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Idaman Unggul Berhad
(Incorporated in Malaysia)

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Idaman Unggul Berhad
(Incorporated in Malaysia)

Directors' report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

Principal activities

The principal activities of the Company are that of investment holding and providing corporate, administrative and management support to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

The Company on 29 February 2008, had announced that it has become an Affected Listed Issuer pursuant to Practice Note 17/200 of the Bursa Malaysia Listing Requirement.

The affected listed issuer must submit a regularisation plan to the Approving Authority within 8 months from the date of the first announcement. Failure to submit the regularisation plan within 8 months from the date of the first announcement will result in the de-listing of the Company.

The Company was granted the extension of time from Bursa Malaysia to submit the Company's Regularisation Plan by 29 November 2009.

Results

	Group RM'000	Company RM'000
Loss after tax from continuing operations	(10,173)	(35,907)
Loss for the year from discontinued operations	(16,101)	-
Loss for the year	<u>(26,274)</u>	<u>(35,907)</u>
Attributable to:		
Equity holders of the Company	(26,196)	(35,907)
Minority interests	(78)	-
	<u>(26,274)</u>	<u>(35,907)</u>

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Results (contd.)

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

In the opinion of the directors, the results of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Che Mohd Annuar bin Che Mohd Senawi
Dato' Ab. Halim bin Mohyiddin
Haji Hussein bin Hamzah
Brig. Jer. (B) Dato' Pahlawan Hj. Jamiil bin Tahir
Dr. Radzuan bin Abdul Rahman

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Idaman Unggul Berhad
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Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares or Irredeemable Convertible Unsecured Loan Stock ("ICULS") in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM1 each			31 December 2008
	1 January 2008	Acquired	Sold	
The Company				
Direct interest				
Dato' Che Mohd Annuar bin Che Mohd Senawi	72,245,988	-	-	72,245,988

Dato' Che Mohd Annuar bin Che Mohd Senawi by virtue of his interest in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Issue of shares

During the financial year, the Company increased its issued and paid-up share capital from RM406,906,521 to RM412,948,410 by way of conversion of remaining 6,041,929 ICULS-B of RM1 each for 6,041,929 new ordinary shares of RM1 each.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

Idaman Unggul Berhad
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Other statutory information

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors 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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision 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 directors are not aware of any circumstances which would render:
- (i) the amount written off as bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors 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 Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

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Idaman Unggul Berhad
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Other statutory information (contd.)

(f) In the opinion of the directors:

- (i) 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 will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Subsequent events

The subsequent events are disclosed in Note 31 to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 November 2009.



Dato Che Mohd Annuar bin Che Mohd Senawi



Haji Hussein bin Hamzah

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Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Che Mohd Annuar bin Che Mohd Senawi and Haji Hussein bin Hamzah, being two of the directors of Idaman Unggul Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 102 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 November 2009.



Dato' Che Mohd Annuar bin Che Mohd Senawi

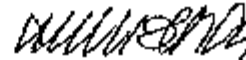


Haji Hussein bin Hamzah

Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, Dato' Che Mohd Annuar bin Che Mohd Senawi, being the director primarily responsible for the financial management of Idaman Unggul Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 102 are in my opinion 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 Dato' Che Mohd Annuar bin Che Mohd Senawi at Kuala Lumpur in the Federal Territory on 18 November 2009.



Dato' Che Mohd Annuar bin Che Mohd Senawi

Before me,

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Independent auditors' report to the members of
Idaman Unggul Berhad
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Report on the financial statements

We have audited the financial statements of Idaman Unggul Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 102.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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**Independent auditors' report to the members of
Idaman Unggul Berhad (contd.)
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Auditors' responsibility (contd.)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows for the year then ended.

Emphasis of Matter

Without qualifying our opinion :

1. We draw attention to Note 2 to the financial statements which discloses that the accompanying financial statements have been prepared assuming that the Group and the Company will continue as going concerns which contemplates the realisation of assets and discharge of liabilities in the normal course of business. The Group and the Company incurred net losses of RM26,274,000 and RM35,907,000 respectively for the year ended 31 December 2008. At that date, the Group and the Company have accumulated losses of RM399,394,000 and RM419,276,000 respectively and negative operating cash flows of RM21,151,000 for the Group. These factors indicate the existence of a material uncertainty which may cast significant doubt that the Group and the Company will be able to continue as going concerns. The going concern assumption is premised on the favourable outcome of the rationalisation measures and strategies as elaborated in Note 32 to the financial statements of which the directors have indicated their commitment to ensuring their completion. The financial statements of the Group and of the Company do not include any adjustments relating to the amounts and the classification of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concerns; and

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**Independent auditors' report to the members of
Idaman Unggul Berhad (contd.)
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Emphasis of Matter (Contd.)

2. We draw attention to Note 31(d) to the financial statements which describes the action that has been taken by Bank Negara Malaysia against a subsidiary, Tahan Insurance Berhad, ("Tahan"), pursuant to Section 59(4)(a) of the Insurance Act, 1996 owing to its inability to comply with the Margin of Solvency requirement as stipulated under Section 46 of the Insurance Act, 1996 and Regulation 41(1) of the Insurance Regulations, 1996. Note 17(a) to the financial statements describes other pertinent matters related to the capital adequacy position of Tahan, which may affect its ability to continue underwriting general insurance business as a licensed insurer under the Insurance Act, 1996.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

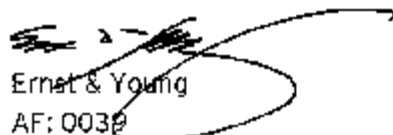
- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 17 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the accounts of the subsidiaries other than as disclosed in Note 17 to the financial statements were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

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Independent auditors' report to the members of
Idaman Unggul Berhad (contd.)
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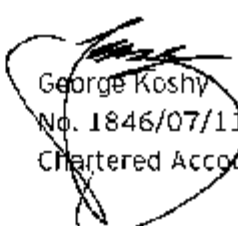
Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
18 November 2009



George Koshy
No. 1846/07/11(J)
Chartered Accountants

Idaman Unggul Berhad
(Incorporated in Malaysia)

Income statements

For the year ended 31 December 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Continuing operations					
Revenue	4	75,196	82,228	317	326
Employee benefits expense	5	(14,600)	(18,172)	(1,228)	(1,299)
Depreciation of property, plant and equipment		(2,097)	(2,038)	(217)	(217)
Amortisation of prepaid land lease payments		(58)	(128)	-	-
Other income		778	11,550	1,406	759
Other expenses		(69,376)	(122,013)	(36,185)	(17,377)
Loss before tax	6	(10,157)	(48,573)	(35,907)	(17,808)
Income tax expense	8	(16)	(2,829)	-	-
Loss for the year from continuing operations		(10,173)	(51,402)	(35,907)	(17,808)
Discontinued operations					
Loss for the year from discontinued operations	9	(16,101)	(11,489)	-	-
Loss for the year		(26,274)	(62,891)	(35,907)	(17,808)
Attributable to:					
Equity holders of the Company		(26,196)	(62,745)	(35,907)	(17,808)
Minority interests	10	(78)	(146)	-	-
		(26,274)	(62,891)	(35,907)	(17,808)

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Idaman Unggul Berhad
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Income statements

For the year ended 31 December 2008 (contd.)

	Note	Group 2008	2007
Loss per share attributable to equity holders of the Company (sen):			
Basic loss from continuing operations	11	(2.50)	(12.80)
Basic loss from discontinued operation	11	<u>(3.90)</u>	<u>(2.90)</u>
Basic loss for the year		<u>(6.40)</u>	<u>(15.70)</u>

The accompanying notes form an integral part of the financial statements.

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Idaman Unggul Berhad
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Balance sheets

As at 31 December 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Assets					
Property, plant and equipment	13	26,866	26,728	59	276
Prepaid and lease payments	14	5,568	5,744	-	-
Intangible assets	15	447	300	-	-
Investment in subsidiaries	17	-	-	1,481	1,481
Other investments	18	198,121	229,862	-	-
Loans receivable	19	3,576	4,489	-	-
Trade receivables	20	16,242	27,818	-	-
Other receivables	21	21,293	23,124	7,441	41,857
Cash and bank balances	22	57,190	68,132	8	69
		<u>329,303</u>	<u>386,197</u>	<u>8,989</u>	<u>43,713</u>
Assets of disposal group classified as held for sale	9	291,713	293,217	-	-
Total assets		<u>621,016</u>	<u>679,414</u>	<u>8,989</u>	<u>43,713</u>
Liabilities					
Trade payables	23	268,821	325,298	-	-
Other payables	24	40,050	32,753	15,229	13,881
Hire purchase payables	25	87	277	87	252
Taxation		5,108	5,108	-	-
Deferred tax liabilities	27	1,923	1,353	-	-
		<u>315,989</u>	<u>364,769</u>	<u>15,316</u>	<u>14,133</u>
Liabilities directly associated with assets classified as held for sale	9	262,523	251,735	-	-
Total liabilities		<u>578,515</u>	<u>616,504</u>	<u>15,316</u>	<u>14,133</u>

Idaman Unggul Berhad
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Balance sheets

As at 31 December 2008 (contd.)

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Insurance reserves					
General insurance fund	28	25,683	21,976	-	-
Financed by:					
Equity attributable to equity holders of the Company					
Share capital	29	412,949	406,907	412,949	406,907
ICULS	30	-	6,042	-	6,042
Reserves		(396,437)	(372,399)	(419,275)	(383,369)
		16,512	40,550	(6,327)	29,580
Minority interests		306	384	-	-
Total equity		16,818	40,934	(6,327)	29,580
Total liabilities, insurance reserves and shareholders' equity		621,016	679,414	8,989	43,713

The accompanying notes form an integral part of the financial statements.

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Idaman Unggul Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the year ended 31 December 2008

	Attributable to equity holders of the Company						Minority interests (Note 10)	Total equity
	Reserves							
	Share capital	ICULS-B	Exchange reserve	revaluation reserve	Accumulated losses	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2007	395,571	17,378	(611)	1,355	(3,045)	103,241	6	103,247
Conversion of ICULS-B (Notes 29 and 30)	11,336	(11,336)	-	-	-	-	-	-
Currency translation differences	-	-	54	-	-	54	-	54
Increase in shareholding of minority interest	-	-	-	-	-	-	524	524
Less for the year	-	-	-	-	(62,745)	(62,745)	(146)	(62,891)
At 31 December 2007	406,907	6,042	(557)	1,355	(373,198)	40,550	384	40,934
Conversion of ICULS-B (Notes 29 and 30)	6,042	(6,042)	-	-	-	-	-	-
Revaluation surplus transferred from property, plant and equipment (Note 13)	-	-	-	2,281	-	2,281	-	2,281
Transfer to deferred taxation (Note 27)	-	-	-	(570)	-	(570)	-	(570)

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Idaman Unggu Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the year ended 31 December 2008 (contd.)

	Attributable to equity holders of the Company				Minority interests (Note 10)	Total equity
	Reserves					
	Non-distributable					
	Share capital	Exchange reserve	revaluation reserve	Accumulated losses		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Currency translation differences	-	447	-	-	447	447
Loss for the year	-	-	-	(26,195)	(26,196)	(26,274)
At 31 December 2008	412,949	(110)	3,067	(399,394)	306	16,818

The accompanying notes form an integral part of the financial statements.

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Idaman Unggul Berhad
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Statement of changes in equity
For the year ended 31 December 2008

	Share capital RM'000	ICULS-B RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2007	395,571	17,378	(365,561)	47,388
Conversion of ICULS-B (Notes 29 and 30)	11,336	(11,336)	-	-
Loss for the year	-	-	(17,808)	(17,808)
At 31 December 2007	<u>406,907</u>	<u>6,042</u>	<u>(383,369)</u>	<u>29,580</u>
At 1 January 2008	406,907	6,042	(383,369)	29,580
Conversion of ICULS-B (Notes 29 and 30)	6,042	(6,042)	-	-
Loss for the year	-	-	(35,907)	(35,907)
At 31 December 2008	<u>412,949</u>	<u>-</u>	<u>(419,276)</u>	<u>(6,327)</u>

The accompanying notes form an integral part of the financial statements.

