

**EMPLOYEES PROVIDENT FUND  
NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2001**

**1. PRINCIPAL ACTIVITIES OF THE BOARD**

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis Of Accounting**

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

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

**2.2 Basis Of Consolidation**

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

**2.3 Goodwill**

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

**2.4 Investments In Subsidiaries**

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

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

**2.5 Investments In Associated Companies**

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

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

**2.6 Interest In Joint Ventures**

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

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

## 2.7 Basis Of Investment Valuation

### a. Malaysian Government Securities

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

### b. Treasury Bills

Treasury Bills are stated at cost.

### c. Guaranteed Loans And Debentures

Guaranteed Loans And Debentures are stated at cost.

### d. Corporate Bonds

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

### e. Unquoted Shares

Unquoted Shares are stated at cost. Provision is made for permanent diminution in value where considered appropriate.

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

#### Short Term Quoted Shares And Investment With Portfolio Managers

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

#### i. *Aggregate market value exceeds cost of investments*

Difference will be credited to the Investment Revaluation Account;

**or**

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

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

#### Long Term Quoted Shares And Investments With Portfolio Managers

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

- i. Long term quoted shares which incur an unrealised loss at the balance sheet date will be provided for permanent diminution in value of investments at least 20% per annum until the unrealised loss is provided for 100%. The provision for permanent diminution in value will be adjusted if the said shares has been sold or the value of shares is higher than the average cost. The revision with respect to the balance of provision for diminution in value will be made as at each balance sheet date. Conclusion with regards to whether additional provisions is required or provisions to be written back as at specific balance sheet date is made in aggregate.
- ii. Provision for permanent diminution in value on the purchase cost of shares in association with Capital Reduction plan amounting to 20% per annum commencing from the year which such Capital Reduction plan is announced and provisions is made till it reaches 100% in the year such plan is finalised. The provision for permanent diminution in value will be adjusted and written back as an income if the Capital Reduction plan is cancelled and the value of shares is higher than the average cost.
- iii. Provision for permanent diminution in value on shares in association with General Mandatory Offer amounting to 20% per annum on losses derived from the difference between cost and offer price. Provision is made commencing from the year the general mandatory offer is announced. Provision is made till it reaches 100% in the implementation year of which the general mandatory offer is finalised. The provision for permanent diminution in value will be adjusted and written back as an income if the general mandatory offer plan is cancelled and the value of shares is higher than the average cost.

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

## 2.8 Recognition Of Investment Income

Dividend from shares and Interest on Malaysian Government Securities, Loans and Bonds, Fixed Deposits and Rental Income is accounted for on an accrual basis. The change in accounting policy which recognise dividend from shares on accrual basis with effect from 2001 has resulted an increase in income amounting to RM46.440 million.

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

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

## 2.9 Recognition Of Income On Granting Of Loans (MBSB)

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

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

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

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

Commitment fees are recognised as income based on time apportionment.

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

## 2.11 Losses On Loans / Provision For Losses

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

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

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

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

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

## 2.12 Fixed Assets And Depreciation

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

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

Capitalisation value of Fixed Assets which is categorised as Furniture, Fittings And Fixtures together with Office Equipment is RM1,000 and above for each unit with effect from acquisition year 2001. The purchase of each unit of Fixed Assets in such categories of which the value is below RM1,000, acquisition cost is charged as current year expenses. The change in accounting policy in 2001 has resulted an increase in operating expenditure amounting to RM685 thousand.

The carrying values of subsidiary company's Fixed Assets are reviewed for impairment where there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the assets that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

#### **2.13 Accounting For Members' Contributions**

Contributions are credited to members' account on the cash received basis except for cases of which crediting is based on Invocation of Section 50(3), EPF Act, 1991. (refer para 2.26).

#### **2.14 Members' Assets / Contributions With Fund Manager Institutions**

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

#### **2.15 Interest And Dividend On Contributions Paid Late**

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

#### **2.16 Interest On Mortgage Loans Receivable**

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

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

#### **2.17 Deposit Liabilities**

Deposit Liabilities maturing within and after twelve months include accrued interest.

#### **2.18 Provision For Staff Retirement Benefits (MBSB)**

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

#### **2.19 Interest Capitalisation**

Interest incurred on borrowings relating to properties held for development and development properties is capitalised during the period of active development and until the properties are ready for their intended purpose.

#### **2.20 Properties Held For Development**

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

#### **2.21 Deferred Taxation**

The liability method has been adopted in providing for deferred taxation on all material timing differences except where it is considered reasonably probable that such timing differences will not reverse in the foreseeable future.

#### **2.22 Development Properties**

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

### 2.23 Inventories Of Completed Properties

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

### 2.24 Dividend Credited / Paid To Members

Annual dividend is calculated on the opening balance as at 1 January (less withdrawals) and dividend on monthly contributions following contributions month and credited to the members' account at the end of the financial year. Dividend on withdrawals is calculated from the beginning of the year in which the withdrawal is made until the date the contributions' account is debited. The contributions and minimum annual dividend of 2.5% are guaranteed by the Government except for members' contributions which are managed by Fund Manager Institutions.

### 2.25 Foreign Currency Conversion

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

### 2.26 Reserve Section 50(3)

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

### 2.27 Reserve For Contributions With Incomplete Information (CTML)

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

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

### 2.28 Cash And Cash Equivalents

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

### 2.29 Expenditure Carried Forward

Preliminary and pre-operating expenses are stated at cost and has been written off during the financial year. All administration and general expenses have been charged to pre-operating expenses.

### 2.30 Comparative Figures

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

### 2.31 Currency

All amounts are stated in Ringgit Malaysia.

