
12. ACCOUNTANTS' REPORT



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ACCOUNTANTS' REPORT
(Prepared for inclusion in this Prospectus)

16 June 2003

The Board of Directors
BLD Plantation Bhd.
Level 6 Crown Towers
88 Jalan Pending
93450 Kuching
Sarawak

Gentlemen

1.0 INTRODUCTION

The report has been prepared by Ernst & Young, approved company auditors, for inclusion in the Prospectus of BLD Plantation Bhd. (Company No. 562199-A) (hereinafter referred to as "BLDP" or "the Company") to be dated 19 June 2003 in connection with the following:

- a) Public Issue of 20,710,000 new ordinary shares of RM1.00 each in BLDP at an issue price of RM2.00 per share; and
- b) Listing of and quotation for the entire enlarged issued and fully paid-up share capital in BLDP comprising 85,000,000 ordinary shares of RM1.00 each on the Main Board of Kuala Lumpur Stock Exchange ("KLSE").

The abovementioned shall hereinafter be referred to as "the Listing Exercise".

2.0 GENERAL INFORMATION**2.1 The Company**

The Company was incorporated in Malaysia under the Companies Act, 1965 on 19 October 2001 as a public limited liability company under the name of BLD Plantation Bhd.. BLDP is domiciled in Malaysia with its registered office located at Level 6, Crown Towers, 88 Jalan Pending, 93450 Kuching, Sarawak.

BLDP and its subsidiary companies had 1,456 employees as at 31 December 2002.

The principal activity of the Company is investment holding.

12. ACCOUNTANTS' REPORT (cont'd)**2.0 GENERAL INFORMATION (Contd.)****2.2 Restructuring and Listing Exercise**

In conjunction with, and as an integral part of the listing exercise, the Company implemented a restructuring scheme which was approved by the Securities Commission ("SC"), Foreign Investment Committee ("FIC") and Ministry of International Trade and Industry ("MITI") on the dates set out below:

Authority	Dates of approval
SC	29 November 2002
FIC	23 November 2002
MITI	30 September 2002 and 4 October 2002

The details of the restructuring and listing scheme are as follows:

- (i) The acquisition of the entire equity interest in Bintulu Lumber Development Sdn. Bhd. (Company No. 25223-M) ("BLD") for a total purchase consideration of RM68,147,177 satisfied entirely by the issue and allotment of 64,289,998 new ordinary shares of RM1.00 each at RM1.06 per share in BLDP ("the BLD Group Acquisition");
- (ii) The acquisition of the entire equity interest in Kirana Palm Oil Refinery Sdn. Bhd. (Company No. 355916-T) ("Kirana") for a total cash consideration of RM14,330,438;
- (iii) The Public Issue of 20,710,000 new ordinary shares of RM1.00 each in BLDP at an issue price of RM2.00 per share ("Public Issue");
- (iv) The listing and quotation for the entire enlarged issued and paid-up share capital in BLDP comprising RM85,000,000 ordinary shares of RM1.00 each on the Main Board of the KLSE.

The acquisitions of the BLD Group and Kirana shall hereinafter be collectively referred to as "the Acquisitions". BLDP and its subsidiary companies, BLD and Kirana, shall be collectively referred to as "the BLDP Group".

2.3 Share Capital

The authorised share capital of BLDP was increased from RM100,000, at the date of incorporation, to RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each on 25 March 2003.

The issued and fully paid-up share capital of BLDP was increased from RM2, at the date of incorporation, to RM64,290,000 comprising 64,290,000 ordinary shares of RM1.00 each as follows:

Date of allotment	Number of ordinary shares of RM1.00 each	Purpose	Amount RM
Date of incorporation	2	Subscribers' shares	2
9 June 2003	64,289,998	Issued as consideration for the acquisition of BLD	64,289,998
	64,290,000		64,290,000

12. ACCOUNTANTS' REPORT (cont'd)

**2.0 GENERAL INFORMATION (Contd.)****2.3 Share Capital (Contd.)**

Upon the completion of the public issue, the issued and fully paid-up share capital will be increased to RM85,000,000.

2.4 The Subsidiary Companies

The information on the subsidiary companies, all of which are private limited liability companies incorporated in Malaysia, is as follows:

2.4.1 Bintulu Lumber Development Sdn. Bhd.

BLD was incorporated in Malaysia on 20 October, 1975. The authorised and issued paid-up share capital are RM50,000,000 and RM30,625,000 comprising 50,000,000 and 30,625,000 ordinary shares of RM1.00 each, respectively.

The principal activities of BLD are the cultivation of oil palm, processing of fresh fruit bunches and sales of related products. The timber business is gradually being phased out.

BLD currently has three subsidiaries, Grand Mutual Sdn. Bhd., Niamas Istimewa Sdn. Bhd. and BLD Resources Sdn. Bhd. ("the BLD Group").

2.4.2 Grand Mutual Sdn. Bhd.

Grand Mutual Sdn. Bhd. (Company No. 372769-V) ("GM") was incorporated on 5 January 1996. GM became a wholly-owned subsidiary of BLD in the year 2000.

The authorised and issued and paid-up share capital of GM are RM25,000,000 and RM16,500,000 comprising 25,000,000 and 16,500,000 ordinary shares of RM1.00 each, respectively.

