

289527-H

LAMBANG PERTAMA SDN. BHD.
(Incorporated in Malaysia)

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LAMBANG PERTAMA SDN. BHD.
(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 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The Company has been incorporated solely to facilitate the Restructuring Exercise of Idris Hydraulic (Malaysia) Bhd. with a single purpose to redeem the Redeemable Secured Loan Stocks issued as part of the said exercise.

The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements.

RESULTS

	Group RM	Company RM
Net loss for the year	<u>5,301,843</u>	<u>1,010,929</u>

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

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

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
Haji Hussein bin Hamzah (appointed on 30 November 2005)
Chiew Yoke Kun (resigned on 1 December 2005)

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 acquisition of shares in or debentures 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 4 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.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interest of directors in office at the end of the financial year in shares or irredeemable convertible unsecured loan stocks ("ICULS") in the Company or its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			
	1 January 2005	Purchased	Sold	31 December 2005
Ultimate Holding Company				
- Idaman Unggul Berhad				
Direct Interest				
Dato' Che Mohd Annuar bin Che Mohd Senawi	60,709,989	200,000	-	60,909,989

	Number of ICULS-B of RM0.10 Each			
	1 January 2005	Purchased	Sold	31 December 2005
Ultimate Holding Company				
- Idaman Unggul Berhad				
Direct Interest				
Dato' Che Mohd Annuar bin Che Mohd Senawi	113,359,991	-	-	113,359,991

DIRECTORS' INTERESTS (CONTD.)

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

The other director in office at the end of the financial year had no interest in shares or ICULS in the Company or its related corporations during the financial year.

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 for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company 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.

OTHER STATUTORY INFORMATION (CONTD.)

(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.

(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.

SIGNIFICANT EVENTS

The significant events are as disclosed in Note 25 to the financial statements.

SUBSEQUENT EVENT

The subsequent event is as disclosed in Note 26 to the financial statements.

AUDITORS

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

Signed in accordance with a resolution of the directors.

Dato' Che Mohd Annuar bin Che Mohd Senawi

Haji Hussein bin Hamzah

Selangor, Malaysia
28 April 2006

**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 the two directors of Lambang Pertama Sdn. Bhd., do hereby state that, in our opinion, the accompanying financial statements set out on pages 8 to 53 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed in accordance with a resolution of the directors.

Dato' Che Mohd Annuar bin Che Mohd Senawi

Haji Hussein bin Hamzah

Selangor, Malaysia
28 April 2006

**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 Lambang Pertama Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 53 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
Mohd Senawi at Kuala Lumpur in the
Federal Territory on 28 April 2006

Dato' Che Mohd Annuar bin Che Mohd Senawi

Before me,

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**REPORT OF THE AUDITORS TO THE MEMBER OF
LAMBANG PERTAMA SDN. BHD.
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 8 to 53. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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**REPORT OF THE AUDITORS TO THE MEMBER OF
LAMBANG PERTAMA SDN. BHD. (CONTD.)
(Incorporated in Malaysia)**

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 10 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements 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.

The auditors' reports on the financial statements of the subsidiaries 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.

Ernst & Young
AF: 0039
Chartered Accountants

George Koshy
No. 1846/07/07(J)
Partner

Kuala Lumpur, Malaysia
28 April 2006

LAMBANG PERTAMA SDN. BHD.
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

		Group		Company	
	Note	2005	2004	2005	2004
		RM	RM	RM	RM
Revenue	3	21,190,171	21,138,807	-	-
Other income		5,158,451	1,375,005	-	-
Changes in stock of finished goods		245,162	(273,904)	-	-
Purchases		(17,733,107)	(14,242,727)	-	-
Staff costs	4	(2,648,327)	(2,411,113)	-	-
Depreciation		(215,068)	(347,737)	-	-
Other expenses		(10,268,217)	(40,987,578)	(2,542)	(2,521)
Loss from operations		(4,270,935)	(35,749,247)	(2,542)	(2,521)
Finance costs	5	(1,012,154)	(4,090)	(1,008,387)	-
Loss before taxation	6	(5,283,089)	(35,753,337)	(1,010,929)	(2,521)
Taxation	7	(18,754)	(30,972)	-	-
Net loss for the year		(5,301,843)	(35,784,309)	(1,010,929)	(2,521)

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

LAMBANG PERTAMA SDN. BHD.
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2005

	Note	Group		Company	
		2005	2004	2005	2004
		RM	RM	RM	RM
NON-CURRENT ASSETS					
Timber concession rights	8	146,808,510	148,404,255	-	-
Property, plant and equipment	9	16,848,498	20,252,731	-	-
Investment in subsidiaries	10	-	-	1	1
Investment in an associate	11	-	-	-	-
Other investments	12	1,093,229	1,093,229	-	-
		<u>164,750,237</u>	<u>169,750,215</u>	<u>1</u>	<u>1</u>
CURRENT ASSETS					
Development properties	13	47,830,996	47,830,996	-	-
Inventories	14	1,030,390	785,228	-	-
Trade receivables	15	5,215,240	4,054,669	-	-
Other receivables	16	455,110	488,751	213,989,000	213,989,000
Marketable securities	12	659,024	209,536	-	-
Cash and bank balances	17	3,185,312	3,580,363	2	2
		<u>58,376,072</u>	<u>56,949,543</u>	<u>213,989,002</u>	<u>213,989,002</u>
CURRENT LIABILITIES					
Trade payables	18	14,405,954	16,730,716	-	-
Other payables	19	25,703,952	22,120,015	1,012,847	4,732
Hire purchase payables	21	31,713	27,907	-	-
Taxation		7,455,210	7,446,824	-	-
		<u>47,596,829</u>	<u>46,325,462</u>	<u>1,012,847</u>	<u>4,732</u>
NET CURRENT ASSETS		<u>10,779,243</u>	<u>10,624,081</u>	<u>212,976,155</u>	<u>213,984,270</u>
		<u>175,529,480</u>	<u>180,374,296</u>	<u>212,976,156</u>	<u>213,984,271</u>

LAMBANG PERTAMA SDN. BHD.
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2005 (CONTD.)

