ERNST & YOUNG

MIDF AMANAH INVESTMENT BANK BERHAD

(23878-X)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 December 2011

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23878-X

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Directors' report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2011.

Principal activities

The Bank is principally engaged in investment banking and related financial services. The principal activities of the subsidiaries are the provision of nominees' services as disclosed in Note 12 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Bank RM'000
Profit for the year attributable to equity holder of the Bank	43,844	43,834

In the opinion of the Directors, the results of the operations of the Group and of the Bank for the financial year ended 31 December 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature.

Reserves and provisions

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

Dividends

No dividend has been paid or declared by the Bank since the end of the previous financial year.

At the forthcoming Annual General Meeting, a final dividend in respect of current financial year ended 31 December 2011, of 900% on 1,500,000 Non-Cumulative Perpetual Preference Shares of RM1 each less 25% taxation, amounting to RM10,125,000 and 19.5% on 155,000,000 Ordinary Shares of RM1 each less 25% taxation, amounting to RM22,669,000, will be proposed for shareholder's approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2012.

MIDF Amanah Investment Bank Berhad
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Directors

The Directors who served since the date of the last report and at the date of this report are:

YBhg. Tan Sri Dato' Mahmood bin Taib (Chairman)
YBhg. Dato' Kalsom binti Abdul Rahman
YBhg. Datuk Mohd. Najib bin Hj. Abdullah
Mr. Tai Keat Chai
Encik Mustaffa bin Ahmad
Encik Sharkawi bin Alis
YBhg. Dato' Megat Hisham bin Megat Mahmud (Resigned on 3 January 2012)

Directors' interests

None of the Directors in office at 31 December 2011 had any interest in the ordinary shares of the Bank or its related companies during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full time employee of the Bank as disclosed in Note 26 to the financial statements or of related companies) by reason of a contract made by the Bank or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Bank during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Bank during the financial year.

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Compliance with Bank Negara Malaysia's expectations on financial reporting

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting for Financial Institutions and the Guidelines on Classification and Impairment Provisions for Loans/Financing.

Other statutory information

Before the financial statements of the Group and of the Bank 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.

At the date of this report, the Directors are not aware of any circumstances:

(i) that would render 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 Bank inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Bank misleading, or

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Bank misleading.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Bank that has arisen since the end of the financial year and which secures the liabilities of any other person, or

(ii) any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year other than those arising from the normal course of business of the Group and of the Bank.

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Other statutory information (cont'd.)

No contingent liability or other liability of the Group and of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

In the opinion of the Directors, 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 and of the Bank for the financial year in which this report is made.

Business strategy for year 2011

It was a challenging 2011 as the spectre of sovereign debt default in Europe heightened the state of uncertainty in the global financial markets. The severe erosion of confidence and sentiment, especially in the third quarter, was reminiscent of the turbulence experienced during the 2008 Global Financial Crisis.

The sharp turnaround in sentiment threw a spanner in the economic recovery works. The Overnight Policy Rate froze, reflecting the central bank's concerns that further monetary tightening may increase the vulnerability of the economy. The local equity market was not insulated from distressed selling. During the challenging three months from July to September, the benchmark FBM KLCI index fell by 16.5% from the peak to its trough.

Yet, the money and financial markets showed amazing resilience and did well to recover in the last quarter of the year. The FBM KLCI even ended the year in the positive territory, albeit by a marginal 0.8%. The pace of loan growth in the banking sector was maintained at a robust pace of more than 12.5% in 2011. This supported the GDP growth for the year which is estimated at about 5%.

The fact that the broader economy stayed resilient amidst vagaries in the financial markets means that the Bank can remain focused in its effort to clean up its balance sheet. There were still substantial provisions recorded in the year 2011, but the worst is behind and the Bank is at the tail-end with regard to loans and securities impairment. The Bank looks forward to rebuilding its balance sheet amidst a stronger credit culture.

Fee-based income of the Bank continued to be driven by revenue from the stock brokerage business, which rose by 14% during the year under review. While this has been acknowledged as a successful transformation of a business line, efforts and resources continue to be channeled in this segment in order to ensure growth and sustainability. The Bank established an equity capital market team to complement the dealing team, and in 2011 successfully participated in the underwriting of some of the biggest Initial Public Offerings (IPOs) in the country.

However, other fee-based activities continued to face a challenging year although the Bank had advised its maiden IPO in the middle of the year. The uptrend in interest rates since March 2010 affected Debt Capital Market activities, limiting the origination and distribution of private debt securities.

Business strategy for year 2011 (cont'd.)

Patience to persevere and withhold any aggressive build-up of assets at the start of the year paid off, as the Overnight Policy Rate (OPR) was raised twice, to peak at 3.00% in May 2011. It was only subsequent to this perceived final rate hike for the year that Treasury stepped up its acquisitions of Malaysian sovereign bonds. This was a two-pronged strategy to enhance the bank's stock of liquid assets, as well as to establish an asset portfolio for stable source of interest income. Trading activities on bonds were also undertaken, to capitalise on market volatility brought about by global economic uncertainties.