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Cash flow statements
For the year ended 31 December 2008

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Loss before tax from:				
Continuing operations	(10,157)	(48,573)	(35,907)	(17,808)
Discontinued operations	(16,101)	(11,487)	-	-
Movement in insurance funds	3,707	(14,956)	-	-
Adjustments for:				
Provision for doubtful debts	5,828	301	296	309
Write back of provision for doubtful debts	-	(3,263)	(1,106)	(704)
Bad debts written off	2,025	7,577	-	-
Depreciation and amortisation	2,210	2,245	217	217
Impairment losses on property, plant and equipment	628	833	-	-
Impairment loss on prepaid land lease payments	45	-	-	-
Amortisation of intangible asset	159	247	-	-
Provision for/(write back) of diminution in value of investment	15,050	(1,167)	-	-
Provision for impairment losses on a subsidiary	-	-	35,000	16,209
Loss/(gain) on disposal of investment	3,613	(6,611)	-	-
Gain on disposal of shares in a subsidiary (Note 17(c))	-	(100)	-	-
Net amortisation of premiums	833	1,274	-	-
Interest expense on hire purchase	17	29	10	21

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Cash flow statements

For the year ended 31 December 2008 (contd.)

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (contd.)				
Interest expense	12,690	8,947	-	-
Interest income	(9,910)	(11,804)	-	-
Dividend income	(1,925)	(1,614)	-	-
Gain on disposal of property, plant and equipment	(825)	(32)	-	-
Operating profit/(loss) before working capital changes	7,887	(78,354)	(1,790)	(1,756)
Decrease/(increase) in receivables	9,123	28,658	556	(1,164)
Decrease in loans receivable	613	408	-	-
(Decrease)/increase in payables	(38,353)	(300)	1,340	1,079
Cash (used in)/generated from operations	(20,730)	(49,588)	114	(1,841)
Income tax paid	(421)	(1,097)	-	-
Net cash (used in)/generated from operating activities	(21,151)	(50,685)	114	(1,841)
Cash flows from investing activities				
Proceeds from disposal of shares in a subsidiary (Note 17(c))	-	623	-	624
Purchase of property, plant and equipment	(214)	(2,957)	-	-
Acquisition of intangible assets	(306)	(172)	-	-
Net proceeds from disposal / (purchase of investments) of investments	9,971	(95,304)	-	-

Idaman Unggul Berhad
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Cash flow statements

For the year ended 31 December 2008 (contd.)

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities (contd.)				
Interest received	10,453	12,031	-	-
Dividend received	1,925	1,614	-	-
Proceeds from disposal of property, plant and equipment	1,231	52	-	-
Net cash generated from/ (used in) investing activities	23,060	(84,108)	-	624
Cash flows from financing activities				
Repayment of hire purchase	(206)	(395)	(165)	(190)
Interest paid	(12,707)	(8,976)	(10)	(21)
Net cash used in financing activities	(12,913)	(9,371)	(175)	(211)
Net decrease in cash and cash equivalents	(11,004)	(144,164)	(61)	(1,428)
Effects of exchange rate changes	(26)	8	-	-
Cash and cash equivalents at beginning of year	68,560	212,716	69	1,497
Cash and cash equivalents end of year (Note 22)	57,530	68,560	8	69

The accompanying notes form an integral part of the financial statements.

**Idaman Unggul Berhad
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**Notes to the financial statements
31 December 2008**

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of the Company is located at 4th Floor, No. 17-21, Jalan Medan Tuanku Satu, Medan Tuanku, 50300 Kuala Lumpur, Malaysia.

The principal activities of the Company are that of investment holding and providing corporate, administrative and management support to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 17.

There have been no significant changes in the nature of the principal activities during the financial year, other than the dilution in shareholdings of a subsidiary as disclosed in Note 17(c) to the financial statements.

The Company on 29 February 2006, had announced that it has become an Affected Listed Issuer pursuant to Practice Note 17/200 of the Bursa Malaysia Listing Requirement.

The affected listed issuer must submit a regularisation plan to the Approving Authority within 8 months from the date of the first announcement. Failure to submit the regularisation plan within 8 months from the date of the first announcement will result in the de-listing of the Company.

The Company was granted the extension of time from Bursa Malaysia to submit the Company's Regularisation Plan by 29 November 2009.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 November 2009.

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2. Fundamental accounting concept

The accompanying financial statements have been prepared assuming that the Group and the Company will continue as going concerns which contemplates the realisation of assets and discharge of liabilities in the normal course of business. The Group and the Company incurred net losses of RM26,274,000 and RM35,907,000 respectively for the year ended 31 December 2008. At that date, the Group and the Company have accumulated losses of RM399,394,000 and RM419,276,000 respectively and have negative cash flow of RM21,151,000 for the Group. These factors indicate the existence of a material uncertainty which may cast significant doubt that the Group and the Company will be able to continue as going concerns. The ability of the Group and the Company to continue as going concerns is premised on the favourable outcome of the rationalisation measures and strategies elaborated in Note 32 of which the directors have indicated their commitment to ensuring their completion.

Should the going concern basis of preparing the financial statements, be no longer appropriate, adjustments would have to be made to reduce the value of all assets to their carrying values, and to provide further estimated liabilities which may arise, and to reclassify property, plant and equipment and other non-current assets and non-current liabilities, as current assets and current liabilities respectively.

3. Significant accounting policies

3.1 Basis of preparation

The financial statements of the Group and the Company comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. The Group and the Company adopted all new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 3.3.

The financial statements of the Group and of the Company have also been prepared under the historical cost convention unless otherwise indicated in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000).

3.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

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3. Significant accounting policies (contd.)

3.2 Summary of significant accounting policies (contd.)

(a) Subsidiaries and basis of consolidation (contd.)

(i) Subsidiaries (contd.)

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

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3. Significant accounting policies (contd.)

3.2 Summary of significant accounting policies (contd.)

(a) Subsidiaries and basis of consolidation (contd.)

(ii) Basis of consolidation (contd.)

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income

Interest income on loans receivable is recognised on an accrual basis except where a loan is considered non-performing, i.e. where repayments are in arrears for more than six months, in which case, recognition of such interest is suspended. Subsequent to suspension, interest is recognised on the receipt basis until all arrears have been paid.

Other interest income is recognised on an accrual basis using the effective interest method.

(ii) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(iii) Dividend income

Dividend income is recognised on a declared basis when the shareholders' right to receive payment is established.

(iv) Management fees

Management fees are recognised on an accrual basis.

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3. Significant accounting policies (contd.)

3.2 Summary of significant accounting policies (contd.)

(b) Revenue recognition (contd.)

(v) Rental income

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six months, in which case, recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.

(vi) Development properties

Profit on development properties is taken up based on the proportion of total cost incurred to date to the total estimated cost of the development. Cost includes land cost and all relevant development expenditure. Any estimated losses on these properties are recognised in advance of completion to the extent determinable.

(c) General insurance underwriting results

The general insurance underwriting results, other than those arising from inward treaty business, are determined for each class of business, after taking into account reinsurances, unearned premium reserves, net commissions, net claims incurred and any other additional reserves.

(i) Premium income

Premium is recognised in a financial period in respect of risks assumed during that particular financial period. Inward treaty reinsurance premium is recognised on the basis of periodic advices received from ceding insurers.

(ii) Unearned premium reserves

The Unearned Premium Reserves ("UPR") represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial period.

In determining the UPR at balance sheet date, the method that most accurately reflects the actual liability used is as follows:

- 25% method for marine cargo, aviation cargo and transit business;

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3. Significant accounting policies (contd.)

3.2 Summary of significant accounting policies (contd.)

(c) General insurance underwriting results (contd.)

(ii) Unearned premium reserves (contd.)

- o 1/8th method for all other classes of overseas inward treaty business with a deduction of 20% for commission.
- o 1/24th method for all other classes of business (except non-annual policies), reduced by the corresponding percentage of accounted gross direct business commissions and agency related expenses not exceeding the limits specified by Bank Negara Malaysia as follows:

Motor and bond	10%
Fire, engineering, aviation and marine hull	15%
Medical	10% - 15%
Other classes	20%

- o Non-annual policies with a duration of cover extending beyond one year is time apportioned over the period of the risk.

(iii) Acquisition costs

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and allocated to the periods in which it is probable they will give rise to income.

(iv) Provision for claims

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the balance sheet date.

Provision is also made for the cost of claims together with related expenses incurred but not reported ("IBNR") at balance sheet date, based on an actuarial estimation by a qualified actuary, using a mathematical method of estimation.

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3. Significant accounting policies (contd.)

3.2 Summary of significant accounting policies (contd.)

(d) Timber concession rights

This represents initial cost incurred in obtaining the exclusive right to fell, extract and harvest merchantable timber logs from the concession area granted. Concession rights are measured at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss immediately.

(e) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss.

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3. Significant accounting policies (contd.)

3.2 Summary of significant accounting policies (contd.)

(e) Foreign currencies (contd.)

(ii) Foreign currency transactions (contd.)

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(f) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

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3. Significant accounting policies (contd.)

3.2 Summary of significant accounting policies (contd.)

(f) Property, plant and equipment, and depreciation (contd.)

All freehold land and building is stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

	%
Buildings	2
Office equipment	20
Furniture, fixtures and fittings	20
Motor vehicles	20

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

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3. Significant accounting policies (contd.)

3.2 Summary of significant accounting policies (contd.)

(g) 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.

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

(ii) Property development costs

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

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

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

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3. Significant accounting policies (contd.)

3.2 Summary of significant accounting policies (contd.)

(g) Land held for property development and property development costs (contd.)

(ii) Property development costs (contd.)

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

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

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

(i) 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 charged or credited 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.

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3. Significant accounting policies (contd.)

3.2 Summary of significant accounting policies (contd.)

(h) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Finance leases - the Group as lessee

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 Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

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 in the profit or loss 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 lease assets is in accordance with that for depreciable property, plant and equipment as described in Note 3.2(f).

(iii) Operating leases - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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3. Significant accounting policies (contd.)

3.2 Summary of significant accounting policies (contd.)

(h) Leases (contd.)

(iii) Operating leases - the Group as lessee (contd.)

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(i) Impairment of non-financial assets

The carrying amounts of the Group's assets, other than property development costs and inventories, 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 to determine the amount of impairment loss.

For the purpose of impairment test, the recoverable amount of these assets is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the 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 risk specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are pro-rated to reduce the carrying amount of the other assets in the unit or groups of units.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserves for the same asset.

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3. Significant accounting policies (contd.)

3.2 Summary of significant accounting policies (contd.)

(i) Impairment of non-financial assets (contd.)

The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(k) Provisions

Provisions 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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(l) 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. Short term accumulating compensated absences such as paid annual 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.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in the profit or loss as incurred.

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3. Significant accounting policies (contd.)

3.2 Summary of significant accounting policies (contd.)

(m) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

(n) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits pledged for financing facilities and cash collateral which have an insignificant risk of changes in value.

(ii) Other investments

Malaysian Government Securities and other investments as specified by BNM are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on an effective yield basis, from the dates of purchase to the maturity dates. The amortisation of premiums and accretion of discounts are recognised in the income statement and/or revenue accounts.

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3. Significant accounting policies (contd.)

3.2 Summary of significant accounting policies (contd.)

(n) Financial instruments (contd.)

(ii) Other investments (contd.)

Corporate bonds which are secured or which carry a minimum rating of "BBB" or "P3" are valued at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on an effective yield basis from the dates of purchase to the maturity dates. Any bond with a lower rating is valued at the lower of cost and net realisable value. The amortisation of premiums and accretion of discounts are recognised in the income statement and/or revenue accounts.

Quoted investments are stated at the lower of cost and market value determined on an aggregate portfolio basis by category of investments except that if diminution in value of a particular investment is not regarded as temporary, specific provision is made against the value of that investment. Cost is determined on the weighted average basis while market value is determined based on the 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.

Unquoted and other investments are stated at cost less provision for any diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(iii) Marketable securities

Marketable securities are stated 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 profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

(iv) 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.

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3. Significant accounting policies (contd.)

3.2 Summary of significant accounting policies (contd.)

(n) Financial instruments (contd.)

(v) Payables

Payables are stated at fair value of the consideration to be paid in the future for goods and services received.

(vi) Redeemable Secured Loan Stocks ("RSLs")

RSLs are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs directly attributable to the RSLs are recognised as an expense in the income statement in the period in which they are incurred.

