

DiGi.COM BERHAD (425190-X)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2005

425190-X

DiGi.COM BERHAD
(Incorporated in Malaysia)

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DiGi.COM BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are stated in Note 10 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Net profit/(loss) for the year	<u>470,955</u>	<u>(981)</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 Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than:

- (a) the effect arising from the changes in the depreciation rates as disclosed in Note 2(c) to the financial statements; and
- (b) the effect arising from the prepayment of previous borrowings as disclosed in Note 18 to the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company during the year. The Directors do not recommend any dividend to be paid for the year under review.

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:

Arve Johansen	
Tan Sri Datuk Amar Leo Moggie	(appointed on 10 May 2005)
Dato' Ab. Halim bin Mohyiddin	
Christian Storm	(Director and Alternate Director to Arve Johansen)
Ragnar Holmen Korsæth	
Tun Dato' Seri Dr Lim Chong Eu	(retired on 10 May 2005)
Gunnar Johan Bertelsen	(resigned on 6 October 2005)

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 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 shown in Note 3 to the financial statements or the fixed salary of full-time employees of a related corporation) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTEREST

According to the Register of Directors' Shareholdings, the interest of Directors in office at the end of the financial year in the shares of the Company or its related corporations during the financial year were as follows:

	<-----Number of Ordinary Shares of NOK6 Each----->			
	1 January 2005	Acquired	Sold	31 December 2005
Ultimate Holding Company				
Telenor ASA				
Direct Interest:				
Arve Johansen	44,977	5,155	-	50,132
Ragnar Holmen Korsæth	3,515	2,155	-	5,670
Christian Storm	1,582	155	-	1,737

DIRECTORS' INTEREST (CONT'D.)

<-----Number of Options Over Ordinary Shares----->
of NOK6 Each

	1 January 2005	Acquired	Sold	31 December 2005
Ultimate Holding Company				
Telenor ASA				
Direct Interest:				
Arve Johansen	200,000	-	-	200,000
Ragnar Holmen Korsæth	43,333	-	-	43,333

None of the other Directors in office at the end of the financial year had any interest in the shares of the Company or its related corporations during the financial year.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and 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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision 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.

OTHER STATUTORY INFORMATION (CONT'D.)

- (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 provision for doubtful debts, in the financial statements of the Group and of the Company, inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and 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 Group and 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 Group and 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 Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any material contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
 - (i) no contingent 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 Group or of the Company to meet their 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 Group or of the Company for the financial year in which this report is made.

OTHER SIGNIFICANT EVENTS

Significant events during the year are as disclosed in Note 26 to the financial statements.

SUBSEQUENT EVENT

Subsequent event since the end of the financial year is as disclosed in Note 27 to the financial statements.

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:

Arve Johansen
Director

Christian Storm
Director

Kuala Lumpur, Malaysia
24 March 2006

DiGi.COM BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Arve Johansen and Christian Storm, being two of the Directors of DiGi.Com Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 9 to 46 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 Group and of the Company as at 31 December 2005 and of the results of their operations and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors:

Arve Johansen
Director

Christian Storm
Director

Kuala Lumpur, Malaysia
24 March 2006

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Johan Eric Dannelind, being the officer primarily responsible for the financial management of DiGi.Com Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 46 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 abovenamed Johan Eric Dannelind
at Kuala Lumpur in Wilayah
Persekutuan on 24 March 2006.

Johan Eric Dannelind

Before me,

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**REPORT OF THE AUDITORS TO THE MEMBERS OF
DiGi.COM BERHAD
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 9 to 46. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and 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 and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

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**REPORT OF THE AUDITORS TO THE MEMBERS OF
DiGi.COM BERHAD (CONT'D.)**

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

Lim Saw Keng
No. 2215/10/07(J)
Partner

Kuala Lumpur, Malaysia
24 March 2006

DiGi.COM BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue		2,884,324	2,233,703	-	-
Other operating income		2,028	2,449	-	-
Cost of materials and traffic expenses		(645,759)	(512,234)	-	-
Sales and marketing expenses		(393,469)	(275,216)	-	-
Operations and maintenance		(96,674)	(80,428)	-	-
Rental expenses		(83,333)	(66,272)	-	-
Staff expenses		(150,840)	(125,961)	-	-
Depreciation expense and impairment losses		(579,449)	(465,553)	-	-
Amortisation expense		(4,006)	(4,016)	-	-
Other operating expenses		(256,991)	(197,045)	(981)	(664)
Profit/(loss) from operations	3	675,831	509,427	(981)	(664)
Finance costs, net	4	(14,281)	(62,584)	-	-
Profit/(loss) before taxation		661,550	446,843	(981)	(664)
Taxation	5	(190,595)	(129,488)	-	-
Net profit/(loss) for the year		470,955	317,355	(981)	(664)
Earnings per ordinary share (sen)	6	62.8	42.3		
Net dividends per ordinary share in respect of the year		-	-	-	-

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

DiGi.COM BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Property, plant and equipment	7	2,791,060	2,686,956	-	-
Intangible asset	8	35,140	39,081	-	-
Deferred expenditure	9	528	15,213	-	-
Investments in subsidiaries	10	-	-	526,501	526,501
Amount due from a subsidiary	11	-	-	-	573,439
		<u>2,826,728</u>	<u>2,741,250</u>	<u>526,501</u>	<u>1,099,940</u>
Current assets					
Inventories	12	8,197	13,423	-	-
Trade and other receivables	13	214,432	190,690	5	5
Amount due from a subsidiary	11	-	-	572,591	-
Cash and cash equivalents	14	1,182,962	634,719	-	-
		<u>1,405,591</u>	<u>838,832</u>	<u>572,596</u>	<u>5</u>
Current liabilities					
Trade and other payables	15	1,007,281	715,458	331	198
Provision for liabilities	16	73,309	44,575	-	-
Deferred revenue		220,772	158,203	-	-
Borrowings	18	-	224,584	-	-
Taxation		1,261	-	-	-
		<u>1,302,623</u>	<u>1,142,820</u>	<u>331</u>	<u>198</u>
Net current assets/(liabilities)		<u>102,968</u>	<u>(303,988)</u>	<u>572,265</u>	<u>(193)</u>
		<u>2,929,696</u>	<u>2,437,262</u>	<u>1,098,766</u>	<u>1,099,747</u>
Financed by:-					
Capital and reserves					
Share capital	19	750,000	750,000	750,000	750,000
Reserves		1,498,148	1,027,193	348,766	349,747
Shareholders' equity		<u>2,248,148</u>	<u>1,777,193</u>	<u>1,098,766</u>	<u>1,099,747</u>
Long term liabilities					
Borrowings	18	300,000	455,270	-	-
Deferred tax liabilities	20	371,518	196,684	-	-
Provision for liabilities	16	10,030	8,115	-	-
		<u>2,929,696</u>	<u>2,437,262</u>	<u>1,098,766</u>	<u>1,099,747</u>

