

FINANCIAL STATEMENTS

Expressed In Ringgit Malaysia
For The Year Ended 31 March 2006

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Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of **AmInvestment Group Berhad** for the financial year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The subsidiary companies, as listed in Note 12 to the financial statements, provide a wide range of merchant banking and related financial services which also include the Islamic banking business, investment advisory and asset, real estate investments and unit trusts management, stock and share-broking and futures broking.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

SIGNIFICANT EVENTS

1. The entire issued and paid-up share capital of the Company of RM1,320,000,000 comprising 1,320,000,000 ordinary shares of RM1.00 each was admitted to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for these shares on the Main Board on 18 May 2005.
2. On 29 September 2005, AmMerchant Bank Berhad ("AmMerchant Bank"), had completed the acquisition of the 30.0% equity interest held by Macquarie Bank Limited ("Macquarie Bank") in AmInvestment Management Sdn Bhd ("AIM") and AmInvestment Services Berhad ("AIS") respectively for a total cash purchase consideration of RM44.79 million.

With the completion of the acquisition, AIM and AIS become wholly-owned subsidiaries of AmMerchant Bank. Accordingly, the Joint Venture arrangement between AmMerchant Bank and Macquarie Bank relating to the funds management business was volutarily terminated on 29 September 2005.

3. On 27 October 2005, AmMerchant Bank issued RM200,000,000 nominal amount of Redeemable Unsecured Subordinated Bonds ("Subordinated Tier 2 Bonds") for the purpose of redemption of RM200.0 million nominal amount of Unsecured Subordinated Certificates of Deposits. The Unsecured Subordinated Certificates of Deposits were redeemed on 1 March 2006. The Subordinated Tier 2 Bonds are issued for a period of ten (10) years maturing on 31 October 2015 and bears interest at rates varying from 4.75% to 7.25% per annum, payable on a semi-annual basis.

During the financial year, AmMerchant Bank had also purchased and cancelled RM65,000,000 of the Subordinated Tier 2 Bonds.

4. On 7 February 2006, the Company had acquired 100% of the equity of AmPrivate Equity Sdn Bhd ("AmPrivate Equity"), comprising two (2) ordinary shares of RM1.00 each.

The acquisition of AmPrivate Equity is in conjunction with the launch of a RM100.0 million closed-end private equity fund (the "Fund") with a charter life of ten (10) years under AmPrivate Equity.

AmPrivate Equity will undertake medium and long-term investments principally in Malaysia with the objective of achieving capital appreciation in its investments. It will focus on key sectors such as manufacturing industries, business services, environmental and energy services and information and communications technology companies.

Malaysian Ventures Management Incorporated Sdn Bhd, a registered venture capital management corporation and a subsidiary of the Company, is the manager of the Fund.

The RM100.0 million fund size of AmPrivate Equity will be constituted by way of the issue of 15,000 ordinary shares at an issue price of RM1.00 each and 1,250,000 Redeemable Preference Shares ("RPS") at an issue price of RM79.988 each.

Presently, the committed investors in the Fund are:-

- (a) the Company, with a cash subscription commitment for 80.0% of the Fund amounting to RM80.0 million, comprising 12,000 ordinary shares and 1,000,000 RPS; and
- (b) a major Malaysian pension fund, with a cash subscription commitment for 20.0% of the Fund amounting to RM20.0 million, comprising 3,000 ordinary shares and 250,000 RPS.

The RM100.0 million capital fund will be disbursed to AmPrivate Equity over its charter life as and when investments are actually made by AmPrivate Equity.

Directors' Report (cont'd)

5. On 10 February 2006, AmMerchant Bank had entered into a conditional sale and purchase agreement with the nine (9) minority shareholders of Frasers International Pte Ltd ("FIPL") in respect of the proposed acquisition of 7,576,766 ordinary shares of S\$1.00 each in FIPL not already owned by AmMerchant Bank, representing 51.0% of the issued and paid-up share capital of FIPL for an aggregate cash purchase consideration of up to S\$22,000,000 ("Proposed FIPL Acquisition"). On completion of the Proposed FIPL Acquisition, FIPL will become a wholly-owned subsidiary of AmMerchant Bank.

The Proposed FIPL Acquisition is conditional upon the approval, inter alia, of Bank Negara Malaysia ("BNM"), Monetary Authority of Singapore, Singapore Exchange Securities Trading Limited, Singapore Exchange Derivatives Trading Limited and any other relevant authorities.

6. On 16 February 2006, the Company entered into a conditional agreement with ARA Asset Management (Malaysia) Limited ("ARA"), a wholly-owned subsidiary of ARA Asset Management Limited ("ARA Asset Management"), a company incorporated in Bermuda for the proposed joint venture arrangement between the Company and ARA Asset Management to undertake the business of the Real Estate Investment Trusts ("REIT") to be listed on the Bursa Malaysia Securities Berhad ("Proposed JV"). Under the Proposed JV, the Company and ARA will jointly hold 100% of the equity of a company to be formed ("JV Company") which will be 70.0% held by the Company and 30.0% by ARA. The JV Company, to be named as Am ARA REIT Holdings Sdn Bhd ("Am ARA Holdings"), will then form wholly-owned subsidiaries to undertake the management of REIT in Malaysia.

Am ARA Holdings will have an initial paid-up capital of RM1,000,000, comprising 1,000,000 ordinary shares of RM1.00 each. The Company and ARA will subscribe for 700,000 and 300,000 ordinary shares for cash respectively.

The Proposed JV was approved by the Foreign Investment Committee and BNM on 23 March 2006 and 4 April 2006, respectively.

SUBSEQUENT EVENTS

On 11 May 2006, the Company as the sponsor for AmFIRST REIT, together with Am ARA REIT Managers Sdn Bhd ("Am ARA"), as the proposed management company, announced the proposed listing for the entire fund size, comprising 490,000,000 REIT units of RM1.00 each, of AmFIRST REIT on the Main Board of Bursa Malaysia Securities Berhad ("Proposed Listing").

The Proposed Listing which involves the establishment of AmFIRST REIT for the proposed acquisition of four (4) commercial buildings are as follows:

- (a) Proposed acquisition of Menara AmBank from AmBank (M) Berhad for a total consideration of RM230,000,000 to be satisfied by AmFIRST REIT through the issuance of 230,000,000 new AmFIRST REIT units at an issue price of RM1.00 per unit credited as fully paid-up;
- (b) Proposed acquisition of Bangunan AmBank Group and AmBank Group Leadership Centre from Mayban Trustees Berhad (as trustee for AmFPT) for a total consideration of RM199,000,000 to be satisfied by AmFIRST REIT through the issuance of 199,000,000 new AmFIRST REIT units, credited as fully paid-up; and
- (c) Proposed acquisition of Menara Merais from Merais Sdn Bhd for a total cash consideration of RM57,000,000.

The Company had on 5 May 2006 acquired seven (7) ordinary shares of RM1.00 each, representing 70.0% equity interest, in Am ARA Holdings, the holding company of Am ARA, for a cash consideration of RM7.00, in connection with the joint venture ("JV") between the Company and ARA in the business of REIT management. Am ARA Holdings and Am ARA were both incorporated on 20 April 2006.

Pursuant to the JV agreement entered into between the Company and ARA on 16 February 2006, the balance of three (3) ordinary shares of RM1.00 each, representing 30% equity interest in Am ARA Holdings, are held by ARA.

Am ARA currently has a paid-up capital of RM2.00, comprising two (2) ordinary shares of RM1.00 each, and subject to the approval of Securities Commission ("SC"), Am ARA will act as the manager of AmFIRST REIT.

The Proposed Listing and the Proposals are subject to the approvals of SC, BNM, shareholders and other relevant authorities.

Directors' Report (cont'd)

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before share in results of associated companies	337,661	123,068
Share in results of associated companies	2,572	-
Profit before taxation	340,233	123,068
Taxation	(91,373)	(34,100)
Profit before minority interests	248,860	88,968
Minority shareholders' interests in results of subsidiary companies	(1,512)	-
Net profit attributable to the shareholders of the Company	<u>247,348</u>	<u>88,968</u>

BUSINESS PLAN AND STRATEGY

The Group's merchant banking business will continue to focus on corporate advisory, equity capital market, debt capital market and treasury services. With its strong market presence and greater promotion of Islamic banking, the merchant bank will continue playing a leading role in Islamic capital market activities by offering new Islamic financial solutions and products to its customers.

Despite an increasingly deregulated and liberalised operating environment with lower commission rates and the entry of foreign stockbrokers, the Group's stockbroking operations, with its strong capitalisation and high operational efficiency, is well-positioned to face the challenges arising from the recent liberalisation of the Malaysian financial markets. At the Funds Management Division, the Group will leverage on its expertise in introducing innovative investment products to further enhance its market position in the retail unit trust business and diversify its clients portfolio of assets under management to enhance returns.

Going forward, the Group is preparing itself to compete with world class investment banks arising from the impending liberalization of the financial services industry. The Group believes that it has strong fundamentals such as entrenched leadership positions in various segments across the Malaysian capital markets, extensive capital market experience and expertise, culture of innovation, effective leadership and high operating efficiency.

In addition, the Group has implemented strategies to enhance the Group's regional operations, namely in Singapore and Indonesia, to strengthen its footprints in the region. The Group is currently building up the competencies and resources necessary for these operations to expand into viable sectors of their respective markets. It is envisaged that the enhancement of the Group regional footprints will provide additional competitive advantage to the Group in terms of regional diversity and expanded reach in competing with regional and global competitors.

OUTLOOK FOR NEXT FINANCIAL YEAR

Malaysia's economic growth is projected to rise faster but to remain moderate at 6.0% in 2006. Accordingly, the banking business is expected to further expand in 2006 and the asset quality of the banking system is also expected to remain strong. However, a moderating economy coupled with ample liquidity and liberal operating environment in the banking system will further suppress the profitability of the banking industry's traditional lending business.

Inflation has increased on account of rising cost and potentially the pressure could build up further following higher petroleum product prices. While interest rate would not be directly effective to tame cost-pushed inflation, interest rate adjustment is necessary to positively influence the exchange rate, capital flow and liquidity trend. However, the rate and pace of increase and exchange rate adjustment would not be excessive to disadvantage growth.

Going forward, the Group is confident that its capable and experienced management and credible track record will help the Group maintain its leadership position in the marketplace.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, the results of operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in significant events above and note 49 to the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the succeeding twelve months.

Directors' Report (cont'd)

DIVIDENDS

During the financial year, the Company declared an interim dividend of 4.0%, less 28.0% tax, in respect of the current financial year totalling RM38,016,001. The dividend was paid on 21 December 2005 to shareholders whose names appeared in the Record of Depositors on 8 December 2005.

The directors now recommend the payment of a final dividend of 8.5%, less 28.0% tax, in respect of the current financial year amounting to RM80,784,000 to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the next financial year ending 31 March 2007.

RESERVES, PROVISIONS AND ALLOWANCES

The following material transfers to or from reserves, provisions and allowances were made during the financial year:

	Note to the Financial Statements	Group RM'000	Company RM'000
(a) Share Premium Expenses relating to initial public offering of the Company	26	(3,702)	(4,156)
(b) Statutory Reserve Transfer from unappropriated profits	26	29,549	-
(c) Available-For-Sale Reserve Net unrealised gain on revaluation of securities available-for-sale	26	17,547	-
(d) Exchange Fluctuation Reserve Arising from translation of subsidiary and associated companies expressed in foreign currency	26	651	-
(e) Allowances/(Reversal of Allowances):			
Net interest suspended	28	58	-
Allowance/(Reversal of allowance) for losses on loans and financing:			
General allowance	32	(5,028)	-
Specific allowance - net	32	79,549	-
Impairment (writeback)/loss on:			
Securities		(4,736)	-
Assets acquired in exchange of debts		660	-
Transfer from profit equalisation reserve		(1,919)	-
Provision for commitments		262	-
Allowance for doubtful sundry receivables - net		4,526	-

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and financing and the making of allowances for doubtful debts and financing and have satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts and financing.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing in the Group and the Company inadequate to any substantial extent.

Directors' Report (cont'd)

CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities in the Group's and the Company's financial statements misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year, other than those incurred in the normal course of business.

No contingent or other liability of the Group and of the Company 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 Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up share capital of the Company was increased from 1,109,442,000 ordinary shares of RM1.00 each to 1,320,000,000 ordinary shares of RM1.00 each by the issue of 210,558,000 new ordinary shares of RM1.00 each at an issue price of RM1.40 per share. The resulting share premium amounting to RM84,223,200 has been credited to the share premium account.

The 210,558,000 new ordinary shares issued rank *pari passu* in all respect with the then existing ordinary shares of the Company.

The Company has not issued any new debentures during the financial year.

SHARE OPTIONS

There are no options granted by the Company to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

Directors' Report (cont'd)

DIRECTORS

The directors who served on the Board since the date of the last report are:

Tan Sri Dato' Azman Hashim
 Tan Sri Datuk Dr Aris Osman @ Othman (Independent Director)
 Tan Sri Datuk Clifford Francis Herbert (Independent Director)
 Dato' Izham Mahmud (Independent Director)
 Cheah Tek Kuang
 Kok Tuck Cheong
 Pushparani A Moothathamby
 Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba (Independent Director, Resigned on 30.9.2005)

In accordance with Article 89 of the Company's Articles of Association, Tan Sri Dato' Azman Hashim, Dato' Izham Mahmud and Cheah Tek Kuang retire, and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

Under the Company's Articles of Association, the directors are not required to hold shares in the Company.

The interests in shares and debentures in the Company and its subsidiary companies, of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

DIRECT INTERESTS

In the Company

Renounceable Rights	No. of Renounceable Rights of RM1.00 each			
	Balance at 1.4.2005	Exercised	Lapse	Balance at 31.3.2006
Tan Sri Dato' Azman Hashim	118,954,848	118,954,848	-	-
Tan Sri Datuk Dr Aris Osman @ Othman	50,000	50,000	-	-
Tan Sri Datuk Clifford Francis Herbert	50,000	50,000	-	-
Dato' Izham Mahmud	101,070	101,070	-	-
Cheah Tek Kuang	2,620,075	2,620,075	-	-
Kok Tuck Cheong	1,504,584	1,504,500	84	-
Pushparani A Moothathamby	897,001	897,001	-	-

Shares	No. of Ordinary Shares of RM1.00 each			
	Balance at 1.4.2005	Bought	Sold	Balance at 31.3.2006
Tan Sri Dato' Azman Hashim	-	118,954,848	24,400,000	94,554,848
Tan Sri Datuk Dr Aris Osman @ Othman	-	50,000	-	50,000
Tan Sri Datuk Clifford Francis Herbert	-	50,000	-	50,000
Dato' Izham Mahmud				
- Held directly	-	101,070	-	101,070
- Held through nominees	-	6,000	-	6,000
Cheah Tek Kuang	-	2,620,100	1,500,000	1,120,100
Kok Tuck Cheong	-	1,504,500	500,000	1,004,500
Pushparani A Moothathamby	-	897,001	-	897,001

Directors' Report (cont'd)

DIRECT INTERESTS

**In the ultimate holding company,
AMMB Holdings Berhad**

Shares	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2006
	Balance at 1.4.2005	Bought	Sold	
Tan Sri Dato' Azman Hashim	675,490	-	675,490	-
Dato' Izham Mahmud	4,670	-	-	4,670
Cheah Tek Kuang	23,800	-	-	23,800
Pushparani A Moothathamby	423,149	-	-	423,149

Warrants 1997/2007	No. of Warrants			Balance at 31.3.2006
	Balance at 1.4.2005	Bought	Exercised/ Sold	
Pushparani A Moothathamby	15,506	-	-	15,506

Warrants 2003/2008	No. of Warrants			Balance at 31.3.2006
	Balance at 1.4.2005	Bought	Sold/ Exercised	
Cheah Tek Kuang	46,189	-	-	46,189
Pushparani A Moothathamby	13,418	-	-	13,418

**In the subsidiary company,
AmMerchant Bank Berhad**

Redeemable Unsecured Subordinated Bonds	Nominal Value of RM1.00 each			Balance at 31.3.2006
	Balance at 1.4.2005	Bought	Sold	
Dato' Izham Mahmud	250,000	-	250,000	-

Directors' Report (cont'd)

DEEMED INTERESTS
In the Company

Renouceable Rights	Name of Company	No. of Renouceable Rights of RM1.00 each			
		Balance at 1.4.2005	Exercised	Lapse	Balance at 31.3.2006
Tan Sri Dato' Azman Hashim	AmcorpGroup Berhad (formerly known as Arab-Malaysian Corporation Berhad)	150,896,688	150,896,688	-	-
	AMDB Equipment Trading Sdn Bhd	100,646	100,646	-	-
	Azman Hashim Holdings Sdn Bhd	209,502	209,502	-	-
	Regal Genius Sdn Bhd	6,760,238	6,760,238	-	-

Shares	Name of Company	No. of Ordinary Shares of RM1.00 each			
		Balance at 1.4.2005	Bought	Sold	Balance at 31.3.2006
Tan Sri Dato'	AmcorpGroup Berhad	-	150,896,688	-	150,896,688
Azman Hashim	AMDB Equipment Trading Sdn Bhd	-	100,646	-	100,646
	Azman Hashim Holdings Sdn Bhd	-	209,502	-	209,502
	Regal Genius Sdn Bhd	-	6,760,238	-	6,760,238

**In the ultimate holding company,
AMMB Holdings Berhad**

Shares	Name of Company	No. of Ordinary Shares of RM1.00 each			
		Balance at 1.4.2005	Bought	Sold	Balance at 31.3.2006
Tan Sri Dato'	AmcorpGroup Berhad	658,252,421	13,000,000	-	671,252,421
Azman Hashim	AMDB Equipment Trading Sdn Bhd	439,047	-	-	439,047
	Azman Hashim Holdings Sdn Bhd	913,905	-	913,905	-
	Regal Genius Sdn Bhd	29,490,000	-	-	29,490,000

Warrants 2003/2008	Name of Company	No. of Warrants			
		Balance at 1.4.2005	Bought	Sold/ Exercised	Balance at 31.3.2006
Tan Sri Dato'	AmcorpGroup Berhad	5,954,097	-	-	5,954,097
Azman Hashim	AMDB Equipment Trading Sdn Bhd	22,682	-	-	22,682
	Regal Genius Sdn Bhd	2,989,936	-	-	2,989,936
	Corporateview Sdn Bhd	31,658,738	-	-	31,658,738

By virtue of their shareholdings as mentioned above, the above directors are deemed to have an interest in the shares of the Company and its related companies.

Directors' Report (cont'd)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm in which the director is a member, or with a company in which the director has a substantial financial interest, except for the related party transactions as shown in Note 33 to the financial statements.

Save for the benefits under the Restricted Offer for Sale by AHB to its shareholders and the Company to eligible employees and directors pursuant to the listing of the Company on the Main Board of the Bursa Malaysia Securities Berhad, neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE

(i) BOARD RESPONSIBILITY AND OVERSIGHT

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and best practices in corporate governance are applied consistently in the Group, since the Company is an investment holding company. Its major business activities are conducted through its various subsidiary companies.

The Board supervises the management of the Group's businesses and affairs with the goal of enhancing shareholders' value. The Board meets monthly to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

The Board addresses key matters concerning strategy, finance, organization structure, business developments (subject to matters reserved for shareholders' meetings by law), and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments.

The composition of the Board of the Company and its major operating subsidiary, AmMerchant Bank is identical.

The Board comprises seven (7) directors, of which three (3) are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Company and its subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the management are fully examined, taking into account the long-term interests of various stakeholders.

There is a clear division between the roles of Chairman and the Chief Executive Officers of the operating subsidiaries.

The Senior Management team of the subsidiaries is invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled. The Group Company Secretary has been empowered by the Board to assist the Board in matters of governance and in complying with statutory duties.

(ii) COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to the Board Committees. The committees, which were created to assist the Board in certain areas of deliberations are:

1. Nomination Committee
2. Remuneration Committee
3. Audit And Examination Committee ("AEC")

The Risk Management Committee has been established at AmMerchant Bank.

The roles and responsibilities of each committee are set out under the respective terms of reference, which have been approved by the Board. The minutes of the Committee meetings are tabled at the subsequent Board meetings for comment and notation.

Directors' Report (cont'd)

The attendance of Board members at the meetings of the Board and the various Board Committees is as set out below:

Number of meetings attended in Financial Year ("FY") 2006					
	Board of Directors	Nomination Committee	Remuneration Committee#	AEC	Risk Management Committee^
Tan Sri Dato' Azman Hashim	13	1 (Member effective 1.12.2005)	N/A	N/A	N/A
Tan Sri Datuk Dr Aris Osman @ Othman	10	1 (Chairman/Member effective 1.12.2005)	Member effective 11.3.2005	1 (Chairman/Member effective 1.12.2005)	11
Tan Sri Datuk Clifford Francis Herbert	13	3	N/A	N/A	11 (Chairman/Member effective 31.5.2005)
Dato' Izham Mahmud	13	1 (Member effective 1.12.2005)	Chairman/Member effective 1.12.2005	4	N/A
Cheah Tek Kuang	13	3	Member effective 1.12.2005	N/A	N/A
Kok Tuck Cheong	12	N/A	N/A	N/A	N/A
Pushparani A Moothathamby	13	N/A	N/A	4	N/A
Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba (Resigned on 30.9.2005)	7	1	N/A	2	8
Number of meetings held in FY2006	13	3	-	4	11

Note: All attendances reflect the number of meetings attended during Directors' duration of service.
N/A represents not a member.

There were no Remuneration Committee meetings held from April 2005 to March 2006.

^ Risk Management Committee of Directors at AmMerchant Bank.

Directors' Report (cont'd)

The Nomination Committee

It is responsible for regularly reviewing the board structure, size and composition, as well as identifying and selecting new directors to be appointed to the Board and the Committees of the Board. On an annual basis, it reviews the mix of skills and experience and other qualities and competencies that Non-Executive Directors should bring to the Board.

During the financial year, three (3) meetings were held to consider nominations and to review the membership of the Board and Board Committees. In addition, the Nomination Committee also reviewed the performance of the Committees' and Board's effectiveness as a whole and the contribution of each Director to the effectiveness of the Board.

The Remuneration Committee

All members of this Committee are Non-Executive Directors. The Committee is responsible for determining and recommending to the Board the framework or broad policy for the remuneration of the Directors, Chief Executive Officers and Senior Management.

Remuneration is determined at levels which enable the Group to attract and retain the Directors, Chief Executive Officers and Senior Management with the relevant expertise in managing the Group effectively.

Audit And Examination Committee

The Board has appointed the AEC to assist in discharging its duties of maintaining a sound system of internal control to safeguard the Group's assets and shareholders' investments.

The financial statements, accounting policies and system of internal accounting controls are the responsibility of the Board acting through the AEC. The AEC of both the Company and AmMerchant Bank, met during the year to review the scope of both the internal audit functions and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The consolidated financial statements of the Group and the financial statements of the Company were reviewed by the AEC prior to their submission to the directors of the Company for adoption.

In addition, the AEC has reviewed the requirements for approval and disclosure of related party transactions, reviewed the procedures set up by the Group to identify and report, and where necessary, seek approval for related party transactions and, with the assistance of the internal auditors, reviewed related party transactions.

Risk Management Committee

Risk management is an integral part of the Group's strategic decision-making process which ensures that the corporate objectives are consistent with the appropriate risk-return trade-off. The Board of AmMerchant Bank approves the risk management strategy and sets the broad risk tolerance level; and approves the engagement of new products or activities after considering the risk bearing capacity and readiness of the Bank.

The Risk Management Committee of Directors has been established at AmMerchant Bank to oversee the overall management of credit, market, liquidity, operational, legal, capital and strategic risks impacting the Group, and to ensure that the risk management process is in place and functioning.

The Committee is independent from management and comprises only Non-Executive Directors. The Committee ensures that the Board's risk tolerance level is effectively enforced; and reviews high-level risk exposures, and capital allocation decisions to ensure that they are within the overall interests of the Bank. It also assesses the Bank's ability to accommodate risks under normal and stress scenarios.

The Risk Management Department is independent of the various business units and acts as the catalyst for the development and maintenance of comprehensive and sound risk management policies, strategies and procedures within the Group. The functions encompass research and analysis, portfolio risk exposure reporting, compliance monitoring, formulation of policies and risk assessment methodology, and formulation of risk strategies.

Internal Audit And Internal Control Activities

The Internal Audit Department reports to the AEC and to the Group Chief Internal Auditor. It assists the Board in assessing and reporting on business risks and internal controls, and operates within the framework defined in the Audit Charter.

The AEC approves the Internal Audit's annual audit plan each year, which covers the audit of all major business units and operations within the Group. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meeting. The results of the AEC meeting are formally tabled to the Board of Directors for noting and action where necessary. The Group Chief Internal Auditor and the external auditors also attend the AEC meeting by invitation.

Directors' Report (cont'd)

The scope of internal audit covers reviews of adequacy of the risk management processes, operational controls, financial controls, compliance with laws and regulations as well as management directives, lending practices and information technology, including the various application systems in production, data centres and network security.

