

The background of the slide is a complex, abstract design. It features a large, semi-circular scale or gauge with various markings and numbers. Overlaid on this are several icons: a bar chart, a line graph, and a network diagram. The overall color scheme is dominated by shades of yellow and gold, with a blue header at the top.

# FINANCIAL STATEMENTS

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2005.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are the manufacture of sweetened condensed milk, milk powder, dairy products and fruit juice drinks for distribution in the home market and for export.

There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

	RM'000
Net Profit for the year	<u>27,123</u>

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDENDS

The dividends paid by the Company since 31 December 2004 were as follows :

	RM'000
In respect of the financial year ended 31 December 2004:	
Final dividend of 6.25 sen less 28% income tax, paid in June 2005	2,880
Final tax exempt dividend of 3.75 sen, paid in Jun 2005	2,400
In respect of the financial year ended 31 December 2005:	
Special Interim dividend of 30 sen less 28% income tax, paid in June 2005	13,824
Interim dividend of 6.25 sen less 28% income tax, paid in December 2005	2,880
Special Interim dividend of 40 sen less 28% income tax, paid in December 2005	18,432
	<u>40,416</u>

At the forthcoming Annual General Meeting, final dividends in respect of the financial year ended 31 December 2005, of 6.25 sen less 28% income tax and 3.75 sen tax exempt, per RM1.00 ordinary share, amounting to a total dividend payable of RM5,280,000 (8.25 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2006.

## DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Kamarul Ariffin bin Mohd. Yassin  
 Foo Swee Leng  
 Boey Tak Kong  
 Freek Rijna  
 Cornelis Hubertus Maria Ruijgrok  
 Dato' Dr. Mhd Nordin bin Mohd Nor  
 Huang Shi Chin

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 6 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest.

## DIRECTORS' INTEREST

According to the register of directors, none of the directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

## OTHER STATUTORY INFORMATION

(a) Before the income statement and balance sheet of the Company were made out, the directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
- (ii) the values attributed to the current assets in the financial statements of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

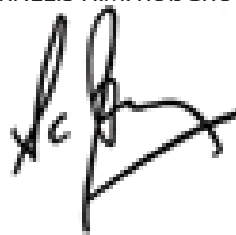
## AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.



CORNELIS H.M. RUIJGROK



HUANG SHI CHIN

Petaling Jaya, Malaysia  
15 February 2006

# INCOME STATEMENT

for the year ended 31 December 2005



	Note	2005 RM'000	2004 RM'000
REVENUE	3	459,051	420,471
COST OF SALES	3	(303,213)	(283,951)
GROSS PROFIT		155,838	136,520
OTHER OPERATING INCOME		2,019	4,166
DISTRIBUTION COSTS		(82,249)	(77,752)
ADMINISTRATIVE EXPENSES		(11,795)	(11,701)
OTHER OPERATING EXPENSES		(25,858)	(23,697)
PROFIT FROM OPERATIONS	4	37,955	27,536
FINANCE COSTS	7	(290)	(731)
PROFIT BEFORE TAXATION		37,665	26,805
TAXATION	8	(10,542)	(7,082)
NET PROFIT FOR THE YEAR		27,123	19,723
EARNING PER SHARE			
Basic earnings per share (RM)	9	0.42	0.31

The accompanying notes form an integral part of the financial statements.



	Note	2005 RM'000	2004 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	57,798	61,631
<b>CURRENT ASSETS</b>			
Inventories	12	49,810	59,840
Trade receivables	13	62,799	52,291
Other receivables	14	6,465	4,775
Amount due from related companies	15	4,140	2,973
Cash and cash equivalents	16	18,758	25,861
		141,972	145,740
<b>CURRENT LIABILITIES</b>			
Provisions for liabilities	17	798	1,340
Trade payables	18	38,829	36,578
Other payables	19	26,874	22,968
Amount due to related companies	15	8,238	9,468
Taxation		4,263	2,456
		79,002	72,810
<b>NET CURRENT ASSETS</b>			
		62,970	72,930
		120,768	134,561
<b>FINANCED BY:</b>			
Share capital	20	64,000	64,000
Retained profits	21	54,298	67,591
		118,298	131,591
Deferred tax liabilities	22	2,470	2,970
		120,768	134,561

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2005



	Share Capital	Distributable Retained Profits	Total
	RM'000	RM'000	RM'000
At 1 January 2004	64,000	83,676	147,676
Net profit for the year	-	19,723	19,723
Dividends (Note 10)	-	(35,808)	(35,808)
At 31 December 2004	64,000	67,591	131,591
At 1 January 2005	64,000	67,591	131,591
Net profit for the year	-	27,123	27,123
Dividends (Note 10)	-	(40,416)	(40,416)
At 31 December 2005	64,000	54,298	118,298