	Note	Group		Company	
		2005	2004	2005	2004
		RM	RM	RM	RM
REPRESENTING:					
Share capital	22	2	2	2	2
Reserves		<u>(238,521,648)</u>	<u>(233,348,980)</u>	<u>(1,017,191)</u>	<u>(6,262)</u>
Shareholder's deficit		<u>(238,521,646)</u>	<u>(233,348,978)</u>	<u>(1,017,189)</u>	<u>(6,260)</u>
Due to ultimate holding company	23	199,911,008	199,717,121	4,345	1,531
Hire purchase payables	21	151,118	17,153	-	-
Borrowings	24	<u>213,989,000</u>	<u>213,989,000</u>	<u>213,989,000</u>	<u>213,989,000</u>
Non-current liabilities		<u>414,051,126</u>	<u>413,723,274</u>	<u>213,993,345</u>	<u>213,990,531</u>
		<u>175,529,480</u>	<u>180,374,296</u>	<u>212,976,156</u>	<u>213,984,271</u>

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

LAMBANG PERTAMA SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

	Share capital RM	<-----Reserves----->		Total RM
		Non- distributable Exchange reserve RM	Accumulated losses RM	
Group				
At 1 January 2004	2	154	(197,502,720)	(197,502,564)
Currency translation differences	-	(62,105)	-	(62,105)
Net loss for the year	-	-	(35,784,309)	(35,784,309)
At 31 December 2004	2	(61,951)	(233,287,029)	(233,348,978)
Currency translation differences	-	129,175	-	129,175
Net loss for the year	-	-	(5,301,843)	(5,301,843)
At 31 December 2005	2	67,224	(238,588,872)	(238,521,646)
		Share capital RM	Accumulated losses RM	Total RM
Company				
At 1 January 2004		2	(3,741)	(3,739)
Net loss for the year		-	(2,521)	(2,521)
At 31 December 2004		2	(6,262)	(6,260)
Net loss for the year		-	(1,010,929)	(1,010,929)
At 31 December 2005		2	(1,017,191)	(1,017,189)

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

LAMBANG PERTAMA SDN. BHD.
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(5,283,089)	(35,753,337)	(1,010,929)	(2,521)
Adjustments for:				
Provision for/(write back of) doubtful debts	119,317	(4,679,683)	-	-
Bad debts written off	211,277	-	-	-
(Write back of)/provision for diminution in value of investment	(348)	20,816	-	-
Provision for liquidated ascertained damages	1,145,578	-	-	-
(Gain)/loss on disposal of subsidiaries	(12,940)	3,530,950	-	-
Gain on disposal of other investments	(168,181)	-	-	-
Loss on disposal of other investments	209,044	-	-	-
Gain on dissolution of a subsidiary	(272,660)	-	-	-
Amortisation of timber concession rights	1,595,745	1,595,745	-	-
Impairment losses				
- land and development expenditure	-	27,728,025	-	-
- property, plant and equipment	3,387,789	855,040	-	-
Depreciation	215,068	347,737	-	-
Gain on disposal of property, plant and equipment	(9,000)	(137,850)	-	-
Write back of overprovision of accruals	(2,999,262)	-	-	-
Short-term accumulating compensated absences	3,385	43,218	-	-
Interest expense	1,012,154	4,090	1,008,387	-
Interest income	(54,501)	(25,943)	-	-
Operating loss before working capital changes	(900,624)	(6,471,192)	(2,542)	(2,521)

LAMBANG PERTAMA SDN. BHD.
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTD.)

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Increase)/decrease in working capital:				
Inventories	(245,162)	273,904	-	-
Receivables	(2,454,275)	3,483,776	-	20,000,000
Payables	2,570,574	23,842,282	2,542	2,521
Cash (used in)/generated from operations	(1,029,487)	21,128,770	-	20,000,000
Taxes paid	(13,617)	(855,521)	-	-
Net cash (used in)/generated from operating activities	(1,043,104)	20,273,249	-	20,000,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposal of subsidiaries (Note 10)	10,000	(1,388)	-	-
Interest received	54,501	25,943	-	-
Purchase of property, plant and equipment	(28,162)	(122,625)	-	-
Proceeds from disposal of property, plant and equipment	9,000	437,480	-	-
Proceeds from disposal of other investments	509,997	-	-	-
Additional investment in marketable securities	-	(60,558)	-	-
Net cash generated from investing activities	555,336	278,852	-	-

LAMBANG PERTAMA SDN. BHD.
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTD.)

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of hire purchase financing	(36,458)	(30,073)	-	-
Redemption of redeemable secured loan stocks	-	(20,000,000)	-	(20,000,000)
Net cash used in financing activities	<u>(36,458)</u>	<u>(20,030,073)</u>	<u>-</u>	<u>(20,000,000)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS				
EFFECTS OF EXCHANGE RATE CHANGES	(524,226)	522,028	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	<u>3,580,363</u>	<u>3,120,440</u>	<u>2</u>	<u>2</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR (NOTE 17)	<u>3,185,312</u>	<u>3,580,363</u>	<u>2</u>	<u>2</u>

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

LAMBANG PERTAMA SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

1. CORPORATE INFORMATION

The principal activity of the Company is that of investment holding. The Company has been incorporated solely to facilitate the Restructuring Exercise of Idris Hydraulic (Malaysia) Bhd. with a single purpose to redeem the Redeemable Secured Loan Stocks issued as part of the said exercise. The principal activities of the subsidiaries are disclosed in Note 10. There have been no significant changes in the nature of these activities during the financial year.

