
XII. ACCOUNTANTS' REPORT (CONT'D)



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6. SUMMARISED INCOME STATEMENTS (CONTD.)**6.12 Impian Klasik**

The summarised income statements of Impian Klasik set out below, are based on the audited financial statements:

	Financial year ended				
	31.01.00	31.01.01	31.01.02	31.01.03	31.01.04
	←————— RM'000 —————→				
Revenue	33,006	33,006	35,046	36,066	36,066
EBITDA	32,891	32,830	35,004	35,991	36,913
Net interest expense	(16,111)	(14,634)	(14,174)	(13,100)	(12,518)
Depreciation	-	-	-	-	-
Profit before taxation	16,780	18,196	20,830	22,891	24,395
Taxation	(120)	(211)	(1,109)	(2,974)	(3,506)
Net profit for the year	16,660	17,985	19,721	19,917	20,889
No. of ordinary shares of RM1.00 each ('000)	130,303	130,303	130,303	130,303	130,303
Net earnings per share (sen)	13	14	15	15	16

Notes to results of Impian Klasik

- (a) There were no exceptional items or extraordinary items in all the financial years under review.
- (b) Impian Klasik's revenue represents rental income from the leasing of Menara Maxis. The rental income is derived from a single customer, Tanjong City Centre Property Management Sdn Bhd. A revision in rental is carried out every 3 years in accordance with the terms of the lease agreement.
- (c) The statutory tax rate for the financial years under review was 28%.

The effective tax rate for all the years under review were lower than the statutory tax rate because capital allowances were claimed on certain equipment classified as investment property, which are not depreciated.

XII. ACCOUNTANTS' REPORT (CONT'D)

**7. SUMMARISED BALANCE SHEETS****7.1 KLCCProperty**

KLCCProperty was incorporated on 7 February 2004. Accordingly, there is no comparative information to be disclosed in this Report.

The summarised balance sheet of KLCCProperty set out below, is based on the audited financial statements.

	As at 31.03.04 RM'000
Current Asset	4,308
Current Liabilities	(4,388)
Net Current Liabilities	(80)
	<u>(80)</u>
Share Capital	*
Accumulated Losses	(80)
Shareholders' Deficit	<u>(80)</u>
Net Tangible Liability per ordinary share of RM1.00 each	<u>(26.67)</u>

* 3 ordinary shares of RM1.00 each

XII. ACCOUNTANTS' REPORT (CONT'D)



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7. SUMMARISED BALANCE SHEETS (CONTD.)

7.2 Arena Johan

The summarised balance sheets of Arena Johan set out below, are based on the audited financial statements, and include the adjustments referred to in Section 6.3(b) of this Report:

	← 31.12.99	31.12.00	As at 31.12.01 RM'000	31.12.02	→ 31.03.04
Plant & Equipment	10,548	8,318	6,057	3,794	966
Investment Property	165,814	165,885	202,900	202,900	202,900
Deferred Tax Asset	-	-	4,106	2,607	1,266
Due from holding company	-	-	-	-	59,951
Current Assets	13,690	13,387	16,711	15,155	15,126
Current Liabilities	(23,687)	(20,458)	(23,560)	(16,763)	(13,584)
Net Current (Liabilities)/ Assets	(9,997)	(7,071)	(6,849)	(1,608)	1,542
	166,365	167,132	206,214	207,693	266,625
Share Capital	85,715	85,715	85,715	85,715	85,715
Revaluation Reserve	-	-	33,415	33,415	33,415
Retained Profits	32,472	37,717	52,285	63,364	74,296
Shareholders' Funds	118,187	123,432	171,415	182,494	193,426
Deferred Tax Liability	1,678	3,200	-	-	-
Term Loan	46,500	40,500	29,100	19,500	67,500
Rental Deposits	-	-	5,699	5,699	5,699
	166,365	167,132	206,214	207,693	266,625
Net Tangible Assets per ordinary share of RM1.00 each (RM)	1.38	1.44	2.00	2.13	2.26

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7. SUMMARISED BALANCE SHEETS

7.3 KLCCUH

The summarised balance sheets of KLCCUH as set out below, are based on the audited financial statements:

	← 31.03.00	31.03.01	As at 31.03.02 RM'000	31.03.03	31.03.04 →
Plant & Equipment	1,213	1,482	1,394	2,592	2,489
Current Assets	22,659	26,641	36,320	43,875	49,217
Current Liabilities	(13,626)	(9,249)	(16,995)	(25,136)	(17,172)
Net Current Assets	9,033	17,392	19,325	18,739	32,045
	10,246	18,874	20,719	21,331	34,534
Share Capital	2,000	2,000	2,000	2,000	2,000
Retained Profits	8,246	16,656	18,501	19,195	32,029
Shareholders' Funds	10,246	18,656	20,501	21,195	34,029
Deferred Tax Liability	-	218	218	136	505
	10,246	18,874	20,719	21,331	34,534
Net Tangible Assets per ordinary share of RM1.00 each (RM)	5.12	9.33	10.25	10.60	17.01

XII. ACCOUNTANTS' REPORT (CONT'D)



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7. SUMMARISED BALANCE SHEETS (CONTD.)**7.4 KLCCParking**

The summarised balance sheets of KLCCParking set out below, are based on the audited financial statements:

