

Company No. 8515-D

**AmFinance Berhad**  
(Company No. 8515-D)  
(Incorporated in Malaysia)  
**And Its Subsidiary Companies**

**Financial Statements**  
**For the Financial Year Ended**  
**31 March 2005**  
(In Ringgit Malaysia)

**AmFinance Berhad**  
(Incorporated in Malaysia)  
**And Its Subsidiary Companies**

**FINANCIAL STATEMENTS**

<b>CONTENTS</b>	<b>PAGE(S)</b>
Directors' report	1 - 10
Report of the auditors	11 - 12
Balance sheets	13
Income statements	14
Statements of changes in equity	15 - 16
Cash flow statements	17 - 20
Notes to the financial statements	21 - 111
Statement by directors	112
Declaration by the officer primarily responsible for the financial management of the Company	112

**AmFinance Berhad**  
(Incorporated in Malaysia)  
**And Its Subsidiary Companies**

**DIRECTORS' REPORT**

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2005.

**PRINCIPAL ACTIVITIES**

The principal activity of the Company is to carry on the business of a licensed finance company which also includes the provision of Islamic banking services.

The principal activities of its subsidiary companies are disclosed in Note 11 to the Financial Statements.

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

**FINANCIAL RESULTS**

	<b>The Group RM'000</b>	<b>The Company RM'000</b>
Profit before taxation	374,079	370,200
Taxation	(134,053)	(133,476)
	<hr/>	<hr/>
Profit before minority interests	240,026	236,724
Minority interests	15	-
	<hr/>	<hr/>
Net profit attributable to shareholder of the Company	<u>240,041</u>	<u>236,724</u>

**BUSINESS PLAN AND STRATEGY FOR CURRENT FINANCIAL YEAR**

The Company's business plan and strategies were formulated in line with its mission to be a premier financial services provider in retail banking, delivering innovative products and services to its customers.

The Company's Strategic Business Directions are:

- i. to establish the Company as the premier financial services provider by providing innovative products and services to customers;
- ii. to maximise income from core products and services by focusing on asset quality, maintaining profitability and achieving best in class performances for core retail products;

- iii. to optimise retail delivery channels by:
  - a. remodelling and up scaling its current branches towards commercial banking readiness; rationalisation of the bank and finance branch network to reduce duplication and increased cost savings; and
  - b. expanding alternative electronic banking channels.
- iv. to focus on receivables management and collections by maximising recovery efforts and continuing to strengthen the risk assessment and credit scoring infrastructure; and
- v. to increase non-interest /fee based income and broaden earnings base by aggressive penetration into non-interest income business.

## **OUTLOOK FOR NEXT FINANCIAL YEAR**

Malaysia's economic growth is expected to moderate from 7.1% for 2004 to around 6% for 2005. The moderation in economic growth can be primarily attributed to the volatility of crude petroleum prices that has heightened uncertainties in the sustainability of economic growth globally which in turn have weakened external demand for Malaysian goods. The overall growth in the economy in 2005 would be supported largely by sustained domestic demand with the main contribution to growth coming from the private sector.

Despite lower external demand for Malaysian goods, the manufacturing sector is still expected to be the main growth engine for the Malaysian economy with higher value-added production playing a more prominent role in the manufacturing sector. The services sector, the second engine of growth, is also expected to expand in line with the expansion of trade and tourism activities, communications and financial services.

However, a moderating economy coupled with ample liquidity in the banking system will further suppress the profitability of the banking industry's traditional lending business. Although inflationary pressures are picking up, it is unlikely interest rates will rise appreciably in the short term. Therefore, the banking sector as a whole will continue to experience downward pressure on lending margins.

The Company is targeting to complete its legal merger with AmBank Berhad by the first quarter of the financial year ending 31 March 2006. With the recent modifications to the Banking and Financial Institutions Act, 1989 to enable a single entity to hold both bank and finance company licenses, the Company is committed to transforming its branches into commercial bank branches offering a full range of commercial banking services.

Despite the competition and narrowing of interest spreads, the Company is confident that together with the increased commercial bank branches services, it is well positioned to further improve on its performance.

## **SIGNIFICANT EVENT**

On 25 February 2004, the Company entered into a conditional sale and purchase agreement with MBf Corporation Berhad (“MBf Corp”) for the sale of its entire 100% equity interest consisting of 1,000,000 ordinary shares of RM1.00 each, in MBf Property Trust Management Berhad (“MBfPT”) for a consideration of RM1.00.

The purchase consideration was arrived at on a willing-buyer and willing-seller basis after taking into consideration the financial position of MBfPT which had negative shareholder’s funds as at 31 March 2004.

The disposal was completed on 9 August 2004.

## **SUBSEQUENT EVENTS**

Subsequent to the balance sheet date, its ultimate holding company, AMMB Holdings Berhad (“AHB”) proposed a rationalisation exercise which involves the following proposals:

- (i) Proposed Acquisition of AmBank Berhad (“AmBank”) by its holding company, AMFB Holdings Berhad (“AMFB Holdings”)

The Proposed Acquisition involves the acquisition by AMFB Holdings of the entire equity interest in a related company, AmBank, comprising 761,718,750 ordinary shares from AHB for a purchase consideration based on the carrying value of AHB’s investment in AmBank as at the date of completion of the Proposed Acquisition by AMFB Holdings. The Purchase Consideration is proposed to be satisfied by the issuance of new shares in AMFB Holdings to AHB at an issue price to be determined based on the unaudited net tangible assets (“NTA”) per share of AMFB Holdings as at the completion date.

Upon completion of the Proposed Acquisition by AMFB Holdings, AmBank will become a wholly-owned subsidiary of AMFB Holdings.

- (ii) Proposed AmBank Acquisition by the Company

Upon completion of the Proposed Acquisition by AMFB Holdings, the Company proposes to acquire the entire equity interest in AmBank comprising 761,718,750 shares from AMFB Holdings for a purchase consideration based on the NTA of AmBank after adjusting for certain non-transferable assets as at the date of completion of the Proposed AmBank Acquisition by the Company. The Purchase Consideration is proposed to be satisfied by the issuance of new shares in the Company to AMFB Holdings at an issue price to be determined based on the unaudited NTA per share of the Company as at the completion date.