GM is principally engaged in oil palm plantation.

2.4.3 Niamas Istimewa Sdn. Bhd.

Niamas Istimewa Sdn. Bhd. (Company No. 527714-P) ("Niamas") was incorporated on 29 September 2000. In year 2000, BLD acquired 60% of the issued and paid-up share capital of Niamas.

The authorised share capital is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital as at 31 December 2002 was RM2,064,720 comprising 2,949,600 ordinary shares of RM1.00 each, of which 2,064,720 were fully paid-up with the remaining 884,880 shares representing calls in arrears.

The principal activity of the company is oil palm plantation.

12. ACCOUNTANTS' REPORT (cont'd)**2.0 GENERAL INFORMATION (Contd.)****2.4 The Subsidiary Companies (Contd.)****2.4.4 BLD Resources Sdn. Bhd.**

BLD Resources Sdn. Bhd. (Company No. 580032-X) ("BLDR") was incorporated on 13 May 2002. BLDR became a wholly-owned subsidiary of BLD in 2003.

The authorised and issued and paid-up share capital of BLDR are RM100,000 and RM2 comprising 100,000 and 2 ordinary shares of RM1.00 each, respectively.

BLDR's intended principal activity is oil palm plantation. As at the date of this report, BLDR has not commenced operations.

2.4.5 Kirana Palm Oil Refinery Sdn. Bhd.

Kirana was incorporated on 17 August 1995 under the name of KTS Lumber Agencies Sdn. Bhd. and assumed its present name on 14 October 1998.

The authorised and issued and paid-up share capital of Kirana are RM25,000,000 and RM14,550,000 comprising 25,000,000 and 14,550,000 ordinary shares of RM1.00 each, respectively.

On 11 May 2000, the company obtained a manufacturing licence from the Malaysian Industrial Development Authority ("MIDA") under the Industrial Coordination Act, 1975 to set up a palm oil refinery to produce refined, bleached and deodorised ("RBD") palm oil, palm olein, RBD palm stearin and palm fatty acid distillate. As at the date of this report, Kirana has not commenced operations.

2.5 Dividends

Details of dividends declared and paid by BLD in respect of the financial years under review are as follows:

Year ended 31 December	Gross dividend rate (%)	Net dividend RM
1998	200.00	7,200,000
1999	200.00	7,200,000
2000	257.14	56,700,000
2001	-	-
2002	40.35	8,898,195

There were no dividends declared by BLDP, GM, Niamas nor Kirana during the financial period/years under review.

12. ACCOUNTANTS' REPORT (cont'd)



3.0 AUDITORS

We are the auditors of BLDP for the financial period under review. The audited financial statements of BLDP were reported on without any qualification.

The financial statements of BLD, GM, Niamas and Kirana were audited by another firm of Chartered Accountants for the financial period/years under review and were reported on without any qualification.

4.0 ACCOUNTING POLICIES AND STANDARDS

This report has been prepared based on the accounting policies consistent with those previously adopted in the preparation of the audited financial statements of BLDP, the BLD Group and Kirana and in accordance with the provisions of the Companies Act 1965 and applicable Approved Accounting Standards issued by the Malaysian Accounting Standards Board in those relevant financial period/years under review.

12. ACCOUNTANTS' REPORT (cont'd)**5.0 SUMMARISED INCOME STATEMENTS****5.1 Proforma BLDP Group**

The summarised Proforma Consolidated Income Statement of the BLDP Group for the past five financial years ended 31 December 2002 which have been prepared based on the consolidation of the audited financial statements of BLDP and its subsidiary companies for the relevant period/years are provided for illustrative purposes, on the assumption that the BLDP Group had been in existence throughout the financial period/years under review, and after making such adjustments considered necessary:

	----- Year ended 31 December -----				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	109,577	85,626	54,329	54,007	106,491
Profit before finance cost, depreciation, amortisation and taxation charges	37,407	32,578	16,016	18,723	35,457
Finance cost	-	-	(29)	-	(24)
Depreciation	(5,751)	(5,520)	(3,660)	(4,475)	(4,119)
Amortisation	(194)	(194)	(339)	(539)	(632)
Profit before taxation	31,462	26,864	11,988	13,709	30,682
Taxation	(10,266)	603	(1,335)	(4,100)	(8,091)
Profit after taxation	21,196	27,467	10,653	9,609	22,591
Minority interest	-	-	-	11	7
Profit attributable to shareholders	21,196	27,467	10,653	9,620	22,598
Number of ordinary shares assumed in issue ('000) #	64,290	64,290	64,290	64,290	64,290
Net earnings per share (RM)	0.33	0.43	0.17	0.15	0.35
Gross dividend rate (%) *	15.55	15.55	122.49	-	19.22

The assumed issued and paid-up capital of 64,290,000 ordinary shares of RM1.00 each is based on the issued and paid-up capital of BLDP after the Acquisitions but before the Public Issue.