### 3. WITHDRAWALS AND REFUNDS OF CONTRIBUTIONS

#### GROUP & EPF

	2001 (RM'000)	2000 (RM'000)
3.1 55 Years Withdrawal Scheme	2,843,988	1,799,430
3.2 Re-election Withdrawal Scheme	2,312	1,177
3.3 50 Years Withdrawal Scheme	1,046,216	855,807
3.4 Incapacitation Withdrawal Scheme	194,295	159,937
3.5 Leaving Country Withdrawal Scheme	342,341	176,174
3.6 Housing Withdrawal Scheme	1,606,085	1,437,660
3.7 Reduction / Redemption Of Housing Loan Withdrawal Scheme	810,972	763,719
3.8 Medical Withdrawal Scheme	31,730	23,488
3.9 Death Withdrawal Scheme	294,767	245,987
3.10 Periodical Payment Withdrawal Scheme	3,471	5,325
3.11 Members' Investment Withdrawal Scheme	1,032,790	1,469,757
3.12 Annuity Insurance Withdrawal Scheme	3,325,123	720,192
3.13 Pensionable Employee Withdrawal Scheme	3,821,978	533,599
3.14 Computer Withdrawal Scheme	1,148,581	700,230
3.15 Education Withdrawal Scheme	92,955	34,437
3.16 Refunds To Employers / Members - Rule 33(1), EPF Regulations & Rules, 1991	15,211	16,163
3.17 Refunds Of Employers' Share To Pension Trust Fund - Section 56, EPF Act, 1991	5,354,964	1,048,129
<b>TOTAL WITHDRAWALS AND REFUNDS</b>	<b>21,967,779</b>	<b>9,991,211</b>

The maturity structure of the Contributions eligible to be withdrawn by the members under age of 50 and 55 withdrawals within 12 months period are as follows (The forecast on withdrawals has not been made for the withdrawals on the grounds of deceased, incapacitation, health, housing, leaving country and others):

	2001 (RM'000)	2000 (RM'000)
Contributions payable within 12 months	8,694,276	11,438,701
Contributions payable after 12 months	176,472,493	169,325,046
	<u>185,166,769</u>	<u>180,763,747</u>

### 4. FIXED ASSETS

#### 4.1 GROUP

	As at 1 Jan (RM'000)	Additions (RM'000)	Disposals / Transfers (RM'000) 2001	Write Offs/ Impairment Loss (RM'000)	As at 31 Dec (RM'000)
<b>COST</b>					
Freehold Land	514,025	-	-	-	514,025
Leasehold Land	166,862	11,166	-	-	178,028
Buildings	502,467	240,755	47	26,368	716,807
Building Plant And Machinery	21,140	716	-	147	21,709
Office / Building Renovation	18,400	9,178	-	-	27,578
Furniture, Fittings And Fixtures	30,458	11,591	617	178	41,254
Motor Vehicles	6,883	1,854	656	440	7,641
Office Equipment	105,577	2,754	18,888	2,569	86,874
Computer Software And Hardware	58,250	53,316	29	3	111,534
Work-In-Progress	148,108	33,990	143,267	71	38,760
	<u>1,572,170</u>	<u>365,320</u>	<u>163,504</u>	<u>29,776</u>	<u>1,744,210</u>



**ACCUMULATED DEPRECIATION**
**2001**

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

**COST**
**2000**

Freehold Land	24,502	467,541	-	-	492,043
Leasehold Land	30,112	135,532	-	-	165,644
Buildings	462,836	54	-	-	462,890
Building Plant And Machinery	21,350	116	-	326	21,140
Office / Building Renovation	8,407	2,046	138	-	10,315
Furniture, Fittings And Fixtures	21,755	2,700	-	183	24,272
Motor Vehicles	4,567	534	143	97	4,861
Office Equipment	84,577	5,210	-	2,871	86,916
Computer Software And Hardware	41,565	23,785	-	-	65,350
Work-In-Progress	47,583	37,575	-	-	85,158
	<b>747,254</b>	<b>675,093</b>	<b>281</b>	<b>3,477</b>	<b>1,418,589</b>

**ACCUMULATED DEPRECIATION**
**2000**

Leasehold Land	1,477	414	-	-	1,891
Buildings	85,077	9,257	-	-	94,334
Building Plant And Machinery	18,687	348	-	326	18,709
Office / Building Renovation	4,599	268	-	-	4,867
Furniture, Fittings And Fixtures	19,007	1,215	-	183	20,039
Motor Vehicles	3,378	539	143	97	3,677
Office Equipment	83,651	3,199	-	2,858	83,992
Computer Software And Hardware	19,015	9,063	-	-	28,078
	<b>234,891</b>	<b>24,303</b>	<b>143</b>	<b>3,464</b>	<b>255,587</b>

**4.3 NET BOOK VALUE**
**GROUP**
**EPF**

	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Freehold Land	514,025	514,025	492,043	492,043
Leasehold Land	173,903	164,832	162,489	163,753
Buildings	595,848	396,060	439,158	368,556
Building Plant And Machinery	2,722	2,431	2,722	2,431
Office / Building Renovation	14,553	6,433	14,002	5,448
Furniture, Fittings And Fixtures	12,049	4,626	3,269	4,233
Motor Vehicles	3,016	1,947	2,284	1,184
Office Equipment	2,558	2,924	2,558	2,924
Computer Software And Hardware	53,510	39,579	52,007	37,272
Work-In-Progress	38,760	148,108	38,760	85,158
	<b>1,410,944</b>	<b>1,280,965</b>	<b>1,209,292</b>	<b>1,163,002</b>



5. **GOODWILL ON CONSOLIDATION**

	<b>2001</b> (RM'000)	<b>GROUP</b>	2000 (RM'000)
As At 1 January As Previously Reported	13,632		42,715
<u>Add:</u>			
Prior Year Adjustment	-		22,603
Acquisition Of Subsidiary Company In The Current Year	18,565		-
	<u>32,197</u>		<u>65,318</u>
<u>Less:</u>			
Written Off / Amortisation Of Goodwill	20,648		51,686
	<u>11,549</u>		<u>13,632</u>