- (iii) Proposed Business Merger

Upon completion of the Proposed AmBank Acquisition by the Company, the finance company business of the Company and the commercial banking business of AmBank will be merged by way of a transfer of AmBank’s assets and liabilities (save for certain non-transferable assets) to the Company via a vesting order under Section 50 of the Banking and Financial Institutions Act, 1989.

The Proposed Business Merger is conditional on the completion of the Proposed AmBank Acquisition by the Company which is in turn conditional upon completion of the Proposed Acquisition by AMFB Holdings.

The Proposed Acquisition by AMFB Holdings, Proposed AmBank Acquisition by the Company and the Proposed Business Merger are subject to the approvals from the Securities Commission (“SC”), Minister of Finance, BNM and other relevant authorities.

## **ITEMS OF AN UNUSUAL NATURE**

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the accounting treatment of charging handling fees paid to motor vehicle dealers for hire purchase loans in the year that it was incurred to the Group and Company's income 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 current financial year in which this report is made.

## **DIVIDENDS**

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

## **RESERVES AND ALLOWANCES**

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

## **ISSUANCE OF SHARES AND DEBENTURES**

There were no issuance of shares and debentures during the financial year.

## **SHARE OPTIONS**

No options have been granted by the Company to any parties during the financial year 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.

## **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 allowances had been made for doubtful debts and financing.

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

## **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 any current assets, other than debts and financing which were unlikely to be realised 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, which 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 of the Group and of the Company 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 which has arisen since the end of the financial year which secures the liability 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.

## DIRECTORS

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

Tan Sri Dato' Azman Hashim  
 Tun Mohammed Hanif Omar  
 Datuk Oh Chong Peng (appointed on 1 July 2004 and resigned on 31 March 2005)  
 Sharkawi bin Alis (resigned on 31 March 2005)  
 Cheah Tek Kuang  
 Mohamed Azmi Mahmood  
 Mahdi Morad

In accordance with Article 96 of the Company's Articles of Association, Mahdi Morad retires from the Board at the forthcoming Annual General Meeting, and being eligible, offers himself for re-election.

## DIRECTORS' INTERESTS

The interests in shares, debentures and share options in the holding and ultimate holding company and in related 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 holding company, AMFB Holdings Berhad ("AMFB Holdings")

Shares	Balance at 1.4.2004	No. of ordinary shares of RM1.00 each			Balance at 31.3.2005
		Bought	Sold	Share Exchange*	
Tan Sri Dato' Azman Hashim					
- held directly	211,505	-	-	211,505	-
- held through nominees	522,985	-	59,000	463,985	-
Cheah Tek Kuang	38,000	-	-	38,000	-
Mohamed Azmi Mahmood	50,000	-	-	50,000	-
Mahdi Morad	27,000	-	10,000	17,000	-

\* Arising from the exchange of shares on the basis of one (1) new AHB share for every one (1) existing AMFB Holdings share held by AMFB Holdings' shareholders other than AHB.



**In the ultimate holding company, AMMB Holdings Berhad (“AHB”)**

<b>Shares</b>	<b>No. of ordinary shares of RM1.00 each</b>				<b>Balance at 31.3.2005</b>
	<b>Balance at 1.4.2004</b>	<b>Bought/Converted From Share Option</b>	<b>Share Exchange*</b>	<b>Sold</b>	
Tan Sri Dato' Azman Hashim	-	-	675,490	-	675,490
Cheah Tek Kuang	485,800	-	38,000	500,000	23,800
Mohamed Azmi Mahmood	143,200	329,924	50,000	323,100	200,024
Mahdi Morad	116,500	104,552	17,000	-	238,052

<b>Warrants 2003/2008</b>	<b>No. of Warrants</b>			<b>Balance at 31.3.2005</b>
	<b>Balance at 1.4.2004</b>	<b>Bought</b>	<b>Sold</b>	
Tan Sri Dato' Azman Hashim	245,793	-	245,793	-
Cheah Tek Kuang	46,189	-	-	46,189
Mohamed Azmi Mahmood	16,083	-	-	16,083

<b>Share Options</b>	<b>No. of ordinary shares of RM1.00 each</b>				<b>Balance at 31.3.2005</b>
	<b>Balance at 1.4.2004</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired</b>	
Mohamed Azmi Mahmood	329,924	-	329,924	-	-
Mahdi Morad	104,552	-	104,552	-	-

\*Arising from the exchange of shares on the basis of one (1) new AHB share for every one (1) existing AMFB Holdings share held by AMFB Holdings' shareholders other than AHB.

**In a related company, AmInvestment Group Berhad**

<b>Renounceable Rights</b>	<b>No. of Renounceable Rights of RM1.00 each</b>					<b>Balance at 31.3.2005</b>
	<b>Balance at 1.4.2004</b>	<b>Rights/Allocation</b>	<b>Eligible Employees/Directors</b>	<b>Bought</b>	<b>Sold</b>	
Tan Sri Dato' Azman Hashim	-	118,954,848	-	-	-	118,954,848
Tun Mohammed Hanif Omar	-	-	200,000	-	-	200,000
Datuk Oh Chong Peng	-	-	30,000	-	-	30,000
Sharkawi bin Alis	-	-	30,000	-	-	30,000
Cheah Tek Kuang	-	120,075	2,500,000	-	-	2,620,075
Mohamed Azmi Mahmood	-	66,461	30,000	-	-	96,461
Mahdi Morad	-	54,570	19,000	-	-	73,570

**DEEMED INTERESTS****In the holding company, AMFB Holdings Berhad**

Shares	Name of Company	Balance at 1.4.2004	No. of ordinary shares of RM1.00 each			Balance at 31.3.2005
			Bought	Sold	Share Exchange*	
Tan Sri Dato' Azman Hashim	AMDB Equipment Trading Sdn Bhd	241,047	-	-	241,047	-

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

Shares	Name of Company	Balance at 1.4.2004	No. of ordinary shares of RM1.00 each			Balance at 31.3.2005
			Bought	Sold	Share Exchange*	
Tan Sri Dato' Azman Hashim	Arab-Malaysian Corporation Berhad	605,826,825	94,425,596	42,000,000	-	658,252,421
	AMDB Equipment Trading Sdn Bhd	198,000	-	-	241,047	439,047
	Azman Hashim Holdings Sdn Bhd	5,713,905	-	4,800,000	-	913,905
	Ginagini Sdn Bhd	12,184,809	-	12,184,809	-	-
	Regal Genius Sdn Bhd	21,750,000	7,740,000	-	-	29,490,000

\*Arising from the exchange of shares on the basis of one (1) new AHB share for every one (1) existing AMFB Holdings share held by AMFB Holdings' shareholders other than AHB.