(vii) Equity instruments

Ordinary shares and ICULS are classified as equity. ICULS is classified as equity as it is irredeemable and carries a zero-coupon.

(o) Non-current assets (or disposal group) held for sale and discontinued operation

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets and financial assets) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

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3. Significant accounting policies (contd.)

3.3 Changes in accounting policies, effects and changes in comparatives arising from adoption of new and revised FRSS

On 1 January 2008, the Group and the Company adopted the following new/revised and amendment to FRSS and Interpretation.

FRS 107 - Cash Flow Statements

FRS 111 - Construction Contracts

FRS 112 - Income Taxes

FRS 118 - Revenue

FRS 120 - Accounting for Government Grants and Disclosure of Government Assistance

FRS 134 - Interim Financial Reporting

FRS 137 - Provisions, Contingent Liabilities and Contingent Assets

Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

IC Interpretation 1: Changes in Existing Decommissioning, Restoration & Similar Liabilities

IC Interpretation 2: Members' Shares in Co-operative Entities & Similar Instruments

IC Interpretation 5: Rights to Interests Arising from Decommissioning, Restoration & Environmental Rehabilitation Funds

IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical & Electronic Equipment

IC Interpretation 7: Applying the Restatement Approach under FRS 129²⁰⁰⁴ *Financial Reporting in Hyperinflationary Economies*

IC Interpretation 8: Scope of FRS 2

The new/revised FRS, amendment to FRS and Interpretations above do not have any significant impact on the financial statements of the Group and of the Company.

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3. Significant accounting policies (contd.)

3.4 Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following FRSs, amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRS, Amendments to FRS and Interpretations	financial periods beginning on or after
Amendment to FRS 8 : Operating Segments	1 July 2009
Amendment to FRS 107: Cash Flows Statements	1 January 2010
Amendment to FRS 108: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendment to FRS110: Events After the Balance Sheet Date	1 January 2010
Amendment to FRS 116: Property, Plant and Equipment	1 January 2010
Amendment to FRS 117: Leases	1 January 2010
Amendment to FRS 118: Revenue	1 January 2010
Amendment to FRS 119: Employee Benefits	1 January 2010
Amendment to FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
Amendment to FRS 123: Borrowing Costs	1 January 2010
Amendment to FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 128: Investments in Associates	1 January 2010
Amendments to FRS 129: Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendments to FRS 131: Interests in Joint Ventures	1 January 2010
Amendments to FRS 132 :Financial Instruments: Presentation	1 January 2010
Amendments to FRS 134: Interim Financial Reporting	1 January 2010
Amendments to FRS 136: Impairments of Assets	1 January 2010
Amendments to FRS 138: Intangible Assets	1 January 2010
Amendment to FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 140: Investment Property	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim financial reporting and impairment	1 January 2010
IC Interpretation 11: FRS 2 – Group Treasury Share Transactions	1 January 2010
IC Interpretation 13: Customer Loyalty Programmes	1 January 2010
IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7, FRS 139 and Amendments to FRS 139, FRS 7 and IC Interpretation 9.

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3. Significant accounting policies (contd.)

3.4 Standards and Interpretations issued but not yet effective (contd.)

The other new FRSs, revised FRS, Amendments to FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 8, FRS101, FRS117 and FRS136.

3.5 Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(i) Pipeline premium

The Group has recognised pipeline premium amounting to approximately RM1,184,000 (2007: RM3,394,000) during the current financial year. Estimation made by management is based on average actual pipeline premium booked in every month. Other factors taken into consideration include average monthly trends for turnaround time of policy issuance.

(ii) Income taxes

The Group is subject to income taxes in Malaysia. Significant judgement is required in determining the allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

(iii) Uncertainty in accounting estimates for general insurance business

The principal uncertainty in the Group's general insurance business arises from the technical provisions which include the provisions of premiums and claims liabilities. The premium liabilities comprise unearned premium reserves while claim liabilities comprise provision for outstanding claims.

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3. Significant accounting policies (contd.)

3.5 Significant accounting estimates and judgements (contd.)

(a) Critical judgements made in applying accounting policies (contd.)

(iii) Uncertainty in accounting estimates for general insurance business (contd.)

Generally, premiums and claims liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims, development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums and claims liabilities will not exactly develop as projected and may vary from the Group's projections.

The estimates of premiums and claims liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premiums and claims liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the Group. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

(iv) Recoverability of property development costs

Included in property development costs is certain preliminary works expenditure by a subsidiary, Anscan International Ltd ("AIL") which was awarded the concession to develop, own and operate a hydroelectric project in Laos. A remeasurement of assets of disposal group has been done in financial year 2006 that caused the property development costs to increase by RM8,373,000.

As disclosed in Note 31(a), the Share Sale Purchase Agreement has been terminated.

The directors are of the opinion that this amount is recoverable as the Company, together with Encrown, the shareholders of AIL, will actively explore the best options available for the mutual benefit of all parties concerned.

Significant judgement is required in the assessment of the expected outcome of this plan, which have financial impact if the amount is not recoverable.

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3. Significant accounting policies (contd.)

3.5 Significant accounting estimates and judgements (contd.)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Deferred tax

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(ii) Depreciation and amortisation

Depreciation and amortisation is based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, expected level of usage, competition, market conditions and other factors, and could impact the estimated average useful lives and the residual values of these assets. This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses. It is currently estimated that the property, plant and equipment and intangible assets of the Group will not have any residual values.

(iii) Impairment of property, plant and equipment.

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, a significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, and significant adverse industry or economic changes. Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and CGUs, and future market conditions. Changes in circumstances may lead to changes in estimates and assumptions, and result in changes to the recoverable amounts of assets and impairment losses needed.

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3. Significant accounting policies (contd.)

3.5 Significant accounting estimates and judgements (contd.)

(b) Key sources of estimation uncertainty (contd.)

(iv) Property development costs

The Group recognises property development contracts revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development and construction costs.

(v) Contingent liabilities

The contingent liabilities of the Company are principally the possible obligations arising from Redeemable Secured Loan Stocks ("RSLs") which expired on 19 May 2009. The Company sought extension of time from the RSLs holders and is subject to the approval of the regulatory authorities as disclosed in Note 26 and Note 33.

The directors are of the opinion that the extension will be approved by the relevant authorities and that the recoverable value of the assets of Lambang Pertama Sdn Bhd ("LPSB") will be sufficient to redeem the RSLs.

The RSLs outstanding as at 31 December 2008 amounting to RM211,504,000 (2007: RM211,504,000) are secured against all assets of LPSB and a corporate guarantee by the Company.

(vi) Non-current assets (or disposal group) held for sale and discontinued operation

The Group has presented LPSB and its subsidiaries ("LPSB Group") as a disposal group held for sale and results from this group is presented separately on the consolidated income statement as discontinued operation.

The directors are of the opinion that the control is temporary as the investments and/or assets of the subsidiaries will be disposed or liquidated for the purposes of the redemption of the RSLs issued by LPSB.

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3. Significant accounting policies (contd.)

3.5 Significant accounting estimates and judgements (contd.)

(b) Key sources of estimation uncertainty (contd).

(vii) Litigations

The Group and the Company determine whether a present obligation in relation to a litigation exists at the balance sheet date by taking into account all available evidence, including, the opinion of the solicitors. The evidence considered includes any additional evidence provided by events after the balance sheet date. On the basis of such evidence, the Group and the Company evaluate if a provision needs to be recognised in the financial statements. Further details of the litigation involving the Group and the Company are given in Note 33(ii).

4. Revenue

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Gross premium less reinsurance				
- General Insurance Fund	63,429	66,867	-	-
Management fee from subsidiaries	-	-	317	319
Interest income	9,842	11,747	-	7
Gross dividend income	1,925	1,614	-	-
	<u>75,196</u>	<u>82,228</u>	<u>317</u>	<u>326</u>

5. Employee benefits expense

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Salaries and other related costs	12,912	16,151	1,089	1,153
Contribution to defined contribution plans	1,688	2,021	139	146
	<u>14,600</u>	<u>18,172</u>	<u>1,228</u>	<u>1,299</u>

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5. Employee benefits expense (contd.)

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM690,000 (2007: RM693,000) and RM690,000 (2007: RM621,000) respectively as further disclosed in Note 7.

6. Loss before tax

Loss before tax is stated after charging/(crediting):

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Auditors' remuneration	244	279	75	75
Non-executive directors' remuneration (Note 7)	132	246	132	148
Interest expense on hire purchase	10	21	10	21
Interest income	(58)	(49)	-	-
Provision for doubtful debts	5,827	300	296	309
Bad debts written off	2,025	7,551	-	-
Write back of provision for doubtful debts	-	(3,263)	(1,406)	(704)
Rental expense				
- premises	763	1,303	42	131
- equipments	8	8	8	8
Rental income on premises	(432)	(793)	-	(53)
Provision for/(write back) of other investment	15,050	(1,167)	-	-
Provision for impairment losses on a subsidiary	-	-	35,000	16,209
Amortisation of intangible assets	159	247	-	-
Net amortisation of premiums	833	1,274	-	-
Net claims payable	20,191	107,614	-	-
Net commission and agency expenses	5,279	6,789	-	-
Gain on disposal of property, plant and equipment	(41)	(32)	-	(2)
Loss/(gain) on disposal of investment	3,613	(6,611)	-	-
Gain on disposal of shares in a subsidiary (Note 17 (c))	-	(100)	-	-

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7. Directors' remuneration

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors of the Company:				
Executive:				
Salaries and other emoluments	540	480	540	480
Fees	-	60	-	-
Contribution to EPF	59	81	59	81
Allowances	91	72	91	60
Benefits-in-kind	64	88	64	64
	<u>754</u>	<u>781</u>	<u>754</u>	<u>685</u>
Non-executive:				
Fees	48	59	48	59
Allowances	84	89	84	89
	<u>132</u>	<u>148</u>	<u>132</u>	<u>148</u>
Other directors:				
Non-executive:				
Fees	-	48	-	-
Allowances	-	50	-	-
	<u>-</u>	<u>98</u>	<u>-</u>	<u>-</u>
Total	<u>886</u>	<u>1,027</u>	<u>886</u>	<u>833</u>
Total excluding benefits-in-kind	<u>822</u>	<u>939</u>	<u>822</u>	<u>769</u>
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind (Note 5)	690	693	690	621
Total non-executive directors' remuneration excluding benefits-in-kind (Note 6)	132	248	132	148
Total directors' remuneration excluding benefits-in-kind	<u>822</u>	<u>939</u>	<u>822</u>	<u>769</u>

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7. Directors' remuneration (contd.)

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	2008	2007
Executive directors:		
RM750,001 - RM800,000	1	1
Non-executive directors:		
Below RM50,000	4	4
RM50,001 - RM100,000	1	1

8. Income tax expense

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Continuing operations				
Malaysian income tax:				
Current year	14	11	-	-
Under provision in prior years	2	2,818	-	-
Total income tax expense from continuing operations	16	2,829	-	-
Discontinued operations				
Malaysian income tax:				
Current year	-	-	-	-
Under provision in prior years	-	2	-	-
Tax expense from discontinued operations (Note 9)	-	2	-	-
Total income tax expense	16	2,831	-	-

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8. Income tax expense (contd.)

Malaysian income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current tax rate of 26%, effective year of assessment 2009.

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

	2008 RM'000	2007 RM'000
Group		
Loss before tax		
Continuing operations	(10,157)	(48,573)
Discontinued operations (Note 9)	(16,101)	(11,487)
	<u>(26,258)</u>	<u>(60,060)</u>
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	(6,827)	(16,216)
Income not subject to tax	(105)	(496)
Expenses not deductible for tax purposes	4,432	1,745
Utilisation of previously unrecognised deferred tax assets	(2,054)	(95)
Movement in deferred tax assets not recognised during the year	2,579	12,445
Tax losses not allowable for future utilisation	1,989	2,828
Under provision of tax expense in prior years	2	2,820
Tax credit for the year	<u>16</u>	<u>2,831</u>
Company		
Loss before tax	<u>(35,907)</u>	<u>(17,808)</u>
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	(9,336)	(4,808)
Effect of expenses not deductible for tax purposes	9,191	4,508
Deferred tax assets not recognised during the year	145	300
Tax expense for the year	<u>-</u>	<u>-</u>

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8. Income tax expense (contd.)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Tax losses are analysed as follows:				
Unutilised tax losses carried forward	167,052	162,435	7,274	6,946
Unutilised capital allowances are analysed as follows:				
Unabsorbed capital allowances carried forward	43,670	42,770	422	192

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

9. Discontinued operations and disposal group classified as held for sale

The directors are of the opinion that the control in Lambang Pertama Sdn. Bhd. and its subsidiaries ("LPSB Group") is temporary as the investments and/or assets of the subsidiaries will be disposed or liquidated for the purposes of the redemption of the Redeemable Secured Loan Stocks ("RSLs") issued by LPSB.

