

**KUMPULAN GUTHRIE BERHAD (4001-P)**  
**(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements**  
**31 December 2005**

**Company No: 4001-P**

**KUMPULAN GUTHRIE BERHAD  
(Incorporated in Malaysia)**

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**Company No: 4001-P**

**KUMPULAN GUTHRIE BERHAD**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT**

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

**PRINCIPAL ACTIVITIES**

The Company is an investment holding company and it also provides research, agricultural and advisory services. The principal activities of its subsidiary and associated companies are respectively described in Notes 4 and 18 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year other than as disclosed in Note 12 to the financial statements.

**RESULTS**

	<b><u>GROUP</u></b> <b><u>RM'000</u></b>	<b><u>COMPANY</u></b> <b><u>RM'000</u></b>
Net profit attributable to shareholders	48,844	66,994

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from:

- (a) the disposal of the Company's entire equity interests in Guthrie Medicare Products (NS) Sdn. Berhad, a subsidiary involved in the manufacturing of rubber gloves, which resulted in a loss of RM2,968,000 to the Group and RM3,867,000 to the Company; and
- (b) the disposal of the Group's entire equity interests in Healthline Products Limited and its subsidiary companies, involved in the merchandising of healthcare products, which resulted in a gain of RM7,211,000 and RM2,050,000 to the Group and to the Company, respectively.

## **DIVIDENDS**

During the financial year, the following dividends were paid by the Company:

- (a) A final dividend of 5 sen per share, less 28% tax, amounting to RM36,234,000, in respect of the previous financial year as proposed in the Directors' Report of that year; and
- (b) An interim dividend of 4 sen per share, less 28% tax, amounting to RM28,995,000, in respect of the current financial year.

The directors have proposed a final dividend of 6 sen per share, less 28% tax, amounting to RM43,500,000 which, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company, will be paid on 14 July 2006. The proposed dividend has been separately classified within equity and will be accounted for as a distribution upon approval by the shareholders.

## **ISSUE OF SHARES**

During the financial year, the issued and paid-up share capital of the Company was increased from 1,005,419,300 ordinary shares of RM1 each to 1,006,939,300 ordinary shares of RM1 each following the issue of 1,520,000 ordinary shares of RM1 each pursuant to the Second Employees' Share Option Scheme ("Second ESOS") of the Company. These new ordinary shares were issued and credited as fully paid and rank pari passu in all respects with the existing ordinary shares of the Company. The share premium arising from this issue amounted to RM1,706,000.

## **SIGNIFICANT EVENTS DURING THE YEAR**

The significant events are disclosed in Note 46 to the financial statements.

## **DIRECTORS**

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Musa Hitam (Chairman)  
Dato' Abd Wahab Maskan  
Raja Tan Sri Muhammad Alias Raja Muhammad Ali  
Tan Sri Dato' Dr. Wan Mohd. Zahid Mohd. Noordin  
Datuk Nik Mohamed Affandi Nik Yusoff  
Datuk Mohamed Adnan Ali  
Datuk Alladin Mohd. Hashim  
Datuk Khoo Eng Choo  
Dato' Muhammad Nawawi Haji Mohd. Arshad  
Sreesanthan s/o Eliathamby

## **DIRECTORS (CONTD.)**

In accordance with Article 102 of the Company's Articles of Association, YBhg. Tan Sri Dato' Dr. Wan Mohd. Zahid Mohd. Noordin, YBhg. Datuk Nik Mohamed Affandi Nik Yusoff and YBhg. Datuk Alladin Mohd. Hashim retire from the Board of Directors by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In compliance with Section 129(2) of the Companies Act, 1965, YBhg. Tan Sri Dato' Musa Hitam and YM. Raja Tan Sri Muhammad Alias Raja Muhammad Ali, being over the age of seventy, retire from the Board of Directors. The Board recommends that they be reappointed as directors pursuant to Section 129(6) of the Companies Act, 1965.

## **DIRECTORS' BENEFITS**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7(b) to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest required to be disclosed by Section 169(8) of the Companies Act, 1965.

## **DIRECTORS' INTERESTS**

The following directors who held office at the end of the financial year had, according to the register of directors' shareholdings required to be kept under Section 134 of the Companies Act, 1965, interests in shares of the Company and its subsidiary companies, as stated below:

Name of director of this Company	Name of company in which interest is held	Number of Ordinary Shares			
		As at 1.1.2005	Bought During the year	Sold	As at 31.12.2005
Direct Interest:					
Datuk Alladin Mohd. Hashim	Highlands & Lowlands Berhad	2,000	-	2,000	-

**DIRECTORS' INTERESTS (CONTD.)**

<u>Name of director of this Company</u>	<u>Name of company in which interest is held</u>	<u>Number of Ordinary Shares</u>			
		<u>As at 1.1.2005</u>	<u>Bought During the year</u>	<u>Sold</u>	<u>As at 31.12.2005</u>
Datuk Khoo Eng Choo	Kumpulan Guthrie Berhad	2,000	-	-	2,000
Datuk Nik Mohamed Affandi Nik Yusoff	Malaysia Land Development Company Berhad	1,000	-	-	1,000*
Dato' Muhammad Nawawi Haji Mohd. Arshad	Malaysia Land Development Company Berhad	1,000	-	-	1,000*
Sreesanthan s/o Eliathamby	Malaysia Land Development Company Berhad	1,000	-	-	1,000*

*\* Held in trust for the Company*

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

**OTHER STATUTORY INFORMATION**

- (a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

**OTHER STATUTORY INFORMATION (CONTD.)**

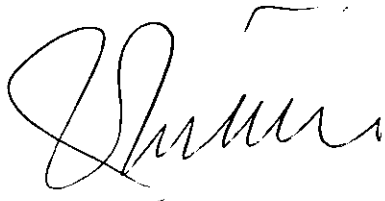
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

**Company No: 4001-P**

**AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors,

A handwritten signature in black ink, appearing to read 'Musa Hitam', with a stylized flourish at the end.

TAN SRI DATO' MUSA HITAM  
Chairman

A handwritten signature in black ink, appearing to read 'Abd Wahab Maskan', with a horizontal line underneath.

DATO' ABD WAHAB MASKAN  
Director

Kuala Lumpur, Malaysia  
29 March 2006



**KUMPULAN GUTHRIE BERHAD**  
(Incorporated in Malaysia)

**INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		<u>2005</u> RM'000	<u>2004</u> RM'000	<u>2005</u> RM'000	<u>2004</u> RM'000
Revenue	6	2,132,274	2,515,607	53,259	46,990
Cost of sales	6	(1,374,941)	(1,663,372)	-	-
Gross profit		757,333	852,235	53,259	46,990
Other operating income		48,674	49,185	1,208	1,336
Gain/(Loss) on disposal of subsidiary companies		4,243	9,546	(1,817)	7,267
Distribution costs		(31,295)	(50,669)	-	-
Net unrealised exchange (loss)/gain		(54,108)	(82,842)	1,128	1,999
Administration expenses		(129,224)	(120,875)	(48,531)	(46,382)
Other operating expenses		(214,232)	(217,805)	(34,954)	(57,114)
Operating profit/(loss)	7	381,391	438,775	(29,707)	(45,904)
Finance expense	8	(157,944)	(121,627)	(137,730)	(109,398)
Finance income	9	30,198	30,312	38,225	29,387
Investment income	10	1,601	1,350	227,559	220,830
Share of results of associated companies		859	2,900	-	-
Profit before taxation		256,105	351,710	98,347	94,915
Taxation	11	(113,706)	(61,983)	(31,353)	(30,494)
Profit after taxation		142,399	289,727	66,994	64,421
Continuing operations		157,809	309,073	66,994	64,421
Discontinuing operations	12	(15,410)	(19,346)	-	-
Minority interests		(93,555)	(129,285)	-	-
Net profit attributable to shareholders		48,844	160,442	66,994	64,421
Earnings per share (sen):					
Basic	13	4.87	16.01		
Diluted	13	4.83	15.90		

The accompanying notes form an integral part of the financial statements.

**KUMPULAN GUTHRIE BERHAD**  
(Incorporated in Malaysia)

**BALANCE SHEETS AS AT 31 DECEMBER 2005**

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
		RM'000	RM'000	RM'000	RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	15	5,363,625	5,583,147	40,676	40,251
Land held for property development	16	399,074	343,790	-	-
Investments in subsidiary companies	17	-	-	2,985,635	2,987,639
Investments in associated companies	18	13,795	14,141	-	-
Concession asset	19	585,742	657,193	-	-
Loans to subsidiary companies	20	-	-	390,472	314,184
Other investments	21	2,550	2,550	959	959
Long-term trade receivables	22	-	61,968	-	-
Advances for plasma plantation projects	23	17,550	18,552	-	-
Advances for KKPA projects	24	23,873	16,659	-	-
Deferred tax assets	25	195,777	219,616	-	-
Goodwill on consolidation	26	261,510	276,696	-	-
		<u>6,863,496</u>	<u>7,194,312</u>	<u>3,417,742</u>	<u>3,343,033</u>
<b>CURRENT ASSETS</b>					
Property development costs	27	392,092	336,825	-	-
Inventories	28	191,066	204,550	-	69
Amounts due from customers on contracts	29	7,640	3,878	-	-
Trade receivables	22	287,720	367,042	-	-
Other receivables	30	107,678	116,441	31,799	22,900
Income tax recoverable		119,197	124,369	103,927	107,525
Amounts due from subsidiary companies	31	-	-	1,025,828	1,033,530
Short-term investments	32	22,866	35,690	-	-
Deposits, bank balances and cash	33	709,067	851,289	56,394	122,151
		<u>1,837,326</u>	<u>2,040,084</u>	<u>1,217,948</u>	<u>1,286,175</u>

**KUMPULAN GUTHRIE BERHAD**  
(Incorporated in Malaysia)

**BALANCE SHEETS AS AT 31 DECEMBER 2005 (CONTD.)**

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
		RM'000	RM'000	RM'000	RM'000
<b>CURRENT LIABILITIES</b>					
Trade payables		301,213	424,246	4,600	6,049
Other payables	34	197,495	194,306	17,347	26,806
Deferred income	35	8,330	5,687	-	-
Amounts due to subsidiary companies	31	-	-	800,751	777,182
Bank borrowings	36	426,570	804,257	322,801	671,795
Taxation		25,635	40,852	-	-
		<u>959,243</u>	<u>1,469,348</u>	<u>1,145,499</u>	<u>1,481,832</u>
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>					
		<u>878,083</u>	<u>570,736</u>	<u>72,449</u>	<u>(195,657)</u>
		<u>7,741,579</u>	<u>7,765,048</u>	<u>3,490,191</u>	<u>3,147,376</u>
<b>FINANCED BY:</b>					
Share capital	37	1,006,939	1,005,419	1,006,939	1,005,419
Reserves	38	1,852,094	1,944,130	274,702	271,231
		<u>2,859,033</u>	<u>2,949,549</u>	<u>1,281,641</u>	<u>1,276,650</u>
Shareholders' equity					
Minority interests		1,536,534	1,541,987	-	-
<b>LONG-TERM AND DEFERRED LIABILITIES</b>					
Long-term borrowings	39	2,620,673	2,502,855	679,633	1,776,722
Loans from subsidiary companies	20	-	-	1,522,640	87,000
Deferred income	35	1,785	9,922	-	-
Deferred tax liabilities	25	708,170	750,797	6,214	6,951
Retirement benefits	40	15,384	9,938	63	53
		<u>7,741,579</u>	<u>7,765,048</u>	<u>3,490,191</u>	<u>3,147,376</u>

The accompanying notes form an integral part of the financial statements.

**KUMPULAN GUTHRIE BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005**

**GROUP**

	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Capital Reserve RM'000	Exchange Reserve RM'000	Revenue Reserve RM'000	Dividend Proposed RM'000	Total RM'000
At 1 January 2004	1,001,207	1,687	734,065	54,305	292,441	952,469	36,043	3,072,217
Foreign exchange differences	-	-	-	-	(219,965)	-	-	(219,965)
Transfers (from)/to reserves	-	-	(18,510)	-	-	18,510	-	-
Net gains and losses not recognised in income statement	-	-	(18,510)	-	(219,965)	18,510	-	(219,965)
Issue of shares pursuant to the Second ESOS	1,001,207	1,687	715,555	54,305	72,476	970,979	36,043	2,852,252
Net profit attributable to shareholders	4,212	4,785	-	-	-	-	-	8,997
Dividends paid (Note 14)	-	-	-	-	-	160,442	-	160,442
Dividend proposed (Note 14)	-	-	-	-	-	(36,099)	(36,043)	(72,142)
At 31 December 2004	1,005,419	6,472	715,555	54,305	72,476	1,059,127	36,195	2,949,549
At 1 January 2005	1,005,419	6,472	715,555	54,305	72,476	1,059,127	36,195	2,949,549
Foreign exchange differences	-	-	-	-	(77,357)	-	-	(77,357)
Transfers (from)/to reserves	-	-	(16,298)	(445)	-	16,743	-	-
Net gains and losses not recognised in income statement	-	-	(16,298)	(445)	(77,357)	16,743	-	(77,357)
Issue of shares pursuant to the Second ESOS	1,005,419	6,472	699,257	53,860	(4,881)	1,075,870	36,195	2,872,192
Net profit attributable to shareholders	1,520	1,706	-	-	-	-	-	3,226
Dividends paid (Note 14)	-	-	-	-	-	48,844	-	48,844
Dividend proposed (Note 14)	-	-	-	-	-	(29,034)	(36,195)	(65,229)
At 31 December 2005	1,006,939	8,178	699,257	53,860	(4,881)	1,052,180	43,500	2,859,033

The accompanying notes form an integral part of the financial statements.

**KUMPULAN GUTHRIE BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTD.)**

**COMPANY**

	<b><u>Share Capital</u></b> <b>RM'000</b>	<b><u>Share Premium</u></b> <b>RM'000</b>	<b><u>Revaluation Reserve</u></b> <b>RM'000</b>	<b><u>Revenue Reserve</u></b> <b>RM'000</b>	<b><u>Dividend Proposed</u></b> <b>RM'000</b>	<b><u>Total</u></b> <b>RM'000</b>
At 1 January 2004	1,001,207	1,687	165,664	70,773	36,043	1,275,374
Transfer (from)/to reserves	-	-	(19)	19	-	-
	1,001,207	1,687	165,645	70,792	36,043	1,275,374
Issue of shares pursuant to the Second ESOS	4,212	4,785	-	-	-	8,997
Net profit attributable to shareholders	-	-	-	64,421	-	64,421
Dividends paid (Note 14)	-	-	-	(36,099)	(36,043)	(72,142)
Dividend proposed (Note 14)	-	-	-	(36,195)	36,195	-
At 31 December 2004	1,005,419	6,472	165,645	62,919	36,195	1,276,650
At 1 January 2005	1,005,419	6,472	165,645	62,919	36,195	1,276,650
Transfer (from)/to reserves	-	-	(19)	19	-	-
	1,005,419	6,472	165,626	62,938	36,195	1,276,650
Issue of shares pursuant to the Second ESOS	1,520	1,706	-	-	-	3,226
Net profit attributable to shareholders	-	-	-	66,994	-	66,994
Dividends paid (Note 14)	-	-	-	(29,034)	(36,195)	(65,229)
Dividend proposed (Note 14)	-	-	-	(43,500)	43,500	-
At 31 December 2005	1,006,939	8,178	165,626	57,398	43,500	1,281,641

The accompanying notes form an integral part of the financial statements.

**KUMPULAN GUTHRIE BERHAD**  
(Incorporated in Malaysia)

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

**GROUP**

	<b><u>2005</u></b> <b>RM'000</b>	<b><u>2004</u></b> <b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	2,303,451	2,474,001
Cash paid to suppliers and employees	(1,615,208)	(1,588,469)
Proceeds from disposal of land held for property development	61,968	172,400
	<hr/>	<hr/>
Cash from operations	750,211	1,057,932
Tax paid	(171,413)	(134,825)
Tax refunded	55,896	2,849
Interest paid	(83,509)	(82,570)
Proceeds from compulsory land acquisitions	18,001	5,455
Proceeds from disposal of land on disposal of subsidiaries	4,275	-
	<hr/>	<hr/>
Net cash from operating activities	573,461	848,841
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(147,432)	(241,262)
Property development activities	(93,211)	(5,868)
Construction of concession asset	(56,205)	(460,020)
Purchase of other investments	(16,334)	(25,252)
Purchase of shares from minority shareholders	(3,047)	-
Proceeds from disposal of property, plant and equipment	4,985	4,170
Proceeds from disposal of subsidiary companies (Note 12)	9,951	688
Proceeds from disposal of other investments	26,706	10,099
Net dividends received from investments	1,192	1,059
Interest received	25,991	34,554
Interest paid	(49,610)	(43,691)
	<hr/>	<hr/>
Net cash used in investing activities	(297,014)	(725,523)
	<hr/>	<hr/>

**KUMPULAN GUTHRIE BERHAD**  
**(Incorporated in Malaysia)**

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTD.)**

**GROUP (CONTD.)**

	<b><u>2005</u></b> <b>RM'000</b>	<b><u>2004</u></b> <b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of borrowings	1,776,415	1,126,621
Repayment of borrowings	(2,014,484)	(286,851)
Repayment of Islamic Lease SUKUK	-	(190,000)
Net repayment of hire purchase and lease financing	(1,000)	(1,890)
Fixed deposits pledged	21,850	(800)
Dividends paid to shareholders of the Company	(65,229)	(72,142)
Dividends paid to minority shareholders of subsidiary companies	(87,866)	(151,636)
Proceeds from issuance of ordinary shares of the Company pursuant to the Second ESOS (Note 37)	3,226	8,997
	<hr/>	<hr/>
Net cash (used in)/from financing activities	(367,088)	432,299
	<hr/>	<hr/>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(90,641)	555,617
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	795,426	252,921
<b>EFFECTS OF CHANGES IN EXCHANGE RATES</b>	(7,164)	(13,112)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	697,621	795,426
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		
Deposits, bank balances and cash (Note 33)	709,067	851,289
Less:		
Fixed deposits with licensed banks pledged for banking facilities (Note 33)	(11,446)	(33,296)
Bank overdrafts (Note 36)	-	(22,567)
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	697,621	795,426
	<hr/>	<hr/>

The accompanying notes form an integral part of the financial statements.

**KUMPULAN GUTHRIE BERHAD**  
**(Incorporated in Malaysia)**

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTD.)**

**COMPANY**

	<b><u>2005</u></b> <b>RM'000</b>	<b><u>2004</u></b> <b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	53,259	46,990
Cash paid to suppliers and employees	(68,164)	(47,659)
	<hr/>	<hr/>
Cash used in operations	(14,905)	(669)
Tax refunded	37,027	-
Interest paid	(69,068)	(57,668)
	<hr/>	<hr/>
Net cash used in operating activities	(46,946)	(58,337)
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(3,250)	(3,438)
Proceeds from disposal of property, plant and equipment	677	347
Proceeds from disposal of subsidiary companies (Note 12)	15,040	7,362
Net dividends received from subsidiary companies	161,634	170,416
Net dividends received from other investments	407	329
Interest received	37,926	29,387
Interest paid	(61,497)	(43,691)
Loans to subsidiary companies	(77,799)	-
Loans from subsidiary companies	1,435,640	-
Repayment of loans from subsidiary companies	-	(264,348)
Net change in amounts due from subsidiary companies	(34,312)	51,360
Net change in amounts due to subsidiary companies	23,569	(58,940)
	<hr/>	<hr/>
Net cash from/(used in) investing activities	1,498,035	(111,216)
	<hr/>	<hr/>



**Company No: 4001-P**

**KUMPULAN GUTHRIE BERHAD**  
**(Incorporated in Malaysia)**

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTD.)**

**COMPANY (CONTD.)**

	<b><u>2005</u></b> <b>RM'000</b>	<b><u>2004</u></b> <b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of borrowings	167,913	568,000
Repayment of borrowings	(1,622,756)	(56,645)
Repayment of Islamic Lease SUKUK	-	(190,000)
Dividends paid to shareholders of the Company	(65,229)	(72,142)
Proceeds from issuance of ordinary shares of the Company pursuant to the Second ESOS (Note 37)	3,226	8,997
	<hr/>	<hr/>
Net cash (used in)/from financing activities	(1,516,846)	258,210
	<hr/>	<hr/>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(65,757)	88,657
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	122,151	33,494
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	56,394	122,151
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		
Deposits, bank balances and cash (Note 33)	56,394	122,151
	<hr/>	<hr/>

The accompanying notes form an integral part of the financial statements.

