

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

**Financial Statements
For Year Ended 31 December 2009**

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

BALANCE SHEET As At 31 DECEMBER 2009

	Note	2009 RM	2008 RM
ASSETS			
Cash and bank balance		27,547,196	12,542,377
Investments	5	3,155,171	2,795,610
Deposits	6	2,054,618	46,339,759
Investment in joint venture	7	125,000	125,000
Amount owing from joint venture		3,418,046	1,845,902
Loans, advances and financing	8	1,157,168,568	1,178,940,422
Other receivables	9	5,809,582	5,860,317
Property, plant and equipment	10	40,966,609	32,747,380
TOTAL ASSETS		1,240,244,790	1,281,196,767
LIABILITIES AND SHAREHOLDERS' EQUITY			
Borrowings	11	1,029,301,541	1,096,942,679
Other payables and accruals	12	47,574,415	38,503,407
Current tax liabilities		438,049	4,198,362
TOTAL LIABILITIES		1,077,314,005	1,139,644,448
Share capital	13	50,000,000	50,000,000
Non-distributable reserves	14	196,664	114,497
Accumulated funds	15	112,734,121	91,437,822
SHAREHOLDERS' EQUITY		162,930,785	141,552,319
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,240,244,790	1,281,196,767

The accompanying notes form an integral part of the financial statements

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

INCOME STATEMENT FOR YEAR ENDED 31 DECEMBER 2009

	Note	2009 RM	2008 RM
Interest income	16	111,387,672	102,407,565
Interest expense	17	(42,926,574)	(40,958,015)
NET INTEREST INCOME		68,461,098	61,449,550
Non-interest income	18	4,964,381	4,064,147
Non-interest expense	19	(8,720,981)	(7,334,798)
NET INCOME		64,704,498	58,178,899
Operating expenses	20	(23,291,904)	(20,315,315)
SURPLUS BEFORE TAX		41,412,594	37,863,584
Tax expense	21	(10,284,128)	(12,670,627)
NET SURPLUS FOR THE YEAR		31,128,466	25,192,957

The accompanying notes form an integral part of the financial statements

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2009

	Share Capital RM	Non-distributable Reserves RM	Accumulated funds RM	Total RM
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)
At 31 December 2008	50,000,000	114,497	91,437,822	141,552,319
At 1 January 2009	50,000,000	114,497	91,437,822	141,552,319
Issued during the year	-	-	-	-
Net surplus for the current year	-	-	31,128,466	31,128,466
Transfer to reserves	-	82,167	(82,167)	-
Dividend (Note 22)	-	-	(9,750,000)	(9,750,000)
At 31 December 2009	50,000,000	196,664	112,734,121	162,930,785

The accompanying notes form an integral part of the financial statements

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

CASH FLOW STATEMENT FOR YEAR ENDED 31 DECEMBER 2009

	2009 RM	2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus before tax	41,412,594	37,863,584
<i>Adjustments for: -</i>		
Amortisation of CP/MTN expenses	289,983	356,970
Depreciation of property, plant and equipment	1,913,580	1,375,816
Allowance for bad and doubtful loans and financing	8,720,981	7,060,936
Allowance for diminution in value of investment securities	-	154,164
Bad loans and financing written off	(439,430)	(3,019,405)
Net interest income suspended	132,792	909,670
Net gain on disposal of property, plant and equipment	(80,201)	(51,674)
Net loss/(gain) on disposal of foreclosed properties	(71,040)	(60,590)
Allowance for diminution in value of investment securities written back	(269,454)	-
Gross dividend income	(93,038)	(217,264)
Operating Surplus Before Working Capital Changes	51,516,767	44,372,207
<i>(Increase)/decrease in operating assets/liabilities:-</i>		
Loans, advances and financing	13,357,513	(205,897,878)
Other receivables	(394,208)	(1,643,828)
Other payables and accruals	5,019,008	6,886,492
Cash Used In Operating Activities	69,499,080	(156,283,007)
Tax paid	(14,044,442)	(9,715,619)
Net Cash Used In Operating Activities	55,454,638	(165,998,626)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,138,698)	(3,827,902)
Investment in trust funds	(90,107)	(48,538)
Investment in joint venture	-	(125,000)
Advances to joint venture	(1,572,144)	(1,845,902)
Proceeds from disposal of property, plant and equipment	86,089	80,762
Proceeds from disposal of foreclosed properties	226,000	68,000
Dividends received from investment securities	93,038	217,264
Net Cash Generated From/(Used In) Investing Activities	(11,395,822)	(5,481,316)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net issuance/(repayment) of loan and financing	(68,095,080)	158,067,519
Dividends paid	(5,698,000)	(12,245,000)
Net Cash Generated From Financing Activities	(73,793,080)	145,822,519