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The principal place of business and registered office of the Company is located at Level 20, Menara MRCB, No. 2, Jalan Majlis 14/10, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan.

The holding and ultimate holding company of the Company is Idaman Unggul Berhad, a public limited liability company incorporated in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad.

The number of employees in the Group and in the Company at the end of the financial year were 39 (2004: 80) and Nil (2004: Nil) respectively. The books and records of the Company are maintained by the employees of its holding company, Idaman Unggul Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 April 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation. Goodwill is written off to income statement as and when it is incurred.

Material intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interests in the consolidated balance sheet consist of the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the subsidiaries as at the date of acquisition and the minorities' share of post acquisition reserves, profit or losses to the extent of minority interest in the equity of the subsidiaries or to the extent the minority has a binding obligation to, and is able to, make good the losses.

(ii) Associates

The Group treats associates as those enterprise in which it has a long term equity interest and where it exercises significant influence through management and/or board participation. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over these policies.

The difference between the purchase consideration and the fair value of net identifiable assets acquired is reflected as goodwill or negative goodwill on acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation (Contd.)

(ii) Associates (Contd.)

Equity accounting involve recognising in the consolidated income statements the Group's share of financial results of associates based on the latest audited or management financial statements of the enterprise concerned. In the consolidated balance sheet, the Group's interest is stated at cost plus the Group's share of post acquisition retained profits less losses and reserves, after adjusting for the goodwill or negative goodwill on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

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

(c) Investments in Subsidiaries and Associates

The Company's investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(1).

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

(d) Revenue Recognition

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

(i) 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.

(ii) Sales of Goods

Revenue relating to sale of goods is recognised net of discounts upon the transfer of risks and rewards.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Revenue Recognition (Contd.)

(iii) Interest Income

Interest income is recognised on an accrual basis.

(iv) 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, income is recognised on receipt basis until all arrears have been paid.

(v) Revenue from Services

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

(vi) Dividend Income

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

(e) 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 stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised in income statement over the period of the concession rights of 94 years. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

(f) Foreign Currencies

(i) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Foreign Currencies (Contd.)

(ii) Foreign Entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2005	2004
	RM	RM
United States Dollars ("US\$")	3.78	3.80
Pound Sterling ("£")	-	7.32
Australia Dollars ("A\$")	2.77	2.96
Myanmar Kyats	<u>0.62</u>	<u>0.61</u>

(g) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

Freehold land is not depreciated. Leasehold land are depreciated over the period of the respective leases which ranges from 20 to 99 years. 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%
Plant and machinery	10% to 20%
Office, other equipment, furniture and fittings	10% to 20%
Motor vehicles	14% to 20%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(h) Inventories

Inventories are stated at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost of finished goods includes direct cost plus the cost of bringing the inventories to its location. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Land Held for Property Development and Property Development Costs

(i) Land Held for Property Development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(1).

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

(ii) Property Development Costs

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Land Held for Property Development and Property Development Costs (Contd.)

(ii) Property Development Costs (Contd.)

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.

(j) 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 differences arises from the initial recognition of an asset or liability which at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(k) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(m) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(n) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and 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 ("EPF"). The Group's foreign subsidiaries make contributions to their country's statutory pension scheme. Such contributions are recognised as an expense in the income statement as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) Finance Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

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 Company's incremental borrowing rate is used.

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

The depreciation policy for lease assets is consistent with that for depreciable property, plant and equipment as described in Note 2(g).

(p) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, 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 recognised directly in 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) Other Investments

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 the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Financial Instruments (Contd.)

(i) Other Investments (contd.)

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.

(ii) 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.

(iii) Payables

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

(iv) 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.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3. REVENUE

Revenue of the Group consists of the following:

	Group	
	2005	2004
	RM	RM
Sales of goods		
- electrical products	20,055,359	17,533,193
- timber	774,812	3,245,614
Management fee from a fellow subsidiary	360,000	360,000
	<u>21,190,171</u>	<u>21,138,807</u>

4. STAFF COSTS

	Group	
	2005	2004
	RM	RM
Wages and salaries	2,080,030	1,776,509
Short term accumulating compensated absences	3,385	43,218
Social security costs	18,472	19,548
Pension costs - defined contribution plans	187,796	234,595
Other staff related expenses	358,644	337,243
	<u>2,648,327</u>	<u>2,411,113</u>

Included in staff costs of the Group are salaries and other emoluments paid to directors of the Group amounting to RM451,900 (2004: RM168,000).

The estimated monetary value of other benefits not included in the above received by the directors of the Group was RM9,400 (2004: RM9,400).