**KUMPULAN GUTHRIE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005**

**1. CORPORATE INFORMATION**

The principal activities of the Company are investment holding and the provision of research, agricultural and advisory services.

The principal activities of the subsidiary and associated companies, which are also described in Notes 4 and 18 to the financial statements, are as follows:

- cultivation and processing of palm oil and palm kernel;
- property development;
- manufacture of medium-density fibreboard, rubber gloves and blocks and bricks;
- trading in healthcare products; and
- hotel and resort management.

There have been no significant changes in the nature of these activities during the financial year other than the disposal of the rubber gloves manufacturing and healthcare products trading operations as disclosed in Note 12 to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company are located at Wisma Guthrie, 21 Jalan Gelenggang, Damansara Heights, 50490 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 March 2006.

**2. BASIS OF PREPARATION**

The financial statements of the Group and of the Company comply with the applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965, and have been prepared under the historical cost convention except for the following, which are stated at valuation:

- (a) Investments in subsidiary companies, as disclosed in Note 3(b);
- (b) Landed properties comprising freehold and leasehold lands, deferred land rights, plantation development expenditure and buildings, as disclosed in Note 3(d); and
- (c) Land held for property development, as disclosed in Note 3(g).

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The following significant accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years.

#### **(a) Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Company and all its subsidiary companies, after the elimination of all material intercompany transactions.

Subsidiary companies are consolidated using the acquisition method of accounting. The assets and liabilities of the subsidiary companies are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of acquisition of subsidiary companies and the fair value ascribed to the net assets of these acquired subsidiary companies at dates of acquisition is capitalised as goodwill and amortised according to the goodwill policy described in Note 3(j).

The financial statements of subsidiary companies are prepared for the same reporting period as the Company. In the preparation of the consolidated financial statements, the financial statements of subsidiary companies are adjusted for the effects of any material dissimilar accounting policies.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interests in the consolidated balance sheet consist of the minorities' share of the carrying amounts of the identifiable assets and liabilities of the subsidiary companies.

#### **(b) Subsidiary Companies**

Subsidiary companies are those enterprises in which the Group has a long-term equity interest and which are controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(b) Subsidiary Companies (contd.)**

Investments in subsidiary companies in the financial statements of the Company are stated at cost less impairment losses, except for those subsidiary companies involved in the 1977 Scheme of Reconstruction of Guthrie PLC, which are stated at valuation by the directors based on the net assets values of the companies then. It is not intended to revalue the investments in these subsidiary companies on a periodic basis.

The policy for the recognition and measurement of impairment losses is in accordance with Note 3(k).

#### **(c) Associated Companies**

An associated company is a company, not being a subsidiary company, in which the Group has a long-term equity interest of not less than 20% of the equity and in which the Group exercises significant influence over the financial and operating policies.

The Group equity accounts for its share of post-acquisition results and reserves of associated companies based on the latest audited or management financial statements. The Group's share of results and reserves of the associated companies are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in the income statement.

Investments in associated companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(k).

#### **(d) Property, Plant and Equipment**

The Group has adopted the policy to state its landed properties comprising freehold and leasehold land, plantation development expenditure and buildings, at valuation less accumulated amortisation and impairment losses. These assets are revalued by independent professional valuers once every five years based on open market value basis. The treatment of surplus or deficit from revaluation is as described in Note 3(n).

All other property, plant and equipment are included at cost less accumulated depreciation and any impairment in value. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(k).

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(d) Property, Plant and Equipment (contd.)**

Freehold land and capital work-in-progress are not depreciated. Leasehold land and golf course development expenditure are amortised over the periods of the leases. Plantation development expenditure, consisting of land clearing and upkeep of trees to maturity, is capitalised and amortised over the economic useful lives of the crops.

Deferred land rights in respect of the subsidiary companies in Indonesia, represent the costs associated with the legal transfer or renewal of land titles, including legal fees, area survey and land remeasurement fees, notarial fees, taxes and other expenses. These costs are deferred and amortised using the straight-line method over the legal terms of the related land rights.

All other property, plant and equipment are depreciated by equal annual instalments over their estimated economic lives based upon the original cost or subsequent valuation.

The principal annual rates of depreciation and amortisation used are:

Short-term leasehold land	1 - 49 years
Long-term leasehold land	50 - 99 years
Golf course development expenditure	58 years
Deferred land rights	21 - 35 years
Plantation development expenditure	20 - 24 years
Buildings	2 1/2 - 5 %
Machinery, equipment and vehicles	10 - 33 1/3%

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the attributable portion of the revaluation surplus is taken directly to revenue reserve.

#### **(e) Leases**

##### **(i) Finance Leases**

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased property, plant and equipment less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant proportion of the balance of capital repayment outstanding. Finance charges are charged to the income statement.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**(e) Leases (contd.)**

**(i) Finance Leases (contd.)**

Capitalised leased assets are depreciated consistently with the depreciation policies adopted for the Group's owned assets as described in Note 3(d) or their lease term, whichever is shorter.

**(ii) Operating Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets, are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

**(f) Land Acquisition**

Gains arising from the acquisition of land by the Government are recognised in the income statement upon the physical handing over of land, receipt of compensation or notice in Form K under the Land Acquisition Act, 1960, whichever is the earlier.

Interest receivable in respect of any compensation awarded, of 8% per annum as provided under Section 32(l) of the Land Acquisition Act, 1960, is recognised in the income statement when receipt is measurable and probable.

**(g) Land Held for Property Development and Property Development Costs**

**(i) Land Held for Property Development**

Land held for property development consists of land where no development activities have been undertaken 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 cost to the Group less any accumulated impairment losses, with the exception of the freehold land held for property development which were revalued by the directors in 1989. As that revaluation was an isolated instance prior to the coming into effect of relevant approved accounting standards, these lands continue to be carried at the revalued amounts then established. As allowed by the MASB Standards, the assets have continued to be stated on the basis of their previous revalued amounts without the need for further current revaluation.

The policy for the recognition and measurement of impairment losses is in accordance with Note 3(k).

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(g) Land Held for Property Development and Property Development Costs (contd.)**

##### **(i) Land Held for Property Development (contd.)**

Costs include cost of land, professional fees and other direct development expenditure and related overheads. Land held for property development is reclassified as property development costs at the point when development works have been undertaken and where it can be demonstrated that the development activities are expected to be completed within the normal operating cycle.

##### **(ii) Property Development Costs**

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities. Costs include cost of land, development expenditure and allocation of overhead expense, including interest expense incurred during the period of active development.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by 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.

When the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

##### **(h) Concession Asset**

Concession asset represents development costs incurred to design, construct, manage and maintain the Guthrie Corridor Expressway ("Expressway"), a 25km expressway which links Shah Alam and Kuang, Selangor Darul Ehsan.

Development expenditure comprises development and upgrading expenditure incurred in connection with the concession asset.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### (h) Concession Asset (contd.)

The cumulative actual development expenditure incurred is to be amortised to the income statement over the concession period ("Concession Period") upon completion of construction works of the Expressway and the commencement of toll collection, based on the following formula:

$$\frac{\text{Cumulative Toll Revenue to date}}{\text{Projected Total Toll Revenue for the Concession Period}} \times \text{Cumulative Actual Expressway Development Expenditure}$$

The Concession Period is defined as a period of thirty three (33) years commencing from the Effective Date (being the date of fulfillment of the conditions precedent stipulated in the Concession Agreement), which is 1 August 2001. The Concession period, by way of letter from the Works Minister dated 23 March 2005, has been extended for a further period of 22 months expiring 30 June 2036 as remedy to meet any loss and cost of expenses incurred as a consequence of the delay on the part of the Government in handing over third party land.

The projected total toll revenue for the Concession Period is based on the best estimate traffic volumes projected by an independent professional firm of traffic consultants in the projection study commissioned by Guthrie Corridor Expressway Sdn. Bhd., taking into account the agreed toll rate stipulated in the Concession Agreement.

#### (i) Advances for Plasma Plantation Projects and KKPA Projects

Advances for Plasma Plantation Projects, in respect of the subsidiary companies in Indonesia, represent the accumulated costs (including borrowing costs and indirect overhead costs) to develop plasma plantations. When a plasma plantation project is substantially completed and ready to be transferred or turned-over to the plasma farmers, the corresponding investment credit from the bank is also transferred to the Plasma Farmers. Any gain or loss resulting from the difference between the carrying value of the plasma plantation projects and the corresponding investment credit transferred to the plasma farmers is reflected in the income statement.

An estimate is made at each balance sheet date for losses on recovery of plasma plantation projects based on a review of recoverable development costs, and anticipated losses are provided in full.

Advances for "Kredit Koperasi Primer untuk Anggotanya (KKPA)" projects represent the accumulated costs to develop plasma plantations which are currently being financed by creditor banks and self-financed by a subsidiary company in Indonesia totalling 10,214 hectares of land. Upon the cooperative obtaining KKPA financing from the creditor bank, the said advances will be recovered from the cooperative.

An estimate is made at each balance sheet date for losses on recovery of KKPA plantation projects based on a review of the recoverable development costs, and anticipated losses are provided for in full.



### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(j) Goodwill on Consolidation**

Goodwill arising on consolidation represents the excess of fair value of the purchase consideration for the subsidiary companies acquired over the Group's share of the fair values of their net identifiable assets at the date of acquisition. Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(k). Goodwill is amortised over its estimated useful life, limited to a maximum period of 20 years.

#### **(k) Impairment of Assets**

Inventories, assets arising from construction contracts, deferred tax assets and assets arising from employee benefits are reviewed in accordance with the relevant accounting policies stated. In addition, the carrying amounts of the assets of the Group and the Company are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

Reversal of an impairment loss recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recognised to the extent of the carrying amount of the asset 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, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised in the income statement.

Any impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and subsequent external events have occurred that reverse the effect of the specific event. In respect of other assets, an impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

#### **(l) Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated cost to completion and the estimated costs to be incurred in marketing, selling and distribution.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(l) Inventories (contd.)**

Costs incurred in bringing each product to its present location are accounted for as follows:

- |                  |   |
|------------------|---|
| Produce stocks   | - weighted average ex-estate cost and includes manufacturing and transport charges, where applicable.                           |
| Raw materials    | - purchase cost on a first-in, first-out basis.   |
| Work-in-progress | - cost of direct materials and labour and overheads, where appropriate, determined on a specific identification basis.          |
| Completed houses | - relevant costs of land, development expenditure and related interest costs allocated based on specific identification basis.  |
| Finished goods   | - cost of direct materials and labour and manufacturing overheads, where appropriate, determined on a first-in first-out basis. |
| Stores           | - weighted average cost.  |

#### **(m) Construction Contracts**

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total costs incurred on construction contracts plus recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

#### **(n) Revaluation Reserve**

A surplus arising from revaluation is credited to revaluation reserve while a deficit is recognised as an expense in the income statement. However, a deficit relating to previous revaluations is charged directly against revaluation reserve to the extent that the decrease does not exceed the amount held in the revaluation reserve for the same asset.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**(n) Revaluation Reserve (contd.)**

Each year an amount equal to the depreciation/amortisation charge for the year on the surplus on revaluation of relevant assets is transferred from revaluation reserve to revenue reserve. Upon the disposal of a revalued asset, the attributable revaluation surplus (net of depreciation/amortisation, where applicable) is transferred from revaluation reserve to revenue reserve.

**(o) Islamic Lease SUKUK**

Islamic Lease SUKUK issued by the Company are stated at net proceeds received on issue. SUKUK issuance expenses which represent the difference between the net proceeds and the total amount of the payment of the SUKUK are allocated to periods over the terms of the SUKUK at a constant rate on the carrying amounts, and charged to the income statement.

**(p) Provision for Liabilities**

Provisions for liabilities are recognised when the Group has a present obligation, legal or constructive, as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring which has been notified to affected parties.

**(q) Income Tax**

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference 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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**(q) Income Tax (contd.)**

Deferred tax is measured at tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised 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.

Where there is a change in the carrying amount of asset arising from revaluation, the tax effects of the asset revaluation are credited or charged to equity. Where an amount equals to depreciation or amortisation of the revalued asset is transferred from revaluation surplus to revenue reserve, the related deferred tax is also transferred. Upon the disposal of the related asset, the attributable portion of the tax effect arising from revaluation is credited or charged to the income statement.

**(r) Employee Benefits**

**(i) Short-Term Benefits**

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

**(ii) Defined Benefit Plans**

**Malaysia**

The Group's plantation subsidiary companies in Malaysia operate an unfunded, defined retirement benefit scheme ("the Scheme") for its eligible employees. The Group's obligations under the Scheme are determined based on triennial actuarial valuation where the amount of benefits that employees have earned in return for their service in the current and prior years is estimated. The amount of those benefits is discounted using the Projected Unit Credit Method in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains and losses for the Scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

(r) Employee Benefits (contd.)

(ii) Defined Benefit Plans (contd.)

Malaysia (contd.)

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any asset resulting from the calculation is limited to the net total of any unrecognised actuarial losses and past service cost, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

Indonesia

Effective 1 January 2003, the Group's subsidiary companies in Indonesia provide for employee benefit liabilities in accordance with the Labour Law No. 13 Year 2003 ("Law No. 13/2003") which was enacted on 25 March 2003. The arising transitional liability, if higher than the liability that was recognised under the subsidiary companies' previous policy (Ministry of Manpower No. Kep.150/Men/2000 on - The Settlement of Work Dismissal and Determination of Termination, Appreciation and Compensation Payments in Companies) is being recognised as an expense on a straight-line basis over five years starting 2003.

(iii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

The Group's subsidiary companies in Indonesia have established defined contribution retirement plans covering substantially all of the qualified permanent employees. The pension plans' assets are managed by approved pension funds. The retirement plans were approved by the Ministry of Finance of Indonesia in February 1999. Past service costs, which are also being contributed by the subsidiary companies, were computed based on a formula as stated in the Employment Policy already existing before the establishment of the retirement plans. Past service costs are amortised on a systematic basis over the remaining service years of the related employees.

(iv) Equity Compensation Benefits

The Second ESOS of the Company which came into effect on 30 July 2003, allows the employees of the Company and its eligible subsidiary companies in Malaysia to acquire ordinary shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**(r) Employee Benefits (contd.)**

**(v) Termination Benefits**

The Group pays termination benefits in cases of termination of employment within the framework of a restructuring. Termination benefits are recognised as a liability and an expense when the Group has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

**(s) Deferred Income**

Deferred income comprises the following:

- (i) the surplus of sales proceeds over the present value of future receivables arising from the sale of land held for property development, which is deferred and amortised to the income statement over the period of instalment payments at a rate representing a constant return on the balance of capital repayment outstanding; and
- (ii) net time share income, which is deferred and amortised to the income statement on a straight-line basis over the term of the time share agreement.

**(t) Foreign Currencies**

**(i) Foreign Currency Transactions**

Monetary assets and liabilities denominated in currencies other than Ringgit Malaysia are translated into Ringgit Malaysia equivalents using year-end closing rates or contracted rates as applicable. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences arising on foreign currency transactions are included in the income statement.

**(ii) Foreign Entities**

Assets and liabilities of foreign consolidated subsidiary companies are translated into Ringgit Malaysia equivalents using year-end closing rates. Revenues and expenses are translated at the monthly average exchange rates. The effects of translating these operations are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets or liabilities of the foreign entity and are translated at the closing rate in the year of acquisition.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**(t) Foreign Currencies (contd.)**

The principal exchange rates used by the Group for every unit of foreign currency as at 31 December are as follows:

	<u><b>2005</b></u> <b>RM</b>	<u><b>2004</b></u> <b>RM</b>
Indonesian Rupiah (RM per 100 Rupiah)	0.0385	0.0410
Thai Baht (RM per 100 Baht)	9.20	9.77
United States Dollar	3.78	3.80
Sterling Pound	6.52	7.29
Euro	4.47	5.17

**(u) Revenue Recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group/Company and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

**(i) Sale of Goods / Services**

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of goods have been transferred to the buyer. Revenue for services rendered is recognised upon performance of services. Rental income is recognised on an accrual basis.

**(ii) Sale of Properties**

Revenue from sale of properties is recognised based on the "stage of completion" method as described in Note 3(g).

**(iii) Construction Contracts**

Revenue from work done on construction contracts is recognised based on the "stage of completion" method as described in Note 3(m).

**(iv) Toll Collection**

Toll revenue is accounted for as and when toll is chargeable for the usage of the expressway.

**(v) Interest Income**

Revenue is recognised as interest accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**(u) Revenue Recognition (contd.)**

**(vi) Investment Income**

Investment income is accounted for when the right to receive is established and no significant uncertainty exists as regards receipt.

**(v) Research and Development Costs**

Research and development costs on new or improved materials, products or processes are expensed to the income statement as incurred. However, development costs incurred to the extent that it is expected that such results will generate future economic benefits, are recognised as asset.

Capitalised development costs are amortised from the date of commercial production of the product or from the date the process is put into use. Such costs are amortised to the income statement on a straight-line basis over their estimated useful lives.

**(w) Financial Instruments**

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

**(i) Other Non-Current Investments**

Non-current investments, other than investments in subsidiary and associated companies, are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

**(ii) Short-Term Investments**

Short-term investments comprise investments in quoted and unquoted shares.

Short-term investments held as current assets are stated at the lower of cost and market value. Cost is the purchase price of the securities while market value is determined based on quoted market values. Any reduction to market value or any reversal of such reduction is included in the income statement. Gains and losses arising from the disposal of these investments are dealt with through the income statement.



### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**(w) Financial Instruments (contd.)**

**(iii) Trade and Other Receivables**

Trade and other receivables are recognised and stated at original invoiced amounts and carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

**(iv) Trade and Other Payables**

Trade and other payables are stated at cost which approximates the fair value of the consideration to be paid in the future for goods and services rendered.

**(v) Interest-Bearing Borrowings**

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

**(vi) Equity Instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as a component of shareholders' equity when proposed and will be accounted for as a liability only when the obligation to pay is established.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided. Costs of issuing equity securities in connection with a business combination are included in the cost of acquisition.

When the issued share capital of the Company is repurchased, the consideration paid, including any attributable transaction costs are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. Consideration received is presented in the financial statements as a change in equity.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**(w) Financial Instruments (contd.)**

**(vii) Derivative Financial Instruments**

The Group uses derivative financial instruments in the form of forward foreign exchange contracts to hedge its exposure to foreign exchange arising from operating, financing and investing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are not recognised in the financial statements on inception.

**Forward Foreign Exchange Contracts**

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

**Interest Rate Swap Contracts**

Net differentials in interest receipts and payments arising from interest rate swap contracts are recognised as interest income or expense over the period of the contract.

**(x) Cash and Cash Equivalents**

Cash on hand and at banks and short-term deposits which are held to maturity are carried at cost.

For the purposes of the cash flow statements, cash and cash equivalents are defined as cash on hand and at bank, demand deposits and deposits with financial institutions which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value, net of bank overdrafts.

#### 4. GROUP STRUCTURE

The Company's holding company is Permodalan Nasional Berhad, a company incorporated in Malaysia. The Company's ultimate holding company is Yayasan Pelaburan Bumiputra, a company incorporated in Malaysia, limited by guarantee.

