
12. ACCOUNTANTS' REPORT

**5.25 Amount payable to the Government of Malaysia**

On 8 July 1999, PLUS entered into a Supplemental Concession Agreement with the Government for a revision in toll rate structure and an extension of the concession period to 2030. According to the terms of the Supplemental Concession Agreement, toll revenue sharing arrangements were established between PLUS and the Government. Pursuant to the Supplemental Concession Agreement, the Government will be entitled to share 20% to 30% of the amount by which the actual toll revenue of PLUS exceeds the Threshold Toll Revenue on a scale as specified in the Supplemental Concession Agreement ("Government Entitlement").

The amount payable of RM2.605 million to the Government as at 31 December 2001 represents the Government Entitlement over the Actual Toll Revenue as per the terms of the Supplemental Concession Agreement. Between 1999 and 2000, there was no toll sharing in the respective years as the Threshold Toll Revenue was not exceeded and thus there was no toll sharing in the respective years. The amount of toll sharing recognised for the three month period ended 31 March 2001 represents a proportion of the amount of toll sharing for the entire financial year 2001, based on the proportion that actual toll revenue recognised for the period represents as a percentage of the actual toll revenue for the entire financial year 2001.

Provision for toll sharing for the period ended 31 March 2002 has been accounted for based on the Company's estimate of such amount that is expected to arise for the entire financial period under the terms of the Supplemental Concession Agreement on toll sharing, with the amount in respect of the three month period based on the proportion that toll revenue for the period represents as a percentage of the anticipated toll revenue for the financial year.

12. ACCOUNTANTS' REPORT



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5.26 Borrowings and Bonds

Borrowings and bonds are analysed as follows:-

Facilities	Facility Limit/ Issue Amount as at 31/12/01 RM'000	Balance Utilised as at 31 December				2001		As at 31 March 2002	
		1997	1998	1999	2000	RM'000	USD'000*	RM'000	USD'000*
Government Support Loan	750,000	1,650,000	1,650,000	1,650,000	750,000	750,000	750,000	197,368	
- Principal	897,872	1,101,724	1,331,747	1,543,958	1,729,223	1,589,572	-	-	
- Capitalised Interest	-	-	60,000	139,000	212,000	212,000	212,000	55,790	
Additional Support Loan	212,000	-	-	-	-	-	-	-	
Commercial Loans:									
a) Syndicated Term Loan	1,913,150	1,763,924	1,194,339	1,056,592	880,583	656,744	656,744	172,828	
- Lender A	155,350	143,233	96,982	85,797	71,504	53,328	53,328	14,034	
- Lender B	466,500	430,113	293,989	260,401	217,483	162,902	162,902	42,869	
b) Stand By Loan	1,033,233	952,641	584,093	509,700	414,104	293,754	293,754	77,304	
- Lender A	263,767	243,193	149,109	130,118	105,714	74,991	105,714	19,734	
- Lender B	300,000	276,600	259,800	238,200	210,600	175,500	210,600	46,184	
- Lender C	50,000	25,111	-	-	30,537	8,036	-	-	
d) Overdraft	-	-	-	-	-	-	-	-	
Bonds									
a) Fixed Rate Serial Bond	1,000,000	-	1,000,000	820,000	766,000	712,000	568,000	149,474	
b) PLUS Bonds	8,368,549	-	-	8,368,549	8,368,549	7,211,190	8,368,549	1,896,662	
- Principal	-	-	-	198,175	1,022,371	1,659,518	1,241,129	1,865,154	
- Accreted Interest	-	-	-	-	-	-	-	490,830	
c) RCBs	1,389,000	-	-	1,389,000	1,389,000	1,389,000	1,389,000	365,526	
- Principal	-	-	-	58,702	183,369	320,428	215,964	345,889	
- Accreted Interest	900,000	-	-	-	-	-	900,000	236,842	
d) Link Bonds	900,000	-	-	-	900,000	900,000	900,000	236,842	
- Principal	-	-	-	-	47,596	144,725	70,962	170,485	
- Accreted Interest	-	-	-	-	-	-	-	44,864	
Total Borrowings	16,801,549	6,383,087	6,330,036	16,156,981	17,009,831	16,475,840	14,825,062	3,901,332	
Repayable									
- Within 12 months		256,903	477,504	434,144	536,768	790,204	626,768	759,667	
- After 12 months		6,126,184	5,852,532	15,722,837	16,473,063	15,685,636	16,722,396	14,065,395	
		6,383,087	6,330,036	16,156,981	17,009,831	16,475,840	14,825,062	3,901,332	

* The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

12. ACCOUNTANTS' REPORT

**5.26 Borrowings and Bonds (Cont'd.)****Government Support Loan*****Original Interest and Repayment Terms of the Government Support Loan***

The Government Support Loan originally bore interest at 8% per annum on the entire loan drawdown, and was to be repayable in 21 half-yearly instalments commencing in 2003.

Revised Terms

In conjunction with the previous debt restructuring undertaken in 1999, PLUS entered into a Second Supplemental Loan Agreement with the Government in connection with a proposal to issue RM900 million in present day value Link Bonds to a related company, Hartanah Lintasan Kedua Sdn. Bhd. ("Hartanah"), in satisfaction of the proposed assumption by another related company, Linkedua (Malaysia) Berhad ("Linkedua") of RM900 million of PLUS' Government Support Loan.

The Link Bonds did not involve cash inflows or outflows to PLUS upon issue and have been represented, based on the Second Supplemental Support Loan Agreement, to have been issued on 1 September 1999, with a corresponding reduction in the Government Support Loan. However, the Link Bonds were only issued on 21 June 2000 from which date the Link Bonds are accreted at the agreed yield, and the interest on the Government Support Loan has been capitalised at the resulting reduced balance.

