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# “ SIJIL KETUA AUDIT NEGARA ”

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SIJIL KETUA AUDIT NEGARA  
MENGENAI PENYATA KEWANGAN  
PERBADANAN PINJAMAN SABAH  
BAGI TAHUN BERAKHIR 31 DISEMBER 2008

Penyata Kewangan Perbadanan Pinjaman Sabah bagi tahun berakhir 31 Disember 2008 telah diaudit oleh wakil saya. Pihak pengurusan bertanggungjawab terhadap Penyata Kewangan ini. Tanggungjawab saya adalah mengaudit dan memberi pendapat terhadap Penyata Kewangan tersebut.

Pengauditan telah dilaksanakan mengikut Akta Audit 1957 dan berpandukan piawaian pengauditan yang diluluskan. Piawaian tersebut menghendaki pengauditan dirancang dan dilaksanakan untuk mendapat kepastian yang munasabah sama ada Penyata Kewangan adalah bebas daripada kesilapan atau ketinggalan yang ketara. Pengauditan ini termasuk memeriksa rekod dan dokumen secara semak uji dan bagi memastikan ketepatan angka dan pendedahan yang mencukupi dalam Penyata Kewangan. Penilaian juga dibuat terhadap prinsip perakaunan yang digunakan, unjuran signifikan oleh pengurusan dan perseimbahan Penyata Kewangan secara keseluruhan. Saya percaya pengauditan yang dilaksanakan memberi asas yang munasabah terhadap pendapat saya.

Pada pendapat saya, Penyata Kewangan ini memberi gambaran yang benar dan saksama terhadap kedudukan kewangan Perbadanan Pinjaman Sabah pada 31 Disember 2008 serta hasil operasi dan aliran tunainya untuk tahun tersebut adalah selaras dengan piawaian perakaunan yang diluluskan.

(JUHARI BIN HARON)  
b.p KETUA AUDIT NEGARA  
MALAYSIA

KOTA KINABALU  
06 MEI 2009



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« STATEMENT BY MEMBERS OF »  
THE CORPORATION

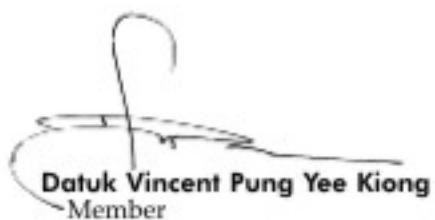
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In our opinion, the financial statements set out on pages 35 to 64 are properly drawn up in accordance with the provisions of the Credit Corporation Ordinance, 1955 as amended and generally accepted accounting principles in Malaysia so as to give a true and fair view of the state of affairs of the Corporation as at 31 December 2008 and of the results of its operations and cash flows for the year ended on that date.

Signed on behalf of the Corporation,



YB Teo Chee Kang, JP, ADK  
Chairman



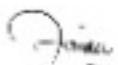
Datuk Vincent Pung Yee Kiong  
Member

Tarikh: 20 FEB 2009

## STATUTORY DECLARATION

I, **Fiona Kau**, being the officer primarily responsible for the financial management of **SABAH CREDIT CORPORATION**, do solemnly and sincerely declare that the financial statements set out on pages 35 to 64 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared  
by the abovenamed **Fiona Kau** at  
Kota Kinabalu in the State of Sabah  
on 20 FEB 2009



**FIONA KAU**

Before me:



20 FEBRUARY 2009  
AUDITOR-GENERAL OF SABAH  
SABAH CREDIT CORPORATION  
20 FEBRUARY 2009  
AUDITOR-GENERAL OF SABAH  
SABAH CREDIT CORPORATION

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**SABAH CREDIT CORPORATION**  
(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

**FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 DECEMBER 2008**

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	2008 RM	2007 RM
<b>ASSETS</b>			
Cash and bank balance		12,542,377	2,172,233
Investments	5	2,795,610	2,901,235
Deposits	6	46,339,759	82,408,690
Investment in joint venture	7	125,000	-
Amount owing from joint venture		1,845,902	-
Loans, advances and financing	8	1,178,940,422	977,993,745
Other receivables	9	5,860,317	4,580,869
Property, plant and equipment	10	32,747,380	30,324,382
<b>TOTAL ASSETS</b>		<b>1,281,196,767</b>	<b>1,100,381,144</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Borrowings	11	1,096,942,679	938,916,514
Other payables and accruals	12	38,503,407	36,503,914
Current tax liabilities		4,198,362	1,243,354
<b>TOTAL LIABILITIES</b>		<b>1,139,644,448</b>	<b>976,663,782</b>
Share capital	13	50,000,000	45,000,000
Non-distributable reserves	14	114,497	33,421
Accumulated funds	15	91,437,822	78,683,941
<b>SHAREHOLDERS' EQUITY</b>		<b>141,552,319</b>	<b>123,717,362</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,281,196,767</b>	<b>1,100,381,144</b>