The subsidiary companies are as follows:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2005</u>	<u>Principal activities</u>
		<u>2005</u>	<u>2004</u>		
		<u>%</u>	<u>%</u>		
<b><u>PLANTATION</u></b>					
Kumpulan Jerai Sdn. Bhd.	Malaysia	100	100	RM51,200,000 )	) Production ) and/or ) processing ) of palm oil and ) palm kernel
				)	
				)	
Kumpulan Kamuning Sdn. Bhd.	Malaysia	100	100	RM30,383,002 )	
				)	
				)	
Kumpulan Linggi Sdn. Bhd.	Malaysia	100	100	RM35,443,002 )	
Guthrie Ropel Berhad	Malaysia	58	58	RM127,036,071 )	) Production ) and/or ) processing ) of palm oil and ) palm kernel
				)	
				)	
Kumpulan Temiang Sdn. Bhd.	Malaysia	58	58	RM29,652,002 )	
				)	
				)	
Hock Guan Seng Plantations Sdn. Bhd.	Malaysia	58	58	RM1,150,000 )	
				)	) Production ) and/or ) processing ) of palm oil and ) palm kernel
				)	
				)	
Ladang Cenas Sdn. Bhd.	Malaysia	58	58	RM7,512,000 )	) Production ) and/or ) processing ) of palm oil and ) palm kernel
				)	

## 4. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2005</u>	<u>Principal activities</u>
		<u>2005</u> %	<u>2004</u> %		
<u>PLANTATION (CONTD.)</u>					
* Highlands & Lowlands Berhad	Malaysia	55	55	RM302,167,829 )	) Production and/or processing of palm oil and palm kernel
				)	
* Sepang Nilai Estate Sdn. Bhd.	Malaysia	55	55	RM10,000,000 )	
				)	
* Syarikat Yew Lian Plantations Sendirian Berhad	Malaysia	55	55	RM620,008 )	
				)	
* K & K Plantations Sdn. Bhd.	Malaysia	55	55	RM440,000 )	
				)	
* Hatawa Plantation Sdn. Bhd.	Malaysia	55	55	RM8,875,646 )	
				)	
* Kumpulan Sua Betong Sdn. Bhd.	Malaysia	55	55	RM36,831,002 )	) Production and processing of palm oil and palm kernel and property development
				)	
* Kumpulan Tebong Sdn. Bhd.	Malaysia	55	55	RM32,678,002 )	
				)	
* Pekan Plantations Sdn. Bhd.	Malaysia	55	55	RM9,400,000 )	
				)	
* Syarikat Jeleta Bumi Sdn. Bhd.	Malaysia	55	55	RM9,000,000 )	
				)	
				)	
				)	
** PT Guthrie Pecconina Indonesia	Indonesia	96	96	USD14,600,000 )	) Production and/or processing of palm oil and palm kernel
				)	
				)	
				)	

## 4. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2005</u>	<u>Principal activities</u>
		<u>2005</u> %	<u>2004</u> %		
<u>PLANTATION (CONTD.)</u>					
** PT Ladangrumpun Suburabadi	Indonesia	100	100	Rp29,435,000,000 ) ) )	Production and/or ) processing of palm oil ) and palm kernel
** PT Perkasa Subur Sakti	Indonesia	100	100	Rp14,965,000,000 ) ) )	
** PT Teguh Sempurna	Indonesia	100	100	Rp28,401,000,000 )	
** PT Kridatama Lancar	Indonesia	100	100	Rp28,192,000,000 )	
** PT Sajang Heulang	Indonesia	100	100	Rp28,153,000,000 ) )	
** PT Aneka Intipersada	Indonesia	100	100	Rp26,000,000,000 ) )	
** PT Langgeng Muaramakmur	Indonesia	100	100	Rp35,901,000,000 ) )	
** PT Lahan Tani Sakti	Indonesia	100	100	Rp32,981,000,000 )	
** PT Bhumireksa Nusasejati	Indonesia	100	100	Rp41,366,000,000 ) )	
** PT Swadaya Andika	Indonesia	100	100	Rp28,026,000,000 )	
** PT Bina Sains Cemerlang	Indonesia	100	95	Rp55,263,000,000 ) )	Oil palm and rubber cultivation
** PT Bahari Gembira Ria	Indonesia	99	99	Rp15,000,000,000 ) )	

## 4. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2005</u>	<u>Principal activities</u>
		<u>2005</u> %	<u>2004</u> %		
<u>PLANTATION (CONTD.)</u>					
** PT Paripurna Swakarsa	Indonesia	93	93	Rp68,897,000,000 )	) Production and/or processing of palm oil and palm kernel
				)	
				)	
** PT Bersama Sejahtera Sakti	Indonesia	91	91	Rp74,453,000,000 )	
				)	
				)	
** PT Tamaco Graha Krida	Indonesia	90	90	Rp17,400,000,000 )	
				)	
** PT Laguna Mandiri	Indonesia	89	89	Rp47,727,000,000 )	) Production and/or processing of palm oil and palm kernel
				)	
				)	
** PT Perusahaan Perkebunan Industri dan Niaga Sri Kuala	Indonesia	76	76	Rp500,000,000 )	
				)	
				)	
** PT Padang Palma Permai	Indonesia	75	75	Rp16,307,000,000 )	
				)	
** PT Tunggal Mitra Plantations	Indonesia	60	60	Rp23,750,000,000 )	) Palm oil and latex storage installations
				)	
				)	
** PT Indotruba Tengah	Indonesia	50	50	Rp12,400,000,000 )	
				)	
				)	
Guthrie Export Sdn. Bhd.	Malaysia	100	100	RM200 )	
				)	
* Guthrie Plantation & Agricultural Services Sdn. Bhd.	Malaysia	100	100	RM2,000,000 )	) Provision of plantation consultancy services and production and sale of oil palm seeds, seedlings and rat baits
				)	
				)	
				)	
				)	
				)	
				)	
				)	

4. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2005</u>	<u>Principal activities</u>
		<u>2005</u> %	<u>2004</u> %		
<u>PLANTATION (CONTD.)</u>					
Chemara Laboratories Sdn. Bhd.	Malaysia	100	100	RM2	) Provision of ) laboratory ) and technical ) services
* Guthrie Biotech Laboratory Sdn. Bhd.	Malaysia	100	100	RM200,000	) Research and ) cloning of oil ) palm for sale
* HRU Sdn. Bhd.	Malaysia	55	55	RM205,000	) Production ) and sale of ) oil palm seeds, ) seedlings and ) rat baits
<u>PROPERTY</u>					
Guthrie Harta (Damansara) Sdn. Bhd.	Malaysia	100	100	RM2,000,000	) Property ) investment )
Harvard Jerai Development Sdn. Bhd.	Malaysia	100	100	RM5,000,000	) ) ) Property ) development
* Guthrie Chemara Sdn. Bhd.	Malaysia	100	100	RM2	) )
Guthrie Property Development Holding Berhad	Malaysia	79	79	RM243,334,888	) Property ) development, ) general ) construction ) and ) investment ) holding

## 4. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2005</u>	<u>Principal activities</u>
		<u>2005</u> %	<u>2004</u> %		
<u>PROPERTY (CONTD.)</u>					
* Syarikat Perumahan Guthrie Sdn. Bhd.	Malaysia	79	79	RM37,423,985	) Property ) development, ) general ) construction ) and ) investment ) holding
* Syarikat Pembangunan Hartanah Guthrie Sdn. Bhd.	Malaysia	79	79	RM448,560,002	) Property ) investment ) and ) development ) and ) investment ) holding
Guthrie Lukut Development Sdn. Bhd.	Malaysia	79	79	RM9,450,002	) ) ) Property ) development
Accord Shipping & Forwarding Sdn. Bhd.	Malaysia	79	79	RM27,725,000	) ) )
* Augsburg (M) Sdn. Bhd.	Malaysia	79	79	RM210,360,002	) ) Property ) development
* Paralimni Sdn. Bhd.	Malaysia	79	79	RM2	) )



**4. GROUP STRUCTURE (CONTD.)**

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2005</u>	<u>Principal activities</u>
		<u>2005</u> %	<u>2004</u> %		
<u>PROPERTY (CONTD.)</u>					
Guthrie Property Management Sdn. Bhd.	Malaysia	79	79	RM22,836,589	) Real estate ) and property ) management
Guthrie Ropel Development Sdn. Bhd.	Malaysia	58	58	RM2	) Property ) development )
* Vicworld (M) Sdn. Bhd.	Malaysia	55	55	RM2	) Property ) development ) and cultivation ) of oil palm
* Malaysia Land Development Company Berhad	Malaysia	51	51	RM9,993,470	) Property ) investment )
* Genting View Resort Development Sdn. Bhd.	Malaysia	31	31	RM1,000,000	) Property ) development )
<u>MANUFACTURING</u>					
Guthrie MDF Sdn. Bhd.	Malaysia	100	100	RM53,000,000	) Manufacture ) of medium- ) density ) fibreboard

**4. GROUP STRUCTURE (CONTD.)**

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2005</u>	<u>Principal activities</u>
		<u>2005</u>	<u>2004</u>		
		<u>%</u>	<u>%</u>		
<u>MANUFACTURING (CONTD.)</u>					
Integrated Brickworks Sdn. Bhd.	Malaysia	100	100	RM14,450,000	) Manufacture ) and trading of ) concrete blocks ) and bricks ) and ready-mix ) concrete
** PT Guthrie Abdinusa Industri	Indonesia	70	70	USD500,000	) Construction ) of palm oil ) mills
Guthrie Medicare Products (NS) Sdn. Bhd.	Malaysia	-	100	RM24,000,000	) Manufacture ) of rubber ) gloves
<u>TRADING</u>					
* Healthline Products Limited	U.K.	-	100	GBP3,000,000	) Trading in ) healthcare ) products
* Guthrie Medizinische Produkte GmbH	Germany	-	100	Euro 25,000	) Marketing of ) healthcare ) products
* Guthrie SARL	France	-	100	Euro 7,626	)

## 4. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2005</u>	<u>Principal activities</u>
		<u>2005</u> %	<u>2004</u> %		
<u>OTHER ACTIVITIES</u>					
The Eden Bungalow Association Sdn. Bhd.	Malaysia	100	100	RM273,470 )	Operation ) of holiday bungalows
The Whittington Hill Bungalow Association	Malaysia	100	100	RM133,050 )	
Guthrie Landscaping Sdn. Bhd.	Malaysia	100	100	RM2,000,000 )	Horticultural ) supplies, ) landscape and ) design ) consultants ) and civil works
Guthrie Corridor Expressway Sdn. Bhd.	Malaysia	100	100	RM5,000,000 )	Road ) concession ) operation
Harvard Hotel (Jerai) Sdn. Bhd.	Malaysia	100	100	RM7,500,000 )	Hotel ) operation
* Guthrie Technologies Sdn. Bhd.	Malaysia	100	100	RM7,466,667 )	Provision ) of computer ) services
Harvard Golf Resort (Jerai) Bhd.	Malaysia	99	99	RM5,210,100 )	Operation ) of golf club
* Sanguine (Malaysia) Sdn. Bhd.	Malaysia	55	55	RM2 )	Investment ) dealing
* Genting View Resort Management Sdn. Bhd.	Malaysia	51	51	RM1,000,000 )	Resort ) management

4. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2005</u>
		<u>2005</u> %	<u>2004</u> %	
<u>INVESTMENT HOLDING</u>				
Kumpulan Jelei Sdn. Bhd.	Malaysia	100	100	RM31,036,072
Right Class Sdn. Bhd.	Malaysia	100	100	RM12,000,000
Guthrie International Investments (L) Limited	Malaysia	100	100	USD1
* Guthrie Siam Sdn. Bhd.	Malaysia	100	100	RM2
* Guthrie Tapis Sdn. Bhd.	Malaysia	100	100	RM2
* Guthrie Wood Industry Sdn. Bhd.	Malaysia	100	100	RM18,000,000
* Laverton Holdings Limited	Mauritius	100	100	USD36,522
* Guthrie Overseas Limited	U.K.	100	100	GBP13,200,000
* Guthrie Symington Overseas Investments Inc.	U.S.A.	100	100	USD2,000,000
* Guthrie Symington Investments (USA) Inc.	U.S.A.	100	100	USD6,000,000
** PT Minamas Gemilang	Indonesia	100	100	Rp391,088,000,000
** PT Anugerah Sumbermakmur	Indonesia	100	100	Rp337,774,000,000
** PT Muda Perkasa Sakti	Indonesia	100	100	Rp100,000,000
** PT Asricipta Indah	Indonesia	90	90	Rp120,000,000
** PT Kartika Inti Perkasa	Indonesia	60	60	Rp23,750,000,000
** PT Sritijaya Abaditama	Indonesia	60	60	Rp120,000,000
* Mulligan International BV	Netherlands	100	100	Euro18,000

4. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2005</u>
		<u>2005</u> %	<u>2004</u> %	
<u>INACTIVE COMPANIES</u>				
@ Layang Layang Golf & Country Club Sdn. Bhd.	Malaysia	100	100	RM2
Guthrie Land Sdn. Bhd.	Malaysia	100	100	RM2,200,000
@ Harvard Country Resorts Sdn. Bhd.	Malaysia	100	100	RM2
Guthrie Livestock Corporation Sdn. Bhd.	Malaysia	100	100	RM1,000,000
@ Ampar Tenang Development Sdn. Bhd.	Malaysia	100	100	RM2
Haron Estate Development Sdn. Bhd.	Malaysia	100	100	RM680,000
Guthrie Medicare Products (Holdings) Sdn. Bhd.	Malaysia	100	100	RM5,500,000
* Guthrie Dimensional Stones Sdn. Bhd.	Malaysia	100	100	RM25,000,000
* Guthrie Industries (Indonesia) Sdn. Bhd.	Malaysia	100	100	RM2
* Guthrie Pharmaceuticals Sdn. Bhd.	Malaysia	100	100	RM2
@* Guthrie Nominees Sdn. Bhd.	Malaysia	100	100	RM2
* Guthrie Bina Sdn. Bhd.	Malaysia	100	100	RM2
* Guthrie KD Sdn. Bhd.	Malaysia	100	100	RM3,000,000
* Kamuning Marble Sdn. Bhd.	Malaysia	100	100	RM2
@* Guthrie Training Centre Sdn. Bhd.	Malaysia	100	100	RM2
@* Guthrie Taylor Woodrow Sdn. Bhd.	Malaysia	100	100	RM2

4. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2005</u>
		<u>2005</u>	<u>2004</u>	
		%	%	
<u>INACTIVE COMPANIES (CONTD.)</u>				
* Guthrie Polymer Sdn. Bhd.	Malaysia	100	100	RM2
* Guthrie Wood Products Sdn. Bhd.	Malaysia	100	100	RM30,000,000
Guthrie Industries Malaysia Sdn. Bhd.	Malaysia	100	100	RM5,000,100
Guthrie Furniture Sdn. Bhd.	Malaysia	100	100	RM2,000,000
* Guthrie Solutions Sdn. Bhd.	Malaysia	100	100	RM100,000
Guthrie Rubber Processing Sdn. Bhd.	Malaysia	86	86	RM5,747,170
Guthrie Palm Products Sdn. Bhd.	Malaysia	86	86	RM9,996
Guthrie Assets Management Sdn. Bhd.	Malaysia	86	86	RM4,600,000
Guthrie Distributors Sdn. Bhd.	Malaysia	80	80	RM500,000
* Highlands Estates Sdn. Bhd	Malaysia	55	55	RM7
@* Medang Mekar Sdn. Bhd.	Malaysia	55	55	RM3
@* Beringin Permai Sdn. Bhd.	Malaysia	55	55	RM2
@* Damar Cahaya Sdn. Bhd.	Malaysia	55	55	RM2
@* Keruntum Murni Sdn. Bhd.	Malaysia	55	55	RM2
@* Lagong Indah Sdn. Bhd.	Malaysia	55	55	RM2
@* Serentang Segar Sdn. Bhd.	Malaysia	55	55	RM2
@* Serinai Teguh Sdn. Bhd.	Malaysia	55	55	RM2
* Highlands Assets Management Sdn. Bhd.	Malaysia	55	55	RM3,400,002

4. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2005</u>
		<u>2005</u>	<u>2004</u>	
		%	%	
<u>INACTIVE COMPANIES (CONTD.)</u>				
@* Genting View Resort Recreation Sdn. Bhd.	Malaysia	51	51	RM2
@* Resort Exchange Sdn. Bhd.	Malaysia	51	51	RM2
* GVR Construction Sdn. Bhd.	Malaysia	31	31	RM500,000
* Guthrie (B) Sdn. Bhd.	Brunei	100	100	B\$2
* Guthrie Plantations Liberia Inc.	Liberia	100	100	L\$4,649,048
* Guthrie Symington Limited	U.K.	100	100	GBP8,350,000
* Guthrie Furniture Products Limited	U.K.	100	100	GBP100,000
** Guthrie Agricultural Development Services for Africa Limited	U.K.	-	100	GBP25,000
** Guthrie Estates Limited	U.K.	-	100	GBP300,000
** GADSA Limited	U.K.	-	100	GBP2
* Guthrie Medicare Products Limited	U.K.	-	100	GBP2

\* Subsidiary companies audited by firms of auditors other than Ernst & Young.

\*\* Subsidiary companies audited by affiliate of Ernst & Young.

@ These companies have submitted an application to the Companies Commission of Malaysia ("CCM") for strike off from the Register of the CCM. As at the date of this report, these applications are pending approval. Accordingly, the financial statements of these companies have been prepared on a break up basis, where necessary.

# These companies were dissolved by the Companies House of United Kingdom on 6 September 2005.

## **5. SEGMENT INFORMATION - GROUP**

The Group's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Revenue of plantation companies comprises the aggregate sales proceeds of palm products and rubber sold during the year. Revenue of property development companies represents revenue recognised based on the progress of the development properties and sale of plots of development land.

Revenue of the Company and other subsidiary companies comprises the invoiced value of goods sold and services rendered.

The main business segments of the Group comprise the following:

Plantation and agricultural services	:	Cultivation, processing and sale of palm oil, palm kernel and fresh fruit bunches and the provision of plantation consultancy services, production and sale of oil palm seeds and seedlings and rat baits.
Property development	:	Development and construction of residential, commercial and industrial property and sale of plots of development land.
Manufacturing	:	Manufacturing and sale of medium-density fibreboard, rubber gloves and concrete blocks and bricks.
General trading	:	Trading in furniture and healthcare products.
Others	:	Investment holding and provision of computer services, hotel and resort management, golf club operation, general contracting and toll collection.

Inter-segment pricing is determined based on terms mutually agreed between the respective companies.



### 5. SEGMENT INFORMATION - GROUP (CONTD.)

**(a) Information on business segments**

	Plantation & Agricultural Services		Property Development		Manufacturing		General Trading		Investment & Others		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>REVENUE</b>														
External sales	1,564,005	1,569,441	395,132	563,550	106,502	121,886	39,572	227,199	27,063	33,531	-	-	2,132,274	2,515,607
Inter-segment sales	12,903	18,519	308	-	13,900	92,164	-	348	56,257	77,789	(83,368)	(188,820)	-	-
	1,576,908	1,587,960	395,440	563,550	120,402	214,050	39,572	227,547	83,320	111,320	(83,368)	(188,820)	2,132,274	2,515,607
<b>RESULTS</b>														
Operating profit/(loss)	334,712	458,410	147,795	189,704	(11,949)	(8,992)	(3,046)	4,313	(13,837)	(330,325)	(72,284)	125,665	381,391	438,775
Finance expense	(50,745)	(50,509)	(33,177)	(27,855)	(444)	(1,776)	(614)	(3,851)	(222,446)	(125,433)	149,482	87,797	(157,944)	(121,627)
Finance income	46,149	49,318	7,656	6,196	686	50	27	275	139,351	67,889	(163,671)	(93,416)	30,198	30,312
Investment income	1,036	892	-	-	-	-	-	-	262,900	326,258	(262,335)	(325,800)	1,601	1,350
Share of results of associated companies	55,317	44,493	-	-	-	-	-	-	-	-	(54,458)	(41,593)	859	2,900
Profit/(Loss) before taxation	386,469	502,604	122,274	168,045	(11,707)	(10,718)	(3,633)	737	165,968	(61,611)	(403,266)	(247,347)	256,105	351,710
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	(113,706)	(61,983)
Profit after taxation	-	-	-	-	-	-	-	-	-	-	-	-	142,399	289,727
<b>ASSETS</b>														
Segment assets	6,721,794	7,049,891	1,649,846	1,789,180	160,616	212,868	5,238	71,486	5,869,347	4,479,199	(6,296,298)	(5,003,050)	8,110,543	8,599,574
Investments in associated companies	196,484	160,116	-	-	-	-	-	-	12,225	10,445	(194,914)	(156,420)	13,795	14,141
Unallocated corporate assets	-	-	-	-	-	-	-	-	-	-	-	-	576,484	620,681
Total assets	6,918,278	7,210,007	1,649,846	1,789,180	160,616	212,868	5,238	71,486	5,881,572	4,489,644	(6,491,212)	(5,159,470)	8,700,822	9,234,396
<b>LIABILITIES</b>														
Segment liabilities	946,116	1,350,299	901,538	1,082,675	89,455	209,612	88,351	162,042	7,486,702	5,719,978	(5,940,712)	(4,573,395)	3,571,450	3,951,211
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-	-	-	-	733,805	791,649
Total liabilities	946,116	1,350,299	901,538	1,082,675	89,455	209,612	88,351	162,042	7,486,702	5,719,978	(5,940,712)	(4,573,395)	4,305,255	4,742,860

## 5. SEGMENT INFORMATION - GROUP (CONTD.)

(a) Information on business segments (contd.)