The Internal Audit focuses its efforts on performing audits in accordance with the audit plan, which is prioritised based on a comprehensive audit risk assessment of all significant auditable areas identified in the Group. The structured audit risk assessment approach ensures that all risk-rated auditable areas are kept in view to ensure appropriate audit coverage and audit frequency. The risk based audit plan is reviewed annually taking into account the changing financial significance of the business and risk environment.

The Internal Audit also participates actively in major systems developments activities and project committees to advise on risk management and internal control measures.

(iii) MANAGEMENT INFORMATION

All Directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Company and its subsidiaries that are important to the Directors' understanding of the agenda items and related topics, are distributed in advance of the meeting. The Board reports, include among others, minutes of meetings of all Committees of the Board, monthly performance of the Group, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

These reports are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board provides input on Group policies.

ULTIMATE HOLDING COMPANY

The directors regard AMMB Holdings Berhad, a company incorporated in Malaysia and quoted on the Main Board of the Bursa Malaysia Securities Berhad as both the holding company and the ultimate holding company.

RATING BY EXTERNAL AGENCY

The Group's merchant banking subsidiary company has been accorded strong domestic credit ratings of AA3/P1 from Rating Agency of Malaysia Berhad ("RAM"), and A+/MARC-1 from Malaysian Rating Corporation Berhad. This is complemented by international ratings of BB+/B from Standard & Poor's, BB/B from Capital Intelligence and BB+/B from Fitch Rating Singapore Pte Ltd (formerly known as Fitch IBCA, Duff & Phelps). The Bank's RM460.0 million Redeemable Unsecured Subordinated Bonds and RM200.0 million Subordinated Tier 2 Bonds have been accorded a long-term rating of A1 by RAM.

SHARIAH COMMITTEE

The Shariah Committee was established under BNM "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" (BNM/GPS1) to advise and provide guidance to the Board of Directors on all matters pertaining to Shariah principles including product development, marketing and implementation activities. The Shariah advisors also assist in the setting up of business and operational procedures with respect to compliance with Shariah principles.

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



TAN SRI DATO' AZMAN HASHIM



CHEAH TEK KUANG

Statement by Directors

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

We, **TAN SRI DATO' AZMAN HASHIM** and **CHEAH TEK KUANG**, being two of the directors of **AmINVESTMENT GROUP BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with applicable Approved Accounting Standards in Malaysia, Bank Negara Malaysia Guidelines 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 March 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors



TAN SRI DATO' AZMAN HASHIM



CHEAH TEK KUANG

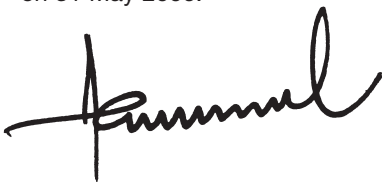
Kuala Lumpur, Malaysia
Date: 31 May 2006

Statutory Declaration

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


I, **ARUNASALAM MUTHUSAMY**, being the officer primarily responsible for the financial management of **AmINVESTMENT GROUP BERHAD**, do solemnly and sincerely declare that the accompanying financial statements 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 **ARUNASALAM MUTHUSAMY** at Kuala Lumpur in the Wilayah Persekutuan on 31 May 2006.



ARUNASALAM MUTHUSAMY

Before me,



COMMISSIONER FOR OATHS



Lodged on behalf by:
Address: 22nd Floor, Bangunan AmBank Group,
No. 55 Jalan Raja Chulan,
50200 Kuala Lumpur.
Telephone Number: 03-20782633/44/55

Report of the Auditors to Members

We have audited the accompanying financial statements. 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.

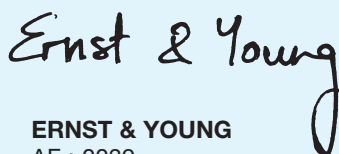
In our opinion,

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965, Bank Negara Malaysia Guidelines 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 March 2006 and of the results and the cash flows of the Group and of the Company for the year ended 31 March 2006; 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.

We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, as indicated in Note 12 of 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 and in respect of the subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.



ERNST & YOUNG
AF : 0039
Chartered Accountants



LIM SAW KENG
No.2215/10/07(J)
Partner

Kuala Lumpur, Malaysia
Date: 31 May 2006

Balance Sheets

As At 31 March 2006

	Note	2006		2005	
		Group RM'000	Company RM'000	Group RM'000	Company RM'000
ASSETS					
Cash and short-term funds	4	3,157,087	73	2,678,552	1
Securities purchased under resale agreements		716,176	5,240	139,931	-
Deposits and placements with banks and other financial institutions	5	1,224,646	-	393,133	-
Securities held-for-trading	6	7,239,636	69,550	3,595,381	-
Securities available-for-sale	7	834,480	-	879,092	-
Securities held-to-maturity	8	1,806,654	-	1,372,806	-
Loans, advances and financing	9	4,177,632	-	4,536,049	-
Other assets	10	563,985	8,664	565,054	7,634
Statutory deposit with Bank Negara Malaysia	11	244,130	-	244,294	-
Investments in subsidiary companies	12	-	1,375,291	-	1,323,842
Investments in associated companies	13	41,852	-	40,098	-
Property and equipment	14	46,933	-	45,326	-
Deferred tax assets	36	66,644	-	76,865	-
Goodwill on consolidation	15	111,496	-	79,805	-
TOTAL ASSETS		20,231,351	1,458,818	14,646,386	1,331,477
LIABILITIES AND EQUITY					
Deposits from customers	16	6,432,177	-	5,294,436	-
Deposits and placements of banks and other financial institutions	17	7,516,897	-	4,567,758	-
Obligations on securities sold under repurchase agreements	18	2,562,617	-	1,427,791	-
Acceptances payable	19	3,103	-	3,186	-
Other liabilities	20	597,273	309	631,259	214,545
Recourse obligation on loans sold to Cagamas Berhad	21	89,694	-	132,798	-
Term loan	22	276,232	-	285,000	-
Subordinated certificates of deposits	23	-	-	198,768	-
Redeemable unsecured subordinated bonds	24	595,000	-	460,000	-
Total liabilities		18,072,993	309	13,000,996	214,545
Share capital	25	1,320,000	1,320,000	1,109,442	1,109,442
Reserves	26	837,405	138,509	529,354	7,490
Shareholders' equity		2,157,405	1,458,509	1,638,796	1,116,932
Minority interests	27	953	-	6,594	-
Total equity		2,158,358	1,458,509	1,645,390	1,116,932
TOTAL LIABILITIES AND EQUITY		20,231,351	1,458,818	14,646,386	1,331,477
COMMITMENTS AND CONTINGENCIES	42	25,493,935	-	14,824,997	-
NET ASSETS PER SHARE (RM)	45	1.63	1.10	1.48	1.01

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

Income Statements

For The Financial Year Ended 31 March 2006

	Note	2006		2005	
		Group RM'000	Company RM'000	Group RM'000	Company RM'000
Operating revenue	46	1,054,122	123,931	924,450	10,434
Interest income	28	611,509	9,331	584,542	434
Interest expense	29	(462,879)	-	(410,973)	-
Net interest income		148,630	9,331	173,569	434
Income from Islamic banking business	50(xxiv)	76,008	-	47,552	-
Other operating income	30	366,605	114,600	292,356	10,000
Net income		591,243	123,931	513,477	10,434
Other operating expenses	31	(194,355)	(863)	(188,844)	(26)
Operating profit		396,888	123,068	324,633	10,408
Allowance for losses on loans and financing	32	(60,434)	-	(48,286)	-
Impairment writeback/(loss) on:					
Securities		4,736	-	(9,554)	-
Assets acquired in exchange of debts		(660)	-	-	-
Transfer from/(to) profit equalisation reserve		1,919	-	(2,195)	-
Provision for commitments		(262)	-	(63)	-
(Allowance)/Write back of allowance for doubtful sundry receivables - net		(4,526)	-	2,042	-
Profit before share in results of associated companies		337,661	123,068	266,577	10,408
Share in results of associated companies		2,572	-	16,595	-
Profit before taxation		340,233	123,068	283,172	10,408
Taxation:	35	(91,373)	(34,100)	(79,260)	(2,918)
Company and subsidiaries		(91,178)	(34,100)	(74,571)	(2,918)
Associates		(195)	-	(4,689)	-
Profit before minority interests		248,860	88,968	203,912	7,490
Minority shareholders' interests in result of subsidiary companies		(1,512)	-	(2,002)	-
Net profit attributable to the shareholders of the Company		247,348	88,968	201,910	7,490
Basic earnings per share (sen)	38	19.1	6.9	17.6	0.7

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

Statements of Changes in Equity

For The Financial Year Ended 31 March 2006

Group	Note	Share capital RM'000	Share premium RM'000	Non-distributable			Distributable		Total RM'000
				Capital reserve RM'000	Statutory reserve RM'000	Available-for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappropriated profits RM'000	
At date of incorporation									
Effects arising from merger		1,109,442	-	60,284	300,000	-	-	233,637	1,703,363
Prior year adjustments		-	-	-	-	(14,410)	-	(119)	(14,529)
At date of incorporation (restated)		1,109,442	-	60,284	300,000	(14,410)	-	233,518	1,688,834
Net unrealised gain on revaluation of securities available-for-sale		-	-	-	-	1,977	-	-	1,977
Profit for the period		-	-	-	-	-	-	201,910	201,910
Interest on ICULS		-	-	-	-	-	-	(6,766)	(6,766)
Translation adjustments		-	-	-	-	-	(4,519)	-	(4,519)
Dividends paid (Note 1)		-	-	-	-	-	-	(242,640)	(242,640)
At 31 March 2005		1,109,442	-	60,284	300,000	(12,433)	(4,519)	186,022	1,638,796
At 1 April 2005									
As previously stated		1,109,442	-	60,284	300,000	-	(4,519)	185,343	1,650,550
Prior year adjustments	49	-	-	-	-	(12,433)	-	679	(11,754)
At 1 April 2005 (restated)		1,109,442	-	60,284	300,000	(12,433)	(4,519)	186,022	1,638,796
Issued during the year		210,558	84,223	-	-	-	-	-	294,781
Expenses relating to initial public offering of the Company		-	(3,702)	-	-	-	-	-	(3,702)
Transfer from unappropriated profits		-	-	-	29,549	-	-	(29,549)	-
Net unrealised gain on revaluation of securities available-for-sale		-	-	-	-	17,547	-	-	17,547
Profit for the year		-	-	-	-	-	-	247,348	247,348
Translation adjustments		-	-	-	-	-	651	-	651
Interim dividends paid	37	-	-	-	-	-	-	(38,016)	(38,016)
At 31 March 2006		1,320,000	80,521	60,284	329,549	5,114	(3,868)	365,805	2,157,405

Statements of Changes in Equity (cont'd)

For The Year Ended 31 March 2005

Company	Note RM'000	Non-distributable		Distributable	Total
		Share capital RM'000	Share premium RM'000	Unappropriated profits RM'000	
At date of incorporation		-*	-	-	-*
Issue of shares pursuant to the merger		1,109,442	-	-	1,109,442
Profit for the period		-	-	7,490	7,490
At 31 March 2005		1,109,442	-	7,490	1,116,932
* Denotes RM2.00					
At 1 April 2005		1,109,442	-	7,490	1,116,932
Issue during the year		210,558	84,223	-	294,781
Expenses relating to initial public offering of the Company		-	(4,156)	-	(4,156)
Profit for the year		-	-	88,968	88,968
Interim dividends paid	37	-	-	(38,016)	(38,016)
At 31 March 2006		1,320,000	80,067	58,442	1,458,509

Note 1:

These represents dividend paid by AmMerchant Bank and AMSH before the completion of AMMB Holdings Berhad Internal Reorganisation and are as follows:

- Final dividend of 25.0% less tax, paid by AmMerchant Bank in respect of the financial year ended 31 March 2004 amounting to RM36,000,000;
- Interim dividend of 87.5%, less tax, paid by AmMerchant Bank in respect of the financial year ended 31 March 2005 amounting to RM126,000,000; and
- Interim dividend of 1,120.0%, less tax, paid by AMSH in respect of the financial year ended 31 March 2005 amounting to RM80,640,000.

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

Cash Flow Statements

For The Financial Year Ended 31 March 2006

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	340,233	123,068	283,172	10,408
Add/(Less) adjustments for:				
Loan and financing loss and allowances, net of recoveries	60,434	-	48,286	-
Depreciation of property and equipment	9,288	-	14,324	-
Amortisation of goodwill	5,791	-	4,857	-
Allowance/(Write back of allowance) for doubtful sundry receivables - net	4,526	-	(2,042)	-
Amortisation of premium on acquisition	622	-	1,274	-
Sundry bad debts written off - net	504	-	281	-
Provision for commitments	262	-	63	-
Amortisation of intangible assets	74	-	176	-
Net interest suspended	58	-	2,731	-
Property and equipment written off	6	-	1	-
Net gain from sale of securities held-for-trading	(98,432)	-	(68,649)	-
Gross dividend income from investments	(37,201)	(114,600)	(42,587)	(10,000)
Net gain on redemption of securities held-to-maturity	(27,592)	-	(9,011)	-
(Gain)/Loss on revaluation of securities held-for-trading	(23,185)	-	6,092	-
Amortisation of premiums less accretion of discounts	(12,738)	-	17,464	-
Unrealised foreign exchange gain	(8,343)	-	-	-
Gain on revaluation of derivatives	(6,165)	-	(6,611)	-
Impairment (gain)/loss on securities	(4,736)	-	9,554	-
Share in results of associated companies	(2,572)	-	(16,595)	-
Transfer (from)/to profit equalisation reserve	(1,919)	-	2,195	-
Gain on disposal of property and equipment-net	(571)	-	(435)	-
Net gain from sale of securities available-for-sale	(92)	-	-	-
Impairment loss on assets acquired in exchange of debts	660	-	-	-
Capital gain arising from receipt of shares in Bursa Malaysia Berhad	-	-	(12,727)	-
Operating profit before working capital changes carried forward	198,912	8,468	231,813	408

Cash Flow Statements (cont'd)

For The Financial Year Ended 31 March 2006

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (Cont'd)				
Operating profit before working capital changes brought forward	198,912	8,468	231,813	408
(Increase)/Decrease in operating assets:				
Securities purchased under resale agreement	(576,245)	(5,240)	(128,143)	-
Deposits and placements with banks and other financial institutions	(831,513)	(69,550)	58,198	-
Securities held-for-trading	(3,516,472)	-	(369,317)	-
Loans, advances and financing	297,925	-	719,289	-
Other assets	8,560	31,058	304,957	(434)
Statutory deposit with Bank Negara Malaysia	164	-	80,110	-
Deposits and monies held in trust with financial institutions	5,057	-	(69,659)	-
(Decrease)/Increase in operating liabilities:				
Deposits from customers	1,137,741	-	(635,422)	-
Deposits and placements of banks and other financial institutions	2,949,139	-	(916,494)	-
Obligations on securities sold under repurchase agreements	1,134,826	-	(56,760)	-
Acceptances payable	(83)	-	(3,959)	-
Other liabilities	(2,540)	(246,338)	(48,627)	27
Recourse obligation on loans sold to Cagamas Berhad	(43,104)	-	(20,306)	-
Term loans	(8,768)	-	(55,356)	-
Cash from/(used in) operations	753,599	(281,602)	(909,676)	1
Taxation paid	(80,366)	(1,998)	(60,775)	-
Net cash generated from/(used in) operating activities	673,233	(283,600)	(970,451)	1

Cash Flow Statements (cont'd)

For The Financial Year Ended 31 March 2006

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received from other investments	26,785	-	30,662	-
Proceeds from disposal of property and equipment	592	-	706	-
(Purchase)/Proceeds from disposal of securities - net	(326,531)	-	1,155,302	-
Acquisition of remaining 30.0% equity in unit trust and asset management subsidiary companies	(44,790)	-	-	-
Purchase of property and equipment	(10,966)	-	(6,905)	-
Acquisition of shares in venture capital management subsidiary company	(105)	(409)	-	-
Dividends received from subsidiary company	-	82,512	-	-
Subscription of rights issue in merchant banking subsidiary company	-	(50,000)	-	-
Acquisition of shares in investment holding subsidiary company	-	(1,040)	-	-
Proceeds from disposal of an associated company	-	-	82,518	-
Dividends received from associated companies	-	-	4,433	-
Capital repayment by an associated company	-	-	780	-
Acquisition of remaining 2.5% equity in stockbroking subsidiary company	-	-	(9,397)	-
Net cash (used in)/generated from investing activities	(355,015)	31,063	1,258,099	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares in the Company	294,781	294,781	-	-
Proceeds of redeemable unsecured subordinated bonds	135,000	-	-	-
Proceeds from issue of shares by a subsidiary company to minority shareholders	260	-	-	-
Redemption of subordinated certificates of deposits	(200,000)	-	-	-
Dividends paid by the Company to its shareholders	(38,016)	(38,016)	-	-
Share issuance expenses	(3,702)	(4,156)	-	-
Dividends paid by subsidiary companies	-	-	(242,640)	-
ICULS interest paid	-	-	(6,766)	-
Dividends paid to minority interests	-	-	(864)	-
Net cash from/(used in) financing activities	188,323	252,609	(250,270)	-
Net increase in cash and cash equivalents	506,541	72	37,378	1
Cash and cash equivalents at beginning of year/period	2,501,053	1	2,463,675	-
Cash and cash equivalents at end of year/period (Note 1)	3,007,594	73	2,501,053	1

Cash Flow Statements (cont'd)

For The Financial Year Ended 31 March 2006

Note 1: Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short-term funds, excluding deposits and monies held in trust, net of bank overdrafts. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Cash and short term funds	3,157,087	73	2,678,552	1
Bank overdrafts (Note 20)	(8,985)	-	(31,568)	-
	3,148,102	73	2,646,984	1
Less: Cash and bank balances and deposits held in trust	(140,571)	-	(145,628)	-
	3,007,531	73	2,501,356	1
Effects of exchange rate differences	63	-	(303)	-
	3,007,594	73	2,501,053	1

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

Notes to the Financial Statements

For The Financial Year Ended 31 March 2006

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activity of the Company is that of an investment holding company.

The subsidiary companies, as listed in Note 12, provide a wide range of merchant banking and related financial services which also include the Islamic banking business, investment advisory and asset, real estate investments and unit trust management, stocks and futures broking.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of the Bursa Malaysia Securities Berhad ("Bursa"). The registered office and the principal place of business of the Company is located at 22nd Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur.

The financial statements of the Group and of the Company have been approved and authorised for issue by the Board of Directors on 26 April 2006.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated and in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989, Bank Negara Malaysia ("BNM") Guidelines and the applicable approved accounting standards of the Malaysian Accounting Standards Board. The financial statements incorporate those activities relating to Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits, granting of financing, capital market and treasury activities under the Shariah Principles.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are consistent with those adopted in the previous audited annual financial statements except for the adoption of the Revised Guidelines on Financial Reporting for Licensed Institutions (Revised BNM/GP8) issued by BNM on 5 October 2004, which became effective for the current financial year. The adoption of the Revised BNM/GP8 resulted in the adoption of the following new accounting policies:

- (i) the recognition and measurement of the holdings of the investment and dealing securities portfolio of the Group as securities held-for-trading, securities held-to-maturity and securities available-for-sale;
- (ii) the recognition and measurement of derivative financial instruments and the adoption of hedge accounting; and
- (iii) where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing shall be reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, the interest accrued on the non-performing loans shall be recognised as income on a cash basis instead of being accrued and suspended at the same time as prescribed previously.

Comparative figures have been adjusted or extended to conform with the requirements of the Revised BNM/GP8 that have been applied retrospectively for one year. The effects of these changes are disclosed in Note 49 to the financial statements.

The specific and general allowances for loans, advances and financing are computed based on BNM's guidelines on the "Classification of Non-Performing Loans and Provisions for Substandards, Bad and Doubtful Debts" ("BNM/GP3") requirement and is consistent with the adoption made in the previous financial statement.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Basis Of Consolidation

The Group's financial statements include the financial statements of the Company and all its subsidiary companies listed under Note 12 made up to the end of the financial year except for P.T. AmCapital Indonesia, the financial statements of which were made up to 31 December 2005 with adjustments, where appropriate, made for any significant transactions that occurred between 1 January 2006 to 31 March 2006.

All subsidiaries are consolidated using the acquisition method of accounting except where the criteria for the merger method as prescribed by the Malaysian Financial Reporting Standards 122 ("FRS122₂₀₀₄") (Business Combinations) (formerly known as Malaysian Accounting Standards Board ("MASB") 21) is met.

Under the acquisition method, the results of the subsidiary companies acquired or disposed of during the financial year are included in the Group financial statements from the effective date of acquisition or to the effective date of disposal, as applicable. The excess of the cost of investments in the subsidiary companies over the attributable share in the fair value of the net assets of the subsidiary companies at the date of acquisition is taken up as goodwill on consolidation. All significant intercompany transactions and balances have been eliminated on consolidation and the consolidated financial statements reflect external transactions only.

Where the merger method is used, the cost of investment in the Company's records are recorded at the nominal value of ordinary shares issued and cash and cash equivalents, and the difference between the carrying value of the investment and the nominal value of ordinary shares acquired is treated as a merger reserve or merger deficit. Merger deficits are adjusted against suitable reserves of the subsidiaries acquired to the extent that laws or statutes do not prohibit the use of such reserves. The results and financial position of the companies being merged are included as if the merger had been effected throughout the entire year.

The merger method was adopted in respect of the transfer of AmMerchant Bank and AMSH and their respective subsidiaries, pursuant to the internal reorganisation of the Group completed in financial year 2005. The subsidiary companies acquired prior to the internal reorganisation mentioned were accounted for under the acquisition method and this accounting treatment has been consistently applied.

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

Investments In Subsidiary Companies

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiary companies, which are eliminated on consolidation, are stated in the Company's financial statements at cost and are written down when the directors consider that there is an impairment loss that is other than temporary on the value of such investments in the Company's financial statements. The impairment loss, if any, is charged to the income statement.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is charged or credited to the income statement.

Minority interests in the Group represent that part of the net results of operations, or of net assets, of subsidiary companies attributable to shares and debentures owned, directly or indirectly other than by the Company or subsidiary companies.

Investments In Associated Companies

An associated company is a company in which the Group has a long-term equity interest of between 20.0% and 50.0% and where the Group has representation on the Board and is in a position to exercise significant influence in its management.

Investments in associated companies are stated at cost and are written down when the directors consider that there is an impairment loss that is other than temporary on the value of such investments in the Company's financial statements. The impairment loss, if any, is charged to the income statement. In the consolidated financial statements, the results of associated companies are accounted for under the equity method whereby the Group's share of post-acquisition profits less losses of associated companies is included in the consolidated income statement. The Group's interest in associated companies is stated at cost plus adjustments to reflect changes in the Group's share of the net assets of the associated companies in the consolidated balance sheet.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is charged or credited to the income statement.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Goodwill/Premium On Consolidation

Goodwill on consolidation represents the excess of the purchase consideration over the share of the fair values of the identifiable net assets of a subsidiary company at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. Goodwill is generally amortised evenly over an estimated useful life of twenty (20) to fifty (50) years. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

Premium on consolidation on the acquisition of associated companies is included within the carrying amount of the associated companies and represents the excess of the purchase consideration over the Group's interest in the fair values of the identifiable net assets of associated companies at the date of acquisition. The premium on consolidation on the acquisition of associated companies is amortised over an estimated useful life of twenty five (25) years.

When an indication of impairment exists, the carrying amount of goodwill or premium is assessed and written down immediately to its recoverable amount.

Repurchase Agreements

Securities purchased under resale agreements are securities which the Group had purchased with commitments to resell at future dates. The commitments to resell the securities are reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group had sold from its portfolio, with commitments to repurchase at future dates for funding purposes. The carrying values of the securities underlying these repurchase agreements remain in the respective asset accounts at amortised cost or fair value depending on their classification while the obligations to repurchase such securities at agreed prices on specified future dates are accounted for as a liability on the balance sheet.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return the borrowed securities is recorded as securities sold but not yet re-purchased as disclosed in other liabilities. Unrealised gains and losses from revaluation are recognised in the income statement.

Securities

The holdings of the securities portfolio of the Group are recognised based on the following categories and valuation method.

(i) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short-term price movements or to lock in arbitrage profits. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of securities held-for-trading are recognised in the income statement.

(ii) Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as securities held-to-maturity.

The securities held-to-maturity are measured at accreted/amortised cost based on effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from the derecognition of securities held-to-maturity are recognised in the income statement.

(iii) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at amortised costs (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed off or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Allowance For Doubtful Debts And Financing

Based on management's evaluation of the portfolio of loans, advances and financing, specific allowances for doubtful debts and financing are made when the collectibility of receivables becomes uncertain. In evaluating collectibility, management considers several factors such as the borrower's financial position, cash flow projections, management, quality of collateral or guarantee supporting the receivables as well as prevailing and anticipated economic conditions.

A general allowance based on set percentages of the net increase in receivables is also made. These percentages are reviewed annually in the light of past experiences and prevailing circumstances and an adjustment is made to the overall general allowance, if necessary.