The accompanying notes form an integral part of the financial statements

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## INCOME STATEMENT FOR YEAR ENDED 31 DECEMBER 2008

	Note	2008 RM	2007 RM
Interest income	16	102,407,565	77,011,128
Interest expense	17	(40,958,015)	(27,414,916)
<b>NET INTEREST INCOME</b>		<b>61,449,550</b>	<b>49,596,212</b>
Non-interest income	18	4,064,147	1,872,288
Non-interest expense	19	(7,334,798)	(7,314,261)
<b>NET INCOME</b>		<b>58,178,899</b>	<b>44,154,239</b>
Operating expenses	20	(20,315,315)	(17,554,495)
<b>SURPLUS BEFORE TAX</b>		<b>37,863,584</b>	<b>26,599,744</b>
Tax expense	21	(12,670,627)	(8,341,706)
<b>NET SURPLUS FOR THE YEAR</b>		<b>25,192,957</b>	<b>18,258,038</b>

The accompanying notes form an integral part of the financial statements

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2008

	Share Capital RM	Non-distributable Reserves RM	Accumulated funds RM	Total RM
AT 1 JANUARY 2007	45,000,000	-	71,044,324	116,044,324
Net surplus for the current year	-	-	18,258,038	18,258,038
Transfer to reserves	-	33,421	(33,421)	-
Dividend (Note 22)	-	-	(10,585,000)	(10,585,000)
<b>AT 31 DECEMBER 2007</b>	<b>45,000,000</b>	<b>33,421</b>	<b>78,683,941</b>	<b>123,717,362</b>
AT 1 JANUARY 2008	45,000,000	33,421	78,683,941	123,717,362
Issued during the year	5,000,000	-	-	5,000,000
Net surplus for the current year	-	-	25,192,957	25,192,957
Transfer to reserves	-	81,076	(81,076)	-
Dividend (Note 22)	-	-	(12,358,000)	(12,358,000)
<b>AT 31 DECEMBER 2008</b>	<b>50,000,000</b>	<b>114,497</b>	<b>91,437,822</b>	<b>141,552,319</b>

The accompanying notes form an integral part of the financial statements

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## CASH FLOW STATEMENT FOR YEAR ENDED 31 DECEMBER 2008

	2008 RM	2007 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus before tax	37,863,584	26,599,744
<i>Adjustments for:</i>		
Amortisation of CP/MTN expenses	356,970	381,425
Depreciation of property, plant and equipment	1,375,816	1,368,703
Allowance for bad and doubtful loans and financing	7,060,936	7,247,136
Write back of allowance for diminution in value of investment securities	-	(182,405)
Bad loans and financing written off	(3,019,405)	(6,057,273)
Net interest income suspended	909,670	5,183,631
Net gain on disposal of property, plant and equipment	(51,674)	(29,505)
Net loss/(gain) on disposal of foreclosed properties	(60,590)	6,500
Allowance for diminution in value of investment securities	154,164	-
Gross dividend income	(217,264)	(57,249)
 Operating Surplus Before Working Capital Changes	 44,372,207	 34,460,707
<i>(Increase)/decrease in operating assets/liabilities:</i>		
Loans, advances and financing	(205,897,878)	(199,511,536)
Other receivables	(1,643,828)	(3,981,813)
Other payables and accruals	6,886,492	5,580,126
 Cash Used In Operating Activities	 (156,283,007)	 (163,452,516)
Tax paid	(9,715,619)	(7,646,307)
 Net Cash Used In Operating Activities	 (165,998,626)	 (171,098,823)

The accompanying notes form an integral part of the financial statements

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## CASH FLOW STATEMENT FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