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

DiGi.COM BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

	Non- Distributable		Distributable	
	Share capital RM'000	Share premium RM'000	Retained profits/ Accumulated losses) RM'000	Total RM'000
Group				
As at 1 January 2004	750,000	352,651	357,187	1,459,838
Net profit for the year	-	-	317,355	317,355
As at 31 December 2004	<u>750,000</u>	<u>352,651</u>	<u>674,542</u>	<u>1,777,193</u>
Net profit for the year	-	-	470,955	470,955
As at 31 December 2005	<u><u>750,000</u></u>	<u><u>352,651</u></u>	<u><u>1,145,497</u></u>	<u><u>2,248,148</u></u>
	Note 19			
Company				
As at 1 January 2004	750,000	352,651	(2,240)	1,100,411
Net loss for the year	-	-	(664)	(664)
As at 31 December 2004	<u>750,000</u>	<u>352,651</u>	<u>(2,904)</u>	<u>1,099,747</u>
Net loss for the year	-	-	(981)	(981)
As at 31 December 2005	<u><u>750,000</u></u>	<u><u>352,651</u></u>	<u><u>(3,885)</u></u>	<u><u>1,098,766</u></u>
	Note 19			

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

DiGi.COM BERHAD
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CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	661,550	446,843	(981)	(664)
Adjustments for:				
Depreciation expense and impairment losses	579,449	465,553	-	-
Amortisation of intangible asset	3,941	3,941	-	-
Amortisation of deferred expenditure	12,026	20,461	-	-
Allowance for doubtful debts	11,882	6,892	-	-
Interest expense	18,879	48,673	-	-
Interest income	(18,159)	(12,867)	-	-
Loss/(gain) on disposal of property, plant and equipment	4,024	(148)	-	-
Unrealised foreign exchange loss/(gain)	268	(160)	-	-
Provision for liabilities	147,738	90,632	-	-
Operating profit/(loss) before working capital changes	1,421,598	1,069,820	(981)	(664)
Decrease in inventories	5,226	643	-	-
Increase in receivables	(34,906)	(920)	-	-
Increase in payables	297,784	31,723	133	12
Increase in deferred revenue	62,569	34,592	-	-
Cash generated from/(used in) operations	1,752,271	1,135,858	(848)	(652)
Interest paid	(22,448)	(54,438)	-	-
Payments under customer loyalty programme	(117,429)	(76,609)	-	-
Payments for employee leave entitlements	(314)	(88)	-	-
Payments under defined benefit plan	(274)	(49)	-	-
Taxes paid	(14,500)	-	-	-
Net cash generated from/(used in) operating activities	1,597,306	1,004,674	(848)	(652)

DiGi.COM BERHAD
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CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (CONT'D.)

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(686,944)	(519,930)	-	-
Amount due from a subsidiary	-	-	848	652
Interest received	17,699	12,613	-	-
Proceeds from disposal of property, plant and equipment	36	778	-	-
Net cash (used in)/generated from investing activities	<u>(669,209)</u>	<u>(506,539)</u>	<u>848</u>	<u>652</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of bank borrowings	300,000	-	-	-
Repayment of bank borrowings	<u>(679,854)</u>	<u>(201,932)</u>	<u>-</u>	<u>-</u>
Net cash used in financing activities	<u>(379,854)</u>	<u>(201,932)</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	548,243	296,203	-	-
Cash and cash equivalents at beginning of year	<u>634,719</u>	<u>338,516</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year (Note 14)	<u><u>1,182,962</u></u>	<u><u>634,719</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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

DiGi.COM BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are stated in Note 10 to the financial statements. There have been no significant changes in the nature of the principal 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 principal place of business is located at Lot 30, Jalan Delima 1/3, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan.

The holding and ultimate holding companies of the Company are Telenor Asia Pte Ltd and Telenor ASA, incorporated in Singapore and Norway respectively. The ultimate holding company is listed on the Oslo Stock Exchange, Norway and NASDAQ, United States of America.

The number of employees in the Group and in the Company at the end of the financial year were 1,603 (2004: 1,549) and Nil (2004: Nil) respectively.

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 March 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below. The financial statements comply with the provisions of the Companies Act, 1965 and applicable Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia.

During the financial year ended 31 December 2005, the Group changed its accounting policy for segment information by changing the previously reportable business segment from International to Wholesale in order to better reflect the business strategy and to re-align the Group's products and services with similar risks and returns.

The impact of the change in policy is as disclosed in Note 25 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheets as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

(c) Property, Plant and Equipment

Property, plant and equipment, except for freehold land and capital work-in-progress, are stated at cost less accumulated depreciation and impairment losses. Freehold land and capital work-in-progress are stated at cost. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(d) below.

Freehold land and capital work-in-progress are not depreciated. 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 or periods:

	2005	2004
Leasehold land and buildings	30 to 99 years	30 to 99 years
Freehold buildings	2.0%	2.0%
Motor vehicles	20.0%	20.0%
Computer systems	20.0% - 33.3%	20.0%
Furniture and fittings	20.0%	10.0%
Telecommunications network	3.3% - 33.3%	10.0%

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(c) Property, Plant and Equipment (Cont'd.)