* Based on number of ordinary shares assumed in issue

12. ACCOUNTANTS' REPORT (cont'd)



5.0 SUMMARISED INCOME STATEMENTS (Contd.)

5.1 Proforma BLDP Group (Contd.)

Notes:

- (i) The summarised Proforma consolidated results are based on the audited financial statements of BLDP and its subsidiary companies, BLD Group and Kirana.
- (ii) As the Proforma Group's revenue and profit before taxation relate principally to BLD, please refer to Section 5.3 for the commentary on the results.
- (iii) There were no exceptional or extraordinary items for the financial years under review.
- (iv) The net earnings per share have been calculated based on the profit after taxation and the number of ordinary shares assumed in issue after the Acquisitions but before the Public Issue.

12. ACCOUNTANTS' REPORT (cont'd)**5.0 SUMMARISED INCOME STATEMENTS (Contd.)****5.2 BLDP**

	14 months ended 31 December 2002 RM'000
Revenue	- =====
Loss before finance cost, depreciation, amortisation and taxation charges	(4)
Finance cost	-
Depreciation	-
Amortisation	-
Loss before taxation	----- (4)
Taxation	-
Loss after taxation	----- (4) =====
Weighted average number of ordinary shares in issue	2 =====
Net loss per share (RM'000)	(2) =====
Gross dividend rate (%)	- =====

Notes:

- (i) BLDP was incorporated on 19 October 2001.
- (ii) There were no exceptional or extraordinary items for the financial period under review.
- (iii) The net loss per share has been calculated based on the loss after taxation and the number of ordinary shares in issue for the financial period under review.

12. ACCOUNTANTS' REPORT (cont'd)**5.0 SUMMARISED INCOME STATEMENTS (Contd.)****5.3 BLD**

	----- Year ended 31 December -----				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	109,577	85,626	54,329	54,007	106,491
Profit before finance cost, depreciation, amortisation and taxation charges	37,407	32,578	16,146	18,747	35,667
Finance cost	-	-	-	-	-
Depreciation	(5,751)	(5,520)	(3,660)	(4,364)	(3,991)
Amortisation	(194)	(194)	(324)	(523)	(523)
Profit before taxation	31,462	26,864	12,162	13,860	31,153
Taxation	(10,266)	603	(1,335)	(4,100)	(8,091)
Profit after taxation	21,196	27,467	10,827	9,760	23,062
Weighted average number of ordinary shares in issue ('000)	20,671*	20,671*	23,574	30,625	30,625
Net earnings per share (RM)	1.03	1.33	0.46	0.32	0.75
Gross dividend rate (%)	200.00	200.00	257.14	-	40.35

* Adjusted for bonus issue implemented on 14 September 2000

12. ACCOUNTANTS' REPORT (cont'd)

**5.0 SUMMARISED INCOME STATEMENTS (Contd.)****5.3 BLD (Contd.)****Notes:**

- (i) BLD commenced plantation development activities for the cultivation of oil palm in 1987 and has maintained consistent production and revenue for this business segment during the financial years under review. BLD's initial principal activities of timber operations have gradually changed to that of palm oil operations.
- (ii) The higher revenue and profit after taxation ("PAT") recorded in 1998 were mainly due to the increase in crude palm oil ("CPO") and palm kernel ("PK") prices. In 1999, despite the drop in prices for CPO and PK, BLD registered a higher PAT of RM27.47 million compared to a PAT of RM21.20 million in 1998 due to better yield from its plantations and lower volumes of fresh fruit bunches ("FFB") purchased from external suppliers and the fact that it was a tax waiver year. However, revenue and PAT dropped in 2000 and 2001 due to the sluggish CPO and PK prices.

Revenue and PAT increased substantially in 2002 due to higher CPO and PK prices in 2002 as well as increase in the volume of CPO and PK sold. In 2002, average selling prices of CPO and PK increased by 60% and 63%, respectively, whilst the sales volumes of CPO and PK increased by 41% and 27%, respectively.

- (iii) The effective tax rates for the years ended 1997, 1998 and 2000 were lower than the statutory rate due to the availability of tax incentives for set-off in the forms of agriculture and reinvestment allowances. The income tax in 1999 was waived in accordance with the Income Tax (Amendment) Act, 1999 and the provision was in respect of transfer from deferred taxation. The higher taxation rate for the year 2001 was due to tax incentives having been fully utilised earlier and also the disallowance of certain expenses for taxation purposes.
- (iv) There were no exceptional or extraordinary items for the financial years under review.
- (v) The net earnings per share have been calculated based on the profit after taxation and the weighted average number of ordinary shares in issue for each financial year under review.

12. ACCOUNTANTS' REPORT (cont'd)**5.0 SUMMARISED INCOME STATEMENTS (Contd.)****5.4 GM**

	Year ended 31 December				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	759
(Loss)/profit before finance cost, depreciation, amortisation and taxation charges	-	-	(205)	166	113
Finance cost	-	-	(100)	-	(24)
Depreciation	-	-	-	(67)	(67)
Amortisation	-	-	-	-	(93)
(Loss)/profit before taxation	-	-	(305)	99	(71)
Taxation	-	-	-	-	-
(Loss)/profit after taxation	-	-	(305)	99	(71)
Weighted average number of ordinary shares in issue ('000)	2,000	3,000	6,938	16,500	16,500
Net (loss)/earnings per share (RM)	-	-	(0.04)	0.01	(0.01)
Gross dividend rate (%)	-	-	-	-	-

Notes:

- (i) GM commenced oil palm planting activities in 2000. The loss recorded by GM in 2000 was mainly due to the write-off of expenditure carried forward.
- (ii) The profit recorded in 2001 was in relation to interest received.