The accompanying notes form an integral part of the financial statements

	Note	2005 RM'000	2004 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		446,923	425,043
Cash paid to suppliers and employees		(398,607)	(395,008)
Cash generated from operations		48,316	30,035
Income tax paid		(9,235)	(6,218)
Net cash generated from operating activities		39,081	23,817
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(6,482)	(7,744)
Proceeds from disposal of property, plant and equipment		434	2,871
Interest income		570	524
Net cash used in investing activities		(5,478)	(4,349)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid	7	(290)	(731)
Dividends paid	10	(40,416)	(35,808)
Net cash used in financing activities		(40,706)	(36,539)
Net decrease in cash and cash equivalents		(7,103)	(17,071)
Cash and cash equivalents at beginning of year		25,861	42,932
Cash and cash equivalents at end of year	16	18,758	25,861

The accompanying notes form an integral part of the financial statements

## 1 CORPORATE INFORMATION

The principal activities of the Company are the manufacture of sweetened condensed milk, milk powder, dairy products and fruit juice drinks for distribution in the home market and for export. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company are located at 13, Jalan Semangat, 46200 Petaling Jaya.

The holding company is FRINT BEHEER IV BV and the ultimate holding company is Koninklijke Friesland Foods NV, both of which are incorporated in the Netherlands.

The number of employees in the Company at the end of the financial year was 570 (2004: 586).

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 15 February 2006.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

### (b) Property, Plant and Equipment and Depreciation



Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(k).

Certain leasehold land of the Company have not been revalued since they were first revalued in 1968. The directors have not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their 1968 valuation less accumulated depreciation.

Leasehold land is amortised on a straight line basis over the periods of the leases, both of which expire in 2059. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life, at

the following annual rates:





Building	- 2%
Plant and machinery	- 10%-15%
Motor vehicles	- 20%
Furniture and equipment	- 10%-25%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised to the income statement.

#### (c) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. The cost of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (d) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value.

#### (e) Leases

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incident to ownership. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

#### (f) Provisions for Liabilities

Provisions for liabilities are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

#### (g) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the related deferred tax is also recognised directly in equity.

#### (h) Employee Benefits

##### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

#### (i) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

##### Sale of Goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

##### Interest Income

Interest is recognised on a time proportion basis that reflects the effective yield on the assets.

##### Revenue from Services

Revenue from services rendered is recognised net of sales tax as and when the services are performed.

## (j) Foreign Currencies

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when such fair values were determined.

The principal exchange rates applied for each respective unit of foreign currency ruling at balance sheet date are as follows:

	2005	2004
Foreign Currency	RM	RM
1 United States Dollar	3.8090	3.8250
1 Euro	4.5300	5.2270
1 Singapore Dollar	2.2966	2.3490
1 Australian Dollar	2.8030	2.9930
1 Thai Baht	0.0964	0.1014

## (k) Impairment of Assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately.

## (l) Related Companies

Related companies in these financial statements refer to companies within the Koninklijke Friesland Foods NV group of companies.

### (m) Financial Instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instrument.

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

#### Trade Receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

#### Trade Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

#### Interest Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

#### Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

## 3 REVENUE AND COST OF SALES

Revenue represents the gross invoiced value of goods supplied less returns and discounts and cost of sales comprise the cost of raw materials, direct labour, other direct costs and the cost of finished goods purchased.

#### 4 PROFIT FROM OPERATIONS

	2005 RM'000	2004 RM'000
Profit from operations is stated after charging/(crediting):-		
Staff costs (Note5)	28,993	27,185
Depreciation of property, plant and equipment	9,301	8,941
Rental of buildings	134	114
Hire of equipment	68	61
Operating lease expense	1,640	1,169
Auditors' remuneration		
- Audit	55	51
- Other services	18	23
Allowance for doubtful debts	1,847	2,073
Bad debts written off	299	39
Reversal of allowance for doubtful debts	(462)	(736)
Interest income	(570)	(524)
Loss/(Gain) on disposal of property, plant and equipment	580	(2,569)

#### 5 STAFF COSTS

Wages and salaries	24,135	23,128
Social security costs	246	207
Short term accumulating compensated absences	225	96
Pension costs - defined contribution plans	3,325	3,106
Other staff related expenses	1,062	648
	<u>28,993</u>	<u>27,185</u>

Included in the staff costs are executive directors' remuneration amounting to RM747,000 (2004: RM564,000) as further disclosed in Note 6.

