

SECTION 5 : FINANCIAL STATEMENTS

PERBADANAN PEMBANGUNAN EKONOMI SARAWAK

MEMBERS' REPORT AND
AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2014

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

**PENYATA PENERUSI 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 2014 dan hasil kendaliannya serta perubahan kedudukannya bagi tahun berakhir 31 Disember 2014.

Bagi pihak Lembaga,

Bagi pihak Lembaga,



.....
YB DATUK HAJI TALIB ZULPILIP
PENERUSI

Tarikh: **23 JUN 2015**

KUCHING



.....
YB DATUK DR. STEPHEN RUNDI UTOM
AHLI

Tarikh: **23 JUN 2015**

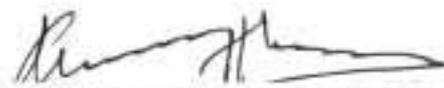
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**Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**

**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 Akaun Berkanun, 1960.

Sebenarnya dan sesungguhnya)
diakui oleh penama di atas)
di Kuching dalam Negeri Sarawak)
pada **27 APR 2015**)



Haji Soedirman Haji Aini
Pengurus Besar

Di hadapan saya,



LOT 330, (2ND FLOOR)
SECTION 10,
OFF RUBBER ROAD
13400 KUCHING,
SARAWAK

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 2014.

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	53,075	20,646
Minority interests	(208)	-
Profit attributable to members	<u>52,867</u>	<u>20,646</u>

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	(State Financial Secretary)
YBhg Datu Hajah Jaidah Binti Monseri	(Representative from Perbendaharaan Persekutuan, Malaysia)
YB Tan Sri Datuk Amar Haji Mohd, Morshidi Abdul Ghani	
YB Datuk Dr. Stephen Rundi Utom	
YBhg Tan Sri Datuk Amar Wilson Baya Daudot	
YBhg Datuk Fong Joo Chung	
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 30 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:

23 JUN 2015



**LAPORAN KETUA AUDIT NEGARA
MENGENAI PENYATA KEWANGAN
PERBADANAN PEMBANGUNAN EKONOMI SARAWAK
BAGI TAHUN BERAKHIR 31 DISEMBER 2014**

Laporan Mengenai Penyata Kewangan

Penyata Kewangan Perbadanan Pembangunan Ekonomi Sarawak dan kumpulan bagi tahun berakhir 31 Disember 2014 telah diaudit oleh wakil saya yang merangkumi Lembaran Imbangan pada 31 Disember 2014 dan Penyata Pendapatan, Penyata Perubahan Dalam Ekuiti serta Penyata Aliran Tunai bagi tahun berakhir pada tarikh tersebut, ringkasan polisi perakaunan yang signifikan dan nota penjelasan lain.

Tanggungjawab Lembaga Pengarah Terhadap Penyata Kewangan

Lembaga Pengarah bertanggungjawab terhadap penyediaan dan persembahan penyata kewangan tersebut yang saksama selaras dengan piawaian pelaporan kewangan yang diluluskan di Malaysia dan Ordinan Badan Berakunan (Prosedur Kewangan Dan Perakaunan), 1995 (Pindaan 2004). Lembaga Pengarah juga bertanggungjawab terhadap kawalan dalaman yang ditetapkan perlu oleh pengurusan bagi membolehkan penyediaan penyata kewangan yang bebas daripada salah nyata yang ketara sama ada disebabkan oleh fraud atau kesilapan.

Tanggungjawab Juruaudit

Tanggungjawab saya adalah memberi pendapat terhadap penyata kewangan tersebut berdasarkan pengauditan yang dijalankan. Pengauditan telah dilaksanakan mengikut Akta Audit 1957 dan piawaian pengauditan yang diluluskan di Malaysia. Piawaian tersebut menghendaki saya mematuhi keperluan etika serta merancang dan melaksanakan pengauditan untuk memperoleh jaminan yang munasabah sama ada penyata kewangan tersebut bebas daripada salah nyata yang ketara.

Pengauditan meliputi pelaksanaan prosedur untuk memperoleh bukti audit mengenai amaun dan pendedahan dalam penyata kewangan. Prosedur yang dipilih bergantung kepada pertimbangan juruaudit, termasuk penilaian risiko salah nyata yang ketara pada penyata kewangan sama ada disebabkan oleh fraud atau kesilapan. Dalam membuat penilaian risiko

tersebut, juruaudit mempertimbangkan kawalan dalaman yang bersesuaian dengan entiti dalam penyediaan dan persembahan penyata kewangan yang memberi gambaran yang benar dan saksama bagi tujuan merangka prosedur pengauditan yang bersesuaian tetapi bukan untuk menyatakan pendapat mengenai keberkesanan kawalan dalaman entiti tersebut. Pengauditan juga termasuk menilai kesesuaian polisi perakaunan yang dijuga pakai dan kemunasabahan anggaran perakaunan yang dibuat oleh pengurusan serta persembahan penyata kewangan secara menyeluruh.

Saya percaya bahawa bukti audit yang saya peroleh adalah mencukupi dan bersesuaian untuk dijadikan asas bagi pendapatan audit saya.

Pendapat

Pada pendapat saya, penyata kewangan ini memberikan gambaran yang benar dan saksama mengenai kedudukan kewangan Perbadanan Pembangunan Ekonomi Sarawak dan Kumpulan pada 31 Disember 2014 dan prestasi kewangan serta aliran tunai bagi tahun berakhir pada tarikh tersebut selaras dengan piawaian pelaporan kewangan yang diluluskan di Malaysia.

Saya telah mempertimbangkan penyata kewangan dan laporan juruaudit bagi semua syarikat subsidiari yang tidak diaudit oleh saya seperti yang dinyatakan dalam nota kepada penyata kewangan. Saya berpuas hati bahawa penyata kewangan berkenaan telah disatukan dengan Penyata Kewangan Perbadanan Pembangunan Ekonomi Sarawak dalam bentuk dan kandungan yang sesuai dan wajar bagi tujuan penyediaan penyata kewangan. Saya juga telah menerima maklumat dan penjelasan yang memuaskan sebagaimana yang dikehendaki bagi tujuan tersebut. Laporan juruaudit mengenai penyata kewangan syarikat subsidiari berkenaan tidak mengandungi sebarang pemerhatian yang boleh menjejaskan penyata kewangan.



(DATO' MUSTAFA BIN HJ. SAMAN)

b.p. KETUA AUDIT NEGARA
MALAYSIA

PUTRAJAYA

TARIKH: 8 JULAI 2015



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

Balance Sheets as at 31 December 2014

	Note	Group		Corporation	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-current assets					
Property, plant and equipment	3	265,930	270,726	78,808	90,166
Land held for property development	4	2,298	2,787	2,298	2,787
Hotel and investment properties	5	434,860	427,803	-	-
Plantation development expenditure	6	267	267	-	-
Subsidiaries	7	-	-	581,165	567,805
Associates	8	231,803	229,197	53,306	73,804
Investments in other corporations	9	160,943	157,014	149,535	146,210
		<u>1,096,101</u>	<u>1,087,794</u>	<u>865,112</u>	<u>880,772</u>
Current assets					
Property development costs	4	16,945	9,928	8,051	1,034
Inventories	10	49,642	51,778	7,449	10,284
Receivables	11	61,328	54,227	12,688	11,780
Deposits with financial institutions	12	244,517	241,173	194,464	187,844
Cash and bank balances		36,862	34,380	8,515	7,782
		<u>409,294</u>	<u>391,486</u>	<u>231,167</u>	<u>218,724</u>
Current liabilities					
Tax payable		9,913	8,115	9,781	7,826
Government term loans	13	2,702	2,694	2,702	2,694
Lease payables	14	24	60	-	14
Payables	15	39,568	48,672	9,971	15,967
		<u>52,207</u>	<u>59,541</u>	<u>22,454</u>	<u>26,501</u>
Net current assets		<u>357,087</u>	<u>331,945</u>	<u>208,713</u>	<u>192,223</u>
		<u>1,453,188</u>	<u>1,419,739</u>	<u>1,073,825</u>	<u>1,072,995</u>

The accompanying notes form 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 2014 (Contd.)

