

11. ACCOUNTANTS REPORT (Cont'd)



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2.9 Konsep Realiti Sdn Bhd ("KRSB")

The following financial information of KRSB was extracted from the audited financial statements of KRSB for the financial period ended 30 September 2003.

2.9.1 Summary of Results

	Period ended 30 September 2003 RM'000
Revenue	-
	=====
Loss before depreciation and interest	(4)
Depreciation	-
Interest expense	-
Interest income	-

Loss before taxation	(4)
Taxation	-

Loss after taxation	(4)
	=====
Number of ordinary shares of RM1.00 each in issue ('000)	*
Loss per share (RM'000)	(2)

* Comprise 2 ordinary shares of RM1.00 each fully paid up of RM2.

Notes:-

- i) There was no provision for tax as there was no income earned during the period.
- ii) There were no extraordinary or exceptional items for the financial period under review.

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2.9.2 Summarised Balance Sheets

	As at 30 September 2003 RM'000
Current assets	*
Current liabilities	(4)
Net current liabilities	(4)

	(4)
	=====
Represented by:	
Share capital	**
Accumulated losses	(4)
Deficit in shareholders' funds	(4)

	(4)
	=====
Number of ordinary shares of RM1.00 each in issue ('000)	**
NTA per share (RM)	-

* Comprise cash in hand of RM2.00

** Comprise 2 ordinary shares of RM1.00 each fully paid up of RM2.

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3 Proforma Statement of Assets and Liabilities

The following statement of assets and liabilities of APB and the Proforma APB Group as at 30 September 2003 are prepared for illustrative purposes only and are based on the audited financial statements of APB and its subsidiaries, associates and proposed associates as at 30 September 2003, on the assumption that the revised restructuring scheme as detailed in Section 1.3 and the full conversion of the Cumulative Irredeemable Convertible Preference Shares ("ICPS") had been effected on 30 September 2003. These proforma statements should be read in conjunction with the notes thereto.

	Note	Company RM'000	Proforma Group RM'000
Property, plant and equipment	3.1.2	-	50,212
Investment in associates	3.1.3	-	62
Other investments	3.1.4	-	8,730
Goodwill	3.1.5	-	17,787
Current assets			
Inventories	3.1.6	-	2,002
Trade and other receivables	3.1.7	1,000	31,150
Cash and cash equivalents	3.1.8	*	27,503
		1,000	60,655
Current liabilities			
Trade and other payables	3.1.9	2,215	13,179
Bank borrowings (secured)	3.1.10	-	7,135
Hire purchase liabilities	3.1.11	-	238
Taxation		-	1,040
		2,215	21,592
Net current (liabilities)/assets		(1,215)	39,063
		(1,215)	115,854
(Represented)/Financed by:			
Capital and reserves			
Share capital	3.1.12	**	121,475
Reserves	3.1.13	(1,215)	(17,053)
Shareholders' funds		(1,215)	104,422
Deferred and long term liabilities			
Bank borrowings (secured)	3.1.10	-	8,418
Hire purchase liabilities	3.1.11	-	329
Deferred taxation	3.1.14	-	2,685
		(1,215)	115,854

* Cash and bank balances of RM2.00

** Issued and paid up capital of RM2.00

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3.1 Notes to the statement of assets and liabilities**3.1.1 Summary of significant accounting policies****a) Basis of accounting**

The financial statements of the Proforma Group and the Company are prepared on the historical cost basis except as disclosed in the notes to the statement of assets and liabilities and in compliance with applicable approved accounting standards in Malaysia.

b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

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 it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

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.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

c) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

d) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets of the subsidiaries acquired. Goodwill is stated at cost less accumulated impairment loss, if any. Goodwill is not amortised.

