

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

14 Investments in associates

	MEASAT		AAAN Bermuda			As at
	As at 31 January		As at 31 January			31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Unquoted shares at cost	43,926	43,927	101,149	101,149	101,194	110,637
Advances and accruals for commitment to an associate	0	0	2,106	2,106	4,494	4,494
Group's share of losses	(7,323)	(10,645)	(45,547)	(48,706)	(50,781)	(50,638)
Accumulated impairment losses	0	0	(41,880)	(41,880)	(41,880)	(41,880)
Accumulated amortisation of goodwill	0	0	(3,496)	(7,310)	(11,124)	(12,186)
Exchange differences arising from translation	1,087	(52)	0	0	(14)	(43)
	37,690	33,230	12,332	5,359	1,889	10,384

Represented by:

Share of net assets	37,690	33,230	4,387	1,228	1,572	2,180
Goodwill on acquisition	0	0	7,945	4,131	317	8,204
	37,690	33,230	12,332	5,359	1,889	10,384

The advances to an associate are denominated in Brunei Dollars, unsecured, non-interest bearing and have no fixed terms of repayment.

Movements in goodwill	MEASAT		AAAN Bermuda			Six months
	Year ended 31 January		Year ended 31 January			ended 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
At beginning of year/period	0	0	0	7,945	4,131	317
Arising from acquisition of an associate	0	0	43,767	0	0	8,949
Amortisation charge	0	0	(3,496)	(3,814)	(3,814)	(1,062)
Impairment of goodwill	0	0	(32,326)	0	0	0
At end of year/period	0	0	7,945	4,131	317	8,204

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

14 Investments in associates (continued)

	MEASAT		AAAN Bermuda			As at 31 July 2003 RM'000
	As at 31 January		As at 31 January			
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Goodwill	0	0	43,767	43,767	43,767	52,716
Accumulated amortisation	0	0	(3,496)	(7,310)	(11,124)	(12,186)
Accumulated impairment	0	0	(32,326)	(32,326)	(32,326)	(32,326)
	0	0	7,945	4,131	317	8,204

The goodwill impairment charge has been made in respect of an associate because of operating losses sustained by that associate. The Directors considered that the carrying value of the Group's share of goodwill would not be recoverable.

The Group has equity accounted for losses of one of the associates up to the amount invested in equity and the advances and commitment made. The Group's share of losses exceeding the amount invested, advances and commitment made which have not been equity accounted for, amounted to:

	MEASAT		AAAN Bermuda			As at 31 July 2003 RM'000
	As at 31 January		As at 31 January			
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Group's share of losses for the year/period not recognised	0	0	0	15	972	254
Cumulative Group's share of losses not recognised	0	0	0	15	987	1,241

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

14 Investments in associates (continued)

Details of the associates are as follows:

Name of associates	Country of incorporation	Effective interest						Principal activities
		MEASAT		AAAN Bermuda				
		As at 31 January	As at 31 January	As at 31 January	As at 31 January	As at 31 July	As at 31 July	
1999 %	2000 %	2001 %	2002 %	2003 %	2003 %			
Hsin-Chi Broadcast Co. Ltd	Taiwan	35.7	35.7	35.7	35.7	35.7	35.7	Direct-to-Home satellite broadcasting services
Kristal-ASTRO Sdn. Bhd.	Brunei Darussalam	0	48.9	48.9	48.9	48.9	48.9	Provide Direct-to-Home satellite digital television broadcast and multimedia services and the supply of broadcasting apparatus
TVB Publishing Holding Limited (formerly known as TVB.Com Ltd)	Hong Kong	0	0	16.7	16.7	16.7	18.4	Investment holding, publication and distribution of magazine
ASTRO E.Com	India	0	0	0	0	49.0	49.0	Establish and invest in the business of telecommunications, web portal, electronic commerce and internet services

The Group has significant influence over the operations of TVBPH via certain participating rights including the approval of TVBPH's annual budget and appointment of certain key members of management. Refer Note 34(a) in relation to the Additional Shares allotted to the Group.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

15 Deferred tax assets

Deferred tax assets are calculated in full on temporary differences, which are considered to be probable of realisation, under the liability method using a principal tax rate of 28%.

The movement on the deferred tax assets is as follows:

	MEASAT		AAAN Bermuda			
	Year ended 31 January		Year ended 31 January			Six months ended 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
At beginning of year/period	0	0	0	0	0	613,000
Credited/(charged) to income statement	0	0	0	0	613,000	(5,640)
At end of year/period	0	0	0	0	613,000	607,360

The deferred tax assets are expected to be recovered as follows:

	MEASAT		AAAN Bermuda			
	As at 31 January		As at 31 January			As at 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Within one year	0	0	0	0	32,000	19,000
After one year	0	0	0	0	581,000	588,360
Total deferred tax assets	0	0	0	0	613,000	607,360

Deferred tax assets recognised are analysed as follows:

	Provisions and accruals RM'000	Tax losses RM'000	Capital allowances RM'000	Others RM'000	Total RM'000
As at 1 February 1999, 2000, 2001 and 2002	0	0	0	0	0
Credited to income statement	42,000	420,000	144,000	7,000	613,000
As at 31 January 2003/1 February 2003	42,000	420,000	144,000	7,000	613,000
(Charged)/credited to income statement	(10,000)	13,360	(8,000)	(1,000)	(5,640)
As at 31 July 2003	32,000	433,360	136,000	6,000	607,360

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

15 Deferred tax assets (continued)

Tax losses and capital allowances carried forward by MBNS have been recognised as deferred tax assets as at 31 January 2003. Following the continued increase in the multi-channel subscription television subscriber base, the Directors are of the opinion that sufficient taxable income will probably be generated in future years to utilise the tax losses and capital allowances carried forward.

