

**BALANCE SHEET
AS AT 31 DECEMBER 2004**

	NOTE	2004 RM	2003 RM
ASSET			
Property and Accessories	3	772,192	975,807
Long Term Loan Debtors	7	540,077	476,428
Work In Process	4	149,715	149,715
		1,461,984	1,601,950
CURRENT ASSET			
Cash and Bank Balance	5	5,806,701	2,883,096
Fixed Deposits	6	14,082,540	14,325,373
Debtors	7	3,267,023	603,251
Advance		21,029	7,460
Total Current Asset		23,177,293	17,819,180
CURRENT LIABILITY			
Creditors	8	279,337	540,172
Other Current Liability		75,038	-
Income Tax Exemption		614,735	464,031
Total Current Liability		969,110	1,004,203
NET CURRENT ASSET		22,208,183	16,814,977
TOTAL CURRENT ASSET		23,670,167	18,416,927
FINANCED BY			
OPERATING FUND		22,002,394	17,340,816
TRUST FUND	10	363,581	274,942
REVOLVING LOAN FUND	11	1,304,192	801,169
		23,670,167	18,416,927

This Balance Sheet is to be read with the Notes for the Account 1-16.

**INCOME STATEMENT
AS AT 31 DECEMBER 2004**

	NOTE	2004 RM	2003 RM
INCOME			
Accreditation Services Income	12	8,488,673	3,787,245
Government Grant		7,225,000	7,000,000
Domestic Investment Earnings		529,893	462,210
Other Income	13	68,501	31,087
Total Income		16,312,067	11,280,542
EXPENDITURE			
Emolumen		4,150,797	4,036,828
Services and Supplies		6,339,143	6,552,276
Contribution and Fixed Charges		34,437	40,588
Other Expenditure		5,721	13,694
Expenditure Not Involving Cash Flow: Depreciation of Property and Equipment		378,025	362,474
Total Expenditure		10,908,123	11,005,860
INCOME SURPLUS/(DEFICIT) BEFORE TAX		5,403,944	274,681
Income Tax		(150,704)	(118,731)
INCOME AFTER TAX		5,253,240	155,950
Accumulated Income Brought Forward		18,416,927	18,260,977
Last year's Adjustment		-	-
Restated		18,416,927	18,260,977
ACCUMULATED INCOME		23,670,167	18,416,927

This Income Statement is to be read with the Notes for the Account 1-16.

**EQUITY CHANGE STATEMENT
AS AT 31 DECEMBER 2004**

	Operating Fund RM	Revolving Fund RM	Trust Fund RM	Loan Fund RM	Total RM
Balance As At 1 January 2003	17,227,502	233,532	799,943	18,260,977	
Previous Year's Adjustment	6	-	(6)	-	
Income Surplus/(Deficit)	113,308	41,410	1,232	155,950	
Balance As At 31 December 2003	<u>17,340,816</u>	<u>274,942</u>	<u>801,169</u>	<u>18,416,927</u>	
Cash Transfer	(500,000)	-	500,000	-	
Income Surplus/(Deficit)	5,161,578	88,638	3,024	5,253,240	
Balance As At 31 December 2004	<u><u>22,002,394</u></u>	<u><u>363,580</u></u>	<u><u>1,304,193</u></u>	<u><u>23,670,167</u></u>	

**CASH FLOW STATEMENT
AS AT 31 DECEMBER 2004**

NOTE	2004 RM	2003 RM
CASH FROM OPERATIONS		
Income Surplus/(Deficit)		
Before Tax	5,403,945	274,681
Previous Year's Adjustment	-	-
Depreciation of Property and Equipment	378,025	362,474
Loss of Property and Equipment Disposal	-	-
Loss/(Profit) of Property and Equipment Disposal	-	-
	5,781,970	637,155
 (Increase)/Decrease of Current Asset:		
Debtors	(2,635,717)	(172,818)
Loan Debtors	(91,704)	529,160
Advance	(13,570)	(3,142)
 Increase/ (Decrease) of Current Liability		
Other Repayment Debtors	(260,835)	18,385
Other Current Liabilities	75,038	(1,325)
	(2,926,788)	370,260
Net Cash From Operations	2,855,182	1,007,415
CASH FROM INVESTMENTS		
Purchase of Property and Equipment	(174,410)	(314,179)
Work In Process	-	-
Cash from Property and Equipment Disposal	-	-
	(174,410)	(314,179)
NET CASH INCREASE/ (DECREASE)	2,680,772	693,236
CASH AND CASH EQUIVALENCE AS AT BEGINNING OF THE YEAR	17,208,469	16,515,233
	19,889,241	17,208,469
CASH AND CASH EQUIVALENCE AT YEAR END		
Cash and Bank Balance	14,082,540	2,883,096
Fixed Deposits	5,806,701	14,325,373
	19,889,241	17,208,469

This Cash Flow Statement is to be read with the Notes for the Account 1-16.