	Note	Group		Corporation	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Financed by:					
State government equity grant	16(a)	80,159	100,139	80,159	100,139
State government contribution for equity participation	16(b)	264,677	264,677	264,677	264,677
Development funds	17	216,181	215,844	201,130	200,793
Reserves	18	783,216	731,076	516,688	496,042
		<u>1,344,233</u>	<u>1,311,736</u>	<u>1,062,654</u>	<u>1,061,651</u>
Minority interests		<u>14,614</u>	<u>14,406</u>	-	-
		<u>1,358,847</u>	<u>1,326,142</u>	<u>1,062,654</u>	<u>1,061,651</u>
Non-current liabilities					
Government grants	19	23,574	24,972	-	-
Operating grants		4,365	4,465	-	-
Deferred tax liabilities	20	6,350	6,294	-	-
Deferred income		21,864	19,197	-	-
Employee benefits	21	2,275	2,219	2,236	2,207
Government term loans	13	8,935	9,137	8,935	9,137
Other borrowings	22	26,897	27,208	-	-
Lease payables	14	81	105	-	-
		<u>94,341</u>	<u>93,597</u>	<u>11,171</u>	<u>11,344</u>
		<u>1,453,188</u>	<u>1,419,739</u>	<u>1,073,825</u>	<u>1,072,995</u>

The accompanying notes form 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 2014

	Note	Group		Corporation	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	23	216,847	168,937	45,735	35,742
Cost of sales	23	(124,703)	(111,485)	(3,357)	(110)
Gross profit		92,144	57,452	42,378	35,632
Other operating income		33,809	30,920	11,555	10,586
Distribution costs		(974)	(1,285)	-	-
Administrative expenses		(70,089)	(56,633)	(19,319)	(18,391)
Other operating expenses		(19,643)	(19,044)	(11,618)	(11,512)
Profit from operations		35,247	11,410	22,996	16,315
Finance costs		(1,865)	(1,922)	(369)	(375)
Share of associates' results		23,102	31,880	-	-
Profit before taxation	24	56,484	41,368	22,627	15,940
Taxation	25	(3,409)	(1,178)	(1,981)	(2,704)
Profit after taxation		53,075	40,190	20,646	13,236
Minority interest		(208)	211	-	-
Profit attributable to members		52,867	40,401	20,646	13,236

The accompanying notes form 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 2014

Group	Non - distributable					Revenue reserve RM'000	Total RM'000
	Capital reserve RM'000	Share premium RM'000	Revaluation reserve RM'000	Reserve on consolidation RM'000	Reserve on consolidation RM'000		
At 1 January 2013	3,907	9,308	53,192	53,860	500,211	718,568	
Profit for the year	-	-	-	-	40,401	40,401	
Arising on consolidation	(144)	-	(16,446)	(552)	(20,672)	(37,814)	
Strike-off of subsidiary	-	-	-	-	9,921	9,921	
At 31 December 2013	3,853	9,308	36,746	52,308	628,861	731,076	
Profit for the year	-	-	-	-	52,867	52,867	
Arising on consolidation	-	-	(775)	13	-	(762)	
Strike-off of subsidiary	-	-	-	-	35	35	
At 31 December 2014	3,853	9,308	35,971	52,321	681,763	783,216	

The accompanying notes form an integral part of these financial statements

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

Statement of Changes in Equity
for the year ended 31 December 2014

	Revenue Reserve RM'000
Corporation	
At 1 January 2013	482,806
Profit for the year	<u>13,236</u>
At 31 December 2013	496,042
Profit for the year	<u>20,646</u>
At 31 December 2014	<u><u>516,688</u></u>

The accompanying notes form 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 2014

	Group	
	2014 RM'000	2013 RM'000
Cash flows from operating activities		
Profit before taxation and minority interest	56,484	41,368
Adjustment for:		
Amortisation of development expenditure	(4,096)	(4,096)
Allowance for diminution in investment	2,061	(5,898)
Allowance for doubtful debts, net of allowance no longer required	1,756	6,551
Amortisation of goodwill	13	13
Amortisation of government grants	(1,470)	(6,205)
Bad debts written off	16	19
Depreciation	9,612	10,391
Deficit on revaluation	-	6,567
Dividend income	(6,681)	(6,675)
Gain on disposal of other investments	(21)	-
Gain on disposal of property, plant and equipment	(11)	(988)
Impairment of property, plant and equipment	191	316
Interest expense	1,925	1,903
Interest income	(9,328)	(10,017)
Share of associates' result	(23,102)	(31,880)
Unrealised loss on foreign exchange	645	2,863
Operating profit before working capital changes	<u>27,994</u>	<u>4,232</u>
Decrease in inventories	2,136	4,369
(Increase)/Decrease in property development costs	(6,528)	207
Increase in receivables	(26,450)	(10,097)
(Decrease)/Increase in payables	(6,953)	2,965
Increase/(Decrease) in deferred income	418	(9)
Increase/(Decrease) in membership fees	2,773	(232)
Cash (used in)/generated from operation	<u>(6,610)</u>	<u>1,435</u>

The accompanying notes form 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 2014 (Contd.)

	Group	
	2014	2013
	RM'000	RM'000
Cash flows from operating activities (contd.)		
Cash generated from operations:		
Interest paid	(2,054)	(1,903)
Interest received	9,328	10,017
Taxes paid	(1,740)	(1,790)
Net cash (used in)/generated from operating activities	<u>(1,076)</u>	<u>7,759</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(18,896)	(13,997)
Acquisition of investment	(2,092)	(3,049)
Advances/loan repaid to other investments	(1,710)	(2,254)
Advances/loan repaid from associates	20,497	570
Dividend received	6,464	6,675
Investment in hotel and investment properties	-	(390)
Investment in associates	-	(16)
Proceeds from disposal of other investments	76	250
Proceeds from disposal of property, plant and equipment	8,757	1,029
Proceed from disposal of associates	-	204
Upgrading of hotel property	(7,058)	-
Net cash generated from/(used in) from investing activities	<u>6,038</u>	<u>(10,978)</u>
Cash flows from financing activities		
Drawdown of lease/hire purchase	-	103
Drawdown of term loan	8,847	4,828
Government grant received	4,277	4,767
Proceed of development fund	8,026	6,156
Repayment of hire purchase and lease instalments	(80)	(104)
Repayment of term loan	(20,174)	(4,617)
Net cash generated from financing activities	<u>896</u>	<u>11,133</u>

The accompanying notes form 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 2014 (Contd.)