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3.1.1 Summary of significant accounting policies (continued)

e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

The Group revalues its properties comprising land and buildings every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the property revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

Depreciation

Long term leasehold land are amortised in equal instalments over the respective lease periods ranging from 57 to 63 years while buildings are depreciated on a straight line basis over the shorter of 50 years or its lease period. The straight-line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

Furniture, fittings, office equipment and renovation	10%-20%
Motor vehicles	20%
Plant and machinery and testing equipment	10%-20%

f) Impairment

The carrying amount of the Group's assets other than inventories (see Note 3.1.1(j)), assets arising from construction contracts (see Note 3.1.1(l)) and financial assets (other than investments in associates), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case 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. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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3.1.1 Summary of significant accounting policies (continued)**f) Impairment (continued)**

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

g) Finance leases

Leases in which the Group assume substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Group's incremental borrowing rate is used.

h) Hire purchase arrangements

Property, plant and equipment acquired under hire purchase arrangements are capitalised at the purchase costs and are depreciated over their estimated useful lives in accordance to the policy set out in Note 3.1.1(e). The corresponding obligation relating to the remaining capital payments are treated as a liability. The interest element of the hire purchase instalment is charged to the income statement over the period of the hire purchase using the sum-of-digits method.

i) Investments

Other long term investments are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

j) Inventories

Inventories are stated at the lower of cost and net realisable value with first-in-first-out method being the main basis for cost.

k) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts. Known bad debts are written off and specific allowance are made for debts considered doubtful.

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3.1.1 Summary of significant accounting policies (continued)**l) Amount due from contract customers**

Amount due from contract customers on fixed price contracts is stated at cost plus attributable profits less foreseeable losses and less progress billings. Cost includes all direct contract costs and other related costs. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown in trade and other payables as amount due to contract customers.

m) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of pledged deposits.

n) Liabilities

Borrowings and trade and other payables are stated at cost.

o) Preference share capital

Cumulative Irredeemable Convertible Preference Shares ("ICPS") is classified separately in the financial statements as liability and equity upon issuance. For illustrative purposes, liability component of the instrument is computed on being the present value of the fixed dividend payments for 5 years, discounted at 7%, which is arrived based on the current BLR of 6% plus 1%. The difference between the entire amount of ICPS and the fair value of the liability component is then assigned to the equity component.

Dividend on preference share capital that is classified as liability is recognised in the income statement as interest expense.

p) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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3.1.1 Summary of significant accounting policies (continued)

p) **Taxation (continued)**

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised

q) **Foreign currency**

Transactions in foreign currencies are translated to Ringgit Malaysia at the rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The closing rates used in the translation of foreign currency assets and liabilities are as follows:-

	2003
1USD	RM3.775
1SGD	RM2.173
1EURO	RM4.364

r) **Revenue**i) *Fixed price contracts*

Revenue from fixed price contracts is recognised on the percentage of completion method, measured by reference to the proportion that contract costs incurred for contract work performed to date that reflect work performed bear to the total estimated contract costs.

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

An expected loss on a contract is recognised immediately in the income statement.

s) **Interest income**

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

t) **Financing costs**

All interests and other costs incurred in connection with borrowings are expensed as incurred. The interest component of finance lease payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

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3.1.2 Property, plant and equipment

Proforma Group	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Long term leasehold land	9,373	258	9,115
Buildings			
- freehold	1,770	62	1,708
- leasehold	16,604	349	16,255
Furniture, fittings, office equipment and renovation	2,932	1,829	1,103
Motor vehicles	5,163	3,511	1,652
Plant and machinery and testing equipment	28,462	12,943	15,519
Audited as at 30 September 2003	64,304	18,952	45,352
Add: Capital expenditure from utilisation of proceeds of restricted issue, public issue and special issue	4,860	-	4,860
	69,164	18,952	50,212

3.1.2.1 Security

Land and buildings at cost of RM9,373,000 and RM17,453,000 respectively have been pledged to licensed banks as security for borrowings (see Note 3.1.10).

3.1.2.2 Assets under hire purchase

The net book value of assets acquired under hire purchase arrangements which are included in the above are as follows:-

	Proforma Group RM'000
Office equipment	138
Motor vehicles	1,351
Plant and machinery and testing equipment	2,637
	4,126

3.1.2.3 Titles

The strata titles for buildings at cost of RM1,360,000 are in the process of being issued to the respective subsidiaries by the developers.