Despite smaller interest spread on total portfolio, the above strategy successfully led Treasury income to match that of the previous year, representing about 75% of total income for the Bank.

Outlook for year 2012

The global economy is facing a bumpy road ahead although it is not expected to go into recession. There are structural weaknesses in Europe and this will take some time to remedy. Governments around the world are managing the downside and we do not foresee an economic shock that will bring about a crisis.

As in recent years, Malaysia's GDP growth in 2012 will continue to be driven by domestic demand, driven by private consumption and public expenditure. Private investment is also expected to be strong as FDI inflow momentum is intact and the execution of Entry Point Projects under the Economic Transformation Programme gains momentum. Exports, however, are expected to face strong headwinds. GDP growth is forecast to expand by 4.8% in 2012 under the base case scenario, hitting 5.5% under best-case circumstances.

The focus on fiscal consolidation is expected to continue in 2012, as the debt/GDP ratio of the Federal Government is budgeted to fall to below 5% for the first time in four years. The U.S. may start raising its interest rates later in the year if its unemployment rate continues to fall. Bank Negara may decide to act likewise in order to keep the rate differential if it deems the local economy's growth path is unhindered. The Ringgit may lose some ground against the dollar if the U.S. continues with its economic recovery.

Premised on the above assessment of the economy, and the fact that local capital market is regaining favour among market participants, the Bank is cautiously optimistic that its business performance will be stronger in 2012.

With the stronger equity market team, the Bank looks forward to tap the promising opportunities in the equity broking and underwriting businesses. There will be opportunities in advisory activities for corporate actions, such as mergers and takeovers and initial public offerings. The Bank has outlined the plans and will be expending due effort to secure mandates in the identified focus areas, as it builds up its resources and capacity in these areas.

The fund-based activities will balance the consideration between the need to build a critical base of income-generating asset and exploiting market opportunities to realize gains. It all depends on the perceived stance and direction of monetary policy, which may change as we progress through the year.

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MIDF Amanah Investment Bank Berhad
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Holding and ultimate holding companies

The immediate holding company is Malaysian Industrial Development Finance Berhad ("MIDF"). The Directors regard Permodalan Nasional Berhad ("PNB") as the ultimate holding company. Both companies are incorporated in Malaysia.

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 23 APR 2012

Tan Sri Dato' Mahmood bin Taib

Tai Keat Chai

Kuala Lumpur, Malaysia

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MIDF Amanah Investment Bank Berhad
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Statement by Directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Mahmood bin Taib and Tai Keat Chai, being two of the Directors of MIDF Amanah Investment Bank Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 10 to 123 are drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines 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 Bank as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 APR 2012

Tan Sri Dato' Mahmood bin Taib

Tai Keat Chai

Kuala Lumpur, Malaysia

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

I, Mahayudin bin Ismail, being the Officer primarily responsible for the financial management of MIDF Amanah Investment Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 123 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 Mahayudin bin Ismail at Kuala Lumpur in Federal Territory on 23 APR 2012

Mahayudin bin Ismail

Before me,

Commissioner for Oaths

COMMISSIONER FOR OATHS
W 378
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MALAYSIA

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Independent auditors' report to the member of MIDF Amanah Investment Bank Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of MIDF Amanah Investment Bank Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 123.

Directors' responsibility for the financial statements

The directors of the Bank are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 judgment, 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 Bank's preparation of financial statements that give a true and fair view 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 Bank'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.

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

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Independent auditors' report to the member of MIDF Amanah Investment Bank Berhad (cont'd.) (Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines 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 Bank as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 ("the Act") 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 Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank 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.

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

This report is made solely to the member of the Bank, 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

Abdul Rauf bin Rashid
No. 2305/05/12(J)
Chartered Accountant

Kuala Lumpur, Malaysia
23 April 2012

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Assets					
Cash and short-term funds	3	63,133	216,394	61,927	216,277
Deposits and placements with licensed banks and other financial institutions	4	-	100,000	-	100,000
Securities held-for-trading	5	27,273	324,104	27,273	324,104
Securities available-for-sale	6	2,121,192	2,088,283	2,121,192	2,088,283
Securities held-to-maturity	7	2,491,108	290,717	2,491,108	290,717
Loans and advances	8	284,949	197,247	284,949	197,247
Derivative assets	9	131	1,385	131	1,385
Other assets	10	162,439	156,395	163,616	156,481
Statutory deposits with Bank Negara Malaysia	11	171,496	19,083	171,496	19,083
Investment in subsidiaries	12	-	-	*	*
Property, plant and equipment	13	1,941	2,877	1,941	2,877
Intangible assets	14	2,300	-	2,300	-
Deferred tax assets	15	27,541	37,600	27,541	37,600
Total assets		5,353,503	3,434,085	5,353,474	3,434,054
Liabilities					
Deposits from customers	16	1,955,629	1,446,261	1,955,629	1,446,261
Deposits and placements of banks and other financial institutions	17	2,516,543	1,127,892	2,516,543	1,127,892
Derivative liabilities	9	1,450	-	1,450	-
Other liabilities	18	131,448	149,392	131,445	149,377
Provision for zakat		641	504	641	504
Total liabilities		4,605,711	2,724,049	4,605,708	2,724,034
Equity					
Share capital	19	156,500	156,500	156,500	156,500
Reserves	20	591,292	553,536	591,266	553,520
Total equity		747,792	710,036	747,766	710,020
Total liabilities and equity		5,353,503	3,434,085	5,353,474	3,434,054
Commitments and contingencies	33	365,667	304,367	365,667	304,367

* Denotes RM4

The accompanying notes are an integral part of these financial statements.