	← 31.03.00	31.03.01	As at 31.03.02 RM'000	31.03.03	→ 31.03.04
Plant & Equipment	2,826	2,658	2,081	1,592	2,384
Current Assets	5,603	9,700	8,077	6,743	12,361
Current Liabilities	(5,568)	(7,747)	(6,607)	(5,138)	(8,991)
Net Current Assets	35	1,953	1,470	1,605	3,370
	<u>2,861</u>	<u>4,611</u>	<u>3,551</u>	<u>3,197</u>	<u>5,754</u>
Share Capital	2,000	2,000	2,000	2,000	2,000
Retained Profits	755	2,605	1,551	1,197	3,716
Shareholders' Funds	2,755	4,605	3,551	3,197	5,716
Deferred Tax Liability	106	6	-	-	38
	<u>2,861</u>	<u>4,611</u>	<u>3,551</u>	<u>3,197</u>	<u>5,754</u>
Net Tangible Assets per ordinary share of RM1.00 each (RM)	1.38	2.30	1.78	1.60	2.86

XII. ACCOUNTANTS' REPORT (CONT'D)



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7. SUMMARISED BALANCE SHEETS (CONTD.)

7.5 Impian Cemerlang

The summarised balance sheets of Impian Cemerlang set out below, are based on the audited financial statements, and include the adjustments referred to in Section 6.1(a) of this Report:

	← 31.03.00	31.03.01	As at 31.03.02 RM'000	31.03.03	→ 31.03.04
Investment Property	65,067	68,436	67,382	67,621	67,621
Current Assets	249	518	25	1	253
Current Liabilities	(1,868)	(1,693)	(217)	(166)	(133)
Net Current (Liabilities)/ Assets	(1,619)	(1,175)	(192)	(165)	120
	<u>63,448</u>	<u>67,261</u>	<u>67,190</u>	<u>67,456</u>	<u>67,741</u>
Share Capital	15,033	15,033	15,033	15,033	15,033
Revaluation Reserve	17,042	17,042	17,042	17,042	17,042
Accumulated Losses	(396)	(434)	(4,400)	(8,039)	(11,963)
Shareholders' Funds	31,679	31,641	27,675	24,036	20,112
Deferred Tax Liability	897	897	897	897	897
Amount Due To Holding Company	30,872	34,723	38,618	42,523	46,732
	<u>63,448</u>	<u>67,261</u>	<u>67,190</u>	<u>67,456</u>	<u>67,741</u>
Net Tangible Assets per ordinary share of RM1.00 each (RM)	2.11	2.10	1.84	1.60	1.34

XII. ACCOUNTANTS' REPORT (CONT'D)



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7. SUMMARISED BALANCE SHEETS (CONTD.)**7.6 Arena Merdu**

The summarised balance sheets of Arena Merdu set out below, are based on the audited financial statements, and include the adjustments referred to in Section 6.1(a) of this Report:

	← 31.03.00	31.03.01	As at 31.03.02 RM'000	31.03.03	31.03.04 →
Investment Property	77,032	80,606	79,375	79,555	79,555
Current Assets	272	567	28	1	41
Current Liabilities	(2,047)	(1,848)	(238)	(182)	(146)
Net Current Liabilities	(1,775)	(1,281)	(210)	(181)	(105)
	<u>75,257</u>	<u>79,325</u>	<u>79,165</u>	<u>79,374</u>	<u>79,450</u>
Share Capital	33,071	33,071	33,071	33,071	33,071
Revaluation Reserve	7,930	7,930	7,930	7,930	7,930
Accumulated Losses	(443)	(485)	(4,794)	(8,734)	(13,132)
Shareholders' Funds	40,558	40,516	36,207	32,267	27,869
Deferred Tax Liability	1,168	1,168	1,168	1,168	1,168
Amount Due To Holding Company	33,531	37,641	41,790	45,939	50,413
	<u>75,257</u>	<u>79,325</u>	<u>79,165</u>	<u>79,374</u>	<u>79,450</u>
Net Tangible Assets per ordinary share of RM1.00 each (RM)	1.23	1.23	1.09	0.98	0.84

XII. ACCOUNTANTS' REPORT (CONT'D)



7. SUMMARISED BALANCE SHEETS (CONTD.)

7.7 Kompleks Dayabumi

The summarised balance sheets of Kompleks Dayabumi set out below, are based on the audited financial statements:

	← 31.03.00	31.03.01	As at 31.03.02 RM'000	31.03.03	31.03.04 →
Investment In A Related Company	12,500	12,500	12,500	12,500	12,500
Current Assets	-	-	-	-	-
Current Liabilities	(1)	(1)	(1)	(1)	(1)
Net Current Liabilities	(1)	(1)	(1)	(1)	(1)
	12,499	12,499	12,499	12,499	12,499
Share Capital	*	*	*	*	*
Accumulated Losses	(11)	(12)	(15)	(19)	(423)
Shareholder Deficit	(11)	(12)	(15)	(19)	(423)
Amount Due To Holding Company	12,510	12,511	12,514	12,518	12,922
	12,499	12,499	12,499	12,499	12,499
Net Liabilities per ordinary share of RM1.00 each (RM)	(5,514)	(5,948)	(7,402)	(9,692)	(211,445)

* Share capital is RM2.

