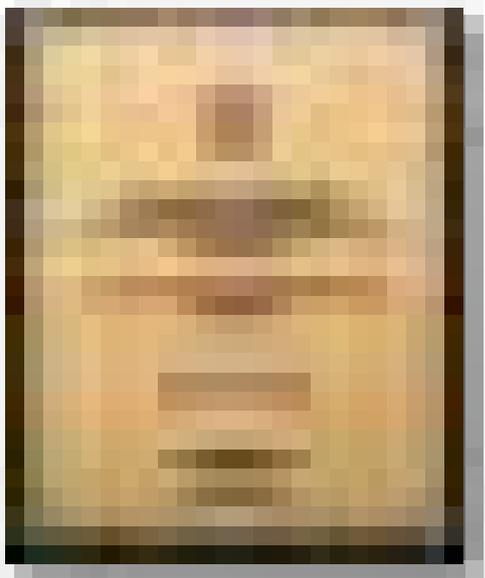




**PERBADANAN PEMBANGUNAN
EKONOMI SARAWAK
MEMBERS' REPORT
AND AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2012**



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**Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**

**PENYATA Pengerusi dan Seorang Ahli
Lembaga Pengarah**

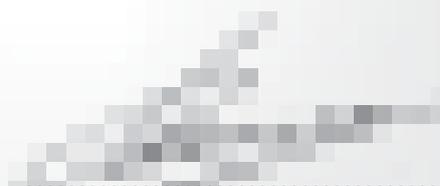
Kami, **YB Datuk Haji Talib Zulpilip** dan **YB Datuk Dr. Stephen Rundi Utom** yang merupakan Pengerusi dan salah seorang Ahli Lembaga Pengarah **PERBADANAN PEMBANGUNAN EKONOMI SARAWAK**, dengan ini menyatakan bahawa, pada pendapat Lembaga Pengarah, Penyata Kewangan yang mengandungi Lembaran Imbangan, Penyata Pendapatan, Penyata Perubahan Ekuiti dan Penyata Aliran Tunai yang berikut ini berserta dengan nota-nota kepada Penyata Kewangan di dalamnya, adalah disediakan untuk menunjukkan pandangan yang benar dan saksama berkenaan kedudukan **PERBADANAN PEMBANGUNAN EKONOMI SARAWAK** pada 31 Disember 2012 dan hasil kendaliannya serta perubahan kedudukannya bagi tahun berakhir 31 Disember 2012.

Bagi pihak Lembaga,

Bagi pihak Lembaga,



.....
YB DATUK HAJI TALIB ZULPILIP
Pengerusi



.....
YB DATUK DR. STEPHEN RUNDI UTOM
Ahli

Tarikh:
KUCHING

Tarikh:
KUCHING

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

**PENGAKUAN OLEH PEGAWAI UTAMA YANG
BERTANGGUNGJAWAB KE ATAS PENGURUSAN KEWANGAN
BADAN BERKANUN BERKENAAN**

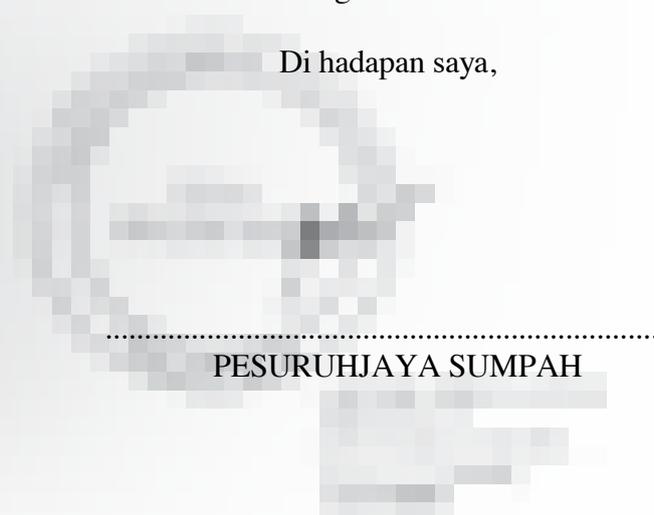
Saya, **Haji Soedirman Haji Aini**, sebagai pegawai utama yang bertanggungjawab ke atas pengurusan kewangan dan rekod-rekod perakaunan **PERBADANAN PEMBANGUNAN EKONOMI SARAWAK**, dengan ikhlasnya mengakui bahawa Lembaran Imbangan, Penyata Pendapatan, Penyata Perubahan Ekuiti dan Penyata Aliran Tunai dalam kedudukan kewangan yang berikut ini berserta dengan nota-nota kepada Penyata Kewangan di dalamnya mengikut sebaik-baik pengetahuan dan kepercayaan saya, adalah betul dan saya membuat ikrar ini dengan sebenarnya mempercayai bahawa ia adalah benar dan atas kehendak-kehendak Akta Akuan Berkanun, 1960.

Sebenarnya dan sesungguhnya)
diakui oleh penama di atas)
di Kuching dalam Negeri Sarawak)
pada)



Haji Soedirman Haji Aini
Pengurus Besar

Di hadapan saya,



PESURUHJAYA SUMPAH

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Members' Report

The Members of the Board ("Members") present their report together with the audited financial statements of Sarawak Economic Development Corporation ("the Corporation") and of the Group for the financial year ended 31 December 2012.

Principal activities

The Corporation is principally engaged in activities related to tourism and leisure, agro-food, property development, community development, mineral and mining, commercial and socio-economic projects substantially through its investments in subsidiaries and associated companies.

The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Financial results

	Group RM'000	Corporation RM'000
Profit for the year	49,432	15,883
Minority interests	(796)	-
	<hr/>	<hr/>
Profit attributable to members	48,636	15,883
	=====	=====

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

Members

The Members who have held office since the date of the last report and at the date of this report are:

YB Datuk Haji Talib Zulpilip (Chairman)
 YBhg Dato Sri Ahmad Tarmizi Haji Sulaiman (Setiausaha Kewangan Negeri)
 YBhg Datu Hajah Jabidah Binti Monseri (Representative from Perbendaharaan Persekutuan, Malaysia)
 YB Tan Sri Datuk Amar Haji Mohd. Morshidi Abdul Ghani
 YB Datuk Dr. Stephen Rundi Utom
 YBhg Datuk Fong Joo Chung
 YBhg Datuk Amar Wilson Baya Dandot
 YBhg Datuk Haji Ismail Haji Hashim
 YBhg Datu Sudarsono Bin Osman
 YBhg Datu Haji Abdul Rashid Bin Haji Aziz
 Encik Jasni Bin Jubli

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Members' Report (contd.)

Significant events

The Corporation

The significant events are disclosed in Note 7 and 8 to the financial statements.

Statutory information on the financial statements

- (a) Before the income statements and balance sheets of the Corporation and of the Group were made out, the Members 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 Members 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 Corporation and of the Group inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Corporation and of the Group misleading.
- (c) At the date of this report, the Members 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 Corporation and of the Group misleading or inappropriate.
- (d) At the date of this report, the Members are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Corporation or of the Group which would render any amount stated in the financial statements misleading.

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Members' Report (contd.)

Statutory information on the financial statements (contd.)

- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Corporation and of the Group which has arisen since the end of the financial year which secures the liability of any other person; or
 - (ii) any contingent liability in respect of the Corporation and of the Group which has arisen since the end of the financial year.
- (f) 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, in the opinion of the Members, will or may substantially affect the ability of the Corporation or of the Group to meet their obligations as and when they fall due.
- (g) In the opinion of the Members,
- (i) the results of the operations of the Corporation and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Corporation and of the Group for the financial year in which this report is made.

Signed on behalf of the Board in accordance
with a resolution of the Members



YB Datuk Haji Talib Zulpilip
Chairman



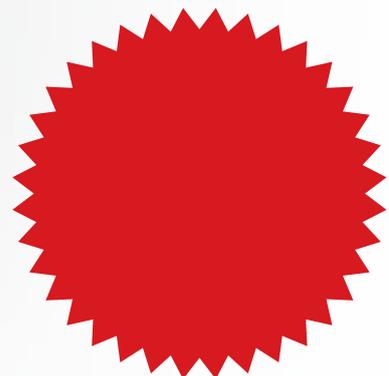
YB Datuk Dr. Stephen Rundi Utom
Member

Kuching

Date: 



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Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Balance Sheets as at 31 December 2012

	Note	Group		Corporation	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-current assets					
Property, plant and equipment	3	277,208	240,511	94,107	95,613
Land held for property development	4	2,787	2,787	2,787	2,787
Hotel and investment properties	5	433,924	458,696	-	-
Plantation development expenditure	6	267	332	-	-
Subsidiaries	7	-	-	566,317	575,624
Associates	8	253,460	235,471	74,357	71,383
Investments in other corporations	9	146,094	143,649	141,558	138,728
		<u>1,113,740</u>	<u>1,081,446</u>	<u>879,126</u>	<u>884,135</u>
Current assets					
Property development costs	4	10,328	12,003	1,434	3,109
Inventories	10	56,147	55,734	10,402	14,283
Receivables	11	50,710	33,861	16,055	7,365
Deposits with financial institutions	12	221,992	226,910	173,911	170,960
Cash and bank balances		42,992	39,205	15,802	13,787
		<u>382,169</u>	<u>367,713</u>	<u>217,604</u>	<u>209,504</u>
Current liabilities					
Tax payable		7,414	6,358	7,119	6,235
Government term loans	13	5,187	5,179	5,187	5,179
Lease payables	14	118	207	28	51
Payables	15	74,278	75,745	17,287	16,749
		<u>86,997</u>	<u>87,489</u>	<u>29,621</u>	<u>28,214</u>
Net current assets		<u>295,172</u>	<u>280,224</u>	<u>187,983</u>	<u>181,290</u>
		<u>1,408,912</u>	<u>1,361,670</u>	<u>1,067,109</u>	<u>1,065,425</u>

The accompanying notes from an integral part of these financial statements.

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Balance Sheets as at 31 December 2012 (contd.)