Warrants 2003/2008	Name of Company	Balance at 1.4.2004	No. of Warrants		Balance at 31.3.2005
			Bought	Sold / Exercised	
Tan Sri Dato' Azman Hashim	Arab-Malaysian Corporation Berhad	75,214,328	-	69,260,231	5,954,097
	AMDB Equipment Trading Sdn Bhd	22,682	-	-	22,682
	Azman Hashim Holdings Sdn Bhd	3,342,309	-	3,342,309	-
	Slan Sdn Bhd	82,132	-	82,132	-
	Ginagini Sdn Bhd	3,945,451	-	3,945,451	-
	Indigenous Capital Sdn Bhd	280,435	-	280,435	-
	Regal Genius Sdn Bhd	2,989,936	-	-	2,989,936
	Corporateview Sdn Bhd	-	31,658,738	-	31,658,738

**In a related company, AmlInvestment Group Berhad**

Renounceable Rights	Name of Company	Balance at 1.4.2004	No. of Renounceable Rights of RM1.00 each Offer for sale			Balance at 31.3.2005
			Rights/ Allocation	Bought	Sold	
Tan Sri Dato' Azman Hashim	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
	AMMB Holdings Sdn Bhd	-	1,109,442,000	-	-	1,109,442,000

The share options in the ultimate holding company, which had an option period of five years were granted pursuant to AMMB Holdings Berhad Employees' Share Option Scheme II ("AHB Group ESOS") and the persons to whom the options are granted under the scheme have no right to participate in any staff share option scheme of any other company in the Group.

By virtue of the directors' shareholding in the holding and ultimate holding company, these directors are deemed to have an interest in the shares of the Company and its related companies.

Other than as disclosed, none of the directors in office at the end of the financial year had any interest in shares in the Company or its related companies during the financial year.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements, or the fixed salary of full-time employees of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except for the related party transactions as shown in Note 29 to the Financial Statements.

Neither during nor at the end of the financial year, did there subsist any arrangements to which the Company is a party whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than AHB Group ESOS and the restricted offer for sale by AMMB Holdings Berhad to its shareholders and AmlInvestment Group Berhad to eligible employees and directors pursuant to the listing of AmlInvestment Group Berhad on the Main Board of Bursa Malaysia Securities Berhad, as disclosed.

Company No. 8515-D

## **HOLDING AND ULTIMATE HOLDING COMPANY**

The directors regard AMFB Holdings Berhad and AMMB Holdings Berhad, both of which are incorporated in Malaysia, as the holding company and the ultimate holding company respectively.

## **RATING BY EXTERNAL AGENCY**

The Company's long term rating of A2 and short term rating of P1 was reaffirmed by Rating Agency Malaysia Berhad. The Company's RM200.0 million Redeemable Unsecured Subordinated Bonds' long-term rating of A3 was also reaffirmed by Rating Agency Malaysia Berhad.

## **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**  
Chairman

Kuala Lumpur  
16 May 2005

**MOHAMED AZMI MAHMOOD**  
Managing Director

Audited Financial Statements for the financial year ended 31 March 2005

**REPORT OF THE AUDITORS TO THE MEMBER OF  
AmFinance Berhad**  
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 13 to 111. 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 2005 and of the results and the cash flows of the Group and of the Company for the financial year then ended; and
  - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies have been properly kept in accordance with the provisions of the Act.

Company No. 8515-D

We are satisfied that the financial statements of the subsidiary companies 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 these purposes.

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

Ernst & Young  
AF: 0039  
Chartered Accountants

Gladys Leong  
No. 1902/04/06(J)  
Partner

Kuala Lumpur, Malaysia  
16 May 2005

**AmFinance Berhad**  
(Incorporated in Malaysia)  
**And Its Subsidiary Companies**

**BALANCE SHEETS**  
**AS AT 31 MARCH 2005**

	Note	The Group		The Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>ASSETS</b>					
Cash and short-term funds	4	3,174,996	3,054,767	3,156,862	3,052,558
Deposits and placements with financial institutions	5	358,903	19,230	358,800	19,132
Dealing securities	6	75,796	256,059	75,796	256,059
Investment securities	7	1,874,874	1,918,590	1,874,620	1,918,301
Loans, advances and financing	8	27,278,509	26,009,653	27,282,390	26,017,926
Other assets	9	344,531	165,639	349,608	169,219
Deferred tax asset	32	616,804	741,733	616,804	741,733
Statutory deposit with Bank Negara Malaysia	10	988,930	923,736	988,930	923,736
Investment in subsidiary companies	11	-	-	29,779	29,779
Investment in associated companies	12	458	250	150	150
Property and equipment	13	384,050	424,599	351,890	374,476
<b>TOTAL ASSETS</b>		<u>35,097,851</u>	<u>33,514,256</u>	<u>35,085,629</u>	<u>33,503,069</u>
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>					
Deposits from customers	14	22,271,757	20,411,793	22,273,456	20,413,587
Deposits and placements of banks and other financial institutions	15	5,877,505	5,063,411	5,877,505	5,063,411
Securities sold under repurchase agreements	16	33,059	274,991	33,059	274,991
Amount due to Cagamas Berhad	17	2,455,723	3,675,607	2,455,723	3,675,607
Other liabilities	18	957,256	825,929	954,697	821,008
Subordinated term loan	19	680,000	680,000	680,000	680,000
Subordinated bonds	20	200,000	200,000	200,000	200,000
Total Liabilities		<u>32,475,300</u>	<u>31,131,731</u>	<u>32,474,440</u>	<u>31,128,604</u>
Minority interests	21	86	101	-	-
Share capital	22	528,402	528,402	528,402	528,402
Reserves	23	2,094,063	1,854,022	2,082,787	1,846,063
Shareholder's Funds		<u>2,622,465</u>	<u>2,382,424</u>	<u>2,611,189</u>	<u>2,374,465</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>		<u>35,097,851</u>	<u>33,514,256</u>	<u>35,085,629</u>	<u>33,503,069</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	34	<u>6,646,577</u>	<u>4,361,007</u>	<u>6,646,477</u>	<u>4,360,907</u>
<b>NET TANGIBLE ASSETS PER SHARE (RM)</b>	35	<u>4.96</u>	<u>4.51</u>	<u>4.94</u>	<u>4.49</u>

The accompanying Notes form an integral part of the Financial Statements.