	Group	
	2014	2013
	RM'000	RM'000
Net increase in cash and cash equivalents	5,858	7,914
Effect of translation adjustments	(32)	2,655
Cash and cash equivalents at beginning of year	<u>275,053</u>	<u>264,484</u>
Analysis of cash and cash equivalents at end of year	<u>280,879</u>	<u>275,053</u>
Cash and cash equivalents:		
Cash and bank balances	36,862	34,380
Deposits with financial institutions	<u>244,517</u>	<u>241,173</u>
	281,379	275,553
Less: Deposit pledged to bank (Notes 12)	<u>(500)</u>	<u>(500)</u>
	<u>280,879</u>	<u>275,053</u>
Analysis of acquisition of property, plant and equipment:		
By cash	18,896	13,997
Transfer from property development cost	<u>-</u>	<u>89</u>
	<u>18,896</u>	<u>14,086</u>

The accompanying notes form 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 2014

	Corporation	
	2014	2013
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	22,627	15,940
Adjustment for:		
Allowance for diminution in investment	2,055	2,223
Allowance for doubtful debts, net of allowance no longer required	(28)	(263)
Amortisation of development funds	(4,096)	(4,096)
Bad debts written off	-	19
Depreciation	1,087	1,121
Dividend income	(22,002)	(22,185)
Gain on disposal of property, plant and equipment	(4)	(692)
Interest expense	366	374
Interest income	(8,035)	(8,685)
Operating loss before working capital changes:	(8,030)	(16,244)
Decrease in inventories	2,835	118
(Increase)/Decrease in property development cost	(7,017)	207
(Increase)/Decrease in receivables	(785)	4,407
Decrease in payables	(5,967)	(1,019)
Cash used in operations	(18,964)	(12,531)
Interest paid	(366)	(374)
Interest received	7,184	6,478
Taxes (paid)/refund	(26)	761
Net cash used in operating activities	(12,172)	(5,666)

The accompanying notes form 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 2014 (Contd.)

	Corporation	
	2014	2013
	RM'000	RM'000
Cash flows from investing activities		
Acquisition of investment in shares and unit trust	(1,614)	(2,421)
Acquisition of property, plant and equipment	(324)	(699)
Advances repaid from associates	20,497	569
Advances to other investment	(1,710)	(2,231)
Advances repaid to subsidiaries	(7,564)	(7,203)
Decrease in land held for development	490	-
Dividend received	22,002	19,427
Investment in associates	-	(16)
Investment in subsidiaries	(7,000)	-
Proceeds from disposal of property, plant and equipment	7,008	712
Net cash generated from investing activities	<u>31,785</u>	<u>8,138</u>
Cash flows from financing activities		
Proceeds from development funds	7,928	6,156
Repayment of Government terms loans	(194)	(2,687)
Repayment of lease payables	(14)	(28)
Repayment of state government equity grant	(19,980)	-
Net cash (used in)/generated from financing activities	<u>(12,260)</u>	<u>3,441</u>
Net increase in cash and cash equivalents	7,353	5,913
Cash and cash equivalents at beginning of year	<u>195,626</u>	<u>189,713</u>
Cash and cash equivalents at end of year	<u>202,979</u>	<u>195,626</u>

The accompanying notes form 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 2014 (Contd.)

	Corporation	
	2014	2013
	RM'000	RM'000
Analysis of cash and cash equivalents:		
Cash and bank balances	8,515	7,782
Deposit with financial institutions	194,464	187,844
	<u>202,979</u>	<u>195,626</u>
Analysis of acquisition of property, plant and equipment:		
By cash	325	699
Transfer from property development cost	-	89
	<u>325</u>	<u>788</u>

The accompanying notes form 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 2014

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 **23 June 2015**.

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.

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

Notes to the Financial Statements - 31 December 2014

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.

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

Notes to the Financial Statements - 31 December 2014

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.

Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2014

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 completion method where the significant risks and rewards of ownership have been transferred to the buyer.

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.

Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2014

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 2014

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.

Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2014

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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Notes to the Financial Statements - 31 December 2014

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.

Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2014

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.

Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2014

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:

	2014	2013
	RM	RM
1 Australian Dollar	2.87	2.92
1 United States Dollar	3.49	3.25
	<u> </u>	<u> </u>

(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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Notes to the Financial Statements - 31 December 2014

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.

Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2014

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 drawn down 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.

Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2014

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 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.

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

Notes to the Financial Statements - 31 December 2014

3.	Property, plant and equipment	Freehold land/long leasehold land RM'000	Short leasehold land RM'000	Buildings and improvements RM'000	Plant machinery and equipment RM'000	Leasehold improvement RM'000	Capital and construction work in progress RM'000	Pasture development costs RM'000	Total RM'000
	Cost/Valuation								
	At 1 January 2014	83,116	19,813	182,108	183,902	64,495	16,314	2,412	552,160
	Transfer	-	-	85	-	-	(136)	-	(51)
	Addition	1,036	-	262	3,744	458	13,396	-	18,896
	Reclassification	-	-	215	330	(1,243)	-	-	(698)
	Disposals	-	(7,000)	-	(1,421)	-	(1,679)	-	(10,100)
	Exchange difference	(1,363)	-	(63)	(149)	(252)	-	-	(1,827)
	At 31 December 2014	82,789	12,813	182,607	186,406	63,458	27,895	2,412	558,380
	Accumulated depreciation								
	Charge for 2013	264	392	2,086	6,293	1,356	-	-	10,391

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Notes to the Financial Statements - 31 December 2014

3. Property, plant and equipment (Contd.)	Freehold land/long leasehold land RM' 000	Short leasehold land RM' 000	Buildings and improvements RM' 000	Plant machinery and equipment RM' 000	Leasehold improvement RM' 000	Capital and construction work in progress RM' 000	Pasture development costs RM' 000	Total RM' 000
Accumulated depreciation (Contd.)								
At 1 January 2014	2,500	4,227	70,912	145,172	19,332	129	499	242,771
Charge for the year	352	390	1,844	5,948	1,078	-	-	9,612
Disposals	-	-	-	(1,370)	-	-	-	(1,370)
Transfer	-	-	3,591	-	-	-	-	3,591
Exchange difference	-	-	(24)	130	(1,114)	-	-	(1,008)
At 31 December 2014	2,852	4,617	76,323	149,880	19,296	129	499	253,596
Accumulated impairment losses								
At 1 January 2014	-	-	6,043	2,215	27,000	3,214	191	38,663
During the year	-	-	-	-	-	-	191	191
At 31 December 2014	-	-	6,043	2,215	27,000	3,214	382	38,854

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Notes to the Financial Statements - 31 December 2014

3. Property, plant and equipment (Contd.)		Freehold land/long leasehold land RM'000	Short leasehold land RM'000	Buildings and improvements RM'000	Plant machinery and equipment RM'000	Leasehold improvement RM'000	Capital and construction work in progress RM'000	Pasture development costs RM'000	Total RM'000
Net book value									
At 31 December 2014		79,937	8,196	100,241	34,311	17,162	24,552	1,531	265,930
At 31 December 2013		80,616	15,586	105,153	36,515	18,163	12,971	1,722	270,726
Analysis of cost and valuation									
At cost		81,596	12,813	181,793	184,865	63,458	27,895	2,412	554,832
At valuation		1,193	-	814	1,541	-	-	-	3,548
At 31 December 2014		82,789	12,813	182,607	186,406	63,458	27,895	2,412	558,380
At cost		81,923	19,813	181,294	182,361	64,495	16,314	2,412	548,612
At valuation		1,193	-	814	1,541	-	-	-	3,548
At 31 December 2013		83,116	19,813	182,108	183,902	64,495	16,314	2,412	552,160

Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2014

3. Property, plant and equipment (Contd.)

Corporation	Land RM'000	Motor vehicles RM'000	Buildings and improvements RM'000	Plant machinery and equipment RM'000	Furniture, fitting and equipment RM'000	Total RM'000
Cost/Valuation						
At 1 January 2014	28,068	2,518	87,270	757	8,870	127,483
Addition	-	-	58	-	267	325
Disposals	(7,000)	-	-	-	(26)	(7,026)
At 31 December 2014	21,068	2,518	87,328	757	9,111	120,782
Accumulated depreciation						
Charge for 2013	365	289	102	-	364	1,120
At 1 January 2014	3,690	1,803	22,695	533	8,422	37,143
Charge for the year	364	285	100	-	338	1,087
Disposals	-	-	-	-	(21)	(21)
Charged to development grant	-	-	3,591	-	-	3,591
At 31 December 2014	4,054	2,088	26,386	533	8,739	41,800

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Notes to the Financial Statements - 31 December 2014

3. Property, plant and equipment (Contd.)

Corporation	Land RM'000	Motor vehicles RM'000	Buildings and improvements RM'000	Plant machinery and equipment RM'000	Furniture, fitting and equipment RM'000	Total RM'000
Accumulated impairment losses						
Impairment losses for 2013	-	-	174	-	-	174
At 1 January 2014/31 December 2014	-	-	174	-	-	174
Net book value						
At 31 December 2014	17,014	430	60,768	224	372	78,808
At 31 December 2013	24,378	715	64,401	224	448	90,166

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Notes to the Financial Statements - 31 December 2014

3. Property, plant and equipment (Contd.)

Corporation	Land RM'000	Motor vehicles RM'000	Buildings and improvements RM'000	Plant machinery and equipment RM'000	Furniture, fitting and equipment RM'000	Total RM'000
Analysis of cost and valuation:						
At cost	19,914	2,518	86,514	431	9,111	118,488
At valuation	1,154	-	814	326	-	2,294
At 31 December 2014	21,068	2,518	87,328	757	9,111	120,782
At cost	26,914	2,518	86,456	431	8,870	125,189
At valuation	1,154	-	814	326	-	2,294
At 31 December 2013	28,068	2,518	87,270	757	8,870	127,483

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3. Property, plant and equipment (Contd.)

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 2014	117	9,411	18,540	28,068
Reclassification	-	(36)	36	-
Disposal	-	(7,000)	-	(7,000)
At 31 December 2014	117	2,375	18,576	21,068
Representing:				
At cost	117	1,221	18,576	19,914
At valuation	-	1,154	-	1,154
	117	2,375	18,576	21,068
Accumulated depreciation				
Charges for 2013	-	1	364	365
At 1 January 2014	-	9	3,681	3,690
Charges for the year	-	1	363	364
Reclassification	-	(1)	1	-
At 31 December 2014	-	9	4,045	4,054

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Notes to the Financial Statements - 31 December 2014

3. Property, plant and equipment (Contd.)

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Total RM'000
Net Book Value				
At 31 December 2014				
At cost	117	1,212	14,531	15,860
At valuation	-	1,154	-	1,154
Net Book Value	117	2,366	14,531	17,014
At 31 December 2013				
At cost	117	8,248	14,859	23,224
At valuation	-	1,154	-	1,154
	117	9,402	14,859	24,378

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.

The Group's property, plant and equipment include motor vehicles, plant, machinery and equipment with a net book value of RM90,096 (2013: RM139,293) which were acquired under hire purchase and finance lease agreements.

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Notes to the Financial Statements - 31 December 2014

4. Property development costs and land held for property development

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(a) Property development costs				
As at 1 January:				
Leasehold land	1,162	1,162	1,162	1,162
Development costs	30,200	28,985	21,306	20,091
	<u>31,362</u>	<u>30,147</u>	<u>22,468</u>	<u>21,253</u>
Costs incurred during the year:				
Leasehold land	7,009	-	7,009	-
Development costs	55,888	1,367	55,888	1,367
	<u>62,897</u>	<u>1,367</u>	<u>62,897</u>	<u>1,367</u>
Transfers:				
To development funds	32,840	21,146	32,840	21,146
To subsidiary	-	(63)	-	(63)
To property, plant and equipment	-	(89)	-	(89)
	<u>32,840</u>	<u>20,994</u>	<u>32,840</u>	<u>20,994</u>
Property development grant received:				
At 1 January	(42,580)	(31,602)	(42,580)	(31,602)
Addition during the year	(67,574)	(10,937)	(67,574)	(10,937)
Transfer to subsidiary	-	87	-	87
Transfer to development grant	-	(128)	-	(128)
	<u>(110,154)</u>	<u>(42,580)</u>	<u>(110,154)</u>	<u>(42,580)</u>
At 31 December	<u>(110,154)</u>	<u>(42,580)</u>	<u>(110,154)</u>	<u>(42,580)</u>
Total as at 31 December	<u>16,945</u>	<u>9,928</u>	<u>8,051</u>	<u>1,034</u>

(b) Land held for property development

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cost				
At 1 January/31 December	<u>2,298</u>	<u>2,787</u>	<u>2,298</u>	<u>2,787</u>

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Notes to the Financial Statements - 31 December 2014

5. Hotel and investment properties

	Group	
	2014 RM'000	2013 RM'000
At valuation:		
2004	111,670	111,670
2007	166,820	166,820
2010	151,712	151,712
2012	(3,226)	(3,226)
2013	(52)	(52)
2014	7,057	-
	<u>433,981</u>	<u>426,924</u>
At cost	<u>879</u>	<u>879</u>
	<u>434,860</u>	<u>427,803</u>
At 1 January	427,803	433,924
Additions during the year	7,100	-
Adjustment during the year	(521)	(6,659)
Transfer (to)/from property, plant and equipment	(43)	56
Revaluation surplus	<u>521</u>	<u>482</u>
At 31 December	<u>434,860</u>	<u>427,803</u>

The valuations for 2004, 2007, 2010, 2012, 2013 and 2014 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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	Group	
	2014	2013
	RM'000	RM'000
At cost:		
At 1 January	7,755	7,755
Additions during the year	-	-
At 31 December	<u>7,755</u>	<u>7,755</u>
Accumulated amortisation:		
At 1 January/31 December	<u>(3,334)</u>	<u>(3,334)</u>
Impairment loss:		
At 1 January	(4,154)	(4,154)
Additions	-	-
At 31 December	<u>(4,154)</u>	<u>(4,154)</u>
Net book value	<u>267</u>	<u>267</u>