Buildings at cost of RM521,000 and motor vehicles at net book value of RM99,000 are registered in a subsidiary's Director's name.

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3.1.3 Investment in associates

	Proforma Group RM'000
Unquoted shares, at cost	
Audited as at 30 September 2003	52
Add: Additional investments in ECSB and KRSB	10

	62
	=====

The details of the associates, which are incorporated in Malaysia, are as follows:

Name of Company	Effective Equity Interest	Principal Activities
Kanon Loading Equipment (M) Sdn Bhd	35%	Providing consultancy or assistance on the production of loading arms and sales support and maintenance support.
EPIC Constant Sdn Bhd	49%	Constructional engineers of hydro power stations and related business activities
Konsep Realiti Sdn Bhd	49%	Constructional engineers of hydro power stations and related business activities

3.1.4 Other investments

	Proforma Group RM'000
Other investments, at net realisable value	
Audited as at 30 September 2003	130
Redeemable Convertible Preference Shares, at cost	
Additional investments in ECSB and KRSB	8,600

	8,730
	=====

The Redeemable Convertible Preference Shares ("RCPS") represents investments in RCPS of RM0.10 each in:-

	RM'000
ECSB, acquired at a premium of RM0.90 each	4,300
KRSB, acquired at a premium of RM0.90 each	4,300
	=====

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3.1.5 Intangible asset

	Proforma Group RM'000
<i>Goodwill on consolidation</i>	
Net tangible assets of Proforma EJ Group as at 30 September 2003	59,050
Less: Purchase consideration	76,837

Goodwill on consolidation	17,787
	=====

3.1.6 Inventories

	Proforma Group RM'000
Consumables, at cost	
Audited as at 30 September 2003	2,002
	=====

3.1.7 Trade and other receivables

	Company RM'000	Proforma Group RM'000
Trade receivables	-	22,365
Less: Allowance for doubtful debts	-	(2,504)
	-----	-----
	-	19,861
Amount due from contract customers (Note 3.1.7.2)	-	8,537
Other receivables, deposits and prepayments	1,000	3,752
	-----	-----
Audited as at 30 September 2003	1,000	32,150
Less: Deposits refunded by Special Administrators	-	(1,000)
	-----	-----
	1,000	31,150
	=====	=====

3.1.7.1 Retention sum

Retention sum included in trade receivables of the Proforma Group amounted to RM2,437,000.

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3.1.7 Trade and other receivables (continued)

3.1.7.2 Amount due from contract customers

	Proforma Group RM'000
Aggregate cost incurred to date	32,001
Attributable profits	4,235

	36,236
Less: Progress billings	(31,837)

	4,399
Amount due to contract customers (Note 3.1.9)	4,138

Amount due from contract customers	8,537
	=====

3.1.7.3 Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments of the Proforma Group is an amount of RM1,710,000 due from a third party in respect of the disposal of an associate company of a subsidiary during 2002.

3.1.8 Cash and cash equivalents

	Proforma Group RM'000
Deposits with licensed banks	8,912
Cash and bank balances	3,425

Audited as at 30 September 2003	12,337
Add: Proceeds from balance of call on renounceable rights issue of EJ	4,230
Proceeds from restricted issue	2,802
Proceeds from public issue	2,000
Proceeds from special issue	16,200

	25,232
Less: Capital expenditure	4,860
Repayment of bank borrowings	3,481
Repayment of hire purchase liabilities	1,913
Payment of listing expenses	802
Deposit refundable by Special Administrators	(1,000)
Acquisition of ECSB and KRSB	10

	(10,066)

	27,503
	=====

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3.1.8 Cash and cash equivalents (continued)

3.1.8.1 Deposits pledged to licensed banks as security for borrowings (see Note 3.1.10) amounted to RM2,163,000.

3.1.8.2 Deposits registered in the name of a Director of a subsidiary amounted to RM1,000,000.

3.1.9 Trade and other payables

	Company RM'000	Proforma Group RM'000
Trade payables	-	8,007
Amount due to contract customers (Note 3.1.7)	-	4,138
Other payables and accrued expenses	2,215	1,034
	-----	-----
Audited as at 30 September 2003	2,215	13,179
	=====	=====

Included in trade payables of the Group are amounts due to companies in which the subsidiaries' Directors have interest of RM297,000.