	Note	Group		Corporation	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Financed by:					
State government equity grant	16	100,139	104,139	100,139	104,139
State government contribution for equity participation	16	270,577	270,577	270,577	270,577
Development funds	17	229,327	239,689	202,336	212,699
Reserves	18	718,568	657,698	482,806	466,923
		<u>1,318,611</u>	<u>1,272,103</u>	<u>1,055,858</u>	<u>1,054,338</u>
Minority interests		15,038	17,130	-	-
		<u>1,333,649</u>	<u>1,289,233</u>	<u>1,055,858</u>	<u>1,054,338</u>
Non-current liabilities					
Government grants	19	26,379	22,039	-	-
Operating grants		4,516	2,561	-	-
Deferred tax liabilities	20	8,387	6,880	-	-
Deferred income		300	-	-	-
Employee benefits	21	1,992	1,604	1,906	1,528
Government term loans	13	9,331	9,517	9,331	9,517
Other borrowings	22	24,293	29,653	-	-
Lease payables	14	65	183	14	42
		<u>75,263</u>	<u>72,437</u>	<u>11,251</u>	<u>11,087</u>
		<u>1,408,912</u>	<u>1,361,670</u>	<u>1,067,109</u>	<u>1,065,425</u>

The accompanying notes from an integral part of these financial statements.

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Income Statements for the year ended 31 December 2012

	Note	Group		Corporation	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue	23	177,124	154,882	44,732	45,182
Cost of sales	23	(111,549)	(103,233)	(4,672)	(2,385)
Gross profit		65,575	51,649	40,060	42,797
Other operating income		48,678	36,039	9,873	10,156
Distribution costs		(1,073)	(1,374)	-	-
Administrative expenses		(67,424)	(60,770)	(18,212)	(15,321)
Other operating expenses		(16,449)	(15,732)	(9,805)	(10,012)
Profit from operations		29,307	9,812	21,916	27,620
Finance costs		(2,771)	(3,585)	(403)	(471)
Share of associates' results		38,467	28,479	-	-
Profit before taxation	24	65,003	34,706	21,513	27,149
Taxation	25	(15,571)	(5,073)	(5,630)	(5,349)
Profit after taxation		49,432	29,633	15,883	21,800
Minority interests		(796)	(1,942)	-	-
Profit attributable to members		48,636	27,691	15,883	21,800

The accompanying notes from an integral part of these financial statements.

**Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**

**Consolidated Statement of Changes in Equity
for the year ended 31 December 2012**

Group	Non-distributable				Reserve on consolidation RM'000	Revenue reserve RM'000	Total RM'000
	Capital reserve RM'000	Share premium RM'000	Revaluation reserve RM'000				
At 1 January 2011	3,997	9,261	41,108		52,852	522,803	630,021
Profit for the year	-	-	-		-	27,691	27,691
Arising on consolidation	-	-	-		14	-	14
Dividend paid	-	-	-		-	(28)	(28)
At 31 December 2011	<u>3,997</u>	<u>9,261</u>	<u>41,108</u>		<u>52,866</u>	<u>550,466</u>	<u>657,698</u>
Profit for the year	-	-	-		-	48,636	48,636
Arising on consolidation	-	47	12,084		(6)	-	12,125
Strike-off of subsidiary	-	-	-		-	109	109
At 31 December 2012	<u>3,997</u>	<u>9,308</u>	<u>53,192</u>		<u>52,860</u>	<u>599,211</u>	<u>718,568</u>

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Statement of Changes in Equity
for the year ended 31 December 2012

	Revenue Reserve RM'000
Corporation	
At 1 January 2011	445,123
Profit for the year	21,800
At 31 December 2011	<u>466,923</u>
Profit for the year	15,883
At 31 December 2012	<u>482,806</u> =====

The accompanying notes from an integral part of these financial statements.

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Cash Flow Statement
for the year ended 31 December 2012

	Group	
	2012	2011
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation and minority interest	65,003	34,706
Adjustments for:		
Amortisation of development expenditure	(4,096)	(4,087)
Allowance for diminution in investment	36	63
Allowance for doubtful debts, net of allowance no longer required	93	7
Allowance for doubtful debts written back	(1,129)	-
Amortisation of goodwill	13	13
Amortisation of government grants	(1,620)	(921)
Bad debts written off	935	1,951
Bonus issued from unit trust	(58)	-
Capital gain on bonus share units received	-	(19)
Depreciation	10,600	8,849
Deficit on revaluation	(5,757)	-
Deposit written off	6	-
Dividend income	(7,345)	(4,682)
Gain on disposal of a subsidiary	-	(813)
Loss/(gain) on disposal of other investments	18	(60)
Loss on disposal of associate	28	-
(Gain)/loss on disposal of property, plant and equipment	(4,451)	92
Impairment of plantation development expenditure	70	80
Interest expense	2,761	3,572
Interest income	(7,868)	(8,023)
Investment written off	20	-
Property, plant and equipment written off	-	4
Realisation of discount on acquisition	30	-
Reversal of allowance for doubtful debts	(30)	-
Share of associates' results	(38,467)	(28,479)
Unrealised loss/(gain) on foreign exchange	674	(413)
Waiver of debts	(6,406)	-
Operating profit before working capital changes	3,060	1,840
Increase in inventories	(1,162)	(2,085)
Decrease/(increase) in property development costs	1,017	(3,185)
Increase in plantation development costs	(5)	(3)
(Increase)/decrease in receivables	(7,904)	583
(Decrease)/increase in payables	(6,679)	8,262
Deferred membership fees paid, net of refund	(751)	218
Cash (used in)/generated from operations	(12,424)	5,630

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Cash Flow Statement
for the year ended 31 December 2012 (contd.)

	Group	
	2012	2011
	RM'000	RM'000
Cash flows from operating activities (contd.)		
Cash generated from operations (contd.)		
Interest paid	(2,743)	(3,572)
Interest received	6,874	8,043
Taxes paid, net of refund/(paid)	159	(239)
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	(8,134)	9,862
	<hr/>	<hr/>
Cash flows from investing activities		
Acquisition of investment in shares and unit trust	(1,969)	(2,217)
Acquisition of property, plant and equipment	(21,596)	(13,767)
Advances to other investments	(1,433)	(443)
Advances/loan (to)/repaid from associates	(2,974)	454
Dividends received	16,420	26,189
Deficit on revaluation	5,756	-
Interest received	994	-
Increase in government grants	5,963	-
Investment in hotel and investment properties	(1,044)	(3,824)
Investment in associates	(252)	(12,250)
Proceeds from disposal of other investments	1,109	617
Proceeds from disposal of property, plant and equipment	14,738	80
Proceeds from disposal of a subsidiary	-	(21)
Transfer of property, plant and equipment	-	420
	<hr/>	<hr/>
Net cash generated from/(used in) investing activities	15,712	(4,762)
	<hr/>	<hr/>
Cash flows from financing activities		
Decrease/(increase) in deposits pledged to financial institutions	6,447	(410)
Government grant received	1,955	2,561
Disbursement of development fund	(5,410)	(6,590)
Dividend paid to minority shareholder	-	(28)
Proceeds from shares issued	48	-
Proceeds from bank loan	-	48
Repayment of Government term loans	(179)	(173)
Repayment of hire purchase and lease instalments	(266)	(249)
Repayment of term loan	(4,794)	(15,050)
	<hr/>	<hr/>
Net cash used in financing activities	(2,199)	(19,891)
	<hr/>	<hr/>

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Cash Flow Statement
for the year ended 31 December 2012 (contd.)

	2012	Group
	RM'000	2011 RM'000
Net increase/(decrease) in cash and cash equivalents	5,379	(14,791)
Effect of translation adjustments	(63)	(6)
Cash and cash equivalents at beginning of year	259,668	274,465
Analysis of cash and cash equivalents at end of year	<u>264,984</u>	<u>259,668</u>
	=====	=====
Cash and cash equivalents:		
Cash and bank balances	42,992	39,205
Deposits with financial institutions (Note 12)	221,992	220,463
	<u>264,984</u>	<u>259,668</u>
	=====	=====
Analysis of acquisition of property, plant and equipment:		
By cash	21,596	13,767
Transfer from property development cost	2,600	46,803
	<u>24,196</u>	<u>60,570</u>
	=====	=====

The accompanying notes from an integral part of these financial statements.

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Cash Flow Statement
for the year ended 31 December 2012

	Corporation	
	2012	2011
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	21,513	27,149
Adjustments for:		
Allowance for doubtful debts, net of allowance no longer required	(1,129)	(1)
Amortisation of development funds	(4,096)	(4,096)
Bad debts written off	3	1,951
Depreciation	1,057	1,003
Dividend income	(20,786)	(32,414)
Gain on disposal of other investments	-	(28)
Gain on disposal of property, plant and equipment	(148)	(2)
Interest expense	402	470
Interest income	(6,359)	(6,403)
Operating loss before working capital changes	(9,543)	(12,371)
Decrease in inventories	3,881	2,395
Decrease/(increase) in property development costs	1,017	(3,185)
(Increase)/decrease in receivables	(8,097)	1,871
Increase in payables	897	570
Cash used in operations	(11,845)	(10,720)
Interest paid	(383)	(452)
Interest received	6,359	6,403
Taxes paid, net of refund	-	6
Net cash used in operating activities	(5,869)	(4,763)

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Cash Flow Statement
for the year ended 31 December 2012 (contd.)

	Corporation	
	2012	2011
	RM'000	RM'000
Cash flows from investing activities		
Acquisition of investment in shares and unit trusts	(1,397)	(1,411)
Acquisition of property, plant and equipment	(515)	(2,877)
Advances/loans (to)/repaid from associates	(2,974)	454
Advances to other investments	(1,433)	(18,961)
Advances repaid from/(to) subsidiaries	6,700	(443)
Dividend received	16,041	27,031
Investment in associate	-	(12,250)
Investment in subsidiary	(100)	-
Proceeds from disposal of property, plant and equipment	152	2
	<hr/>	<hr/>
Net cash generated from/(used in) investing activities	16,474	(8,455)
	<hr/>	<hr/>
Cash flows from financing activities		
Deposits pledged to financial institutions	-	(411)
Disbursements of development funds	(5,410)	(6,590)
Repayment of Government term loans	(178)	(172)
Repayment of lease payables	(51)	(60)
Refund of fixed deposits pledged	6,447	-
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	808	(7,233)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	11,413	(20,451)
Cash and cash equivalents at beginning of year	178,300	198,751
	<hr/>	<hr/>
Cash and cash equivalents at end of year	189,713	178,300
	<hr/> <hr/>	<hr/> <hr/>

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Cash Flow Statement
for the year ended 31 December 2012 (contd.)

	Corporation	
	2012	2011
	RM'000	RM'000
Analysis of cash and cash equivalents:		
Cash and bank balances	15,802	13,787
Deposits with financial institutions (Note 12)	173,911	164,513
	<u>189,713</u>	<u>178,300</u>
	=====	=====
Analysis of acquisition of property, plant and equipment:		
By cash	515	2,877
Transfer from property development cost	2,600	46,805
	<u>3,115</u>	<u>49,682</u>
	=====	=====

The accompanying notes from an integral part of these financial statements.