6. **PROPERTIES HELD FOR DEVELOPMENT**

	<b>GROUP</b>		<b>EPF</b>	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Freehold Land	366,382	-	-	-
Leasehold Land	138,025	-	60,268	60,268
Development Expenditure	331,355	-	-	-
	<u>835,762</u>	-	<u>60,268</u>	60,268
<u>Less:</u>				
Provision For Diminution In Value	320,970	-	-	-
	<u>514,792</u>	-	<u>60,268</u>	<u>60,268</u>
As Previously Reported		399,326		
Properties Held For Development		561,797		
Less : Provision For Diminution In Value		(162,471)		
Prior Year Adjustment		81,635		
Properties Held For Development (refer Note 7)		87,449		
Less : Provision For Diminution In Value		(5,814)		
As Restated		480,961		
Properties Held For Development		649,246		
Less : Provision For Diminution In Value		(168,285)		
		<u>480,961</u>		

The prior year adjustment represents property held for development which were not included in the subsidiary company's financial statements in prior year .

7. **DEVELOPMENT PROPERTIES**

	<b>GROUP</b>		<b>EPF</b>	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Land At Cost :				
Freehold Land	433,776	-	-	-
Leasehold Land	115,679	-	-	-
Development Expenditure	527,086	-	53,819	-
	<u>1,076,541</u>	-	<u>53,819</u>	-
<u>Less:</u>				
Non Current Portion - Reclassified As Properties Held For Development	(775,494)	-	-	-
	<u>301,047</u>	-	<u>53,819</u>	-
<u>Less:</u>				
Recognised Losses	(5,699)			
	<u>295,348</u>			
<u>Less:</u>				
Foreseeable Losses	(28,996)			
Progress Billings	(11,658)			
	<u>254,694</u>			
As Previously Reported		314,112		
Land At Cost :				
Freehold Land		313,061		
Leasehold Land		166,299		

Development Expenditure	358,392
Less :	
Land At Cost Reclassified As Property Held For Development	(501,529)
Prior Year Adjustment	-
Land At Cost :	
Freehold Land	32,200
Leasehold Land	18,041
Development Expenditure	37,208
Less :	
Non-Current Portion Reclassified As Properties Held For Development (refer Note 6)	(87,449)
As Restated	336,223
Land At Cost :	
Freehold Land	345,261
Leasehold Land	184,340
Development Expenditure	395,600
Less :	
Non-Current Portion Reclassified As Properties Held For Development	(588,978)
	336,223
Less : Recognised Loss	(4,253)
	331,970
Less : Foreseeable Losses	(2,770)
Less : Progress Billings	(15,088)
Current Portion Classified As Development Properties	314,112

The properties held for development include properties with the carrying values amounting to RM239,861,000 (2000 : RM230,769,000) which are registered in the respective joint venture partners' name. Included in the development expenditure are interest capitalised during the year amounting to RM41,710,000 (2000 : RM50,699,000). Included in the freehold land, leasehold land and development expenditure is an amount of RM180,318,000 (2000 : RM180,318,000), RM76,495,000 (2000 : RM73,626,000) and RM276,365,000 (2000 : RM151,363,000) respectively which have been charged as security for the loan facilities granted.

## 8. INVESTMENTS IN SUBSIDIARIES

EPF	2001		2000	
	Cost/Book Value (RM'000)	Market Value (RM'000)	Cost/Book Value (RM'000)	Market Value (RM'000)
Quoted Shares In Malaysia	706,633	149,053	706,633	157,570
Less:				
Provision For Permanent Diminution In Value	(199,367)		(109,813)	
Unquoted Shares In Malaysia	507,266		596,820	
	3,128		3,128	
	510,394		599,948	
Loans To Subsidiaries	1,107,705		396,000	
Advance To Subsidiaries	12,126		12,126	
Capital Advance *	56,247		30,748	
	1,176,078		438,874	
	1,686,472		1,038,822	

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

The Subsidiary Companies of EPF are as follows:

Name	Effective Interest		Principal Activity
	2001	2000	
a. <b>Malaysia Building Society Berhad</b>	<b>63.02%</b>	63.02%	Granting of loans on the security of freehold and leasehold properties
b. <b>YTR Harta Sdn Bhd</b>	<b>85.00%</b>	85.00%	Property development
c. <b>Affordable Homes Sdn Bhd</b>	<b>100.00%</b>	100.00%	Property development
d. <b>PPNK-Harta Sdn Bhd</b>	<b>85.00%</b>	85.00%	Property development

All subsidiary companies as above are incorporated in Malaysia.

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

	2001 (RM'000)	EPF 2000 (RM'000)
Maturing within 12 months	<b>482,831</b>	12,126
Maturing after 12 months	<b>693,247</b>	426,748
	<b>1,176,078</b>	<b>438,874</b>

## 9. INVESTMENTS IN ASSOCIATED COMPANIES

	GROUP At Cost (RM'000)		EPF At Cost (RM'000)	
	2001	2000	2001	2000
Quoted Shares	<b>238,654</b>	238,654	<b>238,654</b>	238,654
Unquoted shares	<b>154,149</b>	154,147	<b>154,149</b>	154,147
<u>Less:</u>				
Provision For Permanent Diminution In Value	<b>(135,034)</b>	(135,032)	<b>(135,034)</b>	(135,032)
	<b>257,769</b>	257,769	<b>257,769</b>	257,769
Loans	<b>46,454</b>	648,962	<b>46,454</b>	648,962
	<b>304,223</b>	906,731	<b>304,223</b>	906,731
<u>Add / (Less):</u>				
Profit / (Losses) In Associated Companies:				
Sistem Transit Aliran Ringan Sdn Bhd	<b>(210,713)</b>	(143,163)	-	-
Projek Bandar Samariang Sdn Bhd	<b>(4,491)</b>	(4,235)	-	-
Panca Pesona Sdn Bhd	<b>(151)</b>	(72)	-	-
Cycle & Carriage Bintang Bhd	<b>104,741</b>	97,754	-	-
	<b>(110,614)</b>	(49,716)	-	-
	<b>193,609</b>	857,015	<b>304,223</b>	906,731