GM achieved revenue of some RM0.8 million in 2002 which arose from the harvesting activities undertaken during the year. However, GM suffered a loss owing to expenses incurred which could not be fully absorbed by the revenue achieved.

- (iii) There were no exceptional or extraordinary items for the financial years under review.
- (iv) The net (loss)/earnings per share have been calculated based on the (loss)/profit after taxation and the number of ordinary shares in issue for the relevant financial years under review.

12. ACCOUNTANTS' REPORT (cont'd)**5.0 SUMMARISED INCOME STATEMENTS (Contd.)****5.5 Niamas**

	15 months ended 31 December 2001 RM'000	12 months ended 31 December 2002 RM'000
Revenue	-	-
Loss before finance cost, depreciation, amortisation and taxation charges	(29)	(19)
Finance cost	-	-
Depreciation	-	-
Amortisation	-	-
Loss before taxation	(29)	(19)
Taxation	-	-
Loss after taxation	(29)	(19)
Weighted average number of ordinary shares in issue ('000)	813	2,527
Net loss per share (RM)	*(0.03)	(0.01)
Gross dividend rate (%)	-	-

* *Annualised***Notes:**

- (i) Niamas was incorporated on 29 September 2000 and only commenced its oil palm planting activities in 2001. The losses suffered were mainly due to administrative expenses incurred during the relevant period/year.
- (ii) There were no exceptional or extraordinary items for the financial period/year under review.
- (iii) The net loss per share has been calculated based on the loss after taxation and the number of ordinary shares in issue for the financial period/year under review.

12. ACCOUNTANTS' REPORT (cont'd)**5.0 SUMMARISED INCOME STATEMENTS (Contd.)****5.6 Kirana**

	Year ended 31 December				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	-
Loss before finance cost, depreciation, amortisation and taxation charges	-	-	(69)	(15)	(163)
Finance cost	-	-	-	-	-
Depreciation	-	-	-	-	-
Amortisation	-	-	-	-	-
Loss before taxation	-	-	(69)	(15)	(163)
Taxation	-	-	-	-	-
Loss after taxation	-	-	(69)	(15)	(163)
Weighted average number of ordinary shares in issue ('000)	*	*	4,850	14,550	14,550
Net loss per share (RM)	-	-	(0.01)	-	(0.01)
Gross dividend rate (%)	-	-	-	-	-

* 2 ordinary shares of RM1.00 each

Notes:

- (i) Kirana has not commenced business operations as at the date of this report. The losses recorded for the three years ended 31 December 2002 were mainly due to administrative expenses incurred during the relevant years. The higher loss suffered in 2002 was mainly due to the write-off of deposit forfeited amounting to RM135,000.
- (ii) There were no exceptional or extraordinary items for the financial years under review.
- (iii) The net loss per share has been calculated based on the loss after taxation and the number of ordinary shares in issue for the relevant financial years under review.

12. ACCOUNTANTS' REPORT (cont'd)**6.0 SUMMARISED BALANCE SHEETS**

The summarised balance sheets of BLDP and its subsidiary companies for the relevant financial years/period covered in this report are as follows:

6.1 BLDP

	As at 31 December 2002 RM'000
Current assets	-
Current liabilities	(4)
Net current assets	(4)

	(4)
	=====
Financed by:	
Share capital	*
Accumulated loss	(4)
Shareholders' funds	(4)

	(4)
	=====
<i>Net Tangible Assets per share (RM)</i>	<i>N/A</i>
	=====

* 2 ordinary shares of RM1.00 each

N/A Not applicable

Note:

BLDP was incorporated on 19 October 2001.

12. ACCOUNTANTS' REPORT (cont'd)**6.0 SUMMARISED BALANCE SHEETS (Contd.)****6.2 BLD**

	----- As at 31 December -----				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Property, plant and equipment	30,311	25,300	43,303	45,940	48,832
Investment in subsidiary companies	2,400	2,400	16,668	17,568	18,438
Investment in associated companies	22,223	22,223	-	-	-
Other investments	85	-	-	-	-
Current assets	33,969	58,670	26,137	18,210	39,000
Current liabilities	(19,417)	(19,359)	(24,013)	(8,663)	(18,018)
Net current assets	14,552	39,311	2,124	9,547	20,982
	<u>69,571</u>	<u>89,234</u>	<u>62,095</u>	<u>73,055</u>	<u>88,252</u>
Financed by:					
Share capital	5,000	5,000	30,625	30,625	30,625
Share premium	-	-	8,470	8,470	8,470
Retained profit	61,152	81,419	19,875	29,635	43,799
Shareholders' funds	66,152	86,419	58,970	68,730	82,894
Deferred and long term liabilities	3,419	2,815	3,125	4,325	5,358
	<u>69,571</u>	<u>89,234</u>	<u>62,095</u>	<u>73,055</u>	<u>88,252</u>
<i>Net Tangible Assets per share (RM)</i>	<u>13.23</u>	<u>17.28</u>	<u>1.93</u>	<u>2.24</u>	<u>2.71</u>

Certain comparative figures have been reclassified to conform with the format prescribed in Malaysian Accounting Standard Board (MASB) Standard 1- Presentation of Financial Statements.