MIDF Amanah Investment Bank Berhad
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Income statements
For the year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000 Restated	Bank 2011 RM'000	Bank 2010 RM'000 Restated
Interest income	21	153,701	135,267	153,701	135,267
Interest expense	22	(86,542)	(59,915)	(86,542)	(59,915)
Net interest income		67,159	75,352	67,159	75,352
Net income from Islamic Banking operation	41	16,836	16,886	16,836	16,886
Non-interest income	23	49,080	15,302	49,056	15,284
		133,075	107,540	133,051	107,522
Staff costs	24	(22,991)	(21,114)	(22,991)	(21,114)
Depreciation	13	(1,537)	(1,702)	(1,537)	(1,702)
Operating expenses	25	(17,763)	(19,304)	(17,755)	(19,301)
Operating profit		90,784	65,420	90,768	65,405
Impairment loss on loans and advances	27	(17,725)	(26,798)	(17,725)	(26,798)
Impairment loss on other assets	28	(2,107)	(2,150)	(2,107)	(2,150)
Impairment loss on securities	29	(14,627)	(23,626)	(14,627)	(23,626)
Profit before taxation and zakat		56,325	12,846	56,309	12,831
Taxation	30	(12,094)	(2,852)	(12,088)	(2,848)
Zakat		(387)	(337)	(387)	(337)
Profit for the year attributable to equity holder of the Bank		43,844	9,657	43,834	9,646
Earnings per ordinary share (sen) - Basic and diluted	31	28.3	6.2		

The accompanying notes are an integral part of these financial statements.

MIDF Amanah Investment Bank Berhad
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Statements of comprehensive income
For the year ended 31 December 2011

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit for the year attributable to equity holder of the Bank	43,844	9,657	43,834	9,646
Other comprehensive income/(loss):				
Net (loss)/gain on securities available-for-sale				
Transfer to profit or loss upon disposal	975	(1,949)	975	(1,949)
Cumulative loss reclassified to profit or loss	947	-	947	-
Fair value changes	(10,039)	11,386	(10,039)	11,386
	(8,117)	9,437	(8,117)	9,437
Income tax relating to net loss/gain on securities available-for-sale	2,029	(2,359)	2,029	(2,359)
Other comprehensive (loss)/income for the year, net of tax	(6,088)	7,078	(6,088)	7,078
Total comprehensive income for the year attributable to equity holder of the Bank	37,756	16,735	37,746	16,724

The accompanying notes are an integral part of these financial statements.

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Statements of changes in equity
For the year ended 31 December 2011

	<---------- Non-distributable			---------->	Distributable	
Group	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserve RM'000**	**Securities available-for-sale reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2010	156,500	362,611	112,265	3,605	91,695	726,676
Profit for the year	-	-	-	-	9,657	9,657
Other comprehensive income	-	-	-	7,078	-	7,078
Total comprehensive income for the year	-	-	-	7,078	9,657	16,735
Transfer to statutory reserve	-	-	3,255	-	(3,255)	-
Dividends (Note 32)	-	-	-	-	(33,375)	(33,375)
At 31 December 2010	156,500	362,611	115,520	10,683	64,722	710,036
At 1 January 2011	156,500	362,611	115,520	10,683	64,722	710,036
Profit for the year	-	-	-	-	43,844	43,844
Other comprehensive loss	-	-	-	(6,088)	-	(6,088)
Total comprehensive income for the year	-	-	-	(6,088)	43,844	37,756
Transfer to statutory reserve	-	-	11,000	-	(11,000)	-
At 31 December 2011	156,500	362,611	126,520	4,595	97,566	747,792
	Note 19		Note 20(a)	Note 20(b)	Note 20(c)	

MIDF Amanah Investment Bank Berhad
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Statements of changes in equity
For the year ended 31 December 2011 (cont'd)

	<------- Non-distributable			------->	Distributable	
Bank	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserve RM'000**	**Securities available-for-sale reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2010	156,500	362,611	112,265	3,605	91,690	726,671
Profit for the year	-	-	-	-	9,646	9,646
Other comprehensive income	-	-	-	7,078	-	7,078
Total comprehensive income for the year	-	-	-	7,078	9,646	16,724
Transfer to statutory reserve	-	-	3,255	-	(3,255)	-
Dividends (Note 32)	-	-	-	-	(33,375)	(33,375)
At 31 December 2010	156,500	362,611	115,520	10,683	64,706	710,020
At 1 January 2011	156,500	362,611	115,520	10,683	64,706	710,020
Profit for the year	-	-	-	-	43,834	43,834
Other comprehensive loss	-	-	-	(6,088)	-	(6,088)
Total comprehensive income for the year	-	-	-	(6,088)	43,834	37,746
Transfer to statutory reserve	-	-	11,000	-	(11,000)	-
At 31 December 2011	156,500	362,611	126,520	4,595	97,540	747,766
	Note 19		Note 20(a)	Note 20(b)	Note 20(c)	

The accompanying notes are an integral part of these financial statements.