	2008 RM	2007 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(3,827,902)	(3,074,626)
Investment in trust funds	(48,538)	(2,065,959)
Investment in joint venture	(125,000)	-
Advances to joint venture	(1,845,902)	-
Proceeds from disposal of property, plant and equipment	80,762	38,584
Proceeds from disposal of foreclosed properties	68,000	500
Dividends received from investment securities	217,264	57,249
<b>Net Cash Generated From / (Used In) Investing Activities</b>	<b>(5,481,316)</b>	<b>(5,044,252)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net issuance / (repayment) of loan and financing	158,067,519	259,568,427
Dividends paid	(12,245,000)	(3,240,000)
<b>Net Cash Generated From Financing Activities</b>	<b>145,822,519</b>	<b>256,328,427</b>
Changes in cash and cash equivalents	(25,657,423)	80,185,352
Cash and cash equivalents at beginning of the year	84,539,559	4,354,207
<b>Cash And Cash Equivalents At End Of The Year</b>	<b>58,882,136</b>	<b>84,539,559</b>
<b>Cash and cash equivalents consist of the followings:</b>		
	2008 RM	2007 RM
Cash and bank balances	12,542,377	2,172,233
Bank overdraft	-	(41,354)
Deposits	46,339,759	82,408,680
	<b>58,882,136</b>	<b>84,539,559</b>

The accompanying notes form an integral part of the financial statements

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008

### **1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION**

Sabah Credit Corporation was incorporated on 15 June 1955 under Credit Corporation Ordinance, 1955 which was later repealed and replaced by Credit Corporation Enactment, 1981.

The Corporation is principally engaged to promote the economic development of Sabah through financing and facilitating the grant of financial credit to small and medium scaled agricultural, industrial, housing, rural and / or urban developments and to stimulate and facilitate private investments in Sabah by local and external capital funds.

All business activities and transactions are carried out at Wisma PPS situated in Donggongon Township, Penampang and its branches located at major towns of Sabah.

There were no significant changes to the principal activities during the financial year.

### **2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Corporation is exposed to the various financial risks which includes interest rate risks, credit risks and liquidity risks that arise in the conduct of the business activities.

The overall management objectives of the Corporation is to maximise the returns of the stakeholders' investments by minimising potential adverse impact of the risks onto the financial performance and cash flows of the Corporation.

#### **(a) Interest rate risk**

The Corporation finances its operation through internal and external sources of funds. External sources of funds consist of borrowings from Sabah State Government and other financial institutions which carries different fixed interest rates. The policy of the Corporation is to maximise the returns of the interests and at the same time able to service the interest costs of various loan portfolios.

#### **(b) Credit risks**

Credit risks is the potential loss of revenue and principal losses in the form of specific allowances as a result of defaults by the borrowers or counter parties through its lending and investing activities.

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### (b) Credit risks (continued)

The primary exposure to credit risks arises through its loans, advances and financing. The amount of credit exposure is represented by the carrying amounts of the assets in the balance sheet.

The main objective of credit risk management is to minimise the Corporation's credit risk exposure by ensuring the existence of capability and financial ability to meet potential financial loss that may arise as a result of default in payments by the borrowers.

The Corporation had established a comprehensive credit policy that integrates the internal grading system to ensure creditworthiness of potential borrowers, and formation of Loan Application Appraisal Committee to analyse loan application for Board members' approval.

### (c) Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The Corporation practices a prudence concept in managing liquidity risks by maintaining sufficient cash and the availability of funding through certain committed credit facilities.

## 3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Corporation have been prepared on the historical cost basis and are in accordance with the generally accepted accounting principles approved by Malaysian Accounting Standard Board (MASB) and comply with the provisions of the Credit Corporation Ordinance, 1955 as amended by the Credit Corporation Enactment, 1981.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Investment securities

Investment in unit trust is stated at cost less allowance for diminution in value when such diminution in value is other than temporary.

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### a) Investment securities (continued)

On derecognition or disposal of an investment the difference between net disposal proceeds, if any, and its carrying amount is charged or credited to the income statements.

### b) Jointly controlled entity

Jointly controlled entity is a corporation or entity over which there is contractually agreed sharing of control by the Corporation with another party. The investment in jointly controlled entity is stated at cost less impairment loss, if any.

### c) Allowance for bad and doubtful loans and financing

Loans and advances are stated at cost less any allowance for bad and doubtful debts.

Allowance for bad and doubtful loans and financing are made with regard to specific risks and relate to those loans or receivables that have been individually reviewed and specifically identified as sub-standard, doubtful or bad.