Sarawak Economic Development Corporation (Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2012

1. Corporation information

The Corporation is principally engaged in activities related to tourism and leisure, agro-food, property development, community development, mineral and mining, commercial and socio-economic projects substantially through its investments in subsidiaries and associated companies.

The Corporation is established under the Perbadanan Pembangunan Ekonomi Sarawak Ordinance, 1972 (Sarawak Cap. 35). The registered office of the Corporation is located at 6th - 11th Floor, Menara SEDC, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak.

The financial statements were authorised for issue by the Board Members in accordance with a resolution of the Members on [REDACTED]

2. Significant accounting policies

(a) Basis of accounting

The financial statements of the Corporation and of the Group have been prepared under the historical cost convention except for the revaluation of certain property, plant and equipment and hotel properties.

Whilst the financial statements of the Corporation need not comply with the provisions of the Companies Act, 1965, the financial statements of all its subsidiaries comply. The financial statements of the Corporation and of the Group comply with Private Entity Reporting Standards adopted by Malaysian Accounting Standards Board (MASB).

(b) Basis of consolidation

(i) *Subsidiaries*

The consolidated financial statements include the financial statements of the Corporation and all its subsidiaries. Subsidiaries are those companies in which the Group has a long-term equity interest and where it 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 statement 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 sheet as goodwill or negative goodwill arising on consolidation.

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Notes to the Financial Statements - 31 December 2012

2. Significant accounting policies (contd.)

(b) Basis of consolidation (contd.)

(i) *Subsidiaries (contd.)*

Intra-group 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.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences. Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

(ii) *Associates*

An associate is a company in which the Group has a long-term equity interest of between 20% to 50% and where the Group has representation to the Board and is able to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee company.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of results of associates during the financial year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition results and other reserves as well as goodwill on acquisition.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

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Notes to the Financial Statements - 31 December 2012

2. Significant accounting policies (contd.)

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(q). Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet while goodwill arising on the acquisition of associates is included within the carrying amount of investments in associates.

Goodwill is not amortised but write-offs are made where, in the opinion of the Members, there has been a permanent diminution in value.

(d) Investments in subsidiaries and associates

The Corporation's investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(q).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value with the exception of live stocks. Cost of other inventories include, where relevant, direct production expenses and overheads and is determined on a weighted average or first-in, first-out basis as appropriate.

The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.

With the exception of the foreign incorporated subsidiary, livestock are stated at the lower of cost and net realisable value with weighted average cost being the basis for cost. Cost of livestock comprises the original purchase price and estimated natural increase and herd appreciation plus incidentals in bringing the livestock to their present location and condition. For the foreign subsidiary, livestock are measured at fair value less estimated point-of-sale costs, in compliance with International Accounting Standard 41, Agriculture.

In arriving at the net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

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2. Significant accounting policies (contd.)

(f) Land held for property development and property development costs

(i) *Land held for property development*

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(q).

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) *Property development costs*

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

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Notes to the Financial Statements - 31 December 2012

2. Significant accounting policies (contd.)

(g) Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion method is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

(h) Leases

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

(i) *Finance leases*

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Corporation's incremental borrowing rate is used.

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Notes to the Financial Statements - 31 December 2012

2. Significant accounting policies (contd.)

(h) Leases (contd.)

(i) *Finance leases (contd.)*

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(k).

(ii) *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.

(i) Provisions 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.

(j) Investments

Investments are stated at cost except where the Members are of the opinion that there is a permanent diminution in the value in which case, a provision is made for the diminution.

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2. Significant accounting policies (contd.)

(k) 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(q).

Freehold land is stated at valuation less impairment losses. Valuation of the land is made by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation decrease is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to revenue reserve.

Long leasehold land, pasture development assets and construction work-in-progress are not depreciated. Short leasehold land is amortised over the period of the lease. All other property, plant and equipment are depreciated on a straight-line basis to write off the cost or valuation of the assets over their estimated useful life at the following principal annual rates:

Buildings and improvements	2% - 33 1/3%
Leasehold improvements	2% - 20%
Plant, machinery and equipment	2% - 33 1/3%

Crockery, glassware, cutlery and linen for subsidiaries involved in hotel operations are capitalised at the minimum level requirement for normal operation. Additions and replacements are written off in the year in which they are acquired.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

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 statement and the unutilised portion of the revaluation surplus on that item is taken directly to revenue reserve.

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2. Significant accounting policies (contd.)

(l) Hotel and investment properties

Hotel and investment properties comprise of hotel land, buildings and their integral plant and machinery.

Hotel and investment properties are stated at Members' valuation based on independent professional valuers' reports. Additions subsequent to the date of valuation are stated at cost. It is the policy to appraise the hotel and investment properties once in every five years or such shorter period when appropriate, based on open market valuation.

Surplus arising from revaluation is credited to revaluation reserve. Deficit in excess of the revaluation reserve arising from previous revaluation is recognised in income statement.

No depreciation is provided on hotel and investment properties. It is the Group's policy to maintain these properties in such condition that the residual value is at a level where depreciation would be insignificant. The related maintenance expenditure is dealt with in the income statement.

(m) Plantation development expenditure

All expenditure incurred on new planting from land clearing to the point of maturity is capitalised under plantation development expenditure. Subsequent replanting expenditure and upkeep of trees is recognised in the income statement in the year in which the expenditure is incurred.

(n) Accounting for grants

Grants, relating to property, plant and equipment and property development (development grants) are either deducted from the original cost of purchase of the relevant assets and project development expenditure in arriving at the carrying amount of the assets or presented in the financial statements as deferred income and amortised over the estimated useful lives of the assets purchased.

Operating grants are recognised in the income statements over the periods necessary to match them with the related costs to which they are intended to compensate.

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Notes to the Financial Statements - 31 December 2012

2. Significant accounting policies (contd.)

(o) 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 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, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(p) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies during the financial year are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. Foreign currency term loan at the balance sheet date is translated into Ringgit Malaysia at the rates of exchange approximating those ruling at that date. Exchange gains and losses arising from the translation of long term foreign currency term loan is deferred and amortised on a straight-line basis over the term of the loan. Other exchange gains and losses have been dealt with in the income statement.

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Notes to the Financial Statements - 31 December 2012

2. Significant accounting policies (contd.)

(p) Foreign currencies (contd.)

(ii) *Financial statements of foreign operations*

The Group's foreign operations are considered an integral part of its local subsidiary's operations. Accordingly, the assets and liabilities of the foreign operations, including goodwill arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenue and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in the income statement.

The closing rates used in translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	2012	2011
	RM	RM
1 Australian Dollar	3.18	3.22
1 United States Dollar	3.06	3.17
	===	===

(q) Impairment of assets

At each balance sheet date, 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. 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, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

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2. Significant accounting policies (contd.)

(r) 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 Group. Short term accumulating compensated absences such as paid annual leave and long services leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur. Employee entitlements that are expected to be settled within one year have been measured at their nominal value.

(ii) Defined contribution plans

As required by law, the Group's local subsidiaries make contributions to the Employees Provident Fund. In addition, the Corporation also contributes to the Pension Scheme. Such contributions are recognised as an expense in the income statement as incurred.

(s) Other non-current investment

Non-current investments other than investments in subsidiaries, associates and investment properties are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(q). On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(t) Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

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2. Significant accounting policies (contd.)

(u) Receivables

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.

(v) 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.

(w) Interest-bearing borrowings

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of acquiring another qualifying asset. For borrowings made specifically for the purpose of acquiring a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawdown from that borrowing facility.

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

(x) Derivative financial instruments

Derivative financial instruments are not recognised in the financial statements on inception.

Interest rate swap contracts

Net differentials in interest receipts and payments arising from interest rate swap contracts are recognised as interest income or expense over the period of the contract.

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Notes to the Financial Statements - 31 December 2012

2. Significant accounting policies (contd.)

(y) Revenue recognition

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

The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods and services

Revenue from sale of goods and provision of services is recognised when goods are sold or services are rendered.

(ii) Dividend Income

Dividend income is recognised when the shareholders' right to receive payment is established.

(iii) Sale of properties

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 2(f).

(iv) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2(g).

(z) Cash and cash equivalents

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

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Notes to the Financial Statements - 31 December 2012

3. Property, plant and equipment	Freehold land/							Capital and construction work-in-progress RM'000	Pasture development costs RM'000	Total RM'000
	long leasehold land RM'000	Short leasehold land RM'000	Buildings and improvements RM'000	Plant machinery and equipment RM'000	Leasehold improvements RM'000	work-in-progress RM'000	development costs RM'000			
Cost/valuation										
At 1 January 2012	60,608	19,344	177,530	173,634	59,863	5,977	2,412	499,368		
Revaluation	38,822	-	-	966	-	(1,890)	-	37,898		
Transfer	-	-	2,672	-	-	(87)	-	2,585		
Additions	408	-	1,815	10,354	4,067	4,952	-	21,596		
Adjustments	-	-	-	(597)	-	-	-	(597)		
Reclassifications	(469)	469	-	-	-	-	-	-		
Disposals	(10,231)	(75)	(66)	(632)	-	-	-	(11,004)		
Written off	-	-	(28)	(377)	-	-	-	(405)		
Exchange difference	(766)	-	(61)	(122)	(203)	-	-	(1,152)		
At 31 December 2012	88,372	19,738	181,862	183,226	63,727	8,952	2,412	548,289		
Accumulated depreciation										
Charge for 2011	262	392	2,090	5,201	862	-	42	8,849		
At 1 January 2012	1,972	3,467	59,812	137,191	17,482	129	457	220,510		
Charge for the year	264	392	2,192	6,582	1,128	-	42	10,600		
Disposals	-	(24)	(66)	(627)	-	-	-	(717)		
Adjustments	-	-	-	(597)	-	-	-	(597)		

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Notes to the Financial Statements - 31 December 2012

3. Property, plant and equipment (contd.)	Freehold land/long leasehold land							Short leasehold land	Buildings and improvements	Plant machinery and equipment	Leasehold improvements	Capital and construction work-in-progress	Pasture development costs	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000							
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation (contd.)														
Transfer	-	3,561	-	-	-	-	-	-	-	-	-	-	-	3,561
Written off	-	(28)	-	(377)	-	-	-	-	-	-	-	-	-	(405)
Exchange difference	-	(21)	-	(77)	-	(120)	-	-	-	-	-	-	-	(218)
At 31 December 2012	2,236	65,450	3,835	142,095	18,490	129	499	232,734						
Accumulated impairment losses														
Impairment losses for 2011	-	(6)	-	(8)	-	-	-	(14)						
At 1 January 2012	-	6,043	-	2,215	27,000	3,089	-	38,347						
/31 December 2012	86,136	110,369	15,903	38,916	18,237	5,734	1,913	277,208						
Net book value														
At 31 December 2012	58,636	111,675	15,877	34,228	15,382	2,759	1,955	240,511						
At 31 December 2011														