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

The policy on allowances for non-performing loans of the Group is in conformity with the minimum requirements of BNM's "Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts" ("BNM/GP3").

Trade And Other Receivables

Trade and other receivables are stated at book value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

The stock and share-broking subsidiary company, AmSecurities's policies for the identification of bad and doubtful accounts, the making of specific allowance and the classification of the suspension of interest in respect of such accounts and the making of general allowance are in accordance with Schedule 7 of the Rules of Bursa and are as follows:

- (i) Specific allowance is made against bad and doubtful receivables at rates of 50% and 100%, respectively, subject to deduction of interest-in-suspense and the value of collateral held. In addition, a general allowance is maintained based on 1.0% of total trade receivables after deducting the amount of interest-in-suspense and the specific allowance in accordance with Schedule 7 of the Rules of Bursa.
- (ii) Interest income accrued on these accounts are suspended when they are considered non-performing in accordance with Schedule 7 of the Rules of Bursa.

Foreclosed Properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at cost less impairment loss, if any, of such properties.

Property And Equipment And Depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses.

Freehold land is not depreciated. Leasehold land is amortised over the shorter of the lease period or fifty (50) years. Depreciation of other property and equipment is calculated using the straight-line method at rates based on the estimated useful lives of the various assets.

The annual depreciation rates for the various classes of property and equipment are as follows:

Freehold building	2%
Leasehold buildings	2% or over the term of short term lease
Motor vehicles	20% - 33 1/3%
Leasehold improvements	20%
Computer hardware and software	20% - 33 1/3%
Office equipment, furniture and fittings	10% - 33 1/3%

Gain or loss arising from disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is charged or credited to the income statement.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Assets Purchased Under Lease

Assets purchased under finance leases which in substance transfer the risks and benefits of ownership of the assets to the Group are capitalised under property and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease terms, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise the Group's incremental borrowing rate is used.

Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to income statement as incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

As at 31 March 2006, the Group and the Company do not have any assets purchased under lease.

Impairment Of Assets

The carrying values of the Group's assets, other than financial assets (other than investment in subsidiary and associated companies, securities available-for-sale and securities held-to-maturity) and deferred tax assets, are reviewed for impairment when there is an indication that the asset might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows, if applicable. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash generating unit.

An impairment loss is charged to the income statements immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

Acceptances Payable

Acceptances payable represent the merchant banking subsidiary company own acceptances rediscounted and outstanding in the market.

Liabilities

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

In respect of the stock and share-broking subsidiary company, trade payables represent contra gains owing to non-margin clients and outstanding sale contracts of the company which were entered into on behalf of clients where settlement has yet to be made. The credit term for trade settlement of the company is three (3) market days according to rules of Bursa. Clients and trust monies relate to monies owing to clients maintained in aggregated accounts of the company.

Deposits from customers and deposits and placement of banks and other financial institutions are stated at placement values.

Profit Equalisation Reserve ("PER")

PER is a mechanism to reduce the fluctuation in the profit rates payable to depositors under the Islamic banking business. It is provided based on the Framework of the Rate of Return issued by BNM. The account of PER is appropriated from and written back to the total Islamic banking gross income. PER is reflected under "other liabilities" of the Group.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Other Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of a past event and a reliable estimate can be made of the amount.

Redeemable Unsecured Subordinated Bonds

These are long-term debts with remaining maturity of more than one (1) year. The issue proceeds are recognised at cost and used to grant an unsecured term loan to its related licensed commercial bank for capital refinancing purpose. The interest incurred is recognised on a straight-line accrual basis.

Interest Bearing Irredeemable Convertible Unsecured Loan Stocks (ICULS)

The ICULS are regarded as equity instruments and the full issuance proceeds reflected as equity. The interest is accrued on a straight-line basis and recognised in equity.

Equity Instruments

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

The transaction costs of an equity instrument are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

Financial Instruments

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

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

Derivative Financial Instruments And Hedge Accounting

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from the change in the fair value of the derivative instrument is recognised in the income statement unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

(i) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instruments is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

(ii) Cash flow hedge

Gains and losses on the hedging instruments, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged item affects the income statement.

Sell And Buy Back Agreements

These are obligations of the Group to perform its commitment to buy back specified Islamic securities at maturity. Gains and losses are recognised upon sale and shown as trading gain or loss from securities held-for-trading.

Operating Revenue

Operating revenue of the Group comprise of all types of revenue derived from investment banking and related financial services but after the elimination of all related companies translations.

Operating revenue of the Company comprise of interest income and other operating income.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Interest And Financing Income And Expense Recognition

Interest income is recognised in the income statement for all interest bearing assets on an accrual basis. Interest income includes the amortisation of premiums or accretion of discounts. Interest and financing income on securities are recognised on an effective yield basis.

The Group follows the financing method of accounting for income from leasing activities. Under the financing method, the excess of aggregate rentals over the cost (reduced by estimated residual value at the end of the lease) of the leased property is taken as income over the term of the lease in decreasing amounts proportionate to the declining balance of the unrecovered sum using the 'sum-of-digits' method.

Where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing is reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, the interest accrued on the non-performing loans is recognised as income on a cash basis.

An account is classified as non-performing where repayment is in arrears for more than three (3) months and after maturity dates for trade bills, bankers' acceptances and trust receipts.

The Group's policy on recognition of interest income on loans and advances is in conformity with BNM's "Guideline on Classification of Non-Performing Loans and Provision for Bad and Doubtful Debts" ("BNM/GP3") and Revised BNM/GP8.

Interest expense and attributable income on deposits and borrowings (pertaining to activities relating to Islamic banking business) of the Group are accrued on a straight-line basis.

Fee And Other Income Recognition

Loan arrangement, management and participation fees and acceptance, underwriting and futures contract commissions and brokerage fees are recognised as income upon execution of contracts.

Fees from advisory and corporate finance activities are recognised as income on completion of each stage of the engagement.

Asset, property and unit trust management, agency and commitment fees are recognised as income based on time apportionment.

Revenue from sale of trust units is recognised upon allotment of units, net of cost of units sold. On disposal of investments, the difference between the net disposal proceeds and their carrying amounts are taken to the income statement.

Guarantee fees are recognised as income upon issuance and, where the guarantee periods are longer than one (1) year, over the duration of the guarantee periods.

Equipment and property rental are recognised on an accrual basis.

Dividends from securities are recognised when received. Dividends from subsidiary and associated companies are recognised when the shareholder's right to receive payment is established.

Rental income is recognised on an accrual basis when it falls due.

Employee Benefits

(i) Short-term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred. Once the contribution has been paid, the Group has no further payment obligations.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Income Taxes

Tax on profit or loss for the financial year comprises current and deferred taxes. Income tax is recognised in the income statement except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based on the taxable profits.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Temporary differences are not recognised for goodwill or negative goodwill or from the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profits. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Foreign Exchange

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange prevailing at transaction dates or, if covered by foreign exchange contracts, at contracted rates. Where settlement has not taken place at balance sheet date, translation into Ringgit Malaysia is at the approximate exchange rates prevailing at that date or at contracted rates. All foreign exchange gains or losses are taken up in the income statement.

For the purpose of consolidation, assets and liabilities of subsidiary and associated companies expressed in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date while income statement is translated into Ringgit Malaysia at the average exchange rate for the year. Gains or losses arising on translation into Ringgit Malaysia are taken up in the exchange fluctuation reserve. Translation losses in excess of amounts in the exchange fluctuation reserve, if any, are taken up in the income statement.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used for translation are as follows:

	31.3.2006	31.3.2005
Singapore Dollar (SGD)	2.28	2.30
United States Dollar (USD)	3.68	3.80
Indonesia Rupiah (IDR)	0.0004	0.0004
Hong Kong Dollar (HKD)	0.47	0.49

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash And Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short-term funds, excluding deposits and monies held in trust, net of bank overdrafts.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

4. CASH AND SHORT-TERM FUNDS

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Cash and bank balances	29,122	73	52,582	1
Money at call and deposits maturing within one month:				
Licensed bank:				
Related	615,314	-	62,336	-
Others	677,138	-	1,055,973	-
Other licensed finance companies	-	-	5,000	-
Bank Negara Malaysia	1,815,900	-	1,432,400	-
Other financial institutions	19,613	-	70,261	-
	3,157,087	73	2,678,552	1

Included in the above are interbank lendings of RM3,092,322,000 (RM2,541,024,000 as at 31 March 2005) and short-term deposits and money held on behalf of remisiers and clients amounting to approximately RM140,571,000 (RM145,628,000 as at 31 March 2005) for the Group.

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2006 RM'000	2005 RM'000
Licensed banks:		
Related	860,561	2,523
Others	290,423	210
Licensed merchant banks	-	25,000
Bank Negara Malaysia	-	129,800
Other financial institutions	73,662	235,600
	1,224,646	393,133

The deposits and placements with banks and other financial institutions mature within one year.

Included in the above are interbank lendings of RM1,223,056,000 (RM390,400,000 as at 31 March 2005) for the Group.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

6. SECURITIES HELD-FOR-TRADING

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
At Fair Value				
Money Market Securities:				
Treasury Bills	34,282	-	-	-
Islamic Treasury Bills	146	-	-	-
Malaysian Government Securities	1,306,817	-	448,830	-
Malaysian Government Investment Certificates	27,088	-	8,303	-
Cagamas bonds	100,021	-	90,361	-
Khazanah bonds	912	-	152,276	-
Cagamas Mudharabah bearer bonds	264,207	-	-	-
Negotiable instruments of deposits	2,684,425	-	1,646,214	-
Negotiable Islamic Debt Certificates	23,804	-	48,295	-
Bank Negara Malaysia Bills	5,143	-	-	-
Sukuk Bank Negara Malaysia	95,798	-	-	-
Islamic Bank Negara Malaysia Bills	2,491	-	56,323	-
	4,545,134	-	2,450,602	-
Securities Quoted:				
In Malaysia:				
Shares	101,762	-	76,943	-
Trust units	190,048	-	8,160	-
Corporate bonds	20,927	-	22,272	-
Loan stocks	-	-	1,613	-
Outside Malaysia:				
Shares	110	-	67	-
	312,847	-	109,055	-
Unquoted Securities:				
Shares	2,200	-	4,321	-
Trust units	129,908	69,550	-	-
	132,108	69,550	4,321	-
Unquoted Private Debt Securities Of Companies Incorporated In Malaysia:				
Corporate bonds	709,263	-	239,883	-
Corporate notes	38,420	-	72,910	-
Islamic corporate bonds	1,305,975	-	613,174	-
Islamic corporate notes	117,809	-	-	-
	2,171,467	-	925,967	-
Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:				
Corporate bonds	67,701	-	68,564	-
Islamic corporate notes	10,379	-	36,872	-
	78,080	-	105,436	-
Total	7,239,636	69,550	3,595,381	-

Certain money market securities held have been sold under repurchase agreements for funding purposes. The carrying values of the securities underlying these repurchase agreements remain in the respective asset accounts while the obligations to repurchase such securities at an agreed price on a specified future date are accounted for as a liability as shown in Note 18.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

7. SECURITIES AVAILABLE-FOR-SALE

	Group	
	2006 RM'000	2005 RM'000
At Fair Value		
Money Market Securities:		
Malaysian Government Securities	-	269,996
Securities Quoted:		
In Malaysia		
Shares	-	-
Corporate bonds	18,576	18,052
Outside Malaysia		
Shares	8,907	3,937
	27,483	21,989
Debt Equity Converted Securities:		
Quoted in Malaysia		
Shares - with options	19,822	19,822
Shares	4,882	1,703
Loan stocks - collateralised	1,064	-
Unquoted securities of companies incorporated outside Malaysia:		
Shares	-	300
	25,768	21,825
Unquoted Private Debt Securities Of Companies Incorporated In Malaysia:		
Corporate bonds	134,250	69,869
Islamic corporate bonds	217,183	-
Islamic corporate notes	18,729	-
	370,162	69,869
Unquoted Guaranteed Private Debt Securities Of Companies Incorporated in Malaysia:		
Corporate bonds	411,067	495,413
Total	834,480	879,092

The money market securities mature within one year.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

8. SECURITIES HELD-TO-MATURITY

	Group	
	2006 RM'000	2005 RM'000
At Amortised Cost		
Money Market Securities:		
Treasury Bills	-	28,804
Securities Quoted:		
In Malaysia:		
Shares	2	2
Corporate bonds	55,247	57,000
Outside Malaysia:		
Corporate bonds	-	19,000
	55,249	76,002
Investment In Related Licensed Commercial Bank:		
Unsecured subordinated term loan:		
Licensed commercial bank	460,000	460,000
Unquoted Securities		
Of Companies Incorporated:		
In Malaysia:		
Shares	60,988	60,989
Corporate bonds	100	100
Outside Malaysia:		
Shares	8,693	11,957
	69,781	73,046
Debt Equity Converted Securities:		
Quoted in Malaysia:		
Loan stocks - collateralised	971	971
Loan stocks	470,379	194,005
Unquoted securities of companies incorporated:		
In Malaysia:		
Shares	1,679	1,679
Corporate bonds	461,939	533,650
	934,968	730,305
Unquoted Private Debt Securities		
Of Companies Incorporated:		
In Malaysia:		
Corporate bonds and notes denominated in USD	68,674	86,813
Islamic corporate bonds	196,703	-
Outside Malaysia		
Corporate bonds and notes denominated in USD	110,493	114,000
	375,870	200,813
Unquoted Guaranteed Private Debt Securities		
Of Companies Incorporated in Malaysia:		
Corporate bonds	82,729	-
Total	1,978,597	1,568,970
Accumulated impairment losses	(171,943)	(196,164)
Total	1,806,654	1,372,806

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

	Group	
	2006 RM'000	2005 RM'000
Market/Indicative Value		
Money Market Securities:		
Treasury bills	-	28,785
Securities Quoted:		
In Malaysia:		
Shares	2	2
Corporate bonds	56,077	57,599
Outside Malaysia:		
Corporate bonds	-	4,560
Debt Equity Converted Securities:		
Quoted in Malaysia:		
Loan stocks - collateralised	971	954
Loan stocks	455,282	107,571
Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:		
Corporate bonds	82,692	-

The money market securities mature within one year.

The investment in related licensed commercial bank refers to a RM460.0 million (RM460.0 million in 2005) 10-year Unsecured Subordinated Term Loan ("SubLoan") to Amlslamic Bank Berhad (formerly known as AMBB Capital Berhad and AmBank Berhad)("Amlslamic Bank") to refinance its RM460.0 million Exchangeable Subordinated Capital Loan obtained originally from Danamodal Nasional Berhad. AmMerchant Bank had issued RM460.0 million Redeemable Unsecured Subordinated Bonds ("SubBonds"), the proceeds of which were on-lent to AmBank as explained in Note 24. The SubLoan bears interest at 0.375% above AmMerchant Bank's cost of SubBonds.

During the financial year, the SubLoan is assumed by AmBank (M) Berhad (formerly known as AmFinance Berhad) ("AmBank (M)") by way of vesting of AmBank's assets and liabilities (save for non-transferable assets) pursuant to a High Court Vesting Order made under Section 50 of the Banking and Financial Institutions Act, 1989.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

9. LOANS, ADVANCES AND FINANCING

	Group	
	2006 RM'000	2005 RM'000
Term loans and revolving credits	4,446,902	4,725,144
Staff loans	27,536	34,309
Claims on customers under acceptance credits	3,103	3,407
	4,477,541	4,762,860
Less:		
Allowance for bad and doubtful debts and financing:		
General	63,925	69,091
Specific	235,984	157,720
	299,909	226,811
Net loans, advances and financing	4,177,632	4,536,049

Claims on customers under acceptance credits represent AmMerchant Bank's own acceptances created and discounted. Own acceptances discounted and held in hand by the Group as at 31 March 2006 amounted to RMNil (RM221,000 as at 31 March 2005).

	Group	
	2006 RM'000	2005 RM'000
Maturing within one year	1,690,643	2,954,333
One year to three years	1,334,408	581,848
Three to five years	960,174	437,934
Over five years	492,316	788,745
	4,477,541	4,762,860

Loans, advances and financing analysed by their economic purposes are as follows:

	Group			
	2006		2005	
	RM'000	%	RM'000	%
Construction	1,005,028	22.4	1,116,209	23.4
Purchase of securities	809,574	18.1	703,865	14.8
Manufacturing	543,567	12.1	414,888	8.7
General commerce	525,166	11.6	463,679	9.7
Investment holdings	375,863	8.4	782,084	16.4
Transport, storage and communication	361,118	8.1	199,211	4.2
Agriculture	287,963	6.4	318,178	6.7
Real estate	270,128	6.0	225,941	4.7
Electricity, gas and water	105,373	2.4	259,772	5.5
Finance, insurance and business services	39,048	0.9	148,867	3.1
Purchase of landed property:				
(a) Residential	24,476	0.5	29,021	0.6
(b) Non-residential	62,786	1.4	60,729	1.3
Mining and quarrying	89	0.1	610	0.0
Others	67,362	1.6	39,806	0.9
Gross loans, advances and financing	4,477,541	100.0	4,762,860	100.0

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Loans, advances and financing analysed by type of customers are as follows:

	Group	
	2006 RM'000	2005 RM'000
Domestic :		
Other non-bank financial institutions:		
Stockbroking companies	-	12,437
Others	30,019	50,510
Business enterprises:		
Small medium enterprises	172,695	579,056
Others	3,967,746	3,850,220
Government and statutory bodies	83,693	38,004
Individuals	95,510	96,814
Foreign entities	127,878	135,819
	4,477,541	4,762,860

Loans, advances and financing analysed by interest rate sensitivity are as follows:

Variable rate		
Cost-plus	3,695,542	3,190,981
Other variable rates	269,058	405,755
Fixed rate		
Housing loans	21,171	30,509
Hire purchase receivables	88	3,755
Other fixed rates	491,682	1,131,860
	4,477,541	4,762,860

Movements in non-performing loans, advances and financing ("NPLs") are as follows:

	Group	
	2006 RM'000	2005 RM'000
Balance at beginning of year/date of incorporation	839,225	1,087,507
Non-performing during the year/period	172,302	270,282
Reclassification to performing loans, advances and financing	(386,729)	(350,424)
Recoveries	(92,643)	(65,220)
Exchange fluctuation adjustments	(1,790)	-
Amount written off	(96)	(24,602)
Debt equity conversion	-	(78,318)
Balance at end of year/period	530,269	839,225
Specific allowance	(235,984)	(157,720)
Non-performing loans, advances and financing - net	294,285	681,505
Ratio of non-performing loans, advances and financing to total loans, advances and financing - net	6.94%	14.80%

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Non-performing loans, advances and financing analysed by their economic purposes are as follows:

	The Group	
	2006 RM'000	2005 RM'000
Manufacturing	142,106	156,385
Construction	139,434	122,732
Purchase of securities	64,298	56,924
General commerce	57,818	114,373
Investment holdings	48,504	87,623
Real estate	41,840	124,417
Agriculture	15,854	14,324
Purchase of non-residential landed property	11,901	12,242
Finance, insurance and business services	3,333	88,789
Transport, storage and communication	-	54,936
Mining and quarrying	-	144
Others	5,181	6,336
	530,269	839,225
Movements in allowances for bad and doubtful debts and financing are as follows:		
General allowance		
Balance at beginning of year/date of incorporation	69,091	-
Reversal of allowance during the year/period	(5,028)	(11,313)
Exchange fluctuation adjustments	(138)	-
Arising on acquisition of related merchant banking and securities companies	-	80,404
Balance at end of year/period	63,925	69,091
% of total loans, advances and financing less specific allowances	1.51%	1.50%
Specific allowance		
Balance at beginning of year/date of incorporation	157,720	-
Arising on acquisition of related merchant banking and securities companies	-	378,375
	157,720	378,375
Allowance during the year/period	105,270	106,362
Amount written back in respect of recoveries and reversals	(25,721)	(5,926)
Net charge to income statements	79,549	100,436
Amount written off	(1,044)	(321,628)
Exchange fluctuation adjustments	(241)	-
Reclassification from sundry receivables	-	4,192
Debt equity conversion	-	(3,655)
Balance at end of year/period	235,984	157,720

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

10. OTHER ASSETS

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Trade receivables, net of allowance for doubtful debts of the Group of RM33,826,000 (RM117,812,000)	288,965	-	259,695	-
Other receivables, deposits and prepayments, net of allowance for doubtful debts for the Group of RM4,685,000(RM15,868,000)	84,131	7,200	81,643	-
Interest/Dividends receivable	77,145	1,464	42,508	7,634
Amount due from Originators	89,694	-	132,798	-
Amount due from brokers	11,767	-	17,447	-
Amount due from:				
Holding company	272	-	194	-
Related companies	2,389	-	15,290	-
Assets acquired in exchange of debts, net of impairment loss	9,622	-	15,479	-
	563,985	8,664	565,054	7,634

Trade receivables mainly pertain to stock and share-broking activities of subsidiary companies and represent amounts outstanding in purchase contracts net of allowances and share margin financing.

Amount due from Originators represent loans, hire purchase and leasing receivables acquired from the Originators for onward sale to Cagamas Berhad as mentioned in Note 21.

Amounts due from holding company are unsecured, interest-free and represent expenses paid on behalf.

Amounts due from related companies are unsecured, interest-free and represent expenses paid on behalf and interests receivable.

11. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposit pertaining to the AmMerchant Bank is maintained with BNM in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958, the amounts of which are determined at set percentages of total eligible liabilities.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

12. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2006 RM'000	2005 RM'000
Unquoted shares, at cost	1,155,291	1,103,842
Interest Bearing Irredeemable Convertible Unsecured Loan Stocks ("ICULS") 2002/2007	120,000	120,000
Non-cumulative convertible preference shares of RM1.00 each	100,000	100,000
	1,375,291	1,323,842

The ICULS 2002/2007 issued by the AmMerchant Bank bears interest at an annual rate of 6.0% and are convertible at anytime after the date of issue to maturity date.

The subsidiary companies, all unquoted and incorporated in Malaysia, except for P.T. AmCapital Indonesia which is incorporated in Indonesia and AmSecurities (H.K.) Limited, which is incorporated in Hong Kong are:

Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest		
	2006 RM'000	2005 RM'000	2006 %	2005 %	
Direct Subsidiary Companies					
AmMerchant Bank Berhad ("AmMerchant Bank")	Merchant banking	210,000	200,000	100.00	100.00
AmSecurities Holding Sdn Bhd	Investment holdings	10,000	10,000	100.00	100.00
Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI")	Management of venture capital	500	500	80.00	59.00
AmPrivate Equity Sdn Bhd ("AmPrivate Equity")	Investment holding company	-***	-	80.00	-
Indirect Subsidiary Companies					
AmInvestment Services Berhad ("AIS")	Management of unit trusts	5,539	5,539	100.00	70.00
AmInvestment Management Sdn Bhd ("AIM")	Asset management	2,000	2,000	100.00	70.00
AMMB Consultant Sdn Bhd	Investment consultant	500	500	100.00	100.00
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	100.00	100.00
AMMB Nominees (Asing) Sdn Bhd	Nominee services	10	10	100.00	100.00
AmProperty Trust Management Bhd	Management of property trusts	500	500	100.00	100.00
AMMB Properties Sdn Bhd	Dormant	-**	-**	100.00	100.00
AM Nominees (Tempatan) Sdn Bhd	Nominee services	-**	-**	100.00	100.00
AM Nominees (Asing) Sdn Bhd	Nominee services	-**	-**	100.00	100.00
AmSecurities Sdn Bhd (" AmSecurities")	Stock and share broking	100,000	100,000	100.00	100.00
AmFutures Sdn Bhd ("AmFutures")	Futures and options	1	1	100.00	100.00

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

	Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest	
		2006 RM'000	2005 RM'000	2006 %	2005 %
AMSEC Nominees (Tempatan) Sdn Bhd	Provision of nominees services	1	1	100.00	100.00
AMSEC Nominees (Asing) Sdn Bhd	Provision of nominees services	1	1	100.00	100.00
AmResearch Sdn Bhd	Publishing and selling research materials and reports and provision of consultancy, advisory and other research related services	10,000	10,000	100.00	100.00
AmEquities Sdn Bhd	Collection of trade receivables	140,000	140,000	100.00	100.00
South Johor Securities Nominees (Tempatan) Sdn Bhd	General insurance corporate agent	-**	-**	100.00	100.00
South Johor Securities Nominees (Asing) Sdn Bhd	Dormant	-**	-**	100.00	100.00
		US\$'000	US\$'000		
AMMB Labuan (L) Ltd	Dormant	200	200	100.00	100.00
AmInternational (L) Ltd ("AmInternational")	Offshore banking	10,000	10,000	100.00	100.00
		RP'000	RP'000		
P.T. AmCapital Indonesia*	Stock-broking, underwriting and investment management	26,000,000	26,000,000	83.07	83.07
		HK\$000	HK\$000		
AmSecurities (H.K.) Limited	Dormant	33,000	33,000	100.00	100.00

* Subsidiary company not audited by Ernst & Young.