A general allowance based on a percentage of total outstanding loans, net of interest in suspense specific allowance for bad and doubtful debts, is maintained by the Corporation against risks which are not specifically identified.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the opinion of management, there is no prospect of recovery.

### d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Land where the estimated leasing lives exceed 50 years is classified as long-term leasehold land.

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### d) Property, plant and equipment (continued)

#### *Depreciation*

Depreciation property, plant and equipment is provided on a straight line basis calculated to write off the cost of each asset over the term of its estimated useful lives at the following annual rates:

Leasehold land	0.11% to 2.326%
Buildings	2%
Motor Vehicles	20%
Office furniture and equipment	20%
Office renovation	10%
Computer equipment	20%

### e) Income recognition

#### *Interest income*

Interest income on loans, other than hire purchase loans is accounted for on an accrual basis by reference to rest periods as stipulated in the loan agreements, either monthly, weekly or daily. Interest income on hire purchase is recognised using the sum-of-digits method.

Where an account becomes non-performing, interest is suspended until it is realised on a cash basis. Customers' accounts are deemed to be non-performing where repayments are in arrears for 3 months or more.

#### *Dividend income*

Dividend income is recognised as and when it is received.

#### *Rental income*

Rental income is recognised on an accrual basis based on the rental agreements.

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### f) Borrowings from Cagamas

Borrowings from Cagamas Berhad through financial intermediaries (banks or financial institutions) are based on a sale and repurchase of receivables method. This facility is on a full recourse basis. The Corporation is required to repurchase defaulted loans sold and replace it with performing loans. The terms and conditions of sale and repurchase of loan portfolios are stated on the signed agreements. The interest rates and repayment amounts are based on the loan repayment schedules provided by the financial intermediaries. Interest charged on borrowings is recognised under Interest Expense in the Income Statement in the year it is incurred.

### g) Income tax

Tax on surplus or deficit for the financial year comprises current and deferred tax. Income tax is recognised in the income statement.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided, using the liability method, on temporary differences arising 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 and unutilised tax losses to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences and unutilised tax losses can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

### h) Cash and cash equivalents

The Corporation reports the cash flows from operating activities using indirect method.

Cash and cash equivalents consist of cash in hand and bank balances, bank overdraft, and deposits with a licensed bank with maturities of less than one month.

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### i) Impairment of assets

The carrying amount of the Corporation's assets, other than financial assets and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

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

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

### j) Employee Benefits

#### *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 Corporation. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### *Defined contribution plans*

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

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 5. INVESTMENT

	2008 RM	2007 RM
Investment quoted within Malaysia	4,504,497	4,455,959
Less: Allowance for diminution of investment securities	(1,708,887)	(1,554,724)
<hr/>		
Total investment	2,795,610	2,901,235
<hr/>		
Market value of quoted trust fund	2,795,610	2,901,235
<hr/>		

### 6. DEPOSITS

	2008 RM	2007 RM
<i>Fixed Deposits,</i> Licensed Banks	30,964,463	61,401,535
<i>Short term deposits,</i> Licensed Financial institution	15,375,296	21,007,145
<hr/>		
	46,339,759	82,408,680
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# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 7. INVESTMENT IN JOINT VENTURE

		2008 RM	2007 RM
Unquoted shares - at cost		125,000	-

Name of company	Effective interest 2008	2007	Principal activity	Place of incorporation
Bayview Properties Sdn Bhd	50%	-	Property developer	Malaysia

If the equity method of accounting had been applied, the carrying amount of investment in joint venture would have been as follows:

	2008 RM	2007 RM
Unquoted shares - at cost	125,000	-
Share of post-acquisition of accumulated profit	(2,913)	-
Share of net assets of associated company	122,087	-

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 7. INVESTMENT IN JOINT VENTURE (CONTINUED)

If the equity method of accounting had been applied, the income statement of the corporation would have been as follows:

	2008 RM	2007 RM
Surplus of the Corporation	37,863,584	-
Share of loss in associated company	(2,913)	-
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Net surplus before taxation	37,860,671	-
Taxation - Corporation	(12,670,627)	-
- Share of taxation in associated company	-	-
<hr/>		
Net surplus after taxation	25,190,044	-
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Surplus for the current year	25,190,044	-
Accumulated funds brought forward	78,683,941	-
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Accumulated funds carried forward	103,873,985	-

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 8. LOANS, ADVANCES AND FINANCING (CONTINUED)

Other loans refers to three low cost housing schemes which was taken over by the Corporation from Lembaga Pembangunan Perumahan dan Bandar (LPPB) on 1 January 1995, 17 November 1999 and 1 January 2005 respectively. Consequently, the Corporation also bear the liability of LPPB owed to the Sabah State Government in relation to the two schemes.