**AmFinance Berhad**  
(Incorporated in Malaysia)  
**And Its Subsidiary Companies**

**INCOME STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2005**

	Note	The Group		The Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest income	24	1,918,414	2,027,783	1,919,030	2,028,616
Interest expense	25	(908,412)	(958,992)	(908,469)	(959,059)
Net interest income		1,010,002	1,068,791	1,010,561	1,069,557
Income from Islamic banking operations	45	362,995	292,303	362,995	292,303
Non-interest income	26	83,413	40,640	79,806	40,019
Net income		1,456,410	1,401,734	1,453,362	1,401,879
Operating expenses	27	(554,336)	(542,969)	(556,368)	(547,270)
Operating profit		902,074	858,765	896,994	854,609
Allowance for losses on loans and financing	28	(448,458)	(297,762)	(448,458)	(297,762)
(Allowance)/Writeback of allowance for diminution in value of investments - net		(4,631)	20,034	(4,597)	20,118
Transfer to profit equalisation reserve		(45,353)	(46,976)	(45,353)	(46,976)
Impairment losses on property and equipment	13	(29,834)	-	(28,386)	-
General allowance for contingencies		-	(37,000)	-	(37,000)
Profit before share in results of associated company and taxation		373,798	497,061	370,200	492,989
Share of profits in associated company		281	208	-	-
<b>Profit before taxation</b>		<b>374,079</b>	<b>497,269</b>	<b>370,200</b>	<b>492,989</b>
Taxation	31	(134,053)	36,393	(133,476)	37,075
Profit before minority interests		240,026	533,662	236,724	530,064
Minority interests		15	12	-	-
Net profit attributable to shareholder of the Company		240,041	533,674	236,724	530,064
Basic earnings per ordinary share (sen)	33	45.43	101.00	44.80	100.31

The accompanying Notes form an integral part of the Financial Statements.



**AmFinance Berhad**  
(Incorporated in Malaysia)  
**And Its Subsidiary Companies**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2005**

The Group	<u>Non-distributable</u>			<u>Distributable</u>		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Unappro- priated Profits RM'000	
<b>Balance as at 1 April 2003</b>						
As previously stated	528,402	379,953	214,382	392,045	430,718	1,945,500
Prior year adjustments (Note 44)	-	-	-	37,683	(134,433)	(96,750)
As restated	528,402	379,953	214,382	429,728	296,285	1,848,750
Profit for the year	-	-	-	-	533,674	533,674
Transfer to statutory reserve	-	-	268,688	-	(268,688)	-
Transfer from capital reserve to unappropriated profit	-	-	-	(151,386)	151,386	-
<b>Balance as at 31 March 2004</b>	<b>528,402</b>	<b>379,953</b>	<b>483,070</b>	<b>278,342</b>	<b>712,657</b>	<b>2,382,424</b>
<b>Balance as at 1 April 2004</b>						
As previously stated	528,402	379,953	483,070	237,845	857,216	2,486,486
Prior year adjustments (Note 44)	-	-	-	40,497	(144,559)	(104,062)
As restated	528,402	379,953	483,070	278,342	712,657	2,382,424
Profit for the year	-	-	-	-	240,041	240,041
Transfer to statutory reserve	-	-	45,332	-	(45,332)	-
Transfer from capital reserve to unappropriated profit	-	-	-	(278,342)	278,342	-
<b>Balance as at 31 March 2005</b>	<b>528,402</b>	<b>379,953</b>	<b>528,402</b>	<b>-</b>	<b>1,185,708</b>	<b>2,622,465</b>

The Company	<u>Non-distributable</u>			<u>Distributable</u>		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Unappro- priated Profits RM'000	
<b>Balance as at 1 April 2003</b>						
As previously stated	528,402	379,953	214,382	392,045	426,369	1,941,151
Prior year adjustments (Note 44)	-	-	-	37,683	(134,433)	(96,750)
As restated	528,402	379,953	214,382	429,728	291,936	1,844,401
Profit for the year	-	-	-	-	530,064	530,064
Transfer to statutory reserve	-	-	268,688	-	(268,688)	-
Transfer from capital reserve to unappropriated profit	-	-	-	(151,386)	151,386	-
<b>Balance as at 31 March 2004</b>	<b>528,402</b>	<b>379,953</b>	<b>483,070</b>	<b>278,342</b>	<b>704,698</b>	<b>2,374,465</b>
<b>Balance as at 1 April 2004</b>						
As previously stated	528,402	379,953	483,070	237,845	849,257	2,478,527
Prior year adjustments (Note 44)	-	-	-	40,497	(144,559)	(104,062)
As restated	528,402	379,953	483,070	278,342	704,698	2,374,465
Profit for the year	-	-	-	-	236,724	236,724
Transfer to statutory reserve	-	-	45,332	-	(45,332)	-
Transfer from capital reserve to unappropriated profit	-	-	-	(278,342)	278,342	-
<b>Balance as at 31 March 2005</b>	<b>528,402</b>	<b>379,953</b>	<b>528,402</b>	<b>-</b>	<b>1,174,432</b>	<b>2,611,189</b>

The accompanying Notes form an integral part of the Financial Statements.

**AmFinance Berhad**  
(Incorporated in Malaysia)  
**And Its Subsidiary Companies**

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2005**

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	374,079	497,269	370,200	492,989
Adjustments for:				
Interest/Income-in-suspense, net of writeback	194,265	258,840	194,265	258,840
Loan and financing loss and allowances, net of writeback	622,690	444,602	622,690	444,602
Allowance on amount recoverable from Danaharta	-	62,794	-	62,794
Depreciation of property and equipment	41,431	54,318	40,630	53,468
Impairment loss on property and equipment	29,834	-	28,386	-
Transfer to profit equalisation reserve	45,353	46,976	45,353	46,976
Accretion of discount less amortisation of premium	(4,604)	(21,607)	(4,604)	(21,607)
Property and equipment written off	3,907	145	3,907	145
Share of profits of associated company	(281)	(208)	-	-
Gross dividend income	(8,230)	(10,169)	(8,203)	(10,114)
Loss on disposal of dealing securities - net	10,622	4,324	10,622	4,324
Loss on disposal of investment securities - net	1,726	3,949	1,726	3,949
Allowance/(Writeback of allowance) for diminution in value of dealing and investment securities - net	4,631	(20,034)	4,597	(20,118)
Gain on disposal of property and equipment	(2,845)	(1,134)	(688)	(1,134)
Gain on disposal of properties	(567)	-	(185)	-
Gain on disposal of subsidiary company (note a)	(402)	-	-	-
Impairment loss on foreclosed property	2,000	4,000	2,000	4,000
Allowance for doubtful debts - other receivables	1,964	464	1,911	464
General allowance for contingencies	-	37,000	-	37,000
Operating Profit Before Working Capital Changes	1,315,573	1,361,529	1,312,607	1,356,578