In the intervening period between the represented date of issue of the Link Bonds on 1 September 1999 and the actual issue date on 21 June 2000, the principal balance of the RM900 million Government Support Loan remained, according to the Second Supplemental Support Loan Agreement, an obligation of PLUS and was subject to interest at 10% per annum capitalised semi-annually and repayable from 2011 to 2020 in 20 equal semi-annual instalments.

Upon issue of the Link Bonds on 21 June 2000, PLUS' obligation in respect of the RM900 million principal portion of the Government Support Loan was correspondingly reduced. However, the interest cost capitalised up to the date of issue of the Link Bonds remained an obligation of PLUS, has borne interest of 10% per annum capitalised semi-annually, and was to be repayable from 2011 to 2020 in 20 equal semi-annual instalments.

As described in Note 2.4 of this Report, in consideration of PLUS agreeing to the lower toll rates, the Government and PLUS entered into a Third Supplemental Support Loan Agreement whereby the Government agreed to waive PLUS from its obligation to pay interest chargeable by the Government under the Support Loan Agreement accrued up to 1 January 2002, amounting to RM1,729.22 million. The amount of interest waived includes the interest capitalised and accrued in the intervening period between the represented and actual date of issue of the Link Bonds as described above. The balance of principal on the Government Support Loan after deduction of the interest waiver amounts to RM750 million, and the Government has also agreed to waive PLUS from its obligation to pay interest on this balance.

The relevant details on security are stated in Section 5.27 of this Report.

12. ACCOUNTANTS' REPORT



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5.26 Borrowings and Bonds (Cont'd.)

Additional Support Loan

On 25 August 1999, PLUS entered into an Additional Support Loan Agreement with the Government for an interest-free loan not exceeding RM212 million in consideration of PLUS agreeing to collect lower toll rates for certain years from those specified in the Supplemental Concession Agreement dated 8 July 1999. PLUS has provided an undertaking to the Government that it will provide security interest in favour of the Government in December 2006 (or any other date as may be agreed by PLUS and the Government) to secure the loan.

Tranche	Date of Drawdown	Amount	
		RM'000	USD'000*
First Tranche	11 November 1999	60,000	15,789
Second Tranche	25 February 2000	79,000	20,789
Third Tranche	1 March 2001	73,000	19,211

* The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

However, on 23 May 2002, PLUS entered into a Supplemental Additional Support Loan Agreement for inter alia; the creation of security for the loan, with such security ranking on a subordinated basis to all other borrowings of PLUS following completion of PLUS' Debt Restructuring.

The loan which has been fully drawndown is repayable as one bullet repayment on 2 January 2024.

12. ACCOUNTANTS' REPORT**5.26 Borrowings and Bonds (Cont'd.)****Commercial Loans**

The previous debt restructuring that was completed on 30 September 1999 had not affected the repayment schedule of the Commercial Loans, which were to be fully repaid by the year 2004. The interest rates for the Commercial Loans are 1.5% per annum above the base lending rate for loans from commercial banks, 1.5% per annum above the cost of funds for loans from merchant banks, and a fixed rate of 10.25% per annum for a loan from an institution. As at 31 March 2002 the outstanding balance and effective interest rates applicable are: -

	Balances outstanding		Effective interest rates per annum at 31 March 2002
	RM'000	USD'000*	
Commercial banks	1,113,401	293,000	7.94%
Merchant banks	128,318	33,768	6.34%
The Institution	175,500	46,184	10.25%
	1,417,219	372,952	

*The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

The Commercial Loans were subsequently fully settled upon completion of the Debt Restructuring.

Bank Overdraft

PLUS has a bank overdraft facility of RM50 million, which is secured on similar terms as the Commercial Loans, and subject to interest at 1.25% per annum above the base lending rate of the lending commercial bank. The facility was utilised in 1997 and 2001, the effective rates having been 11.60% per annum and 8.05% per annum respectively.

Fixed Rate Serial Bonds

The Fixed Rate Serial Bonds ("Serial Bonds") bore interest from 8.75% to 9.15% per annum and 8.75% to 9.90% per annum for the years ended 31 December 1998 and 31 December 1999 respectively, and 9.75% to 9.90% per annum for the years ended 31 December 2000 and 31 December 2001. The Serial Bonds were repayable in full by February 2005.

During the year ended 31 December 1999, PLUS obtained approvals from relevant parties to reschedule interim repayments of the Serial Bonds, while maintaining full repayment by the original repayment date.

The relevant details on security are stated in Section 5.27 of this Report.

Under the Debt Restructuring detailed in Section 9 of this Prospectus - Debt Restructuring and Flotation Scheme, the Serial Bonds were subsequently fully repaid.

12. ACCOUNTANTS' REPORT

**5.26 Borrowings and Bonds (Cont'd.)****Redeemable Secured Bonds ("PLUS Bonds")**

As stated in Section 5.15 of this Report, pursuant to the financial restructuring exercises of UEM and Renong Berhad in 1999, on 30 September 1999, PLUS subscribed for the UEM and Renong SPV bonds and granted a term loan to UEM ("UEM Loan") and in turn issued RM8,368.55 million (in present day value as at the issue date) zero coupon Redeemable Secured Bonds 1999/ 2006 ("PLUS Bonds"). The PLUS Bonds bore a yield to maturity of 9.4% per annum, compounded semi-annually, and were due for maturity in 2006 at their nominal value of RM15,918.56 million. However, during the year ended 31 December 2001 and on 29 March 2002, following early redemptions of Renong SPV Bonds valued at RM1,401.28 million and valued at RM4.87 million respectively, the resulting balance redeemable value in 2006 reduced to RM13,709.67 million.