The first scheme comprised of 42 projects in the State of Sabah with an aggregate carrying value of RM38,156,069. The Corporation took over 2,750 tenancy accounts under this scheme.

The second scheme comprised of 6 projects in the State of Sabah with an aggregate carrying value of RM20,772,146. The Corporation took over 593 tenancy accounts under this scheme.

The third scheme comprised of 5 projects in the State of Sabah with an aggregate carrying value of RM15,302,017. The Corporation took over 599 tenancy accounts under this scheme.

Movements in the allowance for bad and doubtful loans and financing and interest/income-in-suspense are as follows:

	2008 RM	2007 RM
<b>Specific allowance</b>		
At 1 January	30,890,996	31,652,021
Allowance made during the year	8,355,060	11,191,529
Amount written back in respect of recoveries	(5,737,651)	(5,895,281)
Amount written off	(3,019,405)	(6,057,273)
At 31 December	<hr/> 30,489,000	<hr/> 30,890,996

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 8. LOANS, ADVANCES AND FINANCING (CONTINUED)

	2008 RM	2007 RM
<b>General allowance</b>		
At 1 January	9,878,725	7,927,836
Allowance made during the year	4,443,527	1,950,889
<b>At 31 December</b>	<b>14,322,252</b>	<b>9,878,725</b>
At % of gross loans, advances and financing less specific allowance and interest-in-suspense	1.2%	1.0%
	2008 RM	2007 RM
<b>Interest/income-in-suspense</b>		
At 1 January	17,902,587	23,086,218
Interest/income suspended during the year	5,672,966	6,379,447
Amount written back in respect of recoveries	(5,886,440)	(5,343,139)
Amount written off	(696,196)	(6,219,939)
<b>At 31 December</b>	<b>16,992,917</b>	<b>17,902,587</b>

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### **9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	2008 RM	2007 RM
Other receivables, deposits and prepayments	4,916,690	3,954,432
Foreclosed properties	943,627	626,437
	<hr/> 5,860,317	<hr/> 4,580,869

Included in the other receivables, deposits and prepayments is deferred issue cost of RM289,983 (2007:RM356,971).

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 10. PROPERTY, PLANT AND EQUIPMENT

2008	Capital work-in-progress	Leasehold land	Buildings	Office renovation	Office furnitures & equipment	Motor vehicle	Computer equipment	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<b>Cost</b>								
At 1 January	916,008	10,491,400	20,365,919	2,227,085	2,505,710	3,333,504	2,792,830	42,632,456
Additions	259,539	-	-	2,380,830	457,475	497,000	233,058	3,827,902
Disposal	-	-	-	-	(182,885)	(718,716)	(183,385)	(1,084,986)
At 31 December	1,175,547	10,491,400	20,365,919	4,607,915	2,780,300	3,111,788	2,842,503	45,375,372
<b>Accumulated Depreciation</b>								
At 1 January	-	574,837	3,359,571	1,490,085	2,109,536	2,913,367	1,860,678	12,308,074
Charge for the year	-	144,030	407,318	183,417	178,977	185,993	276,081	1,375,816
Disposal	-	-	-	-	(178,729)	(715,163)	(162,006)	(1,055,898)
At 31 December	-	718,867	3,766,889	1,673,502	2,109,784	2,384,197	1,974,753	12,627,992
<b>Net Book Value</b>								
At 31 December 2008	1,175,547	9,772,533	16,599,030	2,934,413	670,516	727,591	867,750	32,747,380
At 31 December 2007	916,008	9,916,563	17,006,348	737,000	396,174	420,137	932,152	30,324,382
Depreciation charge for year 2007	-	142,894	402,654	121,776	167,002	293,553	240,824	1,368,703

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Net book value of the leasehold land comprised of the followings:

	2008 RM	2007 RM
Long term leasehold land	9,745,401	9,888,269
Short term leasehold land	27,132	28,294
	<hr/> 9,772,533	<hr/> 9,916,563

The land titles for leasehold land and buildings amounted to RM1,270,780 (2007 : RM 1,270,780) are yet to be registered under the name of the Corporation.