MIDF Amanah Investment Bank Berhad
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Statements of cash flows
For the year ended 31 December 2011

	Group		Bank	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000 Restated**	**RM'000**	**RM'000 Restated**
Cash flows from operating activities				
Profit before taxation and zakat	56,325	12,846	56,309	12,831
Adjustments for:				
Depreciation	1,537	1,702	1,537	1,702
Gain on disposal of property, plant and equipment	(26)	(1)	(26)	(1)
Accretion of discount less amortisation of premium	(32,559)	(49,061)	(32,559)	(49,061)
Net gain on sale of securities held-for-trading	(999)	(144)	(999)	(144)
Net loss/(gain) on sale of securities available-for-sale	975	(1,949)	975	(1,949)
Net gain on sale of securities held-to-maturity	(459)	-	(459)	-
Net unrealised gain on revaluation of securities held-for-trading	(1)	(5)	(1)	(5)
Net unrealised loss on revaluation of derivative instruments	2,704	19,450	2,704	19,450
Impairment loss on loans and advances	26,308	31,589	26,308	31,589
Impairment loss on other assets	2,107	2,150	2,107	2,150
Impairment loss on securities	14,627	23,626	14,627	23,626
Dividend income	(9,741)	(681)	(9,741)	(681)
Allowance for/(write back of) profit equalisation reserve	4,461	(2,201)	4,461	(2,201)
Operating cash flows before working capital changes carried forward	65,259	37,321	65,243	37,306

MIDF Amanah Investment Bank Berhad
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Statements of cash flows
For the year ended 31 December 2011 (cont'd)

	Group		Bank	
	2011 RM'000	2010 RM'000 Restated	2011 RM'000	2010 RM'000 Restated
Cash flows from operating activities (cont'd)				
Operating cash flows before working capital changes brought forward	65,259	37,321	65,243	37,306
Decrease/(increase) in operating assets/liabilities:				
Securities held-for-trading, securities available-for-sale and securities held-to-maturity	(1,926,170)	852,686	(1,926,170)	852,686
Loans and advances	(114,010)	(53,361)	(114,010)	(53,361)
Derivative assets	-	5,796	-	5,796
Other assets	(8,219)	126,212	(9,307)	128,051
Statutory deposits with Bank Negara Malaysia	(152,413)	2,114	(152,413)	2,114
Monies held in trust	3,297	(4,091)	3,297	(4,091)
Deposits from customers and deposits and placements of banks and other financial institutions	1,898,019	(1,119,084)	1,898,019	(1,119,084)
Other liabilities	(22,405)	(142,139)	(22,393)	(142,149)
Cash used in operations	(256,642)	(294,546)	(257,734)	(292,732)
Taxes refunded/(paid)	213	(9)	216	-
Zakat paid	(250)	(1,007)	(250)	(1,007)
Net cash used in operating activities	(256,679)	(295,562)	(257,768)	(293,739)
Cash flows from investing activities				
Dividends received	9,590	598	9,590	598
Purchase of property, plant and equipment	(655)	(1,614)	(655)	(1,614)
Proceeds from disposal of property, plant and equipment	80	-	80	-
Purchase of intangible assets	(2,300)	-	(2,300)	-
Net cash generated from/(used in) investing activities	6,715	(1,016)	6,715	(1,016)

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 December 2011 (cont'd)

	Group		Bank	
	2011 RM'000	2010 RM'000 Restated	2011 RM'000	2010 RM'000 Restated
Cash flows from financing activity				
Dividends paid	-	(33,375)	-	(33,375)
Net cash used in financing activity	-	(33,375)	-	(33,375)
Net decrease in cash and cash equivalents	(249,964)	(329,953)	(251,053)	(328,130)
Cash and cash equivalents at 1 January	306,667	636,620	306,550	634,680
Cash and cash equivalents at 31 December	56,703	306,667	55,497	306,550
Cash and cash equivalents comprise:				
Cash and short-term funds (Note 3)	63,133	216,394	61,927	216,277
Deposits and placements with licensed banks and other financial institutions (Note 4)	-	100,000	-	100,000
Less: Monies held in trust (Note 3)	(6,430)	(9,727)	(6,430)	(9,727)
	56,703	306,667	55,497	306,550

The accompanying notes are an integral part of these financial statements.

1. Corporate information

The Bank is principally engaged in investment banking and related financial services. The principal activities of the subsidiaries are the provision of nominees' services as disclosed in Note 12.

There has been no significant change in the nature of these activities during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at Level 21, Menara MIDF, 82 Jalan Raja Chulan, 50200 Kuala Lumpur. The principal place of business is located at Level 9, Menara MIDF, 82 Jalan Raja Chulan, 50200 Kuala Lumpur.

The immediate holding company is Malaysian Industrial Development Finance Berhad ("MIDF"). The Directors regard Permodalan Nasional Berhad ("PNB") as the ultimate holding company. Both companies are incorporated in Malaysia.