Of the total issue of PLUS Bonds, RM1,072.80 million had been issued in exchange for early redemption of 45 million 'A' RCCPS, RM373.02 million had been issued to RDMSB as consideration for the investment in RM373.02 million (in present day value as at the issue date) zero coupon Renong SPV Bonds, and RM6,922.73 million had been issued to new investors for cash.

The PLUS Bonds were constituted by a Trust Deed dated 15 September 1999 made by PLUS and the Trustee for the holders of the PLUS Bonds. The relevant details on security are stated in Section 5.27 of this Report.

For the purposes of redemption of the PLUS Bonds, PLUS had set up an account managed by Trustees for the periodic transfers of excess cash after setting aside defined cash flow requirements and obligations. As at 31 March 2002, no amounts were required to be transferred to the account.

In conjunction with the Debt Restructuring, as described in Section 9 of this Prospectus - Debt Restructuring and Flotation Scheme, the accreted value of the PLUS Bonds were subsequently fully settled.

Redeemable Convertible Secured Bonds ("RCBs")

On 30 September 1999, PLUS issued RM132.50 million (in present day value as at the issue date) of Tranche 1 Redeemable Convertible Secured Bonds ("RCBs") and RM1,256.50 million (in present day value) of Tranche 2 RCBs in exchange for early redemption of 5 million 'A' RCCPS and 50 million 'B' RCCPS respectively. The yield to maturity applicable from 1 July 1999 to the date of actual redemption for both tranches was 9.4% per annum, compounded semi-annually.

For Tranche 1 RCBs, RM122.11 million (nominal value) and RM87.07 million (nominal value) had been due for redemption six years and seven years respectively from 1 July 1999. For Tranche 2 RCBs, RM1,157.99 million (nominal value) and RM825.70 million (nominal value) had been due for redemption six years and seven years respectively from 1 July 1999.

12. ACCOUNTANTS' REPORT



5.26 Borrowings and Bonds (Cont'd.)

Redeemable Convertible Secured Bonds ("RCBs") (Cont'd.)

The cash coupon rate for each tranche was RM5.00 for each RCB (each having an initial principal amount of RM1,000.00), payable semi-annually, commencing from 1 July 1999 to 31 December 2001; RM20.00 for each RCB, payable semi-annually, commencing from 1 January 2002 to 30 June 2005; and RM8.00 for each RCB, payable semi-annually, commencing from 1 July 2005 to 30 June 2006.

The RCBs were constituted by a Trust Deed dated 15 September 1999 made by PLUS and the Trustee for the holders of the RCBs.

For the purposes of redemption of the RCBs, PLUS had set up an account managed by Trustees for the periodic transfers of excess cash after setting aside defined cash flow requirements and obligations. As at 31 March 2002, no amounts were required to be transferred to the account.

The relevant details on security are stated in Section 5.27 of this Report.

The RCBs were convertible at the option of the RCB holders, into ordinary shares in PLUS upon PLUS undertaking an initial public offering of its shares.

The RCBs were subsequently converted into ordinary shares in conjunction with the Debt Restructuring as described in Section 9 of this Prospectus - Debt Restructuring and Flotation Scheme.

Zero Coupon Redeemable Unsecured Serial Bonds ("Link Bonds")

On 21 June 2000, PLUS issued RM900 million (in present day value at the issue date) of Link Bonds to a related company, Hartanah, in satisfaction of the assumption by another related company, Linkedua, of RM900 million of the outstanding balance on PLUS' Government Support Loan. The Link Bonds, with an aggregate nominal value of RM3,822.38 million, bear a yield to maturity of 10% per annum, compounded semi-annually, and will be due for maturity in tranches from year 2011 to year 2019.

12. ACCOUNTANTS' REPORT



5.27 Security Arrangements of Borrowings and Bonds

The security arrangements as at 31 March 2002 were as follows: -

- (i) *Security arrangements with the Government*
- (a) An assignment and charge (ranking second and pari passu in point of security with the PLUS Bonds and RCBs) over the Toll Amounts, and Additional Project Accounts and the credit balances therein (excluding the Support Loan Account, Performance Bonds Proceeds Account and all credit balances therein). The Additional Project Accounts refer to the accounts in the Project Control Account Agreement dated 31 May 1988;
 - (b) An assignment (ranking second and pari passu with the PLUS Bondholders and RCBs Holders in point of security) of the rights over the Construction Guarantees, Construction Contracts and Insurances;
 - (c) A debenture over the fixed and floating assets of PLUS (other than Security Accounts I to VIII, UEM Bonds, Renong SPV Bonds, Charge I, Charge II, Renong Guarantee and Support Loan Account and the credit balances therein). Security Accounts, which comprise Security Accounts I to IX, were established by PLUS for the benefit of the PLUS Bondholders and RCB Holders. Charge I refers to those charges delivered to PLUS by Renong or its subsidiaries as security for the Renong SPV Bonds, while Charge II refers to the charges delivered to PLUS by UEM or its subsidiaries as security for the UEM Bonds. Renong Guarantee refers to the guarantee issued by Renong in favour of PLUS to guarantee the obligations of RDMSB under the Renong SPV Bonds;
 - (d) A first charge over Security Account IX (ranking pari passu with the PLUS Bondholders and RCB Holders);
 - (e) An assignment and charge (ranking second and pari passu with the PLUS Bondholders and RCB Holders in point of security) over the Additional Toll Revenue Account and the credit balances therein (other than the ELITE Amount), and PLUS Amount. ELITE Amount refers to the toll amounts collected or received by PLUS on behalf of ELITE while PLUS Amount refers to amounts collected or received by ELITE on behalf of PLUS. ELITE is a fellow subsidiary of PLUS which is also involved in the operation of expressways, with which toll collection arrangements are in place for integrated sections of the respective expressway networks;