The Group has the following tax losses and capital allowances carried forward for which the related tax effects have not been included in the financial statements, amounted to approximately:

	MEASAT		AAAN Bermuda			
	As at 31 January		As at 31 January			As at
	1999	2000	2001	2002	2003	31 July
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Tax losses carried forward	838,352	1,104,775	1,294,592	1,475,262	126,309	138,762
Capital allowances carried forward	261,285	313,609	374,899	440,029	29,639	29,350
Deductible temporary differences	32,495	44,047	56,709	138,502	0	0

In addition, certain Malaysian subsidiaries have unutilised investment tax allowances amounting to approximately:

	MEASAT		AAAN Bermuda			
	As at 31 January		As at 31 January			As at
	1999	2000	2001	2002	2003	31 July
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Investment tax allowances	424,751	459,529	468,713	470,945	472,074	472,074

The benefits of tax losses, capital allowances and investment tax allowances can be carried forward indefinitely and will be obtained when relevant subsidiaries derive future assessable income of a nature and of an amount sufficient for these tax losses, capital allowances and investment tax allowances to be utilised respectively.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

16 Film library and programme rights

	MEASAT		AAAN Bermuda			As at 31 July
	As at 31 January		As at 31 January			
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
<u>At amortised cost</u>						
Film library and programme rights	270,749	285,072	321,134	332,471	318,978	317,485
Accumulated amortisation	(154,948)	(189,880)	(248,713)	(284,006)	(306,947)	(288,840)
Production in progress	115,801	95,192	72,421	48,465	12,031	28,645
	0	0	661	1,879	2,304	3,265
Net book amount	115,801	95,192	73,082	50,344	14,335	31,910

	MEASAT		AAAN Bermuda			Six months ended 31 July
	Year ended 31 January		Year ended 31 January			
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
<u>Net book amount</u>						
At beginning of year/period	116,627	115,801	95,192	73,082	50,344	14,335
Additions	82,995	77,369	67,466	62,239	62,642	34,566
Amortisation charge	(83,821)	(97,978)	(89,576)	(84,977)	(98,651)	(16,991)
At end of year/period	115,801	95,192	73,082	50,344	14,335	31,910

The amounts of film library and programme rights which are pledged as security against the bank financing facilities are disclosed in Note 25(g).

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

17 Other intangible assets

	MEASAT		AAAN Bermuda			As at
	As at 31 January		As at 31 January			31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
At amortised cost						
<u>Software costs</u>						
Software costs capitalised	46,736	49,666	62,675	66,418	69,205	69,779
Accumulated amortisation	(22,590)	(34,618)	(43,997)	(50,710)	(60,563)	(63,427)
Net book amount	24,146	15,048	18,678	15,708	8,642	6,352
<u>Goodwill</u>						
Cost	0	0	0	0	0	445
Accumulated amortisation	0	0	0	0	0	(15)
Net book amount	0	0	0	0	0	430
<u>Total</u>						
Cost	46,736	49,666	62,675	66,418	69,205	70,224
Accumulated amortisation	(22,590)	(34,618)	(43,997)	(50,710)	(60,563)	(63,442)
Net book amount	24,146	15,048	18,678	15,708	8,642	6,782

	MEASAT		AAAN Bermuda			Six months
	Year ended		Year ended 31 January			ended
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	31 July 2003 RM'000
Net book amount						
<u>Software costs</u>						
At beginning of year/period	32,275	24,146	15,048	18,678	15,708	8,642
Additions	1,646	2,930	13,009	3,743	2,787	739
Disposals	0	0	0	0	0	(147)
Amortisation charge	(9,775)	(12,028)	(9,379)	(6,713)	(9,853)	(2,882)
At end of year/period	24,146	15,048	18,678	15,708	8,642	6,352

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

17 Other intangible assets (continued)

	MEASAT		AAAN Bermuda			
	Year ended 31 January		Year ended 31 January			Six months ended 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Net book amount (continued)						
<u>Goodwill</u>						
At beginning of year/period	0	0	0	0	0	0
Additions	0	0	0	0	0	445
Amortisation charge	0	0	0	0	0	(15)
At end of year/period	0	0	0	0	0	430
<u>Total</u>						
At beginning of year/period	32,275	24,146	15,048	18,678	15,708	8,642
Additions	1,646	2,930	13,009	3,743	2,787	1,184
Disposals	0	0	0	0	0	(147)
Amortisation charge	(9,775)	(12,028)	(9,379)	(6,713)	(9,853)	(2,897)
At end of year/period	24,146	15,048	18,678	15,708	8,642	6,782

The amounts of software cost capitalised which are pledged as security against the bank financing facilities are disclosed in Note 25(g).

18 Inventories

	MEASAT		AAAN Bermuda			
	As at 31 January		As at 31 January			As at 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
<u>At cost</u>						
Set-top boxes	441	35,993	63,558	23,784	57,386	42,000
Tapes and other materials	1,951	2,982	2,528	4,423	3,659	5,533
Total inventories	2,392	38,975	66,086	28,207	61,045	47,533

The amounts of inventories which are pledged as security for the bank financing facilities are disclosed in Note 25(g).

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

19 Receivables and prepayments

	MEASAT		AAAN Bermuda			As at
	As at 31 January		As at 31 January			31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Trade receivables	31,245	79,262	85,625	109,680	135,827	159,497
Impairment of trade receivables	(2,307)	(2,277)	(4,843)	(9,954)	(15,937)	(19,823)
Trade receivables - net	28,938	76,985	80,782	99,726	119,890	139,674
Other receivables	25,726	39,029	37,112	15,610	31,314	26,236
Impairment of other receivables	(17,247)	(168)	(129)	(129)	(406)	(406)
Other receivables - net	8,479	38,861	36,983	15,481	30,908	25,830
Amounts due from associates	3,357	6,577	8,899	8,843	10,487	8,357
Impairment of amount due from associates	(3,357)	(3,357)	(3,357)	(3,357)	(3,357)	(3,357)
Amounts due from associates - net	0	3,220	5,542	5,486	7,130	5,000
Amounts due from related parties	4,302	9,401	4,873	5,270	10,230	6,762
Impairment of amounts due from related parties	0	(258)	0	0	0	0
Amounts due from related parties - net	4,302	9,143	4,873	5,270	10,230	6,762
Total net receivables	41,719	128,209	128,180	125,963	168,158	177,266
Prepayments	19,760	15,784	16,368	14,777	24,358	43,236
Forward contract assets	0	0	4	385	0	0
	61,479	143,993	144,552	141,125	192,516	220,502

The amounts of receivables and prepayments which are pledged as security for the bank financing facilities are disclosed in Note 25(g).