** Subsidiary companies with an issued and paid-up ordinary capital of RM2.00.

*** Subsidiary company with an issued and paid-up ordinary capital of RM195.00.

During the financial year:

1. AmMerchant Bank increased its issued and fully paid-up share capital from RM200,000,000 to RM210,000,000 through issuance of non-renounceable rights issue of 10,000,000 new ordinary shares of RM1.00 each at an issue price of RM5.00 per share in cash for the purpose of further increasing its working capital.
2. On 29 September 2005, AmMerchant Bank, completed the acquisition of the 30.0% equity interest held by Macquarie Bank Limited ("Macquarie Bank") in AIM and AIS respectively for a total cash purchase consideration of RM44.79 million.

With the completion of the acquisition, AIM and AIS become wholly-owned subsidiaries of AmMerchant Bank. Accordingly, the Joint Venture arrangement between AmMerchant Bank and Macquarie Bank relating to the funds management business was voluntarily terminated on 29 September 2005.

3. On 28 December 2005, the Company completed the following:
 - (a) acquisition of 295,000 ordinary shares of RM1.00 each representing 59.0% of the issued and paid-up share capital of MVMI from AmMerchant Bank for a cash consideration of RM303,829; and
 - (b) acquisition of 102,500 ordinary shares of RM1.00 each representing 21.0% of the issued and paid-up share capital of MVMI from SEAVI Venture Management Pte Ltd for a cash consideration of RM105,000.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

With the completion of the acquisition, MVMI become a direct subsidiary of the Company and the Company's effective shareholding in MVMI has increased from 59.0% to 80.0%.

4. On 7 February 2006, the Company had acquired 100% of the equity of AmPrivate Equity comprising two (2) ordinary shares of RM1.00 each.

The acquisition of AmPrivate Equity is in conjunction with the launch of a RM100.0 million closed-end private equity fund (the "Fund") with a charter life of ten (10) years under AmPrivate Equity.

AmPrivate Equity will undertake medium and long term investments principally in Malaysia with the objective of achieving capital appreciation in its investments. It will focus on key sectors such as manufacturing industries, business services, environmental and energy services and information and communications technology companies.

MVMI, a registered venture capital management corporation and a subsidiary of the Company, is the manager of the Fund.

AmPrivate Equity was incorporated in Malaysia on 6 September 2005 as a private limited company. It is registered with the Securities Commission as a venture capital corporation.

The authorised capital of AmPrivate Equity is RM150,000, divided into 100,000 ordinary shares of RM1.00 each and 5,000,000 redeemable preference shares of RM0.01 each ("RPS"). Its present paid-up capital is RM2.00, comprising two (2) ordinary shares.

The RM100.0 million fund size of AmPrivate Equity will be constituted by way of the issue of 15,000 ordinary shares at an issue price of RM1.00 each and 1,250,000 RPS at an issue price of RM79.988 each.

Presently, the committed investors in the Fund are:

- (a) the Company, with a cash subscription commitment for 80.0% of the Fund amounting to RM80.0 million, comprising 12,000 ordinary shares and 1,000,000 RPS; and
- (b) a major Malaysian pension fund, with a cash subscription commitment for 20.0% of the Fund amounting to RM20.0 million, comprising 3,000 ordinary shares and 250,000 RPS.

The RM100.0 million capital funds will be disbursed to AmPrivate Equity over its charter life as and when investments are actually made by AmPrivate Equity.

During the financial year, the Company subscribed for its entitlement of 156 new ordinary shares of RM1.00 each and 13,000 new RPS in AmPrivate Equity pursuant to first notice of subscription of:

- (a) 195 new ordinary shares of RM1.00 each at an issue price of RM1.00 per shares; and
- (b) 16,250 new RPS at an issue price of RM79.988 per share.

Subsequent to the financial year, AmPrivate Equity made a second notice of subscription of 75 new ordinary shares of RM1.00 each at the issue price of RM1.00 per share and 6,250 new RPS at the issue price of RM79.988 per share. The Company subscribed and was allotted its entitlement of 60 new ordinary shares of RM1.00 each and 5,000 new RPS for a cash consideration of RM400,000.

The cash raised from the issue of shares are for the purpose of meeting AmPrivate Equity working capital requirement.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

13. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2006 RM'000	2005 RM'000
Unquoted shares, at cost	22,049	22,049
Share in net post acquisition profits	16,125	13,748
Exchange fluctuation adjustments	6,166	6,167
	44,340	41,964
Less: Accumulated amortisation of premium	(2,488)	(1,866)
	41,852	40,098

As at 31 March 2006, the carrying values of the investments in associated companies are represented by:

	Group	
	2006 RM'000	2005 RM'000
Group's share of aggregate net tangible assets	32,476	30,100
Group's share of aggregate intangible assets	2,541	2,541
Premium on acquisitions, net of amortisation of RM2,488,000 (RM1,866,000 as at 31 March 2005)	6,835	7,457
	41,852	40,098

The associated companies, all unquoted, are as follows:

	Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest	
		2006 RM'000	2005 RM'000	2006 %	2005 %
Incorporated in Malaysia					
Malaysian Ventures Sdn Bhd*	Ceased operations	17	17	27.41	27.41
Malaysian Ventures (Two) Sdn Bhd *	Ceased operations	19	19	34.67	34.67
AmTrustee Berhad ("AmTrustee")	Trustee services	500	500	40.00	40.00
Incorporated in Singapore					
Fraser International Pte. Ltd. ("FIPL")#	Investment holding	14,856	14,856	49.00	49.00
Fraser Securities Pte. Ltd. ("FSPL")# (wholly-owned by FIPL)	Stockbroking and futures broker	32,528	32,528	49.00	49.00
Fraser Financial Planners Pte Ltd.# (wholly-owned by FIPL)	Dormant	1,000	1,000	49.00	49.00
Fraser Financial Advisory Pte. Ltd.# (wholly-owned by FIPL)	Dormant	200	200	49.00	49.00
Fraser-AMMB Research Pte. Ltd.# (wholly-owned by FSPL)	Dormant	500	500	49.00	49.00
Fraser Nominees (Private) Limited# (wholly-owned by FSPL)	Nominee Services	1	1	49.00	49.00

* Associated companies under members' voluntary liquidation.

Associated companies not audited by Ernst & Young.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

On 10 February 2006, AmMerchant Bank had entered into a conditional sale and purchase agreement with the nine (9) minority shareholders of FIPL in respect of the proposed acquisition of 7,576,766 ordinary shares of S\$1.00 each in FIPL not already owned by AmMerchant Bank, representing 51.0% of the issued and paid-up share capital of FIPL for an aggregate cash purchase consideration of up to S\$22,000,000 ("Proposed FIPL Acquisition"). On completion of the Proposed FIPL Acquisition, FIPL will become a wholly-owned subsidiary of AmMerchant Bank.

The purchase consideration for the Proposed FIPL Acquisition was arrived at on a willing buyer and a willing seller basis after taking into consideration the consolidated net tangible assets as at 31 March 2005 and current year consolidated profit of FIPL, and will be satisfied wholly in cash by AmMerchant Bank from its internally generated funds.

The Proposed FIPL Acquisition is conditional upon the approval, inter alia, of BNM, Monetary Authority of Singapore, Singapore Exchange Securities Trading Limited, Singapore Exchange Derivatives Trading Limited and any other relevant authorities.

14. PROPERTY AND EQUIPMENT

Group	Freehold land and building RM'000	Long-term leasehold land and buildings RM'000	Motor vehicles RM'000	Leasehold improve-ments RM'000	Computer hardware and software RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
COST							
Balance at beginning of year	791	20,620	5,622	16,682	107,735	33,379	184,829
Additions	-	-	2,152	4,324	3,292	1,198	10,966
Disposals	(43)	-	(1,786)	-	(10)	(23)	(1,862)
Written off	-	-	-	-	(12,750)	-	(12,750)
Reclassification/Transfer	-	-	-	-	(20)	-	(20)
Exchange adjustments	-	(15)	(5)	-	(16)	(44)	(80)
Balance at end of year	748	20,605	5,983	21,006	98,231	34,510	181,083
ACCUMULATED DEPRECIATION							
Balance at beginning of year	79	1,257	4,257	9,973	97,543	26,394	139,503
Additions	6	412	629	2,433	4,148	1,660	9,288
Disposals	-	-	(1,728)	-	(3)	(110)	(1,841)
Written off	-	-	-	-	(12,744)	-	(12,744)
Exchange adjustments	-	(3)	(6)	1	(6)	(42)	(56)
Balance at end of year	85	1,666	3,152	12,407	88,938	27,902	134,150
NET BOOK VALUE							
As at 31 March 2006	663	18,939	2,831	8,599	9,293	6,608	46,933
As at 31 March 2005	712	19,363	1,365	6,709	10,192	6,985	45,326
Depreciation charge for the period ended 31 March 2005	6	413	681	1,543	9,777	1,904	14,324

The three pieces of long-term leasehold land, two of which are located in the Federal Territory of Labuan and one located in the Federal Territory of Kuala Lumpur, are for lease periods of 99 years with unexpired lease periods of 52, 84 and 85 years, respectively.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Details of fully depreciated property and equipment which are still in use are:

Group 2006	Motor vehicles RM'000	Leasehold improve- ments RM'000	Computer hardware and software RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
Cost	1,221	6,489	81,017	19,598	108,325

15. GOODWILL ON CONSOLIDATION

The movements in goodwill on consolidation are as follows:

	Group	
	2006 RM'000	2005 RM'000
Cost		
Balance at beginning of year/date of incorporation	102,569	-
Effects arising from merger	-	102,569
	102,569	102,569
Arising from acquisition of additional 30.0% equity interest in unit trust and asset management subsidiary companies	37,377	-
Arising from acquisition of additional 21.0% equity interest in management of venture capital subsidiary company	105	-
Balance at end of year/period	140,051	102,569
Accumulated amortisation		
Balance at beginning of year/date of incorporation	22,764	-
Effects arising from merger	-	17,907
	22,764	17,907
Amortisation for the year/period (Note 31)	5,791	4,857
Balance at end of year/period	28,555	22,764
Net book value	111,496	79,805

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

16. DEPOSITS FROM CUSTOMERS

	Group	
	2006 RM'000	2005 RM'000
Term/Investment deposits from customers	5,510,235	4,911,612
Negotiable instruments of deposit	921,942	382,824
	6,432,177	5,294,436
The maturity structure of deposits is as follows:		
Due within six months	6,247,352	5,161,661
Six months to one year	175,981	132,275
One year to three years	3,844	200
Three to five years	5,000	300
	6,432,177	5,294,436
The deposits are sourced from the following types of customers:		
Business enterprises	4,330,012	4,153,137
Individuals	6,677	4,714
Government	1,469,518	626,842
Others	625,970	509,743
	6,432,177	5,294,436

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

17. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2006 RM'000	2005 RM'000
Licensed banks:		
Related	2,475,800	39,105
Others	1,689,849	836,461
Licensed merchant banks	-	90,265
Related licensed finance companies	-	528,702
Bank Negara Malaysia	2,801	-
Other financial institutions	3,348,447	3,073,225
	7,516,897	4,567,758

Included under deposits and placements of banks and other financial institutions of the Group are the following:

	Group	
	2006 RM'000	2005 RM'000
Negotiable instruments of deposits	4,394,100	3,224,802
Interbank borrowings	1,672,830	273,140

As at 31 March, the net interbank borrowings and lending position of the Group are as follows:

	Group	
	2006 RM'000	2005 RM'000
Interbank lending (Notes 4 and 5)	4,315,378	2,931,424
Interbank borrowings	(1,672,830)	(273,140)
Net interbank lending	2,642,548	2,658,284

18. OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	Group	
	2006 RM'000	2005 RM'000
Obligations on securities sold under repurchase agreements to:		
Customers	2,434,286	1,314,724
Holding company	78,050	31,950
Related companies	50,281	81,117
	2,562,617	1,427,791

19. ACCEPTANCES PAYABLE

Acceptances payable represent the merchant banking subsidiary company's own acceptances rediscounted and outstanding in the market.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

20. OTHER LIABILITIES

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Trade payables	352,617	-	257,535	-
Other payables and accruals	141,762	299	122,902	26
Securities sold not yet re-purchased	91,437	-	-	-
Provision for commitments	325	-	63	-
Amount due to :				
Holding company	-	-	214,401	214,401
Related companies	317	-	1,037	-
Bank overdrafts	8,985	-	31,568	-
Taxation payable	649	10	752	118
Zakat payable	38	-	38	-
Profit equalisation reserve	276	-	2,195	-
Deferred tax liabilities (Note 36)	867	-	768	-
	597,273	309	631,259	214,545

Trade payables, pertaining to the stock and share-broking subsidiary company, represents amount payable under outstanding sales contract

Included under other payables and accruals of the Group are the following:

	Group	
	2006 RM'000	2005 RM'000
Interest payable	55,346	66,128

Amount due to holding company represents consideration payable for the transfer of 100% equity interest in AmSecurities Holding Sdn Bhd to the Company and expenses paid on behalf.

Amount due to related companies represent interest payable on deposit placements.

The movements in profit equalisation reserve are as follows:

	Group	
	2006 RM'000	2005 RM'000
Balance at beginning of year/date of incorporation	2,195	-
Provision during the year/period	3,046	6,042
Amount written back	(4,965)	(3,847)
Transfer (to)/from income statements	(1,919)	2,195
Balance at end of year/period	276	2,195

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

21. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

Recourse obligation on loans sold to Cagamas Berhad represents the proceeds received from loans, hire purchase and leasing receivables acquired from the Originators (excluding Islamic financing) as disclosed in Note 10 and sold directly and indirectly to Cagamas Berhad with recourse. Under this back to back arrangements with the Originators, the Group acts as the intermediary financial institution and undertakes to administer the receivables on behalf of Cagamas Berhad, and to buy back any receivables which are regarded as defective based on prudential criteria with recourse against the Originators.

22. TERM LOAN

The term loan pertaining to the offshore banking subsidiary company in Labuan is secured by a corporate guarantee by AmMerchant Bank with a tenure of 364 days from 31 March 2006. The term loan facility bears interest at 0.175% per annum above LIBOR (2005: 0.20% per annum above LIBOR).

23. SUBORDINATED CERTIFICATES OF DEPOSITS

	Group	
	2006 RM'000	2005 RM'000
Norminal value		
Balance at beginning of year/date of incorporation	200,000	-
Arising on acquisition of related merchant banking and securities companies	-	200,000
Redemption	(200,000)	-
Balance at end of year/period	-	200,000
Unamortised discount		
Balance at beginning of year/date of incorporation	1,232	-
Arising on acquisition of related merchant banking and securities companies	-	2,582
Accretion during the year/period	(1,232)	(1,350)
Balance at end of year/period	-	1,232
Net book value	-	198,768

The Subordinated Certificates of Deposits issued by AmMerchant Bank represents RM200,000,000 nominal amount of Unsecured Negotiable Subordinated Certificates of Deposit ("NSCD") issued at a discount of RM6,750,600 for a total consideration of RM193,249,400. The accretion of discount of RM6,750,600 has been applied evenly over five (5) years. The NSCD has a coupon rate of 8.0 % per annum for the first five (5) years and was redeemed on 1 March 2006.

24. REDEEMABLE UNSECURED SUBORDINATED BONDS

	Group and Company	
	2006 RM'000	2005 RM'000
Balance at beginning of year	460,000	460,000
Issued during the year/period	200,000	-
Purchased and cancelled during the year	(65,000)	-
Balance at end of year/period	595,000	460,000

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Pursuant to a Trust Deed dated 23 September 2003, AmMerchant Bank issued RM460,000,000 nominal amount of Redeemable Unsecured Subordinated Bonds ("SubBonds"). The proceeds were used to grant a RM460,000,000 10-year Unsecured Subordinated Term Loan to AmBank (M) (Note 8), its related licensed commercial bank for the purpose of refinancing its RM460,000,000 Exchangeable Subordinated Capital Loan from Danamodal Nasional Berhad.

The salient features of the SubBonds are as follows:

- The SubBonds bear interest at 6.5% per annum for the first five (5) years and at 7.0% to 9.0% per annum or 3.0% above the yield of 5-year Malaysian Government Securities, whichever is higher for years six (6) to ten (10). The interest is payable on a semi-annual basis.
- The SubBonds are redeemable on 30 September 2008 or on each anniversary date thereafter at nominal value together with interest accrued to the date of redemption.
- The SubBonds are for a period of ten (10) years maturing on 30 September 2013. However, subject to the prior approval of BNM, AmMerchant Bank may redeem the SubBonds on 30 September 2008 or on each anniversary date thereafter.

Pursuant to a Trust Deed dated 27 October 2005, AmMerchant Bank issued RM200,000,000 nominal amount of Redeemable Unsecured Subordinated Bonds ("Subordinated Tier 2 Bonds") for the purpose of redemption of RM200.0 million nominal amount of Unsecured Subordinated Certificates of Deposits.

The salient features of the Subordinated Tier 2 Bonds are as follows:

- The Subordinated Tier 2 Bonds bear interest at 4.75% per annum for the first five (5) years and at 5.25% to 7.25% per annum between years six (6) to ten (10). The interest is payable on a semi-annual basis.
- The Subordinated Tier 2 Bonds are redeemable on 31 October 2010 or on each anniversary date thereafter at nominal value together with interest accrued to the date of redemption.
- The Subordinated Tier 2 Bonds are for a period of ten (10) years maturing on 31 October 2015. However, subject to the prior approval of BNM, AmMerchant Bank may redeem the Subordinated Tier 2 Bonds on 31 October 2010 or on each anniversary date thereafter.

During the financial year, AmMerchant Bank had purchased and cancelled RM65,000,000 of the Subordinated Tier 2 Bonds.

25. SHARE CAPITAL

	Group and Company	
	2006 RM'000	2005 RM'000
Authorised:		
Shares of RM1.00 each		
Balance at beginning/date of incorporation and end of year/period	5,000,000	5,000,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
Balance at beginning of year/date of incorporation	1,109,442	-*
Issued during the year/period	210,558	1,109,442
Balance at end of year/period	1,320,000	1,109,442

* Denotes RM2.00

During the financial year, the issued and fully paid-up share capital of the Company was increased from 1,109,442,000 ordinary shares of RM1.00 each to 1,320,000,000 ordinary shares of RM1.00 each by the issue of 210,558,000 new ordinary shares of RM1.00 each at an issue price of RM1.40 per share. The resulting share premium amounting to RM84,223,200 has been credited to the share premium account.

The 210,558,000 new ordinary shares issued rank pari passu in all respects with the then existing ordinary shares of the Company.

The entire issued and paid-up share capital of the Company of RM1,320,000,000 comprising 1,320,000,000 ordinary shares of RM1.00 each was admitted to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for these shares on the Main Board on 18 May 2005.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

26. RESERVES

Reserves as at 31 March are analysed as follows:

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Non-distributable reserves:				
Share premium	80,521	80,067	-	-
Capital reserve	60,284	-	60,284	-
Statutory reserve	329,549	-	300,000	-
Available-for-sale reserve	5,114	-	(12,433)	-
Exchange fluctuation reserve	(3,868)	-	(4,519)	-
Total non-distributable reserves	471,600	80,067	343,332	-
Distributable reserve:				
Unappropriated profit	365,805	58,442	186,022	7,490
Total distributable reserve	365,805	58,442	186,022	7,490
Total reserves	837,405	138,509	529,354	7,490

Movements in reserves are shown in the statements of changes in equity.

Share premium is used to record premium arising from new shares issued in the Company.

Capital reserve is in respect of the merger pursuant to the Group internal reorganisation.

The statutory reserve of AmMerchant Bank is maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividends.

Available-for-sale reserve is in respect of unrealised fair value gains and losses on securities available-for-sale.

Exchange differences arising on translation of foreign subsidiaries and associated companies are taken to exchange fluctuation reserve, as described in the accounting policies.

Distributable reserve are those available for distribution by way of dividends.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividend out of all its distributable reserve as at 31 March 2006.

27. MINORITY INTERESTS

Minority interests in the Group represent that part of the net results of operations, or net assets, of subsidiary companies attributable to shares owned other than by the Company.

The movements in minority interests in subsidiary companies are as follows:

	Group	
	2006 RM'000	2005 RM'000
Balance at beginning of year/date of incorporation	6,594	-
Effects arising from merger	-	14,853
	6,594	14,853
Arising from acquisition of AmPrivate Equity	260	-
Disposal of shares in unit trust and asset management subsidiary companies	(7,413)	(9,397)
Share in net results of subsidiary companies	1,512	2,002
Dividends received	-	(864)
Balance at end of year/period	953	6,594

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

28. INTEREST INCOME

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Short-term funds and deposits with financial institutions	92,208	680	64,403	-
Securities held-for-trading	158,799	-	177,549	-
Securities available for sale	29,675	-	9,634	-
Securities held-to-maturity	51,408	-	55,680	-
Loans and advances				
- Interest income other than recoveries from NPLs	200,381	-	190,870	-
- Recoveries from NPLs	49,347	-	73,643	-
ICULS investment	-	7,200	-	434
Others	17,011	1,451	32,958	-
Gross interest income	598,829	9,331	604,737	434
Amortisation of premiums less accretion of discounts	12,738	-	(17,464)	-
Interest suspended	(58)	-	(2,731)	-
Total after net interest suspension	611,509	9,331	584,542	434

29. INTEREST EXPENSE

Deposits from customers	260,762	-	251,207	-
Deposit of banks and other financial institutions	63,675	-	32,647	-
Securities sold under repurchase agreements	49,075	-	35,199	-
Subordinated deposits and term loans	23,814	-	26,275	-
Redeemable unsecured subordinated bonds	32,880	-	29,900	-
Others	32,673	-	35,745	-
	462,879	-	410,973	-

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

30. OTHER OPERATING INCOME

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Fee income:				
Fees on loans and advances	30,482	-	10,723	-
Corporate advisory fees	18,245	-	24,900	-
Guarantee fees	14,580	-	11,312	-
Underwriting commissions	5,115	-	6,881	-
Portfolio management fees	7,641	-	9,829	-
Unit trust management fees	29,118	-	20,009	-
Property trust management fees	1,983	-	1,965	-
Brokerage fees and commissions	43,327	-	50,445	-
Other fee income	11,413	-	20,367	-
	161,904	-	156,431	-
Investment and trading income:				
Net gain from sale of securities held-for-trading	98,432	-	68,649	-
Net gain from sale of securities available-for-sale	92	-	-	-
Net gain on redemption of securities held-to-maturity	27,592	-	9,011	-
Gross dividend income from:				
Unquoted subsidiary companies	-	114,600	-	10,000
Securities held-for-trading	6,532	-	3,896	-
Securities available-for-sale	8,313	-	836	-
Securities held-to-maturity	22,356	-	37,855	-
Gain on revaluation of derivatives	6,165	-	6,611	-
Gain/(Loss) on revaluation of securities held-for-trading	23,185	-	(6,092)	-
	192,667	114,600	120,766	10,000
Other income:				
Realised foreign exchange gain	-	-	100	-
Unrealised foreign exchange gain	8,343	-	100	-
Gain on disposal of property and equipment - net	571	-	435	-
Rental income	1,489	-	795	-
Capital gain arising from receipt of shares in Bursa Malaysia Berhad	-	-	12,727	-
Other non-operating income	1,631	-	1,102	-
	12,034	-	15,159	-
	366,605	114,600	292,356	10,000

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

31. OTHER OPERATING EXPENSES

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Personnel/Staff costs				
- Salaries, allowances and bonuses	88,210	-	77,969	-
- Others	31,216	416	31,159	-
Establishment costs				
- Depreciation of property and equipment (Note 14)	9,288	-	14,324	-
- Computerisation costs	12,408	-	7,562	-
- Rental	9,081	-	7,644	-
- Others	3,550	-	5,854	-
Marketing and communication expenses				
- Sales commission	4,085	-	2,888	-
- Advertising	4,991	40	2,313	-
- Travel and entertainment	2,733	-	2,157	-
- Others	7,460	-	7,735	-
Administration and general expenses				
- Goodwill on consolidation (Note 15)	5,791	-	4,857	-
- Amortisation of premium on acquisition	622	-	1,274	-
- Professional fees	6,381	381	9,524	26
- Others	8,539	26	13,584	-
Overheads	194,355	863	188,844	26

Included in the above expenditure are the following statutory disclosures:

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Directors' remuneration (Note 34)	5,277	353	3,226	-
Amortisation of intangible asset	74	-	176	-
Hire of motor vehicles and office equipment	1,438	-	1,340	-
Auditors' remuneration:				
Statutory audit	360	35	307	20
Half year limited review/audit	72	-	154	-
Other services	65	5	-	-
Property and equipment written off	6	-	1	-
Sundry bad debts written off	504	-	281	-

The total number of employees of the Group as at 31 March 2006 was 1,316 (1,387 as at 31 March 2005).

Personnel/Staff costs include salaries, bonuses, contributions to employees provident fund and all other staff related expenses. Contributions to Employees Provident Fund of the Group amounted to RM14,907,174 (RM14,870,676 as at 31 March 2005).

