
ACCOUNTANT'S REPORT

**REPORTING ACCOUNTANTS' LETTER
ON THE CONSOLIDATED CASH FLOW PROJECTIONS**
(Prepared for inclusion in the Offering Circular)

5 November 2001

The Board of Directors
Kumpulan Guthrie Berhad
Wisma Guthrie
21 Jalan Gelenggang
Damansara Heights
50490 Kuala Lumpur

ABN AMRO Bank Berhad
Level 26 MNI Twins
Tower 2,
11 Jalan Pinang
50450 Kuala Lumpur

Dear Sirs,

**KUMPULAN GUTHRIE BERHAD
CONSOLIDATED CASH FLOW PROJECTIONS
FOR THE SEVEN FINANCIAL YEARS ENDING 31 DECEMBER 2007**

Introduction

We have been requested to review the calculations and accounting policies for the consolidated cash flow projections of Kumpulan Guthrie Berhad ("**Guthrie**") and its subsidiary companies (jointly referred to as "**Guthrie Group**") for the period of seven financial years from 2001 to 2007. The consolidated cash flow projections has been prepared for the purpose of inclusion in the Offering Circular, in connection with the proposed issuance of the following by First Global Sukuk Inc., a bankruptcy remote, special purpose company incorporated in Labuan under the Offshore Companies Act, 1990:

- (i) USD50 million Trust Certificates due 2004, Series A, bearing a return equal to 1.5 per cent per annum above the London inter-bank offered rate for USD deposits; and
- (ii) USD100 million Trust Certificates due 2006, Series B, bearing a return equal to 2.0 per cent per annum above the London inter-bank offered rate for USD deposits.

(hereinafter referred to as the "**Proposals**")

**REPORTING ACCOUNTANTS' LETTER
ON THE CONSOLIDATED CASH FLOW PROJECTIONS (CONTD.)**

(Prepared for inclusion in the Offering Circular)

Consolidated Cash Flow Projections

The consolidated cash flow projections of the Guthrie Group for the period of seven financial years from 2001 to 2007 are as set out in the accompanying statement, for which we have stamped for the purpose of identification.

The Directors of Guthrie are responsible for the preparation and presentation of the consolidated cash flow projections, which have been prepared on a basis consistent with the accounting policies normally adopted by the Guthrie Group, including the assumptions on which the projections are based.

The consolidated cash flow projections include significant assumptions about future events and outlook that may not necessarily occur. In particular, the consolidated cash flow projections are substantially dependent on the achievability of the specific assumptions used in preparing Guthrie's consolidated cash flow projections. Future results will be materially affected should the actual events differ from these specific assumptions as well as changes in the economic and other circumstances, and for these reasons, the actual results may vary considerably from the consolidated cash flow projections.

For the purpose of the Proposals, the consolidated cash flow projections are presented in an abbreviated form and hence, do not conform with the presentation and disclosures prescribed by the generally accepted accounting standards in Malaysia.

Scope of Work

We have reviewed the calculations and accounting policies for the consolidated cash flow projections of Guthrie Group for the period of seven financial years from 2001 to 2007 in accordance with Malaysian Approved Standards on Auditing applicable to review engagements. This review consisted of:

- enquiries as to the process used in preparing the cash flow projections;
- consideration and discussion with the Directors on the evidence supporting the assumptions underlying the cash flow projections ("**best-estimate assumptions**") as well as the significant implications of the assumptions underlying the cash flow projections ("**hypothetical assumptions**"); and
- a review of the compilation of the cash flow projections comprising mathematical checks and reviews of consistency and with basis described above.

We emphasize that the projections cover an extended future period of time for which there are inherent risks, and therefore should be treated with caution. Due to the extended period of time, there is an inherent limitation on the ability of the Directors to make best-estimate assumptions.

**REPORTING ACCOUNTANTS' LETTER
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Opinion

Subject to the foregoing, in our opinion, the consolidated cash flow projections, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors as set out in the accompanying statement and are presented on a basis consistent with the accounting policies normally adopted by the Guthrie Group.