12. ACCOUNTANTS' REPORT (cont'd)**6.0 SUMMARISED BALANCE SHEETS (Contd.)****6.3 GM**

	----- As at 31 December -----				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Property, plant and equipment	3,776	3,776	3,751	21,103	24,903
Expenditure carried forward	42	155	-	-	-
Current assets	953	318	13,505	4,255	1,944
Current liabilities	(1,771)	(1,249)	(1,061)	(5,064)	(923)
Net current (liabilities)/assets	(818)	(931)	12,444	(809)	1,021
	<u>3,000</u>	<u>3,000</u>	<u>16,195</u>	<u>20,294</u>	<u>25,924</u>
Financed by:					
Share capital	3,000	3,000	16,500	16,500	16,500
Accumulated losses	-	-	(305)	(206)	(276)
Shareholders' funds	<u>3,000</u>	<u>3,000</u>	<u>16,195</u>	<u>16,294</u>	<u>16,224</u>
Deferred and long term liabilities	-	-	-	4,000	9,700
	<u>3,000</u>	<u>3,000</u>	<u>16,195</u>	<u>20,294</u>	<u>25,924</u>
<i>Net Tangible Assets per share (RM)</i>	<u>1.00</u>	<u>1.00</u>	<u>0.98</u>	<u>0.99</u>	<u>0.98</u>

12. ACCOUNTANTS' REPORT (cont'd)**6.0 SUMMARISED BALANCE SHEETS (Contd.)****6.4 Niamas**

	As at 31 December	
	2001	2002
	RM'000	RM'000
Property, plant and equipment	2,369	6,111
Current assets	1,240	1,809
Current liabilities	(2,588)	(3,403)
Net current liabilities	(1,348)	(1,594)
	<u>1,021</u>	<u>4,517</u>
Financed by:		
Share capital	* 1,050	# 2,065
Accumulated losses	(29)	(48)
Shareholders' funds	<u>1,021</u>	<u>2,017</u>
Deferred and long term and liabilities	-	2,500
	<u>1,021</u>	<u>4,517</u>
<i>Net Tangible Assets per share (RM)</i>	<u>0.68</u>	<u>0.68</u>

* 1,500,000 ordinary shares of RM1.00 each of which RM450,000 represent calls in arrears

2,949,600 ordinary shares of RM1.00 each of which RM884,880 represent calls in arrears

Note:

Niamas was incorporated on 29 September 2000 and commenced its oil palm planting activities in 2001.

12. ACCOUNTANTS' REPORT (cont'd)

 **ERNST & YOUNG** (AF: 0039)

6.0 SUMMARISED BALANCE SHEETS (Contd.)

6.5 Kirana

	As at 31 December				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Expenditure carried forward	6	25	-	-	-
Current assets	135	135	14,499	14,466	14,306
Current liabilities	(141)	(160)	(18)	(1)	(4)
Net current (liabilities)/assets	(6)	(25)	14,481	14,465	14,302
	-	-	14,481	14,465	14,302
Financed by:					
Share capital	*	*	14,550	14,550	14,550
Accumulated losses	-	-	(69)	(85)	(248)
Shareholders' funds	-	-	14,481	14,465	14,302
<i>Net Tangible Assets per share (RM)</i>	<i>1.00</i>	<i>1.00</i>	<i>1.00</i>	<i>0.99</i>	<i>0.98</i>

* 2 ordinary shares of RM1.00 each

12. ACCOUNTANTS' REPORT (cont'd)**7.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES**

The following Proforma Consolidated Statement of Assets and Liabilities has been prepared for illustrative purposes only, based on the audited balance sheets of BLDP and its subsidiary companies as at 31 December 2002 to show the effects of the Acquisitions and Public Issue in Section 2.2 earlier, after making such adjustments as considered necessary:

	Note	Company RM	Proforma Group After Acquisitions RM'000	Proforma Group after Acquisitions and Public Issue RM'000
Property, plant and equipment	7.2	-	79,456	79,456
Goodwill		-	28	28
Current assets	7.3	2	38,764	76,684
Current liabilities	7.4	(3,813)	(18,388)	(18,388)
Net current (liabilities)/assets		(3,811)	20,376	58,296
		<u>(3,811)</u>	<u>99,860</u>	<u>137,780</u>
Financed by:				
Share capital	7.5	2	64,290	85,000
Share premium	7.6	-	3,858	21,068
Reserve on consolidation		-	13,882	13,882
Accumulated losses		(3,813)	(4)	(4)
Shareholders' funds		(3,811)	82,026	119,946
Minority interest		-	276	276
Deferred and long term liabilities	7.7	-	17,558	17,558
		<u>(3,811)</u>	<u>99,860</u>	<u>137,780</u>
<i>Net Tangible Assets</i>		<u>N/A</u>	<u>81,998</u>	<u>119,918</u>
<i>Net Tangible Assets per share (RM)</i>		<u>N/A</u>	<u>1.28</u>	<u>1.41</u>

N/A Not applicable

12. ACCOUNTANTS' REPORT (cont'd)

**7.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
(Contd.)****7.1 Significant Accounting Policies****(a) Basis of accounting**

The Proforma Consolidated Statement of Assets and Liabilities of the BLDP Group has been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies, and comply with the provisions of the Companies Act 1965 and applicable Approved Accounting Standards issued by the Malaysian Accounting Standards Board (MASB).