	<b>Plantation &amp; Agricultural Services</b>		<b>Property Development</b>		<b>Manufacturing</b>		<b>General Trading</b>		<b>Investment &amp; Others</b>		<b>Eliminations</b>		<b>Consolidated</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>CAPITAL EXPENDITURE</b>	142,593	237,022	1,483	598	147	1,068	12	459	4,873	4,390	-	-	149,108	243,537
<b>NON-CASH EXPENSES</b>														
Amortisation of goodwill	17,163	17,183	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation of deferred financing expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation/Amortisation Property, plant and equipment	210,713	204,691	1,040	954	14,329	17,156	337	1,009	9,936	4,668	-	-	9,936	4,668
written off	5,224	4,038	38	-	-	714	-	126	7,864	6,380	-	-	234,283	230,190
Unrealised loss on foreign exchange	-	-	-	-	-	-	-	-	533	82	-	-	5,795	4,960
Inventories written down	43,514	81,740	-	-	-	-	-	3	15,901	6,662	-	-	59,415	88,405
Provisions for:	-	227	-	-	312	6,000	-	159	129	493	-	-	441	6,879
- retirement benefits	12,313	11,651	-	-	-	-	-	-	-	-	-	-	12,313	11,651
- doubtful debts	-	2,384	156	2,918	1,409	753	249	1,034	12,804	459	-	-	14,618	7,548
- loss on conversion of plasma projects	5,329	4,658	-	-	-	-	-	-	-	-	-	-	5,329	4,658
- impairment of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- impairment of other investments	1,337	-	-	-	9,347	-	-	-	-	-	-	-	9,347	-
Write down in value of short-term investments	-	533	-	-	-	-	2,031	-	-	-	-	-	-	-
<b>NON-CASH INCOME</b>														
Unrealised gain on foreign exchange	-	-	-	-	28	58	-	-	5,279	5,505	-	-	5,307	5,563
Write back of:														
- provision for doubtful debts	4	72	2,496	1,680	395	411	9	631	117	548	-	-	3,021	3,342
- provision in value of short-term investments	-	338	-	-	-	-	-	-	-	-	-	-	-	338

**5. SEGMENT INFORMATION - GROUP (CONTD.)**

(b) Assets by geographical location:

	<b>Additions to Property, Plant and Equipment, and Intangible Assets</b>		<b>Carrying Amount of Assets</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	59,358	104,325	5,724,815	5,978,698
South East Asia	91,746	138,920	2,975,868	3,216,746
United Kingdom	12	292	-	38,680
Others	-	-	139	272
	<u>151,116</u>	<u>243,537</u>	<u>8,700,822</u>	<u>9,234,396</u>

(c) Revenue and operating results by geographical market:

	<b>Revenue</b>		<b>Operating Profit/(Loss)</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	1,168,502	1,456,164	286,690	377,380
South East Asia	878,475	844,902	102,071	64,915
Asia	42,786	47,749	3,579	4,496
United Kingdom	20,870	57,661	1,895	1,207
North America	484	32,569	(4,861)	(1,054)
Africa	2,979	7,173	716	521
Europe	18,178	68,308	(6,049)	(8,377)
Others	-	1,081	(2,650)	(313)
	<u>2,132,274</u>	<u>2,515,607</u>	<u>381,391</u>	<u>438,775</u>

## 6. REVENUE AND COST OF SALES

	<u>Revenue</u>		<u>Cost of Sales</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>GROUP</u>	RM'000	RM'000	RM'000	RM'000
Plantation and Agricultural Services:				
Palm products	1,534,959	1,539,440	1,068,414	1,011,891
Rubber	7,568	7,858	4,845	3,872
Oil palm seeds and seedlings	19,632	20,318	3,981	4,554
Consultancy services	1,844	1,825	1,040	1,058
	<u>1,564,003</u>	<u>1,569,441</u>	<u>1,078,280</u>	<u>1,021,375</u>
Property development	395,132	563,550	198,119	355,251
Goods and services	166,793	363,483	90,040	263,910
Construction contracts (Note 29)	6,346	19,133	8,502	22,836
	<u>2,132,274</u>	<u>2,515,607</u>	<u>1,374,941</u>	<u>1,663,372</u>
<u>COMPANY</u>				
Goods and services	<u>53,259</u>	<u>46,990</u>	<u>-</u>	<u>-</u>

**7. OPERATING PROFIT/(LOSS)**

Operating profit/(loss) has been arrived at after charging:

	<b><u>GROUP</u></b>		<b><u>COMPANY</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Depreciation/Amortisation (Note 15)	234,283	230,190	1,983	1,741
Property, plant and equipment written off (Note 15)	5,795	4,960	-	81
Loss on disposal of property, plant and equipment	3,986	1,451	314	-
Amortisation of goodwill (Note 26)	17,163	17,183	-	-
Auditors' remuneration (Note (a))	1,859	2,201	397	178
Directors' remuneration (Note (b))	2,596	2,372	1,895	1,627
Staff costs (Note (c))	377,288	390,696	24,430	20,153
Rent of land and buildings	1,636	2,843	1,675	1,675
Research and development costs	10,965	10,016	10,166	9,924
Hire of plant and machinery	600	4,805	-	-
Inventories written down/off	441	6,879	69	-
Restructuring costs written off	-	4,463	-	2,858
Write down in value of short-term investments	1,337	533	-	-
Write off of investment on strike off of subsidiary companies	2,031	-	-	-
Provisions for:				
- loss on conversion of plasma projects	5,329	4,658	-	-
- doubtful debts	14,618	7,548	-	-
- impairment of property, plant and equipment (Note 15)	9,347	-	-	-
- impairment of investments in subsidiary companies (Note 17)	-	-	2,003	10,000
- amounts due from subsidiary companies (Note 31)	-	-	26,974	36,000
Loss on foreign exchange:				
- Realised	3,939	4,470	2,935	-
- Unrealised	59,415	88,405	2,309	1,836

**7. OPERATING PROFIT/(LOSS) (CONTD.)**

And crediting:

	<b><u>GROUP</u></b>		<b><u>COMPANY</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gain on:				
- disposal of land	4,167	-	-	-
- compulsory land acquisitions	14,262	5,110	-	-
- disposal of short-term investments	472	703	-	-
- disposal of property, plant and equipment	694	777	-	193
Gain on foreign exchange:				
- Realised	11,351	5,333	10,732	1,066
- Unrealised	5,307	5,563	3,437	1,999
Write back of:				
- provision for inventories written down	200	-	-	-
- provision for doubtful debts	3,021	3,342	-	-
- provision in value of short-term investments	-	338	-	-
Reversal of provision for loss on conversion of plasma projects	6,834	-	-	-

**(a) Auditors' Remuneration****Auditors of the Company**

- statutory audit	364	381	72	72
- other services	306	76	199	53
	<u>670</u>	<u>457</u>	<u>271</u>	<u>125</u>

**Other Auditors in Malaysia**

- statutory audit	270	279	-	-
- other services	238	151	126	53
	<u>508</u>	<u>430</u>	<u>126</u>	<u>53</u>

**Other Auditors outside Malaysia**

- statutory audit	681	1,052	-	-
- other services	-	262	-	-
	<u>681</u>	<u>1,314</u>	<u>-</u>	<u>-</u>
	<u>1,859</u>	<u>2,201</u>	<u>397</u>	<u>178</u>

**7. OPERATING PROFIT/(LOSS) (CONTD.)**

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000
(b) Directors' Remuneration				
Directors of the Company				
Executive Director:				
- salaries and other emoluments	793	793	793	793
- bonus	293	-	293	-
- benefits-in-kind	79	70	79	70
	<u>1,165</u>	<u>863</u>	<u>1,165</u>	<u>863</u>
Non-Executive Directors:				
- fees	993	1,054	568	605
- allowances	191	188	134	131
- benefits-in-kind	28	28	28	28
	<u>1,212</u>	<u>1,270</u>	<u>730</u>	<u>764</u>
Directors of subsidiary companies				
Non-Executive Directors:				
- fees	190	200	-	-
- allowances	29	39	-	-
	<u>219</u>	<u>239</u>	<u>-</u>	<u>-</u>
	<u>2,596</u>	<u>2,372</u>	<u>1,895</u>	<u>1,627</u>
	<u>Executive Director</u>	<u>Non-Executive Directors</u>		
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	No.	No.	No.	No.
Remuneration paid to directors of the Company analysed into bands of RM50,000:				
RM50,001 - RM100,000	-	-	-	2
RM100,001 - RM150,000	-	-	7	6
RM150,001 - RM200,000	-	-	2	2
RM850,001 - RM900,000	-	1	-	-
RM1,150,001 - RM1,200,000	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>

**7. OPERATING PROFIT/(LOSS) (CONTD.)**

	<b><u>GROUP</u></b>		<b><u>COMPANY</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(c) Staff Costs				
Wages and salaries	348,143	359,583	21,891	17,903
Termination benefits	2,269	2,646	-	-
Social security costs	346	1,809	59	103
Pension costs:				
- defined contribution plans	14,217	15,007	2,470	2,138
- retirement benefits (Note 40)	12,313	11,651	10	9
	<u>377,288</u>	<u>390,696</u>	<u>24,430</u>	<u>20,153</u>

The numbers of employees of the Group and of the Company (including executive director) at year end were 55,059 (2004: 58,164) and 391 (2004: 391) respectively.

**8. FINANCE EXPENSE**

	<b><u>GROUP</u></b>		<b><u>COMPANY</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest paid/payable on:				
- Intragroup borrowings	-	-	48,098	31,196
- Hire purchase and lease financing	20,084	19,912	20,020	19,529
- Bank overdrafts	429	3,406	1	3
- Short-term loans	20,471	6,712	15,724	4,196
- Bankers acceptances and export credit refinancing loans	6,055	6,430	5,873	5,899
- Long-term loans	101,453	82,691	38,078	43,907
- Long-term payable	95	9,924	-	-
- Others	-	151	-	-
	<u>148,587</u>	<u>129,226</u>	<u>127,794</u>	<u>104,730</u>
Less: Interest capitalised in qualifying assets:				
- Plantation development expenditure (Note 15)	(684)	(656)	-	-
- Capital work-in-progress (Note 15)	(992)	(1,619)	-	-
- Concession asset (Note 19)	(95)	(9,924)	-	-
- Property development costs (Note 27)	-	(68)	-	-
	<u>146,816</u>	<u>116,959</u>	<u>127,794</u>	<u>104,730</u>
Amortisation of:				
- deferred financing expenses (Note 39)	10,068	2,731	8,876	2,731
- SUKUK issuance expenses (Note 39)	1,060	1,937	1,060	1,937
	<u>157,944</u>	<u>121,627</u>	<u>137,730</u>	<u>109,398</u>



## 9. FINANCE INCOME

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000
Interest received/receivable on:				
- Intragroup borrowings	-	-	35,583	24,579
- Fixed deposits with licensed banks and financial institutions	19,734	17,971	2,224	4,213
- Others	4,777	5,112	418	595
	<u>24,511</u>	<u>23,083</u>	<u>38,225</u>	<u>29,387</u>
Accretion of deferred income (Note 35)	5,687	7,229	-	-
	<u>30,198</u>	<u>30,312</u>	<u>38,225</u>	<u>29,387</u>

## 10. INVESTMENT INCOME

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000
Gross dividends from:				
Subsidiary companies:				
- Unquoted	-	-	166,131	80,179
- Quoted in Malaysia	-	-	60,863	140,194
Other investments:				
- Unquoted	1,001	730	565	457
- Quoted in Malaysia	600	620	-	-
	<u>1,601</u>	<u>1,350</u>	<u>227,559</u>	<u>220,830</u>

## 11. TAXATION

	<b>GROUP</b>		<b>COMPANY</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax:				
Malaysian income tax	66,678	69,618	40,468	31,208
Foreign income tax	52,844	31,795	-	-
	<u>119,522</u>	<u>101,413</u>	<u>40,468</u>	<u>31,208</u>
(Over)/Under provision in prior years:				
Malaysian income tax	(7,092)	7,164	(8,378)	-
Foreign income tax	(3,485)	335	-	-
	<u>108,945</u>	<u>108,912</u>	<u>32,090</u>	<u>31,208</u>
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	11,926	(49,605)	(412)	(257)
(Over)/Under provision in prior years	(7,149)	2,683	(325)	(457)
	<u>4,777</u>	<u>(46,922)</u>	<u>(737)</u>	<u>(714)</u>
Share of taxation of associated companies	<u>(16)</u>	<u>(7)</u>	<u>-</u>	<u>-</u>
	<u>113,706</u>	<u>61,983</u>	<u>31,353</u>	<u>30,494</u>

Malaysian income tax is calculated at the statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The income tax expense of the Company is in respect of dividend income. The effective tax rate is higher than the statutory rate despite certain dividend income being tax-exempted, due to certain expenses being non-allowable for tax deduction.

**11. TAXATION (CONTD.)**

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	<b><u>GROUP</u></b>		<b><u>COMPANY</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	256,105	351,710	98,347	94,915
Taxation at Malaysia statutory tax rate of 28% (2004: 28%)	71,709	98,479	27,537	26,576
Effects of:				
Income subject to tax rate of 20%	(215)	(215)	-	-
Different tax rates in other countries	(5,603)	(65)	-	-
Income not subject to tax	(12,116)	(67,742)	(507)	(14,121)
Expenses not deductible for tax purposes	54,283	18,432	13,026	18,496
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(740)	(2,601)	-	-
Expenses subject to double deduction	(2,154)	(2,125)	-	-
(Over)/Under provision of deferred tax in prior years	(7,149)	2,683	(325)	(457)
(Over)/Under provision of income tax in prior years	(10,577)	7,499	(8,378)	-
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	26,268	7,638	-	-
Tax expense for the year	113,706	61,983	31,353	30,494

Tax savings during the financial year arose from:

	<b><u>GROUP</u></b>		<b><u>COMPANY</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Utilisation of current year tax losses	1,419	841	954	841
Utilisation of previously unrecognised tax losses	172	87	-	-
Utilisation of previously unrecognised capital allowances	262	2,514	-	-

## **12. DISCONTINUING OPERATIONS - GROUP**

During the year, as part of the Group's continuing objective to focus on its core businesses of plantation and property development, the Group completed the disposal of the rubber gloves manufacturing and healthcare products trading operations undertaken by Guthrie Medicare Products (NS) Sdn. Berhad and Healthline Products Ltd. respectively on 6 July 2005.

In the financial year ended 31 December 2004, the Group discontinued the operations undertaken by the following subsidiary companies:

- Guthrie Wood Products Sdn. Berhad, involved in the manufacturing of rubber wood components.
- Guthrie Industries Malaysia Sdn. Berhad involved in the construction of palm oil mill and production of agriculture equipment.
- Guthrie Furniture Sdn. Berhad involved in trading of furniture.
- The disposal of the Group's entire equity interests in Guthrie Latex Inc. involved in the merchanting of rubber.

**12. DISCONTINUING OPERATIONS - GROUP (CONTD.)**

The results and cash flows of the discontinuing operations, included in the financial statements of the Group, were as follows:

	<b><u>Manufacturing</u></b> <b>RM'000</b>	<b><u>General</u></b> <b><u>Trading</u></b> <b>RM'000</b>	<b><u>Total</u></b> <b>RM'000</b>
<b><u>2005</u></b>			
Revenue	2,573	39,572	42,145
Cost of sales	(7,782)	(28,805)	(36,587)
Gross (loss)/profit	(5,209)	10,767	5,558
Operating expenses	(8,220)	(10,332)	(18,552)
Termination benefits	(1,751)	-	(1,751)
Operating (loss)/profit	(15,180)	435	(14,745)
Finance expense, net	-	(410)	(410)
Taxation	-	(255)	(255)
Loss after taxation	(15,180)	(230)	(15,410)
Cash flows from operating activities	(14,045)	6,297	(7,748)
Cash flows from investing activities	13,195	(7,270)	5,925
Cash flows from financing activities	-	(6,336)	(6,336)
Total cash flows	(850)	(7,309)	(8,159)
<b><u>2004</u></b>			
Revenue	20,354	171,190	191,544
Cost of sales	(23,940)	(140,330)	(164,270)
Gross (loss)/profit	(3,586)	30,860	27,274
Operating expenses	(11,313)	(30,040)	(41,353)
Property, plant and equipment written off	(677)	-	(677)
Termination benefits	(1,159)	(1,358)	(2,517)
Operating loss	(16,735)	(538)	(17,273)
Finance income/(expense)	8	(1,202)	(1,194)
Taxation	-	(879)	(879)
Loss after taxation	(16,727)	(2,619)	(19,346)
Cash flows from operating activities	(5,548)	22,035	16,487
Cash flows from investing activities	7,524	(591)	6,933
Cash flows from financing activities	(2,356)	(9,504)	(11,860)
Total cash flows	(380)	11,940	11,560

## 12. DISCONTINUING OPERATIONS - GROUP (CONTD.)

The assets and liabilities of the subsidiary companies disposed of were as follows:

	As at 30.6.2005 RM'000	As at 31.12.2004 RM'000
Property, plant and equipment	13,582	16,384
Inventories	11,016	13,617
Receivables	16,728	23,054
Deposit, bank balances and cash	6,849	7,520
Advances from affiliates	(5,706)	(11,234)
Bank borrowings	(18,583)	(39,017)
Payables	(9,319)	(4,139)
Net assets disposed	14,567	6,185
Proceeds from disposal of subsidiary companies	(16,800)	
Reversal of goodwill on disposal	4,005	
Provision for warranty and incidental expenses	2,548	
Effect of changes in exchange rates	(8,563)	
Gain on disposal of subsidiary companies	(4,243)	
Proceeds from disposal of subsidiary companies	16,800	
Cash and cash equivalents of subsidiary companies disposed	(6,849)	
Net cash inflow	9,951	

There was no tax charge or credit arising from the gain on disposal.

The disposal of the subsidiary companies had the following effect on the financial results of the Company:

	<u>2005</u> RM'000	<u>2004</u> RM'000
Total disposal proceeds	16,720	7,600
Less: Incidental expenses incurred	(4,940)	(238)
Net proceeds from disposal of subsidiary company	11,780	7,362
Less: Cost of investment in subsidiary company	(35,076)	(9,598)
Amount due from subsidiary company written off	(22,506)	(40,895)
Loan to subsidiary company written off	(75,000)	-
Add: Realisation of provision for:		
Impairment of investment (Note 17)	35,076	9,598
Amounts due from subsidiary companies written off (Note 31)	3,000	40,800
Loans to subsidiary companies written off (Note 20)	74,460	-
Net assets of subsidiary company taken over	6,449	-
(Loss)/Gain on disposal of subsidiary companies	(1,817)	7,267

**12. DISCONTINUING OPERATIONS - GROUP (CONTD.)**

In the financial year ended 31 December 2004, the Group completed the disposal of its entire equity interests in Guthrie Latex Inc., involved in the merchanting of rubber for a total cash consideration of USD2,200,000.