The financial statements were approved and authorised for issue by the Board of Directors on 23 APR 2012

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements of the Group and of the Bank are set out below. These policies have been consistently applied to the years presented unless otherwise stated.

(a) Basis of preparation

The financial statements of the Group and of the Bank have been prepared in accordance with Financial Reporting Standards ("FRSs") as modified by Bank Negara Malaysia ("BNM") Guidelines and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Bank adopted new and revised FRSs which are mandatory for their annual financial periods beginning on or after 1 January 2011 as described fully in Note 2(b).

The financial statements have been prepared on a historical cost basis except as disclosed 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") except when otherwise indicated.

2. Summary of significant accounting policies (cont'd)

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2011, the Group and the Bank adopted the following Amendments, Improvements to FRSs and Technical Releases which are effective for their annual financial periods beginning on or after 1 January 2011.

FRS 3 *Business Combinations (Revised)*
Amendments to FRS 127 *Consolidated and Separate Financial Statements*
Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*
Amendments to FRS 7 *Improving Disclosures about Financial Instruments*
Improvements to FRSs (2010)
TR3 *Guidance on Disclosure of Transition to IFRSs*
TR i-4 *Shariah Compliant Sale Contracts*

The following amendments to FRSs, which are also effective for annual financial periods beginning on or after 1 January 2011 are not applicable to the Group and the Bank:

Amendments to FRS 132 *Classification of Right Issues*
FRS 1 *First-time Adoption of Financial Reporting Standards*
Amendments to FRS 2 *Share-based Payment*
Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
Amendments to FRS 138 *Intangible Assets*
IC Interpretation 12 *Service Concession Arrangements*
IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*
IC Interpretation 17 *Distributions of Non-cash Assets to Owners*
Amendment to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
Amendments to FRS 1 *Additional Exemptions for First-Time Adopters*
Amendments to FRS 2 *Group Cash-settled Share-based Payment Transactions*
IC Interpretation 4 *Determining whether an Arrangement contains a Lease*
IC Interpretation 18 *Transfer of Assets from Customers*

Adoption of the above standards did not have any effect on the financial performance or financial position of the Group and of the Bank except for additional disclosures required by Amendments to FRS 7.

2. Summary of significant accounting policies (cont'd)

(b) Changes in accounting policies (cont'd)

Amendments to FRS 7 *Improving Disclosures about Financial Instruments*

Amendments to FRS 7 requires enhanced disclosures about fair value measurements and liquidity risks. The amendments have been made to address application issues and provide useful information to financial statements users.

Comparative figures have not been presented for 31 December 2010 by virtue of paragraph 44G of FRS 7.

Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture ("MFRS 141") and IC Interpretation 15 Agreements for Construction of Real Estate ("IC 15"), including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group has established a project team to plan and manage the adoption of the MFRS Framework.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

2. Summary of significant accounting policies (cont'd)

(c) Basis of consolidation (cont'd)

(i) Subsidiaries (cont'd)

Investment in subsidiaries is stated in the Bank's separate financial statements at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held-for-sale).

(ii) Transactions eliminated on consolidation

Intra-group transactions and balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Accounting for business combination

Business combinations are accounted for using acquisition method from the acquisition date, which is the date on which control is transferred to the Group. Goodwill which arises on business combinations is measured at cost less any accumulated impairment losses.

On 1 January 2011, the Group has changed its accounting policy with respect to accounting for business combinations in accordance with FRS 3, Business Combination (revised). The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, it is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. Summary of significant accounting policies (cont'd)

(c) Basis of consolidation (cont'd)

(iii) Accounting for business combination (cont'd)

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

For acquisition between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in the profit or loss.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment when there is objective evidence of impairment.

Goodwill arising on the acquisition of a non-controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and deposits and placements with banks and other financial institutions. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of monies held in trust.

(e) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Bank have become a party to the contractual provisions of the instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

2. Summary of significant accounting policies (cont'd)

(e) Financial assets (cont'd)

The Group and the Bank determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held-for-trading or are designated as such upon initial recognition. Financial assets held-for-trading are derivatives which are not designated as hedging instruments (including separated embedded derivatives) or financial assets acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, and any gain or loss arising from a change in their fair values are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include interest and dividend income which are recognised separately in profit or loss as part of other losses or other income.

The fair value of quoted securities is derived from market bid prices. For unquoted securities, the fair value is determined based on quotes from independent dealers or using valuation techniques such as the discounted cash flows method. Securities classified as held-for-trading are not reclassified to securities held-to-maturity or securities available-for-sale while they are held.

The fair value of derivative instruments are obtained from quoted market prices in active markets, including recent market transactions, or valuation techniques that include discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

2. Summary of significant accounting policies (cont'd)

(e) Financial assets (cont'd)

(iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Bank have the positive intention and ability to hold the investments to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Any sale or reclassification of a significant amount of securities held-to-maturity not close to their maturities would result in the reclassification of all securities held-to-maturity to securities available-for-sale, and prevent the Group and the Bank from classifying any securities as securities held-to-maturity for the current and following two financial years.