As part of the annual review process, the Group revised the estimated useful lives of computer systems, furniture and fittings and telecommunications networks with effect from 1 January 2005, to better reflect the usage of the depreciable assets and the expected technological advancement in the light of the changing business environment. The change in accounting estimate has been applied prospectively.

As a result of the revision, the current year depreciation charge was higher and has reduced the profit before tax of the Group for the financial year ended 31 December 2005 by approximately RM75.7 million.

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 in the income statements.

(d) Impairment of Assets

At each balance sheet, the Group 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. An impairment is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. An impairment loss is recognised as an expense in the income statements.

The recoverable amount is the higher of net selling price and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statements.

(e) Intangible Asset

Intangible asset comprises a fee paid during the financial period ended 31 December 2001 for the provision of technology and transfer of technical know-how pursuant to a technical service agreement signed between the Company and Telenor Mobile Communications AS, a wholly owned subsidiary of Telenor ASA, its ultimate holding company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(e) Intangible Asset (Cont'd.)

The fee paid is amortised on a straight line basis over the remaining period of the telecommunications license of 15 years.

(f) Deferred Expenditure

(i) License fees

License fees are capitalised and amortised over the period of the licenses.

(ii) Ancillary cost of borrowings

Costs specifically incurred to obtain new funding for the purpose of retiring existing loans and finance further network expansion are deferred and amortised over the tenor of the new loans. Any unamortised portion will be written off proportionately as and when there is a prepayment of the outstanding loans or lapsed or cancellation of any undrawn loan amount.

The unamortised ancillary cost of borrowings as at 31 December 2004 was fully amortised and charged out to the income statements during the financial year ended 31 December 2005 as the loans were fully prepaid as stated in Note 18 to the financial statements.

(g) Investments in Subsidiaries

The Company's investments in subsidiaries are held for long term and are stated at cost. The investments are only written down when the Directors are of the opinion that there is a diminution in their values which is other than temporary. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(d) to the financial statements.

(h) Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of trading merchandise comprises costs of purchases and other incidental costs incurred in bringing these merchandise to their present condition and location.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(i) Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand and at bank, balances and deposits with licensed banks and licensed financial institutions. For the purpose of the cash flow statements, cash and cash equivalents are net of outstanding bank overdrafts, if any.

(j) Operating Lease

Leases of assets where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are recognised as an expense in the income statements on a straight-line basis over the term of the relevant lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(k) Provision for Liabilities

Provisions for liabilities are recognised when the Group 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.

(i) Customer loyalty programme

Customer loyalty programme costs are provided based on management's best estimate of the amount of incentive realisable to the customers based on the past trend of customers' usages and utilisation.

(ii) Employee leave entitlements

Employees' entitlement to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for the annual leave as a result of services rendered by employees up to the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(k) Provision for Liabilities (Cont'd.)

(iii) Site decommission and restoration costs

Provision for site decommission and restoration costs is in respect of the management's best estimate on the costs necessary to be incurred to decommission and restore the telecommunications sites.

The estimated amount is determined after taking into consideration the time value of money, and the initial estimated sum is capitalised as part of the cost for property, plant and equipment.

(iv) Defined benefit plan

Provision for defined benefit plan to eligible employees is as disclosed in Note 2(l)(iii) to the financial statements.

(l) 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. 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. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. The contributions are recognised as an expense in the income statements as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(I) Employee Benefits (Cont'd.)

(iii) Defined benefit plan

The Group operates an unfunded defined benefit plan for its eligible employees. The benefits are calculated based on the length of service and the agreed percentages of eligible employees' salaries over the period of their employment and are payable upon resignation after completion of minimum employment period of 10 years service or upon retirement age of 55 years. The Group's obligations under the retirement benefit scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains or losses for the retirement benefit scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of the plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reduction in future contributions to the plan.

Gains or losses on the curtailment of a defined benefit plan will be recognised when the curtailment occurs. The gains or losses would comprise any resulting change in the present value of the defined benefit obligation and any related actuarial gains and losses and past service costs that had not previously been recognised.

The Group amended the existing defined benefit plan, took effect from 1 January 2006, to restrict new entry into the plan and the benefits payable are to be calculated based on the employee's length of service up to 31 December 2005.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(m) 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, measured using the tax rates that have been enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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 future taxable profit will be available against which these can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

(n) 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.

(i) Sale of goods and services

Revenue relating to sales of goods and services are recognised net of rebates and discounts upon the transfer of risk and reward when goods are delivered and services are performed. Revenue from the prepaid cards that have been sold to customers but where services have not been rendered at the balance sheet date is deferred.

(ii) Interest income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(o) Foreign Currency Transactions

Transactions in foreign currencies are initially converted in Ringgit Malaysia at rates of exchange ruling at the date of 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.

All exchange rate differences are taken to the income statements.

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

	2005	2004
	RM	RM
1 United States Dollar	3.78	3.80
1 Swiss Franc	2.88	3.35
1 Special Drawing Rights	5.21	5.88
1 Euro Dollar	4.49	5.17
1 Norwegian Kroner	0.58	0.64

(p) Receivables

Receivables are carried at anticipated realisable values, which is cost less allowance for doubtful debts. 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.

(q) Payables

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

(r) Interest-Bearing Borrowings

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

Interest incurred in connection with financing the construction and installation of property, plant and equipment, if any, is capitalised until the assets are ready for their intended use.