XII. ACCOUNTANTS' REPORT (CONT'D)



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7. SUMMARISED BALANCE SHEETS

7.8 Asas Klasik

The summarised balance sheets of Asas Klasik set out below, are based on the audited financial statements and include the adjustments referred to in Section 6.9(b) of this Report:

	← 31.03.00	31.03.01	As at 31.03.02 RM'000	31.03.03	31.03.04 →
Plant & Equipment	62,635	50,489	39,757	32,776	26,699
Investment Property	529,529	553,403	566,956	580,231	583,563
Deferred Tax Asset	-	-	-	23,873	17,957
Current Assets	32,802	31,169	44,531	29,350	44,263
Current Liabilities	(57,314)	(61,183)	(44,672)	(41,697)	(42,185)
Net Current (Liabilities)/ Assets	(24,512)	(30,014)	(141)	(12,347)	2,078
	<u>567,652</u>	<u>573,878</u>	<u>606,572</u>	<u>624,533</u>	<u>630,297</u>
Share Capital	130,000	130,000	130,000	130,000	130,000
Share Premium	1,320	1,320	1,320	1,320	1,320
Accumulated Losses	(54,102)	(71,076)	(73,802)	(41,578)	(28,314)
Shareholders' Funds	77,218	60,244	57,518	89,742	103,006
Deferred Tax Liability	1,763	1,763	1,763	-	-
Term Loan	262,500	237,500	228,125	215,625	203,125
Shareholders' Advances	226,171	274,371	319,166	319,166	324,166
	<u>567,652</u>	<u>573,878</u>	<u>606,572</u>	<u>624,533</u>	<u>630,297</u>
Net Tangible Assets per ordinary share of RM1.00 each (RM)	0.59	0.46	0.44	0.69	0.79

XII. ACCOUNTANTS' REPORT (CONT'D)



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7. SUMMARISED BALANCE SHEETS

7.9 Suria

The summarised balance sheets of Suria set out below, are based on the audited financial statements, and include the adjustments referred to in Section 6.10(b) of this Report:

	←	←	As at 31.03.02 RM'000	→	→
	31.03.00	31.03.01	31.03.02	31.03.03	31.03.04
Plant & Equipment	8,091	8,650	6,954	10,502	12,347
Investment Property	1,121,700	1,121,700	1,121,700	1,121,700	1,121,700
Deferred Tax Asset	-	68,896	58,779	42,497	20,584
Current Assets	89,055	38,301	18,033	27,781	52,548
Current Liabilities	(140,119)	(124,466)	(61,990)	(69,098)	(67,476)
Net Current Liabilities	(51,064)	(86,165)	(43,957)	(41,317)	(14,928)
	<u>1,078,727</u>	<u>1,113,081</u>	<u>1,143,476</u>	<u>1,133,382</u>	<u>1,139,703</u>
Share Capital	341,667	341,667	341,667	341,667	341,667
(Accumulated Loss)/ Retained Profits	(40,050)	44,550	67,527	105,545	159,682
Shareholders' Funds	301,617	386,217	409,194	447,212	501,349
Shareholders' Advances	119,000	119,000	139,000	139,000	139,000
Deferred Tax Liability	7,292	-	-	-	-
Term Loan	636,623	590,612	573,938	524,110	474,571
Rental Deposits	14,195	17,252	21,344	23,060	24,783
	<u>1,078,727</u>	<u>1,113,081</u>	<u>1,143,476</u>	<u>1,133,382</u>	<u>1,139,703</u>
Net Tangible Assets per ordinary share of RM1.00 each (RM)	0.88	1.13	1.20	1.31	1.47

XII. ACCOUNTANTS' REPORT (CONT'D)



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7. SUMMARISED BALANCE SHEETS

7.10 Midciti

The summarised balance sheets of Midciti set out below, are based on the audited financial statements, and include the adjustments referred to in Section 6.11(b) of this Report:

	← 31.03.00	31.03.01	As at 31.03.02 RM'000	31.03.03	→ 31.03.04
Investment Property	2,827,021	2,818,500	2,818,500	2,810,500	2,814,500
Deferred Tax Asset	213,523	180,645	143,714	104,687	60,986
Current Assets	182,478	246,179	266,940	252,979	278,508
Current Liabilities	(180,432)	(220,400)	(232,442)	(182,968)	(189,116)
Net Current Assets	2,046	25,779	34,498	70,011	89,392
	<u>3,042,590</u>	<u>3,024,924</u>	<u>2,996,712</u>	<u>2,985,198</u>	<u>2,964,878</u>
Share Capital	433,292	433,292	433,292	433,292	433,292
Retained Profits	441,035	524,800	620,617	720,631	832,668
Shareholders' Funds	874,327	958,092	1,053,909	1,153,923	1,265,960
Private Debt Securities	2,127,430	2,046,415	1,942,803	1,831,275	1,698,918
Rental Deposits	40,833	20,417	-	-	-
	<u>3,042,590</u>	<u>3,024,924</u>	<u>2,996,712</u>	<u>2,985,198</u>	<u>2,964,878</u>
Net Tangible Assets per ordinary share of RM1.00 each (RM)	2.02	2.21	2.43	2.66	2.92

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7. SUMMARISED BALANCE SHEETS

7.11 Impian Klasik

The summarised balance sheets of Impian Klasik set out below, are based on the audited financial statements:

	← 31.01.00	31.01.01	As at 31.01.02 RM'000	31.01.03	31.01.04 →
Investment Property	370,000	370,000	370,000	370,000	470,000
Current Assets	23,709	27,795	25,738	27,219	35,527
Current Liabilities	(30,148)	(24,439)	(20,851)	(22,885)	(20,304)
Net Current (Liabilities)/ Assets	(6,439)	3,356	4,887	4,334	15,223
	<u>363,561</u>	<u>373,356</u>	<u>374,887</u>	<u>374,334</u>	<u>485,223</u>
Share Capital	130,303	130,303	130,303	130,303	130,303
Retained Profits	33,167	51,152	70,873	90,791	111,680
Revaluation reserve	-	-	-	-	95,000
Shareholders' Funds	163,470	181,455	201,176	221,094	336,983
Term Loan	191,840	186,400	170,960	153,240	143,240
Rental deposits	8,251	5,501	2,751	-	-
Deferred taxation	-	-	-	-	5,000
	<u>363,561</u>	<u>373,356</u>	<u>374,887</u>	<u>374,334</u>	<u>485,223</u>
Net Tangible Assets per ordinary share of RM1.00 each (RM)	1.25	1.39	1.54	1.70	1.84