## 6 DIRECTORS' REMUNERATION

	2005 RM'000	2004 RM'000
Executive directors:		
Salaries and other emoluments	700	540
Pension cost - defined contribution plans	47	24
Benefits-in-kind	237	210
	<hr/>	<hr/>
	984	774
Non-Executive directors:		
Fees	114	84
	<hr/>	<hr/>
Total	<hr/> <hr/> 1,098	<hr/> <hr/> 858

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2005	2004
Executive directors:		
RM150,001 - RM200,000	-	1
RM300,001 - RM350,000	1	-
RM550,001 - RM600,000	-	1
RM600,001 - RM650,000	1	-
Non-executive directors:		
Below RM50,000	4	3

## 7 FINANCE COSTS

	RM'000	RM'000
Interest expense on:		
Bank overdraft	-	17
Trade facilities	290	714
	<hr/>	<hr/>
	290	731
	<hr/> <hr/>	<hr/> <hr/>

## 8 TAXATION

	2005 RM'000	2004 RM'000
Income tax:		
Malaysian taxation based on profit for the year:		
Current	11,042	6,687
Underprovided in prior years	-	925
	<u>11,042</u>	<u>7,612</u>
Deferred tax (Note 22):		
Relating to origination and reversal of temporary differences	(1,176)	217
Under/ (Over) provided in prior years	676	(747)
	<u>(500)</u>	<u>(530)</u>
Tax expense for the year	<u>10,542</u>	<u>7,082</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) on the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

Profit before taxation	<u>37,665</u>	<u>26,805</u>
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	10,546	7,505
Effect of income not subject to taxes	-	(718)
Effect of expenses not deductible for tax purposes	315	1,785
Effect of utilisation of current year's reinvestment allowances	(995)	(1,668)
Underprovision of tax expense in prior years	-	925
Under/(Over) provision of deferred tax in prior years	676	(747)
Tax expense for the year	<u>10,542</u>	<u>7,082</u>

## 9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	2005	2004
Net profit for the year (RM'000)	27,123	19,723
Weighted average number of ordinary shares in issue ('000)	64,000	64,000
Basic earnings per share (RM)	<u>0.42</u>	<u>0.31</u>

## 10 DIVIDENDS

	RM'000	RM'000
Dividend paid		
- 6.25 sen (2004:6.25sen), less income tax, per RM1.00 ordinary share	2,880	2,880
- 3.75 sen (2004:3.75 sen) tax exempt, per RM1.00 ordinary share	2,400	2,400
- 30.00 sen (2004: 60.00), less income tax, per RM1.00 ordinary share	13,824	27,648
- 6.25 sen (2004:6.25sen), less income tax, per RM1.00 ordinary share	2,880	2,880
- 40.00 sen (2004: Nil), less income tax, per RM1.00 ordinary share	18,432	-
	<u>40,416</u>	<u>35,808</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2005, of 6.25 sen less 28% income tax and 3.75 sen tax exempt per RM1.00 ordinary share, amounting to a total dividend of RM5,280,000 (8.25 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2006.



## 11 PROPERTY, PLANT AND EQUIPMENT

	Long leasehold land		Building	Plant & Equipment	Capital Work-in-Progress	Total 2005
	At Valuation	At Cost				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>COST/VALUATION</b>						
At 1 January 2005	535	5,104	36,831	85,372	-	127,842
Additions	-	-	-	4	6,478	6,482
Disposals/write-offs	-	-	-	(8,534)	-	(8,534)
Reclassification	-	-	1,082	5,396	(6,478)	-
At 31 December 2005	535	5,104	37,913	82,238	-	125,790
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2005	185	1,375	10,212	54,439	-	66,211
Charge for the year	6	68	901	8,326	-	9,301
Disposals/write-offs	-	-	-	(7,520)	-	(7,520)
At 31 December 2005	191	1,443	11,113	55,245	-	67,992
<b>NET BOOK VALUE</b>						
At 31 December 2004	350	3,729	26,619	30,933	-	61,631
At 31 December 2005	344	3,661	26,800	26,993	-	57,798
<b>DETAILS AT 1 JANUARY 2004</b>						
Cost	-	5,104	36,506	80,334	815	122,759
Valuation	535	-	-	-	-	535
Accumulated depreciation	(179)	(1,307)	(9,330)	(49,348)	-	(60,164)
Depreciation charge for 2004	6	68	882	7,985	-	8,941

Plant and equipment comprises plant, machinery, motor vehicles, furniture and equipment.

Details of the latest independent professional valuation of long leasehold land owned by the Company as at 31 December 2005 are as follows:

Date of Valuation	Description of Property	Valuation Amount RM'000	Basis of Valuation
2 August 1968	Leasehold land in Section 13, Petaling Jaya	535	Open market value

As allowed by the applicable transitional provisions, this property has continued to be stated on the basis of its 1968 valuation. Had the revalued leasehold land been carried at historical cost, the net book value of the leasehold land that would have been included in the financial statements of the Company as at 31 December 2005 would have been RM138,854 (2004: RM142,241).