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Operating Profit Before Working Capital Changes	1,315,573	1,361,529	1,312,607	1,356,578
(Increase)/Decrease In Operating Assets:				
Deposits and placements with financial institutions	(339,673)	(636)	(339,668)	(632)
Dealing securities	156,637	(164,105)	156,637	(164,105)
Loans, advances and financing	(2,167,266)	(2,107,605)	(2,162,874)	(2,105,359)
Other assets	(102,818)	(4,224)	(102,831)	(9,171)
Statutory deposit with Bank Negara Malaysia	(65,194)	(22,990)	(65,194)	(22,990)
Increase/(Decrease) In Operating Liabilities:				
Deposits from customers	1,859,964	802,599	1,859,869	802,540
Deposits and placements of banks and other financial institutions	814,094	(45,729)	814,094	(45,729)
Securities sold under repurchase agreements	(241,932)	(30,479)	(241,932)	(30,479)
Amount due to Cagamas Berhad	(1,219,884)	(343,323)	(1,219,884)	(343,323)
Other liabilities	88,626	137,196	88,336	142,745
Cash Generated From/(Used in) Operations	98,127	(417,767)	99,160	(419,925)
Taxation paid	(8,988)	(22,010)	(8,047)	(20,859)
Net Cash Generated From/(Used in) Operating Activities	89,139	(439,777)	91,113	(440,784)

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net proceeds from disposal of investment securities	55,849	915,085	55,848	915,085
Net dividend received	7,019	8,899	6,992	8,859
Proceeds from disposal of property and equipment	19,511	1,242	1,640	1,242
Purchase of property and equipment	<u>(51,289)</u>	<u>(46,283)</u>	<u>(51,289)</u>	<u>(46,250)</u>
Net Cash Generated From Investing Activities	<u>31,090</u>	<u>878,943</u>	<u>13,191</u>	<u>878,936</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of subordinated bonds	-	200,000	-	200,000
Redemption of subordinated loan notes	<u>-</u>	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
Net Cash Used in Financing Activities	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Net Increase In Cash And Cash Equivalents	120,229	389,166	104,304	388,152
Cash And Cash Equivalents At Beginning Of Year	<u>3,054,767</u>	<u>2,665,601</u>	<u>3,052,558</u>	<u>2,664,406</u>
Cash And Cash Equivalents At End Of Year (note b)	<u><u>3,174,996</u></u>	<u><u>3,054,767</u></u>	<u><u>3,156,862</u></u>	<u><u>3,052,558</u></u>

**Note a:** The summary of the effects of the disposal of the subsidiary company during the year, on the financial position of the Group is as follows:

	RM'000
<b>Net assets disposed:</b>	
Other assets	2,250
Other liabilities	<u>(2,652)</u>
Net assets	(402)
Net gain on disposal of subsidiary company	<u>402</u>
Total consideration received from disposal	<u><u>-</u></u>

**Note b: Cash and Cash Equivalents**

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short term funds net of bank overdrafts. Cash and cash equivalents included in the cash flow statements comprise the following balance sheets amounts:

	<b>The Group</b>		<b>The Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
Cash and short term funds (Note 4)	3,174,996	3,054,767	3,156,862	3,052,558

The accompanying Notes form an integral part of the Financial Statements.

**AmFinance Berhad**  
(Incorporated in Malaysia)  
**And Its Subsidiary Companies**

**Notes To The Financial Statements**  
**- 31 March 2005**

**1. PRINCIPAL ACTIVITIES**

The principal activity of the Company is to carry on the business of a licensed finance company which also includes the provision of Islamic banking services.

The principal activities of the subsidiary companies are disclosed in Note 11.

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

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements of the Group and the Company have been approved by the Board of Directors for issuance on 4 May 2005.

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989, Bank Negara Malaysia Guidelines and the applicable MASB Approved Accounting Standards. The financial statements incorporate those activities relating to the Islamic Banking Business undertaken by the Company.

The Islamic Banking Business refers generally to the acceptance of deposits and granting of financing under the Syariah principles. The Islamic Banking Business transactions are accounted for on the accrual basis in compliance with the revised Garis Panduan 8 Guidelines on Presentation of Financial Statements for Financial Institutions issued by Bank Negara Malaysia. The financial position as at 31 March 2005 and the results for the financial year ended on that date of the Islamic Banking Business of the Company are shown in Note 45.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies adopted by the Group and the Company are consistent with those adopted in the previous years except for the adoption of:

- (i) 3-month classification for non-performing loans from the previous 6-month classification which has been adopted retrospectively. The effects of adopting the 3-month classification for non-performing loans retrospectively on the Group's and the Company's unappropriated profits are reflected as prior year adjustments in the statement of changes in equity and is disclosed in Note 44. The change in accounting policy has resulted in a decrease in interest income credited to the income statements for the financial year by RM4.9 million.
- (ii) Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions dated 5 October 2004 on the accounting treatment of charging handling fees paid for motor vehicle dealers for hire purchase loans in the year that it was incurred to the income statement. This change in accounting policy has been accounted for retrospectively and has resulted in a decrease in handling fees charged to the income statements for the financial year by RM48.8 million.

**(a) Basis of Accounting**

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

**(b) Basis of Consolidation**

The financial statements of the Group include the financial statements of the Company and all its subsidiary companies listed under Note 11 made up to the end of the financial year.

The Company adopts the acquisition method in preparing the consolidated financial statements. Under the acquisition method, 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 the acquisition is taken up as goodwill on consolidation. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiary companies acquired or disposed during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

All significant intercompany transactions and balances have been eliminated on consolidation.

The gain or loss on disposal is the difference between the net disposal proceeds and the Group's share of its net assets.

**(c) 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 premium or accretion of discount. Interest and financing income on dealing and investment securities are recognised on an effective yield basis.