XII. ACCOUNTANTS' REPORT (CONT'D)



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8. STATEMENT OF ASSETS AND LIABILITIES

The proforma statement of assets and liabilities of the KLCCProperty Group as at 31 March 2004 is prepared based on the audited financial statements. The proforma statement of assets and liabilities is presented, for illustrative purposes only, to show the effects of all the transactions stated in Section 3 of this Report. The proforma statement of assets and liabilities should be read in conjunction with the notes thereto.

	Note	Company at 31.03.2004 RM'000	Proforma KLCCProperty Group at 31.03.2004 RM'000
PLANT AND EQUIPMENT	9.3	-	44,885
INVESTMENT PROPERTIES	9.4	-	5,616,215
INVESTMENT IN ASSOCIATE	9.5	-	99,158
DEFERRED TAX ASSET	9.6	-	119,428
CURRENT ASSETS			
Inventories	9.7	-	597
Trade and other receivables	9.8	4,308	51,162
Short term deposits	9.9	-	351,400
Cash and bank balances	9.9	-	162,905
		4,308	566,064
CURRENT LIABILITIES			
Short term borrowings	9.10	-	203,163
Trade and other payables	9.12	4,388	138,674
Provision for taxation		-	1,597
		4,388	343,434
NET CURRENT (LIABILITIES)/ASSETS		(80)	222,630
		(80)	6,102,316
SHARE CAPITAL	9.12	*	934,074
SHARE PREMIUM		-	565,860
ACCUMULATED LOSS		(80)	(80)
REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (RCULS)	9.13	-	714,110
SHAREHOLDERS' FUNDS		(80)	2,213,964
RESERVE ON CONSOLIDATION			2,374
MINORITY INTERESTS		-	1,035,295
LONG TERM LIABILITIES			
Deferred tax liabilities	9.6	-	44,572
Long term loan	9.11	-	965,196
Private debt securities	9.15	-	1,698,918
Advances from corporate shareholders	9.16	-	111,515
Rental deposits		-	30,482
Total Long Term Liabilities		-	2,850,683
		(80)	6,102,316

* 3 ordinary shares of RM1.00 each.

XII. ACCOUNTANTS' REPORT (CONT'D)



9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES

9.1 Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention as modified by the revaluation of investment property, and comply with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

9.2 Significant Accounting Policies

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

(a) Basis of Consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from the activities.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial 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 consolidated financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets, if any, is reflected as goodwill on consolidation or reserve on consolidation.

All intra group transactions are eliminated on consolidation and, the revenue and profits relate to external transactions only. Unrealised losses resulting from intra group transactions are also eliminated unless cost cannot be recovered.

The proportion of the profit or loss applicable to minority shareholders is deducted in arriving at the profit attributable to the shareholders of the Company. The total assets and liabilities of subsidiaries are included in the consolidated balance sheet and the interest of minority shareholders in the net assets employed is stated separately.

(b) Subsidiaries

Investments in subsidiaries are stated at Director's valuation after taking into consideration the net tangible assets of the subsidiaries.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statement.

XII. ACCOUNTANTS' REPORT (CONT'D)


9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)
9.2 Significant Accounting Policies (Contd.)
(c) Associates

Investments in associates are stated at Director's valuation after taking into consideration the net tangible assets of the associates.

Associates are those companies in which the Group has a long term equity interest of between 20% and 50% and where the Group exercises significant influence, including representation on the Board of Directors, over the financial and operating policies of the investee company.

The Group's share of post-acquisition profits or losses of associates is incorporated in the consolidated financial statements. The Group's share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the consolidated balance sheet. These amounts are taken from the latest audited financial statements and management financial statements of the associates.

Unrealised profits arising on transactions between the Group and its associates, which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interest in the associates. Unrealised losses on such transactions are also eliminated partially unless costs cannot be recovered.

The associate's results are accounted for in the Group's financial statements using the equity method of accounting.

Goodwill or reserve on acquisition is calculated based on the fair value of net assets acquired. Goodwill or reserve arising on acquisition of associates is capitalised and carried forward at cost.

(d) Plant and Equipment

Plant and equipment are stated at cost. Depreciation is calculated on a straight line basis so as to write-off the cost over the estimated useful life of the assets at the following annual rates:

Building improvements	17%
Furniture and fittings	10% - 20%
Plant and equipment	10% - 20%
Office equipment	20%
Renovations	20%
Motor vehicles	20% - 25%
Crockery, linen and utensils	33.5%

XII. ACCOUNTANTS' REPORT (CONT'D)

**9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****9.2 Significant Accounting Policies (Contd.)****(d) Plant and Equipment (Contd.)**

Plant and equipment individually costing less than RM1,000 are expensed off in the year of purchase.

Gains and losses on disposals are determined by comparing sales proceeds with carrying amount and are included in operating profits.

(e) Impairment

The carrying amount of the Group's assets, other than inventories (refer Note 9.2 (k)) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement (unless the asset is carried at revalued amount, in which the impairment loss is charged to equity). The recoverable amount is the greater of the asset's net selling price and its value in use.