NOTES FOR THE ACCOUNT

1. GENERAL INFORMATION

Lembaga Akreditasi Negara (LAN) telah ditubuhkan di bawah Akta Lembaga Akreditasi Negara, Act 556 (1996) as a quality assurance body to control the education quality of PHEIs in Malaysia. Therefore, LAN is responsible in assessing the courses, which will be and is already offered in PHEIs. This assessment is done in three stages i.e. the approval to conduct courses of study, minimum standard and accreditation.

2. ACCOUNTING POLICIES

There is no change in the accounting policies used to prepare the financial report for year 2004 compared to previous year.

Accounting policies which has been used are as follow:

- a) Accounting Basis
Accounting preparations are in accordance with the approved Malaysian accounting standard.
- b) Property, Equipment and Depreciation
Property and equipments are defined as an asset item if its cost per unit is RM3,000.00 or more. An item is also considered as an asset if it complements another item to working condition of for its intended use.

Property and equipment are stated at cost after depreciation deduction. Depreciation is calculated on a straight-line method at a 20% rate annually except for office renovation category, which accounts for 10%.
- c) Accreditation Services Income
Accreditation application fee must be paid during submission whilst accreditation certification fee be paid before the certification can be issued. Course application and approval fees are to be claimed from the Department of Private Education, Ministry of Higher Education upon receiving documents and letter of approval.
- d) Income Calculation and Expenses Basis
The calculation of income and expenses is in as per accrued basis except for income from mudharabah investment.
- e) Foreign Currency
Transaction involving foreign currency are converted to Malaysia Ringgit based on the rate of the transaction.
- f) Cash Flow Statement
Cash flow statement was prepared in accordance with the indirect method.

3. POLICY OF FINANCIAL RISK MANAGEMENT

LAN policy of financial risk management is to ensure the financial resources are sufficient to implement its functions. LAN always control the risk related to its financial instruments to avoid or minimize the lost. The decisions are made based on approved regulations.

a) Liquidity and Cash Flow Risk

LAN has sufficient cash or assets to bear its working capital.

b) Interest Rate Risk

LAN has no exposure to interest rate risk due to long term debt.

c) Credit Risk

LAN has no significant exposure to credit risk. However, LAN always monitor the collection of the payment.

d) Foreign Exchange Risk

Transactions involved the foreign exchanges are minimal as LAN is operating in Malaysia. Because of that, LAN has no significant exposure to foreign exchange risk.

4.(a) SUMMARY OF PROPERTY AND EQUIPMENT 2004

ASSET	BALANCE BROUGHT FORWARD	PURCHASE 2004	ADJUST 2004	LUPUS 2004	WRITTEN OFF AS AT 31.12.04	DEPRECIATION BALANCE BROUGHT FORWARD	WRITTEN OFF	CURRENT DEPRECIATION	ACCUMULATED DEPRECIATION	NET VALUE AS AT 31.12.04
	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)
Passenger Vehicle	819,514	-	-	-	819,514	568,966	-	101,134	670,099	149,415
Computer and Data Processing Accessories	1,136,567	101,480	-	-	1,238,047	703,075	-	179,763	882,839	355,208
Office Building Renovation	319,533	-	-	-	319,533	156,460	-	31,953	188,413	131,120
Office Equipment	185,379	49,230	-	-	234,609	109,185	-	39,844	149,029	85,580
Other Office Equipment	130,095	-	-	-	130,095	100,241	-	14,667	114,908	15,187
Furniture and Fittings	77,238	-	-	-	77,238	54,592	-	5,924	60,516	16,722
Other Fixed Asset	-	23,700	-	-	23,700	-	-	4,740	4,740	18,960
TOTAL	2,668,326	174,410	-	-	2,842,736	1,692,519	-	378,025	2,070,544	772,192

(b) SUMMARY OF PROPERTY AND EQUIPMENT 2003

ASSET	BALANCE BROUGHT FORWARD (RM)	PURCHASE 2004 (RM)	ADJUST 2004 (RM)	LUPUS 2004 (RM)	WRITTEN OFF AS AT 31.12.04 (RM)	DEPRECIATION BALANCE BROUGHT FORWARD (RM)	WRITTEN OFF DEPRECIATION (RM)	CURRENT DEPRECIATION (RM)	ACCUMULATED DEPRECIATION (RM)	NET VALUE AS AT 31.12.04 (RM)
Passenger Vehicle	819,514	-	-	-	819,514	467,832	-	101,134	568,966	250,548
Computer and Data Processing Accessories	896,750	239,817	-	-	1,136,567	526,857	-	176,218	703,075	433,492
Office Building Renovation	319,533	-	-	-	319,533	124,507	-	31,953	156,460	163,073
Office Equipment	-	49,992	135,387	-	185,379	78,587	-	30,598	109,185	76,194
Furniture and Fittings	130,095	-	-	-	130,095	83,594	-	16,647	100,241	29,854
Other Fixed Asset	52,868	24,370	-	-	77,238	48,668	-	5,924	54,592	22,646
TOTAL	2,354,147	314,179	-	-	2,668,326	1,330,045	-	362,474	1,692,519	975,807

5. WORK IN PROCESS
RM 149,715

Work In Process is to develop LAN Management Information System. At the early stage, it was developed by the contractors but later on taken over by Information System Division of LAN.