Credit terms of trade receivables range from payment in advance to 90 days.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers. The Group's historical experience in collection of accounts receivable generally falls within the recorded allowances. The Directors believe that there is no additional credit exposure above the amounts provided.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

19 Receivables and prepayments (continued)

The currency exposure profile of total net receivables and forward contract assets is as follows:

	MEASAT		AAAN Bermuda			As at 31 July 2003 RM'000
	As at 31 January		As at 31 January			
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Ringgit Malaysia	29,087	108,505	103,731	115,768	141,870	155,315
U.S.\$	11,589	18,401	21,140	6,552	15,594	12,280
Indian Rupee	0	0	1,247	2,093	6,531	7,613
Others	1,043	1,303	2,066	1,935	4,163	2,058
	41,719	128,209	128,184	126,348	168,158	177,266

20 Deposits, cash and bank balances

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	MEASAT		AAAN Bermuda			As at 31 July 2003 RM'000
	As at 31 January		As at 31 January			
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Deposits with licensed banks	67,739	82,027	95,234	144,687	197,870	199,522
Cash and bank balances	5,301	12,995	20,791	22,441	29,288	20,532
Cash and cash equivalents	73,040	95,022	116,025	167,128	227,158	220,054

The amounts of deposits, cash and bank balances pledged as security for the bank financing facilities are disclosed in Note 25(g). Deposits of the Group have an average maturity of 30 days.

The range of effective interest rates per annum on deposits as at the end of the year/period is as follows:

	MEASAT		AAAN Bermuda			As at 31 July 2003
	As at 31 January		As at 31 January			
	1999	2000	2001	2002	2003	
Effective interest rates (%)						
Deposits with licensed banks	4.0 to 10.0	2.0 to 4.0	2.5 to 5.3	1.4 to 4.0	2.4 to 4.0	1.0 to 4.0

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

20 Deposits, cash and bank balances (continued)

The currency exposure profile of deposits, cash and bank balances is as follows:

	MEASAT		AAAN Bermuda			As at
	As at 31 January		As at 31 January			31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Ringgit Malaysia	72,975	94,959	112,416	161,773	222,915	215,772
U.S.\$	31	37	1,926	123	609	75
Indian Rupee	0	0	1,648	5,201	3,595	4,157
Others	34	26	35	31	39	50
	73,040	95,022	116,025	167,128	227,158	220,054

21 Ordinary shares

MEASAT – Ordinary Shares of MBNS

	Year ended 31 January	
	1999 RM'000	2000 RM'000
Authorised		
<u>Ordinary shares of RM1.00 each</u>		
At beginning/end of year	60,000	100,000
Consolidation of preference shares to ordinary shares	40,000	0
	100,000	100,000
	Number of shares '000	Nominal value RM'000
Issued and fully paid		
<u>Ordinary shares of RM1.00 each</u>		
As at 1 February 1998	62,857	62,857
Issued during the year	3,000	3,000
As at 31 January 1999	65,857	65,857

There has been no movement in the issued and paid-up ordinary shares since the year ended 31 January 1999.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

21 Ordinary shares (continued)

MEASAT – Ordinary Shares of MBNS (continued)

On 11 November 1998, the authorised share capital of MBNS was reorganised by consolidation of all its shares into 100,000,000 ordinary shares of RM1.00 each.

On the same date, MBNS made an offer by way of rights to the holders of ordinary shares in MBNS for the subscription of 10,000,000 ordinary shares of RM1.00 each in the share capital of MBNS comprising two series of 3,000,000 and 7,000,000 ordinary shares each (respectively "A Series Shares" and "B Series Shares") at an issue price of RM70.0 per share. The shares were to be fully paid upon acceptance of the provisional allotment which was to take place not later than 14 November 1998 in the case of the A Series Shares. The provisional allotment of the A Series Shares was fully accepted and paid-up on 14 November 1998 and the shares were issued on 16 November 1998. The B Series Shares had an acceptance period of 1 year. Subsequently, the shareholders renounced their rights to the B Series Shares.

On 27 March 2000, MBNS acquired the entire issued and paid-up share capital of RAPS, comprising 40,000,002 ordinary shares of RM1.00 each at par, in exchange for MBNS's 2,857,142 new ordinary shares of RM1.00 each, credited as fully paid. The excess of the value of the shares acquired over the nominal value of shares issued amounted to RM37.1 million.

AAAN Bermuda – Ordinary shares of AAAN Bermuda Ltd

	Year ended 31 January			Six months ended
	2001	2002	2003	31 July
Authorised	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000
<u>Ordinary shares of U.S.\$0.10 each</u>				
At beginning of year/period	46	760,000	760,000	760,000
Created during the year/period	759,954	0	0	0
At end of year/period				
- 2,000,000,000 ordinary shares	760,000	760,000	760,000	760,000
Issued and fully paid		Note	Number of shares '000	Nominal value RM'000
<u>Ordinary shares of U.S.\$0.10 each</u>				
As at 1 February 2000		(i)	1,185,429	450,462
Ordinary shares paid		(ii)	120	46
As at 31 January 2001			1,185,549	450,508

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

21 Ordinary shares (continued)

AAAN Bermuda – Ordinary shares of AAAN Bermuda Ltd (continued)

- (i) On 12 October 2000, AAAN Bermuda Ltd issued 1,185,428,556 new ordinary shares of U.S.\$0.10 each at par, amounted to RM450.5 million as consideration for the acquisition of MBNS. Applying the principles of uniting of interests, the issuance of these shares have been presented as if the shares issuance had been in effect for all periods.
- (ii) On the date of incorporation (27 January 2000), AAAN Bermuda Ltd issued 120,000 ordinary shares of U.S.\$0.10 each at par, amounted to RM46,000 for cash. These shares were fully paid up in May 2000.