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

32. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	Group	
	2006 RM'000	2005 RM'000
Allowance/(Reversal of allowance) for bad and doubtful debts and financing:		
Specific allowance - net	79,549	100,436
Allowance during the year/period	105,270	106,362
Amount written back in respect of recoveries and reversals	(25,721)	(5,926)
General allowance	(5,028)	(11,313)
Bad debts and financing		
Written off	5,295	252
Recovered	(18,501)	(30,112)
Recoveries of allowance for value impairment on amount recoverable from Danaharta	(881)	(10,977)
	60,434	48,286

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The Company is a subsidiary of AMMB Holdings Berhad, a company incorporated in Malaysia and quoted on the Main Board of the Bursa Malaysia Securities Berhad, which is also regarded as its ultimate holding company.

(a) Transactions and outstanding balances with holding company and subsidiary companies.

The significant transactions and outstanding balances of the Company with its holding company and subsidiary companies are as follows:

	2006		2005	
	Holding Company RM'000	Subsidiary Companies RM'000	Holding Company RM'000	Subsidiary Companies RM'000
Income				
ICULS investments	-	7,200	-	434
Dividend income - gross	-	114,600	-	10,000
	-	121,800	-	10,434
Assets				
Securities purchased under resale agreements	-	5,240	-	-
Interest/dividends receivable	-	1,464	-	7,634
Dividend receivable	-	7,200	-	-
ICULS 2002/2007	-	120,000	-	120,000
	-	133,904	-	127,634
Liabilities/Equity				
Amount due to holding company	-	-	214,401	-
	-	-	214,401	-

The above transactions have been entered into in the normal course of business and have been established on terms and conditions that are no less favourable than those arranged with independent third parties.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

(b) Directors related transactions

The significant non-banking transactions of the Group with companies in which Tan Sri Dato' Azman Hashim is deemed to have a substantial interest, are as follows:

Company	Types of transactions	2006 RM'000	2005 RM'000
Expense			
AmFirst Property Trust	Rental of premises	12,572	9,038
Bluestar Infotech (M) Sdn Bhd	Computer maintenance	-	14
MCM Consulting Sdn Bhd	Computer maintenance	167	334
MCM Systems Sdn Bhd	Computer maintenance	97	199
AON Insurance Broker (M) Sdn Bhd	Insurance broker services	1,298	2,137
Harpers Travel (M) Sdn Bhd	Travelling expenses	797	890
Restaurant Sri Melayu Sdn Bhd	Provision of food and beverages	210	100
AmRealty Sdn Bhd	Rental of premises	97	114
Gubahan Impian	Provision of flowers	8	10
Capital expenditure			
MCM Consulting Sdn Bhd	Purchase of computer hardware, software and related consultancy services	293	95
MCM Systems Sdn Bhd	Purchase of computer hardware, software and related consultancy services	399	653
Melawangi Sdn Bhd	Purchase of two (2) units of office lots in Pusat Perdagangan AMCORP	-	3,624
AmProperty Holdings Sdn Bhd	Purchase of fourteen (14) office lots	-	18,620

The significant non-banking transaction of the Group with a company in which Mr. Cheah Tek Kuang is deemed to have a substantial interest, is as follows:

Company	2006 RM'000	2005 RM'000	
Expense			
Financial Park (L) Sdn Bhd	Rental of premises	188	214

The above transactions have been entered into in the normal course of business and have been established on terms and conditions that are no less favourable than those arranged with independent third parties.

As at 31 March 2006 and 2005, there are no outstanding balances arising from directors' related transactions.

(c) Renounceable Rights to subscribe to shares of AIGB

	2006 '000	2005 '000
Tan Sri Dato' Azman Hashim	-	118,954,848
Tan Sri Datuk Dr Aris Osman @ Othman	-	50,000
Tan Sri Datuk Clifford Francis Herbert	-	50,000
Dato' Izham Mahmud	-	101,070
Cheah Tek Kuang	-	2,620,075
Kok Tuck Cheong	-	1,504,584
Pushparani A Moothathamby	-	897,001

The renounceable rights were granted to the directors on the same terms and conditions offered to other employees of the Company.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

34. DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all the Company's directors charged to the income statement for the financial year/period are as follows:

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Non-executive directors				
Fees	439	277	146	-
Salaries	1,752	-	1,116	-
Bonuses	1,682	-	840	-
Gratuity payment	-	-	300	-
Benefits-in-kind	248	-	164	-
Other remuneration	1,156	76	660	-
	5,277	353	3,226	-
Total directors' remuneration excluding benefits-in-kind	5,029	353	3,062	-

Directors' fees for directors who are executives of companies of the Group are paid to their respective companies.

Included in the above is remuneration for directors who are executives of AmMerchant Bank Berhad amounting to RM2,221,380 (RM2,764,918 as at 31 March 2005).

The number of directors of the Company whose total remuneration for the financial year falls within the required disclosure bands is as follows:

Group Non-executive directors	Number of Directors	
	2006	2005
Below RM50,000	-	3
RM50,001 – RM100,000	-	1
RM100,001 – RM150,000	4	-
RM250,001 – RM300,000	-	1
RM300,001 – RM350,000	1	-
RM900,001 – RM950,000	-	1
RM1,000,001 – RM1,050,000	1	1
RM1,200,001 – RM1,250,000	1	-
RM2,250,001 – RM2,300,000	1	-

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

35. TAXATION

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Estimated current tax payable	80,758	34,100	70,899	2,918
Share in taxation of associated companies incorporated in Malaysia	195	-	4,689	-
Transfer from deferred tax liabilities (Note 36)	99	-	608	-
Transfer from/(to) deferred tax assets (Note 36)	10,221	-	(29,615)	-
	91,273	34,100	46,581	2,918
Under provision of current taxation in respect of prior years	100	-	32,679	-
Total	91,373	34,100	79,260	2,918

For the year ended 31 March 2006, the Group has tax exempt income totalling RM35,000,000 (RM30,984,000 as at 31 March 2005) pertaining to subsidiary companies.

A reconciliation of income tax expense applicable to profit 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:

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Profit before taxation	340,233	123,068	283,172	10,408
Taxation at Malaysian statutory tax rate of 28.0%	95,265	34,459	79,288	2,914
Effect of different tax rates in Labuan and certain subsidiaries	(2,279)	-	(2,277)	-
Interest expense on ICULS included in statement of changes in equity which is deductible for tax purposes	(2,016)	-	(2,016)	-
Income not subject to tax	(6,213)	(407)	(6,879)	-
Expenses not deductible for tax purposes	6,616	48	11,144	4
Tax expense for the year/period	91,373	34,100	79,260	2,918

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

36. DEFERRED TAXATION

(a) Deferred tax assets

	Group	
	2006 RM'000	2005 RM'000
Balance at beginning of year/date of incorporation		
As previously reported	(78,677)	-
Prior year adjustments (Note 49)	1,812	1,715
As restated	(76,865)	1,715
Net transfer to income statement (Note 35)	10,221	(29,615)
Effects arising from merger	-	(22,536)
Reclassification from other assets	-	(26,429)
Balance at end of year/period	(66,644)	(76,865)
The deferred taxation is in respect of the following:		
Gain/(Loss) on revaluation of securities held-for-trading	6,486	(2,448)
Temporary differences between depreciation and tax allowances on property and equipment	2,891	3,287
Impairment loss on:		
Securities held-to-maturity	(38,858)	(38,478)
Assets acquired in exchange of debts	(820)	(2,446)
Allowance for value impairment on amount recoverable from Danaharta	(19,467)	(19,713)
General allowance for loans, advances and financing	(16,600)	(18,264)
Profit equalisation reserve	(77)	(615)
Other temporary differences	(199)	1,812
	(66,644)	(76,865)
(b) Deferred tax liabilities		
Balance at beginning of year/date of incorporation	768	-
Effects arising from merger	-	160
Net transfer to income statement (Note 35)	99	608
Balance at end of year/period	867	768

Deferred tax liabilities of the Group is in respect of temporary differences between tax capital allowances and book depreciation of property and equipment.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

37. DIVIDENDS

Dividends paid and proposed by the Company are as follows:

	RM'000
2006	
Interim dividend paid– 4.0% less 28.0% taxation, on 1,320,000,000 ordinary shares of RM1.00 each	38,016
2005	
Dividend paid	-

The directors now recommend the payment of a final dividend of 8.5%, less 28.0% tax, in respect of the current financial year amounting to RM80,784,000 to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' funds as an appropriation of unappropriated profit in the next financial year ending 31 March 2007.

38. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Net profit attributable to shareholders of the Company	247,348	88,968	201,910	7,490
Less: Interest on ICULS	-	-	(6,766)	-
Net profit attributable to shareholders of the Company after interest on ICULS	247,348	88,968	195,144	7,490
No. of Ordinary shares at beginning of year/period	1,109,442	1,109,442	1,109,442	1,109,442
Effect of ordinary shares issued	188,060	188,060	-	-
Weighted average number of ordinary shares in issue ('000)	1,297,502	1,297,502	1,109,442	1,109,442
Basic earnings per share (sen)	19.1	6.9	17.6	0.7

There are no potential dilutive ordinary shares during the financial year.

39. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT SERVICES

Investment portfolio funds managed on behalf of customers as at 31 March 2006 by the Group amounted to RM10,269,483,000 (RM7,066,876,000 as at 31 March 2005).

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

40. CAPITAL COMMITMENTS

As at 31 March 2006, the capital commitments pertaining to subsidiary companies are as follows:

	Group	
	2006 RM'000	2005 RM'000
Authorised and contracted but not provided for:		
Uncalled portion of total subscription price in the share capital of AmTrustee Berhad	100	100
Purchase of office equipment, information technology equipment and solutions	337	3,933
Purchase of land and buildings	300	-
Purchase of other investments	415	1,893
Purchase of motor vehicles	-	1,044
	1,152	6,970
Authorised but not contracted for:		
Purchase of computer software and hardware, motor vehicles and renovation cost for computer center	192	5
Purchase of other investments	20,000	20,000
	20,192	20,005
	21,344	26,975

41. LEASE COMMITMENTS

The Group have lease commitments in respect of rental of premises and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases is as follows:

	Group RM'000
Year ending 31 March	
2007	5,581
2008	5,021
2009 and thereafter	1,778
	12,381

The lease commitments represent minimum rentals not adjusted for operating expenses which the Group are obligated to pay. These amounts are insignificant in relation to the minimum lease obligations. In the normal course of business, leases that expire will be renewed or replaced by leases on other properties, thus it is anticipated that future annual minimum lease commitments will not be less than rental expenses for the financial year.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

42. COMMITMENTS AND CONTINGENCIES

In the normal course of business, AmMerchant Bank and AmInternational make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's assets.

As at 31 March 2006, the commitments and contingencies outstanding are as follows:

Group	2006			2005		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
Derivative Financial Instruments						
Interest rate related contracts:						
Interest rate futures	580,000	-	-	550,000	-	-
Interest rate swaps:						
Related company	3,732,189	56,141	11,228	1,700,000	34,063	6,813
Others	11,951,139	256,104	52,484	5,870,207	118,218	26,931
Foreign exchange related contracts:						
Forward exchange contracts:						
Related company	450,222	8,495	1,699	448,257	4,800	960
Others	2,790,842	58,200	11,640	1,095,481	12,690	2,538
Cross currency swaps	375,676	32,666	6,533	463,600	32,512	6,502
Malaysian Government securities futures	10,000	-	-	27,900	-	-
	19,890,068	411,606	83,584	10,155,445	202,283	43,744
Commitments						
Irrevocable commitments to extend credit maturing :						
- within one year	642,181	-	-	747,783	-	-
- more than one year	187,253	93,627	93,135	229,203	114,602	114,286
Sale and buy back agreements	2,174,849	2,174,849	915,378	1,797,884	1,797,884	965,427
Forward purchase commitments	331,127	331,127	153,377	113,040	113,040	20,285
	3,335,410	2,599,603	1,161,890	2,887,910	2,025,526	1,099,998
Contingent Liabilities						
Guarantees given on behalf of customers	844,067	844,067	727,713	969,181	969,181	824,906
Underwriting liabilities	993,152	496,576	471,819	317,069	158,535	137,317
Certain transaction-related contingent items	431,238	215,619	181,111	495,392	247,696	217,744
	2,268,457	1,556,262	1,380,643	1,781,642	1,375,412	1,179,967
	25,493,935	4,567,471	2,626,117	14,824,997	3,603,221	2,323,709

The credit equivalent amount is arrived at using the credit conversion factor as per BNM guidelines.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

- (a) The Company has given unsecured guarantees totalling RM10,000,000 (RM10,000,000 in 2005) to a financial institution in respect of credit facilities extended to a subsidiary company.
- (b) As required, AmMerchant Bank has given a continuing guarantee to BNM on behalf of its offshore banking subsidiary in Labuan, AmInternational, to meet all its liabilities and financial obligations and requirements.
- (c) A suit dated 12 December 2005 was filed by Meridian Asset Management Sdn Bhd ("Meridian") against Trustee associated company, AmTrustee in respect of a claim amounting to RM27.6 million for alleged loss and damage together with interests and costs arising from AmTrustee's provision of custodian services to Meridian.

Malaysian Assurance Alliance Bhd ('MAA') has claimed its portion of the abovementioned alleged loss, being general damages and special damages of RM19,640,178.83, together with interest and costs.

AmTrustee was served on 24 March 2006 with a Writ and Statement of Claim dated 25 January 2006 by solicitors acting for MAA. MAA had appointed Meridian as an external fund manager for certain of its insurance funds, and part of these funds were deposited by Meridian with AmTrustee.

Neither material financial loss nor operational impact on the Group is expected as a result of the Writ and Statement of Claim.

Based on legal advice, AmTrustee believes it has a good defence in respect of the claim.

43. RISK MANAGEMENT POLICY

Risk management is about managing uncertainties such that deviations from the Group's intended objectives are kept within acceptable levels. Sustainable profitability forms the core objectives of the Group's risk management strategy.

Every risk assumed by the Group carries with it potential for gains as well as potential to erode shareholders' value. The Group's risk management policy is to identify, capture and analyse these risks at an early stage, continuously measure and monitor these risks and to set limits, policies and procedures to control them to ensure sustainable risk-taking and sufficient returns.

The management approach towards the significant risks of the Group is enumerated below.

MARKET RISK MANAGEMENT

Market risk is the risk of loss from changes in the value of portfolios and financial instruments caused by movements in market variables, such as interest rates, foreign exchange rates and equity prices.

The primary objective of market risk management is to ensure that losses from market risk can be promptly arrested and risk positions are sufficiently liquid so as to enable the Group to reduce its position without incurring potential loss that is beyond the sustainability of the Group.

The market risk of the Group's trading and non-trading portfolio is managed separately using value-at-risk approach to compute the market risk exposure of non-trading portfolio and trading portfolio. Value-at-risk is a statistical measure that estimates the potential changes in portfolio value that may occur brought about by daily changes in market rates over a specified holding period at a specified confidence level under normal market conditions.

The Group controls the market risk exposure of its trading and non-trading activities primarily through a series of threshold limits. Stop loss, value-at-risk and position sensitivity limits are the primary means of control governing the trading activities of the Group while value at risk limits governs the non-trading positions.

To complement value-at-risk measurement, the Group also institutes a set of scenario analysis under various potential market conditions such as shifts in currency rates, general equity prices and interest rate movements to assess the changes in portfolio value.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

The following table shows the interest rate sensitivity gap, by time bands, on which interest rates of instruments are next repriced on a contractual basis or, if earlier, the dates on which the instruments mature.

Group 2006	Non-trading book							Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
ASSETS										
Cash and short-term funds	2,690,992	-	-	-	-	-	466,095	-	3,157,087	6.32
Securities purchased under resale agreements	685,252	30,924	-	-	-	-	-	-	716,176	3.16
Deposits and placements with banks and other financial institutions	217	1,373	-	399,895	73,661	749,500	-	-	1,224,646	3.33
Securities held-for-trading	6,287	-	-	-	-	-	-	7,233,349	7,239,636	3.87
Securities available-for-sale	-	-	67,258	-	294,829	438,782	24,704	8,907	834,480	5.04
Securities held-to-maturity	-	55,247	1,997	83,708	857,911	327,417	480,374	-	1,806,654	5.52
Loans, advances and financing:										
- performing	1,639,042	1,659,076	127,883	112,509	310,298	28,438	70,026	-	3,947,272	6.30
- non-performing *	-	-	-	-	-	-	230,360	-	230,360	-
Amount due from Originators	816	-	1,967	19,564	67,347	-	-	-	89,694	4.25
Other non-interest sensitive balances	-	-	-	-	-	-	985,346	-	985,346	-
TOTAL ASSETS	5,022,606	1,746,620	199,105	615,676	1,604,046	1,544,137	2,256,905	7,242,256	20,231,351	
LIABILITIES										
Deposits from customers	3,838,547	1,912,142	263,589	161,518	8,844	-	247,537	-	6,432,177	3.18
Deposits and placements of banks and other financial institutions	2,768,877	1,255,054	468,154	387,818	1,026,803	1,335,917	274,274	-	7,516,897	3.95
Obligations on securities sold under repurchase agreements	2,481,313	81,031	273	-	-	-	-	-	2,562,617	3.13
Acceptances payable	964	1,336	803	-	-	-	-	-	3,103	4.81
Recourse obligations on loans sold to Cagamas Berhad	816	-	1,967	19,564	67,347	-	-	-	89,694	4.25
Term loans	-	276,232	-	-	-	-	-	-	276,232	5.15
Redeemable unsecured subordinated bonds	-	-	-	-	-	595,000	-	-	595,000	6.10
Other non-interest sensitive balances	-	-	-	-	-	-	597,273	-	597,273	-
Total Liabilities	9,090,517	3,525,795	734,786	568,900	1,102,994	1,930,917	1,119,084	-	18,072,993	
EQUITY										
Share Capital	-	-	-	-	-	-	1,320,000	-	1,320,000	
Reserves	-	-	-	-	-	-	837,405	-	837,405	
Shareholders' equity	-	-	-	-	-	-	2,157,405	-	2,157,405	
Minority interests	-	-	-	-	-	-	953	-	953	
TOTAL EQUITY	-	-	-	-	-	-	2,158,358	-	2,158,358	
TOTAL LIABILITIES AND EQUITY	9,090,517	3,525,795	734,786	568,900	1,102,994	1,930,917	3,277,442	-	20,231,351	
On-balance sheet interest rate gap sensitivity	(4,067,911)	(1,779,175)	(535,681)	46,776	501,052	(386,780)	(1,020,537)	7,242,256	-	
Off-balance sheet interest rate gap sensitivity	(1,142,119)	(332,577)	245,061	(686,414)	(13,326)	1,935,098	-	-	5,723	
Total interest rate gap sensitivity	(5,210,030)	(2,111,752)	(290,620)	(639,638)	487,726	1,548,318	(1,020,537)	7,242,256	5,723	
Cumulative interest rate gap sensitivity	(5,210,030)	(7,321,782)	(7,612,402)	(8,252,041)	(7,764,314)	(6,215,996)	(7,236,533)	5,723		

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Group 2005	Non-trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
ASSETS										
Cash and short-term funds	2,044,169	-	-	-	-	-	634,383	-	2,678,552	3.05
Securities purchased under resale agreements	139,931	-	-	-	-	-	-	-	139,931	2.87
Deposits and placements with banks and other financial institutions	-	322,033	38,000	-	-	-	33,100	-	393,133	2.87
Securities held-for-trading	-	-	-	-	-	-	-	3,595,381	3,595,381	3.63
Securities available-for-sale	-	-	22,936	-	581,644	252,687	21,825	-	879,092	3.65
Securities held-to-maturity	-	-	85,803	118,467	430,592	266,431	471,513	-	1,372,806	8.63
Loans, advances and financing:										
- performing	2,270,670	301,276	102,740	439,883	200,185	109,066	499,815	-	3,923,635	6.20
- non-performing *	-	-	-	-	-	-	612,414	-	612,414	-
Amount due from Originators	-	3,363	-	7,684	121,751	-	-	-	132,798	4.29
Other non-interest sensitive balances	-	-	-	-	-	-	918,644	-	918,644	-
TOTAL ASSETS	4,454,770	626,672	249,479	566,034	1,334,172	628,184	3,191,694	3,595,381	14,646,386	
LIABILITIES										
Deposits from customers	2,908,706	1,489,221	477,496	106,632	500	-	311,881	-	5,294,436	2.90
Deposits and placements of banks and other financial institutions	1,181,315	660,229	698,548	362,784	709,999	599,260	355,623	-	4,567,758	3.39
Obligations on securities sold under repurchase agreements	1,424,363	3,327	101	-	-	-	-	-	1,427,791	2.59
Acceptances payable	996	1,456	734	-	-	-	-	-	3,186	4.91
Recourse obligations on loans sold to Cagamas Berhad	-	3,361	-	7,684	121,753	-	-	-	132,798	4.29
Term loans	-	-	285,000	-	-	-	-	-	285,000	2.98
Subordinated certificates of deposits	-	-	-	198,768	-	-	-	-	198,768	8.85
Redeemable unsecured subordinated bonds	-	-	-	-	460,000	-	-	-	460,000	6.00
Other non-interest sensitive balances	-	-	-	-	-	-	631,259	-	631,259	-
Total Liabilities	5,515,380	2,157,594	1,461,879	675,868	1,292,252	599,260	1,298,763	-	13,000,996	
EQUITY										
Share Capital	-	-	-	-	-	-	1,109,442	-	1,109,442	
Reserves	-	-	-	-	-	-	529,354	-	529,354	
Shareholders' equity	-	-	-	-	-	-	1,638,796	-	1,638,796	
Minority interests	-	-	-	-	-	-	6,594	-	6,594	
TOTAL EQUITY	-	-	-	-	-	-	1,645,390	-	1,645,390	
TOTAL LIABILITIES AND EQUITY	5,515,380	2,157,594	1,461,879	675,868	1,292,252	599,260	2,944,153	-	14,646,386	
On-balance sheet interest rate gap sensitivity	(1,060,610)	(1,530,922)	(1,212,400)	(109,834)	41,920	28,924	247,541	3,595,381	-	
Off-balance sheet interest rate gap sensitivity	(722,886)	(1,090,609)	(104,559)	875,362	776,189	266,503	-	-	-	
Total interest rate gap sensitivity	(1,783,496)	(2,621,531)	(1,316,959)	765,528	818,109	295,427	247,541	3,595,381	-	
Cumulative interest rate gap sensitivity	(1,783,496)	(4,405,027)	(5,721,986)	(4,956,458)	(4,138,349)	(3,842,922)	(3,595,381)	-	-	

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Company 2006	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
ASSETS				
Cash and short-term funds	5,313	-	5,313	2.85
Securities held-for-trading	-	69,550	69,550	3.36
Other non-interest sensitive balances	1,383,955	-	1,383,955	-
TOTAL ASSETS	1,389,268	69,550	1,458,818	
LIABILITIES				
Other non-interest sensitive balances	-	309	309	-
Total Liabilities	-	309	309	
EQUITY				
Share Capital	1,320,000	-	1,320,000	
Reserves	138,509	-	138,509	
Shareholders' equity	1,458,509	-	1,458,509	
Minority interests	-	-	-	
TOTAL EQUITY	1,458,509	-	1,458,509	
TOTAL LIABILITIES AND EQUITY	1,458,509	309	1,458,818	
Total interest rate gap sensitivity	(69,241)	69,241	-	
Cumulative interest rate gap sensitivity	(69,241)	-	-	

2005	Non- interest sensitive RM'000	Total RM'000	Effective interest rate %
ASSETS			
Cash and short-term funds	1	1	2.70
Other non-interest sensitive balances	1,331,476	1,331,476	-
TOTAL ASSETS	1,331,477	1,331,477	
LIABILITIES			
Other non-interest sensitive balances	214,545	214,545	-
Total Liabilities	214,545	214,545	
EQUITY			
Share Capital	1,109,442	1,109,442	
Reserves	7,490	7,490	
Shareholders' equity	1,116,932	1,116,932	
Minority interests	-	-	
TOTAL EQUITY	1,116,932	1,116,932	
TOTAL LIABILITIES AND EQUITY	1,331,477	1,331,477	
Total interest rate gap sensitivity	-	-	
Cumulative interest rate gap sensitivity	-	-	

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

LIQUIDITY RISK

Liquidity risk is the risk that the organization will not be able to fund its day-to-day operations at a reasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments.

The primary objective of liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as it becomes due.

The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base, and maturity period.

The ongoing liquidity risk management at the Group is based on the following key strategies:

- Management of cash-flow; an assessment of potential cash flow mismatches that may arise over a period of one-year ahead and the maintenance of adequate cash and liquefiable assets over and above the standard requirements of BNM.
- Scenario analysis; a simulation on liquidity demands of new business, changes in portfolio as well as stress scenarios based on historical experience of large withdrawals.
- Diversification and stabilisation of liabilities through management of funding sources, diversification of customer depositor base and inter-bank exposures.

In the event of actual liquidity crisis occurring, a Contingency Funding Plan provides a formal process to identify a liquidity crisis and detailing responsibilities among the relevant departments to ensure orderly execution of procedures to restore the liquidity position and confidence in the Group.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

The following table shows the maturity analysis of the Group's assets and liabilities based on contractual terms.