Limitations

This letter has been prepared solely for inclusion in the Offering Circular in connection with the abovementioned purpose, and should not be distributed to or relied upon by any other party for any purpose whatsoever, without our prior written consent.

Yours faithfully,

ERNST & YOUNG AF:0039
Chartered Accountants

Dato' Nordin bin Baharuddin 837/03/02 (J)
Partner

KUMPULAN GUTHRIE BERHAD
CONSOLIDATED CASH FLOW PROJECTIONS
FOR THE SEVEN FINANCIAL YEARS ENDING 31 DECEMBER 2007

	2001	2002	2003	2004	2005	2006	2007
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Cash flows from Operating Activities							
Plantation - Malaysia	21,169	88,240	110,475	117,688	179,597	204,284	218,136
- Overseas	46,886	209,846	352,955	479,987	657,091	703,928	667,314
Property	202,522	133,247	252,982	259,311	280,741	75,921	249,125
Others	(35,454)	(36,152)	(36,868)	(37,602)	(38,354)	(38,354)	(38,354)
Net cash generated from operating activities	235,123	395,181	679,544	819,384	1,079,075	945,779	1,096,221
Cash flows from Investing Activities							
Plantation - Malaysia	(83,252)	(78,965)	(52,819)	(45,277)	(36,616)	(29,649)	(28,347)
- Overseas	(59,482)	(136,601)	(99,231)	(134,030)	(108,741)	(26,471)	(25,284)
Others	227,710	461,069	(60,635)	434,923	151,153	163,625	184,753
Net cash generated from/(used in) investing activities	84,976	245,503	(212,685)	255,616	5,796	107,505	131,122
Cash flows from Financing Activities							
Malaysia	(333,137)	(226,021)	37,624	(712,169)	(594,880)	(610,952)	(125,892)
Overseas	(62,821)	(197,628)	(202,165)	(229,317)	(301,534)	(246,880)	(98,889)
Net cash used in financing activities	(395,958)	(423,649)	(164,541)	(941,486)	(896,414)	(857,832)	(224,781)

KUMPULAN GUTHRIE BERHAD
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	2001	2002	2003	2004	2005	2006	2007
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Net (decrease)/increase in cash and cash equivalents	(75,859)	217,035	302,318	133,514	188,457	195,452	1,002,562
Cash and cash equivalents brought forward ¹	<u>335,779</u>	<u>259,920</u>	<u>476,955</u>	<u>779,273</u>	<u>912,787</u>	<u>1,101,244</u>	<u>1,296,696</u>
Cash and cash equivalents carried forward ²	<u>259,920</u>	<u>476,955</u>	<u>779,273</u>	<u>912,787</u>	<u>1,101,244</u>	<u>1,296,696</u>	<u>2,299,258</u>

Note 1

Cash and cash equivalents brought forward:

	<u>RM'000</u>
Balance at 1 January 2001 as per audited financial statements of Guthrie Group at 31 December 2000	1,715,327
Less : Cost of acquisition of subsidiary companies in Indonesian	<u>(1,398,400)</u>
	316,927
Add: Subsidiary companies acquired	<u>18,852</u>
	<u>335,779</u>

Note 2

Included in the cash and cash equivalents carried forward are cash held under the Housing Development Accounts which represent receipts from purchasers of residential properties less payments or withdrawals provided under Section 7A of the Housing Developer (Control and Licensing) Act, 1966.

	2001	2002	2003	2004	2005	2006	2007
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Cash held under Housing Development Accounts	<u>228,186</u>	<u>388,633</u>	<u>511,491</u>	<u>550,494</u>	<u>584,304</u>	<u>483,066</u>	<u>472,566</u>

**KUMPULAN GUTHRIE BERHAD
CONSOLIDATED CASH FLOW PROJECTIONS
FOR THE SEVEN FINANCIAL YEARS ENDING 31 DECEMBER 2007**

The principal bases and assumptions upon which the consolidated cash flow projections have been made are as follows:

Specific Assumptions

1. The Proposals will be completed in financial year 2001.
2. Proceeds of USD150 million from the Proposals will be received in financial year 2001, and will be applied by the Trustee, Bank Islam (L) Limited to acquire land parcels from Kumpulan Linggi Sdn Bhd, Kumpulan Jerai Sdn Bhd and Kumpulan Kamuning Sdn Bhd (the "Sellers"), all of which are subsidiary companies of Guthrie. The Sellers will lend the proceeds to Guthrie to be used to refinance a portion of the outstanding amounts under the Al-Ijarah Al-Muntahiah Bit Tamlik facility totaling RM1.5 billion (equivalent USD395 million, assuming an exchange rate of USD1:RM3.80) entered into by Guthrie to fund its Indonesian acquisitions and operations.

It is assumed that the remaining balance of USD245 million (under the facility totaling RM1.5 billion) will continue to be financed under the Al-Ijarah Al-Muntahiah Bit Tamlik tenure.

3. The USD50 million Trust Certificates, Series A and USD100 Trust Certificates, Series B issued under the proposed Serial Islamic Lease Sukuk facility will be repaid in year 2004 and 2006 respectively. The funds used for the repayment of the trust certificates are assumed to be generated from the operations of the Guthrie Group.
 4. There will be no significant capital expenditure other than those planned capital expenditure that has already been included in the cash flow statement.
 5. It is assumed that the material litigations disclosed in Appendix A will not crystallise, as the outcome cannot be determined with reasonable certainty.
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KUMPULAN GUTHRIE BERHAD
CONSOLIDATED CASH FLOW PROJECTIONS
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Specific Assumptions (Contd.)

6. For the purpose of preparing the consolidated cash flow projections, the Directors and Officers have assumed the following inflation and interest rates as set out below for the relevant years under review:

(i) Malaysia

	2001	2002	2003	2004	2005	2006	2007
Inflation rate (%)	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Interest rate (%)							
Deposit – RM	3.1	4.0	4.0	4.0	4.0	4.0	4.0
Borrowing (%)							
- RM Short term loan	4.5	6.0	7.0	7.0	7.0	7.0	7.0
- RM Term loan	6.7	6.7	6.7	6.7	6.7	6.7	6.7
- USD Term loan	6.5	6.5	7.0	8.0	8.0	8.0	8.0
- USD Sukuk	5.0	5.0	5.0	5.0	5.0	5.0	5.0
- RM Al-Ijarah Al-Muntahiah bit Tamlik	4.9	5.2	5.5	6.0	6.0	6.0	6.0

(ii) Overseas

	2001	2002	2003	2004	2005	2006	2007
Inflation rate (%)	10.0	10.0	9.0	8.5	8.0	7.5	7.0
Interest rate (%)							
Deposit							
- IDR	12.0	12.0	12.0	12.0	12.0	12.0	12.0
- USD	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Borrowing (%)							
- IDR	20.0	20.0	19.5	19.0	18.5	18.0	18.0
- USD	10.0	10.0	9.5	9.0	8.5	8.0	8.0

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Specific Assumptions (Contd.)

7. Plantations

7.1 For the purpose of preparing the consolidated cash flow projections, the Directors and Officers have assumed the following, based on past trend, for the relevant years under review:

(i) Malaysian Plantation

	2001	2002	2003	2004	2005	2006	2007
Selling price							
- CPO (RM)	850	1,050	1,100	1,100	1,200	1,200	1,200
- PK (RM)	420	630	660	660	720	720	720
Production (<i>ton'000</i>)							
- CPO	352	372	398	431	474	505	528
- PK	100	110	116	123	132	137	140
- FFB	1,487	1,560	1,663	1,774	1,929	2,021	2,069
Planted hectares							
- Mature	67,821	71,159	75,851	80,938	88,010	92,190	94,383
- Immature	28,052	30,378	25,931	20,844	13,772	9,592	7,399
Extraction rates (%)							
- CPO	19.6	19.7	20.2	20.7	21.2	21.7	22.2
- PK	5.8	5.9	5.9	5.9	5.9	5.9	5.9

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Specific Assumptions (Contd.)