(iv) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These financial assets are those which are intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or in response to changes in market conditions.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except for impairment losses, foreign exchange difference on monetary items and interest calculated using the effective interest method which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

All regular way purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised or derecognised on the settlement date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

(f) Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are subject to impairment review at each reporting date. Impairment loss is recognised when there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the financial asset (an incurred "loss event") that the recoverable amount of a financial asset is below its carrying amount.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest and/or principal repayment and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

In accordance with the Rule of Bursa Malaysia Securities Berhad ("Bursa"), clients' accounts relating to the stockbroking business are classified as impaired under the following circumstances:

Types of accounts	Criteria for classification as impaired
Contra losses	When the account remains outstanding for 16 calendar days or more from the date of contra transactions
Overdue purchase contract	When the account remains outstanding from T+5 market days onwards
Margin accounts	When the equity has fallen below 130% of the outstanding balance

The Group and the Bank first assess individually whether objective evidence of impairment exists for financial assets which are individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the financial asset is included in a group with similar credit risk characteristics and collectively assessed for impairment.

(i) Individual impairment of financial assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred, the amount of individual impairment allowance is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an impairment allowance account and the amount of the individual impairment allowance is recognised in profit or loss.

If, in a subsequent period, the amount of the individual impairment allowance decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised individual impairment allowance shall be reversed and recognised in profit or loss.

2. **Summary of significant accounting policies (cont'd)**

(f) **Impairment of financial assets (cont'd)**

(i) **Individual impairment of financial assets carried at amortised cost (cont'd)**

The reversal of individual impairment allowance shall not result in the carrying amount of the financial assets that exceeds what the amortised cost would have been, had the impairment not been recognised, at the date the impairment is reversed.

An uncollectible financial asset classified as impaired is written-off after taking into consideration the realisable value of collateral, if any, when in the opinion of management, there is no prospect of recovery.

Subsequent to individual impairment allowance made, interest income continues to be accrued on the reduced carrying amount and it is accrued using the original effective interest rate which is used to discount the future cash flows for the purpose of measuring the individual impairment allowance.

(ii) **Individual impairment of available-for-sale financial assets**

For individually significant securities available-for-sale in which there are objective evidence of impairment, the cumulative impairment loss that had been recognised directly in equity is transferred from equity to profit or loss, even though the securities have not been derecognised. The amount of the cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss.

In the case of unquoted debt instruments classified as available-for-sale, the impairment loss is measured as the difference between the securities' carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the current market rate of return for a similar financial asset. The amount of impairment loss is recognised in profit or loss.

For quoted equity instruments classified as available-for-sale, objective evidence of impairment also includes significant or prolonged decline in fair value of the investment below its cost. The Group and the Bank define "significant" generally as more than 20% decrease in its fair value and "prolonged" as the fair value has been on a downward trend for more than twelve (12) months. The amount of impairment loss is recognised in profit or loss.

Impairment loss recognised on investments in equity instruments classified as available-for-sale is not reversed through profit or loss subsequent to its recognition. Reversals of impairment loss on debt instruments classified as available-for-sale are recognised in profit or loss if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2. Summary of significant accounting policies (cont'd)

(f) Impairment of financial assets (cont'd)

(ii) Individual impairment of available-for-sale financial assets (cont'd)

Interest income on debt instruments continues to be accrued on the reduced carrying amount and is accrued using the rate of interest which is used to discount the estimated future cash flows for the purpose of measuring the impairment loss.

(iii) Collective impairment

In the Amendments to FRS 139, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment for impairment by banking institutions. This transitional arrangement is prescribed in BNM Guidelines on Classification and Impairment allowances for Loans/Financing issued on 26 January 2010, whereby banking institutions are required to maintain collective impairment allowance of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. Subject to the written approval by BNM, banking institutions are allowed to maintain a lower collective impairment allowance. The collective impairment allowance of the Group and of the Bank as at the reporting date have been arrived at based on this transitional arrangement issued by BNM.

(g) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for recognition and measurement of impairment loss is in accordance with Note 2(i). Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the assets and restoring the site on which the asset is located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in profit or loss.

2. Summary of significant accounting policies (cont'd)

(g) Property, plant and equipment (cont'd)

(ii) Subsequent costs

Subsequent costs incurred in replacing part of an item of property, plant and equipment are included in the asset's carrying amount or are 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 or to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

(iii) Depreciation

Depreciation of property, plant and equipment is recognised on a straight-line basis calculated to write off the cost of each asset to its residual value over its estimated useful lives as follows:

Furniture and equipment	5 years
Motor vehicles	5 years
Computers	3 years
Electrical installations	5 years
Renovations	5 years
Fixtures and fittings	5 years

The depreciable amount is determined after deducting the residual amount.

Depreciation methods, useful lives and residual values of assets are reviewed, and adjusted if appropriate, at the reporting date.

(h) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Bank, which has finite useful life, are measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent costs

Subsequent costs are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate.

(iii) Amortisation

Amortisation is based on the cost of an asset less its residual value and is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets.

2. Summary of significant accounting policies (cont'd)

(h) Intangible assets (cont'd)

(iii) Amortisation (cont'd)

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

Work-in-progress represents IT system costs, and are not amortised as these assets are not available for use.