Details pertaining to the associated companies are as shown below:

Name	Equity Interest		Principal Activity
	2001	2000	
a. <b>Projek Bandar Samariang Sdn Bhd</b>	<b>40.00%</b>	40.00%	Property development company
b. <b>Sistem Transit Aliran Ringan Sdn Bhd</b>	<b>20.00%</b>	20.00%	Managing light rail transit system
c. <b>Panca Pesona Sdn Bhd</b>	<b>30.00%</b>	30.00%	Developing industry and housing project
d. <b>Cycle &amp; Carriage Bintang Bhd</b>	<b>21.04%</b>	21.04%	Assembly, distribution and retailing of motor vehicles
e. <b>RHB - H &amp; F Management Co. Sdn Bhd</b>	<b>29.41%</b>	29.41%	Provision for investment consultancy and management services
f. <b>First Sukuk Al-Ijara Sdn Bhd</b>	<b>30.00%</b>	30.00%	Dormant

All associated companies as above are incorporated in Malaysia.

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

	2001 (RM' 000)	EPF 2000 (RM' 000)
Maturing within 12 months	1,200	632,428
Maturing after 12 months	45,254	16,534
	<b>46,454</b>	<b>648,962</b>

#### 10. INTEREST IN JOINT VENTURES

	GROUP At Cost (RM'000)		EPF At Cost (RM'000)	
	2001	2000	2001	2000
a. <b>Jam'iyatul Da'watil Islamiah</b>				
Capital Contribution	-	277	-	277
<u>Less:</u>				
Write Offs	-	(277)	-	(277)
	-	-	-	-
<b>Principal Activity :</b>				
Construction and management of office / business premises in Kuala Lumpur.				
b. <b>Usaha Sama KWSP - MBSB (Atabara)</b>				
Share Of Profits	-	-	204	204
	-	-	204	204
<b>Principal Activity :</b>				
Housing project at Bandar Indera Mahkota, Kuantan, Pahang.				
<b>Total Interest In Joint Ventures</b>	-	-	204	204

#### 11. INVESTMENTS

##### 11.1 GROUP

	2001		2000	
	Cost/Book Value (RM'000)	Market Value (RM'000)	Cost/Book Value (RM'000)	Market Value (RM'000)
<b>QUOTED SECURITIES</b>				
Short Term Quoted Shares In Malaysia	299,537	192,276	1,458,357	764,245
<u>Less:</u>				
Investment Revaluation Account	(107,261)		(694,112)	
Directors' Valuation	192,276		764,245	
Malaysian Government Securities	68,338,627	77,994,895	61,765,704	67,569,275
Long Term Quoted Shares In Malaysia	36,910,826	27,100,727	33,519,209	23,234,249
<u>Less:</u>				
Provision For Permanent Diminution In Value	(1,417,269)	-	(474,945)	-
Long Term Quoted Shares Outside Malaysia	269,742	239,967	271,115	282,018
Long Term Investment With Portfolio Managers	3,364,758	2,756,302	2,495,688	1,739,852
<u>Less:</u>				
Provision For Permanent Diminution In Value	(21,809)	-	(15,882)	-
Directors' Valuation	107,444,875	108,091,891	97,560,889	92,825,394

**UNQUOTED SECURITIES**

Unquoted Shares In Malaysia	16,193	16,463
<u>Less:</u>		
Provision For Permanent Diminution In Value	(1,781)	(1,781)
Unquoted Shares Outside Malaysia	537,340	534,475
	551,752	549,157

**LOANS AND BONDS**

Guaranteed Loans And Debentures	19,380,301	-	19,909,793	-
<u>Less:</u>				
Specific Provision For Bad And Doubtful Debts	(250,000)	-	(1,038,800)	-
Corporate Bonds	14,646,828	-	12,890,344	-
<u>Less:</u>				
Specific Provision For Bad And Doubtful Debts	(280,000)	-	-	-
Promissory Notes	1,194,923	-	2,228,677	-
Loans Stock	50,000	-	50,000	-
Quoted Loans Stock	30,893	35,435	17,356	12,261
Dana Harta And Dana Modal Bonds	3,397,389	3,491,197	1,559,439	1,577,259
	38,170,334		35,616,809	
	146,359,237		134,491,100	

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

	<b>GROUP</b>	
	2001 (RM'000)	2000 (RM'000)
Maturing within 12 months	12,936,892	9,289,002
Maturing after 12 months	94,021,173	89,071,118
	<u>106,958,065</u>	<u>98,360,120</u>

**11.2 EPF**

	2001		2000	
	Cost/Book Value (RM'000)	Market Value (RM'000)	Cost/Book Value (RM'000)	Market Value (RM'000)
<b>QUOTED SECURITIES</b>				
Short Term Quoted Shares In Malaysia	299,537	192,276	1,458,357	764,245
<u>Less:</u>				
Investment Revaluation Account	(107,261)		(694,112)	
Directors' Valuation	192,276		764,245	
Malaysian Government Securities	68,338,627	77,994,895	61,765,704	67,569,275
Long Term Quoted Shares In Malaysia	36,910,826	27,100,727	33,519,209	23,234,249
<u>Less:</u>				
Provision For Permanent Diminution In Value	(1,417,269)	-	(474,945)	-
Long Term Quoted Shares Outside Malaysia	269,742	239,967	271,115	282,018
Long Term Investment With Portfolio Managers	3,364,758	2,756,302	2,495,688	1,739,852
<u>Less:</u>				
Provision For Permanent Diminution In Value	(21,809)	-	(15,882)	-
Directors' Valuation	107,444,875	108,091,891	97,560,889	92,825,394