The assets and liabilities of the subsidiary companies disposed of, as at 31 May 2004 were as follows:

	<b>As at 31.5.2004 RM'000</b>
Property, plant and equipment	804
Investment in affiliate	11,400
Inventories	6,826
Receivables	5,542
Deposit, bank balances and cash	7,672
Advances from affiliates	(27,640)
Payables	(5,790)
Net liabilities disposed	<u>(1,186)</u>
Proceeds from disposal of subsidiary companies	<u>8,360</u>
Gain on disposal of subsidiary companies	<u><u>9,546</u></u>
 Proceeds from disposal of subsidiary companies	 8,360
Cash and cash equivalents of subsidiary companies disposed	<u>(7,672)</u>
Net cash inflow	<u><u>688</u></u>

### 13. EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share are derived by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

	<b><u>GROUP</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Net profit attributable to shareholders (RM'000)	48,844	160,442
Weighted average number of ordinary shares in issue ('000)	1,003,227	1,002,056
Basic earnings per share (sen)	<u>4.87</u>	<u>16.01</u>

#### (b) Diluted

Diluted earnings per share are derived by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year which have been adjusted for the dilutive effects of all share options granted to employees.

	<b><u>GROUP</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Net profit attributable to shareholders (RM'000)	<u>48,844</u>	<u>160,442</u>
Weighted average number of ordinary shares in issue ('000)	1,003,227	1,002,056
Effect of dilution of share options ('000)	<u>8,849</u>	<u>6,832</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>1,012,076</u>	<u>1,008,888</u>
Diluted earnings per share (sen)	<u>4.83</u>	<u>15.90</u>



# 14. DIVIDENDS

	<u>GROUP/COMPANY</u>	
	<u>2005</u>	<u>2004</u>
	RM'000	RM'000
(a) Dividends Paid:		
Final dividend of 5 sen per share, less 28% tax for the financial year 2004 (2004: 5 sen per share, less 28% tax for the financial year 2003)	36,195	36,043
Adjustment for underprovision of prior year's final dividend due to increase in share capital arising from the Second ESOS	39	27
	<u>36,234</u>	<u>36,070</u>
Interim dividend of 4 sen per share, less 28% tax for the current financial year (2004: 5 sen per share, less tax)	28,995	36,072
	<u>65,229</u>	<u>72,142</u>
(b) Dividend Proposed:		
Final dividend of 6 sen per share, less 28% tax for the current financial year (2004: 5 sen per share, less 28% tax)	<u>43,500</u>	<u>36,195</u>

The proposed final dividend of 6 sen per share, less 28% tax, in respect of the financial year ended 31 December 2005 is subject to shareholders' approval at the forthcoming Annual General Meeting of the Company to be held on 22 June 2006. The proposed dividend has been separately classified within equity and will be accounted for as a distribution upon approval by the shareholders.

# 15. PROPERTY, PLANT AND EQUIPMENT GROUP

## COST OR VALUATION

	Freehold land RM'000	Leasehold land RM'000	Deferred land rights RM'000	Plantation development expenditure RM'000	Buildings and vehicles RM'000	Machinery, equipment and vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2005	1,669,899	355,768	29,804	2,805,888	387,679	924,807	57,083	6,230,928
Additions	-	1,295	614	59,825	11,836	35,289	40,249	149,108
Transfer from concession asset	-	-	-	-	60,000	-	-	60,000
Transfer from completed properties	357	-	-	-	974	-	-	1,331
Reclassification	2,934	-	-	-	24,526	47,759	(75,219)	-
Disposals	(2,355)	(1,640)	-	-	(966)	(21,364)	-	(26,325)
Disposal of subsidiary companies	-	-	-	-	(19,713)	(40,542)	-	(60,255)
Write off	(15)	-	-	(4,734)	(132)	(8,333)	-	(13,214)
Exchange differences	-	(1,031)	(1,847)	(136,358)	(9,942)	(20,963)	(3,715)	(173,856)
At 31 December 2005	1,670,820	354,392	28,571	2,724,621	454,262	916,653	18,398	6,167,717

## ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES

At 1 January 2005	-	-	-	-	-	-	-	-
Accumulated depreciation	-	6,273	903	126,681	14,302	486,752	-	634,911
Accumulated impairment losses	-	-	-	-	2,937	9,933	-	12,870
Depreciation for the year:	-	6,273	903	126,681	17,239	496,685	-	647,781
Charged to income statement (Note 7)	-	7,553	1,035	125,233	22,688	77,784	-	234,293
Capitalised in concession asset (Note 19)	-	7,553	1,035	125,233	22,688	77,774	-	234,283
	-	-	-	-	-	10	-	10

## Disposals

Disposal of subsidiary companies	-	(18)	-	-	(137)	(15,538)	-	(15,693)
Impairment losses	-	-	-	-	(3,920)	(42,512)	-	(46,432)
Write off	-	-	-	-	-	9,347	-	9,347
Exchange differences	-	-	(67)	(613)	(12)	(6,727)	-	(7,419)
	-	-	(69)	(7,291)	(835)	(9,590)	-	(17,785)
At 31 December 2005	-	13,808	1,802	244,010	35,023	509,449	-	804,092

## Analysed as:

Accumulated depreciation	-	13,808	1,802	244,010	32,086	507,516	-	799,222
Accumulated impairment losses	-	-	-	-	2,937	1,933	-	4,870
	-	13,808	1,802	244,010	35,023	509,449	-	804,092

## NET BOOK VALUE

At 31 December 2005	1,670,820	340,584	26,769	2,480,611	419,239	407,204	18,398	5,363,625
At 31 December 2004	1,669,899	349,495	28,901	2,679,207	370,440	428,122	57,083	5,583,147

## 15. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

GROUP (CONTD.)

	Freehold land RM'000	Leasehold land RM'000	Deferred land rights RM'000	Plantation development expenditure RM'000	Buildings and vehicles RM'000	Machinery, equipment and vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
At 1 January 2004:								
Cost	-	-	-	-	-	859,475	78,343	937,818
Valuation - 2003	1,692,682	360,768	29,556	2,991,896	337,752	-	-	5,412,654
Accumulated depreciation	-	-	-	-	2,937	472,937	-	475,874
Depreciation for 2004:								
Charged to income statement (Note 7)	-	6,273	1,318	128,203	21,261	73,135	-	230,190
Capitalised in concession asset (Note 19)	-	-	-	-	-	148	-	148
	-	6,273	1,318	128,203	21,261	73,283	-	230,338

Property, plant and equipment are included at cost or valuation as follows:

Cost								
Valuation - 2003	357	4,568	4,727	111,925	169,626	916,653	18,398	1,226,254
	1,670,463	349,824	23,844	2,612,696	284,636	-	-	4,941,463
	1,670,820	354,392	28,571	2,724,621	454,262	916,653	18,398	6,167,717

The net book value of all property, plant and equipment had the assets been carried at cost, less depreciation would have been:

At 31 December 2005	446,886	144,014	26,769	2,119,763	419,081	407,204	18,398	3,582,115
At 31 December 2004	445,173	149,662	28,901	2,291,796	370,251	428,122	57,083	3,770,988

The net book value of leasehold land comprises:

	2005 RM'000	2004 RM'000
Long-term leasehold	289,616	295,334
Short-term leasehold	31,478	34,264
Golf course development expenditure	19,490	19,897
	340,584	349,495

The net book value of plantation development expenditure comprises:

	2005 RM'000	2004 RM'000
Oil palm	2,478,258	2,675,322
Rubber	2,353	3,885
	2,480,611	2,679,207

Net book value of machinery, equipment and vehicles held under hire purchase and finance lease arrangements

	2005 RM'000	2004 RM'000
	-	3,972

## 15. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

COMPANY

	<u>Freehold land</u> RM'000	<u>Leasehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Machinery, equipment and vehicles</u> RM'000	<u>Total</u> RM'000
<b>COST OR VALUATION</b>					
At 1 January 2005	27,411	705	6,391	20,551	55,058
Additions	-	-	7	3,243	3,250
Disposals	-	-	-	(2,026)	(2,026)
Transfer from subsidiary companies	-	-	-	565	565
Transfer to subsidiary companies	-	-	-	(194)	(194)
At 31 December 2005	27,411	705	6,398	22,139	56,653
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2005	-	30	326	14,451	14,807
Charge for the year	-	30	326	1,627	1,983
Disposals	-	-	-	(1,035)	(1,035)
Transfer from subsidiary companies	-	-	-	363	363
Transfer to subsidiary companies	-	-	-	(141)	(141)
At 31 December 2005	-	60	652	15,265	15,977
<b>NET BOOK VALUE</b>					
At 31 December 2005	27,411	645	5,746	6,874	40,676
At 31 December 2004	27,411	675	6,065	6,100	40,251

## 15. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

COMPANY (CONTD.)

	<u>Freehold land</u> RM'000	<u>Leasehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Machinery, equipment and vehicles</u> RM'000	<u>Total</u> RM'000
At 1 January 2004:					
Cost	-	-	-	21,628	21,628
Valuation - 2003	27,411	705	6,408	-	34,524
Accumulated depreciation	-	-	-	17,395	17,395
Depreciation for 2004	-	30	326	1,385	1,741
Property, plant and equipment are included at cost or valuation as follows:					
Cost	-	-	7	22,139	22,146
Valuation - 2003	27,411	705	6,391	-	34,507
	27,411	705	6,398	22,139	56,653
The net book value of all, property plant and equipment had the assets been carried at cost, less depreciation would have been:					
At 31 December 2005	17,600	188	5,746	6,874	30,408
At 31 December 2004	17,600	191	6,065	6,100	29,956

The landed properties of the Group and of the Company included within property, plant and equipment were revalued by the directors in 2003 based on open market values on existing use bases carried out by independent professional valuers.

Interest expense capitalised during the financial year under plantation development expenditure and capital work-in-progress of the Group amounted to RM684,000 (2004: RM656,000) and RM992,000 (2004: RM1,619,000) respectively, as disclosed in Note 8 to the financial statements.

# 15. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

The net book values of property, plant and equipment pledged to financial institutions for banking facilities as referred to in Notes 36 and 39 to the financial statements are as follows:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia:				
Freehold land	165,788	452,874	-	9,997
Leasehold land	-	19,897	-	-
Plantation development expenditure	49,801	131,810	-	-
Buildings	5,102	43,311	-	2
	<u>220,691</u>	<u>647,892</u>	<u>-</u>	<u>9,999</u>
Overseas:				
Leasehold land	2,754	2,992	-	-
Deferred land rights	12,277	13,481	-	-
Plantation development expenditure	408,276	443,268	-	-
Buildings	110,338	101,209	-	-
Machinery, equipment and vehicles	136,819	115,922	-	-
	<u>670,464</u>	<u>676,872</u>	<u>-</u>	<u>-</u>
	<u>891,155</u>	<u>1,324,764</u>	<u>-</u>	<u>9,999</u>

# 16. LAND HELD FOR PROPERTY DEVELOPMENT

	<b>Freehold</b>	<b>Development</b>	
	<b><u>Land</u></b>	<b><u>Costs</u></b>	<b><u>Total</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>GROUP</b>			
At 1 January 2005	86,654	257,136	343,790
Additions	-	93,211	93,211
Transfer from concession asset	-	15,400	15,400
Disposals	(554)	(2,515)	(3,069)
Transfer to property development costs	(7,475)	(42,783)	(50,258)
At 31 December 2005	<u>78,625</u>	<u>320,449</u>	<u>399,074</u>

# 16. LAND HELD FOR PROPERTY DEVELOPMENT (CONTD.)

	Freehold <u>Land</u> RM'000	Development <u>Costs</u> RM'000	<u>Total</u> RM'000
<b><u>GROUP (CONTD.)</u></b>			
At 1 January 2004	62,228	259,631	321,859
Transfer from property, plant and equipment	18,151	-	18,151
Additions	-	6,089	6,089
Disposals	(152)	(1,222)	(1,374)
Reclassification	478	(478)	-
Transfer from/(to) property development costs	5,949	(6,884)	(935)
At 31 December 2004	<u>86,654</u>	<u>257,136</u>	<u>343,790</u>

Land held for property development comprises land banks which are being held for future development. The land banks are not expected to be developed within the next twelve months.

In 2004, certain land held for property development belonging to the subsidiary companies at an aggregate carrying amount of RM41,875,000 were pledged to financial institutions for credit facilities granted to the Company as disclosed in Note 39 to the financial statements. In 2005, the Company refinanced the credit facilities and the encumbrance on the assets was released.

# 17. INVESTMENTS IN SUBSIDIARY COMPANIES

	<b><u>COMPANY</u></b>	
	<b><u>2005</u></b> RM'000	<b><u>2004</u></b> RM'000
Unquoted shares:		
At cost	2,409,089	2,444,166
At Directors' valuation - 1982	295,033	295,033
	<u>2,704,122</u>	<u>2,739,199</u>
Accumulated impairment losses	(155,071)	(188,144)
	<u>2,549,051</u>	<u>2,551,055</u>

# 17. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)

	<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>
	RM'000	RM'000
Quoted shares in Malaysia:		
At cost	281,820	281,820
At Directors' valuation - 1982	154,764	154,764
	<u>436,584</u>	<u>436,584</u>
	<u>2,985,635</u>	<u>2,987,639</u>
Movements in accumulated impairment losses during the financial year were as follows:		
At 1 January	188,144	187,742
Charged to income statement (Note 7)	2,003	10,000
Written off upon disposal of subsidiary companies (Note 12)	(35,076)	(9,598)
At 31 December	<u>155,071</u>	<u>188,144</u>
Market value of quoted shares in Malaysia	<u>992,720</u>	<u>896,941</u>

In determining the impairment losses, consideration has been given to the history of results and the carrying amounts of underlying assets of these investments and where such analysis has indicated the possibility of impairment, the future operating plans and cash flows have also been considered. The net carrying amounts reflect the extent to which the directors consider the investments are recoverable in light of current plans for future operations and anticipated cash flows.

In Indonesia, of a total of 216,000 hectares of the Group's plantation properties, approximately 7,581 hectares are situated in Aceh, Sumatera which are currently experiencing social disturbances. Such conditions have not significantly impacted the companies' operations as the plantations and mill facilities are far from the affected areas.

Certain shares held in quoted subsidiary companies at the book value of RM168,577,000 (2004: RM436,584,000) and at market value of RM427,646,000 (2004: RM896,941,000) have been pledged to financial institutions for credit facilities granted to certain overseas subsidiary companies as disclosed in Note 39 to the financial statements.

The unquoted shares of certain subsidiary companies in Indonesia are pledged to financial institutions for credit facilities granted to the subsidiary companies as disclosed in Note 39 to the financial statements.



# 18. INVESTMENTS IN ASSOCIATED COMPANIES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	12,465	12,465	-	-
Share of post-acquisition reserves	4,314	3,809	-	-
Exchange differences	(2,984)	(2,133)	-	-
	<u>13,795</u>	<u>14,141</u>	<u>-</u>	<u>-</u>

The Group's interest in the associated companies are analysed as follows:

Share of net tangible assets	<u>13,795</u>	<u>14,141</u>
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Details of the associated companies, held by subsidiary companies, are as follows:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Effective interest</u>		<u>Principal activities</u>
		<u>2005</u>	<u>2004</u>	
		%	%	
Muang Mai Guthrie Co. Ltd.	Thailand	49	49	Processing and distribution of rubber
Boustead Bulking Sdn. Bhd.	Malaysia	24	24	Bulking and marketing services

# 19. CONCESSION ASSET

On 18 July 2000, the Government of Malaysia ("the Government") and Guthrie Corridor Expressway Sdn. Berhad ("GCESB") entered into a concession agreement whereby the Government granted to GCESB, inter-alia, the exclusive right and authority to undertake the design, construction, maintenance, operation and management of the Guthrie Corridor Expressway ("the Expressway"). The Expressway is a 25 km expressway which links Shah Alam to Kuang, Selangor Darul Ehsan. The "Sijil Kesempurnaan Pembinaan Lebuhraya" for the Expressway was issued by the Government on 14 April 2005 and the Expressway was fully opened for toll collection on 15 August 2005.

The Concession Asset represents the development expenditure incurred to design, construct, manage and maintain the Expressway.

## 19. CONCESSION ASSET (CONTD.)

The development expenditure incurred in respect of this Concession Agreement consists of the following:

	<b>Land Cost RM'000</b>	<b>Expressway Development Expenditure RM'000</b>	<b>Total RM'000</b>
At Cost			
At 1 January	122,496	534,697	657,193
Additions	4,512	73,298	77,810
Transfer to property, plant and equipment	-	(60,000)	(60,000)
Transfer to land held for property development	-	(15,400)	(15,400)
Transfer to property development costs	-	(73,200)	(73,200)
	<u>127,008</u>	<u>459,395</u>	<u>586,403</u>
Accumulated Amortisation			
At 1 January	-	-	-
Amortised during the year	(243)	(418)	(661)
At 31 December	<u>(243)</u>	<u>(418)</u>	<u>(661)</u>
At 31 December 2005	<u>126,765</u>	<u>458,977</u>	<u>585,742</u>
At 31 December 2004	<u>122,496</u>	<u>534,697</u>	<u>657,193</u>

Included in the development expenditure are interest expense amounting to RM95,000 (2004: RM9,924,000) and depreciation on machinery and equipment amounting to RM10,000 (2004: RM148,000) which were capitalised during the financial year, as disclosed in Notes 8 and 15 to the financial statements respectively.

During the year, GCESB had entered into Contribution Agreements with subsidiary companies of the Group. The Contribution Agreements were in respect of the apportionment of the development cost of the portion of the Expressway amounting to RM148,600,000 which has been designed, aligned and connected via interchanges to all the lands belonging to the subsidiary companies within the vicinity of the Expressway in such a way as to enhance the accessibility to the lands and therefore improve the development prospects thus benefiting the respective companies.

## 20. LOANS TO/FROM SUBSIDIARY COMPANIES

	<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>
	RM'000	RM'000
Loans to subsidiary companies	415,472	413,644
Provision for doubtful debts	(25,000)	(99,460)
	<u>390,472</u>	<u>314,184</u>
Loans from subsidiary companies	<u>1,522,640</u>	<u>87,000</u>
Movements in provision for doubtful debts during the financial year were as follows:		
At 1 January	99,460	99,460
Written off on disposal of subsidiary companies (Note 12)	(74,460)	-
At 31 December	<u>25,000</u>	<u>99,460</u>

The loans to subsidiary companies have been reviewed at balance sheet date for their recoverability. In assessing the extent of the provision required, due consideration has been given to all pertinent information relating to the ability of the subsidiary companies to repay the loans, such as the history of results, recoverability amounts of the underlying assets, the current plans for the future operations and anticipated cash flows.

The loans to subsidiary companies include an amount of RM267,173,000 (2004: RM190,344,000) which bore interest at rates ranging from 3.3% to 5.0% (2004: 2.5% to 5.0%) per annum. The loans from subsidiary companies include an amount of RM1,435,640,000 (2004: Nil) which bore interest at rates ranging from 4.6% to 4.9% (2004: Nil) per annum. All other loans are non-interest bearing.

All loans to/from subsidiary companies are unsecured and have no fixed terms of repayment and are not expected to be repaid within the next twelve months.

## 21. OTHER INVESTMENTS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000
At cost:				
Unquoted shares in Malaysia	3,314	3,314	2,959	2,959
Less: Accumulated impairment losses	(2,000)	(2,000)	(2,000)	(2,000)
	<u>1,314</u>	<u>1,314</u>	<u>959</u>	<u>959</u>
Quoted shares in Malaysia	277	277	-	-
Malaysian Government Securities, net of accretion/premium	<u>959</u>	<u>959</u>	<u>-</u>	<u>-</u>
	<u>2,550</u>	<u>2,550</u>	<u>959</u>	<u>959</u>
Market value:				
Quoted shares in Malaysia	1,554	1,503	-	-
Malaysian Government Securities	<u>1,084</u>	<u>1,106</u>	<u>-</u>	<u>-</u>
	<u>2,638</u>	<u>2,609</u>	<u>-</u>	<u>-</u>

## 22. TRADE RECEIVABLES

	<u>GROUP</u>	
	<u>2005</u>	<u>2004</u>
	RM'000	RM'000
Trade receivables	318,716	448,409
Provision for doubtful debts	<u>(30,996)</u>	<u>(19,399)</u>
	287,720	429,010
Less: Current portion	<u>(287,720)</u>	<u>(367,042)</u>
Long-term trade receivables	<u>-</u>	<u>61,968</u>

Long-term trade receivables relate to proceeds arising from the sale of land held for property development by certain subsidiary companies involved in property development activities.