Group 2006	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	3,138,844	-	-	-	-	-	18,243	3,157,087
Securities purchased under resale agreements	685,252	30,924	-	-	-	-	-	716,176
Deposits and placements with banks and other financial institutions	218	253,944	896,823	73,661	-	-	-	1,224,646
Securities held-for-trading	667,499	1,328,124	712,379	217,416	2,980,007	1,047,009	287,202	7,239,636
Securities available-for-sale	-	-	48,683	-	313,404	438,782	33,611	834,480
Securities held-to-maturity	-	-	584	48,613	642,951	1,092,717	21,789	1,806,654
Loans, advances and financing	1,146,726	1,575,085	159,686	161,913	843,974	23,963	266,285	4,177,632
Other assets	89,160	13,359	15,582	22,108	94,250	16,927	312,599	563,985
Deferred tax assets	-	-	-	-	-	-	66,644	66,644
Goodwill on consolidation	-	-	-	-	-	-	111,496	111,496
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	244,130	244,130
Investments in associated companies	-	-	-	-	-	-	41,852	41,852
Property and equipment	-	-	-	-	-	-	46,933	46,933
TOTAL ASSETS	5,727,699	3,201,436	1,833,737	523,711	4,874,586	2,619,398	1,450,784	20,231,351
LIABILITIES								
Deposits from customers	3,951,390	2,004,265	291,697	175,981	8,844	-	-	6,432,177
Deposits and placements of banks and other financial institutions	2,839,044	1,445,764	476,513	392,857	1,026,803	1,335,916	-	7,516,897
Obligations on securities sold under repurchase agreements	2,481,313	81,031	273	-	-	-	-	2,562,617
Acceptances payable	964	1,336	803	-	-	-	-	3,103
Recourse obligations on loans sold to Cagamas Berhad	816	-	1,967	19,564	67,347	-	-	89,694
Other liabilities	321,715	14,223	5,245	2,199	8,430	98,427	147,034	597,273
Term loans	-	-	-	276,232	-	-	-	276,232
Subordinated certificates of deposits	-	-	-	-	-	-	-	-
Redeemable unsecured subordinated bonds	-	-	-	-	-	595,000	-	595,000
Total Liabilities	9,595,242	3,546,619	776,498	866,833	1,111,424	2,029,343	147,034	18,072,993
EQUITY								
Share capital	-	-	-	-	-	-	1,320,000	1,320,000
Reserves	-	-	-	-	-	-	837,405	837,405
Shareholders' equity	-	-	-	-	-	-	2,157,405	2,157,405
Minority interests	-	-	-	-	-	-	953	953
Total Equity	-	-	-	-	-	-	2,158,358	2,158,358
TOTAL LIABILITIES AND EQUITY	9,595,242	3,546,619	776,498	866,833	1,111,424	2,029,343	2,305,392	20,231,351
Net maturity mismatch	(3,867,543)	(345,183)	1,057,239	(343,122)	3,763,162	590,055	(854,608)	-

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Group 2005	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	2,625,969	-	-	-	-	-	52,583	2,678,552
Securities purchased under resale agreements	139,931	-	-	-	-	-	-	139,931
Deposits and placements with banks and other financial institutions	-	355,133	38,000	-	-	-	-	393,133
Securities held-for-trading	147,453	610,416	436,084	485,814	1,318,030	512,856	84,728	3,595,381
Securities available-for-sale	-	-	29,997	39,872	530,774	252,687	25,762	879,092
Securities held-to-maturity	5,651	-	28,803	83,508	530,291	705,548	19,005	1,372,806
Loans, advances and financing	1,741,633	1,015,517	65,138	520,882	816,948	61,442	314,489	4,536,049
Other assets	13,899	103,423	1,133	11,874	135,292	14,242	285,191	565,054
Deferred tax assets	-	-	-	-	-	-	76,865	76,865
Goodwill on consolidation	-	-	-	-	-	-	79,805	79,805
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	244,294	244,294
Investments in associated companies	-	-	-	-	-	-	40,098	40,098
Property and equipment	-	-	-	-	-	-	45,326	45,326
TOTAL ASSETS	4,674,536	2,084,489	599,155	1,141,950	3,331,335	1,546,775	1,268,146	14,646,386
LIABILITIES								
Deposits from customers	3,105,146	1,568,124	488,391	132,275	500	-	-	5,294,436
Deposits and placements of banks and other financial institutions	1,313,419	839,400	732,945	363,196	719,537	599,261	-	4,567,758
Obligations on securities sold under repurchase agreements	1,424,363	3,428	-	-	-	-	-	1,427,791
Acceptances payable	996	1,456	734	-	-	-	-	3,186
Recourse obligations on loans sold to Cagamas Berhad	-	3,361	-	7,684	121,753	-	-	132,798
Other liabilities	455,475	10,069	6,787	1,618	3,475	6,991	146,844	631,259
Term loans	-	-	-	285,000	-	-	-	285,000
Subordinated certificates of deposits	-	-	-	-	-	198,768	-	198,768
Redeemable unsecured subordinated bonds	-	-	-	-	-	460,000	-	460,000
Total Liabilities	6,299,399	2,425,838	1,228,857	789,773	845,265	1,265,020	146,844	13,000,996
EQUITY								
Share capital	-	-	-	-	-	-	1,109,442	1,109,442
Reserves	-	-	-	-	-	-	529,354	529,354
Shareholders' equity	-	-	-	-	-	-	1,638,796	1,638,796
Minority interests	-	-	-	-	-	-	6,594	6,594
Total Equity	-	-	-	-	-	-	1,645,390	1,645,390
TOTAL LIABILITIES AND EQUITY	6,299,399	2,425,838	1,228,857	789,773	845,265	1,265,020	1,792,234	14,646,386
Net maturity mismatch	(1,624,863)	(341,349)	(629,702)	352,177	2,486,070	281,755	(524,088)	-

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Company 2006	Up to 1 month RM'000	>1 - 3 months RM'000	Non specific maturity RM'000	Total RM'000
ASSETS				
Cash and short-term funds	5,240	-	73	5,313
Securities held-for-trading	-	-	69,550	69,550
Other assets	7,200	-	1,464	8,664
Investments in subsidiary companies	-	-	1,375,291	1,375,291
TOTAL ASSETS	12,440	-	1,446,378	1,458,818
LIABILITIES				
Other liabilities	-	-	309	309
Total Liabilities	-	-	309	309
Shareholders' equity	-	-	1,458,509	1,458,509
TOTAL LIABILITIES AND EQUITY	-	-	1,458,818	1,458,818
Net maturity mismatch	12,440	-	(12,440)	-

2005	Up to 1 month RM'000	>1 - 3 months RM'000	Non specific maturity RM'000	Total RM'000
ASSETS				
Cash and short-term funds	-	-	1	1
Other assets	434	7,200	-	7,634
Investments in subsidiary companies	-	-	1,323,842	1,323,842
TOTAL ASSETS	434	7,200	1,323,843	1,331,477
LIABILITIES				
Other liabilities	-	-	214,545	214,545
Total Liabilities	-	-	214,545	214,545
Shareholders' equity	-	-	1,116,932	1,116,932
TOTAL LIABILITIES AND EQUITY	-	-	1,331,477	1,331,477
Net maturity mismatch	434	7,200	(7,634)	-

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

CREDIT RISK MANAGEMENT

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises primarily from lending and guarantee activities and, to a lesser extent, pre-settlement and settlement exposures of sales and trading activities.

The primary objective of credit risk management is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

For non-retail credits, risk measurement begins with an assessment and rating of the financial standing of the borrower or counterparty using an internally developed credit rating model. The model consists of quantitative and qualitative scores which are translated into a rating grade, which ranges from "AAA" (lowest risk) to "C" (highest risk).

Credit risk is quantified based on Expected Default Frequencies and Expected Losses on default from its portfolio of loans and off-balance sheet commitments. Expected Default Frequencies are calibrated to the internal rating model while Loan Loss Estimates are based on past portfolio default experiences.

The Group's lending activities are guided by internal credit policies and guidelines that are approved by the Board of Directors. Within these policies, name limits restrict total exposure allowed to corporate groups according to their level of creditworthiness, while sector limits ensure that the Group's total credit exposure to each economic sector is within prudent thresholds.

OPERATIONAL RISK MANAGEMENT

Operational risk is the potential loss from a breakdown in internal process, systems, deficiencies in people and management or operational failure arising from external events. It is increasingly recognised that operational risk is the single most widespread risk facing financial institutions today.

Operational risk management is the discipline of systematically identifying the critical potential points and causes of failure, assess the potential cost and to minimise the impact of such risk through the initiation of risk mitigating measures and policies.

The Group minimises operational risk by putting in place appropriate policies, internal controls and procedures as well as maintaining back-up procedures for key activities and undertaking contingency planning. These are supported by independent reviews by the Group's Internal Audit team.

LEGAL AND REGULATORY RISK

The Group manages legal and regulatory risks to its business. Legal risk arises from the potential that breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits, or adverse judgment, may lead to the incurrence of losses, disrupt or otherwise resulting in financial and reputational risk.

Legal risk is managed by internal legal counsel and where necessary, in consultation with external legal counsel to ensure that legal risk is minimised.

Regulatory risk is managed through the implementation of measures and procedures within the organization to facilitate compliance with regulations. These include a compliance monitoring and reporting process that requires identification of risk areas, prescription of controls to minimize these risks, staff training and assessments, provision of advise and disseminating of information.

RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES

Purpose of engaging in financial derivatives

Financial derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments. Derivatives are contracts that transfer risks, mainly market risks. Financial derivatives are one of the financial instruments engaged by the Group both for revenue purposes as well as to manage the Group's own market risk exposure. The Group's involvement in financial derivatives is currently focused on interest rate derivatives and foreign exchange rate derivatives.

The principal exchange rate contracts used are forward foreign exchange contracts and cross currency swaps. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A cross currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

The principal interest rate contracts used are interest rate futures, interest rate swaps and forward rate agreements. Forward rate agreements are contracts for the payment of the difference between a specified interest rate and a reference rate on a notional deposit at a future settlement date. There is no exchange of principal. An interest rate futures is an exchange traded contract whose value is based on the difference between a specific interest rate and a reference rate on a notional deposit or fixed income security at a future settlement date. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

For revenue purposes, the Group maintains trading positions in these instruments and engages in transactions with customers to satisfy their needs in managing their respective interest rate and foreign exchange rate exposures. Derivative transactions generate income for the Group from the buy-sell spreads. The Group also takes conservative exposures, within acceptable limits, to carry an inventory of these instruments in order to provide market liquidity and to earn potential gains on fluctuations in the value of these instruments.

As part of the asset and liability exposure management, the Group uses derivatives to manage the Group's market risk exposure. As the value of these financial derivatives are principally driven by interest rate and foreign exchange rate factors, the Group uses them to reduce the overall interest rate and foreign exchange rate exposures of the Group. These are performed by entering into an exposure in derivatives that produces opposite value movements vis-à-vis exposures generated by other non-derivative activities of the Group. The Group manages these risks on a portfolio basis. Hence, exposures on derivatives are aggregated or netted against similar exposures arising from other financial instruments engaged by the Group.

Fair value of financial derivatives

The estimated fair values of the Group's outstanding derivative financial instruments are as below. These are stand-alone values without taking into account their potential offsetting relationships with other non-derivatives exposures of the Group. As such, no adjustment is made in the financial statements.

	Group			
	2006		2005	
	Principal Amount RM'000	Fair Value RM'000	Principal Amount RM'000	Fair Value RM'000
Interest rate related contracts:				
Interest rate futures	580,000	140	550,000	448
Interest rate swaps	15,683,328	926	7,570,207	140
Foreign exchange related contracts:				
Forward exchange contracts	3,241,064	3,366	1,543,738	(18)
Cross currency swaps	375,676	4,681	463,600	(1,333)
Malaysian Government securities futures	10,000	15	27,900	(158)
	19,890,068	9,128	10,155,445	(921)

Risk associated with financial derivatives

As derivatives are contracts that transfer risks, they expose the holder to the same types of market and credit risks as other financial instruments, and the Group manages these risks in a consistent manner under the overall risk management framework.

Market risk of derivatives used for trading purposes

Market risk arising from the above interest rate-related and foreign exchange-related derivative contracts measures the potential losses to the value of these contracts due to changes in market rates/prices. Exposures to market risk may be reduced through offsetting on and off-balance sheet positions.

The contractual amounts of these contracts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Value-at-risk method is used to measure the market risk from these contracts. Value-at-risk, is a statistical measure that estimates the potential changes in portfolio value that may occur brought about by potential changes in market rates over a defined period at a 99% confidence level under normal market condition.

As at 31 March 2006, value-at-risk of foreign exchange-related derivative contracts used for trading purposes of the Group was RM1,049,183 (RM25,849 as at 31 March 2005).

The value-at-risk of the interest rate related derivative contracts used for trading purposes was RM9,446,292 (RM5,392,001 as at 31 March 2005).

Credit risk of derivatives

Counterparty credit risk arises from the possibility that a counterparty may be unable to meet the terms of the derivative contracts. Unlike conventional asset instruments, the Group's financial loss is not the entire contracted principal value of the derivatives, but rather a fraction equivalent to the cost to replace the defaulted contract with another in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices. The Group will only suffer a replacement cost if the contract carries a fair value gain at time of default.

As at 31 March 2006, the amount of counter party credit risk, measured in terms of the cost to replace the profitable contracts was RM26,977,165 (RM20,257,362 as at 31 March 2005) for the Group. This amount will increase or decrease over the life of the contracts, mainly as a function of movement in market rates and time.

The Group limit its credit risks within a conservative framework by dealing with creditworthy counterparties, setting credit limit on exposures to counterparties and obtaining collateral where appropriate.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

44. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than a forced or liquidated sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiary companies and taxation are excluded, as they do not fall within the scope of FRS132²⁰⁰⁴ (Financial Instruments: Disclosure and Presentation)(formerly known as Malaysian Accounting Standards Board ("MASB") 24) which requires the fair value information to be disclosed.

The estimated fair values of the Group's and the Company's financial instruments are as follows:

2006	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
Cash and short-term funds	3,157,087	3,157,087	73	73
Securities purchased under resale agreements	716,176	716,176	5,240	5,240
Deposits and placements of banks and other financial institutions	1,224,646	1,352,121	-	-
Securities held-for-trading	7,239,636	7,239,636	69,550	69,550
Securities available-for-sale	834,480	834,480	-	-
Securities held-to-maturity	1,806,654	1,901,703	-	-
Loans, advances and financing *	4,241,557	4,263,352	-	-
Amount due from Originators	89,694	87,254	-	-
Other financial assets	464,669	464,669	8,664	8,664
	<u>19,774,599</u>	<u>20,016,478</u>	<u>83,527</u>	<u>83,527</u>
Non-Financial Assets	<u>456,752</u>		<u>1,375,291</u>	
TOTAL ASSETS	<u>20,231,351</u>		<u>1,458,818</u>	
Financial Liabilities				
Deposits from customers	6,432,177	6,434,324	-	-
Deposits and placements of banks and other financial institutions	7,516,897	7,598,202	-	-
Obligations on securities sold under repurchase agreements	2,562,617	2,562,617	-	-
Acceptances payable	3,103	3,103	-	-
Recourse obligation on loans sold to Cagamas Berhad	89,694	87,254	-	-
Term loans	276,232	276,232	-	-
Redeemable unsecured subordinated bonds	595,000	636,185	-	-
Other financial liabilities	595,481	595,481	299	299
	<u>18,071,201</u>	<u>18,193,398</u>	<u>299</u>	<u>299</u>
Non-Financial Liabilities				
Other non-financial liabilities	1,792		10	
Minority interests	953		-	
Shareholders' equity	2,157,405		1,458,509	
	<u>2,160,150</u>		<u>1,458,519</u>	
TOTAL LIABILITIES AND EQUITY	<u>20,231,351</u>		<u>1,458,818</u>	

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

2005	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
Cash and short-term funds	2,678,552	2,678,552	1	1
Securities purchased under resale agreements	139,931	139,931	-	-
Deposits and placements of banks and other financial institutions ^	393,133	392,331	-	-
Securities held-for-trading	3,595,381	3,595,381	-	-
Securities available-for-sale	879,092	879,092	-	-
Securities held-to-maturity	1,372,806	1,379,874	-	-
Loans, advances and financing *	4,605,140	4,655,331	-	-
Amount due from Originators	132,798	139,027	-	-
Other financial assets	416,777	416,777	-	-
	<u>14,213,610</u>	<u>14,276,296</u>	<u>1</u>	<u>1</u>
Non-Financial Assets	<u>432,776</u>		<u>1,331,476</u>	
TOTAL ASSETS	<u>14,646,386</u>		<u>1,331,477</u>	
Financial Liabilities				
Deposits from customers	5,294,436	5,295,085	-	-
Deposits and placements of banks and other financial institutions	4,567,758	4,568,303	-	-
Obligations on securities sold under repurchase agreements	1,427,791	1,500,029	-	-
Acceptances payable	3,186	3,186	-	-
Recourse obligation on loans sold to Cagamas Berhad	132,798	139,027	-	-
Term loans	285,000	285,000	-	-
Subordinated certificates of deposits	198,768	220,671	-	-
Redeemable unsecured subordinated bonds	460,000	435,906	-	-
Other financial liabilities	627,544	627,544	214,545	214,545
	<u>12,997,281</u>	<u>13,074,751</u>	<u>214,545</u>	<u>214,545</u>
Non-Financial Liabilities				
Other non-financial liabilities	3,715		-	
Minority interests	6,594		-	
Shareholders' equity	1,638,796		1,116,932	
	<u>1,649,105</u>		<u>1,116,932</u>	
TOTAL LIABILITIES AND EQUITY	<u>14,646,386</u>		<u>1,331,477</u>	

* The general allowance for loans, advances and financing for the Group amounting to RM63,925,000 (RM69,091,000 as at 31 March 2005) has been included under non-financial assets.

^ The fair value of deposits and placements of banks and other financial institutions is below its carrying amount as a result of an increase in KLIBOR rates. The Group has not reduced the carrying values as uncertainties surrounding the circumstances may change and any changes in uncertainties could affect the resulting fair value estimates.

The fair values of derivatives financial instruments are shown in Note 42.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

The fair values of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs and potential losses that may arise should these commitments crystallize. The Group assesses that their respective fair values are unlikely to be significant from the carrying value given that the overall level of fees involved is not significant and no provision is necessary to be made.

The following methods and assumptions were used to estimate the fair value of assets and liabilities as at 31 March 2006 and 2005:

(a) Cash And Short-Term Funds

The carrying values are a reasonable estimate of the fair values because of negligible credit risk and short-term in nature or frequent repricing.

(b) Securities Purchased Under Resale Agreements And Deposits And Placements With Banks And Other Financial Institutions

The fair values of securities purchased under resale agreements and deposits and placements with financial institutions with remaining maturities less than six months are estimated to approximate their carrying values. For securities purchased under resale agreements and deposits and placements with financial institutions with maturities of more than six months, the fair values are estimated based on discounted cash flows using the prevailing KLIBOR rates and interest rate swap rates.

(c) Securities Held-For-Trading, Securities Available-For-Sale And Securities Held-To-Maturity

The estimated fair value is based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair value is estimated using discounted cash flow or net tangible assets techniques. The fair values of unquoted debt equity conversion securities which are not actively traded, are estimated to be at par value, taking into consideration of the underlying collateral values. Where discounted cash flow techniques are used, the estimated future cash flows are discounted using market indicative rates of similar instruments at the balance sheet date.

(d) Loans, Advances And Financing And Subordinated Term Loans ("Loans And Financing")

The fair value of variable rate loans and financing are estimated to approximate their carrying values. For fixed rate loans and financing, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing indicative rates adjusted for credit risk. In respect of non-performing loans and financing, the fair values are deemed to approximate the carrying values, net of specific allowance for bad and doubtful debts and financing.

(e) Other Assets

The estimated fair values of other assets are estimated to approximately their carrying value because the realisable value of the final consideration as at balance sheet date is similar to that of the carrying value.

(f) Deposits From Customers, Deposits And Placements Of Banks And Other Financial Institutions And Obligations On Securities Sold Under Repurchase Agreements

The fair values of deposits liabilities payable on demand ("current and savings deposits") or with remaining maturities of less than six months are estimated to approximate their carrying values at balance sheet date. The fair value of term deposits, negotiable instrument of deposits and obligations on securities sold under repurchase agreements with remaining maturities of more than six months are estimated based on discounted cash flows using KLIBOR rates and interest rate swap rates.

(g) Acceptances Payables

The carrying values are a reasonable estimate of their fair values based on their short-term nature.

(h) Other Liabilities

The fair values of other liabilities approximately their carrying value at the balance sheet date.

(i) Recourse Obligation On Loans Sold To Cagamas Berhad

The fair values for recourse obligation on loans sold to Cagamas Berhad are determined based on discounted cash flows of future instalment payments at prevailing rates quoted by Cagamas Berhad at as balance sheet date.

(j) Term Loans, Subordinated Certificates of Deposits And Subordinated Term Bonds

The fair values of borrowings with remaining maturities of less than six months are estimated to approximate their carrying values at balance sheet date. The fair values of borrowings with remaining maturities of more than six months are estimated based on discounted cash flows using market indicative rates of instruments with similar risk profiles at the balance sheet date.

(k) Interest Rate Swaps, Futures And Forward Rate Agreements

The estimated fair value is based on the market price to enter into an offsetting contract at balance sheet date.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

(l) Short Term Financial Assets and Financial Liabilities

The fair values of the other financial assets and other financial liabilities, which are considered short term in nature, are estimated to be approximately their carrying values.

As assumptions were made regarding risk characteristics of the various financial instruments, discount rates, future expected loss experience and other factors, changes in the uncertainties and assumptions could materially affect these estimates and the resulting value estimates.

45. NET ASSETS PER SHARE (RM)

Net assets per share represents the balance sheet total assets value less total liabilities, including long term loans and minority interests expressed as an amount per ordinary share.

Net assets per share is calculated as follows:

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Total assets	20,231,351	1,458,818	14,646,386	1,331,477
Less :				
Total liabilities	18,072,993	309	13,000,996	214,545
Minority interests	953	-	6,594	-
	18,073,946	309	13,007,590	214,545
Net assets	2,157,405	1,458,509	1,638,796	1,116,932
Issued and fully paid up ordinary shares of RM1.00 each	1,320,000	1,320,000	1,109,442	1,109,442
Net assets per share (RM)	1.63	1.10	1.48	1.01

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

46. SEGMENT ANALYSIS

The Group's businesses are organized into five segments, based on the products and services that it provides. These segments are merchant banking, Islamic banking, offshore banking, funds management, broking and others.

Merchant banking

The merchant banking caters to the business needs of large corporate customers and financial institutions and provides customers with, among other things, a broad range of financing options, treasury and derivative solutions and services, corporate finance services, debt capital market and private banking.

Islamic banking

Islamic banking segment relates to Islamic banking business activities undertaken by the Group which covers all Islamic products and services of investment banking.

Offshore banking

Through AmInternational and AmMerchant Bank Labuan branch, the Group has established a presence in the international arena at the Labuan International Offshore Financial Centre. The products and services offered include corporate finance, advisory and trust services, conventional and Islamic banking and acting as Listing Sponsor for corporations seeking listing on the Labuan International Financial Exchange.

Funds management

The Group's funds management unit, comprising of AIS and AIM, provides investment management, management of unit trusts and customized investment solutions for both retail and institutional clients.

Broking

Broking encompasses stockbroking and futures broking which offers stock and futures broking products and services through AmSecurities and AmFutures.

Others

Others are a variety of activities, which complements and supports the operations of the business units. It includes the Company's corporate income and expense items that are not allocated to individual business segments.