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7. Subsidiaries

	Corporation	
	2014	2013
	RM'000	RM'000
Unquoted shares at cost	231,760	236,619
Allowance for diminution in value	<u>(41,706)</u>	<u>(51,510)</u>
	<u>190,054</u>	<u>185,109</u>
Amounts due from subsidiaries:		
Current accounts	300,615	305,551
Allowance for doubtful debts	<u>(28,913)</u>	<u>(33,272)</u>
	<u>271,702</u>	<u>272,279</u>
Loan accounts	120,417	111,425
Allowance for doubtful debts	<u>(1,000)</u>	<u>(1,000)</u>
	<u>119,417</u>	<u>110,425</u>
Amounts due to subsidiaries:		
Current accounts	<u>(8)</u>	<u>(8)</u>
	<u><u>581,165</u></u>	<u><u>567,805</u></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% (2013: 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	
		2014 %	2013 %
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. 289375-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
Goehlt Seafoods Processing Bhd. Company No. 9449-U	Inactive	-	71
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	
		2014 %	2013 %
Direct subsidiaries of the Corporation (contd.)			
PPES Akua (Santubong) Sdn. Bhd. Company No. 152122-I	Aquaculture and investment holding	100	100
PPES Ternak Holdings Sdn. Bhd. Company No. 104730-A	Investment holding	100	100
Revlin 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-IL 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	
		2014 %	2013 %
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 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	
		2014 %	2013 %
Subsidiaries of PPES Ternak Holdings Sdn. Bhd.			
PPES Ternak Sdn. Bhd. Company No. 104563-V	Rearing and marketing of livestock	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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7. **Subsidiaries (Contd.)**

Name of company	Principal activities/status	Group's effective equity interest	
		2014 %	2013 %
Subsidiaries of Sara Spectrum Holdings Sdn. Bhd.			
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 20 May 2014, the Corporation completed the strike-off of its 2,250,000 ordinary shares representing 71% equity interest in Goebilt Seafoods Processing Bhd. As a result, Goebilt Seafoods Processing Bhd. ceased to be the subsidiary of the Corporation as at the balance sheet date.

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7. Subsidiaries (Contd.)

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

(a) *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 RM1,676,504 (2013: 1,684,309) as at 31 December 2014, and as at that date, the Company's current liabilities exceed its current assets by RM1,676,504 (2013: RM1,674,309). 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."

(b) *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 RM4,271,192 (2013: RM4,289,180) as at 31 December 2014, and as at that date, the Company's current liabilities exceed its current asset by RM5,159,191 (2013: RM5,177,179). 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.)

(c) 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 RM42,166 (2013: RM39,955) as at 31 December 2014, and as at that date, the Company's current liabilities exceed its current asset by RM42,164 (2013: RM39,953). 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."

(d) 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 RM5,204,367 (2013: RM6,006,772) as at 31 December 2014, and as at that date, the Company's current liabilities exceed its current asset by RM81,336,525 (2013: RM82,148,879). 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.)

(e) *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 RM67,218,922 (2013: RM65,588,087) as at 31 December 2014, and as at that date, the Company’s current liabilities exceed its current assets by RM7,692,595 (2013: by RM8,462,387). 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.”

(f) *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 as at 31 December 2014, the Company’s current liabilities exceeded its current assets by RM1,626,465, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.

The financial statements are prepared on the basis of accounting principles applicable to a going concern as the ultimate holding corporation of the Company has indicated their willingness to provide financial support to the Company to enable it to operate as a going concern in the foreseeable future.”

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Notes to the Financial Statements - 31 December 2014

7. Subsidiaries (contd.)

(g) 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 RM8,943 during the financial year ended 31 December 2014 and as of that date, the Company's current liabilities exceeded its current assets by RM3,453,186, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as going concern.

The financial statements are prepared on the basis of accounting principles applicable to a going concern as the ultimate holding corporation has indicated their willingness to provide financial support to the Company to enable it to operate as a going concern in the foreseeable future."

(h) PPES Ternak Sdn Bhd.

"Without qualifying our opinion, we draw attention to Note 4 to the financial statements. The Company incurred a net loss after tax of RM1,126,584 during the financial year ended 31 December 2014 and as of that date, the Company's shareholder's funds is in deficit of RM3,718,718. In view of these factors, the continuation of the Company as going concern on which basis the financial statements have been prepared is dependent on the continuing financial support from the ultimate holding corporation and on its attaining cash inflows to sustain its operation.

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

(i) Revlin Holdings Sdn Bhd.

"Without qualifying our opinion, we draw attention to Note 3.d to the financial statements

As at balance sheet date, the Company had net current liabilities of RM351,156 (2013: RM351,146), accumulated losses of RM6,906,361 (2013: RM6,904,852) and deficits in Shareholder's fund of RM6,876,361 (2013: RM6,874,852). The Company incurred a loss after taxation of RM1,509 (2013: RM1,599) for the financial year ended 31 December 2014.

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Notes to the Financial Statements - 31 December 2014

7. Subsidiaries (Contd.)

(i) Revlin Holdings Sdn Bhd. (Contd.)

As the expected cash flow from the existing activities of the Company may not be sufficient to meet their obligations as and when they fall due, the appropriateness of preparing the financial statements of the Company on a going concern basis is dependent on the continuous financial support from the other sources and the ability of the Company to generate profits and positive cash flow in the future.

The Directors are of the opinion that the required financial support from the other sources will be obtained and the Company will be able to generate sufficient fund in the Company's future operations.

Accordingly, the financial statements of the Company have been prepared on a going concern basis and as such, do not include any adjustments relating to the recoverability and classification of recorded assets amount and classification of liabilities which may be necessary if the going concern basis of preparing the financial statements of the Company is not appropriate."

(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 RM247,639 (2013: RM245,212) as at 31 December 2014, and as at that date, the Company's current liabilities exceed its current assets by RM247,637 (2013: RM245,210). 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-III Plantation Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 3(b) 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 RM158,155 during the year ended 31 December 2014, and as of that date, the Company’s current liabilities exceeded its current assets by RM9,736,710, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.

The financial statements are prepared on the basis of accounting principles applicable to a going concern as the ultimate holding corporation has indicated their willingness to provide financial support to the Company to enable it to operate as a going concern in the foreseeable future.”

The Ultimate Holding 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 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 settlers.

(l) 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 accumulated losses of RM14,557,394 (2013: RM15,204,660) as at 31 December 2014. 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 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.)

(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 RM425,746 (2013: RM420,911) as at 31 December 2014, and as at that date, the Company's current liabilities exceed its current assets by RM229,947 (2013: RM226,164). 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 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 RM7,538 during the year ended 31 December 2014, and as of that date, the Company's current liabilities exceeded its current assets by RM122,057, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The financial statement are prepared on the basis of accounting principles applicable to a going concern as the ultimate holding corporation of the Company has indicated their willingness to provide financial support to the Company to enable it to operate as a going concern in the foreseeable future.”

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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 has a deficit shareholders' fund of RM8,669,242 during the year ended 31 December 2014, and as of that date, the Company's current liabilities exceeded its current assets by RM1,477,744, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company's ability as a going concern.

The financial statement are prepared on the basis of accounting principles applicable to a going concern as the ultimate holding corporation of the Company has indicated their willingness to provide financial support to the Company to enable it to operate as a going concern in the foreseeable future."

(p) Sarawak Car Care Centre Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 3 in the financial statements. During the financial year ended 31 December 2014, the Company shareholder's funds is in deficit of RM2,284,961. In view of this factor, the 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 holding corporation and on its attaining cash inflows to sustain its operation.

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."

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Notes to the Financial Statements - 31 December 2014

7. Subsidiaries (contd.)

(q) 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 and the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that as at 31 December 2014, the Group and the Company's current liabilities exceeded its current assets by RM21,774,062 and RM6,916,562, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group and the Company's ability to continue as a going concern.