5. FINANCE COSTS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Interest expense on:				
Redeemable Secured				
Loan Stocks	1,008,387	-	1,008,387	-
Hire purchase payables	3,767	4,090	-	-
	<u>1,012,154</u>	<u>4,090</u>	<u>1,008,387</u>	<u>-</u>

6. LOSS BEFORE TAXATION

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

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Audit fees	91,000	80,000	1,000	2,300
Provision for/(write back of) doubtful debts	119,317	(4,679,683)	-	-
Bad debts recovered	(10,000)	-	-	-
Bad debts written off	211,277	-	-	-
Rental of premises	88,267	59,148	-	-
Hire of equipment	1,931	-	-	-
Amortisation of timber concession rights	1,595,745	1,595,745	-	-
Impairment losses				
- land and development expenditure	-	27,728,025	-	-
- property, plant and equipment	3,387,789	855,040	-	-
(Write back of)/provision for diminution in value of investment	(348)	20,816	-	-
Interest income	(54,501)	(25,943)	-	-
Provision for liquidated ascertained damages	1,145,578	-	-	-
(Gain)/loss on disposal of subsidiaries (Note 10)	(12,940)	3,530,950	-	-
Gain on disposal of other investments	(168,181)	-	-	-
Loss on disposal of other investments	209,044	-	-	-
Gain on disposal of property, plant and equipment	(9,000)	(137,850)	-	-
Write back of overprovision of accruals	(2,999,262)	-	-	-
Gain on dissolution of a subsidiary (Note 10)	(272,660)	-	-	-
Rental income	(9,000)	-	-	-

7. TAXATION

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Malaysian income tax:				
Current year	7,599	30,972	-	-
Underprovision in prior years	11,155	-	-	-
Tax expense for the year	<u>18,754</u>	<u>30,972</u>	<u>-</u>	<u>-</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. 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:

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Loss before taxation	<u>(5,283,089)</u>	<u>(35,753,337)</u>	<u>(1,010,929)</u>	<u>(2,521)</u>
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	(1,479,265)	(10,010,934)	(283,060)	(706)
Income not subject to tax	(51,137)	(591,170)	-	-
Expenses not deductible for tax purposes	1,578,662	11,028,057	-	-
Utilisation of previously unrecognised tax losses and capital allowances	(1,167,252)	(679,214)	-	-
Deferred tax asset not recognised	452,929	48,963	-	-
Underprovision of tax expense in prior years	11,155	-	-	-
Tax losses not allowable for future utilisation	<u>673,662</u>	<u>235,270</u>	<u>283,060</u>	<u>706</u>
Tax expense for the year	<u>18,754</u>	<u>30,972</u>	<u>-</u>	<u>-</u>

7. TAXATION (CONTD.)

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Unutilised tax losses are analysed as follows:				
Tax savings during the year arising from:				
Utilisation of current year tax losses	858	-	-	-
Utilisation of tax losses brought forward from previous years	4,089,541	158,707	-	-
Unutilised tax losses carried forward	<u>10,864,300</u>	<u>14,953,841</u>	<u>-</u>	<u>-</u>

Unabsorbed capital allowances are analysed as follows:

Tax savings recognised during the year arising from:				
Utilisation of current year capital allowances	-	4,371	-	-
Utilisation of unabsorbed capital allowances brought forward from previous years	79,216	147,000	-	-
Unabsorbed capital allowances carried forward	<u>4,670,872</u>	<u>4,750,088</u>	<u>-</u>	<u>-</u>

The availability of the unutilised tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries are subject to no substantial changes in shareholdings of the respective subsidiaries under Section 44(5A) and 5(B) of the Income Tax Act, 1967.

8. TIMBER CONCESSION RIGHTS

	Group	
	2005	2004
	RM	RM
Timber concession rights, at cost	150,000,000	150,000,000
Less: Accumulated amortisation	<u>(3,191,490)</u>	<u>(1,595,745)</u>
	<u>146,808,510</u>	<u>148,404,255</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.

9. PROPERTY, PLANT AND EQUIPMENT

Group	* Land and buildings RM	Plant and machinery RM	Office, other equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Cost					
At 1 January 2005	18,013,687	34,491,868	1,902,261	795,419	55,203,235
Additions	-	552	27,610	170,462	198,624
Disposals	-	-	-	(6,411)	(6,411)
At 31 December 2005	<u>18,013,687</u>	<u>34,492,420</u>	<u>1,929,871</u>	<u>959,470</u>	<u>55,395,448</u>
Accumulated Depreciation and Impairment Losses					
At 1 January 2005					
Accumulated depreciation	2,525,463	16,184,212	1,495,364	699,503	20,904,542
Accumulated impairment losses	2,427,145	11,585,896	32,921	-	14,045,962
	<u>4,952,608</u>	<u>27,770,108</u>	<u>1,528,285</u>	<u>699,503</u>	<u>34,950,504</u>
Depreciation	74,892	16,005	90,578	33,593	215,068
Impairment losses for the year	2,018,484	1,363,201	6,104	-	3,387,789
Disposals	-	-	-	(6,411)	(6,411)
At 31 December 2005	<u>7,045,984</u>	<u>29,149,314</u>	<u>1,624,967</u>	<u>726,685</u>	<u>38,546,950</u>

9. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	* Land and buildings RM	Plant and machinery RM	Office, other equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Group (Contd.)					
Analysed as:					
Accumulated depreciation	2,600,355	16,200,217	1,585,942	726,685	21,113,199
Accumulated impairment losses	4,445,629	12,949,097	39,025	-	17,433,751
	<u>7,045,984</u>	<u>29,149,314</u>	<u>1,624,967</u>	<u>726,685</u>	<u>38,546,950</u>
Net Book Value					
At 31 December 2005	10,967,703	5,343,106	304,904	232,785	16,848,498
At 31 December 2004	13,061,079	6,721,760	373,976	95,916	20,252,731
Depreciation charge for 2004	196,514	15,982	107,271	27,970	347,737
Impairment losses for 2004	107,297	740,355	7,388	-	855,040
Details at 1 January 2004					
Cost	18,371,687	35,508,611	3,622,512	2,172,581	59,675,391
Accumulated depreciation	2,390,645	17,184,973	3,192,648	2,083,690	24,851,956
Accumulated impairment losses	2,319,848	10,845,541	25,533	-	13,190,922

9. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

* Land and Buildings

Group	Freehold Land RM	Leasehold Land RM	Buildings RM	Total RM
Cost				
At 1 January 2005/ 31 December 2005	4,721,267	2,257,540	11,034,880	18,013,687
Accumulated Depreciation and Impairment Losses				
At 1 January 2005				
Accumulated depreciation	-	429,417	2,096,046	2,525,463
Accumulated impairment losses	-	2,307	2,424,838	2,427,145
	-	431,724	4,520,884	4,952,608
Depreciation	-	48,661	26,231	74,892
Impairment losses for the year	477,889	213,681	1,326,914	2,018,484
At 31 December 2005	477,889	694,066	5,874,029	7,045,984
Analysed as:				
Accumulated depreciation	-	478,078	2,122,277	2,600,355
Accumulated impairment losses	477,889	215,988	3,751,752	4,445,629
	477,889	694,066	5,874,029	7,045,984
Net Book Value				
At 31 December 2005	4,243,378	1,563,474	5,160,851	10,967,703
At 31 December 2004	4,721,267	1,825,816	6,513,996	13,061,079

9. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

* Land and Buildings (contd.)

	Freehold Land RM	Leasehold Land RM	Buildings RM	Total RM
Depreciation charge for 2004	-	98,402	98,112	196,514
Impairment losses for 2004	-	-	107,297	107,297
Details at 1 January 2004				
Cost	4,744,267	2,592,540	11,034,880	18,371,687
Accumulated depreciation	-	392,711	1,997,934	2,390,645
Accumulated impairment losses	-	2,307	2,317,541	2,319,848

- (a) Property, plant and equipment of the Group with net book value of RM13,882,045 (2004: RM16,701,083) have been charged to secure the Redeemable Secured Loan Stocks as disclosed in Note 24.
- (b) Included in the cost of property, plant and equipment of the Group are fully depreciated assets still in use of approximately RM8,990,183 (2004: RM9,021,233).
- (c) Included in net book value of leasehold land at cost is an amount of RM27,702 (2004: RM37,000) representing leasehold land with a maturity period of less than fifty years.
- (d) During the financial year, the Group acquired property, plant & equipment at aggregate costs of RM198,624 (2004: RM122,625) of which RM170,462 (2004: Nil) were acquired by means of hire purchase arrangements. Net book values of property, plant and equipment held under hire purchase arrangements are as follows:

	Group	
	2005 RM	2004 RM
Motor vehicles	207,113	63,244

10. INVESTMENT IN SUBSIDIARIES

	Company	
	2005	2004
	RM	RM
Unquoted shares, at cost	<u>1</u>	<u>1</u>

The subsidiaries are as follows:

Name of Company	Paid-up Capital RM	Effective Interest		Principal Activities
		2005 %	2004 %	
Incorporated in Malaysia				
Idris Hydraulic (Malaysia) Bhd.	13,999,243	100	100	Investment holding, timber extraction and providing corporate, administrative and management support to its fellow subsidiaries
Idris Hydraulic Properties Sdn. Bhd.	25,000,000	100	100	Property development
Fujasa Sdn. Bhd.	70,000	100	100	Property development
IHMB Wood Holdings Sdn. Bhd.	2	100	100	Investment holding
IHMB Timber Sdn. Bhd.	2	100	100	Timber trading, inactive

10. INVESTMENT IN SUBSIDIARIES (CONTD.)

Name of Company	Paid-up Capital RM	Effective Interest		Principal Activities
		2005 %	2004 %	
Incorporated in Malaysia				
Advanced Electronics (M) Sdn. Bhd.	14,200,000	100	100	Marketing of consumer electrical products
East Coast Electronic Sdn. Bhd.	1,000,005	51	51	Assembling and sale of consumer electrical products, ceased operations
ECE Technical & Services Sdn. Bhd.	3	100	100	Provision of after sales services for electrical goods and field installation, inactive
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
#Octoglow Sdn. Bhd.	2	-	100	Investment holding, dormant

10. INVESTMENT IN SUBSIDIARIES (CONTD.)

Name of Company	Paid-up Capital RM	Effective Interest		Principal Activities
		2005 %	2004 %	
Incorporated in Malaysia				
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
*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

10. INVESTMENT IN SUBSIDIARIES (CONTD.)

Name of Company	Paid-up Capital RM	Effective Interest		Principal Activities
		2005 %	2004 %	
Incorporated in Malaysia				
*@ Kenangan Cergas (M) Sdn. Bhd.	2	100	100	Management services
*@ Magnitude Ace (M) Sdn. Bhd.	2	100	100	General trading, dormant
^ Hasrat Sanjung (M) Sdn. Bhd.	2	100	100	Investment holding, dormant
Idris Hydraulic Industries Sdn. Bhd.	100,000	100	100	Power transmission engineering and construction, dormant
^ Idris Hydraulic Leisure Services Sdn. Bhd.	2	100	100	Leisure services, dormant
Kekal Asal Sdn. Bhd.	2	100	100	Horse riding facilities, inactive
^ Prisma Pertiwi Sdn. Bhd.	2	100	100	General trade, dormant
^ Teras Hemat Sdn. Bhd.	2	100	100	General trade, dormant
Idris Hydraulic Capital Sdn. Bhd.	2	100	100	Financial services, dormant

10. INVESTMENT IN SUBSIDIARIES (CONTD.)

Name of Company	Paid-up Capital RM	Effective Interest		Principal Activities
		2005 %	2004 %	
Incorporated in Malaysia				
Idris Hydraulic Vencap Sdn. Bhd.	2	100	100	Investment trading, dormant
^ Idris Hydraulic Realty Sdn. Bhd.	2	100	100	Investment holding, dormant
^ Simfoni Pedoman Sdn. Bhd.	2	100	100	Investment holding, dormant
^ Edisi Dekad Sdn. Bhd.	2	100	100	Investment holding, dormant
^ Naungan Erat Sdn. Bhd.	2	100	100	Investment holding, dormant
Wiragain Sdn. Bhd.	15,000,000	100	100	Manufacturing of coated fabrics, inactive
Naluri Ultra Sdn. Bhd.	2	100	100	Investment holding