7. Plantations (Contd.)

7.1 (ii) Overseas Plantation

	2001	2002	2003	2004	2005	2006	2007
Selling price							
- CPO (IDR'000)	2,037	2,426	2,813	3,105	3,492	3,879	3,879
- PK (IDR'000)	1,058	1,292	1,458	1,589	1,758	1,929	1,926
Production (ton'000)							
- CPO	239	489	672	797	937	1,004	1,038
- PK	47	90	129	154	188	198	213
- FFB	934	2,252	2,795	3,279	3,776	3,956	4,023
Planted hectares							
- Mature	121,27 0	147,50 3	156,17 0	162,68 9	169,82 3	170,36 6	170,4 07
- Immature	53,131	23,034	14,408	25,438	40,602	40,060	40,01 9
Extraction rates (%)							
- CPO	22.2	22.5	22.5	22.5	22.8	22.8	23.0
- PK	4.4	4.1	4.3	4.3	4.5	4.5	4.8

The consolidated cash flow projections will be materially affected should the actual prices differ from the selling prices assumed by the Directors and Officers, as tabulated above.

- 7.2 There will be no adverse weather or other conditions that may affect yields in respect of the Guthrie Group's plantation activities.
- 7.3 There will be no major outbreak of diseases or pests that will disrupt the FFB yields.
- 7.4 There will be no labour shortage or significant increase in labour costs for the financial years under review.
- 7.5 There will be no significant change in the key management personnel who have expertise in oil palm plantations.

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Specific Assumptions (Contd.)

8. Property

- 8.1 For the purpose of preparing the consolidated cash flow projections, the Directors and Officers have assumed mixed development of properties comprise industrial lots, shophouses, bungalow lots and bungalow houses, residential houses and apartments in various projects in the state of Selangor Darul Ehsan, Malaysia as set out below for the relevant years under review:

<u>Projects</u>	<u>Acres</u>	<u>Units</u>
Bukit Jelutong	2,205	6,904
Bukit Subang 1	250	3,501
Bukit Subang 2	835	6,000
Sungai Kapar 1	578	5,737
Sungai Kapar 2	733	7,977

- 8.2 There will be no delays in obtaining the relevant approvals for the proposed property development projects and the launching of sales in respect of the projects. It is also assumed that the volume, timing and pricing of the property projects, including cost projections, will be achieved as planned.
- 8.3 It is assumed that purchasers of the residential and commercial properties will not rescind their sale and purchase agreements.

9. Corridor Expressway ("Expressway")

- 9.1 The concession period to design, construct, manage and maintain the 25km expressway is assumed to be for a period of 33 years, in accordance with the Concession Agreement with the Government of Malaysia.
- 9.2 The Expressway construction, which has commenced in October 2001, is assumed to be completed by September 2003.
- 9.3 Revenue from the collection of tolls from Expressway is assumed to commence in July 2004.
- 9.4 For the purpose of preparing the consolidated cash flow projections, the Directors and Officers assumed that the toll rates for the respective classes of motor vehicles will be approved by the relevant authorities.
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Specific Assumptions (Contd.)

9. Corridor Expressway (Contd.)

- 9.5 The traffic volume expected for the respective toll plazas is based on an independent traffic consultants report.
- 9.6 It is assumed that the Guthrie Group will be able to obtain finances to pay for the construction cost of RM386 million for the Expressway, which is due in September 2003.
- 9.7 There will be no material changes affecting its major contractor and financier that will adversely affect the Expressway construction.

10. Others

- 10.1 Included in the year 2001 cash flow projections, the following dividend payments were made by Guthrie:
- (i) final dividend declared and paid in year 2001, for the previous financial year ended 31 December 2000.
 - (ii) interim dividend declared and paid for the financial year ending 31 December 2001.

The total dividend paid to third parties in year 2001 amounted to RM130.8 million.