12. ACCOUNTANTS' REPORT



5.27 Security Arrangements of Borrowings and Bonds (Cont'd.)

- (i) *Security arrangements with the Government (Cont'd.)*
- (f) An assignment (ranking first in point of security) over the Performance Bonds, Performance Bonds Proceeds Account and the credit balances therein;
 - (g) A first charge over the Support Loan Account; and
 - (h) An assignment (ranking second and pari passu with the PLUS Bondholders and RCBS Holders in point of security) over PLUS' rights, titles and interest in the Additional Project Agreements. The Additional Project Agreements refer to the Service Provider Agreement and Toll Revenue Collection Agreement, both dated 13 September 1999.
- (ii) *Security arrangements with the Commercial Lenders and Serial Bondholders*
- (a) An assignment and charge (ranking first in point of security) over the Toll Amounts and Additional Project Accounts and the credit balances therein (excluding the Support Loan Account and Security Accounts and the credit balances therein);
 - (b) An assignment (ranking first in point of security) of the rights over the Concession, Performance Bonds, Performance Bonds Proceeds Account and the credit balances therein, Construction Guarantees, Construction Contracts and Insurances (except that the Commercial Lenders' and Serial Bondholders' rights to the Performance Bonds, Performance Bonds Proceeds Account and the credit balances therein, shall rank second after the Government Assignment). The Government Assignment refers to the assignment dated 1 September 1988 to the Government by PLUS in connection with Performance Bonds;
 - (c) A debenture over the fixed and floating assets of PLUS (other than those security interests already covered under (a) and (b) above, Support Loan Account, Performance Bonds, Performance Bonds Proceeds Account and the credit balances therein, Security Accounts and the credit balances therein, UEM Bonds, Renong SPV Bonds, Renong Guarantee, Charge I, Charge II and the Proceeds);

Proceeds mean the proceeds derived or to be derived from: -

- (i) the issuance of such new shares by PLUS for the purpose of redemption and/ or repayment of the PLUS Bonds;
- (ii) the enforcement of the Renong Guarantee;
- (iii) the sale of assets and securities charged to PLUS under Charge I;
- (iv) the enforcement of the UEM Bonds;
- (v) the sale of assets and securities charged to PLUS under Charge II;
- (vi) the redemption of the Renong SPV Bonds; and
- (vii) the redemption of the UEM Bonds.

12. ACCOUNTANTS' REPORT



5.27 Security Arrangements of Borrowings and Bonds (Cont'd.)

- (ii) *Security arrangements with the Commercial Lenders and Serial Bondholders (Cont'd.)*
- (d) A second charge over Security Accounts I to V, ranking after the PLUS Bonds and RCBs;
 - (e) An assignment and charge (ranking first in point of security) over the Additional Toll Revenue Account and the credit balances therein (other than the ELITE Amount), and PLUS Amount, as defined in (i)(e) above;
 - (f) An assignment and charge (ranking second in point of security after the PLUS Bondholders and the RCB Holders) over the Renong Proceeds and UEM Proceeds;
 - (g) An assignment (ranking first in point of security) over PLUS' rights, title and interest in the Additional Project Agreements; and
 - (h) An assignment (ranking second in point of security after the Government) over the Performance Bonds Proceeds Account.
- (iii) *Security arrangements with the PLUS Bondholders and RCB Holders*
- (a) An assignment and charge (ranking second and pari passu with the Government in point of security after the Commercial Lenders and Serial Bondholders) over the Toll Amounts and Additional Project Accounts and the credit balances therein (excluding the Support Loan Account, Performance Bonds Proceeds Account and the credit balances therein);
 - (b) An assignment (ranking second in point of security after the Commercial Lenders and Serial Bondholders) of the rights over the Concession, Performance Bonds, Performance Bonds Proceeds Account and the credit balances therein, Construction Guarantees, Construction Contracts and Insurances (except that the PLUS Bondholders and RCB Holders' rights to the Performance Bonds, Performance Bonds Proceeds Account and the credit balances therein, shall rank third after the Government Assignment and the Commercial Lenders and Serial Bondholders);
 - (c) A debenture over the fixed and floating assets of PLUS (subject to the Government Charge, Government Assignment and Secured Lenders' Security Documents and which debenture excludes the Support Loan Account and all amounts standing to the credit thereof. In respect of the RCBs, Security Account VI is also excluded);

12. ACCOUNTANTS' REPORT



5.27 Security Arrangements of Borrowings and Bonds (Cont'd.)

(iii) Security arrangements with the PLUS Bondholders and RCB Holders (Cont'd.)

- (d) An assignment and charge (ranking first in point of security) over the Renong Proceeds, UEM Proceeds, Renong Guarantee and UEM Bonds;
- (e) An assignment and charge (ranking second in point of security after the Commercial Lenders and Serial Bondholders) over the Additional Toll Revenue Account and the credit balances therein (other than the ELITE Amount), and PLUS Amount;
- (f) An assignment (ranking second in point of security after the Government) over the Performance Bonds Proceeds Account;
- (g) An assignment (ranking third in point of security after the Government, the Commercial Lenders and Serial Bondholders) over the Performance Bonds, Performance Bonds Proceeds Account and the credit balances therein; and
- (h) A first charge over Security Accounts (except for Security Account VI which is secured to the PLUS Bondholders only) and all Proceeds standing to the credit of such Security Accounts.