Group 2006	Merchant Banking RM'000	Islamic Banking RM'000	Offshore Banking RM'000	Fund Management RM'000	Broking RM'000	Others RM'000	Total Elimination/ Before Consolidation		Total RM'000
							Elimination RM'000	Adjustments RM'000	
External revenue	767,150	96,835	51,624	34,031	60,103	20,476	1,030,219	23,903	1,054,122
Revenue from other segments	45,665	3,610	5,950	-	253	1,076	56,554	(56,554)	-
Operating revenue	812,815	100,445	57,574	34,031	60,356	21,552	1,086,773	(32,651)	1,054,122
Segments results	247,554	68,532	6,079	14,344	9,750	10,911	357,170	(13,718)	343,452
Amortisation of goodwill on consolidation	-	-	-	-	-	-	-	(5,791)	(5,791)
Profit from operations	247,554	68,532	6,079	14,344	9,750	10,911	357,170	(19,509)	337,661
Share in results of associated companies	-	-	-	-	-	-	-	2,572	2,572
Profit before taxation	247,554	68,532	6,079	14,344	9,750	10,911	357,170	(16,937)	340,233
Taxation	(67,445)	(18,973)	(20)	(3,879)	(2,418)	(2,045)	(94,780)	3,407	(91,373)
Minority interests	-	-	-	-	-	-	-	(1,512)	(1,512)
Net profit for the year	180,109	49,559	6,059	10,465	7,333	8,866	262,390	(15,042)	247,348
Other Information									
Segments assets	17,676,983	904,725	967,441	45,189	422,519	377,247	20,394,104	(316,101)	20,078,003
Investments in subsidiary companies	83,103	-	-	-	171,662	1,441,473	1,696,238	(1,696,238)	-
Investments in associated companies	21,950	-	-	-	-	100	22,050	19,802	41,852
Goodwill on consolidation	-	-	-	-	-	-	-	111,496	111,496
Total assets	17,782,036	904,725	967,441	45,189	594,181	1,818,820	22,112,392	(1,881,041)	20,231,351
Segment liabilities	16,267,416	647,529	1,026,025	24,945	126,522	123,395	18,215,832	(142,839)	18,072,993
Property and equipment purchases	6,306	7	38	394	2,379	1,811	10,935	31	10,966
Depreciation	6,408	16	78	621	1,828	337	9,288	-	9,288
Goodwill on consolidation	-	-	-	-	-	-	-	5,791	5,791

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Group 2005	Merchant Banking RM'000	Islamic Banking RM'000	Offshore Banking RM'000	Fund Management RM'000	Broking RM'000	Others RM'000	Total Elimination RM'000	Elimination/ Adjustments RM'000	Total RM'000
External revenue	715,367	46,579	43,249	27,820	78,758	15,902	927,675	(3,225)	924,450
Revenue from other segments	35,809	533	18,364	-	63	844	55,613	(55,613)	-
Operating revenue	751,176	47,112	61,613	27,820	78,821	16,746	983,288	(58,838)	924,450
Segments results	224,792	18,200	5,117	11,222	43,853	144,379	447,563	(176,129)	271,434
Amortisation of goodwill on consolidation	-	-	-	-	-	-	-	(4,857)	(4,857)
Profit from operations	224,792	18,200	5,117	11,222	43,853	144,379	447,563	(180,986)	266,577
Share in results of associated companies	-	-	-	-	-	-	-	16,595	16,595
Profit before taxation	224,792	18,200	5,117	11,222	43,853	144,379	447,563	(164,391)	283,172
Taxation	(57,446)	(5,149)	-	(3,289)	(9,569)	(40,544)	(115,997)	36,737	(79,260)
Minority interests	-	-	-	-	-	-	-	(2,002)	(2,002)
Net profit for the period	167,346	13,051	5,117	7,933	34,284	103,835	331,566	(129,656)	201,910
Other Information									
Segments assets	11,560,653	1,313,451	1,440,763	35,957	425,678	189,779	14,966,281	(439,798)	14,526,483
Investments in subsidiary companies	38,617	-	-	-	174,989	1,390,025	1,603,631	(1,603,631)	-
Investments in associated companies	21,950	-	-	-	-	100	22,050	18,048	40,098
Goodwill on consolidation	-	-	-	-	-	-	-	79,805	79,805
Total assets	11,621,220	1,313,451	1,440,763	35,957	600,667	1,579,904	16,591,962	(1,945,576)	14,646,386
Segment liabilities	10,255,366	1,108,725	1,504,204	16,143	126,522	288,924	13,299,884	(298,888)	13,000,996
Property and equipment purchases	3,388	57	12	1,284	1,950	205	6,896	9	6,905
Depreciation	11,161	48	104	632	2,215	338	14,498	(174)	14,324
Goodwill on consolidation	-	-	-	-	-	-	-	4,857	4,857

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia except for Frasers International Pte. Ltd. and its subsidiary companies, PT AmCapital Indonesia and AmSecurities (HK) Ltd, activities of which are principally conducted in Singapore, Indonesia and Hong Kong. These activities in Singapore, Indonesia and Hong Kong are not significant (less than 1.0% over the operating revenue, profit before taxation and total assets) in relation to the Group's activities in Malaysia.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

47. CAPITAL ADEQUACY

The capital adequacy ratios of the Group as at 31 March 2006 after incorporating the market risk pursuant to the Bank Negara Malaysia Market Risk Capital Adequacy Framework which became effective on 1 April 2005 are as follows:

	Group	
	2006 RM'000	2005 RM'000
Tier 1 capital		
Paid-up ordinary share capital	1,320,000	1,109,442
Share premium	80,521	-
Capital reserve	60,284	60,284
Statutory reserve	329,549	300,000
Exchange fluctuation reserve	(3,868)	(4,519)
Unappropriated profit at end of year/period	365,805	185,343
Minority interests	953	6,594
	2,153,244	1,657,144
Less:		
Goodwill	(111,496)	(79,805)
Deferred tax assets, net	(65,777)	(77,909)
Total Tier 1 capital	1,975,971	1,499,430
Tier 2 capital		
Subordinated certificates of deposits	-	198,650
Redeemable unsecured subordinated bonds	595,000	460,000
General allowance for bad and doubtful debts	63,925	69,091
Total Tier 2 capital	658,925	727,741
Total capital funds	2,634,896	2,227,171
Less: Investment in capital of related financial institutions	(504,219)	(460,000)
Capital base	2,130,677	1,767,171
Capital Ratios:		
Core capital ratio	15.24%	14.45%
Risk-weighted capital ratio	16.44%	17.04%
Core capital ratio (net of proposed final ordinary dividends)	14.62%	14.45%
Risk-weighted capital ratio (net of proposed final ordinary dividends)	15.81%	17.04%

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

(ii) Breakdown of gross risk-weighted assets in the various categories of risk-weights:

	2006		2005	
	Principal Amount RM'000	Risk-Weighted Amount RM'000	Principal Amount RM'000	Risk-Weighted Amount RM'000
0%	2,644,321	-	3,589,931	-
10%	20,180	2,018	84,684	8,468
20%	2,911,633	582,327	4,610,521	922,104
50%	248,464	124,232	258,419	129,210
100%	7,105,009	7,105,009	9,310,824	9,310,824
	12,929,607	7,813,586	17,854,379	10,370,606
Add: Total equivalent to market risk		5,148,187		
		12,961,773		

The capital adequacy ratio of the Group as at 31 March 2005 has not been restated for prior year adjustments effect as mentioned in Note 49 to the financial statements.

48. OTHER SIGNIFICANT AND SUBSEQUENT EVENTS

- On 16 February 2006, the Company entered into a conditional agreement with ARA Asset Management (Malaysia) Limited ("ARA"), a wholly-owned subsidiary of ARA Asset Management Limited ("ARA Asset Management"), a company incorporated in Bermuda for the proposed joint venture arrangement between the Company and ARA Asset Management to undertake the business of the Real Estate Investment Trusts ("REIT") to be listed on the Bursa Malaysia Securities Berhad. ("Proposed JV"). Under the Proposed JV, the Company and ARA will jointly hold 100.0% of the equity of a company to be formed ("JV Company") which will be 70% held by the Company and 30.0% by ARA. The JV Company, to be named as Am ARA REIT Holdings Sdn Bhd ("Am ARA Holdings"), will then form wholly-owned subsidiaries to undertake the management of REIT in Malaysia.

AmARA Holdings Sdn Bhd will have an initial paid-up capital of RM1,000,000, comprising 1,000,000 ordinary shares of RM1.00 each. The Company and ARA will subscribe for 700,000 and 300,000 ordinary shares for cash respectively.

The Proposed JV was approved by the Foreign Investment Committee and BNM on 23 March 2006 and 4 April 2006, respectively.

- On 11 May 2006, the Company as the sponsor for AmFIRST REIT, together with Am ARA REIT Managers Sdn Bhd ("Am ARA"), as the proposed management company, announced the proposed listing for the entire fund size, comprising 490,000,000 REIT units of RM1.00 each, of AmFIRST REIT on the Main Board of Bursa Malaysia Securities Berhad ("Proposed Listing").

The Proposed Listing which involves the establishment of AmFIRST REIT for the proposed acquisition of four (4) commercial buildings are as follows:

- Proposed acquisition of Menara AmBank from AmBank (M) Berhad for a total consideration of RM230,000,000 to be satisfied by AmFIRST REIT through the issuance of 230,000,000 new AmFIRST REIT units at an issue price of RM1.00 per unit credited as fully paid-up;
- Proposed acquisition of Bangunan AmBank Group and AmBank Group Leadership Centre from Mayban Trustees Berhad (as trustee for AmFPT) for a total consideration of RM199,000,000 to be satisfied by AmFIRST REIT through the issuance of 199,000,000 new AmFIRST REIT units, credited as fully paid-up; and
- Proposed acquisition of Menara Merais from Merais Sdn Bhd for a total cash consideration of RM57,000,000.

The Company had on 5 May 2006 acquired seven (7) ordinary shares of RM1.00 each, representing 70.0% equity interest, in Am ARA Holdings the holding company of Am ARA, for a cash consideration of RM7.00, in connection with the joint venture ("JV") between the Company and ARA in the business of REIT management. Am ARA Holdings and Am ARA both were incorporated on 20 April 2006.

Pursuant to the JV agreement entered into between the Company and ARA on 16 February 2006, the balance of three (3) ordinary shares of RM1.00 each, representing 30% equity interest in Am ARA Holdings, are held by ARA.

Am ARA currently has a paid-up capital of RM2.00, comprising two (2) ordinary shares of RM1.00 each, and subject to the approval of Securities Commission ("SC"), Am ARA will act as the manager of AmFIRST REIT.

The Proposed Listing and the Proposals are subject to the approvals of SC, BNM, shareholders and other relevant authorities.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

49. PRIOR YEAR'S ADJUSTMENTS AND COMPARATIVES

During the financial year, the Group adopted the revised BNM/GP8 which have resulted in the following new accounting policies:

(1) The holdings of the securities portfolio of the Group are segregated based on the following categories and valuation methods:

i) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short-term price movements or to lock in arbitrage profits. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of securities held-for-trading are recognised in the income statements.

ii) Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group have the positive intent and ability to hold to maturity. Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as securities held-to-maturity.

The securities held-to-maturity are measured at accreted/amortised cost based on effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from the derecognition of securities held-to-maturity are recognised in the income statements.

iii) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at amortised costs (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed off or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statements.

(2) Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from the change in the fair value of the derivative instrument is recognised in the income statements unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

(i) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instruments is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

(ii) Cash flow hedge

Gains and losses on the hedging instruments, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged item affects the income statement.

(3) Where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing shall be reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, the interest accrued on the non-performing loans shall be recognised as income on a cash basis instead of being accrued and suspended at the same time as prescribed previously.

The presentation and classification of items in the current year's financial statements are consistent with the previous financial period except the following figures which have been restated as a result of the adoption of the revised BNM/GP8, which are as follows:

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

	As previously stated RM'000	Effect of change RM'000	As restated RM'000
Balance Sheet			
As at 31 March 2005			
Dealing securities	2,786,435	(2,786,435)	-
Investment securities	3,071,624	(3,071,624)	-
Securities held-for-trading	-	3,595,381	3,595,381
Securities available-for-sale	-	879,092	879,092
Securities held-to-maturity	-	1,372,806	1,372,806
Other assets	564,216	838	565,054
Deferred tax assets	78,677	(1,812)	76,865
Reserves	541,108	(11,754)	529,354

Income Statement
Financial period ended 31 March 2005

Interest income	583,973	569	584,542
Income from Islamic banking business	47,111	441	47,552
Other operating income	299,612	(7,256)	292,356
Operating profit	330,878	(6,245)	324,633
Impairment loss on securities held-to-maturity	-	(9,554)	(9,554)
Allowance for diminution in value of investments - net	(16,860)	16,860	-
Profit before taxation	282,111	1,061	283,172
Taxation	(78,997)	(263)	(79,260)
Profit before minority interests	203,114	798	203,912
Net profit attributable to the shareholders of the Company	201,112	798	201,910
Basic earnings per share (sen)	17.5	0.1	17.6

The comparative figures for the Company is for the period from 23 June 2004 (date of incorporation) to 31 March 2005, and the Group is for the twelve months ended 31 March 2005.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

50. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 March 2006 and the results for the financial year ended 31 March 2006 of the Islamic banking business of AmMerchant Bank and AmInternational included in the Group financial statements are summarised as follows:

BALANCE SHEET**As at 31 March 2006**

	Note	Group	
		2006 RM'000	2005 RM'000
ASSETS			
Cash and short-term funds	(ii)	444,970	581,950
Deposit and placements with banks and other financial institutions	(iii)	-	33,100
Securities held-for-trading	(iv)	286,825	166,024
Securities available-for-sale	(v)	18,830	-
Securities held-to-maturity	(vi)	56,171	-
Financing activities	(vii)	73,853	511,940
Statutory deposit with Bank Negara Malaysia		14,500	14,500
Other receivables, deposits and prepayments		9,499	3,218
Property and equipment	(viii)	32	41
Deferred tax assets	(ix)	44	2,678
TOTAL ASSETS		904,724	1,313,451
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(x)	247,537	311,881
Deposits and placements of banks and other financial institutions(xi)	(xi)	274,274	355,623
Converted fund	(xii)	71,310	301,677
Other liabilities	(xiii)	54,407	139,544
Total Liabilities		647,528	1,108,725
ISLAMIC BANKING FUNDS			
Capital funds	(xiv)	102,839	100,000
Reserves		154,357	104,726
Islamic banking funds		257,196	204,726
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		904,724	1,313,451
COMMITMENTS AND CONTINGENCIES	(xxi)	2,802,023	2,287,399

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

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

**INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2006**

	Note	Group	
		2006 RM'000	2005 RM'000
Income derived from investment of depositors' funds and others	(xv)	25,740	40,658
Allowance for losses on financing	(xvi)	(6,238)	(23,385)
Transfer from/(to) profit equalisation reserve		1,919	(2,195)
Total attributable income		21,421	15,078
Income attributable to the depositors	(xvii)	(24,437)	(35,358)
Loss attributable to the Group		(3,016)	(20,280)
Income derived from investment of Islamic banking funds	(xviii)	74,705	42,252
Total net income		71,689	21,972
Other operating expenses	(xix)	(3,157)	(3,772)
Profit before taxation		68,532	18,200
Taxation	(xx)	(18,973)	(5,149)
Profit after taxation		49,559	13,051

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

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2006**

Group	Note	Non-Distributable			Distributable	Total RM'000
		Capital Funds RM'000	Available- for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappro- priated Profit RM'000	
At date of incorporation		-	-	-	-	-
Effects arising from merger		60,000	-	-	91,675	151,675
Increase during the period		40,000	-	-	-	40,000
Profit for the period		-	-	-	13,051	13,051
At 31 March 2005		100,000	-	-	104,726	204,726
At 1 April 2005		100,000	-	-	104,434	204,434
As previously stated		100,000	-	-	104,434	204,434
Prior year adjustments	(xxvi)	-	-	-	292	292
At 1 April 2005 (restated)		100,000	-	-	104,726	204,726
Increase during the year		2,839	-	-	-	2,839
Net unrealised gain on revaluation of securities available-for-sale		-	81	-	-	81
Translation adjustments		-	-	(9)	-	(9)
Profit for the year		-	-	-	49,559	49,559
At 31 March 2006		102,839	81	(9)	154,285	257,196

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

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

**CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2006**

	Group	
	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	68,532	18,200
Add/(Less) adjustments for:		
Specific allowance for bad and doubtful financing	7,684	32,509
Depreciation of property and equipment	16	48
Net gain on sale of securities held-for-trading	(47,477)	(26,582)
Reversal of general allowance for bad and doubtful financing	(6,671)	(1,166)
Transfer (from)/to profit equalisation reserve	(1,919)	2,195
Gain on revaluation of securities held-for-trading	(821)	(431)
Operating profit before working capital changes	19,344	24,773
Decrease/(Increase) in operating assets		
Deposits and placements with banks and other financial institutions	33,100	(3,100)
Securities held-for-trading	(72,503)	(80,428)
Financing activities	437,074	45,210
Other receivables, deposits and prepayments	(6,282)	(1,984)
(Decrease)/Increase in operating liabilities		
Deposits from customers	(64,344)	87,151
Deposits and placements of banks and other financial institutions	(81,348)	52,659
Converted fund	(230,367)	(26,644)
Other liabilities	(54,957)	41,932
Cash (used in)/generated from operating activities	(20,283)	139,569
Taxation paid	(44,611)	(5,315)
Net cash (used in)/generated from operating activities	(64,894)	134,254
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities	(74,841)	-
Purchase of property and equipment	(7)	(65)
Net cash used in investing activities	(74,848)	(65)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from increase in capital funds	2,762	40,000
Net cash generated from financing activities	2,762	40,000
Net (decrease)/increase in cash and cash equivalents	(136,980)	174,189
Cash and cash equivalents at beginning of year/period	581,950	407,761
Cash and cash equivalents at end of year/period	444,970	581,950

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

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS

(i) ISLAMIC BANKING BUSINESS

Disclosure of Shariah Advisor

The Group's Islamic banking activities are subject to conformity with Shariah requirements and confirmation by the Shariah Advisors, Dr Amir Husin Mohd Nor, En Adnan Bin Yusoff and Professor Madya Dr. Noor Naemah Abdul Rahman. The role and authority of the Shariah Advisors are as follows:

- (a) Advise and provide guidance on all matters pertaining to Shariah principles including product development, marketing and implementation activities.
- (b) Assist in the setting up of business and operational procedures with respect to compliance with Shariah principles.

Zakat obligations

The Group does not pay zakat on behalf of the shareholders or depositors.

(ii) CASH AND SHORT TERM FUNDS

	Group	
	2006 RM'000	2005 RM'000
Cash and bank balances	370	150
Money on call and deposits maturing within one month:		
Licensed banks:		
Related	-	30,000
Others	444,600	546,800
Other licensed finance companies	-	5,000
	444,970	581,950

(iii) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2006 RM'000	2005 RM'000
Other financial institutions	-	33,100

(iv) SECURITIES HELD-FOR-TRADING

At Fair Value

Money Market Securities:

Cagamas bonds	100,077	60,362
Khazanah bonds	913	138
Negotiable Islamic Debt Certificates	23,752	48,296
Malaysian Government Investment Certificates	1,150	671
	125,892	109,467

Unquoted Private Debt Securities of Companies Incorporated In Malaysia:

Islamic corporate bonds	160,933	56,557
	286,825	166,024

(v) SECURITIES AVAILABLE-FOR-SALE

At Fair Value

Quoted Securities In Malaysia:

Corporate bonds	18,830	-
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Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

	Group	
	2006 RM'000	2005 RM'000
(vi) SECURITIES HELD-TO-MATURITY		
At Amortised Cost		
Quoted Securities In Malaysia		
Corporate bonds	56,171	-
Market/Indicative Value:		
Quoted Securities In Malaysia		
Corporate bonds	56,077	-
(vii) FINANCING ACTIVITIES		
Term financing		
Syndicated financing	70,435	500,660
Other term financing	499	7,024
Revolving credit	33,955	34,404
Gross financing	104,889	542,088
Less:		
General allowance for bad and doubtful financing	1,125	7,796
Specific allowance for bad and doubtful financing	29,911	22,352
	31,036	30,148
Net financing	73,853	511,940
Financing analysed by concepts are as follows:		
Bai Bithaman Ajil	24,667	506,458
Murabahah	64,932	19,131
Wujud	15,290	16,499
	104,889	542,088
The maturity structure of financing are as follows:		
Maturing within one year	84,858	496,240
Three to five years	20,031	20,099
Over five years	-	25,749
	104,889	542,088
Financing analysed by their economic purposes are as follows:		
Property investment holding	-	325,659
Electricity, gas and water	45,796	135,331
Agriculture	19,135	19,131
Construction	20,030	20,030
Transport, storage and communication	-	20,099
Real estate	9,541	9,133
Purchase of non-residential landed property	3,791	6,150
Manufacturing	6,554	6,555
Others	42	-
	104,889	542,088
Financing analysed by type of customers are as follows:		
Business enterprises	104,889	214,116
Small and medium size industries	-	327,972
	104,889	542,088
Financing analysed by profit rate sensitivity are as follows:		
Fixed rate:		
Term loans	39,957	522,957
Variable rate:		
Cost-plus	64,932	19,131
	104,889	542,088

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

	Group	
	2006 RM'000	2005 RM'000
Movements in non-performing financing are as follows:		
Gross		
Balance at beginning of year/date of incorporation	42,273	-
Arising on acquisition of related merchant banking and securities company	-	45,037
	42,273	45,037
Non-performing during the year/period	449	40
Recoveries	(2,802)	(556)
Debt equity conversion	-	(2,178)
Reclassified as performing during the year/period	-	(70)
Balance at end of year/period	39,920	42,273
Specific allowance	(29,911)	(22,352)
Net non-performing financing	10,009	19,921
Net NPL as % of gross financing less specific allowance	13.35%	3.83%
Non-performing financing analysed by their economic purposes are as follows:		
Construction	20,030	20,030
Real estate	9,541	9,133
Purchase of non-residential landed property	3,791	6,150
Manufacturing	6,554	6,555
Others	4	405
	39,920	42,273
Movements in allowances for bad and doubtful financing are as follows:		
General Allowance		
Balance at beginning of year/date of incorporation	7,796	-
Effects arising from merger	-	8,962
Reversal of allowance during the year/period	(6,671)	(1,166)
Balance at end of year/period	1,125	7,796
% of total loans less specific allowance	1.50%	1.50%
Specific Allowance		
Balance at beginning of year/date of incorporation	22,352	-
Effects arising from merger	-	11,452
Allowance made during the year/period	7,684	32,509
Amount written off	(125)	(21,609)
Balance at end of year/period	29,911	22,352

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

(viii) PROPERTY AND EQUIPMENT

Group	Leasehold improvements RM'000	Computer hardware and software RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
COST				
Balance at beginning of year	39	59	106	204
Additions	-	7	-	7
At end of year	<u>39</u>	<u>66</u>	<u>106</u>	<u>211</u>
ACCUMULATED DEPRECIATION				
Balance at beginning of year	37	37	89	163
Additions	1	6	9	16
At end of year	<u>38</u>	<u>43</u>	<u>98</u>	<u>179</u>
NET BOOK VALUE				
As at 31 March 2006	<u>1</u>	<u>23</u>	<u>8</u>	<u>32</u>
As at 31 March 2005	<u>2</u>	<u>22</u>	<u>17</u>	<u>41</u>
Depreciation charge for the period ended 31 March 2005	36	-	12	48

(ix) DEFERRED TAX ASSETS

	Group	
	2006 RM'000	2005 RM'000
Balance at beginning of year/date of incorporation	2,678	-
Effects arising from merger	-	2,509
Net transfer (to)/from income statement (Note xx)	(2,634)	169
Balance at end of year/period	<u>44</u>	<u>2,678</u>
The deferred taxation is in respect of the following:		
General allowance for financing activities	315	2,184
Profit equalisation reserve	77	614
Temporary difference between depreciation and tax allowance	(7)	(9)
Other temporary differences	(341)	(111)
	<u>44</u>	<u>2,678</u>

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

(x) DEPOSITS FROM CUSTOMERS

	Group	
	2006 RM'000	2005 RM'000
Mudarabah Fund		
Mudarabah Special Investment deposits	247,537	311,881
	247,537	311,881
The maturity structure of term/investment deposits is as follows:		
Due within six months	218,273	286,238
Six months to one year	29,264	25,643
	247,537	311,881
The deposits are sourced from the following types of customers:		
Business enterprises	141,323	197,122
Others	106,214	114,759
	247,537	311,881

(xi) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2006 RM'000	2005 RM'000
Mudarabah Fund		
Licensed banks	59,601	99,614
Other financial institutions	214,673	226,009
Non-Mudarabah Fund		
Related licensed finance company	-	30,000
	274,274	355,623

(xii) CONVERTED FUND

This represent funds transferred from non Islamic banking business to Islamic banking business for funding purposes at commercial terms.