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Notes to the Financial Statements - 31 December 2012

3. Property, plant and equipment (contd.)	Group	Long leasehold land	Short leasehold land	Buildings and improvements	Plant machinery and equipment	Leasehold improvements	Capital and construction work-in-progress	Pasture development costs	Total
Analysis of cost and valuation:									
	At cost	87,179	19,738	181,048	181,685	63,727	8,952	2,412	544,741
	At valuation	1,193	-	814	1,541	-	-	-	3,548
	At 31 December 2012	88,372	19,738	181,862	183,226	63,727	8,952	2,412	548,289
	At cost	59,454	19,344	176,716	173,059	59,863	5,977	2,412	496,826
	At valuation	1,154	-	814	575	-	-	-	2,543
	At 31 December 2011	60,608	19,344	177,530	173,634	59,863	5,977	2,412	499,368

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Notes to the Financial Statements - 31 December 2012

3. Property, plant and equipment (contd.)

Corporation	Land RM'000	Motor vehicles RM'000	Building and improvements RM'000	Plant, machinery and equipment RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Cost/Valuation						
At 1 January 2012	28,025	3,359	84,699	533	8,496	125,112
Additions	43	182	2,661	224	5	3,115
Disposals	-	(227)	(66)	-	(4)	(297)
At 31 December 2012	28,068	3,314	87,294	757	8,497	127,930
Accumulated depreciation						
Charge for 2011	364	254	118	-	267	1,003
At 1 January 2012	2,960	2,426	15,492	533	7,914	29,325
Charge for the year	365	289	111	-	292	1,057
Disposals	-	(227)	(66)	-	-	(293)
Transfer to grant	-	-	3,560	-	-	3,560
At 31 December 2012	3,325	2,488	19,097	533	8,206	33,649
Accumulated impairment losses						
Impairment losses for 2011	-	-	174	-	-	174
At 1 January 2012/ 31 December 2012	-	-	174	-	-	174
Net book value						
At 31 December 2012	24,743	826	68,023	224	291	94,107
At 31 December 2011	25,065	933	69,033	-	582	95,613

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Notes to the Financial Statements - 31 December 2012

3. Property, plant and equipment (contd.)

Corporation	Land RM'000	Motor vehicles RM'000	Building and improvements RM'000	Plant, machinery and equipment RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Analysis of cost and valuation:						
At cost	26,914	3,314	86,480	431	8,497	125,636
At valuation	1,154	-	814	326	-	2,294
At 31 December 2012	28,068	3,314	87,294	757	8,497	127,930
At cost	26,871	3,359	83,885	207	8,496	122,818
At valuation	1,154	-	814	326	-	2,294
At 31 December 2011	28,025	3,359	84,699	533	8,496	125,112

Land comprises of:

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Total RM'000
Cost/valuation				
At 1 January 2012	117	9,838	18,070	28,025
Addition	-	43	-	43
Reclassification	-	(470)	470	-
At 31 December 2012	117	9,411	18,540	28,068
Representing:				
At cost	117	8,257	18,540	26,914
At valuation	-	1,154	-	1,154
	117	9,411	18,540	28,068

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Notes to the Financial Statements - 31 December 2012

3. Property, plant and equipment (contd.)

	Freehold land	Long leasehold land	Short leasehold land	Total
	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation				
Charges for 2011	-	1	363	364
	=====	=====	=====	=====
At 1 January 2012	-	7	2,953	2,960
Charges for the year	-	1	364	365
	-----	-----	-----	-----
At 31 December 2012	-	8	3,317	3,325
	-----	-----	-----	-----
Net Book Value				
At 31 December 2012				
At cost	117	8,249	15,223	23,589
At valuation	-	1,154	-	1,154
	-----	-----	-----	-----
	117	9,403	15,223	24,743
	=====	=====	=====	=====
Net Book Value				
At 31 December 2011				
At cost	117	8,677	15,117	23,911
At valuation	-	1,154	-	1,154
	-----	-----	-----	-----
	117	9,831	15,117	25,065
	=====	=====	=====	=====

The Corporation revalued certain of its leasehold land, buildings, plant and equipment in 1979 and 1981 based on prevailing market values.

As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, the revalued property, plant and equipment have continued to be stated on the basis of their 1979 and 1981 valuations.

The land titles for landed properties of the Corporation and certain subsidiaries of the Group have yet to be issued by the relevant authorities.

Included in the net book value of motor vehicles for the Corporation are assets acquired under hire purchase amounting to RM3 (2011: RM15,623). The Group's property, plant and equipment include motor vehicles, plant, machinery and equipment with a net book value of RM225,704 (2011: RM352,410) which were acquired under hire purchase and finance lease agreements.

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Notes to the Financial Statements - 31 December 2012

4. Property development costs and land held for property development

	Group		Corporation	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
(a) Property development costs				
As at 1 January:				
Leasehold land	1,197	3,249	1,197	3,249
Development costs	30,775	63,889	21,881	54,995
	<u>31,972</u>	<u>67,138</u>	<u>23,078</u>	<u>58,244</u>
Costs incurred during the year:				
Leasehold land	-	33	-	33
Development costs	7,086	17,117	7,086	17,117
	<u>7,086</u>	<u>17,150</u>	<u>7,086</u>	<u>17,150</u>
Transfers:				
To inventories	(250)	-	(250)	-
To development grant	11,783	13,392	11,783	13,392
To subsidiary	(6,061)	(422)	(6,061)	(422)
To property, plant and equipment	(2,600)	(46,804)	(2,600)	(46,804)
	<u>2,872</u>	<u>(33,834)</u>	<u>2,872</u>	<u>(33,834)</u>
Property development grant received:				
At 1 January	(33,360)	(75,524)	(33,360)	(75,524)
Addition during the year	(6,245)	(8,422)	(6,245)	(8,422)
Transfer to subsidiary	5,611	411	5,611	411
Transfer to development grant	2,392	45,084	2,392	45,084
	<u>(31,602)</u>	<u>(38,451)</u>	<u>(31,602)</u>	<u>(38,451)</u>
At 31 December	<u>(31,602)</u>	<u>(38,451)</u>	<u>(31,602)</u>	<u>(38,451)</u>
Total as at 31 December	<u>10,328</u>	<u>12,003</u>	<u>1,434</u>	<u>3,109</u>
	=====	=====	=====	=====
(b) Land held for property development				
Cost				
At 1 January	6,532	6,532	6,532	6,532
Less: Provision for loss	(3,745)	(3,745)	(3,745)	(3,745)
	<u>2,787</u>	<u>2,787</u>	<u>2,787</u>	<u>2,787</u>
At 31 December	<u>2,787</u>	<u>2,787</u>	<u>2,787</u>	<u>2,787</u>
	=====	=====	=====	=====

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Notes to the Financial Statements - 31 December 2012

5. Hotel and investment properties

	Group	
	2012	2011
	RM'000	RM'000
At valuation:		
- 2004	111,670	111,670
- 2007	166,820	166,820
- 2010	151,712	151,712
- 2012	(3,226)	-
	<u>426,976</u>	<u>430,202</u>
At cost	6,948	28,494
	<u>433,924</u>	<u>458,696</u>
	=====	=====
At 1 January	458,696	439,132
Additions during the year	1,966	17,225
Transfer from property, plant and equipment	-	2,339
Revaluation deficit	(26,738)	-
	<u>433,924</u>	<u>458,696</u>
At 31 December	=====	=====

The valuations for 2004, 2007, 2010 and 2012 in respect of hotel and investment properties was adopted by the directors of the subsidiaries based on independent valuations carried out by professional valuers on an open market value basis. The surplus or deficit on revaluation was credited or debited to revaluation reserve.

As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, certain hotel and investment properties have continued to be stated on the basis of their 1996 valuation in previous year.

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6. Plantation development expenditure

	Group	
	2012	2011
	RM'000	RM'000
At cost:		
At 1 January	7,750	7,647
Additions during the year	5	100
Transfer from government grant (Note 19)	-	3
	<u>7,755</u>	<u>7,750</u>
At 31 December		
Accumulated amortisation:		
At 1 January	(3,334)	(3,325)
Additions	-	(9)
	<u>(3,334)</u>	<u>(3,334)</u>
At 31 December		
Impairment loss:		
At 1 January	(4,084)	(4,004)
Additions	(70)	(80)
	<u>(4,154)</u>	<u>(4,084)</u>
At 31 December		
Net book value	<u>267</u>	<u>332</u>
	=====	=====

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Notes to the Financial Statements - 31 December 2012

7. Subsidiaries

	Corporation	
	2012	2011
	RM'000	RM'000
Unquoted shares at cost	236,619	236,519
Allowance for diminution in value	(43,387)	(43,387)
	<u>193,232</u>	<u>193,132</u>
 Amounts due from subsidiaries:		
Current accounts	306,069	313,831
Allowance for doubtful debts	(33,497)	(36,809)
	<u>272,572</u>	<u>277,022</u>
 Loan accounts	 101,521	 106,478
Allowance for doubtful debts	(1,000)	(1,000)
	<u>100,521</u>	<u>105,478</u>
 Amounts due to subsidiaries:		
Current accounts	(8)	(8)
	<u>566,317</u>	<u>575,624</u>
	=====	=====

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment except for certain advances to subsidiaries which bear interest rates between 2% to 8% (2011: 2% to 8%) per annum.

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7. Subsidiaries (contd.)