Included in the current portion of trade receivables is an amount of RM36,917,000 (2004: RM23,591,000) relating to subsidiary companies in Indonesia which are pledged as security for banking facilities granted to the subsidiary companies as disclosed in Notes 36 and 39 to the financial statements.

## 23. ADVANCES FOR PLASMA PLANTATION PROJECTS

	<b>GROUP</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	46,946	53,475
Exchange differences	(2,909)	(4,765)
Additions	2,582	6,475
Write off	(6,867)	-
Conversions	(1,092)	(8,239)
At 31 December	38,660	46,946
Accumulated allowance for losses on recovery	(21,110)	(28,394)
	<b>17,550</b>	<b>18,552</b>

In accordance with the Indonesian government policy, oil palm plantation owners/operators (herein referred to as the "Nucleus") are required to develop plantations for small holders (herein referred to as "Plasma Farmers"). This form of assistance to the Plasma Farmers is known as the "Perusahaan Inti Rakyat Transmigrasi (PIR-Trans)" program. Under the PIR-Trans program, the Nucleus is also required to train and develop the skills of the Plasma Farmers, and purchase the fresh fruit bunches harvested by Plasma Farmers at prices determined by the government.

The PIR-Trans program is funded by state-owned banks. The investment credit is rendered to the Nucleus, which receives the funds through several drawdowns during the plantation development period (land preparation up to the end of the immature stage). When the plasma plantation projects are completed and ready for conversion, the investment credit is transferred to the Plasma Farmers who then operate the plasma plantations under the supervision of the Nucleus.

Two of the Indonesian subsidiary companies have commitments to develop oil palm plantations for the Plasma Farmers under this program covering a total area of 12,000 hectares of which 8,024 hectares (2004: 7,745 hectares) have been converted.

The allowance for losses on recovery of plasma plantation projects was provided for to cover the possible non-recoverable investments under the PIR-Trans program.

**24. ADVANCES FOR "KREDIT KOPERASI PRIMER UNTUK ANGGOTANYA (KKPA)"  
PLANTATION PROJECTS**

	<b>GROUP</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	19,026	16,644
Exchange differences	(1,179)	(1,484)
Additions	8,246	3,866
At 31 December	26,093	19,026
Accumulated allowances for losses on recovery	(2,220)	(2,367)
	<b>23,873</b>	<b>16,659</b>

Under an existing government policy in Indonesia, oil palm plantation owners/operators (herein referred to as the "Nucleus") are required to assist in the development of plantations for small holders (herein referred to as the "Plasma Farmers") through a program called "Kredit Koperasi Primer untuk Anggotanya" or "KKPA". Under the KKPA program, all participating Plasma Farmers are under the coordination of a cooperative, and any investment credit availed during the development of the plantations (land preparation up to the end of the immature stage) shall also be rendered to the cooperative. The Nucleus, on the other hand, serves as the contractor for developing the plantations.

Advances for present and proposed KKPA projects represent the accumulated costs to develop plasma plantations, totalling 15,238 hectares which are currently being financed by creditor banks and self-financed by a subsidiary company. Upon the cooperative obtaining KKPA financing from the creditor bank, the said advances will be recovered from the cooperative.

The subsidiary company provides allowance for losses on recovery of KKPA plantation projects based on a periodic review of the recoverability of the development costs.

## 25. DEFERRED TAX

	<b><u>GROUP</u></b>		<b><u>COMPANY</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Presented after appropriate offsetting as follows:				
Deferred tax assets	(195,777)	(219,616)	-	-
Deferred tax liabilities	708,170	750,797	6,214	6,951
	<u>512,393</u>	<u>531,181</u>	<u>6,214</u>	<u>6,951</u>
At 1 January	531,181	530,307	6,951	7,665
Charged to income statement (Note 11)	4,777	(46,922)	(737)	(714)
Exchange differences	(23,565)	47,796	-	-
At 31 December	<u>512,393</u>	<u>531,181</u>	<u>6,214</u>	<u>6,951</u>

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

### **GROUP**

#### DEFERRED TAX LIABILITIES

	<b><u>Accelerated Capital Allowances</u></b>	<b><u>Revaluation of Properties</u></b>	<b><u>Others</u></b>	<b><u>Total</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2005	161,340	613,134	154	774,628
Charged to income statement	14,906	(31,797)	(29)	(16,920)
Exchange differences	(1,528)	(26,291)	(10)	(27,829)
At 31 December 2005	<u>174,718</u>	<u>555,046</u>	<u>115</u>	<u>729,879</u>

**25. DEFERRED TAX (CONTD.)****GROUP**

## DEFERRED TAX LIABILITIES

	<b>Accelerated Capital <u>Allowances</u> RM'000</b>	<b>Revaluation <u>of Properties</u> RM'000</b>	<b><u>Others</u> RM'000</b>	<b><u>Total</u> RM'000</b>
At 1 January 2004	146,345	591,063	167	737,575
Charged to income statement	15,933	(22,544)	(1)	(6,612)
Exchange differences	(938)	44,615	(12)	43,665
At 31 December 2004	161,340	613,134	154	774,628

## DEFERRED TAX ASSETS

	<b>Unabsorbed <u>Tax Losses</u> RM'000</b>	<b>Unutilised Capital <u>Allowances</u> RM'000</b>	<b>Unrealised Intragroup <u>Profits</u> RM'000</b>	<b><u>Others</u> RM'000</b>	<b><u>Total</u> RM'000</b>
At 1 January 2005	58,698	9,490	158,238	17,021	243,447
Charged to income statement	(5,921)	(6,754)	(5,234)	(3,788)	(21,697)
Exchange differences	(3,448)	-	-	(816)	(4,264)
At 31 December 2005	49,329	2,736	153,004	12,417	217,486
At 1 January 2004	57,959	5,823	127,217	16,269	207,268
Charged to income statement	3,948	3,612	31,021	1,729	40,310
Exchange differences	(3,209)	55	-	(977)	(4,131)
At 31 December 2004	58,698	9,490	158,238	17,021	243,447



## 25. DEFERRED TAX (CONTD.)

### COMPANY

#### DEFERRED TAX LIABILITIES

	<b>Accelerated Capital Allowances</b>	<b>Revaluation of Properties</b>	<b>Others</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2005	(221)	7,187	(15)	6,951
Charged to income statement	(726)	(8)	(3)	(737)
At 31 December 2005	(947)	7,179	(18)	6,214
At 1 January 2004	487	7,193	(15)	7,665
Charged to income statement	(708)	(6)	-	(714)
At 31 December 2004	(221)	7,187	(15)	6,951

Deferred tax assets have not been recognised in respect of the following items:

	<b><u>GROUP</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>
Unused tax losses	202,015	185,494
Unabsorbed capital allowances	197,614	124,047
Reinvestment and investment tax allowances	115,319	132,175

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the subsidiary companies in which those items arose.

## 26. GOODWILL ON CONSOLIDATION

	<b>GROUP</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>
<b>COST</b>		
At 1 January	345,461	348,514
Exchange differences	(72)	(325)
Acquisition of shares in a subsidiary company	2,008	-
Reclassification	-	(2,728)
At 31 December	<u>347,397</u>	<u>345,461</u>
<b>ACCUMULATED AMORTISATION</b>		
At 1 January	68,765	52,365
Exchange differences	(41)	(58)
Reclassification	-	(725)
Charge for the year (Note 7)	17,163	17,183
At 31 December	<u>85,887</u>	<u>68,765</u>
	<u>261,510</u>	<u>276,696</u>

## 27. PROPERTY DEVELOPMENT COSTS

	<b>GROUP</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>
Property development costs at 1 January:		
Freehold land	22,202	14,629
Development costs	1,651,772	1,638,397
	<u>1,673,974</u>	<u>1,653,026</u>
Accumulated costs reversed during the year in respect of completed products:		
Freehold land	(3,146)	(1,404)
Development costs	(507,394)	(292,669)
	<u>(510,540)</u>	<u>(294,073)</u>
Costs incurred during the year:		
Development costs	<u>171,983</u>	<u>386,752</u>

**27. PROPERTY DEVELOPMENT COSTS (CONTD.)**

	<b>GROUP</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>
Costs charged to income statement:		
At 1 January	(1,386,275)	(1,328,452)
Accumulated costs reversed during the year in respect of completed products	510,540	294,073
Charge for the year	(193,136)	(351,896)
At 31 December	<u>(1,068,871)</u>	<u>(1,386,275)</u>
Transfers:		
From land held for property development	46,517	8,501
To inventories	(7,374)	(77,428)
	<u>39,143</u>	<u>(68,927)</u>
Accrued billings	<u>86,403</u>	<u>46,322</u>
Property development costs at 31 December	<u><u>392,092</u></u>	<u><u>336,825</u></u>

Included in property development costs in previous year was interest expense capitalised amounting to RM68,000 as disclosed in Note 8 to the financial statements.

Included in the property development costs is the apportionment of shared development cost in respect of the Concession Asset, amounting to RM73,200,000 as disclosed in Note 46 (c) to the financial statements.

**28. INVENTORIES**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At cost:				
Produce stocks	35,578	59,431	-	-
Raw materials	667	2,919	-	-
Work-in-progress	8,976	6,867	-	-
Completed properties	64,626	76,934	-	-
Finished goods	3,918	2,940	-	-
Stores	75,982	49,843	-	69
	<u>189,747</u>	<u>198,934</u>	<u>-</u>	<u>69</u>
At net realisable value:				
Finished goods	1,319	5,616	-	-
	<u><u>191,066</u></u>	<u><u>204,550</u></u>	<u><u>-</u></u>	<u><u>69</u></u>

## 28. INVENTORIES (CONTD.)

Produce stocks at cost amounting to RM21,489,000 (2004: RM32,830,000) relating to subsidiary companies in Indonesia are pledged to financial institutions as securities for credit facilities granted to the subsidiary companies as disclosed in Notes 36 and 39 to the financial statements.

During the year, completed properties amounting to RM1,331,000 (2004: RM Nil) were transferred to property, plant and equipment.

## 29. AMOUNTS DUE FROM CUSTOMERS ON CONTRACTS

	<b>GROUP</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>
Contract costs incurred to date	29,971	75,525
Attributable (loss)/profits	(768)	2,417
	<u>29,203</u>	<u>77,942</u>
Progress billings	(21,563)	(74,064)
	<u>7,640</u>	<u>3,878</u>
Contract Revenue:		
- Cumulative	20,970	74,132
- Recognised during the year (Note 6)	6,346	19,133
	<u>27,316</u>	<u>93,265</u>
Contract Costs:		
- Cumulative	21,780	71,579
- Recognised during the year (Note 6)	8,502	22,836
	<u>30,282</u>	<u>94,415</u>
Retention sums on contracts, included in trade receivables	791	2,238

### 30. OTHER RECEIVABLES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000
Deposits	11,143	11,347	83	102
Prepayments	32,114	19,327	10,563	6,982
Staff loans	13,410	16,447	12,988	14,306
Project cost receivable	4,439	3,835	-	211
Interest receivable	1,024	2,504	299	-
Insurance claims recoverable	2,705	2,141	178	266
Other taxes	13,134	26,751	-	-
Sundry receivables	29,189	33,872	7,168	816
	107,158	116,224	31,279	22,683
Amount due from an associated company	520	217	520	217
	107,678	116,441	31,799	22,900

The amount due from associated company is unsecured, non-interest bearing and has no fixed term of repayment.

### 31. AMOUNTS DUE FROM/TO SUBSIDIARY COMPANIES

	<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>
	RM'000	RM'000
Amounts due from subsidiary companies	1,193,525	1,177,253
Provision for doubtful debts	(167,697)	(143,723)
	1,025,828	1,033,530
Amounts due to subsidiary companies	800,751	777,182
Movements in provision for doubtful debts during the financial year were as follows:		
At 1 January	143,723	133,923
Reclassification from other payables	-	14,600
Disposal of subsidiary companies (Note 12)	(3,000)	(40,800)
Charged to income statement (Note 7)	26,974	36,000
At 31 December	167,697	143,723

### 31. AMOUNTS DUE FROM/TO SUBSIDIARY COMPANIES (CONTD.)

The amounts due from subsidiary companies include an amount of RM176,825,000 (2004: RM306,546,000) which bore interest at rates ranging from 4% to 5% (2004: 4% to 5%) per annum. The amounts due to subsidiary companies include an amount of RM651,689,000 (2004: RM621,289,000) which bore interest at rates ranging from 4% to 5% (2004: 4% to 5%) per annum. All other amounts due from/to subsidiary companies are non-interest bearing.

All amounts due from/to subsidiary companies are unsecured and have no fixed terms of repayment.

### 32. SHORT-TERM INVESTMENTS

	<b>GROUP</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>
At cost, net of accretion/premium:		
Shares quoted in Malaysia	11,469	14,862
Warrants/Loan stocks quoted in Malaysia	954	891
Corporate bonds	10,443	19,937
	<u>22,866</u>	<u>35,690</u>
At market value:		
Shares quoted in Malaysia	13,532	15,336
Warrants/Loan stocks quoted in Malaysia	891	891
Corporate bonds	13,158	20,115
	<u>27,581</u>	<u>36,342</u>

### 33. DEPOSITS, BANK BALANCES AND CASH

	<b>GROUP</b>		<b>COMPANY</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fixed deposits with:				
Licensed banks	282,981	275,788	32,022	38,303
Licensed financial institutions	245,472	309,962	23,200	78,833
Licensed banks pledged for banking facilities	11,446	33,296	-	-
	<u>539,899</u>	<u>619,046</u>	<u>55,222</u>	<u>117,136</u>
Cash held under Housing Development Accounts	115,073	195,520	-	-
Cash and bank balances	54,095	36,723	1,172	5,015
	<u>709,067</u>	<u>851,289</u>	<u>56,394</u>	<u>122,151</u>

### 33. DEPOSITS, BANK BALANCES AND CASH (CONTD.)

The fixed deposits with licensed banks pledged to financial institutions were for credit facilities granted to certain subsidiary companies in Indonesia, as disclosed in Note 36 to the financial statements.

Cash held under the Housing Development Accounts represents receipts from purchasers of residential properties less payments or withdrawals provided under Section 7A of the Housing Development (Control and Licensing) Amendment Act, 2002. These accounts are available only to the subsidiary companies involved in the property development activities.

The range of interest rates per annum for fixed deposits at the balance sheet date were as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	%	%	%	%
Licensed banks	1.50 - 4.35	0.75 - 7.25	2.50 - 4.35	2.30 - 3.00
Licensed financial institutions	2.60 - 3.90	2.60 - 2.73	2.60 - 2.97	2.60 - 2.73

The range of maturities of fixed deposits at the end of the financial year were as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	Days	Days	Days	Days
Licensed banks	1 - 36	1 - 92	1 - 36	1 - 92
Licensed financial institutions	1 - 39	1 - 25	1 - 39	1 - 25

### 34. OTHER PAYABLES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000
Staff costs	15,563	11,578	1,808	2,203
Retrenchment benefits	191	268	-	-
Advances from third parties	45,323	49,936	-	-
Accruals	88,175	79,642	12,851	17,191
Sundry payables	48,243	52,882	2,688	7,412
	<u>197,495</u>	<u>194,306</u>	<u>17,347</u>	<u>26,806</u>

### 35. DEFERRED INCOME

	<b>GROUP</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>
Surplus of sales proceeds over present value of future receivables	38,401	38,401
Net time share income	1,785	1,592
	<b>40,186</b>	<b>39,993</b>
<b>ACCUMULATED ACCRETION</b>		
At 1 January	24,384	17,155
Accretion for the year (Note 9)	5,687	7,229
At 31 December	<b>30,071</b>	<b>24,384</b>
Net	10,115	15,609
Less: Long-term portion	(1,785)	(9,922)
	<b>8,330</b>	<b>5,687</b>

### 36. BANK BORROWINGS

	<b>GROUP</b>		<b>COMPANY</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Secured:				
Bank overdrafts	-	19,900	-	-
Short-term loans	10,901	20,434	-	-
Current portion of long-term borrowings (Note 39)	92,868	199,670	-	117,800
	<b>103,769</b>	<b>240,004</b>	<b>-</b>	<b>117,800</b>
Unsecured:				
Bank overdrafts	-	2,667	-	-
Bankers acceptances and export credit refinancing loans	157,852	197,931	157,852	190,340
Short-term loans	-	340,000	-	340,000
Murabahah Commercial Papers	148,824	-	148,824	-
Current portion of long-term borrowings (Note 39)	16,125	23,655	16,125	23,655
	<b>322,801</b>	<b>564,253</b>	<b>322,801</b>	<b>553,995</b>
	<b>426,570</b>	<b>804,257</b>	<b>322,801</b>	<b>671,795</b>



### 36. BANK BORROWINGS (CONTD.)

Short-term loans of RM10,901,000 (2004: RM20,434,000) relating to certain subsidiary companies in Indonesia are secured on certificates of deposit of a subsidiary company of RM11,446,000 (2004: RM33,296,000) as disclosed in Note 33 to the financial statements.

#### Murabahah Commercial Papers ("CP")

On 15 December 2005, the Company issued RM150 million nominal value of Underwritten Murabahah Commercial Papers (CP) at a discount with maturity period of six months and at a profit rate of 3.80% per annum. The initial utilisation of the issuance's proceeds is to part finance the repayment of the Short-Term Loan Facility of the Company and to finance its general working capital requirement.

The range of interest rates per annum for short-term bank borrowings were as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u> %	<u>2004</u> %	<u>2005</u> %	<u>2004</u> %
Floating Rates:				
Bank overdrafts	-	2.03 - 6.75	-	6.50
Bankers acceptances and export credit refinancing loans	2.65 - 3.42	2.90 - 3.28	2.92 - 3.40	2.92 - 3.28
Murabahah Commercial Papers	3.80	-	3.80	-
Short-term loans:				
- Malaysian subsidiary companies	-	2.92 - 5.05	-	5.05
- Overseas subsidiary companies	14.28	8.59	-	-

### 37. SHARE CAPITAL

	<u>GROUP/COMPANY</u>	
	<u>2005</u> RM'000	<u>2004</u> RM'000
Authorised:		
Ordinary shares of RM1 each	1,500,000	1,500,000
Issued and fully paid:		
Ordinary shares of RM1 each		
At 1 January	1,005,419	1,001,207
Issued pursuant to the Second ESOS	1,520	4,212
At 31 December	1,006,939	1,005,419

### **37. SHARE CAPITAL (CONTD.)**

#### **Ordinary Shares Issued for Cash**

During the financial year, the issued and paid-up share capital of the Company was increased from 1,005,419,300 ordinary shares of RM1 each to 1,006,939,300 ordinary shares of RM1 each following the issue of 1,520,000 ordinary shares of RM1 each pursuant to the Second Employees' Share Option Scheme ("Second ESOS") of the Company. The new shares were issued and credited as fully paid and ranked pari passu in all respects with the existing shares of the Company. The share premium arising from this issue amounting to RM1,706,000 has been credited to the share premium account.

#### **Second Employees' Share Option Scheme**

The Second ESOS of the Company was approved by the shareholders at the Extraordinary General Meeting of the Company held on 18 June 2003. The Scheme came into effect on 30 July 2003 and will be in force for a period of five years and can be extended for another maximum period of five (5) years, subject to approvals by the relevant authorities.

The salient features of the Scheme are as follows:

- (a) The maximum number of new ordinary shares to be made available under the Scheme should not in aggregate, exceed five percent of the total issued and paid-up share capital of the Company, at any one time during the existence of the Scheme provided that:
  - (i) not more than fifty percent of the new shares available under the Scheme shall be allocated, in aggregate, to executive directors and senior management; and
  - (ii) not more than ten percent of the new shares available under the Scheme shall be allocated to any individual or eligible employee who, individually or collectively through his associates, holds twenty percent or more of the issued and paid-up share capital of the Company.
- (b) Eligible employees comprise employees of the Company and its eligible subsidiary companies incorporated in Malaysia ("the Group") including executive directors of the Company, who have attained the age of eighteen years and whose employment have been confirmed with at least one continuous year of service (inclusive of service during any probationary period) in the Group prior to the date of offer of options to subscribe for shares in the Company. An employee or executive director who is employed on a contract basis must have served the Group for a duration of at least three years (inclusive of service under any previous contract).
- (c) The total number of new shares for subscription and allotment to eligible employees under the Scheme shall not exceed twenty percent of the Maximum Allowable Allotment of the eligible employee in any year.
- (d) Eligible employees are allowed to participate in the Scheme currently in operation of only one (1) member company of the Group.