## 12 INVENTORIES

	2005 RM'000	2004 RM'000
At cost:		
Finished goods	28,169	33,201
Raw materials	18,587	22,296
Packaging materials	3,054	4,343
	<u>49,810</u>	<u>59,840</u>

The cost of inventories recognised as an expense during the financial year in the Company amounted to RM276,677,000 (2004 : RM262,361,000)

## 13 TRADE RECEIVABLES

Balance outstanding	70,695	58,672
Less: allowance for doubtful debts	(7,896)	(6,381)
	<u>62,799</u>	<u>52,291</u>

Allowance for doubtful debts is analysed as follows:

Balance at 1 January	6,381	5,083
Bad debts written off	(299)	(39)
Reversal of allowance for doubtful debts	(33)	(736)
	<u>6,049</u>	<u>4,308</u>
Additional provision for the year	1,847	2,073
	<u>7,896</u>	<u>6,381</u>

The Company's normal credit terms range from 30 to 60 days. Other credit terms are assessed and approved on a case by case basis.

The Company has no significant concentration of credit risk that may arise from exposure to a single debtor or group of debtors.

#### 14 OTHER RECEIVABLES

	2005 RM'000	2004 RM'000
Sundry debtors	9,510	8,284
Less: allowance for doubtful debts	(3,471)	(3,900)
	<u>6,039</u>	<u>4,384</u>
Deposits	387	322
Prepayments	39	69
	<u>6,465</u>	<u>4,775</u>
Allowance for doubtful debts is analysed as follows:		
Balance at 1 January	3,900	3,900
Written back during the year	(429)	-
Balance at 31 December	<u>3,471</u>	<u>3,900</u>

The Company has no significant concentration of credit risk that may arise from exposure to a single debtor or group of debtors.

#### 15 AMOUNT DUE FROM/(TO) RELATED COMPANIES

The amount due from / (to) related companies arose from trade transactions which are unsecured, interest-free and under normal credit terms.

#### 16 CASH AND CASH EQUIVALENTS

Cash at bank	5,204	3,957
Deposits with licensed banks	9,416	21,904
Deposits with other licensed financial institutions	4,138	-
	<u>18,758</u>	<u>25,861</u>

The weighted average effective interest rate of deposits and average maturities of deposits as at the end of the financial year were as follows:

	2005	2004
Weighted average effective interest rate		
Licensed banks	1.96%	2.69%
Other licensed financial institutions	0.82%	-
Average maturities		
Licensed banks	6 days	24 days
Other licensed financial institutions	9 days	-

## 17 PROVISIONS FOR LIABILITIES

	Employee Compensated Absences RM'000	Employee Pension Contribution RM'000	Total RM'000
At 1 January 2005	1,250	90	1,340
Additional provision during the year	-	69	69
Utilised during the year	(570)	-	(570)
Payments during the year	-	(41)	(41)
At 31 December 2005	680	118	798
At 31 December 2005 Current	680	118	798
At 31 December 2004 Current	1,250	90	1,340

### (a) Employee Compensated Absences

Provision for employee compensated absences reflects provisions made for short term accumulating compensated absences such as paid annual leave. The provision is recognised for unutilised leave at the balance sheet date based on the latest basic salary.

### (b) Employee Pension Contribution

Provision for employee pension contribution reflects provisions made for additional contributions to the statutory Employee's Provident Fund that would vest upon unionised staff having completed five years of service. The provisions have been made on the assumption that all relevant staff will complete their five year term and that therefore their benefits will vest in its entirety. No actuarial valuation has been performed in view of the relative amounts involved.

## 18 TRADE PAYABLES

The Company's normal credit terms range from 30 to 60 days. Other credit terms are assessed and approved on a case by case basis.

## 19 OTHER PAYABLES

	2005 RM'000	2004 RM'000
Sundry creditors	1,151	2,952
Accruals	25,723	20,016
	<u>26,874</u>	<u>22,968</u>

## 20 SHARE CAPITAL

	No. of shares		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 RM'000
Authorised:				
Ordinary shares of RM1 each				
At beginning/ at end of year	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:				
Ordinary shares of RM1 each				
At beginning/ at end of year	<u>64,000</u>	<u>64,000</u>	<u>64,000</u>	<u>64,000</u>

## 21 RETAINED PROFITS

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and balance in tax-exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2005.

## 22 DEFERRED TAX LIABILITIES

	2005 RM'000	2004 RM'000
At 1 January	2,970	3,500
Recognised in the income statement (Note 8)	(500)	(530)
	<u>2,470</u>	<u>2,970</u>
At 31 December	<u>2,470</u>	<u>2,970</u>

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Company:		Accelerated Capital Allowances RM'000	Others RM'000	Total RM'000
At 1 January 2005		5,998	62	6,060
Recognised in the income statement		(367)	(26)	(393)
At 31 December 2005		5,631	36	5,667
At 1 January 2004		6,872	-	6,872
Recognised in the income statement		(874)	62	(812)
At 31 December 2004		5,998	62	6,060
Deferred tax assets of the Company:				
	Allowances RM'000	Provisions for Liabilities RM'000	Others RM'000	Total RM'000
At 1 January 2005	(2,230)	(382)	(478)	(3,090)
Recognised in the income statement	130	159	(396)	(107)
At 31 December 2005	(2,100)	(223)	(874)	(3,197)
At 1 January 2004	(2,311)	(847)	(214)	(3,372)
Recognised in the income statement	81	465	(264)	282
At 31 December 2004	(2,230)	(382)	(478)	(3,090)