The financial statements are prepared on the basis of accounting principles applicable to a going concern as the ultimate holding corporation have indicated their willingness to provide financial support to the Company to enable it to operate as a going concern in the foreseeable future."

(s) 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 RM41,846 (2013: RM39,635) as at 31 December 2014, and as at that date, the Company's current liabilities exceed its current assets by RM41,844 (2013: RM39,633). 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."

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8. Associates

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unquoted shares, at cost	48,907	48,907	47,655	47,655
Allowance for diminution in value	(1,150)	(1,150)	(150)	(150)
	47,757	47,757	47,505	47,505
Share of retained profits less losses	174,194	150,739	-	-
Share of capital reserves	-	353	-	-
	221,951	198,849	47,505	47,505
Amounts due from associates:				
Current accounts	4,482	4,447	432	398
Allowance for doubtful debts	(359)	(359)	(359)	(359)
	4,123	4,088	73	39
Loan accounts	5,729	26,260	5,728	26,260
	231,803	229,197	53,306	73,804

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.

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8. Associates (Contd.)

Details of the Group's associates, all of which are incorporated in Malaysia, as at 31 December 2014 and their principal activities are shown below:

Name of company	Principal activities/status	Group's effective equity interest	
		2014 %	2013 %
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. 17623-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
Good Harvest Plantation Sdn Bhd Company No. 600593-D	Cultivation of coconut	30	30
Pop Media Sdn Bhd Company No. 486260-P	Investment holding	40	40

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8. Associates (contd.)

Name of company	Principal activities	Group's effective equity interest	
		2014 %	2013 %
Associates of Sara Spectrum Holdings Sdn. Bhd.			
Carbon Supplies (Sarawak) Sdn. Bhd. Company No. 295344-H	Owner of activated carbon factory	40	40
Kemudi Saling Sdn. Bhd.	Oil palm plantation	30	30

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

9. Investments in other corporations

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Investments at cost:				
- Unit trusts quoted in Malaysia	70,113	68,044	58,917	57,302
- Addition during the year	200	-	-	-
Less: Allowance for diminution in value	(87)	(95)	(40)	(40)
	<u>70,226</u>	<u>67,949</u>	<u>58,877</u>	<u>57,262</u>
- Quoted shares in Malaysia	72,354	72,354	71,979	71,979
Less: Allowance for diminution in value	(1,679)	(1,665)	(1,407)	(1,407)
	<u>70,675</u>	<u>70,689</u>	<u>70,572</u>	<u>70,572</u>
- Unquoted shares in Malaysia	11,641	11,686	11,711	11,711
Less: Allowance for diminution in value	-	-	(25)	(25)
	<u>11,641</u>	<u>11,686</u>	<u>11,686</u>	<u>11,686</u>

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9. Investments in other corporations (Contd.)

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amount due from:				
- Current accounts	2,577	2,526	2,576	2,526
Less: Allowance for doubtful debts	(434)	(434)	(434)	(434)
	<u>2,143</u>	<u>2,092</u>	<u>2,142</u>	<u>2,092</u>
- Loan accounts	<u>6,258</u>	<u>4,598</u>	<u>6,258</u>	<u>4,598</u>
Total	<u>160,943</u>	<u>157,014</u>	<u>149,535</u>	<u>146,210</u>
Market value of:				
- Quoted unit trust	70,334	68,392	59,421	57,792
- Quoted shares	<u>335,510</u>	<u>189,020</u>	<u>335,407</u>	<u>188,903</u>
	<u>405,844</u>	<u>257,412</u>	<u>394,828</u>	<u>246,695</u>

The market value of the quoted unit trusts and shares of the Group and of the Corporation is higher than cost by RM264,942,893 and RM265,379,300 (2013: RM118,773,807 and RM118,861,350) respectively. Therefore, no allowance of impairment is necessary.

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11. Receivables

	Group		Corporation	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Trade receivables	43,361	38,235	17,243	15,506
Allowance for doubtful debts	(11,521)	(12,030)	(7,833)	(7,949)
	<u>31,840</u>	<u>26,205</u>	<u>9,410</u>	<u>7,557</u>
Other receivables and prepayments	35,049	33,836	10,028	10,979
Allowance for doubtful debts	(7,086)	(7,099)	(6,750)	(6,756)
	<u>27,963</u>	<u>26,737</u>	<u>3,278</u>	<u>4,223</u>
Tax recoverable	1,525	1,285	-	-
Total	<u>61,328</u>	<u>54,227</u>	<u>12,688</u>	<u>11,780</u>

12. Deposits with financial institutions

	Group		Corporation	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
With foreign banks	1,202	1,183	-	-
With licensed banks	131,167	134,821	100,636	99,826
With licensed finance companies	112,148	105,169	93,828	88,018
	<u>244,517</u>	<u>241,173</u>	<u>194,464</u>	<u>187,844</u>
With licensed banks, pledged	(500)	(500)	-	-
	<u>244,017</u>	<u>240,673</u>	<u>194,464</u>	<u>187,844</u>

Included in the Group's fixed deposits was RM500,000 (2013: RM500,000) 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		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unsecured				
Interest bearing loans	9,137	9,331	9,137	9,331
Interest free loans	2,500	2,500	2,500	2,500
	<u>11,637</u>	<u>11,831</u>	<u>11,637</u>	<u>11,831</u>
Repayable within one year	(2,702)	(2,694)	(2,702)	(2,694)
Repayable after one year	<u>8,935</u>	<u>9,137</u>	<u>8,935</u>	<u>9,137</u>

The interest rate is 4% per annum (2013: 4% per annum) for interest bearing loans.

14. Lease payables

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Repayable within twelve months	24	60	-	14
Repayable after twelve months	81	105	-	-
	<u>105</u>	<u>165</u>	<u>-</u>	<u>14</u>
Minimum lease payment:				
Not later than one year	29	67	-	14
Later than one year but not later than five years	90	101	-	-
Later than five years	1	19	-	-
	<u>120</u>	<u>187</u>	<u>-</u>	<u>14</u>
Future finance charges	(15)	(22)	-	-
Present value of finance lease liabilities	<u>105</u>	<u>165</u>	<u>-</u>	<u>14</u>

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15. Payables

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade payables	11,792	7,571	-	-
Other payables and accruals	27,776	41,101	9,971	15,967
	<u>39,568</u>	<u>48,672</u>	<u>9,971</u>	<u>15,967</u>

Included in other payables and accruals of the Group is deferred membership fee amounting to RM771,559 (2013: RM676,239) 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 (2013: 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	
	2014 RM'000	2013 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	1,000
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	20,000
	<u>80,159</u>	<u>100,139</u>

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

	Group and Corporation	
	2014	2013
	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
Borsamulu Resort Sdn. Bhd.	2,000	2,000
	<u>264,677</u>	<u>264,677</u>