(xiii) OTHER LIABILITIES

	Group	
	2006 RM'000	2005 RM'000
Other payables and accruals	37,754	92,700
Taxation and zakat payable	16,377	44,649
Profit equalisation reserve	276	2,195
	54,407	139,544
The movements in profit equalisation reserve are as follows:		
Balance at beginning of year/date of incorporation	2,195	-
Provision during the year/period	3,046	6,042
Amount written back	(4,965)	(3,847)
Transfer (to)/from income statement	(1,919)	2,195
Balance at end of year/period	276	2,195

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

	Group	
	2006 RM'000	2005 RM'000
(xiv) CAPITAL FUNDS		
Allocated :		
Balance at beginning of year/date of incorporation	100,000	-
Effects arising from merger	-	60,000
Increase during the year/period	2,839	40,000
Balance at end of year/period	<u>102,839</u>	<u>100,000</u>
Utilised :		
Balance at beginning of year/date of incorporation	100,000	-
Effects arising from merger	-	60,000
Increase during the year/period	2,839	40,000
Balance at end of year/period	<u>102,839</u>	<u>100,000</u>

(xv) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group	
	2006 RM'000	2005 RM'000
Income derived from investment of:		
(i) general investment deposits	19,887	27,224
(ii) specific investment deposits	3,733	7,756
(iii) others	2,120	5,678
	<u>25,740</u>	<u>40,658</u>
(i) Income derived from investment of general investment deposits		
Finance income and hibah:		
Financing activities	4,097	15,684
Securities held-for-trading	4,720	2,128
Money at call and deposits with financial institutions	10,554	9,111
	<u>19,371</u>	<u>26,923</u>
Gain on revaluation of securities-held-for-trading	516	301
Total	<u>19,887</u>	<u>27,224</u>
(ii) Income derived from investment of specific investment deposits		
Finance income and hibah:		
Financing activities	43	7,756
Securities available-for-sale	845	-
Securities held-to-maturity	2,845	-
	<u>3,733</u>	<u>7,756</u>
(iii) Income derived from investment of other deposits		
Finance income and hibah:		
Financing activities	427	3,271
Securities held-for-trading	492	-
Securities available-for-sale	11	-
Securities held-to-maturity	38	444
Money at call and deposits with financial institutions	1,097	1,900
	<u>2,065</u>	<u>5,615</u>
Gain on revaluation of securities-held-for-trading	55	63
Total	<u>2,120</u>	<u>5,678</u>

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

	Group	
	2006 RM'000	2005 RM'000
(xvi) ALLOWANCE FOR LOSSES ON FINANCING		
(Reversal of allowance)/Allowance for bad and doubtful financing:		
- general allowance	(6,671)	(1,166)
- specific allowance (net)	7,684	32,509
Bad debts written off/(recovered)	5,225	(7,958)
	6,238	23,385
(xvii) INCOME ATTRIBUTABLE TO THE DEPOSITORS		
Deposits from customers		
- Mudarabah Fund	1,790	15,285
Deposits and placements of banks and other financial institutions		
- Mudarabah Fund	13,546	5,341
Converted funds	9,101	14,732
	24,437	35,358
(xviii) INCOME DERIVED FROM INVESTMENT OF ISLAMIC BANKING FUNDS		
	Group	
	2006 RM'000	2005 RM'000
Finance income and hibah:		
Financing activities	1,924	5,272
Securities held-for-trading	2,294	476
Securities available-for-sale	36	-
Securities held-for-maturity	119	-
Money at call and deposits with financial institutions	5,127	2,037
	9,500	7,785
Net gain from sale of securities held-for-trading	47,477	26,582
Gain on revaluation of securities-held-for-trading	250	67
Fee and commission income		
Guarantee fees	3,039	3,200
Other fee income	14,439	4,618
	17,478	7,818
Total	74,705	42,252
(xix) OTHER OPERATING EXPENSES		
Personnel costs	1,840	1,478
Establishment costs	83	66
Marketing and communication expenses	349	397
Administration and general expenses	885	1,831
	3,157	3,772
(xx) TAXATION		
Estimated current tax payable	16,339	5,318
Transfer from/(to) deferred tax assets	2,634	(169)
Total	18,973	5,149

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

(xxi) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Islamic banking business of the Group make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's assets.

Group	2006			2005		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
Commitments						
Irrevocable commitments to extend credit maturing within one year	30,000	-	-	75,000	-	-
Sell and buy back agreements	2,174,849	2,174,849	915,378	1,797,882	1,797,882	965,427
	2,204,849	2,174,849	915,378	1,872,882	1,797,882	965,427
Contingent Liabilities						
Islamic revolving underwriting facilities	365,000	182,500	158,100	174,000	87,000	66,600
Certain transaction-related contingent items	4,062	2,031	2,031	2,444	1,222	1,222
Al-Kafalah guarantees	228,112	228,112	114,056	238,073	238,073	126,637
	597,174	412,643	274,187	414,517	326,295	194,459
	2,802,023	2,587,492	1,189,565	2,287,399	2,124,177	1,159,886

The credit equivalent amount is arrived at using the credit conversion factor as per BNM guidelines.

(xxii) YIELD/PROFIT RATE RISK

Group 2006	Non-trading book							Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-yield/profit sensitive RM'000			
ASSETS										
Cash and short-term funds	444,600	-	-	-	-	-	371	-	444,971	3.17
Securities held-for-trading	-	-	-	-	-	-	-	286,825	286,825	4.19
Securities available-for-sale	-	-	18,576	-	-	-	254	-	18,830	5.64
Securities held-to-maturity	-	55,247	-	-	-	-	924	-	56,171	6.21
Financing activities										
- performing	45,835	-	19,134	-	-	-	-	-	64,969	4.48
- non-performing*	-	-	-	-	-	-	8,884	-	8,884	-
Other non-profit sensitive balances	-	-	-	-	-	-	24,075	-	24,075	-
TOTAL ASSETS	490,435	55,247	37,710	-	-	-	34,508	286,825	904,725	
LIABILITIES AND ISLAMIC BANKING FUNDS										
Deposits from customers	112,845	84,582	20,846	29,264	-	-	-	-	247,537	2.97
Deposits and placements of banks and other financial institutions	180,659	79,403	9,173	5,040	-	-	-	-	274,275	3.17
Converted funds	71,310	-	-	-	-	-	-	-	71,310	5.20
Other non-profit sensitive balances	-	-	-	-	-	-	54,407	-	54,407	-
Total Liabilities	364,814	163,985	30,019	34,304	-	-	54,407	-	647,529	
Islamic Banking Funds	-	-	-	-	-	-	257,196	-	257,196	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	364,814	163,985	30,019	34,304	-	-	311,603	-	904,725	
On-balance sheet yield/profit rate sensitivity gap	125,621	(108,738)	7,691	(34,304)	-	-	(277,095)	286,825	-	
Off-balance sheet yield/profit rate sensitivity gap	(1,233,373)	(487,473)	(295,956)	(1,521)	1,661,213	357,110	-	-	-	
Total yield/profit sensitivity gap	(1,107,752)	(596,211)	(288,265)	(35,825)	1,661,213	357,110	(277,095)	286,825	-	
Cumulative yield/profit rate sensitivity gap	(1,107,752)	(1,703,963)	(1,992,228)	(2,028,053)	(366,840)	(9,730)	(286,825)	-	-	

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

Group 2005	Non-trading book						Non- yield/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
ASSETS										
Cash and short-term funds	581,800	-	-	-	-	-	150	-	581,950	2.70
Deposit and placements with banks and other financial institutions	-	33,100	-	-	-	-	-	-	33,100	2.96
Securities held-for-trading	-	-	-	-	-	-	-	166,024	166,024	3.97
Financing activities										
- performing	2,275	393,850	20,920	70,390	12,380	-	-	-	499,815	6.93
- non-performing*	-	-	-	-	-	-	12,125	-	12,125	-
Other non-profit sensitive balances	-	-	-	-	-	-	20,437	-	20,437	-
TOTAL ASSETS	584,075	426,950	20,920	70,390	12,380	-	32,712	166,024	1,313,451	
LIABILITIES AND ISLAMIC BANKING FUNDS										
Deposits from customers	196,440	78,903	10,895	25,643	-	-	-	-	311,881	2.68
Deposits of banks and other financial institutions	190,210	131,084	24,379	412	9,538	-	-	-	355,623	4.50
Converted funds	5,704	152,741	5,370	1,073	-	-	136,789	-	301,677	3.22
Other non-profit sensitive balances	-	-	-	-	-	-	139,544	-	139,544	-
Total Liabilities	392,354	362,728	40,644	27,128	9,538	-	276,333	-	1,108,725	
Islamic Banking Funds	-	-	-	-	-	-	204,726	-	204,726	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	392,354	362,728	40,644	27,128	9,538	-	481,059	-	1,313,451	
On-balance sheet yield/ profit rate sensitivity gap	191,721	64,222	(19,724)	43,262	2,842	-	(448,347)	166,024	-	
Off-balance sheet yield/ profit rate sensitivity gap	(696,772)	(764,617)	(240,651)	410,362	1,048,074	243,604	-	-	-	
Total yield/profit sensitivity gap	(505,051)	(700,395)	(260,375)	453,624	1,050,916	243,604	(448,347)	166,024	-	
Cumulative yield/profit rate sensitivity gap	(505,051)	(1,205,446)	(1,465,821)	(1,012,197)	38,719	282,323	(166,024)	-	-	

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing financing outstanding.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

(xxiii) FAIR VALUE OF ISLAMIC BANKING BUSINESS FINANCIAL INSTRUMENTS

The estimated fair values of the Group's Islamic banking business financial instruments are as follows:

Group	2006		2005	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Assets				
Cash and short-term funds	444,970	444,970	581,950	581,950
Deposit and placements with banks and other financial institutions	-	-	33,100	33,100
Securities held-for-trading	286,825	286,825	166,024	166,024
Securities available-for-sale	18,830	18,830	-	-
Securities held-to-maturity	56,171	56,077	-	-
Financing activities*	73,853	73,853	511,940	523,369
Other financial assets	14,500	14,500	14,500	14,500
	895,149	895,055	1,307,514	1,318,943
Non-financial assets	9,575		5,937	
TOTAL ASSETS	904,724		1,313,451	
Financial Liabilities				
Deposits from customers	247,537	247,505	311,881	311,968
Deposits and placements of banks and other financial institutions	274,274	274,273	355,623	355,738
Converted fund	71,310	71,310	301,677	301,677
Other financial liabilities	37,754	37,754	92,700	92,700
	630,875	630,842	1,061,881	1,062,083
Non-financial liabilities				
Other non-financial liabilities	16,653		46,844	
Islamic Banking Funds	257,196		204,726	
	273,849		251,570	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	904,724		1,313,451	

* The general allowance for the Group amounting to RM1,125,000 (RM7,796,000 as at 31 March 2005) has been included under non-financial assets.

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

(xxiv) NET INCOME FROM ISLAMIC BANKING BUSINESS

For consolidation with the conventional operations, income from Islamic banking business comprises the following items:

	Group	
	2006 RM'000	2005 RM'000
Income derived from investment of depositors' funds	25,740	40,658
Less : Income attributable to depositors	(24,437)	(35,358)
Income attributable to the Group	1,303	5,300
Income derived from Islamic Banking Funds	74,705	42,252
	76,008	47,552

(xxv) CAPITAL ADEQUACY

(i) The capital adequacy ratios of the Group's Islamic banking business as at 31 March 2006 after incorporating the market risk pursuant to the BNM Market Risk Capital Adequacy Framework which became effective on 1 April 2005 are as follows:

	Group	
	2006 RM'000	2005 RM'000
Tier 1 capital		
Islamic Banking Funds	102,839	100,000
Available-for-sale reserve	81	-
Exchange fluctuation reserve	(9)	-
Unappropriated profit at end of year/period	154,285	104,323
Total	257,196	204,323
Deferred tax assets	(44)	(2,678)
	257,152	201,645
Tier 2 capital		
General allowance for bad and doubtful financing	1,125	7,796
Total tier 2 capital	1,125	7,796
Capital base	258,277	209,441
Capital Ratios:		
Core capital ratio	19.71%	11.17%
Risk-weighted capital ratio	19.80%	11.60%

(ii) Breakdown of gross risk-weighted assets in the various categories of risk-weights:

	2006		2005	
	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
0%	383,947	-	477,169	-
10%	1,623	162	54,433	5,443
20%	124,771	24,954	1,249,864	249,973
50%	228,112	114,056	222,873	111,437
100%	110,669	110,669	1,438,002	1,438,002
	849,122	249,841	3,442,341	1,804,855
Add: Total equivalent to market risk		1,054,588		
		1,304,429		

Notes to the Financial Statements (cont'd)

For The Financial Year Ended 31 March 2006

(xxvi) PRIOR YEAR'S ADJUSTMENTS AND COMPARATIVES

The prior year's adjustments relate to the change in accounting policy on adoption of revised GP8/BNM as described in Note 49 to the financial statements.

The presentation and classification of items in the current year's financial statements are consistent with the previous financial period except the following figures which have been restated as a result of the adoption of the revised BNM/GP8 , which are as follows:

	As previously stated RM'000	Effect of change RM'000	As restated RM'000
Balance Sheet			
As at 31 March 2005			
Dealing securities	165,618	(165,618)	-
Securities held-for-trading	-	166,024	166,024
Deferred tax assets	2,789	(111)	2,678
Other liabilities	139,541	3	139,544
Unappropriated profit	104,434	292	104,726
Income Statement			
Financial period ended 31 March 2005			
Income derived from investment of depositors' funds and others	40,295	363	40,658
Reversal of allowance for diminution in value of investments	35	(35)	-
Income derived from Islamic Banking Funds	42,174	78	42,252
Taxation	(5,035)	(114)	(5,149)
Profit after taxation	12,759	292	13,051

51. CURRENCY

All amounts are in Ringgit Malaysia.

List of Landed Properties

As At 31 March 2006

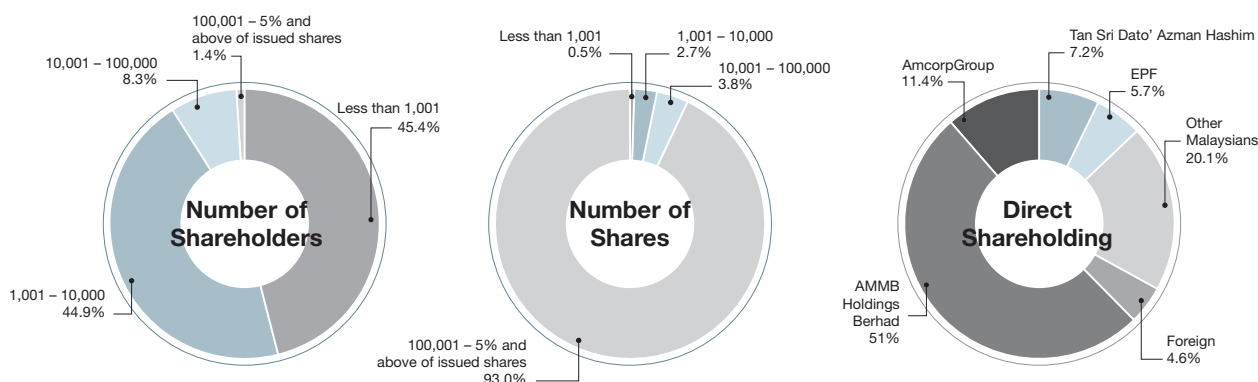
Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq.Ft)	Date of Acquisition
The properties owned by the subsidiary companies are as follows:						
Wilayah Persekutuan – Kuala Lumpur						
45, Jalan 45/26 Taman Sri Rampai, Setapak 53300 Kuala Lumpur	One unit of three-storey shophouse for storage purposes	20 years	Freehold	195,325	1,399	20 Feb 1991
Wilayah Persekutuan – Labuan						
A (03-6) & E (03-1) Kerupang II 87000 Federal Territory of Labuan	Two units of three-room walk-up apartment for residential purposes	11 years	Leasehold Term: 99 years Expiry: 25 Apr 2058	379,781	1,016	30 June 1996
Alpha Park Tower Condo Labuan, 10th Floor Financial Park Complex 87000 Federal Territory of Labuan	Condominium for residential purposes	10 years	Leasehold Term: 99 years Expiry: 31 Dec 2090	451,536	1,679	1 July 1996
Selangor Darul Ehsan						
Damansara Fairway 3 6C, Persiaran Tropicana Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor Darul Ehsan	One unit of 13-storey office building	15 years	Leasehold Term: 99 years Expiry: 25 Oct 2090	18,108,415	76,120	13 Oct 2000
Johor Darul Takzim						
PTD No.3700, 3702, 3887, 4338 and 4339 H.S.(D) 9062, 9064, 9249, 9695 and 9696 Mukim Paloh, Daerah Kluang Johor Darul Takzim	Five pieces of bungalow land	N/A	Freehold	227,848	33,903	29 Dec 1999
PT 4758, 4759, 4760, 4761, 4762, 4763, 4764 and 4765 H.S.(D) 10114, 10115, 10116 10117, 10118, 10119, 10120 and 10121 Mukim Paloh, Daerah Kluang Johor Darul Takzim	Eight pieces of semi-detached land	N/A	Freehold	239,616	29,952	29 Dec 1999

Shareholding Structure

As At 12 June 2006

Analysis of Shareholdings

Authorised Share Capital : RM5,000,000,000
 Paid-up Share Capital : RM1,320,000,000
 Class of Share : Ordinary share of RM1.00 each
 Voting Rights : 1 vote per shareholder on a show of hands
 : 1 vote per ordinary share on a poll



	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Size of Shareholdings				
Less than 100	364	1.70	14,535	0.00
100 – 1,000	9,371	43.73	6,481,644	0.49
1,001 – 10,000	9,620	44.89	35,132,210	2.66
10,001 – 100,000	1,769	8.26	50,510,724	3.83
100,001 – less than 5% of issued shares	302	1.41	309,364,199	23.44
5% and above of issued shares	3	0.01	918,496,688	69.58
Total	21,429	100.00	1,320,000,000	100.00
Location of Shareholders				
Malaysia	20,659	96.41	1,258,854,956	95.37
Singapore	251	1.17	2,909,452	0.22
Hong Kong	9	0.04	256,892	0.02
Australia	18	0.08	141,543	0.01
Japan	1	0.00	137,598	0.01
United States	8	0.04	46,060	0.00
Other Countries	483	2.26	57,653,499	4.37
Total	21,429	100.00	1,320,000,000	100.00
Types of Shareholders (By Nationality)				
Malaysian				
– Individual	17,662	82.43	82,315,563	6.24
– Nominee companies	2,602	12.14	258,081,728	19.55
– Other companies	395	1.84	918,457,665	69.58
Singaporean	251	1.17	2,909,452	0.22
Hong Kong Nationals	9	0.04	256,892	0.02
Australian	18	0.08	141,543	0.01
Japanese	1	0.00	137,598	0.01
American	8	0.04	46,060	0.00
Other Nationalities	483	2.26	57,653,499	4.37
Total	21,429	100.00	1,320,000,000	100.00

Shareholding Structure

As At 12 June 2006 (cont'd)

30 Largest Shareholders

	No. of Shares	%
1. AMMB Holdings Berhad	673,200,000	51.00
2. AmcorpGroup Berhad	150,896,688	11.43
3. Cimsec Nominees (Tempatan) Sdn Bhd – CIMB for Azman Bin Hashim	94,400,000	7.15
4. Employees Provident Fund Board	42,786,632	3.24
5. Kenanga Nominees (Tempatan) Sdn Bhd – A/C for Irama Hasrat Sdn Bhd	25,576,827	1.94
6. Amanah Raya Nominees (Tempatan) Sdn Bhd – Skim Amanah Saham Bumiputera	14,679,027	1.11
7. Alliancegroup Nominees (Tempatan) Sdn Bhd – PHEIM Asset Management Sdn Bhd for Employees Provident Fund	9,999,700	0.76
8. Malaysia Nominees (Tempatan) Sdn Bhd – Great Eastern Life Assurance (Malaysia) Berhad	7,822,049	0.59
9. Valuecap Sdn Bhd	7,016,400	0.53
10. Cartaban Nominees (Tempatan) Sdn Bhd – Amanah SSCM Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board	6,861,370	0.52
11. Regal Genius Sdn Bhd	6,760,238	0.51
12. SBB Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	6,150,000	0.47
13. Cartaban Nominees (Asing) Sdn Bhd – Government of Singapore Investment Corporation Pte Ltd for Government of Singapore	6,055,264	0.46
14. DB (Malaysia) Nominee (Asing) Sdn Bhd – Deutsche Bank AG London for PMA Prospect Fund	5,135,600	0.39
15. HLG Nominee (Tempatan) Sdn Bhd – PB Trustee Services Berhad for HLG Growth Fund	5,062,500	0.38
16. Permodalan Nasional Berhad	4,194,400	0.32
17. HSBC Nominees (Tempatan) Sdn Bhd – Nomura Asset Mgmt SG for Employees Provident Fund	4,155,850	0.31
18. Malaysian Assurance Alliance Berhad	3,932,000	0.30
19. HSBC Nominees (Tempatan) Sdn Bhd – HSBC (M) Trustee Bhd for The Hwang-DBS Select Opportunity Fund	3,539,627	0.27

Shareholding Structure

As At 12 June 2006 (cont'd)

30 Largest Shareholders

	No. of Shares	%
20. Citigroup Nominees (Tempatan) Sdn Bhd – ING Insurance Berhad	3,521,732	0.27
21. Universal Trustee (Malaysia) Berhad – SBB High Growth Fund	3,504,000	0.27
22. Mayban Nominees (Tempatan) Sdn Bhd – Mayban Investment Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja	3,357,800	0.25
23. SBB Nominees (Tempatan) Sdn Bhd – Kumpulan Wang Amanah Pencen	3,193,800	0.24
24. Cartaban Nominees (Asing) Sdn Bhd – Government of Singapore Investment Corporation Pte Ltd for Monetary Authority of Singapore	3,040,910	0.23
25. Pertubuhan Keselamatan Sosial	2,951,035	0.22
26. AmGroup Foundation	2,854,100	0.22
27. Citigroup Nominees (Asing) Sdn Bhd – Citigroup Global Markets Limited	2,823,600	0.21
28. A. A. Assets Nominees (Asing) Sdn Bhd – DBS Vickers (Hong Kong) Limited for Chelverton Dividend And Income Fund Ltd	2,750,000	0.21
29. Universal Trustee (Malaysia) Berhad – SBB Retirement Balanced Fund	2,650,000	0.20
30. SBB Nominees (Tempatan) Sdn Bhd – Pertubuhan Keselamatan Sosial	2,479,488	0.19
Total	1,111,350,637	84.19

Shareholding Structure

As At 12 June 2006 (cont'd)

Substantial Shareholders According to the Register of Substantial Shareholders

	Direct Interest	No. of Shares		
		%	Deemed Interest	%
Tan Sri Dato' Azman Hashim	94,554,848	7.16	831,167,074 ⁽¹⁾	62.97
Slan Sdn Bhd	–	–	830,957,572 ⁽²⁾	62.95
Ginagini Sdn Bhd	–	–	830,957,572 ⁽²⁾	62.95
AmcorpGroup Berhad	150,896,688	11.43	680,060,884 ⁽³⁾	51.52
Employees Provident Fund Board	75,462,672	5.72	–	–
AMMB Holdings Berhad	673,200,000	51.00	–	–

Notes:

- ⁽¹⁾ Deemed interested through AMMB Holdings Berhad, AmcorpGroup Berhad, Regal Genius Sdn Bhd, AMDB Equipment Trading Sdn Bhd and Azman Hashim Holdings Sdn Bhd.
- ⁽²⁾ Deemed interested through AMMB Holdings Berhad, AmcorpGroup Berhad, Regal Genius Sdn Bhd and AMDB Equipment Trading Sdn Bhd.
- ⁽³⁾ Deemed interested through AMMB Holdings Berhad, Regal Genius Sdn Bhd and AMDB Equipment Trading Sdn Bhd.

Shareholding Structure

As At 12 June 2006 (cont'd)

Directors' Interest in The Company and its Related Corporations

The Company – AmlInvestment Group Berhad

	Direct Interest	No. of Shares		%
		%	Deemed Interest	
Tan Sri Dato' Azman Hashim	94,554,848	7.16	831,167,074 ⁽¹⁾	62.97
Tan Sri Datuk Dr Aris Othman	50,000	*	–	–
Tan Sri Datuk Clifford Francis Herbert	50,000	*	–	–
Dato' Izham Mahmud	107,070	0.01	–	–
Cheah Tek Kuang	1,120,100	0.08	–	–
Kok Tuck Cheong	1,004,500	0.08	–	–
Pushpa Rajadurai	897,001	0.07	–	–

Holding Company – AMMB Holdings Bhd

	Direct Interest	No. of Shares		%
		%	Deemed Interest	
Tan Sri Dato' Azman Hashim	–	–	701,181,468 ⁽²⁾	32.91
Dato' Izham Mahmud	4,670	*	–	–
Cheah Tek Kuang	23,800	*	–	–
Pushpa Rajadurai	423,149	0.02	–	–

	Direct Interest	No. of Warrants 2003/2008		%
		%	Deemed Interest	
Tan Sri Dato' Azman Hashim	–	–	40,625,453 ⁽³⁾	30.75
Cheah Tek Kuang	46,189	0.03	–	–
Pushpa Rajadurai	13,418	0.01	–	–

	Direct Interest	No. of Warrants 1997/2007		%
		%	Deemed Interest	
Pushpa Rajadurai	15,506	0.01	–	–

Tan Sri Dato' Azman Hashim, by virtue of his interest in the shares of AmlInvestment Group Berhad (AIGB), is also deemed to have an interest in the shares of the subsidiaries of AIGB to the extent that AIGB has an interest.

Other than stated above, none of the other directors of the Company had any direct and deemed interest in the Company or its related corporations.

Notes:

⁽¹⁾ Deemed interested through AMMB Holdings Bhd, AmcorpGroup Bhd, Regal Genius Sdn Bhd, AMDB Equipment Trading Sdn Bhd and Azman Hashim Holdings Sdn Bhd.

⁽²⁾ Deemed interested through AmcorpGroup Berhad, Regal Genius Sdn Bhd and AMDB Equipment Trading Sdn Bhd.

⁽³⁾ Deemed interested through AmcorpGroup Berhad, Regal Genius Sdn Bhd, AMDB Equipment Trading Sdn Bhd and Corporateview Sdn Bhd.

* Less than 0.01%