(f) Investment Properties

Investment properties, comprising land, land improvements and buildings, are held for their investment potential and rental income. Investment properties are treated as long term investments and are not subject to depreciation. The carrying amounts of investment properties are based on fair values at the date of acquisition. The fair values are determined after taking into consideration (but not in excess of) independent professional valuation.

Investment properties are assessed for impairment in accordance with accounting policy referred to in Note 9.2(e).

(g) Foreign Currency Transactions

Monetary assets and liabilities in foreign currencies at balance sheet date have been translated at rates ruling at the balance sheet date or at the agreed exchange rate under currency exchange arrangements. Transactions in foreign currencies have been translated into Ringgit Malaysia at rates of exchange ruling on the transaction dates or where forward contracts have been entered into, at the contracted rates. Gains and losses on exchange arising from translation of monetary assets and liabilities are dealt with in the income statement.

XII. ACCOUNTANTS' REPORT (CONT'D)



9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

9.2 Significant Accounting Policies (Contd.)

(g) Foreign Currency Transactions (Contd.)

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Ringgit Malaysia at the foreign exchange rate ruling at the date of transactions.

(h) Income Taxes

Income tax on the profit or loss for the year/period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the 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, unabsorbed tax losses and unabsorbed tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unabsorbed tax losses and unabsorbed tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the 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 charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

XII. ACCOUNTANTS' REPORT (CONT'D)



9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

9.2 Significant Accounting Policies (Contd.)

(i) Revenue

The following revenues are recognised on an accrual basis:

- Hotel revenue
- Rental income
- Building and facilities management fees
- Project management fees
- Car park revenue
- Dividend income
- Interest income

(j) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and bank balances and deposits with banks and financial institutions.

(k) Inventories

Inventories of saleable merchandise and operating supplies are stated at the lower of cost and net realisable value. Cost of inventories is determined using the weighted average cost method and it includes transportation and handling costs.

(l) Trade and Other Receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(m) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group or the Company prior to the end of the financial period and which are unpaid.

Trade and other payables, including accruals are recorded when the Group or the Company is required to make future payments as a result of the purchase of assets and/or services.

(n) Private Debts Securities

Upon issuance of the bonds, the difference between the net proceeds and the selling price are recognised as premiums or discounts. Premiums on the bonds are recognised as deferred income and accreted over the tenure of the bonds, using the effective yield method. Discounts on the private debt securities are amortised over the tenure of the bonds, using the effective yield method.

Discounts on the Bai Al-Dayn Commercial Papers and Medium Term Notes are recognised on an accrual basis.

XII. ACCOUNTANTS' REPORT (CONT'D)

**9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****9.2 Significant Accounting Policies (Contd.)****(n) Private Debts Securities (Contd.)**

Profit share margin cost on the Bai Al-Dayn Serial Bonds are calculated at fixed rates and are recognised on an accrual basis.

Principal amounts of the private debt securities are carried as short and long term liabilities until maturity.

(o) Financing Costs

Finance costs comprise interest payable on borrowings, profit share margin on Islamic Private Debt Securities and interest payable on loan and advances from holding company.

All interests and other costs incurred in connection with borrowings are expensed to the income statement as and when incurred.

(p) Financial Instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the respective accounting policy statements.

9.3 Plant and Equipment

Proforma KLCCProperty Group	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Equipment and fittings	15,087	(14,121)	966
Operational equipment	7,663	(6,061)	1,602
Contract work in progress	3,925	-	3,925
Furniture and fittings	54,073	(29,359)	24,714
Office equipment	18,733	(12,340)	6,393
Motor vehicles	1,516	(1,077)	439
Crockery, linen and utensils	16,975	(16,908)	67
Building improvements	8,759	(5,906)	2,853
Renovations	4,832	(906)	3,926
	<u>131,563</u>	<u>(86,678)</u>	<u>44,885</u>

XII. ACCOUNTANTS' REPORT (CONT'D)

**9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****9.4 Investment Properties**

	Proforma KLCCProperty Group 31.03.04 RM'000
Freehold land and building	5,544,179
Land improvements	72,036
	<u>5,616,215</u>

This represents the fair values of the properties acquired at the date of acquisition.

Certain investment properties amounting to RM2,193,278,000 have been pledged as securities to financial institutions for long term financing facilities as disclosed in Note 9.11.

9.5 Investment in Associate

	Proforma KLCCProperty Group 31.03.04 RM'000
Unquoted shares at cost	<u>99,158</u>
Represented by:	
Group's share of net assets	114,024
Group's share of discount on acquisition	<u>(14,866)</u>
	<u>99,158</u>

The details of the Proforma KLCCProperty Group's equity interest in the associate, which is incorporated in Malaysia, is as follows:

Name of Associate	Effective equity interest 31.03.04 %	Principal activity
Impian Klasik Sdn Bhd	33	Property investment

XII. ACCOUNTANTS' REPORT (CONT'D)

**9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****9.6 Deferred Taxation**

	Proforma KLCCProperty Group 31.03.04 RM'000
Deferred tax assets	119,428
Deferred tax liabilities	(44,572)
	<u>74,856</u>

Deferred tax assets of the Proforma KLCCProperty Group are as follow:

	Excess of tax written down value RM'000	Unutilised tax losses RM'000	Unabsorbed capital allowances RM'000	Total RM'000
Deferred tax assets	<u>82,337</u>	<u>14,988</u>	<u>22,103</u>	<u>119,428</u>

Deferred tax liabilities of the Proforma KLCCProperty Group is as follows:

	Revaluation Surplus RM'000
Deferred tax liabilities	<u>44,572</u>

9.7 Inventories

Inventories comprise general merchandise and operating supplies, and are stated at cost.