**37. SHARE CAPITAL (CONTD.)**

- (e) The options to subscribe for new shares may be exercised at any time before the expiry of the Scheme and may be exercised either in full or in part or in lesser number of shares, provided that the number shall be in multiples of and not less than one hundred shares.
- (f) The price at which the employees are entitled to exercise their options under the Scheme shall be at a discount of not more than ten percent on the simple weighted average market price of the Company's shares, as shown in the daily official list issued by Bursa Malaysia Securities Berhad for five market days immediately preceding the respective dates of offer of the option shares or at par value of the Company's shares, whichever is higher.

The terms of share options granted during the financial year and outstanding as at the end of the financial year are as follows:

Grant Date	Expiry Date	Exercise Price RM	<----- Number of Share Options ----->				
			As at 1 January	Granted	Exercised	Lapsed	As at 31 December
			'000	'000	'000	'000	'000
<b>2005</b>							
08.08.03	29.07.08	2.16	2,659	-	(100)	(928)	1,631
28.10.03	29.07.08	2.31	219	-	-	(27)	192
04.02.04	29.07.08	2.32	228	-	(1)	(81)	146
30.04.04	29.07.08	2.26	137	-	(3)	(50)	84
02.08.04	29.07.08	2.12	5,832	-	(374)	(1,752)	3,706
28.10.04	29.07.08	2.41	498	-	-	(51)	447
02.02.05	29.07.08	2.02	-	651	(54)	(245)	352
04.05.05	29.07.08	1.94	-	463	(38)	(179)	246
28.07.05	29.07.08	2.16	-	5,075	(32)	(1,408)	3,635
28.10.05	29.07.08	2.17	-	577	-	(222)	355
			9,573	6,766	(602)	(4,943)	10,794
<b>2004</b>							
08.08.03	29.07.08	2.16	5,514	-	(1,730)	(1,125)	2,659
28.10.03	29.07.08	2.31	244	-	(12)	(13)	219
04.02.04	29.07.08	2.32	-	370	(7)	(135)	228
30.04.04	29.07.08	2.26	-	266	(8)	(121)	137
02.08.04	29.07.08	2.12	-	11,072	(3,274)	(1,966)	5,832
28.10.04	29.07.08	2.41	-	650	-	(152)	498
			5,758	12,358	(5,031)	(3,512)	9,573

### 37. SHARE CAPITAL (CONTD.)

Details of share options allotted during the financial year and the fair value, at exercise date, of ordinary shares issued are as follows:

<u>Exercise Date</u>	<u>Exercise Price</u> RM	<u>Fair Value of Ordinary Shares</u> RM	<u>Number of Share Options</u> '000	<u>Consideration Received</u> RM'000
<b><u>2005</u></b>				
January - March	2.12	2.29 - 2.37	731	1,549
January - March	2.16	2.29 - 2.37	297	641
January - March	2.26	2.29 - 2.37	4	9
January - March	2.02	2.29 - 2.37	35	71
January - March	2.32	2.29 - 2.37	1	2
July - September	2.12	2.17 - 2.56	222	471
July - September	2.16	2.17 - 2.56	46	100
July - September	1.94	2.17 - 2.56	28	55
July - September	2.02	2.17 - 2.56	19	39
October - December	2.12	2.30 - 2.50	74	156
October - December	1.94	2.30 - 2.50	10	19
October - December	2.16	2.30 - 2.50	53	114
			<u>1,520</u>	<u>3,226</u>
Less: Par value of ordinary shares				(1,520)
Share premium				<u>1,706</u>

<u>Exercise Date</u>	<u>Exercise Price</u> RM	<u>Fair Value of Ordinary Shares</u> RM	<u>Number of Share Options</u> '000	<u>Consideration Received</u> RM'000
<b><u>2004</u></b>				
January - March	2.16	2.45 - 2.80	383	826
April - June	2.16	2.29 - 2.65	352	761
April - June	2.31	2.64	10	23
July - September	2.12	2.52	26	56
July - September	2.16	2.52	32	69
October - December	2.12	2.39 - 2.73	2,595	5,502
October - December	2.16	2.39 - 2.73	798	1,724
October - December	2.26	2.42 - 2.47	7	16
October - December	2.31	2.42	2	5
October - December	2.32	2.39 - 2.73	7	15
			<u>4,212</u>	<u>8,997</u>
Less: Par value of ordinary shares				(4,212)
Share premium				<u>4,785</u>

### 37. SHARE CAPITAL (CONTD.)

Number of share options granted and vested:

	<u>2005</u> <u>'000</u>	<u>2004</u> <u>'000</u>
At 1 January	9,573	5,758
At 31 December	<u>10,794</u>	<u>9,573</u>

The list of employees granted options to subscribe for 50,000 or more ordinary shares of RM1 each during the financial year is as follows:

<u>Name of Option Holders</u>	<u>Grant Date</u>	<u>Expiry Date</u>	<u>Exercise Price RM</u>	<b>Number of share &lt;----options----&gt;</b>	
				<u>Granted</u>	<u>As at 31.12.2005</u>
Abu Hanipah Abd Wahid	02.02.05	29.07.08	2.02	110,000	110,000
Ahmad Tarmizi Adnan Omar	30.06.05	29.07.08	2.16	52,000	52,000
Mohammad Ishak	30.06.05	29.07.08	2.16	61,700	61,700
Musa Ali	28.07.05	29.07.08	2.16	50,200	50,200
Rusli Ujang	05.04.05 & 28.07.05	29.07.08	1.94 & 2.16	76,700	76,700
Yahya Ariffin	28.07.05 & 28.10.05	29.07.08	2.16 & 2.17	52,000	52,000
Zainuddin Sukor	28.07.05 & 28.10.05	29.07.08	2.16 & 2.17	52,000	52,000
Zakaria Ramli	02.02.05	29.07.08	2.02	66,000	66,000

### 38. RESERVES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000
Distributable:				
Revenue reserve	1,052,180	1,059,127	57,398	62,919
Dividend proposed (Note 14)	43,500	36,195	43,500	36,195
Capital reserve	42,659	43,104	-	-
	<u>1,138,339</u>	<u>1,138,426</u>	<u>100,898</u>	<u>99,114</u>
Non-distributable:				
Share premium	8,178	6,472	8,178	6,472
Revaluation reserve	699,257	715,555	165,626	165,645
Capital reserves:				
Capital redemption reserve	10,892	10,892	-	-
Legal reserve	309	309	-	-
Exchange reserve	(4,881)	72,476	-	-
	<u>713,755</u>	<u>805,704</u>	<u>173,804</u>	<u>172,117</u>
	<u>1,852,094</u>	<u>1,944,130</u>	<u>274,702</u>	<u>271,231</u>

Movements in reserves are shown in the statements of changes in equity.

Based on the estimated tax credit and tax-exempt income balance available, the entire distributable reserves of the Company are available to frank the payment of dividends without having to incur any additional tax liability.

### **38. RESERVES (CONTD.)**

The nature and purpose of each category of reserve are as follows:

(a) Distributable Reserve

Distributable reserves are those available for distribution by way of dividends. Based on estimated tax credits and tax exempt income balance available the entire distributable reserves of the Company is available for distribution by way of dividends without the Company having to incur additional tax liability.

(b) Revaluation Reserve

Revaluation reserve comprises the surplus arising from revaluation and includes the cumulative net change of the excess of fair value over cost of landed properties, net of deferred tax liabilities.

(c) Capital Redemption Reserve

Capital redemption reserve represents a transfer from revenue reserve arising from the redemption of redeemable preference shares by certain subsidiary companies.

(d) Legal Reserve

Legal reserve arises from the provisions of the Civil and Commercial Code in Thailand, where an associated company is required to set aside legal reserve of at least 5% of net income at each dividend declaration until the reserve reaches 10% of the said company's authorised share capital.

(e) Exchange Reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas subsidiary companies.

### 39. LONG-TERM BORROWINGS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000
Secured:				
Islamic Lease SUKUK	377,800	380,000	377,800	380,000
Al-Bai Bithaman Ajil	-	4,000	-	-
Term loans	212,675	1,800,799	-	1,396,500
	<u>590,475</u>	<u>2,184,799</u>	<u>377,800</u>	<u>1,776,500</u>
Unsecured:				
Al-Bai Bithaman Ajil	129,000	129,000	129,000	129,000
Murabahah Medium Term Notes	400,000	400,000	-	-
Term loans	1,625,640	23,655	190,000	23,655
	<u>2,154,640</u>	<u>552,655</u>	<u>319,000</u>	<u>152,655</u>
Total borrowings	2,745,115	2,737,454	696,800	1,929,155
Hire purchase and finance lease payables	-	1,066	-	-
Less: Current portion of borrowings included under current liabilities				
- Secured (Note 36)	(92,868)	(199,670)	-	(117,800)
- Unsecured (Note 36)	(16,125)	(23,655)	(16,125)	(23,655)
	<u>2,636,122</u>	<u>2,515,195</u>	<u>680,675</u>	<u>1,787,700</u>
Unamortised deferred financing expenses	(14,407)	(10,238)	-	(8,876)
Unamortised SUKUK issuance expenses	(1,042)	(2,102)	(1,042)	(2,102)
	<u>2,620,673</u>	<u>2,502,855</u>	<u>679,633</u>	<u>1,776,722</u>
Unamortised deferred financing expenses:				
At 1 January	10,238	11,607	8,876	11,607
Incurred during the year	14,237	1,362	-	-
Amortised during the year (Note 8)	(10,068)	(2,731)	(8,876)	(2,731)
At 31 December	<u>14,407</u>	<u>10,238</u>	<u>-</u>	<u>8,876</u>
Unamortised SUKUK issuance expenses:				
At 1 January	2,102	4,039	2,102	4,039
Amortised during the year (Note 8)	(1,060)	(1,937)	(1,060)	(1,937)
At 31 December	<u>1,042</u>	<u>2,102</u>	<u>1,042</u>	<u>2,102</u>



**39. LONG-TERM BORROWINGS (CONTD.)**

The repayment schedule on total long-term borrowings, excluding hire purchase and finance lease payables, are as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000
Within one year	108,993	222,259	16,125	141,455
Between one to two years	1,051,564	1,043,755	442,300	948,925
Between two to five years	866,738	1,071,440	238,375	838,775
More than five years	717,820	400,000	-	-
	<u>2,745,115</u>	<u>2,737,454</u>	<u>696,800</u>	<u>1,929,155</u>

**(a) Islamic Lease SUKUK ("SUKUK")**

The SUKUK Issue was structured under the Syariah principle of Al-Ijarah Al-Muntahiyah Bit-Tamlik or sale and leaseback and issued via a special purpose vehicle, First Global Sukuk Inc., a company incorporated in Labuan. The SUKUK Issue was listed on the Labuan International Financial Exchange ("LFX") on 25 January 2002.

The SUKUK which is denominated in US Dollar has an Al-Ijarah return of USD LIBOR plus 2.0% and is repayable on 24 December 2006. The SUKUK Issue is secured on property assets of the Group amounting to RM220,691,000 (2004: RM222,627,000) and is redeemable at par on maturity. The Group has obtained a syndicated term loan facility to refinance the SUKUK as disclosed in Note 39(d)(i) to the financial statements.

**GROUP/COMPANY**

	<u>2005</u>		<u>2004</u>	
	<u>Minimum</u>	<u>Present</u>	<u>Minimum</u>	<u>Present</u>
	<u>Payments</u>	<u>Value of</u>	<u>Payments</u>	<u>Value of</u>
	RM'000	RM'000	RM'000	RM'000
Within one year	403,113	377,800	18,088	17,266
Between one to two years	-	-	398,088	362,734
	<u>403,113</u>	<u>377,800</u>	<u>416,176</u>	<u>380,000</u>
Less: Al-Ijarah return	(25,313)	-	(36,176)	-
	<u>377,800</u>	<u>377,800</u>	<u>380,000</u>	<u>380,000</u>

### 39. LONG-TERM BORROWINGS (CONTD.)

#### (b) Al-Bai Bithaman Ajil ("BBA Facility")

The BBA facility is based on the Syariah principle of deferred payment sales and is repayable over three years commencing December 2006.

#### (c) Murabahah Medium Term Notes ("MMTN")

The MMTN totalling RM400 million, consists of RM300 million five-year tranche and RM100 million seven-year tranche, drawdown in March 2004 with average yield of 5.15% per annum and 5.82% per annum respectively. The MMTN was structured under the Syariah principle of Murabahah or deferred payment concept.

#### (d) Term Loans

During the year, the Group has obtained the following term loan facilities:

- (i) USD480 million unsecured syndicated term loan facility including a Greenshoe Option of USD100 million. The term loan has a yield of 0.55% above USD LIBOR and is repayable over eight equal semi-annual instalments commencing 42 months after the first drawdown date on 29 August 2005.
- (ii) RM190,000,000 unsecured three year term loan facility drawdown on 15 December 2005.

#### (e) Hire Purchase and Finance Lease Payables

##### GROUP

	<u>2005</u>		<u>2004</u>	
	<u>Minimum</u>	<u>Present</u>	<u>Minimum</u>	<u>Present</u>
	<u>Payments</u>	<u>Value of</u>	<u>Payments</u>	<u>Value of</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Within one year	-	-	1,215	1,066
Less: Future finance charges	-	-	(149)	-
	-	-	1,066	1,066

### 39. LONG-TERM BORROWINGS (CONTD.)

The range of interest rates per annum for the long-term borrowings were as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u> %	<u>2004</u> %	<u>2005</u> %	<u>2004</u> %
Floating Rates:				
Term loans				
- Malaysian subsidiary companies	4.70	2.78 - 8.80	4.70	2.78 - 4.25
- Overseas subsidiary companies	3.00 - 16.09	4.38 - 17.25	-	-
Islamic Lease SUKUK	4.76 - 6.71	3.85 - 4.76	4.76 - 6.71	3.85 - 4.76
Fixed Rates:				
Al-Bai Bithaman Ajil	4.25	4.25 - 6.70	4.25	4.25
Hire purchase and finance lease payables	-	10.29 - 13.99	-	-

Details of net book value of collaterals pledged against long-term borrowings as at 31 December 2005 are as follows:

	<u>Long-term Borrowings 31.12.2005 RM'000</u>	<u>Year of Maturity</u>	<u>Net Book Value of Collaterals RM'000</u>	<u>Collaterals</u>
Company	377,800	2006	220,691	Assets of certain subsidiary companies
Indonesian subsidiary companies	10,638	2009	99,662	Property, plant and equipment, trade receivables, inventories, fixed deposits and shares of certain subsidiary companies
Indonesian subsidiary companies	139,620	2008	332,997	Fixed and floating charge over assets of certain subsidiary companies, quoted shares of a Malaysian subsidiary company and corporate guarantee of the Company
Indonesian subsidiary companies	47,037	2008	274,794	Fixed and floating charge over assets of certain subsidiary companies and corporate guarantee of the Company
Indonesian subsidiary companies	15,380	2009	32,862	Property, plant and equipment, trade receivables and inventories of certain subsidiary companies and corporate guarantee of the Company
	<u>590,475</u>		<u>961,006</u>	

#### 40. RETIREMENT BENEFITS

##### GROUP

Movements in net liability during the financial year were as follows:

	<u>Malaysia</u> RM'000	<u>Indonesia</u> RM'000	<u>Total</u> RM'000
At 1 January 2004	5,318	4,415	9,733
Exchange differences	-	(393)	(393)
Charged to income statement (Note 7(c))	870	10,781	11,651
Contributions paid	(585)	(6,993)	(7,578)
Transfer of plan assets	-	(3,475)	(3,475)
At 31 December 2004/1 January 2005	5,603	4,335	9,938
Exchange differences	-	(269)	(269)
Charged to income statement (Note 7(c))	872	11,441	12,313
Contributions paid	(532)	(6,066)	(6,598)
At 31 December 2005	5,943	9,441	15,384

The amounts recognised in the balance sheet are determined as follows:

	<u>Malaysia</u> RM'000	<u>Indonesia</u> RM'000	<u>Total</u> RM'000
At 31 December 2005:			
Present value of defined benefit obligations	5,943	15,990	21,933
Unrecognised net actuarial losses	-	(6,549)	(6,549)
Net liability	5,943	9,441	15,384
At 31 December 2004:			
Present value of defined benefit obligations	5,695	6,200	11,895
Unrecognised net actuarial losses	-	(1,865)	(1,865)
Unrecognised net transition assets	(92)	-	(92)
Net liability	5,603	4,335	9,938

#### 40. RETIREMENT BENEFITS (CONTD.)

##### GROUP (CONTD.)

The amounts recognised in the income statement are as follows:

	<u>Malaysia</u> RM'000	<u>Indonesia</u> RM'000	<u>Total</u> RM'000
At 31 December 2005:			
Current service cost	528	9,100	9,628
Interest cost	344	5,669	6,013
Expected return on plan assets	-	(3,963)	(3,963)
Net transition liabilities	-	635	635
	<u>872</u>	<u>11,441</u>	<u>12,313</u>
At 31 December 2004:			
Current service cost	546	6,843	7,389
Interest cost	324	3,394	3,718
Expected return on plan assets	-	(1,504)	(1,504)
Net transition liabilities	-	2,048	2,048
	<u>870</u>	<u>10,781</u>	<u>11,651</u>

##### COMPANY

Movements in net liability during the financial year were as follows:

	<u>2005</u> RM'000	<u>2004</u> RM'000
At 1 January	53	52
Charged to income statement (Note 7(c))	10	9
Contributions paid	-	(8)
At 31 December	<u>63</u>	<u>53</u>

The amount recognised in the balance sheet is determined as follows:

At 31 December:		
Present value of defined benefit obligations	<u>63</u>	<u>53</u>

#### 40. RETIREMENT BENEFITS (CONTD.)

<u>2005</u>	<u>2004</u>
RM'000	RM'000

The amount recognised in the income statement is as follows:

At 31 December:

Current service cost	6	6
Interest cost	4	3

	10	9
--	----	---

The Group's subsidiary companies in Malaysia, involved in plantation operations, operate an unfunded, defined retirement benefit scheme for plantation workers as provided under the agreement between the Malayan Agricultural Producers Association ("MAPA") and the National Union of Plantation Workers. The benefits payable are determined based on the length of service at predetermined contractual rates.

Certain subsidiary companies in Indonesia operate a funded defined benefit scheme for qualified permanent employees in accordance with Labour Law No. 13 Year 2003.

The obligations under the schemes are calculated using the Projected Unit Credit Method carried out at least every three years based on actuarial computations by independent actuaries. The most recent review for the Company and subsidiary companies in Malaysia was performed in December 2003 whilst for subsidiary companies in Indonesia, it was performed in December 2005. The principal actuarial assumptions used are as follows:

	<u>Malaysia</u>		<u>Indonesia</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	%	%	%	%
Discount rate	7	7	10	10
Expected return on plan assets	N/A	N/A	9	7
Expected rate of salary increases	4	4	8	8

#### 41. SIGNIFICANT RELATED PARTY TRANSACTIONS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000
Trade transactions:				
Agency fees charged to subsidiary companies	-	-	42,212	33,310
Marketing charges and other expenses charged to subsidiary companies	-	-	10,134	12,542
Non-trade transactions:				
Fees and benefits-in-kind paid to non-executive directors of the Company	1,212	1,270	730	764
Remuneration and benefits-in-kind paid to an executive director of the Company	1,165	863	1,165	863
Interest paid/payable to subsidiary companies	-	-	48,098	31,196
Interest received/receivable from subsidiary companies	-	-	(35,583)	(24,579)
Advances to subsidiary companies	-	-	93,487	484,887
Advances from subsidiary companies	-	-	(325,988)	(765,631)
Purchases from a company in which Datuk Alladin Mohd. Hashim, a director of the Company, is a director	44,526	30,404	-	-
Sale of property to Mr. Sreesanthan s/o Eliathamby, a director of the Company	-	1,407	-	1,407

The above transactions have been entered into in the normal course of business at terms mutually agreed between the parties. All the transactions have been fully settled as at 31 December, except for the following amounts:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000
Trade transactions due from subsidiary companies	-	-	51,023	42,378
Non-trade transactions due from subsidiary companies	-	-	169,008	181,274

## 42. COMMITMENTS

### (a) Capital Expenditure

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment:				
Approved and contracted for	10,119	657	-	-
Approved but not contracted for	298,687	262,505	3,399	6,607
Concession asset	30,444	105,651	-	-
	<u>339,250</u>	<u>368,813</u>	<u>3,399</u>	<u>6,607</u>

### (b) Plasma Plantation Projects

Two subsidiary companies in Indonesia, PT Bahari Gembira Ria and PT Tamaco Graha Krida have commitments to develop 12,000 hectares of oil palm plantations for the Plasma Farmers under PIR-Trans program at Kabupaten Batanghari (Province of Jambi) and Kabupaten Poso (Province of Central Sulawesi) respectively. A total of 11,563 hectares have been developed of which about 3,539 hectares is pending conversion.