All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(s) Share Capital

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

3. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations is stated after charging/(crediting):

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Allowance for doubtful debts	11,882	6,892	-	-
Amortisation expense:				
- intangible asset	3,941	3,941	-	-
- license fees	65	75	-	-
Auditors' remuneration				
Statutory audit				
- current year provision	110	86	15	12
- under provision in prior year	-	7	-	1
Other services	82	27	50	17
Bad debts recovered	(1,995)	(1,784)	-	-
Directors' emoluments	683	500	183	76
Employee benefits				
- defined contribution plan	12,149	10,224	-	-
- defined benefit plan	832	655	-	-
Loss/(gain) on disposal of property, plant and equipment	4,024	(148)	-	-
Provision for:				
- customer loyalty programme	145,492	88,587	-	-
- employee leave entitlements	985	572	-	-
- site decommission and restoration cost	429	818	-	-
Lease of transmission facilities	44,197	46,503	-	-
Realised loss on foreign exchange	233	397	-	-
Rental of equipment	2,435	1,711	-	-
Rental of land and buildings	74,528	61,026	-	-
Unrealised loss/(gain) on foreign exchange	268	(160)	-	-

4. FINANCE COSTS, NET

	Group	
	2005	2004
	RM'000	RM'000
Interest expense	18,879	48,673
Ancillary costs of borrowings (Note 9)	11,961	20,386
Others	1,600	6,392
	<u>32,440</u>	<u>75,451</u>
Interest income	(18,159)	(12,867)
	<u>14,281</u>	<u>62,584</u>

5. TAXATION

	Group	
	2005	2004
	RM'000	RM'000
Income tax:		
Current tax expense	<u>15,761</u>	<u>-</u>
Deferred taxation (Note 20):		
Relating to origination and reversal of temporary differences	174,730	131,531
Under/(over) provision in prior year	104	(2,043)
	<u>174,834</u>	<u>129,488</u>
	<u>190,595</u>	<u>129,488</u>

A reconciliation of income tax expense/rate applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense/rate at the effective income tax rate of the Group and of the Company is as follows:

Group	2005		2004	
	%	RM'000	%	RM'000
Profit before taxation		<u>661,550</u>		<u>446,843</u>
Taxation at Malaysian statutory tax rate	28.0	185,234	28.0	125,116
Effect of expenses not deductible	0.8	5,257	1.4	6,415
Under/(over) provision of deferred tax in prior year	0.0	104	(0.5)	(2,043)
Tax expense for the year	<u>28.8</u>	<u>190,595</u>	<u>28.9</u>	<u>129,488</u>

5. TAXATION (CONT'D.)

Company	2005		2004	
	%	RM'000	%	RM'000
Loss before taxation		<u>(981)</u>		<u>(664)</u>
Taxation at Malaysian statutory tax rate	(28.0)	(275)	(28.0)	(186)
Effect of expenses not deductible	28.0	275	28.0	186
Tax expense for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There are tax savings effect for the Group of approximately RM339 million (2004: RM265 million) arising from the utilisation of capital allowances and tax losses by its subsidiary.

6. EARNINGS PER ORDINARY SHARE

Earnings per ordinary share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2005	2004
Net profit for the year (RM'000)	470,955	317,355
Weighted average number of ordinary shares in issue ('000)	750,000	750,000
Earnings per ordinary share (sen)	<u>62.8</u>	<u>42.3</u>

7. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Freehold buildings RM'000	Long term leasehold land and buildings RM'000	Short term leasehold land and buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele- communi- cations network RM'000	Capital work-in- progress RM'000	Total RM'000
Cost										
At 1 January 2005	13,912	7,880	9,795	14,405	19,711	308,149	36,266	3,786,180	104,832	4,301,130
Additions	-	-	-	-	-	-	2	928	686,942	687,872
Written off/ Disposals	-	-	-	-	(1,601)	(4,663)	(959)	(11,182)	(1,038)	(19,443)
Transfers	-	6,399	-	-	3,710	94,065	6,935	558,616	(669,725)	-
At 31 December 2005	13,912	14,279	9,795	14,405	21,820	397,551	42,244	4,334,542	121,011	4,969,559
Accumulated Depreciation and Impairment Losses										
At 1 January 2005										
Accumulated depreciation	-	416	739	2,727	11,568	156,843	18,995	1,416,868	-	1,608,156
Accumulated impairment losses	-	-	-	-	-	-	-	6,018	-	6,018
	-	416	739	2,727	11,568	156,843	18,995	1,422,886	-	1,614,174

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group	Freehold land RM'000	Freehold buildings RM'000	Long term leasehold land and buildings RM'000	Short term leasehold land and buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele- communi- cations network RM'000	Capital work-in- progress RM'000	Total RM'000
Depreciation charge for the year	-	204	100	298	3,100	59,298	9,215	504,352	-	576,567
Impairment loss	-	-	-	-	-	-	716	2,166	-	2,882
Written off/ Disposals	-	-	-	-	(1,433)	(4,502)	(787)	(8,402)	-	(15,124)
At 31 December 2005	-	620	839	3,025	13,235	211,639	28,139	1,921,002	-	2,178,499
Analysed as:										
Accumulated depreciation	-	620	839	3,025	13,235	211,639	27,423	1,912,818	-	2,169,599
Accumulated impairment losses	-	-	-	-	-	-	716	8,184	-	8,900
	-	620	839	3,025	13,235	211,639	28,139	1,921,002	-	2,178,499
Net Book Value										
At 31 December 2005	13,912	13,659	8,956	11,380	8,585	185,912	14,105	2,413,540	121,011	2,791,060
At 31 December 2004	13,912	7,464	9,056	11,678	8,143	151,306	17,271	2,363,294	104,832	2,686,956
Depreciation charge for 2004	-	66	100	298	2,481	41,476	3,072	418,060	-	465,553

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Long term leasehold land and buildings comprise leasehold interests with an unexpired term in excess of 50 years.

No interest was capitalised during the current and previous financial year in respect of the property, plant and equipment of the Group.

Included in additions for the year is an amount of RM928,000 (2004: RM3.7 million) related to the provision for site decommission and restoration costs.