XII. ACCOUNTANTS' REPORT (CONT'D)



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9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

9.8 Trade and Other Receivables

	Company 31.03.2004 RM'000	Proforma KLCCProperty Group 31.03.2004 RM'000
Trade receivables	-	27,155
Less: Allowance for doubtful debts	-	(132)
	-	27,023
Deposits and prepayments	-	9,950
Other receivables	4,308	6,175
Amount due from ultimate holding company	-	2,138
Amounts due from related companies	-	5,876
	<u>4,308</u>	<u>51,162</u>

Trade receivables ageing analysis as at 31 March 2004 is as follows:

	Number of days outstanding				Total
	0 - 30	30 - 60	60 - 180	over 180	
Trade receivables (RM'000)	10,886	3,882	6,920	5,467	27,155

Amounts due from ultimate holding company and related companies arise in the normal course of business.

All credit and recovery risks associated with receivables have been provided for in the financial statements. Credit terms of trade receivables range from no credit to 30 days.

9.9 Short Term Deposits, Cash and Bank Balances

	Proforma KLCCProperty Group 31.03.2004 RM'000
Deposits with licensed banks	177,364
Deposits with other financial institutions	174,036
Cash and bank balances	162,905
	<u>514,305</u>
Less: Monies held on behalf of clients	
- Deposits with other financial institutions	(700)
- Bank balances	(2,200)
Cash and cash equivalents	<u>511,405</u>

XII. ACCOUNTANTS' REPORT (CONT'D)

**9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****9.9 Short Term Deposits, Cash and Bank Balances (Contd.)**

The deposits and bank balances held on behalf of clients in a subsidiary relate to monies held in a designated account, which represent cash calls less payments in the course of rendering building and facility management services on behalf of clients.

The weighted average effective interest rate applicable to the cash and cash equivalents of the Proforma KLCCProperty Group at the balance sheet date is 2.84% per annum.

Deposits of the Proforma KLCCProperty Group have an average maturity of 51 days.

9.10 Short term Borrowings

		Proforma KLCCProperty Group 31.03.2004 RM'000
Current portion of:		
Term loans	(Note 9.11)	71,639
Private debt securities	(Note 9.15)	130,000
Premium on private debt securities	(Note 9.15)	1,524
Total		<u>203,163</u>

9.11 Borrowings (Secured)

		Proforma KLCCProperty Group 31.03.2004 RM'000
Current portion (Note 9.10)		71,639
Non-current portion		<u>965,196</u>
		<u>1,036,835</u>
The term loans comprise:		
Term loan 1		17,100
Term loan 2		215,625
Term loan 3		524,110
Term loan 4		100,000
Term loan 5		<u>180,000</u>
		<u>1,036,835</u>

XII. ACCOUNTANTS' REPORT (CONT'D)



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9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)**9.11 Borrowings (Secured) (Contd.)**

	Proforma KLCCProperty Group 31.03.2004 RM'000
Term loans are repayable as follows:	
- within one year	71,639
- between one to two years	128,678
- between two to five years	374,996
- above five years	461,522
	<u>1,036,835</u>
Floating rate loan	222,500
Fixed rate loan	814,335
	<u>1,036,835</u>

(i) Term loan 1

	Proforma KLCCProperty Group 31.03.2004 RM'000
Payable within 12 months	9,600
Payable after 12 months	7,500
	<u>17,100</u>

On 25 September 1999, a subsidiary in the Proforma KLCCProperty Group obtained a fixed rate term loan denominated in Ringgit Malaysia, amounting to RM54 million with a tenure of 9 years. The loan is repayable in quarterly instalments commencing December 1999. Interest on the loan is charged at a rate of 6.50% per annum. The loan is secured by way of a first charge over the investment property of the subsidiary, as disclosed in Note 9.4

XII. ACCOUNTANTS' REPORT (CONT'D)



9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

9.11 Borrowings (Secured) (Contd.)

(ii) Term loan 2

	Proforma KLCCProperty Group 31.03.2004 RM'000
Tranche with floating interest rate	172,500
Tranche with fixed interest rate	43,125
	<u>215,625</u>
Payable within 12 months	12,500
Payable after 12 months	203,125
	<u>215,625</u>

The long term syndicated loan facility of RM300 million comprising a floating interest rate tranche and a fixed interest tranche amounting to RM240 million and RM60 million respectively was granted to a subsidiary in the Proforma KLCCProperty Group pursuant to an agreement dated 31 March 1997 to part finance the development, construction and operations of a hotel. The facility is for a tenure of 14 1/2 years and the said subsidiary is required to maintain a debt-equity ratio of 1.5 to 1 during the tenure of the facility.

Interest on the floating rate tranche is at base lending rate plus 1.25% per annum and interest on the fixed rate loan is at 8.75% per annum. The average interest rate for the floating rate tranche during the financial year is 7.33% per annum.

The floating and fixed rate tranches are secured by way of a fixed charge over the investment property of the subsidiary as disclosed in Note 9.4.

The weighted average effective interest rate applicable to the term loan at the balance sheet date is 7.61% per annum.

(iii) Term loan 3

	Proforma KLCCProperty Group 31.03.2004 RM'000
Payable within 12 months	49,539
Payable after 12 months	474,571
	<u>524,110</u>

The long term loan is for a tenure of 18 years commencing from the date of the first draw down on 3 January 1997. The loan is secured by way of a fixed charge over the investment property of a subsidiary in the Proforma KLCCProperty Group.

XII. ACCOUNTANTS' REPORT (CONT'D)



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9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

9.11 Borrowings (Secured) (Contd.)

(iii) Term loan 3 (Contd.)