<b>UNQUOTED SECURITIES</b>					
Unquoted Shares In Malaysia	15,693			15,963	
<u>Less:</u>					
Provision For Permanent Diminution In Value	(1,781)			(1,781)	
Unquoted Shares Outside Malaysia	537,340			534,475	
	<b>551,252</b>			<b>548,657</b>	
<b>LOANS AND BONDS</b>					
Guaranteed Loans And Debentures	19,380,301	-		19,909,793	-
<u>Less:</u>					
Specific Provision For Bad And Doubtful Debts	(250,000)	-		(1,038,800)	-
Corporate Bonds	14,646,828	-		12,890,344	-
<u>Less:</u>					
Specific Provision For Bad And Doubtful Debts	(280,000)	-		-	-
Promissory Notes	1,194,923	-		2,228,677	-
Loans Stock	50,000	-		50,000	-
Quoted Loans Stock	30,893	35,435		17,356	12,261
Danaharta And Danamodal Bonds	3,397,389	3,491,197		1,559,439	1,577,259
	<b>38,170,334</b>			<b>35,616,809</b>	
	<b>146,358,737</b>			<b>134,490,600</b>	

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

	<b>EPF</b>	
	2001 (RM'000)	2000 (RM'000)
Maturing within 12 months	12,936,892	8,644,448
Maturing after 12 months	94,021,173	88,627,836
	<b>106,958,065</b>	<b>97,272,284</b>

## 12. MORTGAGE LOANS RECEIVABLE

	<b>GROUP</b>	
	2001 (RM'000)	2000 (RM'000)
End Finance:		
Normal Housing Programme	1,199,734	1,083,717
Low Cost Housing Programme	54,701	69,622
Bridging And Term Loans	3,694,384	3,514,491
	<b>4,948,819</b>	<b>4,667,830</b>
<u>Less:</u>		
Provision For Doubtful Loans:		
Specific	(560,857)	(301,147)
General	(36,635)	-
Interest-In-Suspense	(1,232,351)	(940,271)
	<b>3,118,976</b>	<b>3,426,412</b>

Mortgage Loans Receivable comprises Secured Housing Loans, Bridging and Term Loans to borrowers and property development companies.

Bridging And Term Loan facilities include RM814,515,000 (2000 - RM639,373,000) granted to subsidiaries for joint venture property developments, acquisition of property, plant and equipment and construction of a building of which RM490,070,000 (2000 :RM70,998,000) are non-performing loans. These loans are repayable during 2002 to 2013. Interest is charged at rates ranging from 5.90% to 11.25% (2000 : 9.15% to 9.75%) per annum.

End Finance Loans include RM3,130,000 (2000 : RM3,332,000) to a subsidiary for the acquisition of buildings. These loans are repayable during 2002 to 2014. Interest is charged at 7.25% to 11.00% (2000 : 7.50% to 11.00%) per annum.

13. **STAFF LOANS**

The maturity structure of Staff Loans are as follows:

	<b>GROUP &amp; EPF</b>	
	<b>2001</b> (RM'000)	<b>2000</b> (RM'000)
Maturing within 12 months	8,869	1,744
Maturing after 12 months	<u>110,404</u>	<u>91,926</u>
	<u><b>119,273</b></u>	<u><b>93,670</b></u>

14. **PROVISION FOR LOSSES ON LOANS**

	<b>GROUP</b>		<b>EPF</b>	
	<b>2001</b> (RM'000)	<b>2000</b> (RM'000)	<b>2001</b> (RM'000)	<b>2000</b> (RM'000)
<u>Specific Provision</u>				
Balance As At 1 January	1,339,947	1,311,317	1,038,800	1,038,800
Provision Made During The Year	837,732	60,680	530,000	-
Amount Written Back In Respect Of Recoveries And Reversals	(1,086,608)	(31,704)	(1,038,800)	-
Amount Written Back Arising From Write Offs	(214)	(346)	-	-
Balance As At 31 December	<u>1,090,857</u>	<u>1,339,947</u>	<u>530,000</u>	<u>1,038,800</u>
<u>General Provision</u>				
Balance As At 1 January	-	-	-	-
Provision Made During The Year	36,635	-	-	-
Balance As At 31 December	<u>36,635</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Interest-In-Suspense</u>				
Balance As At 1 January	1,127,093	909,422	186,822	251,048
Interest Suspended During The Year	443,058	554,301	60,072	230,106
Amount Sold To Dana Harta	-	(11,398)	-	-
Amount Written Back In Respect Of Recoveries And Reversals	(262,124)	(321,054)	(176,373)	(294,332)
Amount Written Off	(5,155)	(4,178)	-	-
Balance As At 31 December	<u>1,302,872</u>	<u>1,127,093</u>	<u>70,521</u>	<u>186,822</u>
<u>The Maturity Structure of the Loans:</u>				
a. Receivable Within 12 Months				
Net Guaranteed Loans And Debentures	780,000	1,187,813	780,000	1,187,813
Net Mortgage Loans	1,591,581	1,750,567	-	-
	<u>2,371,581</u>	<u>2,938,380</u>	<u>780,000</u>	<u>1,187,813</u>
b. Receivable After 12 Months				
Net Guaranteed Loans And Debentures	-	500,004	-	500,004
Net Mortgage Loans	1,527,395	1,675,845	-	-
	<u>1,527,395</u>	<u>2,175,849</u>	<u>-</u>	<u>500,004</u>
	<u><b>3,898,976</b></u>	<u><b>5,114,229</b></u>	<u><b>780,000</b></u>	<u><b>1,687,817</b></u>

Included in mortgage loans receivable within 12 months are amounts relating to non performing loans of RM1,257,541,000 (2000 : RM992,430,000).