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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Bumiputra Participation Fund	64,664	69,965	64,665	69,965
Cattle Industry Development Fund	11,799	11,896	2,620	2,717
Aquaculture Development Fund	13,484	12,884	9,611	9,611
Camp Permai Fund	126,234	2,000	-	-
Others	-	119,099	124,234	118,500
	<u>216,181</u>	<u>215,844</u>	<u>201,130</u>	<u>200,793</u>
At 1 January	215,844	229,327	200,793	202,336
Received during the year	26,962	21,222	26,962	21,222
Transfer from development costs	-	(128)	-	(128)
Amortised during the year	(7,686)	(7,684)	(7,686)	(7,684)
Disbursed/utilised during the year	<u>(18,939)</u>	<u>(26,893)</u>	<u>(18,939)</u>	<u>(14,953)</u>
At 31 December	<u>216,181</u>	<u>215,844</u>	<u>201,130</u>	<u>200,793</u>

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18. Reserves

	Group		Corporation	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Capital reserves	3,853	3,853	-	-
Share premium (a)	9,308	9,308	-	-
Revaluation reserve (b)	35,971	36,746	-	-
Reserve on consolidation (c)	52,321	52,308	-	-
Revenue reserve	681,763	628,861	516,688	496,042
	<u>783,216</u>	<u>731,076</u>	<u>516,688</u>	<u>496,042</u>

(a) Share premium

	2014	2013
	RM'000	RM'000
At 1 January	9,308	9,308
On issuance of preference shares during the year	-	-
At 31 December	<u>9,308</u>	<u>9,308</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

	2014	2013
	RM'000	RM'000
At 1 January	36,746	53,192
Exchange difference	(775)	(3,058)
Revaluation deficit	-	(13,388)
At 1 January and 31 December	<u>35,971</u>	<u>36,746</u>

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

(c) Reserved on consolidation

	2014	2013
	RM'000	RM'000
At 1 January	52,308	52,860
Arising on consolidation	13	(552)
At 31 December	<u>52,321</u>	<u>52,308</u>

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19. Government grants

	Group	
	2014 RM'000	2013 RM'000
At 1 January	24,972	26,379
Amortisation of grants	(1,470)	(1,474)
Government grant received during the year	97	87
Transfer	(25)	(20)
At 31 December	<u>23,574</u>	<u>24,972</u>

20. Deferred tax

	Group	
	2014 RM'000	2013 RM'000
At 1 January	6,294	8,387
Recognised in income statement (Note 25)	191	(1,428)
Exchange differences	(135)	(665)
At 31 December	<u>6,350</u>	<u>6,294</u>
Presented after appropriate offsettings as		
Deferred tax liabilities	<u>6,350</u>	<u>6,294</u>

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

	Inventories (livestock) RM'000	Property, plant & equipment RM'000	Others RM'000	Total RM'000
Deferred tax liabilities of the Group:				
At 1 January 2014	5,645	526	123	6,294
Recognised in income statement	207	-	-	207
Exchange differences	(136)	-	(15)	(151)
At 31 December 2014	<u>5,716</u>	<u>526</u>	<u>108</u>	<u>6,350</u>

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20. Deferred tax (Contd.)

	Inventories (livestock) RM'000	Property, plant & equipment RM'000	Others RM'000	Total RM'000
Deferred tax liabilities of the Group:				
At 1 January 2013	7,712	596	79	8,387
Recognised in income statement	(1,451)	(25)	48	(1,428)
Exchange differences	(616)	(45)	(4)	(665)
At 31 December 2013	<u>5,645</u>	<u>526</u>	<u>123</u>	<u>6,294</u>

21. Employee benefits

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Long service leave	39	12	-	-
Annual leave and others	<u>2,236</u>	<u>2,207</u>	<u>2,236</u>	<u>2,207</u>
	<u>2,275</u>	<u>2,219</u>	<u>2,236</u>	<u>2,207</u>

22. Other borrowings

	Group	
	2014 RM'000	2013 RM'000
Term loans, secured	<u>26,897</u>	<u>27,208</u>
	26,897	27,208
Repayable within one year	-	-
Repayable after one year	<u>26,897</u>	<u>27,208</u>

The premium funding bore interest rate of Nil (2013: 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 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	2,061	(5,898)	2,055	2,223
Allowance for doubtful debts, net of allowance no longer required	1,756	6,551	(28)	(263)
Allowance for impairment receivables	1,597	-	-	-
Auditors' remuneration				
- current year	291	322	50	50
- under/(over) provision in prior years	42	(4)	(2)	(4)
Amortisation of goodwill	13	13	-	-
Amortisation of government grants	(1,470)	(6,205)	-	-
Bad debts written off	16	19	-	19
Deficit on revaluation	-	6,567	-	-
Depreciation of property, plant and equipment	9,612	10,391	1,087	1,121
Dividend income	(6,681)	(6,675)	(22,002)	(22,185)
Gain on disposal of other investments	(21)	-	-	-
Gain on disposal of property, plant and equipment	(11)	(988)	(4)	(692)
Gain on disposal of subsidiaries	-	(9,921)	-	-
Gross dividends from:				
Associates				
- unquoted in Malaysia	(15,323)	-	(15,323)	(16,077)
Subsidiaries				
- unquoted in Malaysia	(488)	-	(488)	-
Other corporations				
- quoted in Malaysia	(6,191)	(6,675)	(6,191)	(6,108)

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24. Profit before taxation (Contd.)

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(a) Profit before taxation is stated after charging/(crediting) (contd.):				
Impairment of property, plant and equipment	191	316	-	-
Income from rental of land and buildings	(2,991)	(10,599)	(2,991)	(2,898)
Interest income	(9,328)	(10,017)	(8,035)	(8,685)
Interest expense				
- commercial borrowings	1,556	1,512	-	-
- hire purchase	4	17	-	-
- government loan	365	374	365	374
(Gain)/loss on foreign exchange				
- unrealised	645	2,863	-	-
- realised	(9)	(11)	-	-
Members' remuneration:				
- fees as Members of the Corporation	679	24	60	24
- allowance as Members of the Corporation	98	48	89	48
Other directors of subsidiaries:				
- fees	-	771	-	-
- others	-	836	-	-
Operating grants	-	(400)	-	-
Rental income	(382)	-	-	-
Rental expenses				
- land and buildings	473	546	317	330
- rigs and equipment	-	134	-	-
Reversal of allowance of doubtful debts	(1)	(1)	-	-

(b) Employee information

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Staff costs	40,709	53,637	19,319	18,391

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24. Profit before taxation (Contd.)

Included in staff costs of the Group and of the Corporation are Employees' Provident Fund and Pension Scheme contributions amounting to RM3,819,951 (2013: RM5,416,617) and RM1,734,736 (2013: RM1,649,408) respectively.

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Number of employees	949	1,743	264	272

25. Taxation

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Income tax:				
Based on results for the year				
- Malaysian income tax	3,493	2,585	1,933	2,675
(Over)/Under provision in prior years				
- Malaysian income tax	(275)	21	48	29
	<u>3,218</u>	<u>2,606</u>	<u>1,981</u>	<u>2,704</u>
Deferred tax (Note 20):				
Relating to origination and reversal of temporary differences				
- Malaysian income tax	-	1	-	-
- Foreign tax	207	(1,427)	-	-
Overprovision in prior years	(16)	(2)	-	-
	<u>191</u>	<u>(1,428)</u>	<u>-</u>	<u>-</u>
Tax expense for the current year	<u>3,409</u>	<u>1,178</u>	<u>1,981</u>	<u>2,704</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% (2013: 25%) of the estimated assessable profit for the year. Current income tax is calculated at the statutory tax rate of 25% (2013: 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.