Hence, LPSB Group have been presented on the consolidated balance sheet as a disposal group held for sale and results from this group is presented separately on the consolidated income statement as discontinued operations.

An analysis of the result of discontinued operation and the result recognised on the remeasurement of assets of disposal group is as follows:

	Group	
	2008 RM'000	2007 RM'000
Revenue	-	-
Other income	853	63
Expenses	(16,954)	(11,550)
Loss before tax of discontinued operation	(16,101)	(11,487)
Income tax expense (Note 8)	-	(2)
Loss for the year from discontinued operation	(16,101)	(11,489)

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9. Discontinued operations and disposal group classified as held for sale (contd.)

The following amounts have been included in arriving at loss before tax of discontinued operations:

	Group	
	2008	2007
	RM'000	RM'000
Audit fees	90	98
Provision for doubtful debts	1	1
Depreciation of property, plant and equipment	53	77
Amortisation of prepaid land lease payments	2	2
Impairment losses on property, plant and equipment	628	633
Interest income	(10)	(8)
Gain on disposal of property, plant and equipment	(784)	-
Bad debts written off	-	26
Interest expense on :		
- redeemable secured loan stocks	12,690	8,947
- hire purchase payables	7	8
	<u> </u>	<u> </u>

The cash flows attributed to the discontinued operations are as follows:

	Group	
	2008	2007
	RM'000	RM'000
Operating cash flows	(869)	(44)
Investing cash flows	864	7
Financing cash flows	(24)	(23)
Total cash flows	<u> </u>	<u> </u>

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9. Discontinued operations and disposal group classified as held for sale (contd.)

The major classes of assets and liabilities of LPSB Group, classified as held for sale on the consolidated balance sheet are as follows:

	Note	Group	
		2008 RM'000	2007 RM'000
Assets			
Timber concession rights	12	243,100	243,100
Property, plant and equipment	9.1	11,993	12,716
Prepaid land lease payment	9.2	-	25
Development properties	16	18,260	17,787
Other investments	18	1,585	1,539
Trade receivables	20	225	225
Other receivables	21	16,218	17,397
Cash and bank balances	22	340	428
Assets of disposal group classified as held for sale		<u>291,721</u>	<u>293,217</u>
Liabilities			
Trade payables	23	2,536	2,536
Other payables	24	40,921	30,114
Hire purchase payables	25	119	135
Borrowings	26	211,504	211,504
Taxation		<u>7,446</u>	<u>7,446</u>
Liabilities directly associated with assets classified as held for sale		<u>262,526</u>	<u>251,735</u>

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9. Discontinued operations and disposal group classified as held for sale (contd.)

9.1 Property, plant and equipment

Group	*Land and buildings RM'000	Plant and machinery RM'000	Office, other equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
At 31 December 2008					
Cost/valuation					
At 1 January 2008	14,057	34,219	495	680	49,451
Disposal	(40)	-	-	(381)	(421)
Write off	-	(2)	(42)	-	(44)
At 31 December 2008	<u>14,017</u>	<u>34,217</u>	<u>453</u>	<u>299</u>	<u>48,986</u>
Representing:					
At cost	-	34,217	453	299	34,969
At valuation	14,017	-	-	-	14,017
	<u>14,017</u>	<u>34,217</u>	<u>453</u>	<u>299</u>	<u>48,986</u>
Accumulated depreciation and impairment losses					
At 1 January 2008					
Accumulated depreciation	1,655	15,971	425	566	18,617
Accumulated impairment losses	4,050	14,020	48	-	18,118
	<u>5,705</u>	<u>29,991</u>	<u>473</u>	<u>566</u>	<u>36,735</u>
Depreciation	-	-	8	45	53
Impairment losses for the year	92	535	1	-	628
Disposal	-	-	-	(371)	(371)
Write off	-	(2)	(42)	-	(44)
At 31 December 2008	<u>5,797</u>	<u>30,524</u>	<u>440</u>	<u>240</u>	<u>37,001</u>

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9. Discontinued operations and disposal group classified as held for sale (contd.)

9.1 Property, plant and equipment (contd.)

	Land and buildings RM'000	Plant and machinery RM'000	Office, other equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Group (contd.)					
At 31 December 2008					
Accumulated depreciation and impairment losses					
Analysed as:					
Accumulated depreciation	1,655	15,969	391	240	18,255
Accumulated impairment losses	4,142	14,555	49	-	18,746
	<u>5,797</u>	<u>30,524</u>	<u>440</u>	<u>240</u>	<u>37,001</u>
Net carrying amount					
At cost	-	3,693	13	59	3,765
At valuation	8,220	-	-	-	8,220
	<u>8,220</u>	<u>3,693</u>	<u>13</u>	<u>59</u>	<u>11,985</u>

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9. Discontinued operations and disposal group classified as held for sale (contd.)

9.1 Property, plant and equipment (contd.)

Group	Land and buildings RM'000	Plant and machinery RM'000	Office, other equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
At 31 December 2007					
Cost/valuation					
At 1 January 2007	14,057	34,219	674	680	49,630
Additions	-	-	1	-	1
Write off	-	-	(180)	-	(180)
At 31 December 2007	14,057	34,219	495	680	49,451
Representing:					
At cost	-	34,219	495	680	35,394
At valuation	14,057	-	-	-	14,057
	14,057	34,219	495	680	49,451
Accumulated depreciation and impairment losses					
At 1 January 2007					
Accumulated depreciation	1,655	15,971	587	507	18,720
Accumulated impairment losses	3,956	13,484	45	-	17,485
	5,611	29,455	632	507	36,205
Depreciation	-	-	18	59	77
Impairment losses for the year	94	536	3	-	633
Write off	-	-	(180)	-	(180)
At 31 December 2007	5,705	29,991	473	566	36,735

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9. Discontinued operations and disposal group classified as held for sale (contd.)

9.1 Property, plant and equipment (contd.)

	*Land and buildings RM'000	Plant and machinery RM'000	Office, other equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Group (contd.)					
At 31 December 2007					
Accumulated depreciation and impairment losses					
Analysed as:					
Accumulated depreciation	1,655	15,971	425	566	18,617
Accumulated impairment losses	4,050	14,020	48	-	18,118
	<u>5,705</u>	<u>29,991</u>	<u>473</u>	<u>566</u>	<u>36,735</u>
Net carrying amount					
At cost	-	4,228	22	114	4,364
At valuation	8,352	-	-	-	8,352
	<u>8,352</u>	<u>4,228</u>	<u>22</u>	<u>114</u>	<u>12,716</u>

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9. Discontinued operations and disposal group classified as held for sale (contd.)

9.1 Property, plant and equipment (contd.)

Group (contd.)

*** Land and buildings**

	Freehold land RM'000	Buildings RM'000	Total RM'000
Group			
At 31 December 2008			
Valuation			
At 1 January	4,721	9,336	14,057
Disposai	(40)	-	(40)
At 31 December 2008	<u>4,681</u>	<u>9,336</u>	<u>14,017</u>
Accumulated depreciation and Impairment losses			
At 1 January 2008			
Accumulated depreciation	-	1,655	1,655
Accumulated impairment losses	478	3,572	4,050
	<u>478</u>	<u>5,227</u>	<u>5,705</u>
Impairment losses for the year	-	92	92
At 31 December 2008	<u>478</u>	<u>5,319</u>	<u>5,797</u>
Analysed as:			
Accumulated depreciation	-	1,655	1,655
Accumulated impairment losses	478	3,664	4,142
	<u>478</u>	<u>5,319</u>	<u>5,797</u>
Net carrying amount	<u>4,203</u>	<u>4,017</u>	<u>8,220</u>

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9. Discontinued operations and disposal group classified as held for sale (contd.)

9.1 Property, plant and equipment (contd.)

Group (contd.)

* Land and buildings

	Freehold land RM'000	Buildings RM'000	Total RM'000
Group			
At 31 December 2007			
Valuation			
At 1 January/31 December	4,721	9,336	14,057
Accumulated depreciation and impairment losses			
At 1 January 2007			
Accumulated depreciation	-	1,655	1,655
Accumulated impairment losses	478	3,478	3,956
	478	5,133	5,611
Impairment losses for the year	-	94	94
At 31 December 2007	478	5,227	5,705
Analysed as:			
Accumulated depreciation	-	1,655	1,655
Accumulated impairment losses	478	3,572	4,050
	478	5,227	5,705
Net carrying amount	4,243	4,109	8,352

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9. Discontinued operations and disposal group classified as held for sale (contd.)

9.2 Prepaid land lease payments

	2008 RM'000	2007 RM'000
At January	25	27
Amortisation for the year	(2)	(2)
Disposal	(23)	-
At 31 December	<u>-</u>	<u>25</u>

10. Minority interests

The minority shareholders' share of loss in subsidiaries is limited to their share of the paid up capital of these subsidiaries. The balance of the loss amounting to approximately RM12,371,000 (2007: RM12,365,000) will be borne by the Group until such time that these subsidiaries are able to generate profits.

11. Loss per share

Basic

Basic loss per share is calculated by dividing the net loss for the year by the weighted average number of ordinary shares during the year.

	Group	
	2008 RM'000	2007 RM'000
Loss from continuing operations attributable to ordinary equity holders of the Company	(10,095)	(51,256)
Loss from discontinued operations attributable to ordinary equity holders of the Company	<u>(16,101)</u>	<u>(11,489)</u>
Loss attributable to ordinary equity holders of the Company	<u>(26,196)</u>	<u>(62,745)</u>
Weighted average number of ordinary shares in issue ('000)	<u>109,894</u>	<u>400,136</u>
Basic loss per share for (sen):		
Loss from continuing operations	(2.50)	(12.80)
Loss from discontinued operations	<u>(3.90)</u>	<u>(2.90)</u>
	<u>(6.40)</u>	<u>(15.70)</u>

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12. Timber concession rights

	Group	
	2008	2007
	RM'000	RM'000
Timber concession rights, at cost	243,100	243,100
Classified as held for sale (Note 9)	<u>(243,100)</u>	<u>(243,100)</u>
	<u>-</u>	<u>-</u>

Timber concession rights relates to Forest Management Unit Nos. 8 and 13 in the State of Sabah held by a subsidiary, Idris Hydraulic (Malaysia) Bhd. for a period of 94 years, expiring on 9 September 2097.

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13. Property, plant and equipment

Group	*Land and buildings RM'000	Office, other equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
At 31 December 2008				
Cost/valuation				
At 1 January 2008	26,102	33,142	2,273	60,517
Revaluation surplus transferred to asset revaluation reserve	1,399	-	-	1,399
Additions		214	-	214
Disposals	(274)	(687)	(4)	(965)
At 31 December 2008	<u>26,227</u>	<u>32,669</u>	<u>2,269</u>	<u>61,165</u>
Representing:				
At cost	-	32,669	2,269	34,938
At valuation	26,227	-	-	26,227
At 31 December 2008	<u>26,227</u>	<u>32,669</u>	<u>2,269</u>	<u>61,165</u>
Accumulated depreciation and impairment losses				
At 1 January 2008				
Accumulated depreciation	518	29,067	1,653	31,238
Accumulated impairment losses	2,551	-	-	2,551
	<u>3,069</u>	<u>29,067</u>	<u>1,653</u>	<u>33,789</u>
Charge for the year	306	1,497	294	2,097
Transfer to asset revaluation reserve	(882)	-	-	(882)
Disposal	(14)	(687)	(4)	(705)
At 31 December 2008	<u>2,479</u>	<u>29,877</u>	<u>1,943</u>	<u>34,299</u>

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13. Property, plant and equipment (contd.)