The accompanying notes form an integral part of the financial statements

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

CASH FLOW STATEMENT FOR YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

	2009 RM	2008 RM
Changes in cash and cash equivalents	(29,734,264)	(25,657,423)
Cash and cash equivalents at beginning of the year	58,882,136	84,539,559
Cash And Cash Equivalents At End Of The Year	29,147,872	58,882,136

Cash and cash equivalents consist of the followings: -

	2009 RM	2008 RM
Cash and bank balances	27,547,196	12,542,377
Bank overdraft	(453,942)	-
Deposits	2,054,618	46,339,759
	29,147,872	58,882,136

The accompanying notes form an integral part of the financial statements

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

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 credits 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 Donggongan 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 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.

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.

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

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 and 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.

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 or the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

5. INVESTMENT

	2009 RM	2008 RM
Investment quoted within Malaysia	4,594,604	4,504,497
Less: Allowance for diminution of investment securities	(1,439,433)	(1,708,887)
Total investment	3,155,171	2,795,610
Market value of quoted trust fund	3,155,171	2,795,610

6. DEPOSITS

	2009 RM	2008 RM
<i>Fixed Deposits,</i> Licensed Banks	2,054,618	30,964,463
<i>Short term deposits,</i> Licensed Financial institution	-	15,375,296
	2,054,618	46,339,759

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

7. INVESTMENT IN JOINT VENTURE

	2009 RM	2008 RM
Unquoted shares - at cost	125,000	125,000

Name of company	Effective interest		Principal activity	Place of incorporation
	2009	2008		
Bayview Properties Sdn Bhd	50%	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:

	2009 RM	2008 RM
Unquoted shares - at cost	125,000	125,000
Share of post-acquisition of accumulated profit	(12,182)	(2,913)
Share of net assets of associated company	112,818	122,087

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

	2009 RM	2008 RM
Surplus of the Corporation	41,412,594	37,863,584
Share of loss in associated company	(9,269)	(2,913)
Net surplus before taxation	41,403,325	37,860,671
Taxation - Corporation	(10,284,128)	(12,670,627)
- Share of taxation in associated company	-	-
Net surplus after taxation	31,119,197	25,190,044
Surplus for the current year	31,119,197	25,190,044
Accumulated funds brought forward	103,873,985	78,683,941
Accumulated funds carried forward	134,993,182	103,873,985

The accompanying notes form an integral part of the financial statements

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

8. LOANS, ADVANCES AND FINANCING

	2009 RM	2008 RM
Housing and project loans	1,172,327,596	1,167,693,094
Hire-purchase loans	21,271,979	35,659,684
Other loans	34,185,208	37,632,980
Gross loans	1,227,784,783	1,240,985,758
Less: Allowance for bad and doubtful loans and financing		
- specific	(35,460,847)	(30,489,000)
- general	(17,631,957)	(14,322,252)
Interest/income-in-suspense	(16,860,125)	(16,992,917)
	1,157,831,854	1,179,181,589
Less: Unknown slips	(663,286)	(241,167)
Net loans, advances and financing	1,157,168,568	1,178,940,422

Analysis of housing and project loans by economic sector are as follows:-

	2009 RM	2008 RM
Government staff housing loans	120,094,458	135,973,819
Federal staff housing loans	803,085	1,074,733
Urban housing loans	41,654,772	41,539,909
Rural housing loans	238,229	241,372
Industrial, animal husbandry and agriculture	66,634,135	62,309,128
Refinancing loans	13,277,300	15,909,951
Executive loans	906,319,269	886,992,203
Staff loans	2,368,410	2,488,835
Community loans	753,557	828,852
Mortgage loans	20,085,640	20,228,307
Organic farming loans	98,741	105,985
	1,172,327,596	1,167,693,094

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.