## 23 CAPITAL COMMITMENTS

	2005 RM'000	2004 RM'000
Authorised capital expenditure not provided for in the financial statements:		
- Contracted	-	1,262
- Not Contracted	6,525	5,258

## 24 OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows :-

	2005 RM'000	2004 RM'000
Not later than 1 year	1,742	1,455
Later than 1 year and not later than 5 years	<u>3,064</u>	<u>3,565</u>
	<u>4,806</u>	<u>5,020</u>

Operating lease payments represent rentals payable by the Company for use of vehicles and forklifts. Leases are negotiated for a term of between 4 to 5 years.

## 25 RELATED PARTY TRANSACTIONS

	2005 RM'000	2004 RM'000
Transactions with related companies in which the ultimate holding company has significant interest:		
Sales to:		
Friesland (Singapore) Pte. Ltd	12,515	11,012
Friesland Foods Ltd. Hong Kong	7,987	8,542
Purchases from:		
Friesland Foods BV	99,476	94,499
Friesland Foods Foremost (Thailand) Public Co. Ltd	6,247	9,520
Royalties and technical assistance fees paid to:		
Friesland Brands BV	6,489	6,027
Management fee payable to:		
Frint Beheer IV BV	22	47
Call centre facilities from:		
Friesland Foods Service Centre Asia Pacific Sdn Bhd	400	-

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

## 26 FINANCIAL INSTRUMENTS

### (a) Financial Risk Management Objectives and Policies

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Company operates within clearly defined guidelines and the Company's policy is not to engage in speculative transactions.

### (b) Interest Rate Risk

The Company's primary interest rate risk relates to interest on short-term bank deposits, as the Company had no borrowings as at 31 December 2005. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in short-term deposits.

### (c) Foreign Exchange Risk

The Company procures mainly raw materials and, where required, plant and equipment, internationally and is exposed to various currencies, mainly United States Dollar and Euro. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases give rise to foreign exchange exposures. Foreign exchange exposures in transactional currencies are kept to an acceptable level.

The net unhedged financial assets and financial liabilities of the Company that are not denominated in its functional currency, Malaysian Ringgit, is as follows:

	<b>2005</b> <b>RM'000</b>	<b>2004</b> <b>RM'000</b>
Financial assets held in non-functional currency		
Receivables:		
United States Dollar	<u>4,140</u>	<u>2,973</u>
Financial liabilities held in non-functional currency		
Payables:		
United States Dollar	14,893	20,804
Euro	4,658	3,756
Singapore Dollar	156	178
Australian Dollar	159	447
Thai Baht	<u>342</u>	<u>752</u>
Total	<u>20,208</u>	<u>25,937</u>



#### (d) Liquidity Risk

The Company maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Company strives to maintain available banking facilities of a reasonable level to its overall working capital liabilities. The Company raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

#### (e) Credit Risks

Credit risks, or the risk of counter parties defaulting, is managed by the application of credit approvals, limits and monitoring procedures. Trade receivables are monitored on an ongoing basis via the Company's management reporting procedures. The Company does not have any major concentration of credit risk related to any financial instruments.

#### (f) Fair Values

The carrying amounts of financial assets and liabilities of the Company at the balance sheet date approximate their fair values due to the relatively short term maturity of these financial instruments.

## 27 SEGMENT INFORMATION

The primary reporting segment information is in respect of the business segment as the Company's risk and rates of return are affected predominantly by differences in the products it produces.

No segment information is provided as the Company operates principally in Malaysia and in one major business segment.

## STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965



We, CORNELIS H. M. RUIJGROK and HUANG SHI CHIN, being two of the directors of DUTCH LADY MILK INDUSTRIES BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 21 to 42 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 31 December 2005 and of the results and the cash flows of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.