There has been no movement in the issued and paid-up ordinary shares since the year ended 31 January 2001.

22 Contributed surplus account

MEASAT

	Note	RM'000
Arising from MBNS's business combination with RAPS	(i)	37,143

AAAN Bermuda

	Note	RM'000
Arising from MBNS's business combination with RAPS	(i)	37,143
Arising from AAAN Bermuda Ltd's business combination with MBNS	(ii)	803,948
Total contributed surplus account		841,091

- (i) On 27 March 2000, MBNS acquired the entire issued and paid-up share capital of RAPS, comprising 40,000,002 ordinary shares of RM1.00 each at par, in exchange for MBNS's 2,857,142 new ordinary shares of RM1.00 each, credited as fully paid. The excess of the value of the shares acquired over the nominal value of shares issued amounted to RM37.1 million.
- (ii) On 12 October 2000, AAAN Bermuda Ltd acquired the entire issued and paid-up share capital of MBNS, comprising 65,857,142 ordinary shares of RM1.00 each. AAAN Bermuda Ltd issued 1,185,428,556 new ordinary shares of U.S.\$0.10 each as consideration for the said acquisition. The excess of the value of the share capital acquired of RM1,254.4 million over the nominal value of shares being issued of RM450.5 million amounted to RM803.9 million.

In accordance with the provision of Section 40(1) of the Bermuda Companies Act, the excess of the value of the shares acquired over the nominal value of shares being issued is credited to a contributed surplus account.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

23 Minority interests

	MEASAT		AAAN Bermuda			
	Year ended 31 January		Year ended 31 January			Six months ended 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
At beginning of year/period	0	0	0	0	0	0
Acquisition	500	0	0	0	6	0
Additional share capital subscribed	0	0	0	20	0	0
Share of net losses	(500)	0	0	(20)	(6)	0
At end of year/period	0	0	0	0	0	0

Minority shareholders shared their losses in the subsidiaries up to the amount invested. The minority shareholders' share of losses exceeding the amount invested amounted to:

	MEASAT		AAAN Bermuda			
	As at 31 January		As at 31 January			As at 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Share of losses for the year/period not recognised	0	449	198	163	350	89
Cumulative share of losses not recognised	0	449	647	810	1,160	366

On 27 May 2003, the Group acquired the remaining 20% shareholding in ASTRO Shaw Sdn Bhd and commencing from this date, there is no minority shareholders in ASTRO Shaw Sdn Bhd.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

24 Corporate shareholder's advances (interest bearing)

	Note	MEASAT		AAAN Bermuda			As at 31 July 2003 RM'000
		As at 31 January		As at 31 January			
		1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Unsecured							
Current	(a)	28,186	55,716	0	0	0	0
Non-current	(b)	0	0	35,183	166,641	180,917	187,899
Total corporate shareholder's advances		28,186	55,716	35,183	166,641	180,917	187,899

- (a) The corporate shareholder's advances from UTES are repayable in full on demand.
- (b) The repayment of corporate shareholder's advances from UTES are subordinated to the ECA Facility, PDS Facility and BPI Facility unless repaid by an equivalent amount of equity injection.
- (c) The interest rates charged on the shareholder's advances are as follows:
- (i) Fixed interest rate of 9.5% per annum.
 - (ii) Floating interest rate of 2.5% per annum above the base lending rate of RHB Bank Berhad.

The effective interest rates per annum of the corporate shareholder's advances as at the end of the year/period are as follows:

	MEASAT		AAAN Bermuda			As at 31 July 2003 %
	As at 31 January		As at 31 January			
	1999 %	2000 %	2001 %	2002 %	2003 %	
Current	16.0	9.5	n/a	n/a	n/a	n/a
Non-current	n/a	n/a	9.5	8.9 to 9.5	8.9 to 9.5	8.5 to 9.5

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

24 Corporate shareholder's advances (interest bearing) (continued)

	MEASAT		AAAN Bermuda			
	Year ended 31 January		Year ended 31 January			Six months ended 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
At beginning of year/period	0	28,186	55,716	35,183	166,641	180,917
Advanced during the year/period	132,050	32,620	53,050	125,000	0	0
Advances capitalised during the year/period	(105,000)	0	0	0	0	0
Repayment during the year/period	0	(10,000)	(69,670)	0	0	0
Finance cost	6,222	5,138	3,127	6,458	14,276	6,982
Payment of finance cost	(5,086)	(228)	(7,040)	0	0	0
At end of year/period	28,186	55,716	35,183	166,641	180,917	187,899

25 Borrowings (interest bearing)

	MEASAT		AAAN Bermuda			
	As at 31 January		As at 31 January			As at 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Current						
<u>Unsecured</u>						
Revolving credit	4,000	4,000	23,000	34,550	0	0
Bankers' acceptances	0	29,578	78,342	0	0	0
Promissory notes	0	0	123,328	144,182	156,488	163,020
Ringgit/Foreign currency trade loan	0	9,031	0	0	0	0
	4,000	42,609	224,670	178,732	156,488	163,020
<u>Secured</u>						
PDS Facility	0	0	0	0	0	34,608
Syndicated revolving credit	1,178	5,144	0	0	0	0
ECA Facility	0	0	22,726	37,395	37,807	38,148
Short term loan	0	0	1,256	0	0	0
Finance lease liabilities	165,466	145,916	38,935	70,770	24,412	25,604
	166,644	151,060	62,917	108,165	62,219	98,360
Total current borrowings	170,644	193,669	287,587	286,897	218,707	261,380