(b) Basis of consolidation

The Group financial statements consolidate the audited financial statements of the parent company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies.

Subsidiary companies are those companies in which the Company has power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or reserve on consolidation as appropriate.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

The financial statements of the parent and its subsidiaries are all drawn up to the same reporting date.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and the gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill on acquisition.

(c) Goodwill on consolidation

Goodwill represents the excess of the fair value of purchase consideration of subsidiary and associated companies acquired over the Group's share of the fair values of their identifiable assets and liabilities at the date of acquisition.

Goodwill is amortised using the straight-line method over its estimated useful life of 25 years.

The carrying amount of goodwill is reviewed annually and written down for impairment where it is considered necessary.

12. ACCOUNTANTS' REPORT (cont'd)


**7.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
(Contd.)**
7.1 Significant Accounting Policies (contd.)
(d) Property, plant and equipment

- (i) Property, plant and equipment are stated at cost less accumulated depreciation and less any impairment losses.
- (ii) Plantation expenditure incurred on land clearing, upkeep of immature oil palms, administrative expenses and interest incurred during the pre-cropping period is capitalized under plantation expenditure. Upon maturity, all subsequent maintenance expenditure is charged to revenue. Pre-cropping costs is amortised on a straight-line basis over 25 years, the expected useful life of oil palm. Oil palm is considered mature 36 months after the month of planting.
- (iii) Depreciation is provided on the straight-line method to write off the cost less any residual values of the assets over their estimated useful lives. The annual rates used are as follows:

Leasehold land	50 to 56 years
Buildings	2% to 10%
Furniture, fittings and equipment	10%
Computers	40%
Plant and machinery	10% to 20%
Motor vehicles	20%
Cattle ranch	10%

- (iv) Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.
 - (v) Capital work-in-progress is not depreciated until the property, plant and equipment is fully completed and brought into use.
- (e) Inventories**

Inventories are stated at the lower of cost, determined using the first-in-first-out, specific identification and weighted average cost formulas, and net realisable values. In relation to goods of own production, cost includes the value of the raw material content (where applicable), together with the direct labour costs and appropriate direct and indirect overheads.

(f) Trade and other receivables

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the period end.

12. ACCOUNTANTS' REPORT (cont'd)

**7.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
(Contd.)****7.1 Significant Accounting Policies (Contd.)****(g) Revenue recognition**

Revenue from sales of goods are recognised upon delivery of products and customer acceptance, if any, or performance of services, and after eliminating sales within the Group. Interest income and rental income are recognised as they accrue, unless their collectibility is in doubt.

(h) Taxation

The taxation on profit for the year is calculated at the current tax rate based on the estimated chargeable income for the year.

(i) Deferred taxation

Deferred taxation is provided for under the liability method for all timing differences except where there are no indications that such timing differences will not reverse in the foreseeable future. Deferred tax benefits are recognised only if there is a reasonable expectation of their realisation in the near future.

(j) Financing costs

All interest and other cost incurred in connection with borrowings, other than capitalised are expensed as incurred. Interest cost on borrowings to finance the purchase of property, plant and equipment are capitalised as part of the asset. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

(k) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For purpose of cash flow statements, cash and cash equivalents are presented net of bank overdraft.

(l) Dividends

Dividends on ordinary shares are accounted for in shareholders' funds as an appropriation of retained profits in the period in which they are declared.

(m) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payable and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

12. ACCOUNTANTS' REPORT (cont'd)

**7.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
(Contd.)****7.1 Significant Accounting Policies (Contd.)****(m) Financial instruments (Contd.)**

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

(n) Impairment of assets

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication of impairment exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case, it will be charged to equity. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. Such subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss in a revalued asset, in which case it is taken to equity.

12. ACCOUNTANTS' REPORT (cont'd)
7.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (Contd.)
7.2 Property, plant and equipment

Group	Land and buildings RM'000	Furniture, fittings, and equipment RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Cattle ranch RM'000	Plantation expenditure RM'000	Capital work-in-progress RM'000	Total RM'000
Cost								
Additions	1,054	236	415	232	11	13,275	208	15,431
Disposals	-	-	(107)	(137)	-	-	-	(244)
Net movement	1,054	236	308	95	11	13,275	208	15,187
As at 31 December 2001	30,592	1,816	30,552	2,387	3	32,136	-	97,486
As at 31 December 2002	31,646	2,052	30,860	2,482	14	45,411	208	112,673
Accumulated depreciation								
Charge for 2002	1,017	268	2,774	342	1	617	-	5,019
Disposals	-	-	(6)	(61)	-	-	-	(67)
Net movement	1,017	268	2,768	281	1	617	-	4,952
As at 31 December 2001	5,079	980	14,391	1,388	1	6,426	-	28,265
As at 31 December 2002	6,096	1,248	17,159	1,669	2	7,043	-	33,217
Net book value								
As at 31 December 2002	25,550	804	13,701	813	12	38,368	208	79,456

12. ACCOUNTANTS' REPORT (cont'd)**7.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (Contd.)****7.2 Property, plant and equipment**

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM15,430,811 of which RM282,875 was from capitalisation of depreciation charges.