10. INVESTMENT IN SUBSIDIARIES (CONTD.)

Name of Company	Paid-up Capital	Effective Interest		Principal Activities
		2005 %	2004 %	
Incorporated in the British Virgin Islands				
Klinker Investments Ltd.	US\$100	100	100	Investment holding
Anscan International Limited	US\$5,500,000	50% + 1 share	50% + 1 share	Investment holding and project development
Finmark Limited	US\$100	50% + 1 share	50% + 1 share	Investment holding, dormant
Fiowin Investments Limited	US\$2	50% + 1 share	50% + 1 share	Investment holding
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 the United Kingdom				
+ Spriteacre Limited	£50,000	-	100	Timber trading, ceased operations

10. INVESTMENT IN SUBSIDIARIES (CONTD.)

Name of Company	Paid-up Capital	Effective Interest		Principal Activities
		2005 %	2004 %	
Incorporated in Myanmar				
* Idris Hydraulic Investment (Myanmar) Ltd.	Kyats 1,080,000	100	100	Property investment

Investment in subsidiaries have been pledged as security for borrowings as disclosed in Note 24.

* 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 liability position and having a shareholder's deficit.

^ An application has been submitted to relevant authorities for the striking off of these subsidiaries. The outcome of the application is still pending as at the date of this report.

+ Subsidiary was dissolved on 10 May 2005.

Subsidiary was disposed on 30 December 2005.

(a) Dissolution of a subsidiary

Spriteacre Limited ("SL"), a wholly-owned subsidiary of Klinker Investments Ltd., was dissolved pursuant to Section 652A of the Companies Act, 1985 on 10 May 2005.

The effects of the deconsolidation of SL on the revenue and financial results of the Group were as follows:

	Financial period from 1.1.2005 to 10.5.2005 RM	Financial year ended 31.12.2004 RM
Other operating income, representing net profit for the year	-	69,169

The deconsolidation had no effect on the Group's cash flows.

10. INVESTMENT IN SUBSIDIARIES (CONTD.)**(a) Dissolution of a subsidiary (contd.)**

The summary of the effects of the deconsolidation of SL on the financial position of the Group is as follows:

	Financial period from 1.1.2005 to 10.5.2005 RM	Financial year ended 31.12.2004 RM
Accumulated losses, representing gain on dissolution to the Group	<u>(272,660)</u>	<u>(272,660)</u>

(b) Disposal of subsidiaries

Idris Hydraulic (Malaysia) Bhd., a wholly-owned subsidiary of the Company, disposed its entire equity interest in its subsidiary, Octoglow Sdn. Bhd., for a total consideration of RM10,000 on 30 December 2005.

The financial results of the subsidiary were as follows:

	Financial period from 1.1.2005 to 30.12.2005 RM	Financial year ended 31.12.2004 RM
Other operating expenses, representing net loss for the year	<u>-</u>	<u>(600)</u>

The disposal had no effect on the Group's cash flows.

The summary of the effects of the deconsolidation of Octoglow Sdn. Bhd. on the financial position of the Group is as follows:

	Financial period from 1.1.2005 to 30.12.2005 RM	Financial year ended 31.12.2004 RM
Other payables, representing net liability disposed	(2,940)	<u>(2,940)</u>
Total disposal proceeds, settled by cash	<u>(10,000)</u>	
Gain on disposal to the Group	<u>(12,940)</u>	

There was no tax charge or credit arising from the gain on disposal.

10. INVESTMENT IN SUBSIDIARIES (CONTD.)**(b) Disposal of subsidiaries (contd.)**

In prior year, pursuant to a conditional Share Sale Agreement entered into between a wholly owned subsidiary, Idris Hydraulic Properties Sdn. Bhd. ("IHP") and Ratus Galaksi Sdn. Bhd. on 24 June 2003, the disposals of Asal Cipta Sdn. Bhd., Cermat Jaya Sdn. Bhd. and Jauza Sinar Sdn. Bhd. for a total consideration of RM2,000,000 were completed on 2 March 2004.

The disposal had no effect on the Group's financial results and cash flows for the year ended 31 December 2004.

The summary of the effects of the deconsolidation of the three subsidiaries on the financial position of the Group were as follows:

	2.3.2004
	RM
Property development costs (Note 13)	51,938,248
Cash and bank balances	1,388
Payables	<u>(46,408,686)</u>
	5,530,950
Total disposal proceeds	<u>(2,000,000)</u>
Loss on disposal to the Group	<u>3,530,950</u>
Disposal proceeds settled by:	
Set off against deposit received in prior year	<u>2,000,000</u>
Cash outflow arising on disposal:	
Cash and cash equivalents of subsidiaries disposed, representing net cash outflow of the Group	<u>(1,388)</u>

There was no tax charge or credit arising from the gain on disposal.