8. INTANGIBLE ASSET

	Group	
	2005	2004
	RM'000	RM'000
As at 1 January	39,081	43,022
Amortisation for the year	(3,941)	(3,941)
As at 31 December	<u>35,140</u>	<u>39,081</u>

9. DEFERRED EXPENDITURE

	Group	
	2005	2004
	RM'000	RM'000
License fees:		
As at 1 January	593	668
Amortisation for the year	(65)	(75)
As at 31 December	<u>528</u>	<u>593</u>
Ancillary costs of borrowings:		
As at 1 January	14,620	35,006
Amortisation for the year (Note 4)	(11,961)	(20,386)
Net refund of ancillary cost	(2,659)	-
As at 31 December	<u>-</u>	<u>14,620</u>
Total deferred expenditure	<u>528</u>	<u>15,213</u>

10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005	2004
	RM'000	RM'000
Unquoted shares at cost	<u>526,501</u>	<u>526,501</u>

Details of the subsidiaries, which are incorporated in Malaysia, are as follows:

Name of Company	Equity Interest Held (%)		Principal Activities
	2005	2004	
DiGi Telecommunications Sdn. Bhd.	100	100	Establishment, maintenance and provision of telecommunications and related services
Subsidiaries of DiGi Telecommunications Sdn. Bhd.			
DiGi Services Sdn. Bhd.	100	100	Property holding and other related services
Djuice.Com Sdn. Bhd.	100	100	Dormant

11. AMOUNT DUE FROM A SUBSIDIARY

	Company	
	2005	2004
	RM'000	RM'000
Amount due from a subsidiary	<u>572,591</u>	<u>573,439</u>

The amount due from a subsidiary is non-trade, unsecured and interest-free. The amount due as at 31 December 2005 has been reclassified to current assets as it is expected to be received within the next 12 months.

12. INVENTORIES

	Group	
	2005	2004
	RM'000	RM'000
Cost		
Trading merchandise	8,046	13,233
Net realisable value		
Trading merchandise	151	190
	<u>8,197</u>	<u>13,423</u>

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Trade receivables	141,175	152,131	-	-
Other receivables	6,412	5,222	-	-
Deposits	24,660	19,993	5	5
Prepayments	48,470	21,966	-	-
	<u>220,717</u>	<u>199,312</u>	<u>5</u>	<u>5</u>
Allowance for doubtful debts	(6,285)	(8,622)	-	-
	<u>214,432</u>	<u>190,690</u>	<u>5</u>	<u>5</u>

The Group's trade receivables are subject to normal trade credit terms and are short term in nature.

During the financial year, the Group had written off approximately RM14.2 million (2004: RM14.1 million) of trade receivables balance against the allowance for doubtful debts brought forward.

At 31 December 2005, the Group's trade receivables balances includes exposure to foreign currency denominated in United States Dollars amounting to USD2.8 million (2004: USD4.2 million).

14. CASH AND CASH EQUIVALENTS

	Group	
	2005	2004
	RM'000	RM'000
Cash and bank balances	37,254	4,246
Deposits with:		
Licensed banks	626,001	74,365
Other licensed financial institutions	519,707	556,108
	<u>1,145,708</u>	<u>630,473</u>
Cash and cash equivalents	<u>1,182,962</u>	<u>634,719</u>

The weighted average effective interest rates of deposits at the balance sheet date were as follows:

	2005	2004
	%	%
Deposits with:		
Licensed banks	2.8	2.7
Other licensed financial institutions	<u>2.9</u>	<u>2.7</u>

All the cash and bank balances of the Group are denominated in Ringgit Malaysia.

The deposits of the Group placed with licensed banks and licensed financial institutions will mature within 1 month (2004: 1 month) from the financial year end.

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Trade payables	90,036	68,786	-	-
Other payables	123,647	64,492	-	-
Accruals	788,911	579,307	331	198
Customer deposits	4,687	2,873	-	-
	<u>1,007,281</u>	<u>715,458</u>	<u>331</u>	<u>198</u>

At 31 December 2005, the Group's trade and other payables balances include exposure to foreign currency denominated in United States Dollars amounting to USD16.8 million (2004: USD13.5 million).

16. PROVISION FOR LIABILITIES**Group**

	Customer loyalty programme RM'000	Employee leave entitlements RM'000	Total RM'000
Short Term			
As at 1 January 2005	41,192	3,383	44,575
Charged to the income statements	145,492	985	146,477
Paid during the year	(117,429)	(314)	(117,743)
As at 31 December 2005	<u>69,255</u>	<u>4,054</u>	<u>73,309</u>
As at 1 January 2004	29,214	2,899	32,113
Charged to the income statements	88,587	572	89,159
Paid during the year	(76,609)	(88)	(76,697)
As at 31 December 2004	<u>41,192</u>	<u>3,383</u>	<u>44,575</u>

	Site decommission and restoration costs RM'000	Defined benefit plan RM'000	Total RM'000
Long Term			
As at 1 January 2005	4,523	3,592	8,115
Capitalised as property, plant and equipment	928	-	928
Charged to the income statements	429	832	1,261
Paid during the year	-	(274)	(274)
As at 31 December 2005	<u>5,880</u>	<u>4,150</u>	<u>10,030</u>
		Note 17	
As at 1 January 2004	-	2,986	2,986
Capitalised as property, plant and equipment	3,705	-	3,705
Charged to the income statements	818	655	1,473
Paid during the year	-	(49)	(49)
As at 31 December 2004	<u>4,523</u>	<u>3,592</u>	<u>8,115</u>
		Note 17	

17. DEFINED BENEFIT PLAN

The Group operates an unfunded defined benefit plan for its eligible employees. The obligations under the retirement benefit scheme are determined based on actuarial valuation by a qualified independent actuary on an annual basis.

17. DEFINED BENEFIT PLAN (CONT'D.)

The amounts recognised in the balance sheets are determined as follows:

	Group	
	2005	2004
	RM'000	RM'000
Present value of unfunded obligations	2,480	3,441
Unrecognised experience (loss)/gain	(226)	151
Unrecognised curtailment gain	1,896	-
Net liability	<u>4,150</u>	<u>3,592</u>

The unrecognised curtailment gain was resulted from the amendment of plan as stated in Note 2(1)(iii) to the financial statements. The curtailment gain will be recognised in the financial year ending 31 December 2006.