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

25 Borrowings (interest bearing) (continued)

	MEASAT		AAAN Bermuda			As at 31 July 2003 RM'000
	As at 31 January		As at 31 January			
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Non-Current						
<u>Unsecured</u>						
Promissory notes	0	0	10,960	0	0	0
<u>Secured</u>						
Syndicated revolving credit	285,500	500,000	0	0	0	0
PDS Facility	0	0	637,305	684,379	697,469	671,148
ECA Facility	0	0	80,695	105,554	66,585	48,052
BPI Facility	0	0	0	0	0	24,883
Finance lease liabilities	602,005	249,046	177,310	139,780	115,368	102,261
	887,505	749,046	895,310	929,713	879,422	846,344
Total non-current borrowings	887,505	749,046	906,270	929,713	879,422	846,344

	Note	MEASAT		AAAN Bermuda			As at 31 July 2003 RM'000
		As at 31 January		As at 31 January			
		1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Total							
<u>Unsecured</u>							
Revolving credit	(a)	4,000	4,000	23,000	34,550	0	0
Bankers' acceptances	(a)	0	29,578	78,342	0	0	0
Promissory notes	(b)	0	0	134,288	144,182	156,488	163,020
Ringgit/Foreign currency trade loan	(c)	0	9,031	0	0	0	0
		4,000	42,609	235,630	178,732	156,488	163,020

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

25 Borrowings (interest bearing) (continued)

Total	Note	MEASAT		AAAN Bermuda			As at
		As at 31 January		As at 31 January			31 July
		1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
<u>Secured</u>							
Short term loan	(a)	0	0	1,256	0	0	0
Syndicated revolving credit	(c)	286,678	505,144	0	0	0	0
PDS Facility	(d)	0	0	637,305	684,379	697,469	705,756
ECA Facility	(e)	0	0	103,421	142,949	104,392	86,200
BPI Facility	(f)	0	0	0	0	0	24,883
Finance lease liabilities	(h)	767,471	394,962	216,245	210,550	139,780	127,865
		1,054,149	900,106	958,227	1,037,878	941,641	944,704
Total borrowings		1,058,149	942,715	1,193,857	1,216,610	1,098,129	1,107,724

	MEASAT		AAAN Bermuda			As at
	As at 31 January		As at 31 January			31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
<u>Maturity period:</u>						
Current						
- not later than 1 year	170,644	193,669	287,587	286,897	218,707	261,380
Non-current						
- later than 1 year but not more than 2 years	336,482	560,258	71,496	61,595	375,528	380,878
- later than 2 years but not more than 5 years	185,628	100,273	602,121	841,634	503,894	440,583
- later than 5 years	365,395	88,515	232,653	26,484	0	24,883
	1,058,149	942,715	1,193,857	1,216,610	1,098,129	1,107,724

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

25 Borrowings (interest bearing) (continued)

The currency exposure profile of borrowings is as follows:

	MEASAT		AAAN Bermuda			As at
	As at 31 January		As at 31 January			31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Ringgit Malaysia	559,258	799,333	1,029,647	1,008,584	922,959	947,792
U.S.\$	498,891	143,382	162,954	208,026	175,170	159,932
Others	0	0	1,256	0	0	0
	1,058,149	942,715	1,193,857	1,216,610	1,098,129	1,107,724

The effective interest rates per annum of the bank financing facilities as at the end of the year/period are as follows:

	MEASAT		AAAN Bermuda			As at
	As at 31 January		As at 31 January			31 July
	1999 %	2000 %	2001 %	2002 %	2003 %	2003 %
Syndicated revolving credit	8.9 to 10.1	5.4 to 7.0	n/a	n/a	n/a	n/a
Ringgit/Foreign trade loan	n/a	8.2 to 8.3	n/a	n/a	n/a	n/a
Revolving credit	8.3	5.3	4.4 to 5.3	4.0 to 5.3	n/a	n/a
Bankers' acceptances	n/a	4.1 to 6.1	4.3 to 6.0	n/a	n/a	n/a
Short term loan	n/a	n/a	16.0	n/a	n/a	n/a
Promissory notes	n/a	n/a	8.7	8.4	8.4	8.0
PDS Facility:						
- Bank Guaranteed						
Fixed Rate Bonds ("Bonds")	n/a	n/a	8.1	8.1	8.1	8.1
- Bank Guaranteed						
Medium Term Notes ("MTN")	n/a	n/a	5.9 to 6.0	5.9 to 6.0	5.9 to 6.0	5.9 to 6.0
- Bank Guaranteed						
Commercial Papers ("CP")	n/a	n/a	3.7 to 4.4	3.5 to 3.7	3.4	3.3 to 3.4
ECA Facility:						
- Export Kreditnamnden ("EKN")	n/a	n/a	13.2	9.6 to 9.7	9.0 to 9.1	8.7 to 8.8
- Office National du Dueroire ("OND")	n/a	n/a	n/a	7.8 to 8.0	7.4 to 7.6	7.2 to 7.3
- Commercial Facility	n/a	n/a	11.7	8.2 to 8.3	7.8 to 8.0	7.5 to 7.7
BPI Facility	n/a	n/a	n/a	n/a	n/a	7.2

* n/a - not applicable as these facilities were not utilised or the facilities were not available or the facilities have been fully repaid as at the end of the year/period reported.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

25 Borrowings (interest bearing) (continued)

(a) Revolving credit, bankers' acceptances and short term loan

Revolving credit

The revolving credit facilities bear interest at cost of funds to the lender plus a margin ranging from 0.3% to 0.8% per annum. The revolving credit facilities are repayable on demand and subject to periodic review. A commitment fee of 1.0% per annum is charged on the unutilised portion of the facility.

Bankers' acceptances

Bankers' acceptances were payable between 180 and 365 days of issuance. The commission rates of the bankers' acceptances range from 0.3% to 2.3% per annum over the bank's cost of funds.

Short term loan

The secured short term loan was from a licensed bank. It was secured against the security of a standby letter of credit.

(b) Promissory notes

The promissory notes are unsecured and subject to interest at the rate of 2.0% above the Malayan Banking Berhad ("MBB") base lending rate per annum, calculated on a daily basis, on the amount outstanding at the expiry of a 14 business day period from the relevant repayment dates. All the promissory notes reached their maturity by 1 July 2002. The bearers of these promissory notes have yet to present these notes for payment.