The Company 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.

Interest and financing income on term loans and housing loans is accounted for on an accrual basis by reference to the rest periods as stipulated in the loan agreements. Interest and financing income from hire purchase financing and block discounting of the Group and Company is recognised using the 'sum-of-digits' method.

While it is the Group and Company's policy to recognise interest and financing income on an accrual basis, interest and financing income on non-performing accounts is not recognised as income and is reversed and suspended with retrospective adjustments made to the date of first default unless received in cash or realisation in cash is assured. An account is classified as non-performing where repayment is in arrears for more than three months.

Prior to this financial year, customers' accounts were deemed to be non-performing when repayment were in arrears for more than six months. The change in accounting policy has been accounted for retrospectively and the effect of this change is disclosed in Note 44.



The classification of non-performing loans and financing is in conformity with Bank Negara Malaysia's Guideline On Classification of Non-Performing Loans and Allowance for Bad and Doubtful Debts.

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

**(d) Recognition of Fees and Other Income**

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.

Guarantee fees are recognised as income upon issuance and where the guarantee period is longer than one year, over the duration of the guarantee period.

Other fees on a variety of services and facilities extended to customers are recognised on inception of such transactions.

Dividends from dealing and investment securities are recognised when received.

**(e) 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 the management, there is no prospect of recovery.

**(f) Repurchase Agreements**

Obligations on securities sold under repurchase agreements are securities which the Company had sold from its portfolio with a commitment to repurchase at a future date. Such financing transactions and the obligations to repurchase the securities are reflected as a liability in the balance sheet, whilst the carrying values of the securities underlying these repurchase agreements remain in the respective asset accounts.

**(g) Dealing Securities**

Dealing securities are marketable securities that are acquired and held with the intention of resale in the short term, and are stated at the lower of cost and market value on a portfolio basis. On disposal of the dealing securities, the differences between the net disposal proceeds and their carrying amounts are charged or credited to the income statement.

Transfers, if any, from dealing to investment securities are made at the lower of cost and market value.

**(h) Investment Securities**

Investment securities are securities that are acquired and held for yield or capital growth or to meet minimum liquid assets requirement pursuant to Section 38 of the Banking and Financial Institutions Act, 1989 and are usually held to maturity.

Malaysian Government Securities, Malaysian Government Investment Certificates, Cagamas bonds and other government securities and bank guaranteed private debt securities are stated at cost adjusted for amortisation of premium or accretion of discount. Quoted securities are stated at the lower of cost and market value on a portfolio basis. Unquoted securities are stated at cost and allowance is made in the event of any permanent diminution in value.

On disposal of investment securities, the differences between the net disposal proceeds and their carrying amounts are charged or credited to the income statement.

Transfers, if any, from investment securities to dealing securities are made at the lower of carrying value and market value.

**(i) Investment in Subsidiary Companies**

A subsidiary company is a company 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 or directors' valuation, 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. The impairment loss is charged to the income statement.

On disposal of such investments, the differences between the net disposal proceeds and their carrying amounts are charged or credited to the income statement.

**(j) Investment in Associated Companies**

An associated company is a company in which the Group has a long term equity interest of between 20% to 50% 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 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 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 and 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 differences between the net disposal proceeds and their carrying amounts are charged or credited to the income statement.

**(k) Property and Equipment and Depreciation**

Property and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

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 recognised in the income statements.

Freehold land and capital work in progress are not depreciated. Short term leasehold land is amortised over the term of leases of between 20 to 49 years. Long term leasehold land is amortised over the term of leases of between 66 to 999 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:

Buildings	2% or over the short term lease of between 20 to 49 years
Leasehold improvements	10% - 20%
Office equipment	10% - 20%
Furniture and fittings	10% - 25%
Computer equipment and software	20% - 33 <sup>1</sup> / <sub>3</sub> %
Motor vehicles	20%

**(l) Impairment of Assets**

The carrying values of 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. An impairment loss is charged to the income statements immediately.

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 statements immediately.

**(m) Assets Purchased Under Lease**

Assets purchased under lease, which in substance transfer the risks and benefits of ownership of the assets to the lessee 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.

Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements 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 which termination takes place.

As at 31 March 2005, the Group and the Company do not have any assets purchased under lease.

**(n) 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.

**(o) Trade and Other Payables**

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

**(p) Income Tax**

Income tax on profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the income statements 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 from the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. 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 substantively enacted at the balance sheet date.

**(q) Amount Recoverable from Danaharta**

This relates to the loans sold to Danaharta where the total consideration is received in two portions; upon the sale of the loans (initial consideration) and upon the recovery of the loans (final consideration). The final consideration amount represents the Company's predetermined share of the surplus over the initial consideration upon recovery of the loans.

The difference between the carrying value of the loans and the initial consideration is recognised as 'Amounts Recoverable from Danaharta' within the 'Other Assets' component of the balance sheets. Allowances against these amounts are made to reflect the directors' assessment of the realisable value of the final consideration as at the balance sheet date.

The amount recoverable from Danaharta was fully amortised as at 31 March 2005.

**(r) Amount Recoverable Under Asset-Backed Securitisation ('ABS') Transactions**

This relates to the balance of sale consideration under ABS transactions due from the Special Purpose Vehicle ('SPV'), which amount will be recovered upon maturity of the underlying bonds. Under the ABS, portfolios of receivables are sold to a SPV which are funded through the issuance of bonds secured by the receivables.

When an indication of impairment exists, the carrying amount of the amount recoverable under ABS transaction is assessed and written down to its recoverable amount.

The difference between the sale consideration and the receivables sold is recognised to the income statement.

**(s) Foreclosed Properties**

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at cost less allowance for diminution in value, if any, of such properties.

**(t) Interest Rate Swaps Contracts**

The Company uses the interest rate swaps as a hedging instrument.

Interest income or interest expense associated with interest rate swaps is recognised over the life of the swap agreement as a component of interest income or interest expense.

**(u) Interest-Bearing Instruments**

These are interest-bearing loans and bonds with remaining maturity of more than one year, and are recognised at the amount of proceeds received. The interest is recognised on a straight line accrual basis.

**(v) Financial Instruments**

Financial instruments are recognised in balance sheet when the Company 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 instruments classified as liabilities, 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 Company 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.

**(w) Equity Instruments**

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

The transaction costs of equity are accounted for as 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.