The amounts recognised in the income statements are as follows:

	Group	
	2005	2004
	RM'000	RM'000
Current service cost	595	451
Interest on obligations	237	204
Amount included under Staff expenses in the income statements	<u>832</u>	<u>655</u>

Principal actuarial assumptions used:

	2005	2004
	%	%
Rate per annum:		
Discount rate	5.8	7.0
Expected rate of salary increases	<u>7.0</u>	<u>8.0</u>

18. BORROWINGS

	Group	
	2005	2004
	RM'000	RM'000
Short Term		
Secured:		
Syndicated term loan	-	136,514
USD term loan	-	49,400
Senior secured credit facilities	-	38,670
	<u>-</u>	<u>224,584</u>

18. BORROWINGS (CONT'D.)

	Group	
	2005	2004
	RM'000	RM'000
Long Term		
Unsecured:		
Fixed rate term loan	300,000	-
Secured:		
Syndicated term loan	-	245,725
USD term loan	-	24,700
Senior secured credit facilities	-	184,845
	-	455,270
Total		
Fixed rate term loan	300,000	-
Syndicated term loan	-	382,239
USD term loan	-	74,100
Senior secured credit facilities	-	223,515
	300,000	679,854
Maturity of borrowings		
Less than 1 year	-	224,584
Between 1 and 5 years	300,000	455,270
	300,000	679,854

The weighted average effective interest rates at the balance sheet date for borrowings, were as follows:

	Group	
	2005	2004
	%	%
Fixed rate term loan	4.9	-
Syndicated term loan	-	7.5
USD term loan	-	3.2
Senior secured credit facilities	-	5.9

During the financial year, a subsidiary of the Company has entered into a new credit facility of fixed rate term loan ("FRTL") of RM300.0 million to refinance the previous borrowings with lower borrowing costs and improved terms. This new FRTL facility was fully drawdown during the financial year to prepay the previous outstanding borrowings. The remaining balances of the previous outstanding borrowings were settled by utilizing the excess cash from operations.

18. BORROWINGS (CONT'D.)

The FRTL is unsecured and consists of three tranches of RM100.0 million each. The three tranches are subject to interest rates of between 4.6% to 5.2% per annum and are repayable on a bullet basis of RM100.0 million each repayment in April 2008, April 2009 and April 2010 respectively.

19. SHARE CAPITAL

	Number of Ordinary Shares of RM1.00 Each		Amount	
	2005	2004	2005	2004
	'000	'000	RM'000	RM'000
Ordinary shares of RM1 each:				
Authorised	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>

The Company has proposed to undertake a capital repayment of RM0.75 for each ordinary share to be satisfied wholly in cash to its shareholders. The proposed capital repayment will be carried via a reduction of the share capital of the Company pursuant to Section 64 of the Companies Act, 1965 as disclosed in Notes 26 and 27 to the financial statements.

20. DEFERRED TAX LIABILITIES

	Group	
	2005 RM'000	2004 RM'000
As at 1 January	196,684	67,196
Charged to the income statements (Note 5)	<u>174,834</u>	<u>129,488</u>
As at 31 December	<u>371,518</u>	<u>196,684</u>

Presented after appropriate offsetting as follows:

	Group	
	2005 RM'000	2004 RM'000
Deferred tax liabilities	378,015	385,116
Deferred tax assets	<u>(6,497)</u>	<u>(188,432)</u>
	<u>371,518</u>	<u>196,684</u>

20. DEFERRED TAX LIABILITIES (CONT'D.)

The components and movements of recognised deferred tax liabilities and assets for the Group during the financial year (before offsetting) are as follows:

Deferred Tax Liabilities:

	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
As at 1 January 2005	383,187	1,929	385,116
Recognised in the income statements	(15,058)	7,957	(7,101)
As at 31 December 2005	<u>368,129</u>	<u>9,886</u>	<u>378,015</u>
As at 1 January 2004	309,609	2,496	312,105
Recognised in the income statements	73,578	(567)	73,011
As at 31 December 2004	<u>383,187</u>	<u>1,929</u>	<u>385,116</u>

Deferred Tax Assets:

	Unabsorbed capital allowances RM'000	Unutilised tax losses RM'000	Others RM'000	Total RM'000
As at 1 January 2005	(124,938)	(63,494)	-	(188,432)
Recognised in the income statements	124,938	63,494	(6,497)	181,935
As at 31 December 2005	<u>-</u>	<u>-</u>	<u>(6,497)</u>	<u>(6,497)</u>
As at 1 January 2004	(177,791)	(67,118)	-	(244,909)
Recognised in the income statements	52,853	3,624	-	56,477
As at 31 December 2004	<u>(124,938)</u>	<u>(63,494)</u>	<u>-</u>	<u>(188,432)</u>

21. COMMITMENTS

	Group	
	2005	2004
	RM'000	RM'000
(a) Capital Commitments		
Capital expenditure in respect of property, plant and equipment		
Approved and contracted for	<u>353,000</u>	<u>250,000</u>
Approved but not contracted for	<u>455,000</u>	<u>146,000</u>

(b) Non-Cancellable Operating Lease Commitments

	Group	
	2005	2004
	RM'000	RM'000
Future minimum lease payments:		
Less than 1 year	6,935	8,292
Between 1 and 5 years	22,141	23,187
More than 5 years	<u>14,658</u>	<u>20,155</u>
	<u>43,734</u>	<u>51,634</u>

Operating lease payments represent rentals payable by the Group for lease of transmission facilities and land and buildings to support its telecommunications operations. The tenure of these leases range between one to nine years, with options to renew. None of the leases included contingent rentals.