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

8. LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	2009 RM	2008 RM
Specific allowance		
At 1 January	30,489,000	30,890,996
Allowance made during the year	11,901,446	8,355,060
Amount written back in respect of recoveries	(6,490,169)	(5,737,651)
Amount written off	(439,430)	(3,019,405)
At 31 December	35,460,847	30,489,000
General allowance		
At 1 January	14,322,252	9,878,725
Allowance made during the year	3,309,705	4,443,527
At 31 December	17,631,957	14,322,252
At % of gross loans, advances and financing less specific allowance and interest-in-suspense	1.5%	1.2%
Interest/income-in-suspense		
At 1 January	16,992,917	17,902,587
Interest/income suspended during the year	6,127,759	5,672,966
Amount written back in respect of recoveries	(6,106,828)	(5,886,440)
Amount written off	(153,723)	(696,196)
At 31 December	16,860,125	16,992,917

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2009 RM	2008 RM
Other receivables, deposits and prepayments	5,020,915	4,916,690
Foreclosed properties	788,667	943,627
	5,809,582	5,860,317

Included in the other receivables, deposits and prepayments is deferred issue cost of nil (2008: RM289,983).

The accompanying notes form an integral part of the financial statements

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

10. PROPERTY, PLANT AND EQUIPMENT

2009 Cost	Capital work-in-progress RM	Leasehold land RM	Buildings RM	Office renovation RM	Office furnitures & equipment RM	Motor vehicle RM	Computer equipment RM	Total RM
At 1 January	1,175,547	10,491,400	20,365,919	4,607,915	2,780,300	3,111,788	2,842,503	45,375,372
Additions	6,123,263	-	-	1,333,090	728,312	426,795	1,527,238	10,138,698
Disposal	-	-	-	(82,753)	(97,487)	(448,645)	(5,122)	(634,007)
At 31 December	7,298,810	10,491,400	20,365,919	5,858,252	3,411,125	3,089,938	4,364,619	54,880,063
Accumulated Depreciation								
At 1 January	-	718,867	3,766,889	1,673,502	2,109,784	2,384,197	1,974,753	12,627,992
Charge for the year	-	144,030	408,094	353,080	253,656	283,388	471,332	1,913,580
Disposal	-	-	-	(82,512)	(94,990)	(447,541)	(3,075)	(628,118)
At 31 December	-	862,897	4,174,983	1,944,070	2,268,450	2,220,044	2,443,010	13,913,454
Net Book Value								
At 31 December 2009	7,298,810	9,628,503	16,190,936	3,914,182	1,142,675	869,894	1,921,609	40,966,609
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
Depreciation charge for year 2008	-	144,030	407,317	183,417	178,977	185,994	276,081	1,375,816

The accompanying notes form an integral part of the financial statements

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Net book value of the leasehold land comprises of the followings: -

	2009 RM	2008 RM
Long term leasehold land	9,602,534	9,745,401
Short term leasehold land	25,969	27,132
	<u>9,628,503</u>	<u>9,772,533</u>

The land titles for leasehold land and buildings amounted to RM1,270,780 (2008: RM1,270,780) are yet to be registered under the name of the Corporation.

The cost of fully depreciated assets but are still in use amounting to RM5,820,602.

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

11. BORROWINGS

	2009 RM	2008 RM
<i>Secured,</i>		
Borrowings from Cagamas Berhad through financial intermediaries	122,700,370	138,872,364
Borrowings from licensed banks	115,387,437	181,310,523
Bank overdraft	453,942	-
	<u>238,541,749</u>	<u>320,182,887</u>
<i>Unsecured,</i>		
Borrowings from Sabah State Government	343,759,792	343,759,792
Commercial Papers	197,000,000	233,000,000
Medium term Notes	250,000,000	200,000,000
	<u>776,759,792</u>	<u>776,759,792</u>
Total borrowings	<u>1,029,301,541</u>	<u>1,096,942,679</u>

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 RM122,699,744 (2008: RM138,872,364) with interest bearing ranges between 4.75% to 6.00% (2008 : 4.75% to 6.00%) per annum.

Licensed Banks

Borrowings from licensed banks are secured by partial Executive loans amounting RM164,069,805 (2008: RM247,589,823) with interest-bearing ranges between 4.69% to 6.37% (2008 : 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 6.55% (2008 : 7.50%) per annum.

The accompanying notes form an integral part of the financial statements

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

11. BORROWINGS (CONTINUED)

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
Total	1,000,000	342,759,792	343,759,792

2009	Interest-free RM	Interest-bearing RM	Total RM
Repayable within one year	-	149,008,400	149,008,400
One to five years	-	5,161,047	5,161,047
Over five years	1,000,000	188,590,345	189,590,345
Total	1,000,000	342,759,792	344,759,792

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 (2008 : 0% to 7%) per annum.