**(x) Profit Equalisation Reserve**

The Profit Equalisation Reserve (“PER”) refers to the amount appropriated, under the Islamic Banking Business, out of the gross income in order to maintain a market based return for depositors. It is deducted from the total gross income (in deriving the net gross income) as approved and endorsed by the National Advisory Council for Islamic Banking and Takaful of Bank Negara Malaysia. The PER is generally deducted at a rate that does not exceed the maximum amount of 15% of total gross income of each financial year and is maintained up to the maximum of 30% of total Islamic Banking Capital Fund.

**(y) Provisions**

Provisions are recognised when the Group or the Company has a present legal obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made.

**(z) Employee Benefits**

**(i) Short-Term 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 contributions have been paid, the Group has no further payment obligations.

**(aa) Operating Revenue**

Operating revenue of the Group and the Company comprise net interest and financing income after interest and income suspended or recovered but before amortisation of premiums less accretion of discounts, fee income, net trading income from money market securities, net gain/loss on sale of quoted investments, gross dividend income from quoted and unquoted investments and income from Islamic Banking Business before income attributable to depositors.

**(ab) Cash Flow Statement**

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

**(ac) Cash and Cash Equivalents**

For the purpose of the cash flow statements, cash and cash equivalents consist of cash on hand and at bank, deposit at call and short term highly liquid investments, which have an insignificant risk of changes in value, net of outstanding overdrafts.

## 4. CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash and balances with banks and other financial institutions	219,276	121,467	201,142	119,258
Money at call and deposits placements maturing within one month	<u>2,955,720</u>	<u>2,933,300</u>	<u>2,955,720</u>	<u>2,933,300</u>
	<u>3,174,996</u>	<u>3,054,767</u>	<u>3,156,862</u>	<u>3,052,558</u>

Deposits of the Group amounting to RM203,000 (2004: RM198,000) are pledged to certain banks for banking facilities granted to the subsidiary companies.

Included in the above are interbank lending of RM2,955,720,000 (2004: RM2,933,300,000) for the Group and the Company.

As at 31 March 2005, the net interbank borrowing and lending position of the Group and of the Company are as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interbank lending				
Cash and short term funds	2,955,720	2,933,300	2,955,720	2,933,300
Deposits with financial institutions (Note 5)	<u>358,800</u>	<u>19,132</u>	<u>358,800</u>	<u>19,132</u>
	3,314,520	2,952,432	3,314,520	2,952,432
Interbank borrowing (Note 15)	<u>-</u>	<u>(200)</u>	<u>-</u>	<u>(200)</u>
Net interbank lending	<u>3,314,520</u>	<u>2,952,232</u>	<u>3,314,520</u>	<u>2,952,232</u>

## 5. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Licensed banks	40,103	98	40,000	-
Bank Negara Malaysia	<u>318,800</u>	<u>19,132</u>	<u>318,800</u>	<u>19,132</u>
	<u>358,903</u>	<u>19,230</u>	<u>358,800</u>	<u>19,132</u>

Included in the above are interbank lending of RM358,800,000 (2004: RM19,132,000) for the Group and the Company.

## 6. DEALING SECURITIES

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Quoted Securities in Malaysia				
Shares	105,631	173,994	105,631	173,994
Warrants	-	331	-	331
Loan stocks	-	275	-	275
	<u>105,631</u>	<u>174,600</u>	<u>105,631</u>	<u>174,600</u>
Unquoted Private Debt Securities in Malaysia				
Corporate bonds	-	98,290	-	98,290
	<u>-</u>	<u>98,290</u>	<u>-</u>	<u>98,290</u>
Total	105,631	272,890	105,631	272,890
Less:				
Allowance for diminution in value of quoted securities	(29,835)	(16,831)	(29,835)	(16,831)
	<u>(29,835)</u>	<u>(16,831)</u>	<u>(29,835)</u>	<u>(16,831)</u>
Net	<u>75,796</u>	<u>256,059</u>	<u>75,796</u>	<u>256,059</u>
Market value:				
Unquoted Private Debt Securities in Malaysia				
Corporate bonds	-	98,325	-	98,325
Quoted Securities in Malaysia				
Shares	75,796	157,090	75,796	157,090
Warrants	-	362	-	362
Loan stocks	-	317	-	317
	<u>75,796</u>	<u>157,769</u>	<u>75,796</u>	<u>157,769</u>



## 7. INVESTMENT SECURITIES

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Money Market Securities				
Malaysian Government Securities	111,700	1,700	111,700	1,700
Malaysian Government Investment Certificates	100,043	145,319	100,043	145,319
Treasury bills	-	311,799	-	311,799
BNM bills	-	44,467	-	44,467
Negotiable certificate of deposits	401,102	393,908	401,102	393,908
Islamic acceptance bills	-	2,979	-	2,979
Cagamas bonds	173,530	-	173,530	-
Islamic Khazanah bonds	79,352	-	79,352	-
	<u>865,727</u>	<u>900,172</u>	<u>865,727</u>	<u>900,172</u>
Quoted shares in Malaysia	<u>497</u>	<u>497</u>	<u>-</u>	<u>-</u>
Debt Equity Conversion Quoted in Malaysia				
Shares	167,604	170,960	167,604	170,960
Shares - with options	41,520	41,520	41,520	41,520
Loan stocks - collateralised	356,444	355,499	356,444	355,499
Warrants	15	15	15	15
	<u>565,583</u>	<u>567,994</u>	<u>565,583</u>	<u>567,994</u>
Unquoted Securities in Malaysia				
Shares	36,431	36,431	36,014	36,014
Corporate bonds	792	792	792	792
	<u>37,223</u>	<u>37,223</u>	<u>36,806</u>	<u>36,806</u>
Unquoted Debt Equity Conversion in Malaysia				
Shares	82,069	125,816	82,069	125,816
Loan stocks	536,959	501,269	536,959	501,269
Corporate bonds - secured	117,763	121,518	117,763	121,518
	<u>736,791</u>	<u>748,603</u>	<u>736,791</u>	<u>748,603</u>
Total	<u>2,205,821</u>	<u>2,254,489</u>	<u>2,204,907</u>	<u>2,253,575</u>
Add/(Less):				
Allowance for diminution in value of				
- quoted securities	(201,806)	(205,275)	(201,345)	(204,849)
- unquoted securities	(141,970)	(145,323)	(141,771)	(145,124)
Accretion of discount less amortisation of premium	<u>12,829</u>	<u>14,699</u>	<u>12,829</u>	<u>14,699</u>
	<u>1,874,874</u>	<u>1,918,590</u>	<u>1,874,620</u>	<u>1,918,301</u>