Plantation expenditure include the following expenses incurred during the year:

	RM'000
Finance cost	599
Depreciation	283
	<u> </u>

7.3 Current assets

	Note	Company RM	Proforma Group after Acquisitions RM'000	Proforma Group after Acquisitions and Public Issue RM'000
Inventories	(a)	-	1,326	1,326
Trade receivables		-	5,279	5,279
Other receivables	(b)	-	3,849	3,849
Deposits, cash and bank balances	(c)	2	28,310	66,230
		<u> </u>	<u> </u>	<u> </u>
		2	38,764	76,684
		<u> </u>	<u> </u>	<u> </u>

(a) Inventories

Crude palm oil	-	516	516
Logs	-	602	602
Canteen goods	-	152	152
Calves	-	56	56
		<u> </u>	<u> </u>
		-	1,326
		<u> </u>	<u> </u>

(b) Other receivables

Other receivables	-	1,356	1,356
Deposits	-	1,291	1,291
Prepayments	-	1,202	1,202
		<u> </u>	<u> </u>
		-	3,849
		<u> </u>	<u> </u>

12. ACCOUNTANTS' REPORT (cont'd)

7.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
(Contd.)

7.3 Current assets (Contd.)

	Company RM	Proforma Group after Acquisitions RM'000	Proforma Group after Acquisitions and Public Issue RM'000
(c) Deposits, cash and bank balances			
Cash and bank balances	2	3,268	41,188
Deposits with licensed banks	-	25,042	25,042
	-----	-----	-----
	2	28,310	66,230
	=====	=====	=====

Deposits with licensed bank amounting to RM2,083,601 are charged to secure bank guarantee facilities granted to the Group.

7.4 Current liabilities

	Note	Company RM	Proforma Group after Acquisitions RM'000	Proforma Group after Acquisitions and Public Issue RM'000
Trade payables		-	4,586	4,586
Other payables	(a)	3,813	4,459	4,459
Interim dividend payable	(b)	-	8,898	8,898
Taxation		-	445	445
		-----	-----	-----
		3,813	18,388	18,388
		=====	=====	=====

(a) Other payables

Other payables	3,113	1,680	1,680
Accruals	700	2,773	2,773
Deposits	-	6	6
	-----	-----	-----
	3,813	4,459	4,459
	=====	=====	=====

(b) Interim dividend payable

The interim dividend of 40.35%, less taxation, amounting to RM8,898,195 was proposed by BLD for the financial year ended 31 December 2002 was declared on 30 December 2002. The directors do not propose that a final dividend be paid in respect of the financial year ended 31 December 2002.

12. ACCOUNTANTS' REPORT (cont'd)


**7.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
(Contd.)**
7.5 Share capital

	Company RM	Proforma Group after Acquisitions RM'000	Proforma Group after Acquisitions and Public Issue RM'000
Authorised			
Ordinary shares of RM1.00 each	100,000	500,000	500,000
Issued and fully-paid			
Ordinary shares of RM1.00 each	2	64,290	85,000

7.6 Share premium

	RM'000
Company	-
Arising from the BLD Group Acquisition	3,858
Proforma Group after the BLD Group Acquisition	3,858
Arising from the Public Issue	20,710
	24,568
Less: Estimated listing expenses	(3,500)
Proforma Group after Acquisitions and Public Issue	21,068

7.7 Deferred and long term liabilities

	Note	Company RM	Proforma Group after Acquisitions RM'000	Proforma Group after Acquisitions and Public Issue RM'000
Deferred taxation	(a)	-	5,358	5,358
Borrowings	(b)	-	12,200	12,200
		-	17,558	17,558

12. ACCOUNTANTS' REPORT (cont'd)**7.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (Contd.)****7.7 Deferred and long term liabilities (Contd.)****(a) Deferred taxation**

	Company RM	Proforma Group after Acquisitions RM'000	Proforma Group after Acquisitions and Public Issue RM'000
As at beginning of year	-	4,325	4,325
Transfer from income statement	-	1,033	1,033
	-----	-----	-----
As at end of year	-	5,358	5,358
	=====	=====	=====

(b) Borrowings

Term loans	-	12,200	12,200
	=====	=====	=====

The term loans are secured by way of:

- (i) debenture over a subsidiary company's fixed and floating property, plant and equipment, incorporating the subsidiary company's landed properties;
- (ii) deeds of subordination of shareholders' advances to the credit facilities extended by the banks; and
- (iii) charge over the project land of a subsidiary company located at Ulu Sg. Niah, Sawai Land District, Miri upon issuance of the land title.

The term loans bear interest at 1.25% per annum above the banks' base lending rates.

One term loan is repayable by way of 120 monthly instalments whilst the second loan is repayable as follows:

1st to 5th year	- interest servicing
6th year	- 4 quarterly principal repayments of RM250,000 each
7th year	- 4 quarterly principal repayments of RM500,000 each
8th to 11th year	- 16 quarterly principal repayments of RM750,000 each

7.8 Unutilised Tax losses

Subject to agreement by the Inland Revenue Board, unutilised tax losses available to BLDP to be carried forward and utilised to set-off against future business profits amounted to approximately RM3,000.