Commercial Papers

No	Issue date	Maturity date	Tenure	Interest rate (per annum)	Nominal amount (RM)
1	30-Jan-09	30-Jan-10	12 month	5.00%	10,000,000
2	24-Mar-09	24-Mar-10	12 month	4.80%	1,000,000
3	10-Jun-09	10-Mar-10	9 month	4.60%	15,000,000
4	22-Jun-09	22-Mar-10	9 month	4.60%	23,000,000
5	22-Jun-09	22-Jun-10	12 month	4.90%	31,000,000
6	25-Aug-09	25-Feb-10	6 month	4.00%	30,000,000
7	25-Aug-09	25-May-10	9 month	4.45%	30,000,000
8	22-Oct-09	22-Jan-10	3 month	3.75%	21,000,000
9	14-Dec-09	14-Dec-10	12 month	4.05%	30,000,000
10	14-Dec-09	14-Jun-10	6 month	3.80%	1,000,000
11	30-Dec-09	30-Dec-10	12 month	4.05%	5,000,000
Total					197,000,000

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

11. BORROWINGS (CONTINUED)

Medium term Notes

No	Issue date	Maturity date	Tenure	Issue price	Rate (per annum)		Nominal amount RM
					Coupon	Yield	
1	7-Sep-07	7-Sep-10	36	99.06	6.10	6.45	30,000,000
2	7-Nov-07	5-Nov-10	36	99.14	6.10	6.42	30,000,000
3	18-Apr-08	16-Apr-10	24	98.98	5.75	6.30	30,000,000
4	4-Jul-08	4-Jul-11	36	99.32	5.70	5.95	20,000,000
5	4-Jul-08	4-Jul-13	60	99.15	5.90	6.10	10,000,000
6	26-Aug-08	26-Aug-11	36	99.19	5.50	5.80	15,000,000
7	22-Oct-08	21-Oct-11	36	99.05	5.40	5.75	5,000,000
8	22-Oct-08	22-Oct-13	60	98.93	5.70	5.95	10,000,000
9	16-Jan-09	16-Jan-12	36	98.64	5.40	5.90	10,000,000
10	5-Feb-09	2-Feb-11	24	99.16	5.10	5.55	30,000,000
11	24-Sep-09	24-Sep-12	36	99.45	4.90	5.10	20,000,000
12	2-Nov-09	2-Nov-12	36	99.45	4.75	4.95	30,000,000
13	30-Dec-09	28-Dec-12	36	99.45	4.75	4.95	10,000,000
Total							250,000,000

12. OTHER PAYABLES AND ACCRUALS

	2009 RM	2008 RM
Interest payable	27,582,608	25,118,364
Other payables and accruals	10,241,807	7,687,043
Dividend payable	12,525,000	5,698,000
	<u>50,349,415</u>	<u>38,503,407</u>

Included in other payables and accruals is a provision for legal claims amounting (2008: RM741,683).

13. SHARE CAPITAL

	2009 RM	2008 RM
Ordinary shares of RM1 each		
<i>Authorised</i>	200,000,000	100,000,000
<i>Issued and fully paid</i>		
At 1 January	50,000,000	45,000,000
Issued during the year	-	5,000,000
At 31 December	<u>50,000,000</u>	<u>50,000,000</u>

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.

The accompanying notes form an integral part of the financial statements

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

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

	2009 RM	2008 RM
Loans, advances and financing	110,829,080	101,284,993
Interest received from licensed banks	558,592	1,122,572
	<u>111,387,672</u>	<u>102,407,565</u>

17. INTEREST EXPENSE

	2009 RM	2008 RM
Borrowings from Sabah State Government	3,641,173	4,313,427
Borrowings from Cagamas Berhad through financial intermediaries	7,030,437	7,854,314
Borrowings from licensed banks	8,658,831	12,273,317
Bank overdraft	11,750	30,066
Borrowings from Commercial Paper/Medium Term Notes	23,584,383	16,486,891
	<u>42,926,574</u>	<u>40,958,015</u>

18. NON-INTEREST INCOME

	2009 RM	2008 RM
Dividend income from investment securities	93,038	217,264
Allowance for diminution in value of investment securities written back	269,454	-
Insurance commission	3,792,219	2,721,127
Other income	7,015	28,746
Rental income	181,500	221,300
Gain on disposal of property, plant and equipment	80,201	51,674
Gain on disposal of foreclosed properties	71,040	60,590
Administrative fee	93,683	68,591
Processing fee	278,647	167,638
Documentation and registration fee	97,584	527,217
	<u>4,964,381</u>	<u>4,064,147</u>