(c) Syndicated revolving credit and Ringgit/Foreign currency trade loan

As at 31 January 2000, MBNS had fully drawn down the syndicated revolving credit facility ("RC") of RM500 million. The RC bear interest at the cost of funds for each lender plus a margin of 1.5% per annum. The assets pledged as collateral under the RC is disclosed in Note 25(g). The RC was refinanced by the PDS facility on 13 June 2000.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

25 Borrowings (interest bearing) (continued)

(c) Syndicated revolving credit and Ringgit/Foreign currency trade loan (continued)

The Ringgit/Foreign currency trade loan bears interest cost at the lenders' base lending rate and foreign currency cost of funds plus 2.25% per annum, respectively.

(d) RM715.0 million Private Debt Securities Facility ("PDS Facility")

The PDS Facility was drawn as follows:

	MEASAT		AAAN Bermuda			As at 31 July 2003 RM'000
	As at 31 January		As at 31 January			
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Bonds	0	0	350,000	350,000	350,000	350,000
MTN	0	0	220,000	220,000	220,000	220,000
CP	0	0	110,000	145,000	145,000	145,000
Amounts drawn down	0	0	680,000	715,000	715,000	715,000

On 28 March 2000, MBNS entered into financing agreements for a total facility of RM715.0 million comprising RM365.0 million 6-year Bank Guaranteed Commercial Papers/Medium Term Notes and RM350.0 million 5-year and 6-year Bank Guaranteed Fixed Rate Bonds ("PDS Facility").

The PDS Facility is supported by a syndicated bank guarantee facility for a total of RM731.0 million (inclusive of one coupon payment on the Bonds) for which the Group has pledged, as collateral, certain assets of its subsidiaries as disclosed in Note 25(g). The bank guarantee commission per annum is 1.75% on the amount guaranteed.

The PDS Facility is subject to covenants, representations and warranties, events of default and MBNS consolidated financial ratio covenants. The MBNS consolidated financial ratio covenants as defined in the PDS Facility agreement include: the debt to shareholders' fund (after excluding depreciation and non-cash items) ratio shall not exceed 1.5:1 at all times; debt to earnings before interest, taxation, depreciation and amortisation ("EBITDA") ratio in the third year, fourth year and thereafter, from the date of the agreement shall not exceed 3.50, 2.50 and 1.50, respectively; and payment coverage ratio being EBITDA to principal plus interest, for the period commencing from the fourth year and thereafter, shall not be less than 1.25:1 at all times. The other covenants include minimum number of multi-channel subscription television subscriptions and the prohibition on the issuance of guarantees and indemnities for the benefit of, among others, any related party, except as disclosed in writing to the facility agent and consented to in writing by the guarantors.

Bank Guaranteed Fixed Rate Bonds ("Bonds") comprise RM175.0 million 5-year 7.8% bonds at a nominal value of RM1.00 each and RM175.0 million 6-year 7.9% bonds at a nominal value of RM1.00 each. Interest on the Bonds is payable semi-annually in arrears and redeemable on the maturity dates of 13 June 2005 and 13 June 2006 for the 5-year bonds and 6-year bonds, respectively.

Bank Guaranteed Commercial Papers ("CP") may be issued with tenure of three, six, nine and twelve months and may be re-issued when they mature for further periods up to a total of five years. Bank Guaranteed Medium Term Notes ("MTN") may be issued with tenure of two, three and four years. The MTN may be converted to CP for a further period of up to 2 years. The CP and MTN are negotiable non-interest bearing bank-guaranteed promissory notes in bearer form issued at a discount to face value.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

25 Borrowings (interest bearing) (continued)

(d) RM715.0 million Private Debt Securities ("PDS Facility") (continued)

The net proceeds of CP and MTN are repayable in amounts of RM35.0 million, RM140.0 million and RM175.0 million by the fourth, fifth and sixth anniversary, respectively, from 13 June 2000, the date of issue.

MBNS entered into a Supplemental Guarantee Facility Agreement on 24 March 2003 to amend certain terms in the PDS syndicated bank guarantee facility agreement. The purpose of the amendments is to, inter alia, include the term loan facility of RM500.0 million with a bank guarantee sub-limit of RM100.0 million obtained by MBNS from Bank Pembangunan dan Infrastruktur Malaysia Berhad ("BPI Facility") as a permitted security interest within the definition of the PDS syndicated bank guarantee facility agreement. The amendments also include a revision to the definition of Debt and Debt to EBITDA ratio where for the financial year ending 2004, 2005, 2006 and thereafter from the date of the Supplemental Guarantee Facility Agreement shall not exceed 3.5:1, 2.5:1, 2.0:1 and 1.5:1, respectively. The amendments also provide that all shareholder's advances shall be subordinated to the PDS Facility unless repaid by an equivalent amount of equity injection and except for advances to MBNS's subsidiaries in the ordinary course of business and on arm's length basis, the net aggregate amount outstanding of not exceeding RM30.0 million, in any one financial year.

(e) U.S.\$80.0 million foreign structured trade finance ("ECA Facility")

On 1 June 2000, MBNS entered into a financing agreement for a 5-year U.S.\$80.0 million foreign structured trade finance facility for the purchase of set-top boxes. The facility also provides for MBNS to enter into currency swap arrangements up to the ECA Facility amount ("Currency Swap Facility"), which was subsequently reduced to U.S.\$40.0 million on 13 May 2002. The Currency Swap Facility is secured up to U.S.\$12.0 million if utilised as part of the ECA Facility. MBNS has not drawn down the Currency Swap Facility. The ECA Facility comprises three term loan facilities: facilities guaranteed by the Swedish (Export Kreditnämnden, "EKN") and Belgian (Office National du Ducroire, "OND") export credit agencies of up to U.S.\$34.0 million each and the remaining U.S.\$12.0 million is a commercial facility ("Commercial Facility") without any guarantee. The assets pledged as collateral under the ECA Facility is disclosed in Note 25(g).