22. CONTINGENT LIABILITIES

	2005	2004
	RM'000	RM'000
Group		
Unsecured		
Guarantees given by a subsidiary company to third parties for public infrastructure works	<u>4,645</u>	<u>-</u>
Secured		
Guarantees given by a subsidiary company to third parties for public infrastructure works	<u>-</u>	<u>6,080</u>
Company		
Secured		
Guarantees given by the Company to financial institutions for credit facilities granted to its subsidiary	<u>-</u>	<u>699,854</u>

23. RELATED PARTY TRANSACTIONS

Controlling related party relationships are as follows:

- (i) The ultimate holding company as disclosed in Note 1.
- (ii) Its subsidiaries as disclosed in Note 10.

Significant transactions and balances with related parties of the Group during the year are as follows:

	Transactions		Balance due from/(to) at	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
With fellow subsidiary companies				
- <i>Telenor Global Services AS</i>			(373)	(291)
Sales of interconnection services on international traffic	398	1,145		
Purchase of interconnection services on international traffic	1,874	1,337		
- <i>Telenor Pakistan (Private) Limited</i>			417	-
Sales of interconnection services on international traffic	1,065	-		
Purchase of interconnection services on international traffic	784	-		
- <i>Telenor Consult AS</i>				
Personnel services rendered	6,929	6,171	(109)	(1,682)
With companies in which Tan Sri Dato' Seri Vincent Tan Chee Yioun (TSVT)* is deemed to have an interest				
- <i>Berjaya General Insurance Bhd.</i>				
Insurance premiums	556	5,242	-	(6)
- <i>Berjaya Registration Services Sdn. Bhd.</i>				
Printing and mailing services	6,698	4,638	(1,243)	(783)
- <i>Convenience Shopping Sdn. Bhd.</i>				
Sales of prepaid cards and reload coupons	87,085	34,562	9,547	3,785

23. RELATED PARTY TRANSACTIONS (CONT'D.)

	Transactions		Balance due from/(to) at	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
With companies in which Tan Sri Dato' Seri Vincent Tan Chee Yioun (TSVT)* is deemed to have an interest (Cont'd.)				
- <i>Convenience Shopping (Sabah) Sdn. Bhd.</i> Sales of prepaid cards and reload coupons	2,043	335	217	68
- <i>Cosway (M) Sdn. Bhd.</i> Sales of prepaid cards and reload coupons	4,270	5,326	801	798
- <i>MOL AccessPortal Sdn. Bhd.</i> Sales of prepaid cards and soft pins	2,002	2,746	53	232
- <i>Cosmo's World Theme Park Sdn. Bhd.</i> Purchase of sponsorship rights	1,000	-	(250)	-
- <i>Pentagon Engineering Sdn. Bhd.</i> Construction of transmission towers and sites	N/A**	6,160	N/A**	-

* TSVT resigned as a director on 12 January 2005 and ceased to be a substantial shareholder on 20 October 2005.

** Denotes 'Not Applicable' where this company ceased to be a related party with effect from 1 December 2004.

All the transactions above have been entered into in the normal course of business and have been established under the terms that are no less favourable than those arranged with independent third parties.

24. FINANCIAL INSTRUMENTS**(a) Financial Risk Management Objective and Policies**

In the normal course of conducting its business activities, the Group is exposed to a variety of financial risks, which include credit, currency, liquidity and interest rate risk. The Group's overall risk management programme seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

24. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Credit Risk

The Group's credit risk arises in the normal course of business primarily with respect to trade and other receivables and cash and cash equivalents. Credit risk is managed through formalised policies on credit assessment and approvals, credit limits and monitoring procedures. Deposits are placed only with licensed banks and licensed financial institutions.

The maximum credit risk exposure in respect of trade receivables is limited to the carrying value of the receivables less allowance for doubtful debts as stated in the financial statements, whereas, the maximum exposure for other receivables, cash and cash equivalents are the reported carrying value in the financial statements.

At balance sheet date, there were no significant concentrations of credit risk.

(c) Foreign Currency Risk

The Group is exposed to foreign currency risk as a result of transactions denominated in foreign currency arising from the normal business activities. The currency giving rise to this risk is primarily United States dollars. Exposure to foreign currency risk is monitored on an ongoing basis and when considered necessary, the Group will consider using effective financial instruments to hedge its foreign currency risk.

(d) Liquidity Risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

As disclosed in Note 26 to the financial statements, the Group has put in place Commercial Papers and Medium Term Notes with an aggregate nominal value of up to RM700 million as the alternative source of financing which can be executed when required.

(e) Interest Rate Risk

The Group is exposed to interest rates risk primarily from the deposit placements and interest-bearing financial liabilities. The Group manages its interest rate risk for the interest-earning deposit placements by placing such balances on varying maturities and interest rate terms.

The Group's policy in dealing with interest-bearing financial liabilities is to minimise the interest expense by obtaining the most favourable interest rates available.

24. FINANCIAL INSTRUMENTS (CONT'D.)**(f) Fair Values**

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and cash equivalents

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Trade receivables and payables

The carrying amounts approximate fair values because these are subject to normal trade credit terms and their short term nature.

(iii) Amount due from a subsidiary

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(iv) Borrowings

The fair value of the fixed rate term loan has been determined by discounting the expected future cash flows using the current interest rates for similar instruments at the balance sheet date.

The carrying amounts of financial assets and liabilities of the Group at the balance sheet date are as follows:

Group

	Note	Carrying Amount RM'000	Fair Value RM'000
Financial Liabilities			
At 31 December 2005:			
Fixed rate term loan	18	300,000	299,300
At 31 December 2004:			
Syndicated term loan	18	382,239	382,239
USD term loan	18	74,100	74,100
Senior secured credit facilities	18		
- fixed rates		40,000	39,717
- floating rates		183,515	183,515

25. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. The primary reporting format by business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning and corporate assets, interest-bearing loans and general enterprise expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Business Segments

The Group comprises the following main business segments:

Mobile	Provision of mobile communication services to businesses, individuals and other operators through its operating unit, DiGi Telecommunications Sdn. Bhd.
Wholesale	Provision of international gateway facilities which offers cross border interconnection and other wholesale telecommunications services with operators, through its operating unit, DiGi Telecommunications Sdn. Bhd.