3.1.10 Bank borrowings (secured)

	Proforma Group	
	Current RM'000	Non Current RM'000
Term loans	3,055	10,724
Bankers acceptances	944	-
Trust receipts	4,311	-
	-----	-----
Audited as at 30 September 2003	8,310	10,724
Less: Repayment of term loans from proceeds of restricted issue, public issue and special issue	(1,175)	(2,306)
	-----	-----
	7,135	8,418
	=====	=====

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3.1.10 Bank borrowings (secured), (continued)

3.1.10.1 Terms and debt repayment schedule

	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Secured term loans - variable at 1.25% to 1.75% above Base Lending Rate ("BLR")	10,298	1,880	1,918	4,990	1,510
Bankers' acceptances -fixed at 0.75% above money market discount rate	944	944	-	-	-
Trust receipts - variable at 1.5% to 2.5% above BLR	4,311	4,311	-	-	-
	<u>15,553</u>	<u>7,135</u>	<u>1,918</u>	<u>4,990</u>	<u>1,510</u>
	=====	=====	=====	=====	=====

The borrowings are secured by:-

- fixed charge and deeds of assignment over certain freehold and leasehold land and buildings of the Proforma Group (Note 3.1.2).
- fixed and floating charge over certain plant and equipment of the Proforma Group;
- pledge over fixed deposits of the Proforma Group (Note 3.1.8); and
- joint and several guarantee by certain Directors of the subsidiaries.

3.1.11 Hire purchase liabilities

	Proforma Group	
	Less than one year RM'000	One to five years RM'000
Payments	1,513	1,235
Interest	(175)	(93)
	<u>1,338</u>	<u>1,142</u>
Principal, audited as at 30 September 2003		
Less: Repayment of hire purchase liabilities from proceeds of restricted issue, public issue and special issue	(1,100)	(813)
	<u>238</u>	<u>329</u>
	=====	=====

The hire purchase liabilities are subject to fixed interest rates between 4.0% to 6.9% per annum.

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3.1.12 Share capital

	Proforma Group and Company RM'000
Ordinary shares of RM1.00 each:	
Authorised	
Audited as at 30 September 2003	100
Created pursuant to the revised restructuring scheme	174,900

	175,000
	=====
Issued and fully paid	
Audited as at 30 September 2003	*
Issued pursuant to the revised restructuring scheme:-	
934,000 new ordinary shares of RM1.00 each for the acquisition of the entire issued and paid up capital of NCK	934
51,837,000 new ordinary shares of RM1.00 each for the acquisition of the entire enlarged issued and paid up capital of EJ	51,837
14,102,000 new ordinary shares of RM1.00 each as part settlement of the liabilities of NCK	14,102
Restricted issue of 2,802,000 new ordinary shares of RM1.00 each	2,802
Public issue of 2,000,000 new ordinary shares of RM1.00 each	2,000
Special issue of 16,200,000 new ordinary shares of RM1.00 each	16,200
4,300,000 new ordinary shares of RM1.00 each for the acquisition of 4,300,000 RCPS in ECSB	4,300
4,300,000 new ordinary shares of RM1.00 each for the acquisition of 4,300,000 RCPS in KRSE	4,300

	96,475
Full conversion of Irredeemable Convertible Preference Shares	25,000

	121,475
	=====

* RM2 comprising 2 ordinary shares of RM1.00 each

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3.1.12 Share capital (continued)

	Proforma Group and Company RM'000
Irredeemable Convertible Preference Shares of RM1.00 each:-	
Authorised	
Audited as at 30 September 2003	-
Created pursuant to the revised restructuring scheme	25,000