15. **INVENTORIES OF COMPLETED PROPERTIES**

	<b>GROUP</b>	
	<b>2001</b> (RM'000)	<b>2000</b> (RM'000)
At Cost	3,631	5,093
At Net Realisable Value	<u>36,104</u>	<u>-</u>
	<u><b>39,735</b></u>	<u><b>5,093</b></u>

## 16. DEBTORS AND DEPOSITS

	GROUP		EPF	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Prepayment And Deposits	1,099	1,559	1,099	1,559
Rental Deposits	2,042	1,945	2,042	1,945
Income Tax Recoverable	157,466	89,757	157,466	89,757
Rental Of Buildings	1,408	1,105	1,408	1,105
Amount Due From Subsidiaries	-	-	10,294	10,847
Unguaranteed Advance For Joint Venture Projects	16,447	162,057	-	-
Miscellaneous	38,246	57,485	16,191	17,362
	<b>216,708</b>	<b>313,908</b>	<b>188,500</b>	<b>122,575</b>

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

	GROUP		EPF	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Maturing within 12 months	216,708	311,887	188,500	120,554
Maturing after 12 months	-	2,021	-	2,021
	<b>216,708</b>	<b>313,908</b>	<b>188,500</b>	<b>122,575</b>

## 17. DEPOSITS WITH FINANCIAL INSTITUTIONS

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

	GROUP		EPF	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Maturing within 12 months	14,967,637	34,078,145	14,967,637	34,078,145
Maturing after 12 months	19,998,685	7,360,069	19,998,685	7,360,069
	<b>34,966,322</b>	<b>41,438,214</b>	<b>34,966,322</b>	<b>41,438,214</b>

## 18. DEFERRED TAXATION

	GROUP	
	2001 (RM'000)	2000 (RM'000)
As At 1 January	17,531	18,664
Deferred Tax Arising From Acquisition Of Subsidiary	5,183	-
	<b>22,714</b>	18,664
Transfer From / To Income Statement	2,956	(1,133)
As At 31 December	<b>25,670</b>	<b>17,531</b>

## 19. LOANS AND OVERDRAFTS

### 19.1 Bank Borrowings

Bank borrowings are unsecured and interest charged on these facilities is based on KLIBOR + 0.50% to 1.00% (2000 : KLIBOR + 0.50% to 1.00%) plus costs of maintaining statutory and liquidity reserves of the respective banks. The interest charged on these borrowings ranged from 3.60% to 5.75% (2000 : 3.05% to 5.75%) per annum.



## 19.2 Bank Negara Malaysia Loans

These loans are for financing the Low Cost Housing Finance Programme and are secured by assets arising from the said programme with the carrying value of RM47,510,000 (2000 : RM63,136,000). The interest rates applicable to these loans are 2.50% and 4.50% (2000 : 2.50% to 4.50%) per annum. The payment of interest on each drawdown commences two years after the respective dates of drawdown and thereafter is payable annually. The principal of each drawdown is repayable over a twenty-year-period commencing three years after the date of drawdown. the date of drawdown. The maturity structure of the loans ia as follows:

	2001 (RM'000)	2000 (RM'000)
2001	-	29,413
2002	21,425	20,586
2003	14,499	14,499
2004	11,859	11,859
2005	6,119	6,119
2006	2,886	2,886
2007	1,213	1,213
2008	1,012	1,012
	<u>59,013</u>	<u>87,587</u>

## 20. DEPOSITS AND ADVANCES

	GROUP		EPF	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Employers' Instalments	68,100	55,823	68,100	55,823
Remittance Suspense	2,624	952	2,624	952
Clients' Deposits	1,250,315	1,891,328	-	-
Miscellaneous Deposits	2,617	2,732	2,741	2,732
	<u>1,323,656</u>	<u>1,950,835</u>	<u>73,465</u>	<u>59,507</u>

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

	GROUP		EPF	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Maturing within 12 months	1,323,656	1,874,303	73,465	59,507
Maturing after 12 months	-	76,532	-	-
	<u>1,323,656</u>	<u>1,950,835</u>	<u>73,465</u>	<u>59,507</u>

## 21. CREDITORS

	GROUP		EPF	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Accrued Expenses	727,387	35,734	727,387	35,734
Rent Received In Advance	20	20	20	20
Bank Balance*	15,549	171,569	15,549	171,569
Contribution From Post Office	36	123	36	123
Miscellaneous	90,128	166,568	7,548	10,228
	<u>833,120</u>	<u>374,014</u>	<u>750,540</u>	<u>217,674</u>

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

The maturity structure of the Creditors are as follows:

	GROUP		EPF	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Maturing within 12 months	833,120	374,014	750,540	217,674
Maturing after 12 months	-	-	-	-
	<u>833,120</u>	<u>374,014</u>	<u>750,540</u>	<u>217,674</u>

## 22. GROSS INVESTMENT INCOME

	GROUP		EPF	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Interest / Profit From Investments	8,856,426	8,673,762	8,871,994	9,215,550
Interest / Profit From Bank Balances	4,190	2,747	4,186	2,747
Dividend From Investments	723,849	569,984	723,849	569,984
Income / (Losses) From Portfolio Managers	89,827	220,022	89,827	220,022
Rental Income	20,719	16,938	17,269	16,515
Realised Profit From Investment Trading	234,512	1,969,427	(111,086)	1,233,041
Miscellaneous Income	18	-	18	-
	<u>9,929,541</u>	<u>11,452,880</u>	<u>9,596,057</u>	<u>11,257,859</u>

## 23. INVESTMENT EXPENSES

	GROUP		EPF	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Actuarial Fees	192	42	192	42
CDS Registration Fees	503	313	503	313
Technical Services Fees	1,196	-	1,196	-
Portfolio Managers' Fees	10,697	10,068	10,697	10,068
	<u>12,588</u>	<u>10,423</u>	<u>12,588</u>	<u>10,423</u>

## 24. INVESTMENT PROVISIONS AND LOAN LOSSES

	GROUP		EPF	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Permanent Diminution In Value Of Investments	1,108,294	643,832	1,197,848	753,645
Provision For Diminution In Value Written Back	(586,851)	(272)	(586,851)	(272)
	<u>521,443</u>	<u>643,560</u>	<u>610,997</u>	<u>753,373</u>
Loan Losses And Provisions	831,715	35,037	530,000	-
Provision For Loan Losses Written Back	(1,038,800)	-	(1,038,800)	-
	<u>(207,085)</u>	<u>35,037</u>	<u>(508,800)</u>	<u>-</u>
	<u>314,358</u>	<u>678,597</u>	<u>102,197</u>	<u>753,373</u>