	*Land and buildings RM'000	Office, other equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Group				
Net carrying amount				
Accumulated depreciation and impairment losses				
Analysed as:				
Accumulated depreciation	810	29,877	1,943	32,630
Accumulated impairment losses	1,669	-	-	1,669
	<u>2,479</u>	<u>29,877</u>	<u>1,943</u>	<u>34,299</u>
Net carrying amount				
At cost	-	2,792	326	3,118
At valuation	23,748	-	-	23,748
	<u>23,748</u>	<u>2,792</u>	<u>326</u>	<u>26,866</u>
Group				
At 31 December 2007				
Cost/valuation				
At 1 January 2007	25,102	30,637	2,418	58,157
Additions	-	2,505	446	2,951
Disposals	-	-	(591)	(591)
At 31 December 2007	<u>25,102</u>	<u>33,142</u>	<u>2,273</u>	<u>60,517</u>
Representing:				
At cost	-	33,142	2,273	35,415
At valuation	25,102	-	-	25,102
At 31 December 2007	<u>25,102</u>	<u>33,142</u>	<u>2,273</u>	<u>60,517</u>
Accumulated depreciation and impairment losses				
At 1 January 2007				
Accumulated depreciation	323	27,717	1,731	29,771
Accumulated impairment losses	2,551	-	-	2,551
	<u>2,874</u>	<u>27,717</u>	<u>1,731</u>	<u>32,322</u>
Charge for the year	195	1,350	493	2,038
Disposal	-	-	(571)	(571)
At 31 December 2007	<u>3,069</u>	<u>29,067</u>	<u>1,653</u>	<u>33,789</u>

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13. Property, plant and equipment (contd.)

Group	'Land and buildings RM'000	Office, other equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Accumulated depreciation and impairment losses				
Analysed as:				
Accumulated depreciation	518	29,067	1,653	31,238
Accumulated impairment losses	2,551	-	-	2,551
	<u>3,069</u>	<u>29,067</u>	<u>1,653</u>	<u>33,789</u>
Net carrying amount				
At cost	-	4,075	620	4,695
At valuation	22,033	-	-	22,033
	<u>22,033</u>	<u>4,075</u>	<u>620</u>	<u>26,728</u>

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13. Property, plant and equipment (contd.)

*** Land and buildings:**

Group	Freehold land RM'000	Buildings RM'000	Total RM'000
At 31 December 2008			
Valuation			
At 1 January 2008	12,232	12,870	25,102
Revaluation surplus transferred to asset revaluation reserve	1,054	345	1,399
Disposals	-	(274)	(274)
At 31 December 2008	<u>13,286</u>	<u>12,941</u>	<u>26,227</u>
Accumulated depreciation and impairment losses			
At 1 January 2008			
Accumulated depreciation	-	518	518
Accumulated impairment losses	2,373	178	2,551
	<u>2,373</u>	<u>696</u>	<u>3,069</u>
Charge for the year:			
Revaluation surplus transferred to asset revaluation reserve	(704)	(178)	(882)
Disposals	-	(14)	(14)
At 31 December 2008	<u>1,669</u>	<u>810</u>	<u>2,479</u>
Analysed as:			
Accumulated depreciation	-	810	810
Accumulated impairment losses	1,669	-	1,669
	<u>1,669</u>	<u>810</u>	<u>2,479</u>
Net carrying amount	<u>11,617</u>	<u>12,131</u>	<u>23,748</u>

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13. Property, plant and equipment (contd.)

* Land and buildings:

	Freehold land RM'000	Buildings RM'000	Total RM'000
Group			
At 31 December 2007			
Valuation			
At 1 January 2007/31 December 2007	12,232	12,870	25,102
Accumulated depreciation and impairment losses			
At 1 January 2007			
Accumulated depreciation	-	323	323
Accumulated impairment losses	2,373	178	2,551
	2,373	501	2,874
Charge for the year	-	195	195
At 31 December 2007	2,373	696	3,069
Analysed as:			
Accumulated depreciation	-	518	518
Accumulated impairment losses	2,373	178	2,551
	2,373	696	3,069
Net carrying amount	9,859	12,174	22,033

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13. Property, plant and equipment (contd.)

	Motor vehicles RM'000	Office equipments RM'000	Total RM'000
Company			
At 31 December 2008			
Cost			
At 1 January 2008/31 December 2008	1,040	46	1,086
Accumulated depreciation			
At 1 January 2008	781	29	810
Charge for the year	208	9	217
At 31 December 2008	989	38	1,027
Net carrying amount	51	8	59
At 31 December 2007			
Cost			
At 1 January 2007/31 December 2007	1,040	46	1,086
Accumulated depreciation			
At 1 January 2007	573	20	593
Charge for the year	208	9	217
At 31 December 2007	781	29	810
Net carrying amount	259	17	276

- (a) The valuation of land and buildings have been based on the valuation performed on 22 September 2008 by an independent professional valuer. The Company revalues its property at least once in every three years.

Had the land and buildings been carried at historical cost less accumulated depreciation, the net book value that would have been included in the financial statements of the Group as at 31 December 2008 would be RM23,168,000 (2007: RM24,458,000).

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13. Property, plant and equipment (contd.)

(b) Net book value of motor vehicles held under finance lease arrangement are as follows:

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Motor vehicles	51	338	51	259

(c) Property, plant and equipment of the Group costing RM30,050,000 (2007: RM28,200,000) have been fully depreciated and are still in use.

14. Prepaid land lease payments

Long term leasehold land

	Group	
	2008	2007
	RM'000	RM'000
At January	5,744	5,872
Disposal	(73)	-
Amortisation for the year	(58)	(128)
	<u>5,613</u>	<u>5,744</u>
Impairment loss	(45)	-
At 31 December	<u>5,568</u>	<u>5,744</u>

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15. Intangible assets

	Group	
	2008	2007
	RM'000	RM'000
Computer software development costs		
Cost		
At beginning of year	1,451	1,279
Additions	306	172
At end of year	<u>1,757</u>	<u>1,451</u>
Accumulated amortisation		
At beginning of year	1,151	904
Charge for the year	159	247
At end of year	<u>1,310</u>	<u>1,151</u>
Net carrying amount		
At end of year	<u>447</u>	<u>300</u>

16. Property development costs

	Group	
	2008	2007
	RM'000	RM'000
Property development costs at 1 January:		
Leasehold land	6,509	6,509
Development expenditure	32,638	32,638
Exchange differences	(144)	(617)
	<u>39,003</u>	<u>38,530</u>
Cost recognised in income statement:		
At 1 January/31 December	<u>1,833</u>	<u>1,833</u>
Total property development costs	<u>1,833</u>	<u>1,833</u>

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16. Property development costs (contd.)

	Group	
	2008	2007
	RM'000	RM'000
Accumulated impairment losses:		
At 1 January	(22,576)	(22,576)
Property development costs at 31 December	18,260	17,787
Classified as held for sale (Note 9)	(18,260)	(17,787)
	<u>-</u>	<u>-</u>

The assets of the Group have been pledged for the borrowings as disclosed in Note 26.

17. Investment in subsidiaries

	Company	
	2008	2007
	RM'000	RM'000
Unquoted shares, at cost	168,470	133,470
Accumulated impairment losses	(166,989)	(131,989)
	<u>1,481</u>	<u>1,481</u>

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17. Investment in subsidiaries (contd.)

(a) The details of the subsidiaries under the continuing group are as follows:

Name of subsidiaries	Issued and paid-up share capital RM	Equity interest held (%)		Principal activities
		2008	2007	
Incorporated in Malaysia				
Tahan Insurance Malaysia Berhad+ ("Tahan")	100,000,000	100	100	General insurance
F.T. Land Sdn. Bhd.	3,700,303	100	100	Property investment holding, dormant
PCM Synergy Sdn. Bhd.	80,000,000	100	100	Dormant
Talapia Jati Sdn. Bhd.	42,000,000	100	100	Dormant
PICT Solution Sdn. Bhd.	770,010	100	100	Information and communication technology
Straight Effort Sdn. Bhd.	10,000	100	100	Investment holding
Capital Intelligence Asset Managers Sdn. Bhd.	2,400,000	74	74	Dormant
Incorporated in Federal Territory of Labuan				
Idaman Investment Ltd.	US\$200,000	100	100	Dormant
Idaman Solar (Indonesia) Ltd.	US\$10,000	51	51	Dormant
Idaman Mnarch (Philippines) Ltd.	US\$1	100	100	Dormant

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17. Investment in subsidiaries (contd.)

- + The audit report included an emphasis matter in relation to non-compliance of Section 46 of the Insurance Act, 1996 and Regulation 41(1) of the Insurance Regulations, 1996 as reproduced below:

Prior to 1 January and pursuant to Section 46 of the Insurance Act, 1996 and Regulations 41(1) of the Insurance Regulations, 1996, Tahan is required to maintain at all times, an absolute minimum margin of solvency ("MOS") amounting RM50 million for its general business. As at 31 December 2007, the general insurance businesses did not comply with the said requirement and recorded a shortfall of RM73,022,000 (2007: RM75,049,000).

Tahan has been recording a deficit in its MOS position since the financial year ended 31 December 2002.

In order to regularise the MOS position of Tahan, the Company had on 28 May 2007, submitted its proposed capital plan to Bank Negara Malaysia (BNM) in accordance with the requirements of Section 58(3) of the Act.

The proposed capital plan outlined the corrective measures to be taken in order to restore the MOS deficit position of the Tahan, and included the following key action steps:

- The divestment of equity interest in Tahan either fully or partially to a strategic partner and/or
- Disposal of the entire equity interest in Lambang Pertama Sdn. Bhd., a timber concessionaire with the view of raising additional capital to be injected into Tahan.

The Company had actively sought potential strategic partners since that date, to take up an equity interest in Tahan but has been unable to complete the divestment plan up to the date of this report. This plan has not achieved the desired results owing to the inability of the Company and potential strategic partners to agree on a reasonable value to be ascribed to the shares of Tahan.

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17. Investment in subsidiaries (contd.)

- + On 1 January 2009, the Risk-Based Capital Framework ("the RBC Framework"), was introduced as the capital adequacy framework for all insurers licensed under the Insurance Act, 1996. The Framework was imposed by the Minister of Finance, pursuant to Section 23 of the Insurance Act, 1996 as a licensing condition for insurers effective from 1 January 2009. Under the RBC Framework, licensed insurers are required to maintain a supervisory target capital ratio or Minimum Capital Adequacy Ratio ("MCAR") of 130%, failing which supervisory actions by BNM of increasing intensity would be taken to resolve the financial position of the insurer. The MCAR is then used as a benchmark against which an insurer would establish its own higher Internal Target Capital ("ITC").

The Company did not comply with the capital requirements under the RBC Framework and Section 41(1) of Insurance Act.

As there were no arrangements made to ensure that sufficient capital was available to enable Tahan to continue its operations without any significant curtailment in activities and neither were there any capital and operational plans acceptable to BNM to restore the MOS and MCAR, BNM has, via an Order received from the Minister of Finance, taken action to invoke the provisions of Section 59(4)(a) of the Insurance Act, 1996 on Tahan. This is fully described in Note 31(d).

- (b) The details of subsidiaries classified as non-current asset classified as held for sale during the financial year are as follows:

Name of subsidiaries	Issued and paid-up share capital RM	Equity interest held (%)		Principal activities
		2008	2007	
Incorporated in Malaysia				
@ Lambang Pertama Sdn. Bhd.	2	100	100	Investment holding
@ Idris Hydraulic (Malaysia) Bhd. ("IHMB")	13,999,243	100	100	Investment holding
Idris Hydraulic Properties Sdn. Bhd.	25,000,000	100	100	Property development
IHMB Wood Holdings Sdn. Bhd.	2	100	100	Investment holding

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17. Investment in subsidiaries (contd.)

Name of subsidiaries	Issued and paid-up share capital RM	Equity interest held (%)		Principal activities
		2008	2007	
Incorporated in Malaysia				
# IIMB Timber Sdn. Bhd.	2	100	100	Timber trading, dormant
AE Kredit Sdn. Bhd.	8,800,000	100	100	Trading of consumer electrical products, inactive
Idris Bersatu Management Sdn. Bhd.	2	100	100	Investment trading
Inlandpark Sdn. Bhd.	3,850,000	100	100	Provision of ferry services, inactive
*Sagisan Sdn. Bhd.	500,000	100	100	Timber extraction, inactive
*@ Mee Cheong Sdn. Bhd.	1,500,000	100	100	Sawmilling, inactive
*@ Syarikat Sogon Bersaudara Sdn. Bhd.	1,500,000	100	100	Sawmilling, inactive
*@ Tenju Sdn. Bhd.	2,500,000	100	100	Timber concessions, inactive

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17. Investment in subsidiaries (contd.)