CORNELIS H.M. RUIJGROK  
Director

HUANG SHI CHIN  
Director

Petaling Jaya, Malaysia  
15 February 2006

## STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965



I, HUANG SHI CHIN, being the Director primarily responsible for the financial management of DUTCH LADY MILK INDUSTRIES BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 21 to 42 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named  
HUANG SHI CHIN at Petaling Jaya on 15 February 2006

HUANG SHI CHIN

Before me,

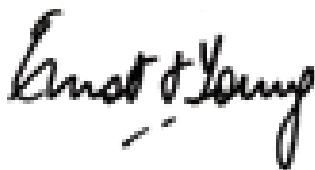
E. RADAKRISHNAN, AMN, PPN, PK,  
PPM, PPA, PKB, PJP (Sel)  
Commissioner for Oaths (No. 008)  
Petaling Jaya

We have audited the financial statements set out on pages 21 to 42. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Company as at 31 December 2005 and of the results and the cash flows of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



ERNST & YOUNG AF:0039  
Chartered Accountants



MOHD SUKARNO BIN TUN SARDON 1697/03/07(J)  
Partner

Kuala Lumpur, Malaysia  
15 February 2006

# FINANCIAL HIGHLIGHTS



		2005	2004	2003	2002	2001
REVENUE	RM'000	459,051	420,471	372,687	357,239	329,045
PROFIT BEFORE TAX	RM'000	37,665	26,805	20,916	20,066	15,134
NET PROFIT FOR THE YEAR	RM'000	27,123	19,723	15,484	15,540	12,004
NET DIVIDEND PAID	RM'000	40,416	35,808	8,160	3,680	3,680
ISSUED & FULLY PAID CAPITAL	RM'000	64,000	64,000	64,000	64,000	16,000
SHAREHOLDERS' FUNDS	RM'000	118,298	131,591	147,676	141,582	126,423
TOTAL ASSETS	RM'000	199,770	207,371	208,096	188,729	183,630
NET TANGIBLE ASSET BACKING PER SHARE	RM'000	1.85	2.06	2.31	2.21	1.98
EARNINGS PER SHARE (NET)	sen	42	31	24	24	19



## Analysis of Shareholdings

as at 21 March 2006

Class of Shares	Ordinary shares of RM1.00 each		
Voting Rights	On show of hands	:	1 vote
	On a poll	:	1 vote for each share held

## Distribution Schedule Of Shareholders

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100 shares	40	1.05	827	0.00
100 to 1,000 shares	1,720	45.08	1,496,938	2.34
1,001 to 10,000 shares	1,851	48.52	6,967,487	10.89
10,001 to 100,000 shares	186	4.88	4,443,844	6.94
100,001 to Less than 5% of the issued shares	16	0.42	3,008,104	4.70
5% and above of the issued shares	2	0.05	48,082,800	75.13
Total	3,815	100.00	64,000,000	100.00

## Name of 30 Largest Shareholders

	No. of Share	% of Holdings
1. Frint Beheer IV BV*	32,074,800	50.12
2. Permodalan Nasional Berhad*	16,008,000	25.01
3. RHB Nominees (Asing) Sdn Bhd - Sarasin-Rabo Nominees (Singapore) Pte Ltd for Cooperatieve Centrale Raiffeisen-Boerenlenbank B.A.	540,000	0.84
4. Yong Siew Lee	360,000	0.56
5. Universal Trustee (Malaysia) Berhad - SBB Emerging Companies Growth Fund	267,600	0.42
6. Yeo Khoo Bee	255,000	0.40
7. Menteri Kewangan Malaysia Section 29 (SICDA)	180,800	0.28
8. Quek Guat Kwee	160,000	0.25
9. Kumpulan Wang Simpanan Guru-Guru	156,300	0.24
10. Universiti Malaya	144,000	0.23
11. Zulkifli Bin Hussain	134,200	0.21
12. Tong Yoke Kim Sdn Bhd	130,000	0.20
13. Lee Sim Kuen	120,000	0.19
14. Foo Mee Lee	117,404	0.18
15. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Aun Huat & Brothers Sdn Bhd (E-IMO/BCM)	112,800	0.18
16. Wong So-Ch'i	111,000	0.17
17. Ng Lam Shen	110,000	0.17
18. Wong So Haur	109,000	0.17
19. Lim Teh Realty Sdn Bhd	90,000	0.14
20. HSBC Nominees (Asing) Sdn Bhd - Pictet and Cie for Ace Fund Sicav (Emerging Market)	80,000	0.13

21. Foo Yoke Keong Adrian	80,000	0.13
22. Ng Mee Fong	78,000	0.12
23. Asnida Binti Abdul Daim	60,200	0.09
24. HSBC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Goh Hiong Eng	60,000	0.09
25. Hamzah Bin Bakar	60,000	0.09
26. Sak Moy @ Sak Swee Len	58,000	0.09
27. Theo Chin Lian	56,000	0.09
28. Lim Pin Kong	55,400	0.09
29. Meng Hin Holdings Sdn Bhd	52,000	0.08
30. Ong Tatt Poh	50,000	0.08
	<hr/>	<hr/>
	51,870,504	81.04
	<hr/>	<hr/>

\*Registered in the Company's Register as Substantial Shareholders

#### Substantial Shareholders

Name	Direct	%	Indirect	%
1. Frint Beheer IV BV	32,074,800	50.12	0	0.00
2. Permodalan Nasional Berhad	16,008,000	25.01	0	0.00

