the station power generation and processing minerals.
Saudi Malaysia Operation And Maintenance Services Company Limited	Saudi Arabia	20	20	Operation and maintenance of plant power and minerals.
Hyflux-TJSB Algeria SPA	Algeria	49	49	Operation and maintenance of plant power and minerals.
<b>Subsidiaries Held Through Columbia Asia Sdn Bhd</b>				
Columbia Capital Berhad	Malaysia	100	-	Dormant.
Grafik Gelombang Sdn Bhd	Malaysia	100	-	Dormant.
Universal Medicare Pte Ltd	Singapore	100	100	Dormant.
CPH Sarawak Sdn Bhd	Malaysia	72.70	72.70	Investment holding.
<b>Subsidiary Held Through Universal Medicare Pte Ltd</b>				
PT Nusautama Medicanlindo	Indonesia	100	100	Operation of the medical center.
<b>Subsidiary Held Through CPH Sarawak Sdn Bhd</b>				
True Peace Sdn Bhd	Malaysia	100	-	Operation of the medical center.
<b>Subsidiaries Held Through True Peace Sdn Bhd</b>				
Computerised X-ray Scanning Sdn Bhd	Malaysia	100	100	X-ray scanning services.
Selesa Medical Labs Sdn Bhd	Malaysia	100	100	Dormant.
<b>Subsidiary Held Through Sunway South Quay Sdn Bhd</b>				
Sunway Monash-U Residence Sdn Bhd	Malaysia	100	-	Investment properties.