The cost of fully depreciated assets but are still use amounting to RM6,152,879.

The entire assets have been pledged to banks for credit facilities granted to the Corporation.

### 11. BORROWINGS

	2008 RM	2007 RM
<i>Secured,</i>		
Borrowings from Cagamas Berhad through financial intermediaries	138,872,364	155,293,479
Borrowings from licensed banks	181,310,523	244,821,889
Bank overdraft	-	41,354
	<hr/> 320,182,887	<hr/> 400,156,722
<i>Unsecured,</i>		
Borrowings from Sabah State Government	343,759,792	343,759,792
Commercial Papers	233,000,000	85,000,000
Medium term Notes	200,000,000	110,000,000
	<hr/> 776,759,792	<hr/> 538,759,792
Total borrowings	<hr/> 1,096,942,679	<hr/> 938,916,514

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 11. BORROWINGS (CONTINUED)

#### *Cagamas Berhad*

Borrowings from Cagamas Berhad through financial intermediaries are secured by partial State government housing loans portfolio and partial hire purchase portfolio in aggregate amount of RM138,872,364 (2007 : RM155,293,479) with interest-bearing ranges between 4.75% to 6.00% (2007 : 4.75% to 6.00%) per annum.

#### *Licensed Bank*

Borrowings from licensed banks are secured by partial Executive loans amounting RM247,589,823 (2007 : RM355,499,986) with interest-bearing ranges between 4.69% to 6.37% (2007 : 4.69% to 6.37%) per annum.

Bank overdraft facility is held on negative pledge over all the assets of the Corporation at an interest rate of 7.50% (2007 : 7.75%) per annum.

Borrowings from Sabah State Government are repayable as follows:-

2008	Interest-free RM	Interest-bearing RM	Total RM
Repayable within one year	-	146,655,982	146,655,982
One to five years	-	6,376,207	6,376,207
Over five years	1,000,000	189,727,603	190,727,603
<b>Total</b>	<b>1,000,000</b>	<b>342,759,792</b>	<b>343,759,792</b>

2007	Interest-free RM	Interest-bearing RM	Total RM
Repayable within one year	-	143,200,743	143,200,743
One to five years	-	8,709,533	8,709,533
Over five years	1,000,000	190,849,516	191,849,516
<b>Total</b>	<b>1,000,000</b>	<b>342,759,792</b>	<b>343,759,792</b>

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 11. BORROWINGS (CONTINUED)

Borrowings from Sabah State Government which are repayable within one year, are only payable upon demand by the Sabah State Government.

The interest rate for Sabah State Government ranges between 0% to 7% per annum (2006 : 0% to 7% per annum).

#### *Commercial Papers*

No	Issue date	Maturity date	Tenure	Interest rate (per annum)	Nominal amount (RM)
1	18 April 2008	16 January 2009	9 months	4.30%	20,000,000
2	07 August 2008	30 January 2009	6 months	4.25%	25,000,000
3	26 August 2008	20 February 2009	6 months	4.25%	16,000,000
4	12 September 2008	12 March 2009	6 months	4.35%	22,000,000
5	24 September 2008	24 March 2009	6 months	4.25%	25,000,000
6	24 September 2008	24 September 2009	12 months	5.05%	5,000,000
7	22 October 2008	22 October 2009	12 months	5.05%	20,000,000
8	05 December 2008	05 January 2009	1 month	4.30%	30,000,000
9	05 December 2008	05 March 2009	3 months	4.45%	10,000,000
10	26 December 2008	22 June 2009	6 months	4.60%	55,000,000
11	26 December 2008	24 December 2009	12 months	5.00%	5,000,000
Total					233,000,000

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 11. BORROWINGS (CONTINUED)

#### *Medium term Notes*

No	Issue date	Maturity date	Tenure	Issue price	Rate (per annum) Coupon	Rate (per annum) Yield	Nominal amount (RM)
1	7 September 2007	7 September 2010	36 months	99.059	6.10%	6.45%	30,000,000
2	7 November 2007	5 November 2010	36 months	99.140	6.10%	6.42%	30,000,000
3	14 December 2007	14 December 2009	24 months	99.150	6.00%	6.46%	50,000,000
4	18 April 2008	16 April 2010	24 months	98.984	5.75%	6.30%	30,000,000
5	4 July 2008	4 July 2011	36 months	99.322	5.70%	5.95%	20,000,000
6	4 July 2008	4 July 2013	60 months	99.149	5.90%	6.10%	10,000,000
7	26 August 2008	26 August 2011	36 months	99.185	5.50%	5.80%	15,000,000
8	22 October 2008	21 October 2011	36 months	99.049	5.40%	5.75%	5,000,000
9	22 October 2008	22 October 2013	60 months	98.932	5.70%	5.95%	10,000,000
Total							200,000,000