Proceeds mean the aggregate of: -

- (i) Balance Proceeds which describes the proceeds to be derived from the disposal of the assets charged and/ or assigned to Universal Trustee (Malaysia) Berhad ("Security Trustee") as described in the First Charge Document ("FCD") signed between PLUS and the Security Trustee on 15 September 1999;
- (ii) Cashflow Proceeds refers to excess revenue and income of PLUS at the end of each calendar year after providing for certain expenditure as described in the FCD;
- (iii) New Shares Proceeds refers to all proceeds to be derived from the issuance of such new shares by PLUS for the purpose of redemption and/ or repayment of the PLUS Bonds;
- (iv) Renong Proceeds comprises proceeds from the enforcement of Renong Guarantee and from the sales of assets and securities charged to PLUS under Charge I;
- (v) UEM Proceeds refers to proceeds from the enforcement of the UEM Bonds and from the sales of assets and securities charged to PLUS under Charge II;

12. ACCOUNTANTS' REPORT



5.27 Security Arrangements of Borrowings and Bonds (Cont'd.)

(iii) Security arrangements with the PLUS Bondholders and RCB Holders (Cont'd.)

(vi) Renong SPV Bond Redemption Proceeds refers to proceeds to be received by PLUS from the redemption of the Renong SPV Bonds; and

(vii) UEM Bond Redemption Proceeds refers to proceeds to be received by PLUS from the redemption of the UEM Bonds.

(iv) Security arrangements with the Hartanah Bondholders

A third party assignment and charge (ranking third after the Commercial Lenders, Serial Bondholders, PLUS Bondholders, RCBs Holders) over the positive Cash flow Proceeds not exceeding RM436,600,000 per calendar year for the period commencing 1 January 2011 and ending 2018 and RM329,576,465 for the period commencing 1 January 2019 and ending 31 December 2019.

The Debt Restructuring referred to in Section 9 of this Prospectus - Debt Restructuring and Flotation Scheme, resulted in changes to the debt profile of PLUS and accordingly, the above security arrangements. The resultant security arrangements upon completion of the Debt Restructuring are set out in Section 9.5 of this Prospectus.

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5.28 Capital Redemption Reserve

	1997		1998		Year ended 31 December 2000		2001		Period ended 31 March 2002	
	←	→	←	→	←	→	←	→	←	→
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	USD'000*	USD'000*	RM'000	USD'000*
Balance at beginning of the year/ period	-	-	-	-	10,000	10,000	10,000	2,632	10,000	2,632
Transfer from Revenue Reserves	-	-	-	10,000	-	-	-	-	-	-
Balance at end of the year/ period	-	-	-	10,000	10,000	10,000	2,632	2,632	10,000	2,632

* The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

The Capital Redemption Reserve, of an amount equivalent to the aggregate nominal amount of RCCPS redeemed, was created during 1999 by a transfer from Revenue Reserves, upon the redemption of the RCCPS.

5.29 Share Premium (Non-Distributable)

	1997		1998		Year ended 31 December 2000		2001		Period ended 31 March 2002	
	←	→	←	→	←	→	←	→	←	→
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	USD'000*	USD'000*	RM'000	USD'000*
Balance at end of the year/ period	990,000	990,000	990,000	990,000	-	-	-	-	-	-

The Share Premium which arose from the issue of RCCPS in 1993 was utilised towards the premium payable upon redemption of the RCCPS in 1999.

12. ACCOUNTANTS' REPORT



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5.30 Revenue Reserves/ (Accumulated Losses)

	Year ended 31 December		2001		Period ended 31 March	
	1997	1998	1999	2000	2001	2002
		RM '000	RM '000	RM '000	RM '000	USD '000*
Balance at beginning of the year/ period	589,435	621,761	481,484	(928,131)	(922,105)	(238,700)
Retained Profit/ (Loss) for the year/ period	32,270	(136,270)	52,984	6,026	15,046	495,174
	621,805	485,491	534,468	(922,105)	(907,059)	256,474
Transfer to Capital Redemption Reserve	-	-	(10,000)	-	-	-
Transfer (to)/ from General Reserve	(44)	(4,007)	9,201	-	-	-
Applied towards redemption of RCCPS	-	-	(1,461,800)	-	-	-
Balance at end of the year/ period	621,761	481,484	(928,131)	(922,105)	(907,059)	256,474

* The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

In 1999, pursuant to the debt restructuring exercise, the premium upon redemption of 'A' and 'B' RCCPS was met from the Share Premium Account and a further amount of RM1,461,800,000 from the Revenue Reserves of PLUS. A further RM10,000,000, being the aggregate nominal amount of RCCPS redeemed, was transferred from the Revenue Reserves to the Capital Redemption Reserve account.

As at 31 December 2001, any distribution of the distributable reserves of PLUS by way of dividends would have been subject to the restrictions described in Section 5.27 of this Report, and would have attracted tax liability equivalent to the prevailing corporate tax rate on gross dividends declared. However, profits earned in respect of the three months to 31 March 2002, being tax exempt, are not restricted as their distribution would not subject PLUS to such tax liability.

Section 6 of this Report provides details of the effects of certain changes in accounting policies described in Section 5.1 of this Report on the revenue reserves of PLUS which are presented in restated form above.

5.31 General Reserves

	Year ended 31 December		2001		Period ended 31 March	
	1997	1998	1999	2000	2001	2002
		RM '000	RM '000	RM '000	RM '000	USD '000*
Balance at beginning of the year/ period	5,150	5,194	9,201	-	-	-
Transfer to/ (from) General Reserve	44	4,007	(9,201)	-	-	-
Balance at end of year/ period	5,194	9,201	-	-	-	-

12. ACCOUNTANTS' REPORT



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5.31 General Reserves (Cont'd.)