## 25. NON-INVESTMENT INCOME

	GROUP		EPF	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Interest / Profit From Staff Loans	3,981	3,419	3,893	3,322
Dividend From Contributions Paid Late	21,261	21,041	21,261	21,041
Gain / (Losses) On Disposal Of Fixed Assets	209	18	32	18
Miscellaneous Income	15,423	18,003	12,192	13,340
	<u>40,874</u>	<u>42,481</u>	<u>37,378</u>	<u>37,721</u>

## 26. STATUTORY CHARGES

	GROUP AND EPF	
	2001 (RM'000)	2000 (RM'000)
Death Benefit - Section 58(1)	44,528	56,298
Incapacitation Benefit - Section 58(2)	14,731	46,777
	<u>59,259</u>	<u>103,075</u>

27. OPERATING EXPENDITURE

	GROUP		EPF	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Salaries, Allowances And Staff Costs	224,505	158,639	206,638	142,514
Audit Fees	280	241	183	159
Fees And Professional Charges	2,919	2,391	2,419	2,157
Printing And Stationery	11,056	8,662	10,471	8,039
Postal, Telephone And Telex Charges	13,723	12,024	12,462	10,818
Transport And Travelling	9,473	9,075	8,686	8,193
Rent And Assessment	16,089	15,406	15,144	14,184
Insurance On Staff And Property	1,271	1,010	919	721
Maintenance On Fixed Assets	32,373	26,100	31,060	24,955
Depreciation Of Fixed Assets	46,271	27,968	37,524	24,304
Write Offs / Losses	3,327	482	3,256	359
Provision / Write Offs On Bad And Doubtful Debts	97,527	-	-	-
Provision For Diminution In Value On Properties Held For Development	152,685	35,807	-	-
Technical Services Fees	5,546	6,359	5,546	6,359
Honorarium For Board Members / Investment Panel	117	114	117	114
Directors' Remuneration	67	14	-	-
Amortisation Of Goodwill On Consolidation	20,648	51,686	-	-
Provision For Staff Retirement Benefits	726	964	-	-
Interest Payable On Deposits, Loans And Overdrafts	136,533	146,730	-	-
Losses On Foreign Currency Exchange	323	244	323	244
Impairment Loss On Fixed Assets	26,368	3,567	-	-
Changes In Development Properties And Inventories Of Completed Properties	28,581	(85,435)	-	-
Contract Costs	(5,517)	63,005	-	-
Provision For Anticipated Losses On Projects	31,209	11,221	-	-
Miscellaneous Expenses	19,782	11,647	14,932	9,164
	<b>875,882</b>	<b>507,921</b>	<b>349,680</b>	<b>252,284</b>

28. EXCEPTIONAL ITEM

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

29. TAXATION

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

30. ADJUSTED ACCUMULATED SURPLUS FROM PRIOR YEAR

	GROUP		EPF	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Balance As At 1 January	(121,404)	216,530	259,163	235,309
Add / (Less):				
Adjustments On Consolidation Of Account	4,139	(337,934)	-	-
Adjusted Balance	<b>(117,265)</b>	<b>(121,404)</b>	<b>259,163</b>	<b>235,309</b>

### 31. CASH AND CASH EQUIVALENTS

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

	GROUP		EPF	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
Bank And Cash Balances	261,312	120,623	241,245	113,840
Bank Balances (refer Note 21)	(15,549)	(171,569)	(15,549)	(171,569)
Money Market Account - Bank Negara Malaysia	10,637,073	9,170,623	10,637,073	9,170,623
	<u>10,882,836</u>	<u>9,119,677</u>	<u>10,862,769</u>	<u>9,112,894</u>

### 32. CAPITAL COMMITMENTS

	GROUP		EPF	
	2001 (RM'000)	2000 (RM'000)	2001 (RM'000)	2000 (RM'000)
<b>a. Capital Commitments</b>				
Approved And Contracted As At 31 December But Not Provided For In The Accounts	226,656	271,027	155,944	224,320
Approved But Not Contracted For As At 31 December*	89,309	509,730	57,458	66,622
	<u>315,965</u>	<u>780,757</u>	<u>213,402</u>	<u>290,942</u>
<b>b. Operational Commitments</b>				
Mortgage Loan Commitments Not Provided For In The Accounts Amounting To:				
End Finance	311,566	339,714	-	-
Bridging And Term Loans	1,041,504	1,739,109	-	-
	<u>1,353,070</u>	<u>2,078,823</u>	<u>-</u>	<u>-</u>
Property Development:				
Approved And Contracted For	774,171	2,243,820	-	-
Approved And Not Contracted For*	12,439	9,739,009	-	-
	<u>786,610</u>	<u>11,982,829</u>	<u>-</u>	<u>-</u>
	<u>2,455,645</u>	<u>14,842,409</u>	<u>213,402</u>	<u>290,942</u>

\*This amount has not been contracted for and is in respect of long term developments over a period of up to 15 years. The funding to finance this will not necessarily be advanced from the subsidiary company.