#### Directors' Shareholdings

Name	Direct	%	Indirect	%
1. Tan Sri Kamarul Ariffin bin Mohd Yassin	-	-	-	-
2. Cornelis H.M. Ruijgrok	-	-	-	-
3. Foo Swee Leng	-	-	-	-
4. Boey Tak Kong	-	-	-	-
5. Freek Rijna	-	-	-	-
6. Dato' Dr. Mhd. Nordin Bin Mohd Nor	-	-	-	-
7. Huang Shi Chin	-	-	-	-

## Particulars of properties as at 31 December 2005

Location of Property	13 & 15, Jalan Semangat, Petaling Jaya	Lot 79, Jalan 13/6, Petaling Jaya
Brief Description	Factory buildings and office complex	Warehouse
Approximate Land Area (sq. ft.)	358,482	74,135
Tenure	Leasehold land expiring in the year 2059	Leasehold land expiring in the year 2059
Age of property	Between 20 years to 41 years	18 years
Net Book Value (RM'mln)	27.4	3.4

### Material contracts

To ensure the Company's continuing relationship with the Koninklijke Friesland Foods Group ("the Group"), which is vital to the Company's continued successful operations and its obligation for the use of the Group's brands, a Technical Assistance and Royalty Agreement dated 24 December 2001 was entered into between the Company and Friesland Brands BV, a wholly owned subsidiary of the Group, for the grant of a licence for the exclusive use in Malaysia of propriety intellectual property, including trademarks and know-how, and the provision of technical assistance. Consideration is by way of monthly Royalty and Technical fees at a rate of 2% of net sales.

### Share Buybacks

During the financial year, there were no share buybacks by the Company.

### Options, Warrants or Convertible Securities

During the financial year, the Company did not issue any options, warrants or convertible securities.

### American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

### Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company, Directors or management by any relevant regulatory bodies.

### Non-Audit Fees

During the financial year, the Company paid RM18,000 in non-audit fees to the External Auditors.

### Profit Estimate, Forecast or Projection

There was no material variance between the results for the financial year and the unaudited results previously announced. The Company did not release any profit estimate, forecast or projection for the financial year.

### Profit Guarantees

During the financial year, there were no profit guarantees given by the Company.

### Revaluation Policy on Landed Properties

The Company does not have a policy to revalue its landed properties.

### Utilisation of Proceeds

The Company did not carry out any corporate exercise to raise funds during the financial year.

No. of Shares held

## DUTCH LADY MILK INDUSTRIES BERHAD (5063-V) (Incorporated in Malaysia under the then Companies Ordinances, 1940-1946)

### FORM OF PROXY

I/We ..... (NRIC No. ....)

of .....

being a member/members of DUTCH LADY MILK INDUSTRIES BERHAD ("the Company"), do hereby appoint #the Chairman of the Meeting or ..... (NRIC No. ....)

of .....

as my/our proxy/proxies to vote for me/us and on my/our behalf at the Forty-Third Annual General Meeting of the Company to be held at Hotel Armada, Lorong Utara C, Section 52, Petaling Jaya, Selangor Darul Ehsan, on Tuesday, 23 May 2006 at 10.00 a.m. and any adjournment thereof, in respect of my/our shareholding in the manner indicated below:-

RESOLUTION NO.		*FOR	*AGAINST
Ordinary Resolution 1.	Receive the Audited Financial Statements for the financial year ended 31 December 2005, together with the Reports of the Directors' and Auditors' thereon.		
Ordinary Resolution 2.	Approve the payment of final dividend of gross 6.25 sen per share, less income tax, and 3.75 sen per share, tax exempt.		
Ordinary Resolution 3.	Approve the increase in Directors' fees for the financial year ended 31 December 2005.		
Ordinary Resolution 4.	Re-election of Tan Sri Kamarul Ariffin bin Mohd. Yassin.		
Ordinary Resolution 5.	Re-election of Dato' Dr. Mhd. Nordin bin Mohd. Nor.		
Ordinary Resolution 6.	Re-election of Mr. Foo Swee Leng.		
Ordinary Resolution 7.	Appoint of Messrs Deloitte & Touche as Auditors of the Company.		
Ordinary Resolution 8.	Approve the Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
Special Resolution 1.	Approve the Proposed Amendment to Articles of Association.		

\* Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

# Delete the words "the Chairman of the Meeting" if you wish to appoint some other person(s) to be your proxy.

Signed this ..... day of .....2006

.....  
Signature(s) of Shareholder/Attorney (if Shareholder is a corporation, this part should be executed under seal)

### Notes:-

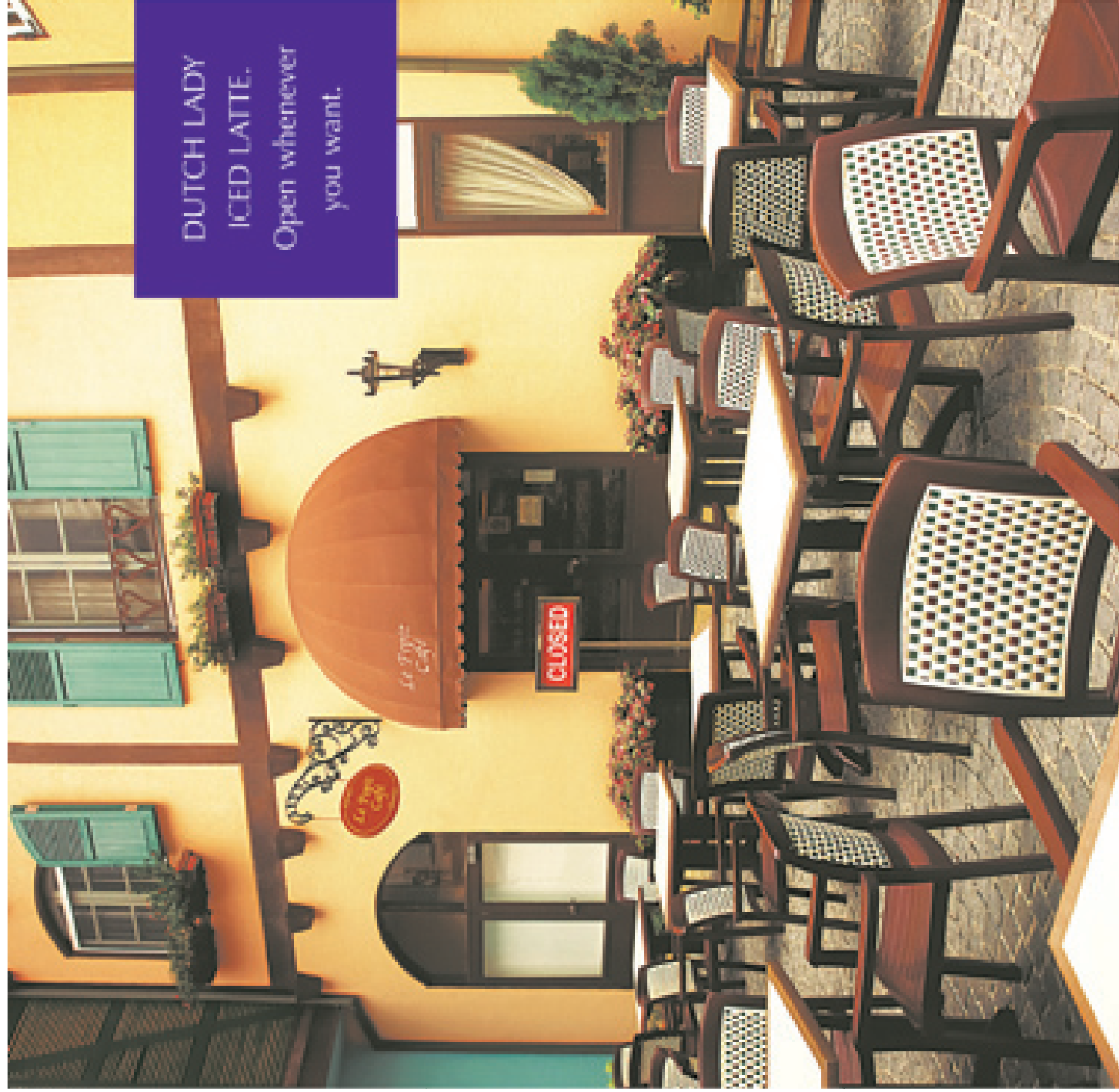
A Member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.

Save for an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 which may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account, a Member shall be entitled to appoint not more than two proxies to attend and vote at the same meeting provided that where a Member appoints two proxies, the appointment shall not be valid unless such Member specifies the proportion of his holdings to be represented by each proxy.

The instrument appointing the proxy must be signed by the Member or his attorney duly authorised in writing, or if the appointor is a corporation, the instrument must be executed under its common seal or under the hand of its officer or attorney duly authorised.

To be valid, the instrument appointing a proxy, duly completed (and, if applicable, the power of attorney or other authority under which it is signed or notarially certified copy of that power of authority) must be deposited at the Registered Office of the Company not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.





DUTCH LADY  
ICED LATTE.  
Open whenever  
you want.



Introducing Dutch Lady Iced Latte. A cool, cosmopolitan, deliciously low-fat beverage you and your friends will absolutely adore. Whether you treat yourself to the delicate delight of Belgian Chocolate or indulge in the full-bodied flavour of Vienna Coffee, they're sure to go down well with one and all.

Before you, visit our Virtual Café at [www.dutchlady.com.my](http://www.dutchlady.com.my) and stand a chance to win fantastic prizes!

NEW!