### (c) "Kredit Koperasi Primer untuk Anggotanya (KKPA)" Plantation Projects

Under the KKPA program, a subsidiary company in Indonesia, PT Sajang Heulang has entered into a commitment to develop oil palm plantations as follows:

- (i) a Cooperation Agreement and Credit Agreement to develop 4,000 hectares located in Kabupaten Kotabaru, Province of South Kalimantan.
- (ii) a Cooperation Agreement and Credit Agreement to develop 1,466 hectares located in Kabupaten Tanah Bumbu, Province of South Kalimantan.
- (iii) a Cooperation Agreement and Credit Agreement to develop 4,748 hectares located in Kabupaten Kotabaru, Province of South Kalimantan.
- (iv) the development of 5,024 hectares located in the neighbourhood of (i), (ii) and (iii) above which is financed through internal funds.



#### **43. CONTINGENT LIABILITIES**

(a) Material Litigations

**COMPANY**

(i) Breach of contract

On 3 May 2001, a legal suit was filed against the Company for an alleged breach of contract on the provision for consultancy services in connection with the acquisition of subsidiary companies in Indonesia. The amount claimed by the plaintiff was for a sum of USD25.76 million (equivalent to RM97.32 million), damages of 9% per annum and interest of 6% per annum, both calculated from the date of submission of the claim until the full settlement of the amount claimed.

On 29 October 2001, the District Court dismissed the plaintiff's civil suit with costs. The plaintiff appealed to the High Court of Jakarta. On 27 February 2003, the High Court of Jakarta rejected the appeal by the plaintiff.

On 17 September 2003, the plaintiff filed a fresh legal suit against the Company and six of its Indonesian subsidiary companies on the same alleged breach of contract. The plaintiff also applied and obtained, on an ex parte basis, from the District Court of South Jakarta on 30 October 2003, a conservatory order over the immovable and movable assets of four Indonesian subsidiary companies. On an application by the subsidiary companies, the Court granted the revocation of the conservatory orders against three subsidiary companies as there are existing encumbrances over the lands owned by those companies in favour of certain financial institutions. However, for another subsidiary company, the Court did not grant a revocation but only allowed for the proceeds of estate operations to be utilised by the subsidiary company.

On 28 October 2004, the District Court of South Jakarta rejected the plaintiff's claim in its entirety and decided in favour of the Company and the six Indonesian subsidiary companies. The only remaining conservatory order on one of the subsidiary companies was revoked. On 20 January 2005, the plaintiff filed an appeal against the decision of the District Court. On 25 May 2005, the Court of Appeal of Jakarta rejected the appeal by the plaintiff and affirmed the decision of the District Court of South Jakarta.

On 25 November 2005, the plaintiff filed a Notice of Appeal against the decision of the Court of Appeal of Jakarta rejecting the claims. The Company also filed a Notice of Appeal on 30 November 2005 against the decision of the Court of Appeal in disallowing its counterclaim. The Company will oppose the appeal made by the plaintiff and seek that the Supreme Court of Jakarta upholds the decision of the Court of Appeal.

The directors are of the opinion that the outcome of the case is not determinable as at the date of this report.

#### **43. CONTINGENT LIABILITIES (CONTD.)**

(a) Material Litigations (contd.)

**GROUP**

**Subsidiary Companies in Indonesia**

The following pending legal actions were instituted against certain subsidiary companies in Indonesia:

(ii) Damages/alleged losses suffered due to open burning

In 1998, several legal suits were filed against certain subsidiary companies for alleged damages/losses suffered of approximately Rp427 billion (equivalent to RM164 million) due to alleged open burning to clear land by the said subsidiary companies which had spread onto the plaintiffs' land. At the District Court, the plaintiffs' claims were partially accepted. The subsidiary companies appealed to the High Court and succeeded in getting the plaintiffs' claim rejected. The plaintiffs subsequently appealed to the Supreme Court and the case is presently pending decision.

Following the acquisition of Indonesian subsidiary companies, the Sellers have agreed to indemnify the Company and its subsidiary companies against any sum payable to the plaintiffs in relation to the above legal suit up to a maximum of USD12 million (equivalent to RM45.3 million).

(iii) Damages/alleged losses suffered involving land disputes

In 1998, a legal suit was filed against a subsidiary company for damages/losses suffered of approximately Rp13 billion (equivalent to RM5 million) allegedly caused by clearing of land occupied by the plaintiffs. Both the District Court and the High Court have decided in favour of the subsidiary company. The plaintiffs have filed an appeal to the Supreme Court which is presently pending decision.

(iv) Damages/alleged losses suffered involving land disputes

In 1999, a legal suit was filed against a subsidiary company for damages/losses suffered of approximately Rp22 billion (equivalent to RM8.5 million) for material loss and Rp50 billion (equivalent to RM19.2 million) for moral loss allegedly caused by clearing, occupying and planting of oil palm on the plaintiff's land. At the District Court, the plaintiff's claim was rejected. At the High Court, the plaintiff's claim was partially accepted and the High Court ordered the subsidiary company to cease all activities on the disputed land and to surrender the said land to the plaintiff. The subsidiary company has subsequently filed an appeal to the Supreme Court of Jakarta. The case is presently pending decision of the Supreme Court.

### **43. CONTINGENT LIABILITIES (CONTD.)**

**(a) Material Litigations (contd.)**

Based on legal counsel's advice, the directors are of the opinion that the outcome of the abovementioned cases are not determinable at the date of this report.

**(b) Guarantees (Unsecured)**

- (i) The Company has provided guarantees amounting to RM223,581,000 (2004: RM572,273,000) to financial institutions in respect of credit facilities granted to certain subsidiary companies.
- (ii) In prior years, certain subsidiary companies have given guarantees to the liquidators of certain other companies for which liquidation commenced in 1977, to indemnify them against any claims and damages which may be sustained in connection with the settlement or discharge of any liabilities arising out of the distribution of assets 'in specie' by the liquidators. The directors are of the opinion that there would not be any material liability arising from the guarantees given.
- (iii) The Company has provided guarantees amounting to RM102,665,000 to third parties in respect of certain tenders awarded to a subsidiary company.
- (iv) Certain subsidiary companies in Indonesia have provided guarantees amounting to approximately Rp311 billion (equivalent to RM120 million) for the development of oil palm plantations for small holders through the KKPA program as disclosed in Note 42(c) to the financial statements.

**(c) Others**

- (i) There are claims for interest on certain other payables of a subsidiary company in Indonesia amounting to Rp57.3 billion (equivalent to RM22 million). In the absence of any agreement between both parties, there is uncertainty of the amount of interest charges that should be accrued and recorded in the financial statements of the subsidiary company and the Group. The directors are of the opinion that such payables should be non-interest bearing and, accordingly, such interest claims are not accrued and recorded in the financial statements.
- (ii) In relation to the construction of the Guthrie Corridor Expressway, several former landowners have filed appeals under Form N of the Land Acquisition Act, 1960 objecting the awards of compensation granted to them by the Selangor State Land Administrator and claiming that the values of the lands acquired is higher than the compensations awarded to them. In the event the said landowners are successful in their appeals, the additional compensations payable by the Company is estimated to be approximately RM9.7 million.

#### **43. CONTINGENT LIABILITIES (CONTD.)**

**(c) Others (contd.)**

In addition, several former landowners, have requested additional compensation for their remaining land area that has proved uneconomical for usage. In the event the said landowners are successful in their appeals, the additional compensations payable by the Company is estimated to be approximately RM9.9 million.

#### **44. CONTINGENT ASSETS**

	<b>GROUP</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>RM'000</b>	<b>RM'000</b>
Difference between the amount claimed and the amount awarded by the Government in respect of land acquired or utilised by the Government	<u>229,195</u>	<u>220,548</u>

#### **45. FINANCIAL INSTRUMENTS**

**(a) Financial Risk Management Objectives and Policies**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its foreign exchange, interest rate, price fluctuation, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engaged in speculative transactions.

**(b) Foreign Exchange Risk**

The Group operates internationally and is exposed to various currencies, mainly Indonesian Rupiah, United States Dollar and Euro. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

#### 45. FINANCIAL INSTRUMENTS (CONTD.)

##### (b) Foreign Exchange Risk (contd.)

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

<u>Functional Currency of Group Companies</u>	Net Current Assets/(Liabilities) Held in <----- Non-Functional Currency ----->			
	United States		Indonesian	
	<u>Dollar</u>	<u>Euro</u>	<u>Rupiah</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
At 31 December 2005:				
Ringgit Malaysia	(374,496)	1,846	-	(372,650)
Indonesian Rupiah	(166,270)	-	-	(166,270)
United States Dollar	-	-	50,398	50,398
	<u>(540,766)</u>	<u>1,846</u>	<u>50,398</u>	<u>(488,522)</u>
At 31 December 2004:				
Ringgit Malaysia	(1,786,688)	280	-	(1,786,408)
Indonesian Rupiah	(352,198)	-	-	(352,198)
Sterling Pound	(2,492)	3,226	-	734
United States Dollar	-	-	50,962	50,962
	<u>(2,141,378)</u>	<u>3,506</u>	<u>50,962</u>	<u>(2,086,910)</u>

As at 31 December 2005, the Group did not enter into forward foreign exchange contracts.

##### (c) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt. The Group had no substantial long-term interest-bearing assets as at 31 December 2005. The investments in financial assets are mainly short-term in nature and have been mostly placed in fixed deposits or occasionally, in short-term commercial papers which yield better returns than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. The Group also uses hedging instruments such as interest rate swaps to minimise its exposure to interest rate volatility.

#### 45. FINANCIAL INSTRUMENTS (CONTD.)

##### (c) Interest Rate Risk (contd.)

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

As at 31 December 2005, the Group has entered into interest rate swaps ("IRS") to reduce the Group's exposure from adverse fluctuations in interest rates on underlying debt instruments as follows:

<u>Interest Rate Swap</u>	<u>Derivative Product</u>	<u>Notional Amount</u>	<u>Effective Period</u>	<u>Purpose</u>	<u>Weighted Average Rate p.a.</u>
USD Term Loan	IRS	RM1,095.62 million (equivalent to USD290 million)	28/02/06 to 29/08/12	To convert floating rate liabilities into fixed rate liabilities	4.8%-5.0% for the entire tenor of the liability
Ringgit 5-7 Year Islamic Bond	IRS	RM250 million	19/03/04 to 18/03/11	To convert fixed rate liabilities into floating rate liabilities	4.34% - 5.76%

All the above instruments were executed with creditworthy financial institutions and the directors are of the view that the possibility of non-performance by these financial institutions is unlikely on the basis of their respective financial strengths.

##### (d) Price Fluctuation Risk

The Group is exposed to price fluctuation risk on commodities particularly of palm oil. The Group mitigates its risk to the price volatility through forward hedging contracts in futures and selling forward in the physical market.

**45. FINANCIAL INSTRUMENTS (CONTD.)**

**(e) Liquidity Risk**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

**(f) Credit Risk**

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis through Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

The Group's normal trade credit terms granted to customers range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis. The normal trade credit terms granted to the Group by its creditors range from 14 to 90 days.

**(g) Fair Values**

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheets of the Group and of the Company as at the end of the financial year are represented as follows:

## 45. FINANCIAL INSTRUMENTS (CONTD.)

(g) Fair Values (contd.)

		<u>2005</u>		<u>2004</u>	
		<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>	<u>Fair</u>
		<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
	Note	RM'000	RM'000	RM'000	RM'000
<u>GROUP</u>					
<u>Financial Assets</u>					
Other investments:					
- Quoted shares	21	-	-	277	1,304
- Unquoted shares	21	1,084	#	1,314	#
- Malaysian Government Securities	21	959	1,084	959	1,106
Short-term investments:					
- Quoted shares	32	11,469	13,532	14,862	15,336
- Corporate bonds	32	10,443	13,158	19,937	20,115
<u>Financial Liabilities</u>					
Long-term borrowings	39	2,620,673	2,432,133	2,502,855	2,346,518
<u>COMPANY</u>					
<u>Financial Assets</u>					
Loans to subsidiary companies	20	390,472	##	314,184	##
Other investments - unquoted shares	21	959	#	959	#
Amounts due from subsidiary companies	31	1,025,828	##	1,033,530	##
<u>Financial Liabilities</u>					
Loans from subsidiary companies	20	1,522,640	##	87,000	##
Amounts due to subsidiary companies	31	800,751	##	777,182	##
Long-term borrowings	39	679,633	512,229	1,776,722	1,662,649

# It is not practicable to estimate the fair value of the non-current investments in unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable values.



#### 45. FINANCIAL INSTRUMENTS (CONTD.)

(g) Fair Values (contd.)

## It is also not practicable to estimate the fair values of balances due to/from subsidiary companies due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The nominal/notional amounts and net fair value of financial instruments not recognised in the balance sheets of the Group and of the Company as at 31 December 2005 are as follows:

	<b>Nominal/ Notional Amount RM'000</b>	<b>Net Fair Value RM'000</b>
Interest rate swap agreements	<u>1,345,620</u>	<u>18,517</u>

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and cash equivalents, trade and other receivables/payables and short-term borrowings

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(ii) Investments in quoted shares

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

(iii) Borrowings

The fair value of borrowings is estimated by using discounted cash flow analysis, based on current incremental lending rates for liabilities with similar risk profiles.

(iv) Derivative Financial Instruments

The fair value of a forward foreign currency contract is the estimated amount which the Group would expect to pay or receive on the termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.

#### **45. FINANCIAL INSTRUMENTS (CONTD.)**

**(g) Fair Values (contd.)**

**(iv) Derivative Financial Instruments (contd.)**

The fair value of an interest rate swap is the amount that would be payable or receivable upon termination of the position at the balance sheet date, and is calculated as the difference between the present value of the estimated future cash flows at the contracted rate compared to that calculated at the market rate at the balance sheet date.

#### **46. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

**(a) Sale of subsidiary companies:**

- (i) On 6 July 2005, the Company completed the disposal of its entire equity interest in Guthrie Medicare Products (NS) Sdn. Berhad ("GMP"), a wholly-owned subsidiary involved in the manufacturing of rubber gloves, for a cash consideration of RM14,800,000. The disposal resulted in a loss of RM2,968,000 to the Group and RM3,867,000 to the Company; and
- (ii) On 6 July 2005, the Company and Group disposed of its entire equity interests in Healthline Products Limited, a wholly-owned subsidiary company based in the United Kingdom and involved in the merchandising of healthcare products for a total cash consideration of RM2,000,000. Consequent to the completion of the sale, the wholly-owned subsidiary companies of Healthline Products Limited, namely Guthrie Medizinische Produkte GmbH, Guthrie SARL and Guthrie Medicare Products Limited also ceased to be subsidiary companies of the Company. The disposal resulted in a gain of RM7,211,000 to the Group and a gain of RM2,050,000 to the Company.

**(b) Refinancing of USD480 million Credit Facilities**

The Company has on 22 August 2005, through its wholly-owned subsidiary, Guthrie International Investments (L) Ltd. signed a USD480 million Syndicated Term Loan Facility ("Facility"). This Facility, at an interest margin of 0.55% above USD LIBOR, includes a Greenshoe Option of USD100 million which is available until 17 October 2006.

The principal purpose of this loan is to refinance the US Dollar loans raised earlier for the acquisition and working capital for the Indonesian Plantations and the Facility achieved the Group's objective to reduce cost, release the assets pledged for the earlier financing and extend the maturity profile.

#### 46. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTD.)

##### (c) Contribution Agreements

On 9 December 2005, Guthrie Corridor Expressway Sdn. Berhad, a wholly-owned subsidiary company has entered into Contribution Agreements with Guthrie Property Development Holding Berhad (GPDH), a 79.43% effectively-owned subsidiary company for an amount of RM73,200,000, with Highlands & Lowlands Berhad (HLB), a 54.53% owned subsidiary company, for an amount of RM60,000,000 and with Guthrie Bina Sdn. Berhad (GBSB), a wholly-owned subsidiary company, for an amount of RM15,400,000.

The Contribution Agreements were in respect of the apportionment of the development cost of the portion of the Guthrie Corridor Expressway ("the Expressway"), which has been designed, aligned and connected via interchanges to all the lands belonging to GPDH, HLB and GBSB, within the vicinity of the Expressway in such a way as to enhance the accessibility to the lands and therefore improve the development prospects thus benefiting the respective companies.

##### (d) Opening of Expressway

On 19 April 2005, Guthrie Corridor Expressway Sdn. Berhad officially opened two sections of the Expressway to the public upon receiving the Sijil Kesempurnaan Pembinaan Lebuhraya ("SKPL") from the Government on 14 April 2005. Toll collection for the usage of the Expressway commenced on 19 May 2005.

On 15 August 2005, the remaining two sections of the Expressway were opened to the public enabling users of the Expressway to converge with the "Projek Lebuhraya Utara Selatan" ("PLUS") Expressway at kilometre 446.5 and vice versa.

#### 47. COMPARATIVES

The following comparative figures as at 31 December 2004 have been reclassified to conform with current year's presentation:

##### GROUP

	As previously <u>stated</u> RM'000	<u>Reclassification</u> RM'000	As <u>restated</u> RM'000
INCOME STATEMENT			
Other operating income	43,852	5,333	49,185
Net unrealised exchange (loss)/gain	(81,979)	(863)	(82,842)
Other operating expenses	(213,335)	(4,470)	(217,805)

**Company No: 4001-P**

**KUMPULAN GUTHRIE BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT BY DIRECTORS**  
**PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, TAN SRI DATO' MUSA HITAM and DATO' ABD WAHAB MASKAN, being two of the directors of KUMPULAN GUTHRIE BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 7 to 113 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors,



TAN SRI DATO' MUSA HITAM  
Chairman



DATO' ABD WAHAB MASKAN  
Director

Kuala Lumpur, Malaysia  
29 March 2006

**Company No: 4001-P**

**KUMPULAN GUTHRIE BERHAD**  
**(Incorporated in Malaysia)**

**STATUTORY DECLARATION**  
**PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**


I, TONG POH KEOW, being the officer primarily responsible for the financial management of KUMPULAN GUTHRIE BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 7 to 113 are in my opinion 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 TONG POH KEOW  
at Kuala Lumpur in the Federal Territory  
on 29 March 2006.



TONG POH KEOW

Before me,



Commissioner for Oaths  
Kuala Lumpur  
Malaysia



Tingkat 10 Wisma UOA Damansara  
50, Jalan Dungun,  
Bukit Damansara,  
50490 Kuala Lumpur

**Company No: 4001-P**

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
KUMPULAN GUTHRIE BERHAD  
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 7 to 113. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company, and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries for which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

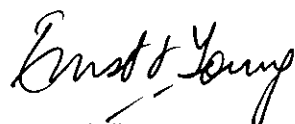
Company No: 4001-P

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
KUMPULAN GUTHRIE BERHAD (CONTD.)  
(Incorporated in Malaysia)**

We have considered the financial statements and the auditors' reports thereon of the subsidiary companies of which we have not acted as auditors, as indicated in Note 4 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.



Ernst & Young  
AF:0039  
Chartered Accountants



Sukanta Kumar Dutt  
1556/08/06(J)  
Partner

Kuala Lumpur, Malaysia.  
29 March 2006