The shares of all the subsidiaries are unquoted. All the subsidiaries of the Group are incorporated in Malaysia except for Rosewood Station Pty Ltd., which is incorporated in Australia. Details of the Group's subsidiaries are as follows:

Name of company	Principal activities/status	Group's effective equity interest	
		2012 %	2011 %
Direct subsidiaries of the Corporation			
Bukit Saban Resort Sdn. Bhd. Company No. 315034-U	Owner of a holiday resort	100	100
Comerich Sdn. Bhd. Company No. 263183-P	Supplier of chicken and beef	100	100
Damai Beach Golf Course Bhd. Company No. 289575-H	Investment holding	100	100
Damai Beach Resort Sdn. Bhd. Company No. 409883-U	Inactive	100	100
Damai Cove Resorts Sdn. Bhd. Company No. 278414-M	Extraction and sale of timber, investment and property holding	100	100
Eastern Empress Silk Sdn. Bhd. Company No. 132777-W	Inactive	100	100
Goebilt Seafoods Processing Bhd. Company No. 9449-U	Inactive	71	71
Kenyalang Teguh Sdn. Bhd. Company No. 261703-K	Inactive	70	70
Kuching Hotels Sdn. Bhd. Company No. 19220-W	Owner and operator of hotel and shopping complex	89	89
Permaisara Sdn. Bhd. Company No. 104725-V	Inactive	100	100
Permata Carpark Sdn. Bhd. Company No. 315033-K	Owner of a commercial car park complex	100	100

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7. Subsidiaries (contd.)

Name of company	Principal activities/status	Group's effective equity interest	
		2012 %	2011 %
Direct subsidiaries of the Corporation (contd.)			
PPES Akua (Santubong) Sdn. Bhd. Company No. 152122-T	Aquaculture and investment holding	100	100
PPES Ternak Holdings Sdn. Bhd. Company No. 104730-A	Investment holding	100	100
Revlín Holdings Sdn. Bhd. Company No. 213339-X	Inactive	100	100
Sara Concrete Poles Sdn. Bhd. Company No. 306003-M	Inactive	100	100
Sara Convention Sdn. Bhd. Company No. 141893-M	Inactive	100	100
Sara Great Horizon Sdn. Bhd. Company No. 141892-P	Owner of a resort	100	100
Sara Hotels Bhd. Company No. 408127-H	Inactive	100	100
Sara-HL Plantation Sdn. Bhd. Company No. 248139-W	Oil palm plantation	100	100
Sara Rasa Sdn. Bhd. Company No. 022086-U	Owner of a restaurant	85	85
Sara Resorts Sdn. Bhd. Company No. 052135-X	Owner and operator of hotel and cultural centre, and extraction and sale of timber	100	100
Sara Resorts Holdings Sdn. Bhd. Company No. 407089-T	Inactive	100	100

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7. Subsidiaries (contd.)

Name of company	Principal activities/status	Group's effective equity interest	
		2012 %	2011 %
Direct subsidiaries of the Corporation (contd.)			
Sara Resorts Management Sdn. Bhd. Company No. 261450-A	Management and service provider for trainings and events	100	100
Sara Sago Industries Sdn. Bhd. Company No. 89962-X	Inactive	100	100
Sara Spectrum Holdings Sdn. Bhd. Company No. 219420-W	Investment holding	100	100
Sara Tourism & Leisure Sdn. Bhd. Company No. 408289-X	Extraction and sale of timber	100	100
Sara Urusharta Sdn. Bhd. Company No. 105180-V	Property management	100	100
Sara Worldwide Vacations Bhd. Company No. 019223-V	Management of membership schemes	100	100
Sarapine Sdn. Bhd. Company No. 237653-M	Inactive	100	100
Sarawak Car Care Centre Sdn. Bhd. Company No. 35646-U	Leasing of car care centre	100	100
Sedidik Sdn. Bhd. Company No. 50688-T	Early child development	100	100
Sejadu Sdn. Bhd. Company No. 170777-M	Owner and operator of hotel and shopping complex	100	100
Taskwin Marketing Sdn. Bhd. Company No. 264315-D	Inactive	100	100
Subsidiary of Damai Beach Golf Course Bhd.			
Damai Golf and Country Club Bhd. Company No. 139361-U	Management of a golf club	100	100

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7. Subsidiaries (contd.)

Name of company	Principal activities/status	Group's effective equity interest	
		2012 %	2011 %
Subsidiaries of PPES Ternak Holdings Sdn. Bhd.			
PPES Ternak Sdn. Bhd. Company No. 104563-V	Rearing and marketing of livestocks	100	100
Sara-Bif Sdn. Bhd. Company No.081917-D	Inactive	100	100
Rosewood Station Pty Limited Company No. ACN 009 612 284	Owner and operator of cattle properties	100	100
Subsidiaries of Revlin Holdings Sdn. Bhd.			
Higlobe Sdn. Bhd. Company No. 254889-T	Inactive	80	80
Prime Height Sdn. Bhd. Company No. 258366-V	Inactive	51	51
Subsidiary of Sara Resorts Sdn. Bhd.			
Sara Hospitality Sdn. Bhd. Company No. 441568-K	Hotel management	100	100

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Notes to the Financial Statements - 31 December 2012

7. Subsidiaries (contd.)

Name of company	Principal activities/status	Group's effective equity interest	
		2012 %	2011 %
Subsidiaries of Sara Spectrum Holdings Sdn. Bhd.			
PPES Poultry Farm Sdn. Bhd. Company No. 115899-V	Inactive	60	60
Hakanda Sdn. Bhd. Company No. 174704-T	Plantation	100	100
Sarawak Coconut Enterprise Sdn. Bhd. Company No. 218814-H	Inactive	100	100
Subsidiary of Sara Worldwide Vacations Bhd.			
Asia Vacations Club Sdn. Bhd. Company No. 82747-M	Inactive	90	90

All the subsidiaries are not audited by the Auditor-General's office. The financial year-end of all the subsidiaries is 31 December.

The financial statements of the following sub-subsidiaries, Higlobe Sdn. Bhd. and Prime Height Sdn. Bhd., are not consolidated as the Members concur with the opinion of the directors of the immediate holding entities of these sub-subsidiaries that it is impracticable and it would be of no real value to the Group, in view of the insignificant amounts involved.

Strike-off and winding up of subsidiary company

On September 2012, the Corporation completed the strike-off of its 20,003 ordinary shares representing 60% equity interest in Azen Industries Sdn. Bhd.. As a result, Azen Industries Sdn. Bhd. ceased to be the subsidiary of the Corporation as at the balance sheet date.

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Notes to the Financial Statements - 31 December 2012

7. Subsidiaries (contd.)

The auditors' reports of the subsidiaries' financial statements have been modified as detailed below:

(a) Sara Sago Industries Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 4 to the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a net profit of RM689,356 during the year ended 31 December 2012, and as of that date, the Company's current liabilities exceeded its current assets by RM338,454, thereby indicating the existence of a material uncertainty which may cast significant the Company's ability to continue as a going concern.”

(b) Sarawak Car Care Centre Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 3 in the financial statements. The shareholders funds is in deficit of RM2,583,395. In view of these factors, continuation of the Company as a going concern, on which basis the financial statements have been prepared, is dependent on the continuing financial support from the shareholders and on its attaining cash inflows to sustain its operation.”

(c) Asia Vacations Club Sdn. Bhd.

“Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM1,682,45 (2011: RM1,680,192) as at 31 December 2012, and as at that date, the Company's current liabilities exceed its current assets by RM 1,672,455 (2011: RM1,670,192). These factors indicate the existence of uncertainties which may cast doubt about the Company's ability to continue as a going concern.

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7. Subsidiaries (contd.)

(c) *Asia Vacations Club Sdn. Bhd. (contd.)*

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements.”

(d) *Sara Resorts Holdings Sdn. Bhd.*

“Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM37,830 (2011: RM36,092) as at 31 December 2012, and as at that date, the Company’s current liabilities exceed its current asset by RM37,828 (2011: RM36,090). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding company has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements.”

(e) *Bukit Saban Resort Sdn. Bhd.*

“Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM4,167,980 (2011: RM4,176,489) as at 31 December 2012, and as at that date, the Company’s current liabilities exceed its current asset by RM5,180,957 (2011: RM5,189,466). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

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Notes to the Financial Statements - 31 December 2012

7. Subsidiaries (contd.)

(e) *Bukit Saban Resort Sdn. Bhd. (contd.)*

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements”.

(f) *Damai Beach Resort Sdn. Bhd.*

“Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM38,156 (2011: RM36,418) as at 31 December 2012, and as at that date, the Company’s current liabilities exceed its current asset by RM38,154 (2011: RM36,416). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements”.

(g) *Damai Cove Resorts Sdn. Bhd.*

“Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM6,468,565 (2011: RM7,622,607) as at 31 December 2012, and as at that date, the Company’s current liabilities exceed its current asset by RM82,620,783 (2011: RM83,783,921). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

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7. Subsidiaries (contd.)

(g) *Damai Cove Resorts Sdn. Bhd.(contd.)*

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements.”

(h) *Sara Worldwide Vacations Bhd.*

“Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded shareholders deficit of RM12,510,759 respectively (2011: RM12,561,839) as at 31 December 2012. The factors indicate the existence of material uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

The financial statements of the Company have been prepared under the going concern basis as its holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements.”

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7. Subsidiaries (contd.)

(i) Sara Rasa Sdn. Bhd.

“Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM1,685,368 (2011: RM1,671,958) as at 31 December 2012, and as at that date, the Company’s current liabilities exceed its current asset by RM45,807 (2011: RM32,725). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements.”

(j) Sara Hotels Bhd.

“Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM242,949 (2011: RM240,588) as at 31 December 2012, and as at that date, the Company’s current liabilities exceed its current asset by RM242,947 (2011: RM240,586). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements.”

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7. Subsidiaries (contd.)

(k) *Sara-HL Plantation Sdn. Bhd.*

“Without qualifying our opinion, we draw attention to Note 4 in the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a loss of RM156,206 during the year ended 31 December 2012, and as of that date, the Company’s current liabilities exceeded its current assets by RM9,712,447, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.”

Sarawak Economic Development Corporation (‘SEDC’) and Hon Lian Development Sdn. Bhd. (‘HLD’) signed a Joint Venture Agreement on 17 October 2000 to develop an oil palm plantation via the Company. As stipulated in the said agreement, HLD will acquire 70% equity interests in the Company whilst SEDC will reduce its existing 100% equity interest to 30%. In conjunction therewith, the Company will increase its issued and paid up share capital from RM3 to RM10 Million. By virtue of the Joint Venture Agreement, HLD has agreed to provide financial support to the Company.

As at balance sheet date, there was no commencement of plantation activities carried out due to the land issue with the local illegal land owner.

(l) *Damai Golf & Country Club Berhad*

“Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM64,332,170 (2011: RM62,391,514) as at 31 December 2012, and as at that date, the Company’s current liabilities exceed its current assets by RM8,147,796 (2011: RM9,850,599). These factors indicate the existence of material uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements.”

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7. Subsidiaries (contd.)

(m) Sara Convention Sdn. Bhd.

“Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM415,702 (2011: RM415,056) as at 31 December 2012, and as at that date, the Company’s current liabilities exceed its current asset by RM222,007 (2011: RM222,678). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements.”

(n) Sara Concrete Poles Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 4 to the notes to the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a net loss of RM7,646 during the year ended 31 December 2012, and as of that date, the Company’s current liabilities exceeded its current asset by RM115,422, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.”

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7. Subsidiaries (contd.)

(o) Sarawak Coconut Enterprise Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 4 to the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding the Company incurred a loss of RM79,158 during the year ended 31 December 2012, and as of that date, the Company’s current liability exceeded its current assets by RM1,937,040, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability as a going concern.”

(p) Sara-Bif Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company incurred net profit of RM8,594 as at 31 December 2012. As at that date, the Company’s current liabilities exceeded its current assets by RM2,230,848 and the Company shareholders’ equity is in deficit of RM2,230,848. In view of these factors, the continuation of the Company as a going concern is dependent on the continuing financial support from the shareholders and on its attaining cash inflows to sustain its operations.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to amounts and classification of liabilities that may be necessary if the Company is unable to continue as a going concern.”

(q) Revlin Holdings Sdn Bhd.

“As at balance sheet date, the Company had net current liabilities of RM351,136 (2011: RM351,019) accumulated losses of RM6,903,253 (2011: RM6,901,802) and deficits in Shareholder’s fund of RM6,873,253 (2011: RM6,871,802). The Company incurred a loss after taxation of RM1,451 (2011: RM3,057) for the financial year ended 31 December 2012.”

(r) Kenyalang Teguh Sdn Bhd.

“Without qualifying our opinion, we draw attention to Note 4 to the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company’s current liabilities exceeded its current assets by RM1,511,742 thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.”

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Notes to the Financial Statements - 31 December 2012

7. Subsidiaries (contd.)

(s) *Eastern Empress Silk Sdn Bhd.*

“Without qualifying our opinion, we draw attention to Note 4 in the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company current liabilities exceeded its current asset by RM1,645,649, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.”

(t) *Sara Spectrum Holdings Sdn Bhd.*

“Without qualifying our opinion, we draw attention to Note 4 to the financial statements which discloses the premise upon which the Group has prepared its financial statements by applying the going concern assumption, notwithstanding that as at 31 December 2012, the Group and the Company’s current liabilities exceeded its current assets by RM22,341,917 and RM7,577,278, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.”

(u) *Hakanda Sdn. Bhd.*

“Without qualifying our opinion, we draw attention to Note 4 in the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a net loss of RM26,692 during the financial year ended 31 December 2012 and as of that date, the Company’s current liabilities exceeded its current assets by RM3,420,498, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as going concern.”

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Notes to the Financial Statements - 31 December 2012

8. Associates

	Group		Corporation	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	48,891	48,639	47,639	47,639
Allowance for diminution in value	(1,150)	(1,150)	(150)	(150)
	<u>47,741</u>	<u>47,489</u>	<u>47,489</u>	<u>47,489</u>
Share of retained profits less losses	166,840	152,094	-	-
Share of capital reserves	8,105	8,105	-	-
Share of revaluation reserves	(144)	(144)	-	-
	<u>222,542</u>	<u>207,544</u>	<u>47,489</u>	<u>47,489</u>
Amounts due from associates:				
Current accounts	4,466	4,448	415	415
Allowance for doubtful debts	(359)	(359)	(359)	(359)
	<u>4,107</u>	<u>4,089</u>	<u>56</u>	<u>56</u>
Loan accounts	26,811	23,838	26,812	23,838
	<u>253,460</u>	<u>235,471</u>	<u>74,357</u>	<u>71,383</u>
	=====	=====	=====	=====

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment except for a certain loan to an associate which bears interest rates of 5% per annum and has fixed repayment terms.

In 2012, a loan has disbursed to CMS Resources Sdn. Bhd., the RM3.80 million loan is unsecured, bear 5% interest per annum and have fixed repayment terms.

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8. Associates (contd.)

Details of the Group's associates, all of which are incorporated in Malaysia, as at 31 December 2012 and their principal activities are shown below:

Name of company	Principal activities/status	Group's effective equity interest	
		2012 %	2011 %
Direct associates of the Corporation			
GOS Management Holdings Sdn. Bhd. Company No. 591107-U	Investment holding	36	36
CMS Resources Sdn. Bhd. Company No. 98773-T	Investment and property holding	49	49
LF Asia Sebor (Sarawak) Holdings Sdn. Bhd. Company No. 17625-H	Investment holding	33	33
Syarikat Sebangun Sdn. Bhd. Company No. 113107-M	Extraction and processing of silica sand	21	21
PPES Works (Sarawak) Sdn. Bhd. Company No. 209892-K	Civil engineering contractor and road maintenance	49	49
CMS Property Management Sdn. Bhd. Company No. 326616-U	Management and marketing of realty and property projects	49	49
CMS Land Sdn. Bhd. Company No. 410797-H	Property holding, property development and construction	49	49
CMS Infra Trading Sdn. Bhd. Company No. 196635-M	General merchandising	49	49
SOP Karabungan Sdn. Bhd. Company No. 663077-D	Oil palm plantation	30	30

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8. Associates (contd.)

Name of company	Principal activities	Group's effective equity interest	
		2012 %	2011 %
Associates of Sara Spectrum Holdings Sdn. Bhd.			
Carbon Supplies (Sarawak) Sdn. Bhd. Company No. 295344-H	Owner of activated carbon factory	40	40
Associate of PPES Ternak Holdings Sdn. Bhd.			
PPES Poultry Farm Sdn. Bhd. Company No. 115899-V	Inactive	40	40

The financial year end of all the associates is 31 December.

9. Investments in other corporations

	Group		Corporation	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Investments at cost:				
- Unit trusts quoted in Malaysia	66,245	64,181	55,881	54,484
Less: Allowance for diminution in value	(119)	(130)	(40)	(40)
	<u>66,126</u>	<u>64,051</u>	<u>55,841</u>	<u>54,444</u>
- Quoted shares in Malaysia	72,354	72,354	71,979	71,979
Less: Allowance for diminution in value	(1,639)	(1,603)	(1,407)	(1,407)
	<u>70,715</u>	<u>70,751</u>	<u>70,572</u>	<u>70,572</u>
- Unquoted shares in Malaysia	4,793	5,821	10,711	10,711
Less: Allowance for diminution in value	-	-	(25)	(25)
	<u>4,793</u>	<u>5,821</u>	<u>10,686</u>	<u>10,686</u>

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9. Investments in other corporations (contd.)

	Group		Corporation	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Amount due from:				
- Current accounts	1,519	1,466	1,519	1,466
Less: Allowance for doubtful debts	(434)	(434)	(434)	(434)
	<u>1,085</u>	<u>1,032</u>	<u>1,085</u>	<u>1,032</u>
- Loan accounts	3,375	1,994	3,374	1,994
Total	<u>146,094</u>	<u>143,649</u>	<u>141,558</u>	<u>138,728</u>
	=====	=====	=====	=====
Market value of:				
- Quoted unit trust	65,836	64,125	55,828	54,414
- Quoted shares	87,767	59,296	87,623	59,167
	<u>153,603</u>	<u>123,421</u>	<u>143,451</u>	<u>113,581</u>
	=====	=====	=====	=====

The market value of the quoted unit trusts and shares of the Group and of the Corporation is higher than cost by RM16,761,010 and RM17,038,899 (2011: RM11,380,463 and RM11,434,393) respectively. Therefore, no allowance of impairment is necessary.

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Notes to the Financial Statements - 31 December 2012

10. Inventories

	Group		Corporation	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Properties held for sale	10,367	14,240	10,367	14,240
Trading stocks	107	106	-	-
Livestock	42,461	39,897	-	-
Souvenir stocks	190	159	-	-
Materials and consumable	3,022	1,332	35	43
	<u>56,147</u>	<u>55,734</u>	<u>10,402</u>	<u>14,283</u>
	=====	=====	=====	=====

Except for livestock and properties held for sale, all other inventories are stated at cost. The valuation for livestock and property held for sale are as follows:

	Group	
	2012	2011
	RM'000	RM'000
Livestock		
At cost	2,406	1,121
At net realisable value	40,055	38,776
	<u>42,461</u>	<u>39,897</u>
	=====	=====

	Group and Corporation	
	2012	2011
	RM'000	RM'000
Properties held for sale		
At cost	9,740	737
At net realisable value	627	13,503
	<u>10,367</u>	<u>14,240</u>
	=====	=====

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11. Receivables

	Group		Corporation	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Trade receivables	47,155	37,113	20,617	13,224
Allowance for doubtful debts	(18,158)	(17,797)	(8,080)	(8,677)
	<u>28,997</u>	<u>19,316</u>	<u>12,537</u>	<u>4,547</u>
Other receivables and prepayments	27,217	37,943	10,295	24,985
Allowance for doubtful debts	(6,912)	(26,139)	(6,777)	(22,167)
	<u>20,305</u>	<u>11,804</u>	<u>3,518</u>	<u>2,818</u>
Tax recoverable	1,408	2,741	-	-
Total	<u>50,710</u>	<u>33,861</u>	<u>16,055</u>	<u>7,365</u>
	=====	=====	=====	=====

12. Deposits with financial institutions

With foreign banks	1,222	1,205	-	-
With licensed banks	123,201	107,717	95,654	71,274
With licensed finance companies	97,569	111,541	78,257	93,239
	<u>221,992</u>	<u>220,463</u>	<u>173,911</u>	<u>164,513</u>
With licensed banks, pledged	-	6,447	-	6,447
	<u>221,992</u>	<u>226,910</u>	<u>173,911</u>	<u>170,960</u>
	=====	=====	=====	=====

Included in the Group's and Corporation's fixed deposits was Nil (2011: RM6,446,791) and Nil (2011: RM6,446,791), respectively, placed on lien to licensed banks for banking facilities as disclosed in Note 22, bank guarantee facilities granted to certain subsidiaries of the Group and as collateral for loans given to Bumiputra Entrepreneurs under the socio-economic projects/schemes of the Corporation.

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13. Government term loans

	Group and Corporation	
	2012	2011
	RM'000	RM'000
Unsecured		
Interest bearing loans	9,518	9,696
Interest free loans	5,000	5,000
	<u>14,518</u>	<u>14,696</u>
Repayable within one year	(5,187)	(5,179)
	<u>9,331</u>	<u>9,517</u>
	=====	=====

The interest rate is 4% per annum (2011: 4% per annum) for interest bearing loans.