### 12. OTHER PAYABLES AND ACCRUALS

	2008 RM	2007 RM
Interest payable	25,118,364	21,123,139
Other payables and accruals	7,687,043	4,795,775
Dividend payable	5,698,000	10,585,000
	38,503,407	36,503,914

Included in other payables and accruals is a provision for legal claim amounting to RM741,683 (2007 : RM621,985).

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 13. SHARE CAPITAL

	2008 RM	2007 RM
Ordinary shares of RM1 each		
Authorised	100,000,000	50,000,000
 <i>Issued and fully paid</i>		
At 1 January	45,000,000	45,000,000
Issued during the year	5,000,000	-
At 31 December	50,000,000	45,000,000

### 14. NON - DISTRIBUTABLE RESERVES

The non-distributable reserve was derived from net dividend on trust fund investment in Amanah Raya Berhad. The reserve is to be utilised solely to meet medical expenditures for retired staff subject to the approved terms.

### 15. ACCUMULATED FUNDS

Subject to the agreement by the Inland Revenue Board, the Corporation has sufficient tax credit under Section 108 (6) of the Income Tax Act, 1967 and tax exempt income under Section 12 of Income Tax Act (amended), 1999 to frank the payment of dividends out of the Corporation's accumulated funds as at 31 December 2008.

### 16. INTEREST INCOME

	2008 RM	2007 RM
Loans, advances and financing	101,284,993	76,645,556
Interest received from licensed banks	1,122,572	365,572
	<b>102,407,565</b>	<b>77,011,128</b>

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 17. INTEREST EXPENSE

	2008 RM	2007 RM
Borrowings from Sabah State Government	4,313,427	4,241,240
Borrowings from Cagamas Berhad through financial intermediaries	7,854,314	8,525,481
Borrowings from licensed banks	12,273,317	13,906,819
Bank overdraft	30,066	146,129
Borrowings from Commercial Paper/Medium Term Notes	16,486,891	595,247
	<hr/> 40,958,015	<hr/> 27,414,916

### 18. NON-INTEREST INCOME

	2008 RM	2007 RM
Dividend income from investment securities	217,264	57,249
Allowance interest fund for diminution in value of investment securities written back	-	182,405
Insurance commission	2,721,127	718,531
Other income	28,746	133
Rental income	221,300	194,360
Gain on disposal of property, plant and equipment	51,674	29,505
Gain on disposal of foreclosed properties	60,590	-
Administrative fee	68,591	73,731
Processing fee	167,638	96,132
Documentation and registration fee	527,217	520,242
	<hr/> 4,064,147	<hr/> 1,872,288

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 19. NON-INTEREST EXPENSE

	2008 RM	2007 RM
Allowance for bad and doubtful loans and financing	7,060,936	7,247,136
Allowance for diminution in value of investment securities	154,164	-
Loss on disposal of foreclosed properties	-	6,500
Provision for legal claim	119,698	60,625
	<hr/> 7,334,798	<hr/> 7,314,261

### 20. OPERATING EXPENSES

	2008 RM	2007 RM
Advertisement	49,851	50,523
Amanah Raya service fee	3,287	23,828
Amortisation for Commercial Paper / Medium Term Notes		
Programme expenses	1,057,157	381,425
Accounting fees	8,067	16,558
Audit remuneration	35,186	30,000
Bank charges	18,500	14,433
Boards members expenses	452,052	312,215
Computer expenses	205,894	327,703
Computer software	103,580	194,270
Corporation members allowance	38,150	38,400
Depreciation	1,375,816	1,368,703
Employees' Provident Fund	424,177	265,343
Entertainment	52,227	47,973
General expenses	188,205	171,377
Government Training Programme	12,326	3,500
Legal fees	108,875	39,937
Management fees - ANGKASA	1,340,105	1,074,072
Motor vehicle expenses	410,156	418,684
Outsource expenses	166,236	129,930