The balances on the General Reserve account in 1997 and 1998 had been appropriated from Revenue Reserves to reflect respectively the amount of accrued dividends unpaid as at the balance sheet date in respect of the RCCPS in issue. The total amount was transferred to Revenue Reserves upon redemption of the RCCPS in 1999.

5.32 Deferred Liabilities

Deferred liabilities comprises fees received in advance for future maintenance expenditure to be incurred, in consideration for right of way granted by PLUS to third parties, and is analysed as follows:-

	Amounts received in advance	Amounts expended	Balance at end of year/ period
	←	RM'000	→
31 March 2002	44,072	11,244	32,828
31 March 2001	36,073	9,326	26,747
31 December 2001	44,072	10,788	33,284
31 December 2000	36,072	8,927	27,145
31 December 1999	30,612	7,333	23,279
31 December 1998	27,437	5,767	21,670
31 December 1997	27,215	4,294	22,921

	Amounts received in advance	Amounts expended	Balance at end of year/ period
	←	USD'000*	→
31 March 2002	11,598	2,959	8,639
31 December 2001	11,598	2,839	8,759

*The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

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5.33 Significant Related Party Transactions (Cont'd.)

The above transactions were undertaken in the normal course of business of PLUS and at contracted terms. There is no practical means of identifying these transactions with the respective balances, if any, at the balance sheet date. In addition, the following transactions in conjunction with the previous debt restructuring exercise in 1999 were with related parties: -

- a) the issue of RM373.02 million PLUS Bonds in consideration for the RM373.02 million Renong SPV Bonds;
- b) the investment in RM3,936.55 million Renong SPV Bonds for cash;
- c) the issue of RM132.50 million RCBs for the redemption of 5 million 'A' RCCPS;
- d) the issue of RM1,256.50 million RCBs for the redemption of 50 million 'B' RCCPS;
- e) the investment in RM2,951.18 million UEM Bonds for cash; and
- f) the issue of RM900 million Link Bonds in June 2000.

5.34 Capital Commitments

	← Amounts authorised and Contracted for	RM'000	Amounts authorised but not Contracted for →
31 March 2002	160,709		-
31 March 2001	103,398		40,610
31 December 2001	137,685		-
31 December 2000	156,848		40,610
31 December 1999	67,136		45,721
31 December 1998	124,493		78,107
31 December 1997	192,453		-

	← Amounts authorised and Contracted for	USD'000*	Amounts authorised but not Contracted for →
31 March 2002	42,292		-
31 December 2001	36,233		-

* The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

Capital commitments at each balance sheet date were in respect of property, plant and equipment, upgrading under development and heavy repairs of PLUS.

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5.35 Employee Costs

	Year ended 31 December			2001		Period ended 31 March 2002		
	1997	1998	1999	2000	2001	2001	2002	
		RM'000			RM'000	USD'000*	RM'000	USD'000*
Employee emoluments	84,461	77,648	76,127	80,552	83,557	21,989	22,718	5,978
Employee training/ welfare	2,445	2,121	2,128	2,116	2,025	533	248	65
	86,906	79,769	78,255	82,668	85,582	22,522	22,966	6,043

* The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

Average number of employees during the period / year:-

	Year ended 31 December			2001		Period ended 31 March 2002	
	1997	1998	1999	2000	2001	2001	2002
				Number			
Executive	326	356	341	280	256	256	259
Non-Executive	2,666	2,613	2,563	2,542	2,595	2,547	2,657
	2,992	2,969	2,904	2,822	2,851	2,803	2,916

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6. RECONCILIATION BETWEEN PLUS' HISTORICAL AUDITED AND RESTATED FINANCIAL STATEMENTS

The restatement of the historical audited financial statements of PLUS for the years ended 31 December 1997 to 31 December 2001 is as a result of the adoption of changes to certain accounting policies of PLUS with effect from 1 January 2002. The rationale and new accounting policies in relation to the adoption of MASB 27 – “Borrowing Costs” and changes to the treatment of deferred income have been discussed in Sections 5.1(b) and 5.1(i) of this Report.

Set out in Sections 6.1 and 6.2 of this Report are statements reconciling the historical audited and restated financial statements of PLUS in respect of the income statement items and balance sheet accounts affected by the changes to the relevant accounting policies. The reconciliation statements should be read in conjunction with the restated income statements and balance sheets of PLUS described in Sections 4.4 and 4.5 of this Report respectively.

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6.1 PLUS Income Statements - Restatement Reconciliation

Reconciliations of relevant income statement items between historical audited and restated amounts following the changes in certain accounting policies are as follows:

(a) Profit Before Taxation

	1997	1998	As at 31 December		2001	USD*000*
			1999	2000		
			RM'000			
Profit before taxation as previously stated in the audited financial statements	646,431	510,301	636,576	712,503	631,414	166,163
Adjustments:						
-Net effect of adoption of MASB 27	(502,691)	(559,754)	(518,622)	(654,488)	(600,350)	(157,987)
-Net effect on change in accounting policy on license fees	27,977	10,562	(3,121)	(3,121)	(3,121)	(822)
Profit/ (Loss) before taxation as restated in Income Statements	<u>171,717</u>	<u>(38,891)</u>	<u>114,833</u>	<u>54,894</u>	<u>27,943</u>	<u>7,354</u>