The repayment is on a quarterly instalment basis until the end of the tenure of the loan. Interest on the loan is at 7.0% per annum commencing from the quarter ended September 2001 up to 2 January 2006 and thereafter at a rate of 8.5% per annum, up to the end of the tenure of the loan.

(iv) Term loan 4

	Proforma KLCCProperty Group 31.03.2004 RM'000
Tranche with floating interest rate	50,000
Tranche with fixed interest rate	50,000
	<u>100,000</u>
Payable within 12 months	-
Payable after 12 months	100,000
	<u>100,000</u>

The long term syndicated loan facility amounting to RM100 million is for a tenure of 12 years. The loan is secured by way of a fixed charge over the investment property of the subsidiary as disclosed in Note 9.4.

Interest on the floating rate tranche is at base lending rate plus 1.25% per annum and interest on the fixed rate loan is at 7.50% per annum.

(v) Term loan 5

	Proforma KLCCProperty Group 31.03.2004 RM'000
Payable within 12 months	-
Payable after 12 months	180,000
	<u>180,000</u>

On 4 March 2004, a subsidiary of the Proforma KLCCProperty Group obtained a fixed term loan denominated in Ringgit Malaysia, amounting to RM180 million with tenure of 10 years. The loan is repayable in yearly instalment commencing March, 2006. Interest on the loan is charged at a rate of 5.50% per annum. The loan is secured by way of a secured charge over the investment property of the subsidiary as disclosed in Note 9.4.

XII. ACCOUNTANTS' REPORT (CONT'D)



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9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)**9.12 Trade and Other Payables**

	Company 31.03.2004 RM'000	Proforma KLCCProperty Group 31.03.2004 RM'000
Trade payables	-	9,803
Other payables and accruals	4,009	112,287
Amount due to ultimate holding company	-	2,371
Amount due to holding company	379	7,550
Amounts due to related companies	-	6,663
	<u>4,388</u>	<u>138,674</u>

The amount due to ultimate holding company and related companies are unsecured, interest free and have no fixed terms of repayment.

Credit terms of trade payables granted to the Proforma KLCCProperty Group range from 30 days to 60 days.

9.13 Share Capital

	No. of ordinary shares of RM1.00 each '000	Proforma KLCCProperty Group 31.03.2004 RM'000
<u>Authorised:</u>		
At beginning and end of the period	<u>5,000,000</u>	<u>5,000,000</u>
<u>Issued and fully paid:</u>		
As at 7.2.2004	*	*
Pursuant to the Acquisitions I	189,277	189,277
Pursuant to the Acquisitions II	132,651	132,651
Pursuant to the Debt Settlement	180,000	180,000
	<u>501,928</u>	<u>501,928</u>
Pursuant to the Public Issue	432,146	432,146
	<u>934,074</u>	<u>934,074</u>
* 3 ordinary shares of RM1.00 each		

XII. ACCOUNTANTS' REPORT (CONT'D)

**9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****9.14 Redeemable Convertible Unsecured Loan Stocks (RCULS)**

	Proforma KLCCProperty Group 31.03.2004 RM'000
Redeemable Convertible Unsecured Loan Stocks (RCULS)	<u>714,110</u>

The issuance by KLCCProperty of RM714,110,437 RCULS at an issue price of 100% of its nominal value as partial settlement of an amount owing of RM10,660,387, RM98,750,001 and RM462,505,312 to KLCCH for the acquisition of Asas Klasik, Suria and Midciti respectively, and settlement of the net amounts owing to KLCCH of RM142,194,737 by the subsidiaries of KLCCProperty.

The terms of the RCULS are as follows:

- (a) Conversion rights - the registered holders of the RCULS will have the option at any time during the conversion period to convert the RCULS at the conversion price into new ordinary shares of RM1.00 each in KLCCProperty.
- (b) Conversion price - 10% premium over the Institutional Price.
- (c) Conversion period - at anytime after the expiry of the fifth anniversary date.
- (d) Tenure of the RCULS - 10 years commencing from and including the date of issue of the RCULS.
- (e) All outstanding RCULS will be redeemed in full on maturity date.
- (f) The RCULS bear interest at 1% per annum calculated on the nominal value of the RCULS from the 4th year onwards. The first 3 years is interest-free.

XII. ACCOUNTANTS' REPORT (CONT'D)


9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)
9.15 Private Debt Securities

	Proforma KLCCProperty Group 31.03.2004 RM'000
Current - private debt securities (Note 9.10)	130,000
- premium on private debt securities (Note 9.10)	1,524
	<u>131,524</u>
Non current - private debt securities	1,693,066
- premium on private debt securities	5,852
	<u>1,698,918</u>
	<u>1,830,442</u>
 The Private Debt Securities mature as follows:	
Within one year	130,000
Between one year to two years	130,000
Between two years to five years	410,066
Above five years	1,153,000
	<u>1,823,066</u>
 The private debt securities comprise:	
(i) Islamic Private Debt Securities:	
Bai AJ-Dayn Commercial Papers	389,066
Bai Al-Dayn Serial Bonds - 8 years	136,000
Bai Al-Dayn Serial Bonds - 9 years	145,000
Bai Al-Dayn Serial Bonds - 10 years	166,000
Bai Al-Dayn Serial Bonds - 11 years	188,000
Bai AJ-Dayn Serial Bonds - 12 years	199,000
(ii) Conventional Private Debt Securities:	
13 years Bonds	600,000
	<u>1,823,066</u>

The Private Debt Securities are primarily secured against rentals receivable in accordance with a Head Lease Agreement ("the Agreement"), except for the portion of coupons beyond the expiry of the Agreement and the nominal value of the 13-year bonds. The latter is secured by a put option by PETRONAS.