### 33. CONTINGENT LIABILITIES

#### 33.1 Civil Action

- Civil action has been instituted by the Administrator of a nominee's estate against the Employees Provident Fund Board (EPF) for wrongful payment of a member's credit to the Administrator of the member's estate. The plaintiff has claimed a sum of RM179,293.22 as well as damages and costs. The EPF has requested the Administrator of the member's estate to settle the plaintiff's claim. The case has been heard in the High Court and the court has decided that the plaintiff's claim be dismissed with costs. The plaintiff has lodged an appeal in the Court Of Appeal. The date for the hearing of the appeal has not been fixed by the Court Of Appeal.
- Civil action has been taken by the Guarantor Banks (plaintiff) (to the Facility Agreement between Time Telecommunication Sdn. Bhd as a Borrower and the EPF as a Loan Provider) against the EPF on the charge that there was an error in the calculation of interest on loan based on the applicable interest rate in relation to the breach of loan agreement of which the EPF has claimed the sum of loan which has been guaranteed. The amount of claims is RM293,522.06 and this amount is exclusive of interest as the rate of 8% per annum for the period from 4 November 1998 until the full settlement together with the cost which also been claimed by the plaintiff. The plaintiff has filed an application for summary judgement. The application has been heard and has been dismissed by the High Court on 23 December 1999. The plaintiff has filed the Notice Of Appeal and the date has been fixed to continue such hearing on 27 November 2001.

- c. Civil action has been taken by the Transport Workers Union (plaintiff) on behalf of Len Omnibus Co. employees against the EPF for a notification that the payment received by the employees of Len Omnibus Co. for the work done on a rest day and public holiday is "wages" under the EPF Act and liable for contribution. Initially, Len Omnibus Co. has contributed on such payments from March 1990 but later has stopped the payment after the EPF has notified that such payment is not subject to liability to contribute. Len Omnibus Co. had applied for such contributions to be refunded and the amount had already been refunded. The plaintiff has claimed against Len Omnibus Co. to refund the amount of contributions which has already been refunded by the EPF and the EPF to bear the loss of dividend on such contributions for the period April 1992 to July 1995. The actual amount of claim could not be ascertained until the court has allowed the plaintiff's application and has assessed the total judgement on such claim. This case has been filed through a suit in Shah Alam High Court. The date of hearing has not been fixed yet.
- d. An EPF member has sued the EPF Board to claim back his credit withdrawn under incapacitation grounds. The member claimed he did not receive the amount withdrawn in the form of a bank draft sent to him in Canada. However, the bank draft had been cashed. The amount of compensation covers the principal credit of RM29,709.11, dividend accrued since 12 January 1999 until settlement together with interest and costs. This case has been fixed for hearing at the Labuan Session Court on 4 February 2002.
- e. Civil action has been taken by EPF staff who had been appointed as Microfilm Operators (plaintiffs) against the EPF on the claim that the cancellation of the original offer at salary scale C14 which had been replaced with a second offer at salary scale of C10 is not valid. The plaintiff has applied to the court to obtain a judgement that the first salary scale was valid and binding with regards to their services to EPF. The plaintiff has claimed a sum of RM162,000.00 inclusive of interest at 8% per annum starting from 16 December 1996 until settlement as well as damages and costs. The EPF has filed an application to strike out the said summons at High Court Kuala Lumpur. The court has allowed EPF's application and cancelled the writ of summons and the statement of claim. The plaintiff has filed an appeal to this decision and the appeal has been fixed on 4 December 2001.
- f. Civil action has been taken by a company against EPF who alleged that the plaintiff and EPF had entered into a valid and a binding contract for processing EPF Forms A through scanning. The plaintiff also alleged the EPF has breached the contract by not implementing the contract. EPF has claimed that there was no valid/binding contract entered into but it only a due diligence study carried out. A claim for special damages for RM7 million was made besides general damages and interest as well as costs. The EPF has filed a Statement of Defence at High Court Kuala Lumpur and the date of hearing has been fixed on 25 to 28 March 2002.
- g. Civil action has been taken by a contractor against EPF who claimed the balance of payment on a contract of supplying and fixing a layer of waterproofing to the ceiling for Block A and B of EPF Building at Kota Kinabalu, Sabah amounting to RM74,575.00. The plaintiff claimed that the work had been completed according to specifications. However, the EPF claimed that the work done did not meet the specifications and fail to be completed according to contract. The amount claimed was RM74,575.00 together with interest and costs. The case has been filed in Kota Kinabalu Sessions Court. The date of hearing has not been fixed.
- h. In the Statement Of Defence to a civil suit filed by a subsidiary for payment of interest and recovery of loan facilities granted by the subsidiary, the borrower and the guarantors made a counter-claim of RM592 million against the subsidiary being the estimated loss of profit from their project based on their allegation that the subsidiary has breached the Loan Agreement by recalling the loan facilities. Hearing for summary judgement has not been fixed.
- i. Two claims for damages totalling RM401.8 million were brought by two borrowers against a subsidiary for alleged breach of contract on the part of the subsidiary to disburse and / or terminate loan facilities granted. In respect of the later claim, application for summary judgement was dismissed on 2 April 2002.
- j. A claim for damages of RM2.5 million was brought against the subsidiary by a contractor of a development project for alleged breach of assurance to release loan advances to finance the construction cost from a loan facility granted by the subsidiary to the developer of the project. The contractor's application for summary judgement was dismissed by the court on 30 March 2000. Hearing date for full trial has not been fixed.
- k. The owner of a piece of land pledged for bridging loan granted to a developer has brought a suit against a subsidiary company for alleged breach of terms in the charge document. The owner is seeking damages for loss suffered, if any, as a cause of the alleged breach which the owner has to prove and an order that the charge be discharged. Hearing date for full trial has not been fixed.
- l. As at 31 December 2000, the outstanding guarantees provided by the subsidiary amounted to RM323.1 million (2000 : RM322.7 million).

No provision has been made in the accounts in respect of claims as per item 33.1 (h), (i), (j) and (k) as the Directors of the subsidiary, after obtaining legal advice, are of the opinion that the claims are unlikely to succeed.

**33.2 Bank Guarantee**

Bank Guarantee for a period of 1 year amounting to RM20,000 has been issued in favour of Tenaga Nasional Berhad as a condition to enable electricity power to be supplied immediately before leasing / transfer of power supply site can be completed for the construction project of the EPF Training Centre in Bangi.

**33.3 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 RM71.860 million (2000 : RM53.290 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.

**34. PROVISION FOR STAFF RETIREMENT BENEFITS (EPF)**

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