	25,000
	=====
Issued and fully paid	
Audited as at 30 September 2003	-
Issued pursuant to the revised restructuring scheme:-	
25,000,000 new ordinary shares of RM1.00 each for the acquisition of the entire enlarged issued and paid up capital of EJ	25,000
Full conversion of Irredeemable Convertible Preference Shares	(25,000)

	-
	=====

3.1.13 Reserves - Proforma Group

	Accumulated losses RM'000
Audited as at 30 September 2003	(1,215)
Loss on transfer of NCK arising from:-	
Cost of investment in NCK	(934)
Settlement of liabilities of NCK	(14,102)
Listing expenses written off	(802)

	(17,053)
	=====

3.1.14 Deferred taxation

The recognised deferred tax assets and liabilities (before offsetting) are as follows:-

	Proforma Group RM'000
Property, plant and equipment	
- capital allowances in excess of depreciation	3,111
Provisions	(466)
Others	40

	2,685
	=====

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3.1.15 Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate, currency and liquidity risk arises in the normal course of the Proforma Group's business. The Board reviews and agrees policies for managing these risks and they are summarised below.

Credit risk

Management carries out a continuing review over the Group's exposure to credit risk, which is monitored on an ongoing basis. Fixed deposits are placed only with licensed financial institution.

At balance sheet date, there were no significant concentrations of credit risk. The carrying amount of financial assets represents the Group's maximum exposure to credit risk.

Currency risk

Foreign currency risk arise on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is US Dollars, Singapore Dollars and Euro Dollars. The Group mitigate their foreign currency risk through utilisation of trade facilities such as bankers acceptance, trust receipts and letter of credit, thereby limiting the foreign currency exposure during the tenure of the credit period given.

The Group does not view the exposure to US Dollars to be significant given that the Ringgit has been pegged to US Dollar at RM3.80 to USD1. However, the Directors monitor the Group's exposure to foreign currency risk on an ongoing basis.

Liquidity risk

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

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3.1.15 Financial instruments (continued)

Interest rate risk

The Group's primary interest rate risk arises from interest bearing borrowings. The effective interest rates at balance sheet date of financial assets and liabilities, and the periods in which they reprice, are as follows:

	Effective interest rates %	Total RM'000	Within 1 year RM'000
<i>Financial assets</i>			
Fixed deposits	2.40	8,912	8,912
<i>Financial liabilities</i>			
Secured term loans	7.42	10,298	10,298
Secured bankers' acceptances	4.50	944	944
Secured trust receipts	7.50	4,311	4,311

Fair values*Recognised financial instruments*

The carrying amounts of financial instruments in respect of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the relatively short term nature of these financial instruments.

The aggregate fair values of other financial assets and liabilities carried on the balance sheet at the year end date are as follows:-

	Carrying amount RM'000	Fair value RM'000
<i>Financial assets</i>		
Other investments	130	127
<i>Financial liabilities</i>		
Secured term loans	10,298	10,298
Secured bankers' acceptances	944	944
Secured trust receipts	4,311	4,311

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4 Proforma Consolidated Cash Flow Statements

The cash flow statements of the Company and the Proforma Group set out below have been prepared for illustrative purposes only and are based on the audited financial statements of APB and its subsidiaries, associates and proposed associates for the year ended 30 September 2003. The proforma consolidated cash flow statement of the APB Group has been prepared on the assumption that the revised restructuring scheme as set out in Section 1.3 and the utilisation of proceeds had been effected on 30 September 2003.