11. INVESTMENT IN AN ASSOCIATE

	Group	
	2005	2004
	RM	RM
Unquoted shares, outside Malaysia - at cost	46,155,988	46,155,988
Share of post-acquisition reserves	-	-
	<u>46,155,988</u>	<u>46,155,988</u>
Less: Accumulated impairment losses	<u>(46,155,988)</u>	<u>(46,155,988)</u>
	<u>-</u>	<u>-</u>

11. INVESTMENT IN AN ASSOCIATE (CONTD.)

Details of the associated company incorporated in Gabon is as follows:

Name of Associate	Paid up Capital (FCFA)	Effective Interest 2005 %	Effective Interest 2004 %	Principal Activity	Financial Year End
Societe Forestiere De Tchibanga	200,000,000	48	48	Operating a timber concession	31 December

12. OTHER INVESTMENTS

	Group	
	2005 RM	2004 RM
Marketable securities - short term		
At cost:		
Quoted shares in Malaysia	658,184	-
Quoted shares outside Malaysia	2,189	9,743,952
Amount written down	(1,349)	(9,534,416)
	<u>659,024</u>	<u>209,536</u>
Market value of quoted shares - in Malaysia	672,051	-
- outside Malaysia	840	209,536
	<u>672,891</u>	<u>209,536</u>
Long term		
Unquoted shares, at cost	<u>1,093,229</u>	<u>1,093,229</u>

Quoted shares of the Group amounting to RM9,741,763 have been pledged to secure the Redeemable Secured Loan Stocks in prior year as disclosed in Note 24.

13. PROPERTY DEVELOPMENT COSTS

	Group	
	2005	2004
	RM	RM
Property development costs at 1 January:		
Leasehold land	6,508,960	33,199,970
Development expenditure	70,438,017	122,786,527
	<u>76,946,977</u>	<u>155,986,497</u>
Cost recognised in income statement:		
At 1 January/31 December	(6,539,866)	(17,750,028)
Total property development costs	70,407,111	138,236,469
Accumulated impairment losses	(22,576,115)	(38,467,225)
	47,830,996	99,769,244
Disposal of subsidiaries (Note 10)	-	(51,938,248)
Property development costs at 31 December	<u>47,830,996</u>	<u>47,830,996</u>

The assets of the Group have been pledged for the borrowings as disclosed in Note 24.

The Group has temporarily suspended the development projects and is currently looking for potential purchasers of the said projects as part of the steps to redeem the borrowings. The directors are of the opinion that the carrying value reflects the recoverable amounts.

14. INVENTORIES

	Group	
	2005	2004
	RM	RM
At cost:		
Consumables	51,506	51,500
Finished goods	978,884	733,728
	<u>1,030,390</u>	<u>785,228</u>

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM17,487,945 (2004: RM14,516,631).

15. TRADE RECEIVABLES

	Group	
	2005	2004
	RM	RM
Trade receivables	8,451,460	7,173,769
Less: Provision for doubtful debts	<u>(3,236,220)</u>	<u>(3,119,100)</u>
	<u>5,215,240</u>	<u>4,054,669</u>

The Group's normal trade credit term ranges from 30 to 180 (2004: 30 to 180) days. Other credit terms are assessed and approved on a case-by-case basis. The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to group of debtors.

16. OTHER RECEIVABLES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Deposits	44,026	43,974	-	-
Sundry receivables	5,484,471	5,508,985	-	-
Prepayments	77,243	60,901	-	-
Tax recoverable	125,297	122,048	-	-
Due from a fellow subsidiary	30,633	57,206	-	-
Due from a subsidiary	-	-	213,989,000	213,989,000
	<u>5,761,670</u>	<u>5,793,114</u>	<u>213,989,000</u>	<u>213,989,000</u>
Less: Provision for doubtful debts	<u>(5,306,560)</u>	<u>(5,304,363)</u>	-	-
	<u>455,110</u>	<u>488,751</u>	<u>213,989,000</u>	<u>213,989,000</u>

The amounts due from a fellow subsidiary and a subsidiary are unsecured, interest-free and have no fixed repayment terms.

17. CASH AND BANK BALANCES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Cash on hand and at banks	726,535	950,124	2	2
Deposits with licensed banks	458,777	630,239	-	-
Cash collateral held with a fellow subsidiary	2,000,000	2,000,000	-	-
Cash and cash equivalents	<u>3,185,312</u>	<u>3,580,363</u>	<u>2</u>	<u>2</u>

Deposits with licensed banks of the Group amounting to RM100,000 (2004: RM315,051) have been pledged for banking facilities granted to certain subsidiaries favouring the Conservator of Forest.

Included in cash on hand and at banks are sinking funds amounting to RM257,889 (2004: RM249,512) which will be used to redeem the Group's borrowings as disclosed in Note 24.

Cash collateral is pledged as a performance bond in the form of a bank guarantee of RM5,000,000 in favour of the State Government of Sabah in relation to the Group's Forest Management Unit.

18. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 60 to 90 (2004: 60 to 90) days.

19. OTHER PAYABLES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Provision for liquidated ascertained damages (Note 20)	9,737,416	8,591,838	-	-
Sundry payables	13,240,672	12,874,881	-	-
Accruals	2,908,695	698,356	1,012,847	4,732
	<u>25,886,783</u>	<u>22,165,075</u>	<u>1,012,847</u>	<u>4,732</u>

20. PROVISION FOR LIQUIDATED ASCERTAINED DAMAGES

	Group	
	2005	2004
	RM	RM
At the beginning of year	8,591,838	8,591,838
Additional provision during the year	1,145,578	-
At the end of year	<u>9,737,416</u>	<u>8,591,838</u>

Provision for liquidated ascertained damages is in respect of projects undertaken by a subsidiary. The provision is recognised for expected liquidated damages claims based on the terms of the applicable sale and purchase agreements.