12. ACCOUNTANTS' REPORT (cont'd)**7.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (Contd.)****7.9 Derivative financial instruments****Fair values of financial instruments**

The carrying amounts and estimated fair values of financial instruments of the Company and the Group as at 31 December 2002 are as follows:

	Company		Group	
	Carrying amount RM	Fair value RM	Carrying amount RM'000	Fair value RM'000
<i>Financial assets</i>				
Trade and other receivables	-	-	9,128	9,128
Deposits, cash and bank balances	2	2	66,230	66,230
<i>Financial liabilities</i>				
Trade and other payables	3,813	3,813	9,045	9,045
Borrowings	-	-	12,200	12,200

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(a) Deposits, cash and bank balances

The carrying amount of cash and bank balances approximate fair value due to the relatively short term maturity of these instruments.

(b) Trade and other receivables and payables

The historical cost carrying amount of receivables and payables subject to normal trade credit terms approximate fair value. The carrying amounts of other receivables and payables are reasonable estimates of fair value because of their short maturity.

(c) Borrowings

The carrying amount of short term borrowings approximate fair value because of the short period to maturity of those instruments. The fair value of long term borrowings is estimated based on the quoted market prices for the same or similar issues or on the current rates available for borrowings with the same maturity profile.

12. ACCOUNTANTS' REPORT (cont'd)**8.0 CASH FLOW STATEMENTS**

The Cash Flow Statements of the Company and of the Group set out below are based on the audited cash flow statement of BLDP for the period ended 31 December 2002:

	Note	Company RM	Proforma Group after Acquisitions and Public Issue RM'000
Cash flows from operating activities			
Receipts from customers		-	105,786
Payments to contractors, employees and for expenses		(3,113)	(66,940)
		-----	-----
Cash (used in)/from operating activities		(3,113)	38,846
Advances to other receivables		-	(651)
Repayments to other payables		-	(743)
Deposits paid		-	(380)
Rental received		-	4
Interest received		-	469
Interest paid		-	(24)
Taxation paid		-	(6,214)
		-----	-----
Net cash (used in)/from operating activities		(3,113)	31,307
		-----	-----
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(2,156)
Plantation development expenditure		-	(12,992)
Proceeds from disposal of property, plant and equipment		-	264
		-----	-----
Net cash used in investing activities		-	(14,884)
		-----	-----
Cash flows from financing activities			
Proceeds from Public Issue		-	41,420
Payment of estimated listing expenses		-	(3,500)
Proceeds from issuance of shares	2	-	145
Proceeds from borrowings		-	8,200
Receipts from shareholders		3,113	3
		-----	-----
Net cash from financing activities		3,115	46,268
		-----	-----
Net increase in cash and cash equivalents		2	62,691
		-----	-----
Cash and cash equivalents at the beginning of the period/year		-	3,539
		-----	-----
Cash and cash equivalents at the end of the period/year	7.3(c)	2	66,230
		=====	=====

12. ACCOUNTANTS' REPORT (cont'd)**9.0 PROFORMA GROUP NET TANGIBLE ASSETS COVER**

Based on the Proforma Consolidated Statement of Assets and Liabilities set out in Section 7 of this report, the proforma consolidated Net Tangible Asset ("NTA") per ordinary share is as follows:

NTA (RM'000)	<u>119,918</u>
Number of ordinary shares of RM1.00 each assumed in issue ('000)	<u>85,000</u>
NTA per ordinary share of RM1.00 each of BLDP Group (RM)	<u>1.41</u>

10.0 AUDITED FINANCIAL STATEMENTS

No audited financial statements of the BLDP Group have been prepared in respect of any period subsequent to 31 December 2002.

11.0 SUBSEQUENT EVENTS

There were no material subsequent events that require disclosure in this report.

Yours faithfully

ERNST & YOUNG
AF: 0039
Chartered Accountants

YONG VOON KAR
1769/04/04 (J/PH)
Partner

13. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)

16 June 2003

The Shareholders of
BLD PLANTATION BHD.
Level 6, Crown Towers
88 Jalan Pending
93450 Kuching
Sarawak



BLD PLANTATION BERHAD (562199-A)

Dear Sir/Madam

On behalf of the Board of Directors of BLD Plantation Bhd., I report after due inquiry that during the period from 31 December 2002 (being the date to which the last audited accounts of the Company and its subsidiaries have been made up) to 16 June 2003 (being a date not earlier than fourteen (14) days before the issue of this Prospectus) that :

- (a) the business of the Company and its subsidiaries have, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited accounts of the Company and its subsidiaries which have adversely affected the trading or the value of the assets of the Company or its subsidiaries;
- (c) the current assets of the Company and its subsidiaries appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in Section 11.4.3 of this Prospectus, no other contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company or its subsidiaries; and
- (e) since the last audited accounts of the Company and its subsidiaries, save as disclosed in the Accountants' Report and the Proforma Consolidated Balance Sheets as set out in Section 12 and Section 11.10 of this Prospectus respectively, there has been no changes in the published reserve nor any unusual factors affecting the profits of the Company and its subsidiaries.

Yours faithfully
On Behalf of the Board of Directors of
BLD PLANTATION BHD.

A handwritten signature in black ink, appearing to read 'Henry Lau Lee Kong', is written over a horizontal line. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Henry Lau Lee Kong
Executive Director