* The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

(b) Taxation

	1997	1998	As at 31 December		2001	USD*000*
			1999	2000		
			RM'000			
Taxation as previously stated in the audited financial statements	(209,260)	(165,500)	(207,937)	(232,998)	(181,868)	(47,860)
Adjustments:						
-Net effect of adoption of MASB 27	140,754	156,731	145,214	183,256	168,097	44,236
-Net effect on change in accounting policy on license fees	(7,834)	(2,957)	874	874	874	230
Taxation as restated in the Income Statements	<u>(76,340)</u>	<u>(11,726)</u>	<u>(61,849)</u>	<u>(48,868)</u>	<u>(12,897)</u>	<u>(3,394)</u>

* The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

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6.2 PLUS Balance Sheets - Restatement Reconciliation

Reconciliations of relevant accounts between historical audited and restated balances following the changes in certain accounting policies are as follows:

(a) Expressway Development Expenditure ("EDE")

	1997	1998	As at 31 December		2001	
			1999	2000	USD*000*	
	←		RM'000	→		
EDE as previously stated in the audited financial statements	8,462,293	8,491,726	8,547,843	8,523,551	8,506,557	2,238,567
Adjustments:						
-Change in accounting policy on reimbursement of construction costs from the Government: reclassified from Deferred income [Note (c)]	(117,809)	(116,641)	(194,915)	(193,494)	(191,217)	(50,320)
EDE as restated in Balance Sheets	<u>8,344,484</u>	<u>8,375,085</u>	<u>8,352,928</u>	<u>8,330,057</u>	<u>8,315,340</u>	<u>2,188,247</u>

* The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

(b) Interest Equalisation

	1997	1998	As at 31 December		2001	
			1999	2000	USD*000*	
	←		RM'000	→		
Interest Equalisation as previously stated in the audited financial statements	1,509,716	2,069,470	2,588,092	3,242,580	3,842,930	1,011,297
Adjustments:						
-Effect of adoption of MASB 27	(1,509,716)	(2,069,470)	(2,588,092)	(3,242,580)	(3,842,930)	(1,011,297)
No amounts in restated Balance Sheets	-	-	-	-	-	-

* The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

(c) Deferred Income

	1997	1998	As at 31 December		2001	
			1999	2000	USD*000*	
	←		RM'000	→		
Deferred Income as previously stated in the audited financial statements	190,768	198,911	275,673	274,997	275,738	72,563
Adjustments:						
Effects on change in accounting policy of deferred income for :-						
-license fees	(50,038)	(60,600)	(57,479)	(54,358)	(51,237)	(13,484)
-reimbursement of construction costs from the Government: reclassified for offset against EDE [Note (a)]	(117,809)	(116,641)	(194,915)	(193,494)	(191,217)	(50,320)
-future maintenance expenditure: reclassified to Deferred liabilities [Note (d)]	(22,921)	(21,670)	(23,279)	(27,145)	(33,284)	(8,759)
No amounts in restated Balance Sheets	-	-	-	-	-	-

* The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

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6.2 PLUS Balance Sheets - Restatement Reconciliation (Cont'd.)

(d) Deferred Liabilities

	1997	1998	As at 31 December		2001	
	←		1999	2000	→	
			RM'000		USD'000*	
Deferred liabilities previously stated in the audited financial statements	-	-	-	-	-	-
Adjustments:						
-Effects on change in accounting policy: reclassification from Deferred Income or future maintenance expenditure [Note (c)]	22,921	21,670	23,279	27,145	33,284	8,759
Deferred Liabilities as restated in Balance Sheets	22,921	21,670	23,279	27,145	33,284	8,759

* The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

(e) Deferred Taxation

	1997	1998	As at 31 December		2001	
	←		1999	2000	→	
			RM'000		USD'000*	
Deferred Tax as previously stated in the audited financial statements	(209,260)	(374,760)	(579,397)	(810,938)	(991,352)	(260,882)
Adjustments:						
-Net tax effect upon adoption of MASB 27	422,721	579,452	724,666	907,922	1,076,020	283,162
-Net tax effect in respect of license fees	(14,010)	(16,967)	(16,093)	(15,219)	(14,346)	(3,775)
Future Income Tax Benefit as restated in Balance Sheets **	199,451	187,725	129,176	81,765	70,322	18,505

* The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

Note** The future income tax benefit is recognised on the basis that it is probable that taxable profits will be available in the future against which the tax benefits can be utilised.

(f) Revenue Reserves

	1997	1998	As at 31 December		2001	
	←		1999	2000	→	
			RM'000		USD'000*	
Revenue Reserves						
At beginning of the year as previously stated	1,298,608	1,672,728	1,927,869	893,909	1,373,414	361,426
Adjustments	(709,173)	(1,050,967)	(1,446,385)	(1,822,040)	(2,295,519)	(604,083)
Restated balance at beginning of the year (Note 4.5)	589,435	621,761	481,484	(928,131)	(922,105)	(242,657)
Profit attributable to ordinary shareholders as previously reported	374,164	259,148	428,639	479,505	449,546	118,302
Adjustments in respect of borrowing cost and license fees	(341,794)	(395,418)	(375,655)	(473,479)	(434,500)	(114,342)
Restated Profit/ (Loss) attributable to ordinary shareholders	32,370	(136,270)	52,984	6,026	15,046	3,960
Transfer to Capital Redemption Reserve	-	-	(10,000)	-	-	-
Transfer (to)/ from General Reserve	(44)	(4,007)	9,201	-	-	-
Applied towards redemption of RCCPS	-	-	(1,461,800)	-	-	-
Restated Revenue Reserves as shown in Balance Sheets	621,761	481,484	(928,131)	(922,105)	(907,059)	(238,697)

* The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

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7. PLUS Expressways Group - Proforma Statement of Assets and Liabilities