XII. ACCOUNTANTS' REPORT (CONT'D)



9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

9.15 Private Debt Securities (Contd.)

The Agreement is the deed of assignment executed by a subsidiary in Proforma KLCCProperty Group of absolute rights and title benefits and interests under the Agreement for borrowings.

The Proforma KLCCProperty Group's policy is to recognise the premium as deferred income to be accreted to the income statement over the tenure of the bonds. The premium accreted will be matched against the related profit share margin costs of the bonds. The current portion of the premium balance has been included in current liabilities.

Bai Al-Dayn Commercial Papers

The Bai Al-Dayn Commercial Papers ('CPs') Facility is available to the Proforma KLCCProperty Group for a maximum period of 7 years expiring in November 2006. The Facility is repayable annually on a reducing balance basis over the Facility period, commencing on the first anniversary of the first date of drawdown in November 1999. The amount repayable in November 2004 is RM130,000,000.

Profit rates for the current financial period range between 2.94% to 3.14%.

Bai Al-Dayn Serial Bonds

The Bai Al-Dayn Serial Bonds have tenures ranging from 8 to 12 years. The profit is repayable in equal semi-annual instalments over the life of the bonds. Profit rates are chargeable between 7.75% to 8.30% per annum.

13-year Bonds

The 13-year Bonds were issued at par, bear a fixed interest of 8.45% per annum and interest is repayable in equal semi-annual instalments over the life of the bonds.

XII. ACCOUNTANTS' REPORT (CONT'D)

**9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****9.16 Advances From Corporate Shareholders**

	Proforma KLCCProperty Group 31.03.2004 RM'000
Advances from corporate shareholders of certain subsidiaries are as follows:	
- Shareholders' advances (i)	55,915
- Shareholders' advances (ii)	55,600
	<u>111,515</u>

(i) Shareholders' advances

The amounts due to shareholders are unsecured and interest-free.

Pursuant to the loan agreement of the subsidiary, all shareholder's advances shall be subordinated to the facility (Note 9.11(iii)) except for advances in relation to the development and opening of the property or otherwise agreed by the lender.

(ii) Shareholders' advances

The advances are unsecured, interest free and have no fixed terms of repayment. Pursuant to the facilities agreement of the subsidiary, the shareholders' advances shall not be repaid until the term loan 2 facilities have been fully settled (Note 9.11(ii)).

9.17 Commitments

Amounts approved but not provided for in respect of investment property:

	Proforma KLCCProperty Group 31.03.2004 RM'000
Contracted for	15,284
Not contracted for	<u>38,668</u>

XII. ACCOUNTANTS' REPORT (CONT'D)

**9. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****9.18 Proforma Consolidated Net Tangible Assets Cover**

Based on the statement of assets and liabilities of the Proforma KLCCProperty Group as at 31 March 2004, the proforma consolidated net tangible assets per ordinary share of RM1.00 each is as follows:

	Proforma KLCCProperty Group
Net tangible assets of KLCCProperty Group as at 31 March 2004 (RM'000)	<u>2,213,964</u>
Number of ordinary shares after the public issue ('000)	<u>934,074</u>
Net tangible assets per ordinary share in issue as at 31 March 2004 (RM)	<u>2.37</u>

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XII. ACCOUNTANTS' REPORT (CONT'D)**10. CONSOLIDATED CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004**

The consolidated cash flow statement of the Proforma KLCCProperty Group for the financial year ended 31 March 2004 set out below, is based on the audited consolidated financial statements.

	Proforma KLCCProperty Group 31.03.2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	681,552
Cash paid to suppliers and employees	(196,960)
Cash from operations	<u>484,592</u>
Interest received	1,648
Tax paid	(18,315)
Net cash generated from operating activities	<u>467,925</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of plant and equipment	(4,194)
Cost incurred on investment properties	(3,332)
Stamp duty paid	(12,554)
Proceeds from sale of plant and equipment	12
Net cash used in investing activities	<u>(20,068)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from public issue	770,042
Settlement of purchase consideration	(598,222)
Listing expenses	(23,000)
Dividend paid	(12,080)
Repayment of loans	(182,472)
Term loan drawdown	60,000
Advances from holding company	(53,598)
Advances from related company	793
Interest paid	(196,987)
Net cash used in financing activities	<u>(235,524)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	212,333
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>299,072</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>511,405</u>

XII. ACCOUNTANTS' REPORT (CONT'D)



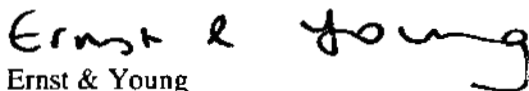
11. AUDITED FINANCIAL STATEMENTS

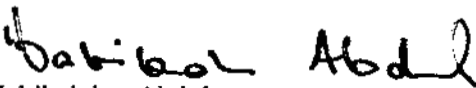
No financial statements have been prepared in respect of any period subsequent to 31 March 2004 for the Proforma KLCCProperty Group.

12. SIGNIFICANT POST BALANCE SHEET EVENTS

Based on the audited financial statements for the year/period ended 31 March 2004 and other than the corporate exercise implemented pursuant to the Listing as mentioned in section 3.0, no events have arisen subsequent to the balance sheet date, which require disclosure in this Report.

Yours faithfully


Ernst & Young
AF: 0039
Chartered Accountants


Habibah bte Abdul
No. 1210/05/06(J)
Partner

Kuala Lumpur, Malaysia