The ECA Facility (as amended from time to time) is subject to covenants, representations and warranties and events of default and MBNS consolidated financial ratio covenants. The MBNS consolidated financial ratio covenants as defined in the ECA Facility agreement include: the tangible net worth ("TNW") be positive at all times for the period from the date of the agreement to 31 January 2003; the total debt to TNW ratio shall not exceed 1.5:1 for the period from 1 February 2003 to maturity of OND facility on 1 November 2005. Total debt to EBITDA ratio shall not exceed 5.5:1 as at 31 January 2002. However, interest margins will increase by 1% if the total debt to EBITDA ratio is more than 4:1 but less than or equal to 5.5:1 as at 31 January 2002. Total debt to EBITDA ratio shall not exceed 4:1, 2.5:1 and 1.5:1 for the period from 1 February 2002 to 31 January 2003, from 1 February 2003 to 31 January 2004 and from 1 February 2004 to the OND final maturity date on 1 November 2005 respectively; the debt service coverage ratio is not less than 1.2:1 for the six monthly periods commencing on 31 July 2001 and ending on the OND facility final maturity date on 1 November 2005. In addition, MBNS is required to meet covenants on the minimum number of multi-channel subscription television subscriptions.

MBNS commenced its first drawdown on 15 December 2000. As at 31 July 2001, the final availability date under the facility, the undrawn amount of U.S.\$27.4 million was no longer available to MBNS.

The ECA Facility is repayable in equal successive, semi-annual instalments, commencing from 31 October 2000 to 31 March 2005 for the EKN facility and from 1 May 2001 to 1 November 2005 for the OND and Commercial Facility. The interest payable is 1.0%, 1.0% and 3.3% above London Inter-Bank Offer Rate ("LIBOR") per annum for the EKN, OND and Commercial Facility, respectively. The repricing of the LIBOR is on semi-annual basis.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

25 Borrowings (interest bearing) (continued)

(e) U.S.\$80.0 million foreign structured trade finance ("ECA Facility") (continued)

Under the ECA Facility, UTES and certain existing ordinary shareholders are required to provide shareholder support up to a maximum of RM490.0 million by way of equity injection or loans subordinated to the ECA Facility and PDS Facility. In addition, MBNS is required to procure the corporate shareholder to provide to AAAN Bermuda Ltd a Cash Deficiency Facility of up to maximum of RM510.0 million, in the form of equity or subordinated loan and to undertake an amount of U.S.\$75.0 million plus interest should obligation arise for AAAN Bermuda Ltd to redeem the A Series RCPS.

MBNS entered into an Amendment and Restatement Agreement on 17 March 2003 to incorporate amendments to certain key terms of the ECA Facility financing agreement, which include the amendment to the definition of "permitted security interests" and "permitted indebtedness" to include the BPI Facility. The amendments also include the replacement of all TNW related covenants with maximum total debt to adjusted free cashflow covenants of 5.0:1 and 4.5:1 as at 31 January 2004 and 2005, total debt to EBITDA ratio shall not exceed 3.5:1, 2.5:1 and 2.0:1 for the financial years ending 2004, 2005 and thereafter to ending of OND final maturity date on 1 November 2005, respectively, and allow loans to subsidiaries located in Malaysia for funding of their business, provided that the subsidiary is in the same line of business as MBNS and net aggregate amount outstanding under such loans shall not exceed RM30.0 million in any financial year.

Although the Amendment and Restatement Agreement provides for the release of the Cash Deficiency Facility undertaken by AAAN Bermuda Ltd to MBNS and hence releases UTES from the undertaking of the Cash Deficiency Facility to AAAN Bermuda Ltd, it states that if at any time any commitment of the BPI Facility is cancelled or not drawn by the end of the availability period, MBNS will procure AAAN Bermuda Ltd, UTES and Usaha Tegas Sdn Bhd to provide MBNS with a cash deficiency facility to an amount that equals the amount of commitment of the BPI Facility that was cancelled.

(f) RM500.0 million term loan facility with bank guarantee sub-limit of RM100.0 million ("BPI Facility")

On 6 February 2003, MBNS entered into a financing agreement with Bank Pembangunan dan Infrastruktur Malaysia Berhad for a term loan facility of RM500.0 million with a bank guarantee sub-limit of RM100.0 million ("BPI Facility"). The BPI Facility has a tenure of 10 years and consists of 2 tranches as follows:

- (i) Tranche 1: RM300.0 million is available within 12 months from the date of the agreement. Interest is payable at 7.0% per annum for 1st to 5th year and 1.5% per annum over the lender's cost of funds ("COF") as defined in the agreement for 6th to 10th year.
- (ii) Tranche 2: RM200.0 million is available within 5 years from the date of the agreement. Interest is payable at 1.5% per annum over the COF.

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

25 Borrowings (interest bearing) (continued)

(f) RM500.0 million term loan facility with bank guarantee sub-limit of RM100.0 million ("BPI Facility")
 (continued)

The BPI Facility are subject to covenants, representations and warranties, events of default and MBNS consolidated financial ratio covenants. MBNS consolidated financial ratio covenants as defined in the BPI Facility agreement include: Debt to Shareholder's Fund (after excluding depreciation and non-cash items) ratio shall not exceed 1.5:1 at all times, Debt to EBITDA ratio for the financial year ending 2004, 2005 and 2006 and thereafter from the date of the agreement shall not exceed 3.50, 2.50, 2.00 and 1.50, respectively.

Interest is payable semi-annually in arrears. The BPI Facility is repayable in the 9th and 10th year from date of first drawdown at equal instalments of RM250.0 million each. The bank guarantee interest per annum is 1.0% on the amount guaranteed.

MBNS commenced its first drawdown on 16 July 2003.

The assets of subsidiaries which are pledged as collateral is disclosed in Note 25(g).