21. HIRE PURCHASE PAYABLES

	Group	
	2005	2004
	RM	RM
Minimum lease payments:		
Not later than 1 year	41,072	30,072
Later than 1 year and not later than 5 years	184,380	17,528
	<u>225,452</u>	<u>47,600</u>
Less: Future finance charges	(42,621)	(2,540)
Present value of finance lease liabilities	<u>182,831</u>	<u>45,060</u>
 Present value of finance lease liabilities:		
Not later than 1 year	31,713	27,907
Later than 1 year and not later than 5 years	151,118	17,153
	<u>182,831</u>	<u>45,060</u>

The hire purchase payables attracted interest at the balance sheet date at rates between 5.5% to 6.9% (2004: 6.9%) per annum.

22. SHARE CAPITAL

	Group and Company			
	Number of Ordinary Shares of RM1 Each		Amount	
	2005	2004	2005	2004
			RM	RM
Authorised:				
At beginning/end of year	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
 Issued and fully paid:				
At beginning/end of year	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

23. DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company is unsecured, interest-free and is not repayable within the next twelve months.

24. BORROWINGS

	Group and Company	
	2005	2004
	RM	RM
Secured:		
Redeemable Secured Loan Stocks 2003/2007		
RSLs-A	120,870,000	120,870,000
RSLs-B	2,485,000	2,485,000
RSLs-C	16,970,000	16,970,000
RSLs-D	73,664,000	73,664,000
	<u>213,989,000</u>	<u>213,989,000</u>

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 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.

24. 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 Sabakina 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-B

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

(c) RSLA-C

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

(d) RSLA-A, RSLA-B, 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 International 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.

25. SIGNIFICANT EVENTS

- (i) 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").

The salient terms of the SSPA include, amongst others, the following:

- (a) the payment of RM2,000,000 by AIL to KIL as full discharge of all amounts owed by AIL to KIL and/or the Company; and
- (b) the payment of RM8,000,000 by the Purchaser to KIL as profit sharing for the development of certain projects undertaken by the Purchaser on a date to be agreed by KIL and the Purchaser or whatever sum to be agreed by both parties.

The completion date has been mutually extended to 19 May 2006 by the parties concerned.

- (ii) On 5 December 2005, a subsidiary, Idris Hydraulic (Malaysia) Bhd., entered into a Share Sale Agreement ("SSA") with Elevale Temasek Sdn. Bhd. ("ETSB") for the proposed disposal of the entire issued and paid-up share capital of Advanced Electronics (M) Sdn. Bhd. comprising 14,200,000 ordinary shares of RM1 each for a total cash consideration of RM600,000 ("Proposed AESB Disposal"). The Proposed AESB Disposal was approved on 19 April 2006 by the shareholders of the ultimate holding company and is pending completion.

26. SUBSEQUENT EVENT

On 17 January 2006, a subsidiary, Idris Hydraulic Properties Sdn. Bhd., entered into a Share Sale Agreement with Iktinuri Development Sdn. Bhd. for the proposed disposal of the entire issued and paid up capital of Fujasa Sdn. Bhd. for a total consideration of RM5,000,002. The proposed disposal is pending completion.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group	
	2005	2004
	RM	RM
Insurance premium paid to a fellow subsidiary	29,388	-
Management fee from a fellow subsidiary	360,000	360,000
	<hr/>	<hr/>

27. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

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

28. 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 Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest rate risk

The Group's primary interest rate risk relates to short term interest-bearing assets as the Group had no substantial long term interest-bearing assets as at 31 December 2005. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits, marketable securities or occasionally, in short term commercial papers which yield better return than cash at bank.

(c) Liquidity risk

The Group manages its debts maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

The Group strives to look for potential purchasers of the assets of the Group, as part of the steps to redeem the redeemable secured loan stocks of the Group as disclosed in Note 24.

(d) Market risk

The Group's investment in quoted securities 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.

28. FINANCIAL INSTRUMENTS (CONTD.)

(e) Credit risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with good creditworthiness and ratings. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have significant exposures to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(f) Fair values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the following:

	Group		Company	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM	RM	RM	RM
Financial Assets				
As at 31 December 2005:				
Shares of unquoted corporations outside Malaysia	1,093,229	*	-	-
Marketable securities	659,024	672,891	-	-
Due from a fellow subsidiary	30,633	□	-	-
Due from a subsidiary	-	-	213,989,000	□
As at 31 December 2004:				
Shares of unquoted corporations outside Malaysia	1,093,229	*	-	-
Marketable securities	492	492	-	-
Quoted shares outside Malaysia	209,044	209,044		
Due from a fellow subsidiary	57,206	□	-	-
Due from a subsidiary	-	-	213,989,000	□

28. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair values (contd.)

	Group		Company	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Liabilities				
As at 31 December 2005:				
Redeemable Secured				
Loan Stocks	213,989,000	205,758,654	213,989,000	205,758,654
Hire purchase payables	182,831	#	-	-
Due to ultimate holding company	199,911,008	□	4,345	□
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2004:				
Redeemable Secured				
Loan Stocks	213,989,000	201,876,415	213,989,000	201,876,415
Hire purchase payables	45,060	#	-	-
Due to ultimate holding company	199,717,121	□	1,531	□
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* It is not practical to estimate the fair value of this investment because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would be eventually received.

In the opinion of the directors, there is no significant difference between the fair value and book value of this financial liability.

□ It is not practical to estimate the fair value of the amounts due from a fellow subsidiary and subsidiaries and amount due to ultimate holding company due principally to the inability to estimate the settlement date without incurring excessive costs as these amounts lack a fixed repayment term. However, the Group and the Company do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would be eventually received or settled.

28. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair values (contd.)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

- (i) Cash and Cash Equivalents and Trade and Other Receivables/Payables
The carrying amounts approximate fair values due to the relatively short term to maturity of these financial instruments.
- (ii) Redeemable Secured Loan Stocks ("RSLs")
The fair value of RSLs is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.