Name of subsidiaries	Issued and paid-up share capital RM	Equity interest held (%)		Principal activities
		2008	2007	
Incorporated in Malaysia				
*Bintang Tawau Sdn. Bhd.	1,000,000	100	100	Timber concessions, ceased operations
*@Resolute Enterprise Sdn. Bhd.	500,000	100	100	Timber concessions, ceased operations
*Syarikat Sabakina Sdn. Bhd.	500,000	100	100	Timber concessions, collection of road toll, ceased operations
*@ Kenangan Cergas (M) Sdn. Bhd.	2	100	100	Management services
# ^@ Magnitude Ace (M) Sdn. Bhd.	2	100	100	General trading, dormant
+Idris Hydraulic Industries Sdn. Bhd.	100,000	100	100	Power transmission engineering and construction, dormant
Kekal Asal Sdn. Bhd.	2	100	100	Horse riding facilities, inactive

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17. Investment in subsidiaries (contd.)

Name of subsidiaries	Issued and paid-up share capital RM	Equity interest held (%)		Principal activities
		2008	2007	
Incorporated in Malaysia				
Idris Hydraulic Capital Sdn. Bhd.	2	100	100	Financial services, dormant
Idris Hydraulic Vencap Sdn. Bhd.	2	100	100	Investment trading, dormant
Wiragain Sdn. Bhd.	15,000,000	100	100	Manufacturing of coated fabrics, inactive
Naluri Ultra Sdn. Bhd.	2	100	100	Investment holding
Incorporated in British Virgin Islands				
Klinker Investments Ltd.	US\$100	100	100	Investment holding
Anscan International Ltd.	US\$5,500,000	50% + 1 share	50% + 1 share	Investment holding and project development
Finmark Ltd.	US\$100	50% + 1 share	50% + 1 share	Investment holding, dormant
Flowin Investments Ltd.	US\$2	50% + 1 share	50% + 1 share	Investment holding

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17. Investment in subsidiaries (contd.)

Name of subsidiaries	Issued and paid-up share capital RM	Equity interest held (%)		Principal activities
		2008	2007	
Incorporated in Australia				
APW Pty. Ltd.	A\$12 (ordinary shares of A\$1 each) A\$1,200,000 (redeemable preference shares of A\$1 each)	50% + 1 share	50% + 1 share	Provision of engineering consultancy services, dormant
Incorporated in Myanmar				
* Idris Hydraulic Investment (Myanmar) Ltd.	Kyats \$1,080,000	100	100	Property investment

* Audited by firms of auditors other than Ernst & Young.

@ The audit reports include an emphasis of matter in relation to its going concern due to net current liability position and having a shareholder's deficit.

Struck off on 13 October 2009.

+ Struck off on 4 November 2009.

(c) Disposal of shares in a subsidiary and disposal of subsidiaries

- (i) On 17 January 2007, the Company completed the disposal of 624,000 of ordinary shares of RM1.00 representing 26% of the issued and paid up capital of Capital Intelligence Asset Managers Sdn Bhd to Capital Intelligence Holdings for a cash consideration of RM624,000.

The dilution of shareholding in the subsidiary had the following effects on the financial position of the Group as at the end of the year:

	RM'000
Property, plant & equipment	299
Receivables	2,003
Cash and bank balances	1
Payables	(286)
Net assets	<u>2,017</u>

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17. Investment in subsidiaries (contd.)

(c) Disposal of shares in a subsidiary and disposal of subsidiaries (contd.)

(i)

	RM'000
Net assets disposed	524
Total disposal proceeds	(624)
Gain on disposal to the Group	<u>(100)</u>
Disposal proceeds settled by cash	<u>624</u>
Cash inflow arising on disposal:	
Cash consideration received	624
Cash and cash equivalents	(1)
Net cash inflow of the Group	<u>623</u>

18. Other investments

	Group	
	2008	2007
	RM'000	RM'000
At cost		
Quoted shares in Malaysia	34,657	37,224
Quoted shares outside Malaysia	2	2
Unquoted shares	2,388	2,341
Unit trust	-	15,036
	<u>37,047</u>	<u>54,603</u>
Less: Provision for diminution in value of investment	(15,944)	(894)
	<u>21,103</u>	<u>53,709</u>
Malaysian Government Securities	42,159	55,461
Less: Net amortisation of premiums	(584)	(6,160)
	<u>41,575</u>	<u>49,301</u>
Bonds	138,462	129,430
Add: Net amortisation of premiums	(1,434)	(1,039)
	<u>137,028</u>	<u>128,391</u>
Classified as held for sale (Note 9)	(1,585)	(1,539)
Total investments	<u>198,121</u>	<u>229,862</u>

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18. Other investments (contd.)

	Group	
	2008	2007
	RM'000	RM'000
Market value		
Quoted shares in Malaysia	18,646	36,855
Quoted shares outside Malaysia	2	2
Unit trust	-	15,046
Malaysian Government Securities	42,053	49,497
Cagamas bonds	4,997	4,959
Unquoted Corporate bonds	128,175	121,677
	<u>128,175</u>	<u>121,677</u>

The information on financial risks of other investments are disclosed in Note 35.

19. Loans receivable

	Group	
	2008	2007
	RM'000	RM'000
Secured term loans	4,167	4,167
Staff loans	409	622
	<u>4,576</u>	<u>4,789</u>
Less: Provision for doubtful debts	(1,000)	(300)
	<u>3,576</u>	<u>4,489</u>
Representing:		
Due within one year	165	214
Due after one year	3,411	4,275
	<u>3,576</u>	<u>4,489</u>

The information on financial risks of loans receivable are disclosed in Note 35.

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20. Trade receivables

	Group	
	2008	2007
	RM'000	RM'000
Trade receivables	566	566
Outstanding premiums	24,676	26,930
Due from reinsurers, brokers and co-insurers	29,818	32,270
	<u>55,060</u>	<u>59,766</u>
Less: Provision for doubtful debts	(38,593)	(31,723)
	<u>16,467</u>	<u>28,043</u>
Classified as held for sale (Note 9)	(225)	(225)
	<u>16,242</u>	<u>27,818</u>

The Group's normal trade credit term ranges from 30 to 180 (2007: 30 to 180) days. Other credit terms are assessed and approved on a case-by-case basis. The Group had no significant concentration of credit risk that may arise from exposures to a single debtor or to group of debtors.

21. Other receivables

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Deposits (Note a)	3,988	3,913	2,759	2,755
Prepayments	320	248	-	7
Interest receivable	1,750	2,293	-	-
Tax recoverable	5,051	4,646	-	-
Sundry receivables	15,962	16,546	2	4
Due from subsidiaries (Note b)	-	-	201,073	201,624
Subordinated loan to a subsidiary (Note c)	-	-	-	35,000
Amount due from a joint venture partner of a subsidiary, Straight Effort Sdn. Bhd. (Note d)	-	663	-	-
Amount receivable from disposal of Fujasa (Note e)	16,089	17,188	-	-
	<u>43,170</u>	<u>45,497</u>	<u>203,834</u>	<u>239,390</u>
Less: Provision for doubtful debts	(5,659)	(4,976)	(196,393)	(197,503)
	<u>37,511</u>	<u>40,521</u>	<u>7,441</u>	<u>41,887</u>
Classified as held for sale (Note 9)	(16,218)	(17,397)	-	-
	<u>21,293</u>	<u>23,124</u>	<u>7,441</u>	<u>41,887</u>

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21. Other receivables (contd.)

- (a) Included in deposits of the Group and of the Company is RM2,750,000 in relation to the deposit paid for the proposed acquisition of a 25-storey building for a purchase consideration of RM55,000,000. The Company has informed the vendor of their intention of terminating their agreement and requested for a contra of the deposit against rental due, the outcome is pending.
- (b) Amount due from subsidiaries are non-interest bearing, unsecured and repayable on demand in cash.
- (c) On 26 December 2003, the Company, with the approval of BNM, extended a RM35,000,000 subordinated loan to its subsidiary, Tahan Insurance Malaysia Berhad ("Tahan"). The initial terms of the approval obtained from BNM are as follows:
- (i) that the subordinated loan shall be converted into issued and paid-up share capital of Tahan in the event that additional capital is required in order to meet the solvency margin of the general insurance business of Tahan, within a period of 2 years from the date of approval of the loan;
 - (ii) that the subordinated loan cannot be withdrawn without prior approval being obtained from BNM; and
 - (iii) that the subordinated loan shall not be subjected to any interest or other charges thereon.

The initial deadline for conversion of the subordinated loan into issued and paid-up share capital expired on 20 January 2006. On 20 January 2006, BNM granted the Company an extension of time of up to 31 July 2006 to rectify the shortfall in the margin of solvency for the general business. The extension of time was requested by the Company to allow sufficient time for the completion of the proposed disposal of the life insurance fund of which the cash proceeds were to be utilised to reduce the shortfall in the margin of solvency in the general insurance fund as of 31 December 2005. The shortfall was not rectified even subsequent to the disposal and hence, on 9 August 2006, the Company obtained approval from BNM for a further extension of time up to 31 December 2007.

On 19 December 2007, the Company received a proposal from Tahan requesting the Company to consider converting the subordinated loan of RM35,000,000 and hence, increasing the paid up share capital of Tahan to RM135,000,000 divided into 135,000,000 ordinary share of RM1.00 each. On 8 January 2008, the Company converted the subordinated loan pursuant to the Subordinated Loan Agreement and by virtue of the instruction from BNM dated 9 August 2006.

- (d) The amount due in previous financial year was non-interest bearing and secured against the joint venture partner's contribution in the joint venture company.

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21. Other receivables (contd.)

(e) The amount is receivable via the following:

- (i) On the RM13.2 million assumed liabilities to settle the RSLs, it is repayable on a staggered basis of RM1.1 million for every 3 months for a total period of 36 months. The first payment is within 6 months from the commencement of work on the proposed development undertaken by Fujasa; and
- (ii) On the balance of RM4.5 million, it is repayable on staggered basis of RM900,000 for every 3 months for a total of period 15 months. The first payment is within 3 months from the commencement of work on the proposed development undertaken by Fujasa.

Phase I and Phase II of the proposed development commenced in 2008. The remaining phases of the proposed development is expected to commence by end of year 2009.

22. Cash and bank balances

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash on hand and at bank	9,710	9,639	8	69
Deposits with licensed banks	-	22	-	-
Repo placements with:				
- licensed discount house	25,897	35,231	-	-
- licensed banks	21,923	23,668	-	-
Cash and bank balances	57,530	68,560	8	69
Classified under held for sale (Note 9)	(340)	(428)	-	-
	57,190	68,132	8	69

Included in cash on hand and at banks are sinking funds amounting to RM284,000 (2007: RM274,000) to be used to redeem the Group's borrowings as disclosed in Note 26.

The information on financial risks of cash and bank balances are disclosed in Note 35.

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23. Trade payables

	Group	
	2008	2007
	RM'000	RM'000
Trade payables	3,334	3,336
Provision for outstanding claims	251,906	306,453
Due to reinsurers, brokers and co-insurers	<u>16,117</u>	<u>18,045</u>
	271,357	327,834
Classified as held for sale (Note 9)	<u>(2,536)</u>	<u>(2,536)</u>
	<u>268,821</u>	<u>325,298</u>

The normal trade credit terms for trade payables granted to the Group ranges from 60 to 90 (2007: 60 to 90) days.