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

Notes to the Financial Statements - 31 December 2014

25. Taxation (Contd.)

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:

	Group	
	2014	2013
	RM'000	RM'000
Profit before taxation	<u>56,484</u>	<u>41,368</u>
Taxation at Malaysian statutory tax rate of 25%	14,121	10,342
Effect of lower tax rate of 20%	-	(98)
Effect of different tax rates in other countries	30	(240)
Effect of income not subject to tax	(12,395)	(11,310)
Expenses not deductible for tax purposes	4,670	2,836
Revenue expenditure capitalised	(29)	-
Reversal of deferred tax assets	-	(39)
Utilisation of previously unrecognised capital allowance and tax loss	(2,791)	(2,325)
Utilisation of deferred tax assets carried forward previously not recognised	(2)	-
Utilisation of previously unrecognised infrastructure	(55)	-
Non allowable income	(76)	-
Deferred tax assets not recognised	227	1,993
(Over)/Under provision of income tax expense in prior years	(275)	21
Over provision of deferred tax in prior years	<u>(16)</u>	<u>(2)</u>
Tax expense for the year	<u>3,409</u>	<u>1,178</u>

	Group	
	2014	2013
	RM'000	RM'000
Tax losses are analysed as follows:		
Tax savings recognised during the year arising from:		
Unutilised tax losses carried forward	<u>203,011</u>	<u>441,757</u>

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

Notes to the Financial Statements - 31 December 2014

25. Taxation (Contd.)

	Corporation	
	2014	2013
	RM'000	RM'000
Profit before taxation	22,627	15,940
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	5,657	3,985
Effect of income not subject to tax	(5,945)	(2,818)
Expenses not deductible for tax purposes	2,221	1,343
Deferred tax assets not recognised	-	165
Under provision of income tax in prior years	48	29
Tax expense for the year	<u>1,981</u>	<u>2,704</u>
Tax savings during the financial year arising from:		
Utilisation of current year tax losses	-	2,122
Unutilised tax losses carried forward	<u>16,932</u>	<u>15,455</u>

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

Notes to the Financial Statements - 31 December 2014

26. Significant inter-company transactions

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

	Corporation	
	2014	2013
	RM'000	RM'000
Rental received from subsidiaries	(137)	(136)
Management fee received from an associate	(18)	(18)
Interest received from an associate	(307)	(335)
Interest received from subsidiaries	1851	(2,208)
License fee received from an associate	<u>(55)</u>	<u>(198)</u>

27. Contingent liabilities

Damai Cove Resorts Sdn. Bhd.

As at the balance sheet date, there are two legal actions against the Company relating to the issuance of the Timber Licences and Timber Licences for Planted Forest to the Company. The lawsuits have been dismissed by the High Court on 5 April 2012. However, the plaintiffs have filed notices of appeal to the Court of Appeal against the decision of the High Court. No date has been fixed for the hearing of appeals.

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.

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

Notes to the Financial Statements - 31 December 2014

27. **Contingent liabilities (contd.)**

PPES Ternak Holdings Sdn. Bhd. (contd.)

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.

28. **Commitments**

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Capital commitment for the acquisition of property, plant and equipment:				
Approve and contracted for	119,630	51,260	68,778	-
Approve but not contracted for	1,332	1,035	-	-
	<u>120,962</u>	<u>52,295</u>	<u>68,778</u>	<u>-</u>

29. **Currency**

All amounts are stated in Ringgit Malaysia.

30. **Significant events**

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

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**Detailed Income Statement**
For the Year Ended 31 December 2014

	2014	2013
	RM'000	RM'000
Revenue		
Dividend income - associates	15,323	16,077
- other investments	6,191	6,108
- subsidiaries	488	-
Document fees	12	6
Forfeited deposits	-	21
Gain on disposal of property, plant and equipment	4	692
Interest income	8,035	8,685
Licensing fees	55	198
Rental income	2,991	2,898
Sales of property development	12,514	971
Sundry income	122	86
	<hr/>	<hr/>
Less: Cost of sales	45,735	35,742
	<hr/>	<hr/>
Property development cost	3,357	110
	<hr/>	<hr/>
Gross profit	42,378	35,632
Add: Other operating income		
Allowance for doubtful debts no longer required	28	263
Government grant	6,221	6,227
Other operating income	5,306	4,096
	<hr/>	<hr/>
	11,555	10,586
	<hr/>	<hr/>

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

Detailed Income Statement
For the Year Ended 31 December 2014 (Contd.)

	2014 RM'000	2013 RM'000
Less: Administrative expense		
Corporate staff welfare	10	12
Hotel room subsidy	9	-
Program Internship Siswazah	130	55
Staff accommodation	16	20
Staff incentive allowance	843	805
Staff paid leave	318	307
Staff bonus	420	541
Staff chronic illness and hospitalization	155	179
Staff corporate gathering	21	130
Staff education grant	9	-
Staff EHS (medical checkup)	46	57
Staff external training	379	302
Staff housing loan interest subsidy	226	266
Staff in-house training	780	362
Staff leave passage	3	14
Staff maternity	5	13
Staff medical	373	417
Staff membership fees	12	14
Staff overtime	225	223
Staff transport and travelling	849	744
Staff salary - junior	6,435	6,205
- senior	7,982	7,522
Staff uniform	20	169
Staff welfare	19	20
Staff children education	12	14
Welfare - retirement	22	-
	19,319	18,391

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**Detailed Income Statement**
For the Year Ended 31 December 2014 (Contd.)

	2014	2013
	RM'000	RM'000
Less: Other operating expenses		
Bad debts written off	-	19
Board's expenses	294	131
Business zakat	237	218
Depreciation of property, plant and equipment	1,087	1,120
General expenses	1,892	1,205
Maintenance expenses	2,768	3,704
Office expenses	2,292	1,852
Professional fees	506	485
Project expenses	487	555
Provision for diminution in investment	2,055	2,223
	<u>11,618</u>	<u>11,512</u>
Operating profit	22,996	16,315
Less: Finance costs		
Interest on government loan	366	373
Other finance costs	3	2
	<u>369</u>	<u>375</u>
Profit before taxation	<u>22,627</u>	<u>15,940</u>



Your Preferred Business Partner



Agro - Food



Fisheries & Aquaculture



Entrepreneur Development



Tourism & Leisure



Rest & Recreation & Commercial Centre



Mineral, Mining & Works



Property Development



Child Care & Family Development

SEDC is a statutory body entrusted with the task of nurturing strategic, pioneering and capital-intensive industries as well as complementing the growth and development of a vibrant Bumiputera Commercial Industrial Community (BCIC) in Sarawak. SEDC plays a major role in spearheading these industries towards the economic and social transformation of the State.

AWARDS & CERTIFICATIONS



Prime Minister's Quality Award 1992



Award of Excellence for Project Management 1996



Sarawak Chief Minister's Quality Award for Civil Service 1999



Award of Excellence 2004



Malaysia Business Ethics Excellence Award 2008



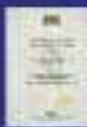
Award of Excellence for Development of Bumiputera 2008



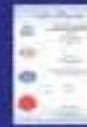
Award of Excellence for Development of Bumiputera 2008



Award of Excellence for Development of Bumiputera 2011



Award of Excellence for Development of Bumiputera 1999



Quality Management System - ISO 9001:2008 & ISO 14001:2004 Certification



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SE CERTIFIED ORGANIZATION