14. Lease payables

	Group		Corporation	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Repayable within twelve months	118	207	28	51
Repayable after twelve months	65	183	14	42
	<u>183</u>	<u>390</u>	<u>42</u>	<u>93</u>
	=====	=====	====	====
Minimum lease payment:				
Not later than one year	127	224	30	54
Later than one year but not later than five years	72	194	14	44
Later than five years	-	5	-	-
	<u>199</u>	<u>423</u>	<u>44</u>	<u>98</u>
Future finance charges	(16)	(33)	(2)	(5)
	<u>183</u>	<u>390</u>	<u>42</u>	<u>93</u>
	=====	=====	====	=====

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15. Payables

	Group		Corporation	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Trade payables	9,117	8,533	-	-
Other payables and accruals	65,161	67,212	17,287	16,749
	<u>74,278</u>	<u>75,745</u>	<u>17,287</u>	<u>16,749</u>
	=====	=====	=====	=====

Included in other payables and accruals of the Group is deferred membership fee amounting to RM19,814,443 (2011: RM20,867,515) which represents advance membership fees received from members under the short term membership arrangement and advance licence fees received from members. The advance membership fees are recognised as income at 30% during the year of receipt, with the balance of 70% to be recognised as income upon the expiration of the "Easy Access Scheme" option. The advance licence fees received are recognised as income over the membership period.

The Group's other payables and accruals also include advances from a former Corporate Shareholder of a subsidiary amounting to RM1,385,696 (2011: RM1,385,696). The amount due to the former corporate shareholder of a subsidiary, Sarawak Coconut Enterprise Sdn. Bhd., is unsecured, interest-free and has no fixed terms of repayment.

16. State government equity grant and contribution for equity participation

	Group and Corporation	
	2012	2011
	RM'000	RM'000
(a) State government equity grant		
Sejadu Sdn. Bhd.	11,000	11,000
Sara Resorts Sdn. Bhd.	10,850	10,850
Bukit Saban Sdn. Bhd.	4,940	4,940
Damai Cove Resorts Sdn. Bhd.	37,000	37,000
PPES Akua (Santubong) Sdn. Bhd.	1,000	5,000
Sarawak Car Care Centre Sdn. Bhd.	5,389	5,389
Sarawak Coconut Enterprises Sdn. Bhd.	7,080	7,080
Carbon Supplies (Sarawak) Sdn. Bhd.	2,880	2,880
GOS Management Holdings Sdn. Bhd.	20,000	20,000
	<u>100,139</u>	<u>104,139</u>
	=====	=====

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Notes to the Financial Statements - 31 December 2012

16. State government equity grant and contribution for equity participation (contd.)

	Group and Corporation	
	2012	2011
	RM'000	RM'000
(b) State government contribution for equity participation		
Sejadu Sdn. Bhd.	144,189	144,189
Sara Resorts Sdn. Bhd.	57,400	57,400
Kuching Hotels Sdn. Bhd.	24,088	24,088
Damai Cove Resorts Sdn. Bhd.	37,000	37,000
Eastern Empress Silk Sdn. Bhd.	5,900	5,900
Borsamulu Resort Sdn. Bhd.	2,000	2,000
	270,577	270,577
	270,577	270,577

The State Government Equity Grant and State Government Contribution for Equity Participation represent funds injected into the Corporation by the State Government of Sarawak to finance investments in subsidiary companies which undertake commercial projects.

The State Government Contribution for Equity Participation is repayable only upon request by the State Government when investments are disposed.

17. Development funds

	Group		Corporation	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Bumiputra Participation Fund	91,850	99,530	83,405	91,086
Cattle Industry Development Fund	12,081	12,081	2,717	2,717
Aquaculture Development Fund	16,187	16,187	9,611	9,611
Camp Permai Fund	2,000	2,000	-	-
Others	107,209	109,891	106,603	109,285
	229,327	239,689	202,336	212,699
	229,327	239,689	202,336	212,699
At 1 January	239,689	207,128	212,699	180,138
Received during the year	14,084	42,394	14,083	42,394
Transfer from development costs	2,392	45,085	2,392	45,085
Amortised during the year	(7,656)	(5,933)	(7,656)	(5,933)
Disbursed/utilised during the year	(19,182)	(48,985)	(19,182)	(48,985)
	229,327	239,689	202,336	212,699
At 31 December	229,327	239,689	202,336	212,699

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18. Reserves

	Group		Corporation	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Capital reserves	3,997	3,997	-	-
Share premium (a)	9,308	9,261	-	-
Revaluation reserve (b)	53,192	41,108	-	-
Reserve on consolidation (c)	52,860	52,866	-	-
Revenue reserve	599,211	550,466	482,806	466,923
	<u>718,568</u>	<u>657,698</u>	<u>482,806</u>	<u>466,923</u>
	=====	=====	=====	=====

(a) Share premium:

At 1 January	9,261	9,261
On issuance of preference shares during the year	47	-
At 31 December	<u>9,308</u>	<u>9,261</u>
	=====	=====

Share premium represents the excess of proceeds received by a subsidiary of the Group over the par value of its preference shares issued.

(b) Revaluation reserve:

At 1 January	41,108	41,108
Revaluation surplus	12,084	-
At 1 January and 31 December	<u>53,192</u>	<u>41,108</u>
	=====	=====

The revaluation reserve relates to surplus or deficit on revaluation of property, plant and equipment, hotel and investment properties of the Group.

(c) Reserve on consolidation:

	Group	
	2012 RM'000	2011 RM'000
At 1 January	52,866	52,852
Arising on consolidation	(6)	14
At 31 December	<u>52,860</u>	<u>52,866</u>
	=====	=====

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19. Government grants

	Group	
	2012	2011
	RM'000	RM'000
At 1 January	22,039	21,704
Amortisation of grants	(1,620)	(920)
Government grant received during the year	5,960	1,258
Transfer to plantation development expenditure (Note 6)	-	(3)
	<u>26,379</u>	<u>22,039</u>
	=====	=====

20. Deferred tax

	Group	
	2012	2011
	RM'000	RM'000
At 1 January	6,880	6,805
Recognised in income statement (Note 25)	1,637	(16)
Exchange differences	(130)	91
	<u>8,387</u>	<u>6,880</u>
	=====	=====
Presented after appropriate offsettings as follows:		
Deferred tax liabilities	8,387	6,880
	<u>8,387</u>	<u>6,880</u>
	=====	=====

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

	Inventories (live stock) RM'000	Property, plant & equipment RM'000	Others RM'000	Total RM'000
Deferred tax liabilities of the Group:				
At 1 January 2012	6,806	50	24	6,880
Recognised in income statement	1,029	555	53	1,637
Exchange differences	(123)	(9)	2	(130)
	<u>7,712</u>	<u>596</u>	<u>79</u>	<u>8,387</u>
	=====	=====	=====	=====

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20. Deferred tax (contd.)

	Inventories (live stock) RM'000	Property, plant & equipment RM'000	Others RM'000	Total RM'000
Deferred tax liabilities of the Group: (contd.)				
At 1 January 2011	6,757	24	24	6,805
Recognised in income statement	(42)	26	-	(16)
Exchange differences	91	-	-	91
	<u>6,806</u>	<u>50</u>	<u>24</u>	<u>6,880</u>
	=====	=====	=====	=====

21. Employee benefits

	Group		Corporation	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Long service leave	86	76	-	-
Annual leave and others	1,906	1,528	1,906	1,528
	<u>1,992</u>	<u>1,604</u>	<u>1,906</u>	<u>1,528</u>
	=====	=====	=====	=====

22. Other borrowings

	Group	
	2012	2011
	RM'000	RM'000
Term loans, secured	24,293	29,653
	<u>24,293</u>	<u>29,653</u>
Repayable within one year	-	-
	<u>24,293</u>	<u>29,653</u>
	=====	=====

The premium funding bore interest rate of Nil (2011: Nil) at balance sheet date.

The secured term loan of a subsidiary is secured by a first mortgage over freehold and leasehold property of the subsidiary and a floating charge over the subsidiary's assets.

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23. Revenue and cost of sales

Revenue

Revenue of the Corporation represents income from property development, management fee charged to its subsidiaries, income derived from investments, invoiced value of goods sold less returns and billings for services rendered to customers, rental income received and receivable, and gain on disposal of investments and property, plant and equipment.

Revenue of the Group represents the aggregate of the invoiced value of goods sold less returns and billings for services rendered to customers, revenue from room sales, food and beverage sales and other incidental services rendered in conjunction with hotel operations, and rental income received and receivable. Inter-company sales, dividends, management fees, interest income and marketing fees are eliminated on consolidation.

Cost of sales

Cost of sales of the Corporation represents development costs and raw materials consumed.

Cost of sales of the Group represents cost of timber, food and beverage, hotel rooms and hospitality services, property management and maintenance services, golf course operations and maintenance costs and livestock.

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24. Profit before taxation

	Group		Corporation	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
(a) Profit before taxation is stated after charging/(crediting):				
Amortisation of development expenditure	(4,096)	(4,096)	(4,096)	(4,096)
Allowance for diminution in investment	36	63	-	-
Allowance for doubtful debts written back	(1,129)	-	(1,129)	-
Allowance for doubtful debts, net of allowance no longer required	93	110	-	(1)
Auditors' remuneration				
- current year	321	307	50	50
- over provision in prior years	-	(10)	(8)	(8)
Amortisation of goodwill	13	13	-	-
Amortisation of government grants	(1,620)	(921)	-	-
Bad debts recovered	-	(1)	-	-
Bad debts written off	935	1,951	4	1,951
Depreciation of property, plant and equipment	10,600	8,849	1,057	1,003
Deposit forfeited written off	6	-	-	-
Gain on disposal of associates	28	-	-	-
Gain/(loss) on disposal of other investments	18	92	-	(28)
Gain on disposal of property, plant and equipment	(4,451)	(69)	(148)	(2)
Gain on disposal of a subsidiary	-	(813)	-	-
Gross dividends from:				
Associates				
- unquoted in Malaysia	-	-	(13,868)	(26,926)
Subsidiaries				
- unquoted in Malaysia	-	-	-	(1,222)
Other corporations				
- quoted in Malaysia	(7,445)	(4,582)	(6,918)	(4,266)

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24. Profit before taxation (contd.)