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

19. NON-INTEREST EXPENSE

	2009 RM	2008 RM
Allowance for bad and doubtful loans and financing	8,720,981	7,060,936
Allowance for diminution in value of investment securities	-	154,164
Loss on disposal of foreclosed properties	-	-
Provision for legal claim	-	119,698
	<u>8,720,981</u>	<u>7,334,798</u>

20. OPERATING EXPENSES

	2009 RM	2008 RM
Advertisement	55,681	49,851
Amanah Raya service fee	2,931	3,287
Commercial Paper/Medium Term Notes		
Programme expenses	1,228,978	1,057,157
Accounting fees	17,058	8,067
Audit remuneration	32,000	35,186
Bank charges	5,744	18,500
Boards members expenses	250,565	452,052
Computer expenses	208,824	205,894
Computer software	376,609	103,580
Corporation members allowance	15,345	38,150
Depreciation	1,913,580	1,375,816
Employees' Provident Fund	275,548	424,177
Entertainment	52,888	52,227
General expenses	208,853	188,205
Government Training Programme	-	12,326
Legal fees	8,198	108,875
Management fees - ANGKASA	1,324,789	1,340,105
Motor vehicle expenses	400,646	410,156
Marketing Expenses	123,887	-
Outsource expenses	203,297	166,236
Pension contributions	711,878	671,785
Postage, telephone and telex	403,765	393,031
Printing and stationeries	310,146	328,361
Rental of premises	44,533	32,933
Salary, bonus and allowances	9,887,171	9,086,922
Social community services expenses	2,179,921	1,172,517
Staff insurance expenses	98,005	95,030
Staff medical expenses	137,058	180,625
Staff training expenses	410,271	355,297
Staff traveling expenses	269,282	317,992
Staff welfare expenses	404,939	271,326
Tax penalty	162,973	35,360
Trainee allowances	153,025	139,631
Upkeep of office	1,084,918	893,413
Water and electricity	328,598	291,245
	<u>23,291,904</u>	<u>20,315,315</u>

The accompanying notes form an integral part of the financial statements

SABAH CREDIT CORPORATION

(Incorporated under Credit Corporation Ordinance, as amended)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

21. TAX EXPENSE

	2009 RM	2008 RM
Current tax expense	11,000,000	12,635,314
Under/(Over) provision of tax for previous year assessment	(715,872)	35,314
	<u>10,284,128</u>	<u>12,670,628</u>

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:-

	2009 RM	2008 RM
Surplus before tax	41,412,594	37,898,944
Income tax using tax rate of 26%/27%	10,390,879	10,106,258
Income not subject to tax	(86,802)	(152,208)
Non-deductible expenses	844,071	873,272
Tax incentives	-	(23,728)
Taxes in respect of prior years	(715,872)	35,314
Unrecognised deferred tax assets	(148,148)	1,867,034
	<u>10,284,128</u>	<u>12,670,628</u>

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

	2009 RM	2008 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	(3,309,705)	(3,723,786)
Timing differences arising from property, plant and equipment	169,878	270,140
At 31 December	<u>(3,139,827)</u>	<u>(3,453,646)</u>

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, as amended)

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2009

22. DIVIDEND

	2009 RM	2008 RM
<i>Paid,</i>		
Gross interim dividend of zero cents (2008 : 20.00 cents) less tax for year 2009/2008	-	13,960,000
Gross final dividend of 8 cents (2008 : 10.00 cents) less tax for year 2009/2008	5,698,000	3,285,000
	<u>5,698,000</u>	<u>17,245,000</u>
<i>Approved,</i>		
Gross interim dividend of zero cents (2008 : 20.00 cents) less tax for year 2009/2008.	-	6,660,000
Gross final dividend of 26.00 cents (2008 : 15.40 cents) less tax for year 2009/2008	9,750,000	5,698,000
	<u>9,750,000</u>	<u>12,358,000</u>

23. CAPITAL COMMITMENT

	2009 RM	2008 RM
<i>Property, plant & equipment</i>		
Authorised but not contracted for	9,170,000	15,600,000
	<u>9,170,000</u>	<u>15,600,000</u>
Contracted but not provided for	3,969,705	2,232,104
	<u>3,969,705</u>	<u>2,232,104</u>

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

	2009 RM	2008 RM
Staff costs	12,194,153	11,403,154
	<u>12,194,153</u>	<u>11,403,154</u>
Number of employees at year end (excluding Members of the Corporation)	198	200
	<u>198</u>	<u>200</u>

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.

The accompanying notes form an integral part of the financial statements