(i) Impairment of non-financial assets

Other non-financial assets including property, plant and equipment and investments in subsidiaries are reviewed for objective indications of impairment at each reporting date or whenever there is any indication that these assets may be impaired. Where such indications exist, impairment loss is determined as the excess of the asset's carrying amount over its recoverable amount (greater of value in use or fair value less costs to sell) and is recognised in profit or loss.

Any reversal of impairment loss for these non-financial assets is recognised in profit or loss. The carrying amount is increased to its revised recoverable amount, provided that the 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.

(j) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument. The Group and the Bank classify all their financial liabilities as other financial liabilities at amortised cost.

The other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(k) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

2. Summary of significant accounting policies (cont'd)

(k) Financial guarantee contracts (cont'd)

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(l) Provision for liabilities

Provision for liabilities are recognised when there is a present obligation as a result of 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.

(m) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and the Bank. 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.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contribution to the Employees' Provident Fund ("EPF") and are recognised as an expense in profit or loss as incurred. Once contributions have been paid, the Bank has no further obligations.

(iii) Defined benefit plans

The Bank operates an unfunded, defined Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Bank's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses for the Scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

2. Summary of significant accounting policies (cont'd)

(m) Employee benefits (cont'd)

(iii) Defined benefit plans (cont'd)

The amount recognised in the statements of financial position represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains or losses and unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

(n) Income tax

Income tax on 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 reporting date.

Deferred tax is provided for, using the liability method. 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 reporting date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(o) Zakat

This represents business zakat payable by the Bank to comply with the principles of Shariah. Zakat provision is calculated based on 2.5775% of the shareholder's funds growth method of the Islamic Banking Scheme ("SPI") operations multiplied by the percentage of Bumiputra shareholding of the immediate holding company.

2. Summary of significant accounting policies (cont'd)

(p) Profit equalisation reserve (PER) for the Islamic Banking Scheme operations

Profit equalisation reserve is the amount provided for in order to maintain a certain level of return for depositors in conformity with Bank Negara Malaysia's "The Framework of the Rate of Return". The PER is deducted at a maximum amount of 15% of monthly gross income, monthly net trading income, other income and irregular income, and is maintained to the maximum of 30% of the total Islamic banking capital funds.

(q) Preference shares

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Bank's option, and any dividends are discretionary. Dividends thereon are recognised as distribution within equity.

(r) Revenue recognition

(i) Interest/profit income from loans and receivables, and securities, including amortisation of premium and accretion of discount, is recognised using the effective yield method.

(ii) Income from Islamic Banking business is recognised in accordance with Shariah principles.

(iii) Non-interest income

Corporate advisory, project feasibility study, participation and underwriting fees are recognised as income on full completion of assignments or, where progress payments are agreed, by reference to the stage of completion.

Portfolio management, commitment, guarantee and agency fees and commissions are recognised as income on a time apportionment basis.

Loan arrangement fees and commission are recognised as income when all conditions precedents are fulfilled.

Fees received from capital market activities are recognised when the Bank's right to receive payment is established.

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

(s) Interest expense and financing costs

Interest expense and attributable profit (on activities relating to Islamic Banking business) on deposits of the Group and of the Bank are recognised on an effective yield basis.

2. Summary of significant accounting policies (cont'd)

(t) 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 Bank's functional and presentation currency.

3. Cash and short-term funds

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and balances with banks and other financial institutions	12,803	6,667	11,597	6,550
Money at call and deposit placements maturing within one month	50,330	209,727	50,330	209,727
	63,133	216,394	61,927	216,277

Included in cash and short-term funds of the Group and of the Bank are dealer's representatives' and clients' monies held in trust of approximately RM346,000 (2010: RM645,000) and RM6,084,000 (2010: RM9,082,000) respectively.

4. Deposits and placements with licensed banks and other financial institutions

	Group and Bank	
	2011 RM'000	2010 RM'000
Licensed banks	-	100,000

5. Securities held-for-trading

	Group and Bank	
	2011 RM'000	2010 RM'000
At fair value		
Money market instruments:		
Bank Negara Monetary Notes	-	164,940
Other Acceptances Discounted	17,294	64,068
	17,294	229,008
Unquoted securities in Malaysia:		
Private Debt Securities	9,979	95,096
	27,273	324,104

6. Securities available-for-sale

	Group and Bank	
	2011	2010
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government Securities	39,978	207,683
Government Investment Issues	556,519	257,993
Other Acceptances Discounted	74,906	429,199
Negotiable Instruments of Deposit	149,464	79,380
	820,867	974,255
Quoted securities in Malaysia:		
Shares and Warrants	13,062	10,855
Loan Stocks	-	8,010
	13,062	18,865
Unquoted securities in Malaysia:		
Private Debt Securities	1,276,486	1,063,803
Loan Stocks	10,020	30,603
	1,286,506	1,094,406
At cost		
Unquoted securities in Malaysia:		
Shares	757	757
	2,121,192	2,088,283