The following Proforma Statement of Assets and Liabilities as at 31 March 2002 sets out the net assets of PLUS Expressways Group, prepared on the basis set out in Sections 4.1 and 4.2 of this Report together with the notes thereto. The PLUS Expressways Group proforma balance sheet as at 31 March 2002 is on the assumption that the business combination involving PLUS Expressways acquiring the entire issued and paid up capital of PLUS in exchange for new PLUS Expressways ordinary shares being issued as consideration, had taken place retrospectively, had been accounted for using the merger method. Accordingly, on a proforma basis PLUS would have become a wholly owned subsidiary of PLUS Expressways. (See Section 9 of this Prospectus - Debt Restructuring and Flotation Scheme). The Proforma Statement of Assets and Liabilities as at 31 March 2002 of the PLUS Expressways Group is presented as follows: -

	Proforma Group	
	RM'000	USD'000*
ASSETS EMPLOYED :		
PROPERTY, PLANT AND EQUIPMENT	26,630	7,008
EXPRESSWAY DEVELOPMENT EXPENDITURE	8,315,217	2,188,215
HEAVY REPAIRS	238,388	62,734
INVESTMENTS	7,677,987	2,020,523
AMOUNT OWING BY HOLDING COMPANY - LOAN	44,052	11,593
FUTURE INCOME TAX BENEFIT	70,322	18,506
CURRENT ASSETS		
Toll compensation recoverable from the Government of Malaysia	68,156	17,936
Sundry debtors, deposits and prepayments	7,658	2,015
Amounts due from related companies - trade transactions	28,698	7,552
Short term deposits with licensed banks	581,661	153,069
Cash and bank balances	15,093	3,972
	701,266	184,544
CURRENT LIABILITIES		
Trade creditors	17,209	4,529
Sundry creditors and accruals	66,605	17,528
Amount due to holding company - trade transactions	43,810	11,529
Amounts due to related companies - trade transactions	59,033	15,535
Borrowings	759,667	199,912
Taxation	9,207	2,423
	955,531	251,456
NET CURRENT LIABILITIES	(254,265)	(66,912)
	<u>16,118,331</u>	<u>4,241,667</u>

* The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

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7. PLUS Expressways Group - Proforma Statement of Assets and Liabilities (Cont'd.)

	Group	
	RM`000	USD`000*
FINANCED BY :		
SHARE CAPITAL	1,250,000	328,947
MERGER RESERVES	(231,447)	(60,907)
CAPITAL RESERVES	10,000	2,632
REVENUE RESERVES	974,597	256,474
	2,003,150	527,146
DEFERRED LIABILITIES	32,828	8,639
BORROWINGS	14,065,395	3,701,420
LONG TERM LIABILITIES		
Amount owing to holding company	6,885	1,812
Retirement benefits	10,073	2,650
	16,118,331	4,241,667
Net Tangible Asset (NTA)	1,932,828	508,640
NTA per Ordinary Share (RM/ USD)	0.39	0.10

* The USD equivalents are stated for illustrative purposes only, based on a translation rate of RM3.80 per US Dollar.

12. ACCOUNTANTS' REPORT**8. Proforma Net Tangible Assets Cover**

Based on the Proforma Statement of Assets and Liabilities as at 31 March 2002 of PLUS Expressways Group as set out described in Section 7 of this Report, the Proforma Net Tangible Assets ("Proforma NTA") cover and enlarged share capital of PLUS Expressways Berhad after the Debt Restructuring and Flotation Scheme is illustrated as follows:-

	RM'000
Proforma Net Tangible Assets ("NTA") of PLUS Expressways Group as at 31 March 2002	1,932,828
i) net exceptional loss from the sale of the Renong SPV Bonds, redemption of the UEM Bond and full settlement of the loan to UEM, and partial repayment of the PLUS Bonds	(4,122,039)
ii) issue of the Al-Bai Bithaman ajil Islamic Debt Securities (BAIDS) and corresponding redemption of Serial Bonds, repayment of Commercial Loans and partial repayment of PLUS Bonds	-
iii) renounceable rights issue of new ordinary shares of PLUS and conversion of Redeemable Convertible Bonds into ordinary shares of PLUS	4,135,227
iv) share issue expenses upon completion of Debt Restructuring	(25,000)
v) the conversion by UEM of 368.55 million NCCPS into equivalent number of ordinary shares of RM1.00 each; and reduction in capital	-
Adjusted Proforma NTA of PLUS Expressways Group at 31 March 2002	1,921,016
Provision for Flotation Scheme expenses	(5,000)
Proforma NTA after the Flotation Scheme	<u>1,916,016</u>
	'000
Total number of Shares	
Total number of PLUS Expressways shares after Flotation Scheme	<u>5,000,000</u>
Proforma NTA per share after the Flotation Scheme (RM)	<u>0.38</u>

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9. SUBSEQUENT EVENTS

Other than the completion of the Debt Restructuring as referred to in Section 9 of this Prospectus - Debt Restructuring and Flotation Scheme and the matters described in Section 2.4 of this Report, there were no significant events subsequent to 31 March 2002 up to the date of this Report.

10. AUDITED FINANCIAL STATEMENTS

No audited financial statements of PLUS Expressways or of PLUS have been prepared in respect of any period subsequent to 31 March 2002.

Yours faithfully,

A handwritten signature in cursive script that reads 'Ernst & Young'.

ERNST & YOUNG AF: 0039
Chartered Accountants

A handwritten signature in cursive script that reads 'Sukanta Kumar Dutt'.

Sukanta Kumar Dutt 1556/08/02 (J)
Partner

Kuala Lumpur, Malaysia
6 June 2002