	Group	
	2008	2007
	RM'000	RM'000
Gross provision for outstanding claims	317,873	359,056
Less: Recoverable from reinsurers	<u>(124,959)</u>	<u>(140,579)</u>
Net provision for outstanding claims	192,914	218,477
Provision for IBNR claims (Note a)	<u>58,993</u>	<u>87,976</u>
	<u>251,907</u>	<u>306,453</u>

(a) Movement in provision for IBNR

At 1 January	87,976	73,495
(Decrease)/increase in provision	<u>(28,983)</u>	<u>14,481</u>
At 31 December	<u>58,993</u>	<u>87,976</u>

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24. Other payables

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Due to subsidiaries	-	-	1,327	1,394
Due to a director	749	629	731	611
Sundry payables	44,148	39,237	9,243	8,606
Accrued interest	31,094	18,404	-	-
Accruals	4,980	4,577	3,928	3,270
	<u>80,971</u>	<u>62,847</u>	<u>15,229</u>	<u>13,881</u>
Classified as held for sale (Note 9)	(40,921)	(30,114)	-	-
	<u>40,050</u>	<u>32,733</u>	<u>15,229</u>	<u>13,881</u>

The amounts due to subsidiaries and due to a director of the Company are unsecured, non-interest bearing and are repayable on demand.

25. Hire purchase payables

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Minimum payments:				
Not later than 1 year	111	257	88	199
Later than 1 year and not later than 2 years	114	190	-	63
Later than 2 years and not later than 5 years	-	-	-	-
	<u>225</u>	<u>447</u>	<u>88</u>	<u>262</u>
Less : Future finance charges	(19)	(35)	(1)	(10)
Present value of hire purchase payables	206	412	87	252
Classified as held for sale (Note 9)	(119)	(135)	-	-
	<u>87</u>	<u>277</u>	<u>87</u>	<u>252</u>

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25. Hire purchase payables (contd.)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Present value of hire purchase payables:				
Not later than 1 year	87	225	87	199
Later than 1 year and not later than 2 years	-	52	-	53
Later than 2 years and not later than 5 years	-	-	-	-
	<u>87</u>	<u>277</u>	<u>87</u>	<u>252</u>
Analysed as:				
Due within 12 months	87	225	87	199
Due after 12 months	-	52	-	53
	<u>87</u>	<u>277</u>	<u>87</u>	<u>252</u>

The Group has hire purchase contracts for motor vehicles (see Note 13(b)). These contracts have no escalation clauses. There are no restrictions placed upon the Group by entering into these contracts and no arrangements have been entered into for contingent rental payments.

Other information on financial risks of hire purchase payables are disclosed in Note 35.

26. Borrowings

	Group	
	2008 RM	2007 RM
Secured:		
Redeemable Secured Loan Stocks 2003/2008		
RSLs-A	120,870	120,870
RSLs-C	16,970	16,970
RSLs-D	73,664	73,664
	<u>211,504</u>	<u>211,504</u>
Classified as held for sale (Note 9)	<u>(211,504)</u>	<u>(211,504)</u>
	<u>-</u>	<u>-</u>

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26. Borrowings (contd.)

On 20 November 2003, the Company issued 233,989,000 of Redeemable Secured Loan Stocks 2003/2005 ("RSLs") at a nominal value of RM1 each pursuant to the Restructuring Exercise of Idris Hydraulic (Malaysia) Bhd. ("IHMB"). The loan stocks have a zero coupon rate and a maturity date of two (2) years from the date of issue. The loan stocks are unquoted and not transferable.

On 9 December 2005, based on an application submitted by the Company, approval was granted by the Securities Commission for the Extension of RSLs together with consequential amendments to the Trust Deeds. The RSLs now bear a coupon of 4% per annum from year three (3) onwards until the relevant redemption date or maturity date, and is payable in cash before the loan stocks are redeemed or annually at the third (3rd) and fourth (4th) anniversary of the date of issue. The RSLs was supposed to mature on 19 November 2007.

On 17 December 2007, the Company vide its appointed Merchant Banker wrote to Securities Commission (SC) to seek for approval for a further extension period of eighteen (18) months of the RSLs tenure expiring on 19 May 2009. Majority of the RSLs holders had conditionally agreed upon the proposed extension subject to the revision of the coupon rate and the approval from the SC had been obtained on 14 January 2008. The RSLs now bear a coupon of 6% per annum from year five (5) onwards until the relevant redemption date or maturity date and is payable in cash before the loan stocks are redeemed or annually at the third (3rd), fourth (4th), fifth (5th) and six (6) months after the fifth (5th) anniversary date of issue.

On 19 May 2009, the Company announced that the Company is in the midst of securing a further extension of time from the RSLs holders subject to the approval of the regulatory authorities and is in the midst of formulating a plan to redeem the outstanding loan stocks.

The terms of the loan stocks are as follows:

(a) Redeemability

- (i) Redemption by way of proceeds from sale of assets securing the respective redeemable secured loan stocks.
- (ii) Redemption by maturity.

(b) Conversion rights

The redeemable secured loan stocks are non-convertible.

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26. Borrowings (contd.)

The loan stocks are secured against the following:

(a) RSLA-A

- (i) Debenture by way of a fixed and floating charge over all assets and properties of subsidiaries, except for all the shares in Advanced Electronics (M) Sdn. Bhd. ("AESB") and Wiragain Sdn. Bhd. ("WSB");
- (ii) Charge over stocks and shares in certain subsidiaries, Syarikat Sabakir Sdn. Bhd., Bintang Tawau Sdn. Bhd., Resolute Enterprise Sdn. Bhd. and Tenju Sdn. Bhd. of their bonds, debentures, notes, warrants and other securities, dividends, distributions, allotments, interest, rights, offer entitlement accretions and benefits which may accrue, arise or be offered.

(b) RSLA-C

- (i) First party charge over all the shares of a subsidiary, WSB;
- (i) Third party security on the land, plant and machinery of WSB.

(c) RSLA-A, RSLA-C and RSLA-D

- (i) The 50% + 1 share comprising 2,750,001 ordinary shares of USD1.00 each owned by IHMB in Anscan Internacional Ltd.;
- (ii) The three-storey shophouse at 328, Taman Melaka Raya, Jalan Taman Melaka, Melaka owned by IHMB; and
- (iii) A corporate guarantee by Idaman Unggul Berhad, its holding company, in favour of all RSLA, securing the redemption of the RSLA on maturity or the principal owing under the trust deed.

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27. Deferred tax liabilities

	Group	
	2008 RM'000	2007 RM'000
At 1 January	1,353	1,353
Recognised in asset revaluation reserve	570	-
At 31 December	1,923	1,353

Deferred tax liabilities of the Group:

	Revaluation surplus RM'000	Accelerated capital allowances RM'000	Total RM'000
At 1 January 2008	242	1,111	1,353
Recognised in asset revaluation reserve	570	-	570
At 31 December 2008	812	1,111	1,923
At 1 January 2007/31 December 2007	242	1,111	1,353

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Unutilised tax losses	167,052	162,435	7,274	6,946
Unabsorbed capital allowances	43,670	42,770	422	-
Provision for diminution in value for investment	750	743	-	-
Provision for doubtful debts	35,117	30,972	-	-
	246,589	236,920	7,696	6,946

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28. General insurance fund

The balance which relates to the insurance subsidiary was derived as follows:

Group	Fire	Motor	Marine, aviation and transit	Miscellaneous	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2008					
At 1 January	2,009	13,362	270	6,335	21,976
Decrease in insurance reserves	(194)	4,904	187	(1,190)	3,707
At 31 December	<u>1,815</u>	<u>18,266</u>	<u>457</u>	<u>5,145</u>	<u>25,683</u>
2007					
At 1 January	2,849	26,841	429	7,013	36,932
Decrease in insurance reserves	(840)	(13,279)	(159)	(578)	(14,956)
At 31 December	<u>2,009</u>	<u>13,362</u>	<u>270</u>	<u>6,335</u>	<u>21,976</u>

29. Share capital

Group and Company

	Number of ordinary shares of RM1 each		Amount	
	2008 '000	2007 '000	2008 RM'000	2007 RM'000
Authorised:				
At 1 January/31 December	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
At 1 January	406,907	395,571	406,907	395,571
Conversion of ICULS-B (Note 30)	6,042	11,336	6,042	11,336
At 31 December	<u>412,949</u>	<u>406,907</u>	<u>412,949</u>	<u>406,907</u>

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29. Share capital (contd.)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(a) Ordinary shares issued pursuant to conversion of ICULS-B

On 13 August 2007, the Company announced that additional 11,335,999 new stock units of RM1.00 each arising from the conversion will be granted listing and quotation with effect from 15 August 2007.

The remaining ICULS-B as disclosed in Note 30 has been converted to 6,041,889 new stock units of RM1.00 each with effect from 17 November 2008.

The new ordinary shares issued and allotted upon conversion of the ICULS-B rank pari passu in all respects with the existing shares in issue at the conversion date, except that they will not be entitled to any dividends, rights, allotments and/or other distribution the record date of which is prior to such conversion date.

30. Irredeemable Convertible Unsecured Loan Stocks ("ICULS")

Group and Company

	Number of ICULS		Amount	
	2008 '000	2007 '000	2008 RM'000	2007 RM'000
ICULS-B of RM0.10 each				
At 1 January	60,420	173,780	6,042	17,378
Amount converted to ordinary shares (Note 29)	(60,420)	(113,360)	(6,042)	(11,336)
	-	60,420	-	6,042

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30. Irredeemable Convertible Unsecured Loan Stocks ("ICULS") (contd.)

ICULS-B has zero-coupon and is convertible into ordinary shares of the Company from 17 November 2003 to 16 November 2008 at the rate of RM0.10 nominal value of ICULS-B plus cash of RM0.90 or nominal value of ICULS-B to the value of RM1 for 1 ordinary share of RM1 each.

During the financial year, the remaining ICULS-B has been converted to 6,041,889 new stock units of RM1.00 each with effect from 17 November 2008, as disclosed in Note 29.

31. Significant and subsequent events

The significant and subsequent events of the Group and of the Company are as follows:

- (a) On 30 July 2004, a subsidiary, Klinker Investment Ltd. ("KIL") entered into a Share Sale & Purchase Agreement ("SSPA") with O'Keeffe and/or Nominees ("the Purchaser") for the proposed disposal of 2,750,001 issued and paid up ordinary shares of USD1.00 each in Anscan International Ltd. ("AIL") representing 50% plus 1 share of equity interest in AIL for a total sale consideration of RM7,000,000 ("Proposed Disposal").

On 19 June 2008, the Company announced that the said SSPA was terminated. The Company, together with Encrown, the shareholders of AIL, will actively explore the best options available for the mutual benefit of all parties concerned.

- (b) The Group had on 26 June 2008 received an offer from Intan Kuala Lumpur Sdn. Bhd., ("IKLSB") indicating its interest to acquire the land and building and 60% share in the plant and machinery of its subsidiary, Wiragain Sdn. Bhd. for a total consideration of RM6 million free from encumbrances and subject to the satisfaction of the due diligence results.

The Group is in the midst of discussing with IKLSB on the terms and conditions of the SSPA.

- (c) On 6 March 2009, a subsidiary, Capital Intelligence Asset Managers Sdn. Bhd. informed Securities Commission of its intention to voluntarily surrender its Capital Market Services Licence expiring on 8 June 2009, which was approved on 12 March 2009. The Company has ceased operations.

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31. Significant and subsequent events (contd.)

- (d) On 21 May 2009, the Minister of Finance made an Order pursuant to Section 59(4)(a) of the Insurance Act, 1996 and published in the Federal Gazette that Bank Negara Malaysia ("BNM") is authorised to assume control of the whole of the property, business and affairs of a subsidiary, Tahan, and to carry on the whole of its business and affairs or to appoint an appointed person ("the Appointed Person") to do so on behalf of BNM.

In exercising its powers under Paragraph 2 of the Insurance (Assumption of Control) (Tahan Insurance Malaysia Berhad) Order 2009, BNM appointed Mr. Phoon Soon Keong as the Appointed Person on 22 May 2009. Pursuant to Section 62(3) of the Act, the Appointed Person shall be vested with all the powers of the Company and its Board of Directors, under the Company's constituent documents, or exercisable by the Company or its Directors under any written law regardless whether such powers are exercised by resolution.

- (e) On 9 July 2009, the Group announced that a subsidiary, Syarikat Sabakina Sdn Bhd was served with a Winding Up petition by Lembaga Hasil Dalam Negeri Malaysia in respect of the outstanding tax due to Lembaga Hasil for the year assessment 1997. The Company is taking the necessary steps to safeguard its interest. The hearing date for the petition has been fixed on 3 November 2009.
- (f) On 17 November 2009, the Company announced that Idaman has issued a notice to Satin Court Sdn. Bhd. ("SCSB") to terminate the share and purchase agreement dated 31 December 2008 in respect of the proposed disposal of its entire equity interest in Lambang Pertama Sdn Bhd ("LPSB") for a total sale consideration of RM400 million.