6. CASH AND BANK BALANCE
RM 5,806,701

	2004 RM	2003 RM
Petty Cash	1,900	1,900
Bank Balance	5,804,801	2,881,196
	<u>5,806,701</u>	<u>2,883,096</u>

7. FIXED DEPOSITS
RM 14,082,540

	2004 RM	2003 RM
Bank Savings	12,433,254	12,722,338
Other Savings	1,649,286	1,603,035
	<u>14,082,540</u>	<u>14,325,373</u>

8. DEBTORS AND LONG TERM DEBTORS
RM 3,807,100

	2004 RM	2003 RM
Paid by 2005:		
College Debtors	201,755	105,555
Other Debtors	2,939,900	400,383
Loan Debtors	125,368	97,313
	<u>3,267,023</u>	<u>603,251</u>
Long term payment:		
Loan Debtors	540,077	476,428
	<u>3,807,100</u>	<u>1,079,679</u>

9. CREDITORS
RM 279,337

	2004 RM	2003 RM
Staff Creditors	14,079	7,869
Supplier Creditors	265,258	532,303
	279,337	540,172

10. INCOME TAX EXEMPTION

LAN is given tax exemption for the following income:

- a) grant from Federal/State Government minus expenses
- b) fees received under certain laws minus expenses
- c) donation received minus expenses

The estimation of income tax on Accreditation Service Income, Domestic Investment Earnings and Other Income is based on organizational tax rates.

11. TRUST FUND
RM 363,581

A Trust Fund was set up to pay for expenses incurred in the running of LAN's activities which is not allocated in the Yearly Budget, managed the monies received from the government and other agencies, as per the contribution purposes and the distribution to organizations or individuals. The sources for the fund come from fees applied to seminars or other training activities, profits made through sales of book, disposal forms or assets, donations and monies received for carrying out specific such as Family Day.

12. REVOLVING LOAN FUND
RM 1,304,192

LAN provides computer and personal vehicle purchase loans for qualified staffs. Below is a statement for the Revolving Loan Fund:

- a) Vehicle Loan

	2004 RM	2003 RM
Balance as at January 1	64,372	213,590
Repayment	178,493	110,582
Loan	(283,500)	(259,800)
Cash Transfer	400,000	
Balance as at December 31	359,365	64,372
Debtors	640,626	535,620
Total as at December 31	999,991	599,992

b) Computer Loan

	2004 RM	2003 RM
Balance as at January 1	161,830	185,430
Repayment	18,304	11,900
Loan	(5,000)	(35,500)
Cash Transfer	100,000	
Balance as at December 31	275,134	161,830
Debtors	24,817	38,121
Total as at December 31	299,951	199,951

Net income for Revolving Loan Fund in 2004 is RM3,024 while in 2003 is RM1,226.

13. ACCREDITATION SERVICES INCOME RM 8,488,673

	2004 RM	2003 RM
Book Payments	12,915	12,511
Accreditation Application Fee	519,000	430,000
Course Application Fee	3,314,300	1,735,500
Approval Fee	3,583,000	1,155,000
Accreditation Fee	976,000	468,000
Reassessment Fee	121,223	38,507
Accreditation Label	22,985	14,827
Others	1,100	700
Repayment to PHEIs	(61,850)	(68,300)
	8,488,673	3,787,245

14. OTHER INCOME RM 31,087

	2004 RM	2003 RM
Seminar/Course Fee	68,221	30,574
Others	280	513
	68,501	31,087

15. CHANGES IN FEE STURCTURE FOR APPLICATIONS TO CONDUCT COURSES OF STUDY, APPROVAL, APPLICATION FOR APPROVAL AND ACCREDITATION

From March 2001, the government has approved new fee rates for application to conduct course of study and for approval. While the new fee rates for accreditation application and accreditation certification have been enforced since January 1, 2000. As a result, payments made following the old rate have to be adjusted to follow the new rates. Any surplus in fees collection has been returned to the PHEIs concerned and is minus from accreditation services income.

16. COMPARATIVE FIGURE

Some comparative figures have been modified where necessary to provide a verifiable comparison with the current year.