During the financial year, the Group changed the previously reportable business segment from International to Wholesale in order to better reflect the business strategy and to re-align the Group products and services with similar risks and returns. Such changes resulted in reclassification of certain segment information from the previously reported International (now named as Wholesale) segment to Others as reflected herein. There is no change in the aggregate financial information reported. The comparative segmental information has been restated accordingly to reflect the revised reportable business segments.

Geographical Segments

The Group's business segments operate mainly in Malaysia, the home country of the Company and its operating subsidiary companies. No other individual country contributed more than 10% of the consolidated revenue and assets.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical locations of customers. Segment assets are also based on the geographical location of assets.

25. SEGMENT INFORMATION (CONT'D.)

Business Segments	Mobile		Wholesale		Others		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue										
External revenue	2,695,258	1,947,081	149,998	234,223	39,068	52,399	-	-	2,884,324	2,233,703
Inter-segment revenue	-	-	-	-	723	2,703	(723)	(2,703)	-	-
Total revenue	<u>2,695,258</u>	<u>1,947,081</u>	<u>149,998</u>	<u>234,223</u>	<u>39,791</u>	<u>55,102</u>	<u>(723)</u>	<u>(2,703)</u>	<u>2,884,324</u>	<u>2,233,703</u>
Result										
Segment results	658,231	467,877	51,969	60,987	16,397	19,563	(30)	(30)	726,567	548,397
Unallocated corporate expenses									<u>(50,736)</u>	<u>(38,970)</u>
Profit from operations									675,831	509,427
Finance costs, net									<u>(14,281)</u>	<u>(62,584)</u>
Profit before taxation									661,550	446,843
Taxation									<u>(190,595)</u>	<u>(129,488)</u>
Net profit for the year									<u>470,955</u>	<u>317,355</u>
Assets										
Segment assets	2,911,740	2,768,547	80,114	129,851	11,690	28,440	-	-	3,003,544	2,926,838
Unallocated assets									<u>1,228,775</u>	<u>653,244</u>
Consolidated total assets									<u>4,232,319</u>	<u>3,580,082</u>
Liabilities										
Segment liabilities	1,202,440	826,623	84,559	72,183	3,513	10,855	-	-	1,290,512	909,661
Unallocated liabilities									<u>692,659</u>	<u>893,228</u>
Consolidated total liabilities									<u>1,983,171</u>	<u>1,802,889</u>

25. SEGMENT INFORMATION (CONT'D.)

Business Segments	Mobile		Wholesale		Others		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other information										
Segment capital expenditure	659,325	515,330	3,019	6,881	668	1,427	-	-	663,012	523,638
Unallocated segment capital expenditure									24,860	-
Total capital expenditure									687,872	523,638
Depreciation and amortisation	560,442	441,798	18,828	21,002	4,185	6,769	-	-	583,455	469,569
Non-cash expenses other than depreciation and amortisation	4,005	327	76	20	6	-	-	-	4,087	347
Geographical Segments										
					Malaysia		Others *		Consolidated	
					2005	2004	2005	2004	2005	2004
					RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers by location of customers					2,807,416	2,115,331	76,908	118,372	2,884,324	2,233,703
Segment assets by location of assets					4,212,431	3,559,131	19,888	20,951	4,232,319	3,580,082
Capital expenditure by location of assets					687,872	523,589	-	49	687,872	523,638

* Others comprise customers and assets which are mostly located in Asia region.

26. OTHER SIGNIFICANT EVENTS

- (a) On 26 October 2005, the Company announced that DiGi Telecommunications Sdn Bhd ("DTSB"), a wholly-owned subsidiary, proposed to issue Commercial Papers and Medium Term Notes with an aggregate nominal value of up to RM700 million ("the Proposed Issue").

The Proposed Issue is an alternative source of financing for DTSB to plan and manage its funding costs and requirements for its capital expenditure and working capital. The Securities Commission has approved the Proposed Issue based on the terms and conditions as contained therein.

The Proposed Issue has yet to be executed.

- (b) On 26 October 2005, the Company announced that the Company proposed to undertake a capital repayment of RM0.75 for every share to be satisfied wholly in cash to its shareholders via a share capital reduction pursuant to Section 64 of the Companies Act, 1965 ("the Proposal") and to amend the Memorandum and Articles of Association ("M&A") of the Company to facilitate the Proposal.

Upon the completion of the proposed capital repayment, the par value of the ordinary shares in the Company will be reduced from RM1.00 to RM0.25 each. Based on the Company's issued and paid-up share capital of RM750,000,000 comprising 750,000,000 ordinary shares as at 31 December 2005, the maximum amount to be distributed to the shareholders will be approximately RM562.5 million.

The Proposal is expected to be completed by the second quarter of 2006.

27. SUBSEQUENT EVENT

The Company's shareholders had approved the Proposal and the proposed amendment of M&A at an Extraordinary General Meeting convened on 24 January 2006 and the same was filed with the High Court of Malaya on 25 January 2006 for approval.

28. COMPARATIVES

The comparative figures have been audited by a firm of chartered accountants other than Ernst & Young and the following have been reclassified to conform with the current year's presentation:

	Group	
	As reclassified	Previously
	RM'000	stated
		RM'000
Income statements		
Staff expenses	125,961	114,161
Other operating expenses	197,045	208,845
	<u> </u>	<u> </u>
Balance sheets		
Current assets		
Trade and other receivables	190,690	176,955
	<u> </u>	<u> </u>
Current liabilities		
Trade and other payables	715,458	750,821
Provision for liabilities	44,575	-
	<u> </u>	<u> </u>
Long term liabilities		
Provision for liabilities	8,115	-
Employee benefits	-	3,592
	<u> </u>	<u> </u>