		Company RM'000	Proforma Group RM'000
Cash flow from operating activities			
Cash payment to supplier or employee		-	1,000
		-----	-----
Net cash generated from operating activities		-	1,000
		-----	-----
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired	(ii)	-	16,567
Acquisition of associates		-	(10)
Purchase of property, plant and equipment		-	(4,860)
		-----	-----
Net cash generated from investing activities		-	11,697
		-----	-----
Cash flow from financing activities			
Repayment of bank borrowings		-	(3,481)
Repayment of hire purchase liabilities		-	(1,913)
Proceeds from issuance of shares		-	21,002
Listing expenses		-	(802)
		-----	-----
Net cash generated from financing activities		-	14,806
		-----	-----
Net increase in cash and cash equivalents		-	27,503
Cash and cash equivalents at beginning of period		*	-
		-----	-----
Cash and cash equivalents at end of period	(i)	*	27,503
		=====	=====

11. ACCOUNTANTS REPORT (Cont'd)



APB Resources Berhad
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Notes to the Proforma Consolidated Cash Flow Statements

	Company RM'000	Proforma Group RM'000
i) <i>Cash and cash equivalents</i>		
Cash and cash equivalents comprise:-		
Deposits with licensed banks	-	8,912
Cash and bank balances	*	18,591
	-----	-----
	*	27,503
	=====	=====

* Cash and bank balances of RM2.00

ii) *Acquisition of subsidiaries*

APB is assumed to have acquired EJ Group on 30 September 2003. The fair values of the assets and liabilities assumed are as follows:-

	RM'000
Property, plant and equipment	45,352
Investment in associate company	52
Other investments	130
Current assets	51,888
Current liabilities	(23,821)
Long term and deferred liabilities	(14,551)

Net assets acquired	59,050
Goodwill on acquisition	17,787

Purchase consideration	76,837
Less: Purchase consideration satisfied via issuance of Ordinary Shares and Irredeemable Convertible Preference Shares in APB	(76,837)

	-
Less: Cash and cash equivalents of EJ Group	(16,567)

Net cash inflow on acquisition of subsidiaries	(16,567)
	=====

11. ACCOUNTANTS REPORT (Cont'd)



APB Resources Berhad
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5 Proforma Net Tangible Assets Cover

Based on the statement of assets and liabilities of the Proforma APB Group as at 30 September 2003, the net tangible assets (NTA) cover per ordinary share is calculated as follows:

	Proforma Group RM'000
NTA per statement of assets and liabilities of the Proforma APB Group as at 30 September 2003	86,635 =====
Number of ordinary shares of RM1.00 each assumed in issue after the conversion of the ICPS ('000)	121,475 =====
Proforma NTA cover per ordinary share of RM1.00 each (RM)	0.71 =====

6 Events Subsequent to Balance Sheet Date of 30 September 2003

Subsequent to the balance sheet date, the following events had occurred:

- a) The authorised share capital of the Company was increased from RM100,000 to RM200,000,000 by the creation of 174,900,000 ordinary shares of RM1.00 each and 25,000,000 irredeemable convertible preference shares ("ICPS") of RM1.00 each; and
- b) The issued and paid up share capital of the Company was increased from RM2 to RM91,873,002 comprising RM66,873,002 ordinary shares of RM1.00 each and RM25,000,000 ICPS of RM1.00 each via the following events:
 - i) issuance of 934,000 new ordinary shares of RM1.00 each at par as consideration for the acquisition of NCK;
 - ii) issuance of 51,837,000 new ordinary shares of RM1.00 each and 25,000,000 new ICPS of RM1.00 each at par as consideration for the acquisition of EJ and its subsidiaries;
 - iii) issuance of 14,102,000 new ordinary shares of RM1.00 each at par as settlement of the liabilities of NCK.

The newly issued shares rank pari passu in all respects with the existing issued shares.

Other than the above, there were no events that have arisen subsequent to the balance sheet date which would require any amounts stated to be adjusted or any further disclosures to be made in this report.

11. ACCOUNTANTS REPORT *(Cont'd)*




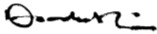
APB Resources Berhad
Accountants' Report
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7 Audited Financial Statements

No audited financial statements have been drawn up for any period subsequent to 30 September 2003.

Yours faithfully


KPMG
Firm Number: AF 0758
Chartered Accountants


Lim Hun Soon @ David Lim
Partner
Approval Number: 1514/5/04(J)