LPSB's main asset is the timber concession rights held by Idris Hydraulic (Malaysia)

32. Group rationalisation plan

The Company announced :

- (i) On 17 November 2009, notification was received from the Executive Chairman, Dato' Che Mohd Annuar bin Che Mohd Senawi ("Dato' Annuar"), a substantial shareholder of the Company that he has accepted an offer made by BSI Capital Projects Pty. Limited ("BSI"), a company incorporated in Australia, on behalf of BSI Investment Trust No. 3, to acquire his entire shareholding in the Company comprising 72,245,988 ordinary shares.
- (ii) Further to the announcement mentioned above, on 18 November 2009, BSI issued a letter to the Company outlining the following plans to rationalise and strengthen the Company's financial position :
- (a) to resolve the Redeemable Secured Loan Stocks ("RSLs") via cash injection and sale of the Group's assets;
- (b) to maintain the majority stake in Idris Hydraulic (Malaysia) Bhd, the subsidiary holding the forest management licenses;

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32. Group rationalisation plan (contd.)

- (ii) (c) to develop a vertically integrated timber operation involving saw milling, plywood manufacturing, production of mouldings and mass-produced furniture for both the domestic and overseas markets;
 - (d) to undertake a thorough review of the operations of the Group's insurance asset, Tahan Insurance Malaysia Berhad, and to take any appropriate necessary steps to ensure its future survival and growth;
 - (e) to revive the Laos Hydro Power Station project;
 - (f) to seek further diversification into other areas where synergies can be achieved within the Group, subject to having necessary management and financial resources.
- (iii) It has been granted the extension until 29 November 2009 to submit its Regularisation Plan to the relevant authorities.

The Group and the Company's ability to carry on as a going concern strongly depends on the success of the above rationalisation plan.

33. Contingent liabilities

- (i) Pursuant to the restructuring scheme of IHMB, LPSB being the special purpose vehicle company issued RM233,989,000 nominal value 2 year zero-coupon RSLs in 2003 as partial settlement to the scheme creditors.

The RSLs outstanding as at 31 December 2008 amounting to RM211,504,000 (2007: RM211,504,000) are secured against all assets of LPSB and a corporate guarantee by the Company.

The directors are of the opinion that the recoverable value of the assets of LPSB will be sufficient to redeem the RSLs.

Further details on RSL are disclosed in Note 26.

- (i) In previous year, the Company and its subsidiary, PICT Solution Sdn Bhd, ("PICT"), were served with a copy of Writ of Summons by MRCB Selborm Corporation Sdn Bhd ("MRCB") with the statement of claim amounting to RM7,649,945 and RM767,142 respectively. The claim consist of unpaid portion of further rental charges of RM3,401,664 and RM654,864 respectively for the period in which the Company and PICT had already vacated the premises, as well as the increase the increase in rental charges during the tenancy period amounting to RM9,365 for PICT.

Both the Company and PICT are disputing the amounts and is of the view that there is no basis for such amounts to be reviewed.

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34. Significant related party transactions

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

	Company	
	2008 RM'000	2007 RM'000
Receipts:		
- Management fees from subsidiary	317	319
Payments:		
- Advances to subsidiaries	-	(6)

The directors are of the opinion that the transactions above have been entered into in the normal course of business.

- (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Short-term employee benefits	604	558	604	544
Fees	-	60	-	-
Allowance	91	72	91	60
Post employment benefits:				
Defined contribution plan	59	81	59	81
	<u>754</u>	<u>781</u>	<u>754</u>	<u>685</u>

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35. Financial instruments

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity, market and credit risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

(b) Foreign exchange risk

The Group's foreign currency transaction exposure arises primarily on reinsurance transactions of a subsidiary with foreign reinsurance companies and brokers, which are transacted in United States Dollars ("USD"). Foreign currency exposures arising therewith are minimal, as the fluctuations in USD against Ringgit Malaysia are not significant.

(c) Interest rate risk

The Group's primary interest rate risk arises from differences in maturities of its assets and liabilities and the reinvestment of interest-bearing assets to meet long term liabilities. The Group's primary interest rate risk in this respect, relates to its interest-bearing assets and hire purchase payables.

The interest-bearing assets are made up primarily of placements with licensed banks and financial institutions (fixed and call deposits, and securities purchased under repurchase agreements), as well as other interest-bearing instruments classified under investments. These include Malaysian Government Securities, Cagamas bonds and bonds issued by corporations in Malaysia. The interest rate risk in this respect arises from fluctuations in market interest rate which may affect reinvestment decisions for these interest-bearing assets.

Management of interest rate risk is also largely guided by the need to comply with the solvency requirements of Section 95 of the Insurance Act, 1996, wherein the subsidiary in the insurance segment is required to invest a minimum amount of funds in low risk assets, defined by BNM to include the above mentioned instruments. Consequently, the maintenance of a prudent mix of short and longer term interest-bearing assets as well as continuous reviews of the portfolio mix therewith are key factors in ensuring that the returns generated from these assets commensurate, given the risk profiles of the instruments involved.

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35. Financial instruments (contd.)

(c) Interest rate risk (contd.)

The following tables set out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the balance sheet date and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

Group	Note	WAEIR %	Within		More than 5 years RM'000	Total RM'000
			1 year RM'000	1 - 5 years RM'000		
At 31 December 2008						
Fixed rate						
Hire purchase payables	25	5.3	(87)	-	-	(87)
Floating rate						
Malaysian Government Securities	18	3.70	16,555	25,020	-	41,575
Cagamas bonds	18	3.66	-	5,000	-	5,000
Corporate bonds	18	4.36	15,108	87,582	29,338	132,028
Loans receivable	19	4.00	155	3,411	-	3,575
Repo placements with licensed banks	22	2.80	21,923	-	-	21,923
Repo placements with licensed licensed discount house	22	3.28	25,897	-	-	25,897

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35. Financial instruments (contd.)

(c) Interest rate risk (contd.)

At 31 December 2007

Group	Note	WAEIR %	Within 1 year RM'000	Within 1 - 5 years RM'000	More than 5 years RM'000	Total RM'000
Fixed rate						
Hire purchase payables	25	5.3	(225)	(52)	-	(277)
Floating rate						
Malaysian Government Securities	18	3.57	31,024	18,277	-	49,301
Cagamas bonds	18	3.68	-	5,000	-	5,000
Bonds	18	4.06	23,043	70,924	29,424	123,391
Loans receivable	19	4.00	214	4,275	-	4,489
Repo placements with licensed banks	22	3.45	23,668	-	-	23,668
Repo placements with licensed licensed discount house	22	3.26	35,231	-	-	35,231

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35. Financial instruments (contd.)

(c) Interest rate risk (contd.)

	Note	WAEIR %	Within 1 year RM'000	Within 1 - 5 years RM'000	Total RM'000
Company					
At 31 December 2008					
Fixed rate					
Hire purchase payables	25	5.3	(87)	-	(87)
At 31 December 2007					
Fixed rate					
Hire purchase payables	25	5.3	(199)	(53)	(252)

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 30 days (2007: 30 days). The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

(d) Liquidity risk

A significant amount of investible funds are placed with licensed financial institutions as fixed and call deposits, and other money market instruments. The Group continuously endeavours to manage the maturity profiles of these instruments in order to ensure that sufficient funds are available at all times, to meet the day to day working capital requirements.

(e) Market risk

The Group's investments in quoted securities and unit trust funds are subject to fluctuations in market prices. The Group does not use derivative financial instruments to manage market related risks.

The quoted securities portfolio of the Group is made up of shares, warrants and rights issued by fundamentally sound corporations, and which have a proven dividend payment track record. In addition, the Group has clear investment guidelines and authority limits to ensure that the funds invested are not exposed to significant risks.

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35. Financial Instruments (contd.)

(f) Credit risk

Credit risk, or the risk of counter-parties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via limiting Group's associations to business partners with good creditworthiness and ratings.

The Group does not have significant exposures or concentration of credit risk related to any financial instrument. A significant portion of investments are placed in Malaysian Government Securities, Cagamas bonds, corporate bonds and placements with licensed banks and financial institutions in Malaysia, which are generally considered low risk assets. The counter-parties to financial instruments consist of a number of prime banks, financial institutions and corporations with good credit ratings. The Group does not expect any of these counter-parties to default.

(g) Fair values

Generally, the fair values of the financial assets and liabilities of the Group approximate their fair values, owing to their relatively short term maturity, except for the following:

	2008		2007	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets:				
Quoted shares in Malaysia	18,646	18,646	36,263	36,855
Unit trust	-	-	15,036	15,046
Malaysian Government Securities	41,575	42,053	49,301	49,497
Cagamas bonds	5,000	4,997	5,000	4,959
Unquoted Corporate bonds	132,028	128,175	123,391	121,677
Financial liabilities:				
Hire purchase payables	87	*	412	*

* The fair value of hire purchase payables is estimated by discounting the expected future cash flows using current interest rates for liabilities with similar risk profiles. In the opinion of the directors, there is no significant difference between the fair value and book value of this financial liability.

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35. Segment information

Business segments:

The Group is organised into two major business segments:

- (i) Insurance - all classes of general insurance business
- (ii) Others - investment holding and dormant

As disclosed in Note 9, LPSB, has been presented on the consolidated balance sheet as a disposal group held for sale and results from this group is presented separately on the consolidated income statement as discontinued operation, which has been disclosed as a separate segment distinct from other business segments.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

No geographical segments are disclosed as the Group's operations, assets and liabilities are concentrated primarily in Malaysia, with immaterial contributions by other geographical segments.

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36. Segment information (contd.)

	←--- Continuing operations-----→				Discontinued operations Others RM'000	Total operations RM'000
	Insurance RM'000	Others RM'000	Elimination RM'000	Total RM'000		
2008						
Revenue						
External sales	75,196	-	-	75,196	-	75,196
Intra-segment sales	-	317	(317)	-	-	-
Total revenue	75,196	317	(317)	75,196	-	75,196
Results						
Loss before tax	(9,156)	(36,853)	35,852	(10,157)	(6,101)	(26,256)
Income tax expense	-	(16)	-	(16)	-	(16)
Loss for the year	(9,156)	(36,869)	35,852	(10,173)	(6,101)	(26,274)

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36. Segment information (contd.)

	<--- Continuing operations----->					Total operations RM'000
	Insurance RM'000	Others RM'000	Elimination RM'000	Total RM'000	Discontinued operations Others RM'000	
2008						
Other information						
Segment assets	433,471	122,927	(227,095)	329,303	291,713	621,016
Segment liabilities	408,974	19,300	(112,285)	315,989	262,526	578,515
General insurance funds	25,683	-	-	25,683	-	25,683
Depreciation and amortisation	1,849	306	-	2,155	55	2,210
Impairment losses	-	-	-	-	628	628

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36. Segment information (contd.)

	←--- Continuing operations----->				Total operations RM'000
	Insurance RM'000	Others RM'000	Elimination RM'000	Total RM'000	
2007					
Revenue					
External sales	82,228	-	-	82,228	82,228
Inter-segment sales	-	325	(325)	-	-
Total revenue	82,228	325	(325)	82,228	82,228
Results					
Loss before tax	(46,155)	(18,343)	15,925	(48,573)	(60,060)
Income tax expense	(2,818)	(11)	-	(2,829)	(2,831)
Loss for the year	(48,973)	(18,354)	15,925	(51,402)	(62,891)

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36. Segment information (contd.)

	←--- Continuing operations →---				Discontinued operations Others RM'000	Total operations RM'000
	Insurance RM'000	Others RM'000	Elimination RM'000	Total RM'000		
2007						
Other information						
Segment assets	189,590	156,564	(261,927)	386,197	203,217	679,414
Segment liabilities	492,262	18,099	(145,592)	364,769	251,735	616,504
General insurance funds	21,976	-	-	21,976	-	21,976
Depreciation and amortisation	1,795	371	-	2,166	79	2,245
Impairment losses	-	-	-	-	633	633