- 10.2 Subject to the satisfaction of each Lease Agreement's (as referred to in the Offering Circular) covenants as set out below, the Directors and Officers may recommend dividend payments. Under the terms of each Lease Agreement, Guthrie will agree:
- (a) to maintain a gearing ratio of not more than 1.5;
 - (b) to maintain a cumulative debt service coverage ratio of not less than 1.5; and
 - (c) not to declare or pay any dividend on its shares for so long as:
 - (i) the debt service coverage ratio is less than 1.5; or
 - (ii) the amount deposited in any Reserve Account is, either before or after such declaration or payment of dividend, less than the amount required to be deposited in such Reserve Account.

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Specific Assumptions (Contd.)

10. **Others (Contd.)**

10.2 However, for the purposes of these cash flow projections, it is assumed that no dividend payment is made by the Guthrie Group, other than mentioned in 10.1 above for the period under review

10.3 In financial year 2002, the Directors and Officers assumed the disposal of certain subsidiary and associated companies to streamline the Guthrie Group's operational efficiency. The proceeds of those companies are assumed at RM163.4 million based on the net tangible assets of those companies at 30 September 2001.

Except for the above, it is assumed that there will be no material changes in the existing structure of the Guthrie Group.

10.4 In addition to the proposed disposal of Haron Estate in the state of Selangor Darul Ehsan, Malaysia for an amount of RM565 million, the Guthrie Group has also assumed the disposal of various parcels of land which are expected to bring in approximately RM334.7 million over the relevant years under review.

10.5 The following foreign exchange rates are assumed for the relevant years under review:

USD1.00 :	RM3.80
USD1.00 :	IDR10,000
RM1.00 :	IDR2,632

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General Assumptions

1. There will be no material changes in the principal activities of the Guthrie Group.
 2. There will be no material changes in the management, trading and accounting policies from those currently adopted by the Guthrie Group.
 3. There will be no material changes in the present legislation or regulations, rates and basis of duties, levies and taxes affecting operations of the Guthrie Group.
 4. There will be no major industrial disputes, economic and political changes or any abnormal circumstances that will adversely affect the operations of the Guthrie Group.
 5. There will be no restrictions on the repatriation of profits and capital from overseas countries where the Guthrie Group has operations.
 6. There will be no restrictions on foreign exchange operations, specifically including the purchase and sale of foreign exchange and transfer and all other types of international settlement.
 7. There will be no significant changes in the credit periods granted or received by the Guthrie Group.
 8. Surplus cash, if any, will be placed in fixed deposits at the assumed interest rate.
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**KUMPULAN GUTHRIE BERHAD
CONSOLIDATED CASH FLOW PROJECTIONS
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Material Litigation of the Group

- 1) Guthrie has been named as a defendant in a claim against it for USD25,760,000 plus damages in the amount of 9% of USD25,760,000 per annum and interest in respect of an alleged breach of contract by Guthrie. On 29th October, 2001, the plaintiff's claim was dismissed and the plaintiff was ordered to bear the costs of the proceedings.
- 2) Two of Guthrie's subsidiary companies have been named as defendants in a claim against them for damages in the amount of Rp406,813,788,780 (approximately RM155 million or approximately USD41 million) in respect of a fire allegedly caused by such subsidiary companies. The High Court has found in favour of the subsidiary companies but this matter is currently on appeal to the Supreme Court.
- 3) A subsidiary of Guthrie has been named as a defendant in a claim against them for damages in the amount of Rp71,746,458,500 (approximately RM27 million or approximately USD7 million) in respect of the alleged wrongful occupation and use of certain land parcels and an alleged breach of contract relating thereto. The Court of First Instance has found in favour of the subsidiary but this matter is currently on appeal to the High Court.

Other than as set out above, there is no single legal proceeding, pending or threatened, which is above RM20 million (approximately USD5 million) in value or which the Directors believe is material in the context of the issuance of the Certificates. There are a number of proceedings, other than those set out above, currently instituted against subsidiaries of Guthrie through the acquisition of subsidiary companies in Indonesian. However, the aggregate claims in such proceedings are less than RM20 million.