(g) Securities for bank financing facilities

All assets of MBNS and MEASAT Digicast Sdn Bhd ("Digicast") (before elimination of inter-company balances), are pledged as securities on a pari passu basis to the syndicated revolving credit as at 31 January 1999 and 2000 and subsequently to PDS Facility, ECA Facility and BPI Facility. The amount of assets pledged is as follows:

	MEASAT		AAAN Bermuda			As at 31 July 2003 RM'000
	As at 31 January		As at 31 January			
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Property, plant and equipment	517,327	456,434	394,070	322,380	268,630	249,254
Subsidiaries	17,150	17,150	20,507	20,507	20,507	20,952
Film library and programme rights	113,336	94,816	72,421	48,378	11,446	25,770
Other intangible assets	24,146	15,048	18,678	15,708	8,642	6,352
Inventories	2,392	38,975	65,806	27,932	61,023	47,512
Receivables and prepayments	291,657	379,680	454,667	486,670	478,867	503,224
Deposits, cash and bank balances	70,077	91,758	104,523	135,231	170,123	153,184
	1,036,085	1,093,861	1,130,672	1,056,806	1,019,238	1,006,248

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

25 Borrowings (interest bearing) (continued)

(g) Securities for bank financing facilities (continued)

The rights, title, interest and benefits of MBNS and Digicast for the following are also assigned to the PDS Facility, ECA Facility and BPI Facility:

- (i) All Asia Broadcast Centre land rented;
- (ii) Malaysia East Asia Satellite 1 ("MEASAT-1) transponder lease agreement with Binariang Satellite Systems Sdn Bhd ("BSS"), the transponder insurance and the broadcast's all risk policy;
- (iii) agreement for the supply of daughter smartcards and the mediaguard system licence agreement, both with the Societe Europeene de Controle D'accès; and
- (iv) mediahighway licence agreement with Canal+.

MBNS is also required to establish various bank accounts, to be secured in favour of the lenders, for the purpose of controlling cashflows into and out of these accounts. In general, all revenues and cash receipts are required to be deposited into revenue accounts and to be applied in specific orders as provided in the PDS Facility, ECA Facility and BPI Facility before any dividend payments.

Mones in the collection accounts may be withdrawn for daily transfers (subject to sufficient threshold limits) into the revenue accounts. Accumulated balances in the revenue accounts may be transferred on the 21st day of each month into the disbursement accounts as stipulated under the Joint Security Agreement for the PDS Facility and ECA Facility to meet MBNS's expenditures set out in its annual budget.

As stipulated under the Substitute Joint Security Agreement for the PDS Facility, ECA Facility and BPI Facility dated 24 March 2003, with effect from 22 May 2003, the date of transfer of funds was changed to the last day of each month.

The bank balances in the collection and revenue accounts are as follows:

	MEASAT		AAAN Bermuda			
	As at 31 January		As at 31 January			As at 31 July
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Bank balances	0	0	17,502	17,423	17,991	14,140
Deposits with licensed banks	0	0	36,293	25,250	33,800	0
	0	0	53,795	42,673	51,791	14,140

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

25 Borrowings (interest bearing) (continued)

(g) Securities for bank financing facilities (continued)

Deposits were pledged by certain subsidiaries in the Group with commercial banks to provide up to 100% security coverage for ad-hoc bank guarantees and letters of credit issued on the subsidiaries' behalf. The deposits were pledged by way of letters of set-off with the banks. Total amount of deposits pledged are as follows:

	MEASAT		AAAN Bermuda			As at 31 July 2003 RM'000
	As at 31 January		As at 31 January			
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Deposits pledged	26	27	1,762	1,584	1,690	1,885

MBNS is not allowed to redeem or purchase its own shares or to pay dividends, without prior consent in writing from the lenders and guarantors of the bank financing facilities.

(h) Finance lease liabilities

This represents amounts owing to BSS, a related party, for the lease of transponders.

	MEASAT		AAAN Bermuda			As at 31 July 2003 RM'000
	As at 31 January		As at 31 January			
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Current						
Lease rental obligations	46,543	18,341	20,175	22,193	24,412	25,604
Rescheduled lease rental payments	0	68,040	18,760	26,077	0	0
Lease rental payments in arrears	118,923	0	0	22,500	0	0
Fee payable on termination of MEASAT-2 lease	0	59,535	0	0	0	0
Current	165,466	145,916	38,935	70,770	24,412	25,604

22. ACCOUNTANTS' REPORT (Cont'd)



Accountants' Report

IV MEASAT and AAAN Bermuda (continued)

Notes to the consolidated financial statements (continued)

25 Borrowings (interest bearing) (continued)

(h) Finance lease liabilities (continued)

	MEASAT		AAAN Bermuda			As at 31 July 2003 RM'000
	As at 31 January		As at 31 January			
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	
Non-current						
Lease rental obligations	602,005	182,148	161,973	139,780	115,368	102,261
Rescheduled lease rental payments	0	66,898	15,337	0	0	0
Non-current	602,005	249,046	177,310	139,780	115,368	102,261
Total						
Lease rental obligations	648,548	200,489	182,148	161,973	139,780	127,865
Rescheduled lease rental payments	0	134,938	34,097	26,077	0	0
Lease rental payments in arrears	118,923	0	0	22,500	0	0
Fee payable on termination of MEASAT-2 lease	0	59,535	0	0	0	0
Total finance lease liabilities	767,471	394,962	216,245	210,550	139,780	127,865

Lease liabilities are effectively secured as the rights of the leased asset revert to the lessor in the event of default. The effective interest rate of the finance lease is 9.7% per annum.

The transponder lease rental payments on MEASAT-1 transponders are made in quarterly instalments in advance over the term of 11.5 years, which commenced on 1 May 1996.

For rescheduled lease rental payments, an interest of 10.0% per annum is charged. Also interest is charged on balances which remain unpaid at the due date on both rescheduled lease rental payments and lease rental payments in arrears.

On 30 January 2000, the lease of MEASAT-2 satellite transponder was terminated as disclosed in Note 5.