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 20. OPERATING EXPENSES (CONTINUED)

	2008 RM	2007 RM
<i>Balance brought forward</i>	6,049,847	4,908,874
Pension contributions	671,785	706,624
Postage, telephone and telex	393,031	314,758
Printing and stationeries	328,361	414,230
Rental of premises	32,933	31,133
Salary, bonus and allowances	9,086,922	8,173,300
Social community services expenses	1,172,517	740,107
Staff insurance expenses	95,030	84,861
Staff medical expenses	180,625	152,834
Staff training expenses	355,297	339,472
Staff traveling expenses	317,992	308,551
Staff welfare expenses	271,326	459,351
Tax penalty	35,360	-
Trainee allowances	139,631	115,614
Upkeep of office	893,413	531,604
Water and electricity	291,245	273,182
	<hr/> 20,315,315	<hr/> 17,554,495

### 21. TAX EXPENSE

	2008 RM	2007 RM
Current tax expense	12,635,313	8,388,636
Under/(Over) provision of tax for previous year assessment	35,314	(46,930)
	<hr/> 12,670,627	<hr/> 8,341,706

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 21. TAX EXPENSE (CONTINUED)

A reconciliation of income tax expense applicable to surplus before tax expense at the statutory tax rate to income tax expense at the effective income tax rate of the Corporation is as follows:

	2008 RM	2007 RM
Surplus before tax	37,898,944	26,599,744
Income tax using tax rate of 26% / 27%	9,844,532	7,181,931
Income not subject to tax	(152,208)	(49,249)
Non-deductible expenses	1,393,930	760,002
Taxes over provided	444,052	-
Tax incentives	(23,728)	26,012
Taxes in respect of prior years	35,314	(46,930)
Unrecognised deferred tax assets	1,128,735	469,940
	<hr/> 12,670,627	<hr/> 8,341,706

Deferred tax benefits which are unutilised in respect of the followings:

	2008 RM	2007 RM
Timing differences arising from allowance for bad and doubtful loans and financing which have been recognised on a different tax basis for tax purposes	(3,723,786)	(2,568,468)
Timing differences arising from property, plant and equipment	270,140	243,557
At 31 December	<hr/> (3,453,646)	<hr/> (2,324,911)

The above deferred tax benefits were unutilised in the financial statements, as they may not be used to balance the other taxable income for Sabah Credit Corporation.

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 22. DIVIDEND

	2008 RM	2007 RM
<i>Paid,</i>		
Gross interim dividend of 20.00 cents (2007 : 22.22 cents)		
less tax for year 2008/2007	13,960,000	-
Gross final dividend of 10.00 cents (2007 : 10.00 cents)		
less tax for year 2008/2007	3,285,000	3,240,000
	<hr/> 17,245,000	3,240,000
	<hr/>	<hr/>

### *Approved,*

Gross interim dividend of 20.00 cents (2007 : 22.22 cents)		
less tax for year 2008/2007.	6,660,000	7,300,000
Gross final dividend of 15.40 cents (2007 : 10.00 cents)		
less tax for year 2008/2007	5,698,000	3,285,000
	<hr/> 12,358,000	10,585,000
	<hr/>	<hr/>

A total of RM5,000,000 was converted into share capital from the net dividend payout during the year.

### 23. CAPITAL COMMITMENT

	2008 RM	2007 RM
<i>Property, plant &amp; equipment</i>		
Authorised but not contracted for	15,600,000	5,420,000
Contracted but not provided for	<hr/> 2,232,104	<hr/> 62,500

# SABAH CREDIT CORPORATION

(INCORPORATED UNDER CREDIT CORPORATION ORDINANCE)

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### **24. FINANCIAL INSTRUMENTS**

Financial instrument comprises of financial assets, financial liabilities and off-balance sheet instruments. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair values of the non-financial assets and liabilities are excluded because it is not a requirement under MASB 24 to disclose its fair value.

The carrying amounts are a reasonable estimate of their fair values as of the date of the balance sheet.

### **25. EMPLOYEES INFORMATION**

	2008 RM	2007 RM
Staff costs	11,403,154	10,490,336
Number of employees at year end (excluding Members of the Corporation)	200	201

### **26. SOCIAL COMMUNITY SERVICES**

The Corporation has obtained approval from Ministry of Finance to utilise not more than 5% of the net surplus in each financial year for financing community projects in the State.