	Group		Corporation	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
(a) Profit before taxation is stated after charging/(crediting) (contd.):				
Impairment of plantation development expenditure	70	80	-	-
Income from rental of land and buildings	(4,302)	(2,703)	(2,821)	(2,726)
Interest income	(7,868)	(8,023)	(6,359)	(6,403)
Interest expense				
- commercial borrowings	2,361	-	-	58
- hire purchase	20	16	3	6
- government loan	380	387	380	387
- paid to subsidiaries	-	-	19	19
- overdue on trade balance	-	3171	-	-
(Gain)/loss on foreign exchange				
- unrealised	674	(413)	-	-
- realised	(9)	(12)	-	-
Members' remuneration:				
- fees as Members of the Corporation	24	24	24	24
- allowance as Members of the Corporation	48	23	48	23
Other directors of subsidiaries:				
- fees	707	905	-	-
- others	430	328	-	-
Investment written off	20	-	-	-
Property, plant and equipment written off	-	4	-	-
Rental expenses				
- land and buildings	702	410	193	215
- rigs and equipment	128	104	-	-
Reversal of allowance of doubtful debts	(30)	-	-	-
	=====	=====	=====	=====
(b) Employee information				
Staff costs	47,893	45,225	18,212	15,321
	=====	=====	=====	=====

Included in staff costs of the Group and of the Corporation are Employees' Provident Fund and Pension Scheme contributions amounting to RM4,567,979 (2011: RM4,018,641) and RM1,517,238 (2011: RM1,288,043) respectively.

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Notes to the Financial Statements - 31 December 2012

24. Profit before taxation (contd.)

(b) Employee information

	Group		Corporation	
	2012	2011	2012	2011
Number of employees	1,783	1,743	263	260
	=====	=====	=====	=====

25. Taxation

	Group		Corporation	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Income tax:				
Based on results for the year				
- Malaysian income tax	3,894	2,104	5,630	5,344
Under provision in prior years				
- Malaysian income tax	(258)	(107)	-	5
	<u>3,636</u>	<u>1,997</u>	<u>5,630</u>	<u>5,349</u>
	=====	=====	=====	=====
Deferred tax (Note 20):				
Relating to origination and reversal of temporary differences				
- Malaysian income tax	-	(16)	-	-
- Foreign tax	1,637	-	-	-
	<u>1,637</u>	<u>(16)</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====
Share of taxation of associates	10,298	3,092	-	-
	<u>15,571</u>	<u>5,073</u>	<u>5,630</u>	<u>5,349</u>
	=====	=====	=====	=====

The disproportionate taxation charge for the Group is principally due to the absence of Group relief for losses suffered by certain subsidiaries.

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

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Notes to the Financial Statements - 31 December 2012

25. Taxation (contd.)

Current income tax is calculated at the statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year. In the prior year, certain subsidiaries of the Corporation being a Malaysian resident companies with paid-up capital of RM2.5 million or less qualified for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income : 20%
In excess of RM500,000 of chargeable income : 25%

However, pursuant to Paragraph 2B, Schedule 1 of the Income Tax Act, 1967 that was introduced with effect from the year of assessment 2010, these subsidiaries no longer qualify for the above preferential tax rates.

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

	2012	2011
	RM'000	RM'000
Group		
Profit before taxation	65,003	34,706
	=====	=====
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	16,251	8,676
Effect of lower tax rate of 20%	(105)	-
Effect of different tax rates in other countries	259	(8)
Effect of income not subject to tax	(2,862)	(2,056)
Expenses not deductible for tax purposes	5,679	4,841
Revenue expenditure capitalised	(7)	(80)
Reversal of deferred tax assets	(172)	-
Utilisation of previously unrecognised capital allowance and tax loss	(992)	(3,384)
Utilisation of deferred tax assets carried forward previously not recognised	(5)	(342)
Deferred tax assets not recognised	(1,564)	3,075
Over provision of income tax expense in prior years	(258)	(107)
Over provision of income tax expense of associates in prior years	(630)	(5,382)
Under provision of deferred tax in prior years	83	-
Others	(106)	(160)
	-----	-----
Tax expense for the year	15,571	5,073
	=====	=====

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Notes to the Financial Statements - 31 December 2012

25. Taxation (contd.)

	2012	2011
	RM'000	RM'000
Group		
Tax losses are analysed as follows:		
Tax savings recognised during the year arising from:		
Utilisation of current year tax losses	471	1,556
Unutilised tax losses carried forward	14,799	17,997
	=====	=====
	2012	2011
	RM'000	RM'000
Corporation		
Profit before taxation	21,513	27,149
	=====	=====
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	5,378	6,787
Effect of income not subject to tax	(282)	(2,840)
Expenses not deductible for tax purposes	2,056	1,037
Deferred tax assets not recognised	(1,522)	1,916
Utilisation of previously unrecognised tax losses	-	(1,556)
Under provision of income tax in prior years	-	5
	-----	-----
Tax expense for the year	5,630	5,349
	=====	=====
Tax savings during the financial year arising from:		
Utilisation of current year tax losses	471	1,556
Unutilised tax losses carried forward	13,570	15,225
	=====	=====

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26. Significant inter-company transactions

During the financial year, the Corporation entered into the following transactions with its subsidiaries and associates:

	Corporation	
	2012	2011
	RM'000	RM'000
Interest paid to subsidiaries for deposits placed with Central Cash Management	19	19
Rental received from subsidiaries	(135)	(135)
Management fee received from an associate	(18)	(18)
Interest received from an associate	(270)	-
License fee received from an associate	(129)	(129)
	=====	=====

27. Contingent liabilities

PPES Ternak Holdings Sdn. Bhd.

The implication of the decision of the High Court of Australia in *Mabo vs. The State of Queensland* (1992) 107 ALR1 relating to native title, on the future operations of Rosewood Station Pty Limited ("Rosewood"), the foreign subsidiary of PPES Ternak Holdings Sdn. Bhd. is discussed below. There has been a range of cases dealing with native title (most notably, *The Wik People vs. The State of Queensland* (1997) 141 ALR 129). In addition, there has been a range of legislative initiatives by the Commonwealth and the State and Territories of Australia.

Taken as a whole, other than where native title has been validly extinguished by a prior act (for example, the grant of a freehold title to relevant land), native title has the potential to affect the future operations of Rosewood. To that extent, as with other cattle properties, Rosewood will have to comply with all relevant legislation and will ordinarily do so on a case by case basis. Finally, the effect of native title (if any) on the future operations of Rosewood will vary on a case by case basis.

As disclosed in the Company's foreign subsidiary's financial statements, the Native Title consent determination over Rosewood was handed down on 31 May 2011 by Federal Court, Australia, which determined certain native title rights and interests of certain native title holders. However, these native title rights and interests do not confer native holders, possession, occupation and enjoyment to the exclusion of the rights and interests of Rosewood under Perpetual Pastoral Lease 1013. The native title rights and interests are for personal or communal needs of the native title holders which are of domestic nature and not for any commercial or business purpose. In the event of conflict, the rights and interests of Rosewood prevail over, but not extinguish the native rights.

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Notes to the Financial Statements - 31 December 2012

27. Contingent liabilities (contd.)

Sara Urusharta Sdn. Bhd.

On 31 December 2011, Syarikat Sesco Berhad had revised the meter reading in respect of electricity charges for the period ended 30 November 2011 to match the actual site meter reading and consequently the cumulative outstanding meter reading charge was revised to RM794,030. However the Company had only provided for RM360,000 based on its record at 31 December 2011. The payment only commenced in May 2012 and amounting to RM240,000 payment was made in total. The remaining provision of RM120,000 was brought forward and an additional provision of RM420,000 was made as at 31 December 2012. The additional charges of RM14,030 has not been provided as the management are in the opinion that the liability is not payable and in view of the inappropriate meter reading it is possible, but not probable, that the claim will succeed and accordingly no provision for any liability has been made in these financial statements.

28. Commitments

	Group	
	2012	2011
	RM'000	RM'000
Capital commitments for the acquisition of property, plant and equipment:		
Approved and contracted for	57,579	2,871
Approved but not contracted for	9,860	1,093
	<u>67,439</u>	<u>3,964</u>
	=====	=====

29. Currency

All amounts are stated in Ringgit Malaysia.

30. Significant events

The significant events are disclosed in Note 11 and 12 to the financial statements.

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Detailed Income Statement
For the Year Ended 31 December 2012

	2012 RM'000	2011 RM'000
Revenue		
Dividend income - subsidiaries	-	1,222
- associates	13,868	26,926
- other investments	6,918	4,266
Document fees	30	5
Forfeited deposits	158	-
Gain on disposal of investment	-	28
Gain on disposal of property, plant and equipment	148	2
Interest income	6,359	6,403
Licensing fees	130	129
Rental income	2,822	2,726
Sales of property development	14,172	3,417
Sundry income	127	58
	44,732	45,182
Less: Cost of sales		
Property development cost	4,672	2,385
Gross profit	40,060	42,797
Add: Other operating income		
Allowance for doubtful debts no longer required	1,129	294
Government grant	4,647	5,633
Other operating income	4,096	4,229
	9,872	10,156

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Detailed Income Statement
For the Year Ended 31 December 2012 (contd.)

	2012	2011
	RM'000	RM'000
Less: Administrative expense		
Corporate staff welfare	13	12
Program Internship Siswazah	5	(5)
Staff accommodation	15	20
Staff incentive allowance	665	(10)
Staff paid leave	411	197
Staff bonus	1,074	1,003
Staff chronic illness and hospitalization	159	85
Staff corporate gathering	41	33
Staff EHS (medical checkup)	72	29
Staff external training	392	438
Staff goodwill	-	6
Staff housing loan interest subsidy	296	351
Staff in-house training	370	456
Staff leave passage	5	11
Staff maternity	10	12
Staff medical	515	253
Staff membership fees	12	12
Staff overtime	220	221
Staff transport and travelling	975	966
Staff salary - junior	5,460	5,219
- senior	7,437	5,834
Staff uniform	26	134
Staff welfare	18	20
Staff children education	15	14
Welfare - retirement	6	10
	18,212	15,321

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For the Year Ended 31 December 2012 (contd.)

	2012	2011
	RM'000	RM'000
Less: Other operating expenses		
Bad debts written off	3	1,951
Board's expenses	150	171
Depreciation of property, plant and equipment	1,057	1,003
General expenses	2,239	1,311
Maintenance expenses	2,740	2,327
Office expenses	1,754	2,147
Professional fees	1,060	247
Project expenses	802	855
	9,805	10,012
Operating profit	21,915	27,620
Less: Finance cost		
Interest on central cash management	18	20
Interest on government loan	380	387
Interest on hire purchase interest	4	6
Interest on commercial loan	-	58
	402	471
Profit before taxation	<u>21,513</u>	<u>27,149</u>