7. Securities held-to-maturity

	Note	Group and Bank 2011 RM'000	2010 RM'000
At amortised cost			
Money market instruments:			
Malaysian Government Securities		623,622	92,163
Government Investment Issues		1,182,293	90,554
		1,805,915	182,717
Unquoted securities in Malaysia:			
Private Debt Securities		707,361	133,975
		707,361	133,975
Less: Individual impairment allowance	(a)	(22,168)	(25,975)
		2,491,108	290,717

(a) Movements in individual impairment allowance - Unquoted securities in Malaysia

	Group and Bank 2011 RM'000	2010 RM'000
At 1 January	(25,975)	(76,573)
Amount written back	3,807	50,598
At 31 December	(22,168)	(25,975)

8. Loans and advances

	Group and Bank	
	2011	2010
	RM'000	RM'000
Term loans		
Syndicated term loans	89,291	71,749
Other term loans	76,743	108,199
Staff loans	977	1,311
Revolving credits	134,455	14,050
Margin accounts	65,513	58,738
Gross loans and advances	366,979	254,047
Less: Impairment allowances		
- Collective impairment allowance	(5,816)	(4,026)
- Individual impairment allowance	(76,214)	(52,774)
Total net loans and advances	284,949	197,247

The Group and the Bank operate principally in Malaysia and hence, disclosure of information by geographical area is not presented.

(a) Gross loans and advances

(i) By type of customer

	Group and Bank	
	2011	2010
	RM'000	RM'000
Domestic business enterprises	314,963	223,395
Individuals	52,016	30,652
Gross loans and advances	366,979	254,047

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8. Loans and advances (cont'd)

(a) Gross loans and advances (cont'd)

(ii) By interest rate sensitivity

	Group and Bank	
	2011	2010
	RM'000	RM'000
Fixed rate		
Staff loans	977	1,311
Other fixed rate loan	65,513	58,738
Variable rate		
Cost-plus	300,489	193,998
Gross loans and advances	366,979	254,047

(iii) By economic sector

	Group and Bank	
	2011	2010
	RM'000	RM'000
Primary agriculture	-	556
Mining and quarrying	19,647	24,858
Manufacturing	119,524	110,984
Construction	11,602	18,997
Wholesale & retail trade and restaurants & hotels	17,533	20,276
Transport, storage and communications	7,016	2,022
Finance, insurance and business services	139,642	45,702
Others	52,015	30,652
Gross loans and advances	366,979	254,047

(b) Impaired loans ("ILs") and advances

(i) ILs by economic sector:

	Group and Bank	
	2011	2010
	RM'000	RM'000
Manufacturing	92,947	80,633
Construction	11,602	18,997
Wholesale & retail trade and restaurants & hotels	17,271	19,385
Finance, insurance and business services	3,087	12,229
Others	571	634
	125,478	131,878

8. Loans and advances (cont'd)

(b) Impaired loans ("ILs") and advances (cont'd)

(ii) Movements in ILs are as follows:

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
At 1 January	131,878	44,686
Classified as impaired during the year	22,546	90,692
Amount recovered	(28,946)	(3,500)
Amount written off	-	-
At 31 December	125,478	131,878
Less: Individual impairment allowance	(76,214)	(52,774)
Net ILs	49,264	79,104
Ratio of net ILs to gross loans and advances less individual impairment allowance	16.94%	39.30%

(iii) Movements in impairment allowances by class of financial assets

Group and Bank	Term loans RM'000	Staff loans RM'000	Revolving credits RM'000	Margin accounts RM'000	Total RM'000
Collective impairment allowance					
2010					
At 1 January	1,965	36	379	1,202	3,582
Impairment (write back)/made during the year	589	(10)	(98)	(37)	444
At 31 December	2,554	26	281	1,165	4,026
As % of gross loans and advances less individual impairment allowance	2.00%	2.00%	2.00%	2.00%	2.00%
2011					
At 1 January	2,554	26	281	1,165	4,026
Impairment (write back)/made during the year	(746)	(7)	2,408	135	1,790
At 31 December	1,808	19	2,689	1,300	5,816
As % of gross loans and advances less individual impairment allowance	2.00%	2.00%	2.00%	2.00%	2.00%

8. Loans and advances (cont'd)

(b) Impaired loans ("ILs") and advances (cont'd)

(iii) Movements in impairment allowances by class of financial assets (cont'd.)

Group and Bank	Term loans RM'000	Staff loans RM'000	Margin accounts RM'000	Total RM'000
Individual impairment allowance				
2010				
At 1 January	21,952	20	632	22,604
Impairment made during the year	38,587		66	38,653
Amount written back	(7,300)	-	(210)	(7,510)
Discount unwind	(973)	-		(973)
At 31 December	52,266	20	488	52,774
	-	-	-	-
2011				
At 1 January	52,266	20	488	52,774
Impairment made during the year	33,530	-	46	33,576
Amount written back	(9,019)	-	(39)	(9,058)
Discount unwind	(1,078)	-	-	(1,078)
At 31 December	75,699	20	495	76,214

9. Derivative assets/liabilities

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Group and Bank		
Derivative assets	131	1,385
Derivative liabilities	(1,450)	-
	(1,319)	1,385