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Market value:				
Money Market Securities				
Malaysian Government Securities	119,252	1,872	119,252	1,872
Malaysian Government Investment Certificates	104,224	152,801	104,224	152,801
Treasury bills	-	319,035	-	319,035
BNM bills	-	44,817	-	44,817
Cagamas bonds	174,476	-	174,476	-
Negotiable certificate of deposits	401,075	393,916	401,075	393,916
Islamic Khazanah bonds	81,384	-	81,384	-
Quoted shares in Malaysia	61	95	-	-
Debt Equity Conversion Quoted in Malaysia				
Shares	62,717	79,196	62,717	79,196
Shares - with options	23,439	23,840	23,439	23,840
Loan stocks - collateralised	324,786	374,110	324,786	374,110
Warrants	266	488	267	488

The maturity structure of money market instruments held for investment is as follows:

Maturing within one year	457,083	865,759	457,083	865,759
One year to three years	407,324	33,093	407,324	33,093
Three years to five years	1,320	1,320	1,320	1,320
Over five years	-	-	-	-
	<u>865,727</u>	<u>900,172</u>	<u>865,727</u>	<u>900,172</u>

Certain money market securities held for investment have been sold under repurchase agreements for funding purposes and their carrying values remain in the respective asset accounts while obligations to repurchase such securities at an agreed price on a specified future date are accounted for as a liability as mentioned in Note 16.

## 8. LOANS, ADVANCES AND FINANCING

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Term loans and revolving credit facilities	3,958,890	4,504,989	3,954,063	4,504,554
Housing loans	5,252,237	4,839,185	5,252,237	4,839,185
Hire-purchase	21,746,653	19,397,018	21,746,644	19,397,009
Block discounting	59,436	51,048	59,434	51,046
Staff loans (of which to Directors: RM1,997,000; 2004: RM2,148,000)	106,489	104,160	106,489	104,160
Line of credit	1,389,862	1,181,073	1,389,862	1,181,073
Other loans	2,211,459	1,676,257	2,211,142	1,675,940
	<u>34,725,026</u>	<u>31,753,730</u>	<u>34,719,871</u>	<u>31,752,967</u>
Unearned interest and unearned income	<u>(4,230,155)</u>	<u>(3,674,200)</u>	<u>(4,230,155)</u>	<u>(3,674,200)</u>
Gross loans, advances and financing	30,494,871	28,079,530	30,489,716	28,078,767
Less: Islamic financing sold to Cagamas Berhad	<u>(925,365)</u>	<u>-</u>	<u>(925,365)</u>	<u>-</u>
	<u>29,569,506</u>	<u>28,079,530</u>	<u>29,564,351</u>	<u>28,078,767</u>
Allowance for bad and doubtful debts and financing:				
- Specific	(890,196)	(677,506)	(887,640)	(674,950)
- General	(429,408)	(405,255)	(429,408)	(405,255)
Interest/Income-in-suspense	<u>(971,393)</u>	<u>(987,116)</u>	<u>(964,913)</u>	<u>(980,636)</u>
	<u>27,278,509</u>	<u>26,009,653</u>	<u>27,282,390</u>	<u>26,017,926</u>

(i) The maturity structure of loans, advances and financing is as follows:

Maturing within one year	9,468,735	8,813,851	9,463,580	8,813,088
One year to three years	8,244,237	8,445,974	8,244,237	8,445,974
Three years to five years	5,405,440	5,222,211	5,405,440	5,222,211
Over five years	6,451,094	5,597,494	6,451,094	5,597,494
	<u>29,569,506</u>	<u>28,079,530</u>	<u>29,564,351</u>	<u>28,078,767</u>

(ii) Loans, advances and financing analysed by type of customer are as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Domestic non-bank financial institutions	125,035	176,058	125,035	176,058
Domestic business enterprises				
- Small medium enterprises	1,806,937	1,723,484	1,806,937	1,723,484
- Others	4,121,141	4,400,949	4,115,986	4,400,186
Government and statutory bodies	61	98	61	98
Individuals	23,462,554	21,731,012	23,462,554	21,731,012
Other domestic entities	23,949	19,416	23,949	19,416
Foreign entities	29,829	28,513	29,829	28,513
Gross loans, advances and financing	<u>29,569,506</u>	<u>28,079,530</u>	<u>29,564,351</u>	<u>28,078,767</u>

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

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Agriculture	338,566	273,401	338,566	273,401
Mining and quarrying	23,740	33,511	23,740	33,511
Manufacturing	807,114	742,257	807,114	742,257
Electricity, gas and water	13,998	11,507	13,998	11,507
Construction	1,671,692	1,776,356	1,671,692	1,776,356
Real estate	271,963	319,434	271,963	319,434
Purchase of landed property				
- Residential	5,527,998	5,073,287	5,527,998	5,073,287
- Non-residential	1,195,520	1,450,322	1,199,399	1,458,596
General commerce	755,285	681,355	746,249	672,318
Transport, storage and communication	385,717	373,583	385,717	373,583
Finance, insurance and business services	256,386	312,900	256,386	312,900
Purchase of securities	530,200	652,792	530,200	652,792
Purchase of transport vehicles	16,220,767	14,391,180	16,220,767	14,391,180
Consumption credit	2,197,566	1,674,165	2,197,566	1,674,165
Others	298,359	313,480	298,361	313,480
Gross loans, advances and financing	30,494,871	28,079,530	30,489,716	28,078,767
Less: Islamic financing sold to Cagamas Berhad	(925,365)	-	(925,365)	-
	<u>29,569,506</u>	<u>28,079,530</u>	<u>29,564,351</u>	<u>28,078,767</u>

- (iv) Movements in the non-performing loans and financing (including interest and income receivables) are as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
Gross				
Balance at beginning of year				
As previously reported	4,051,944	4,349,529	4,042,907	4,340,492
Prior year adjustments (Note 44)	1,579,574	1,459,592	1,579,574	1,459,592
As restated	5,631,518	5,809,121	5,622,481	5,800,084
Non-performing during the year	981,487	1,719,071	981,487	1,719,071
Reclassification to performing loans	(341,088)	(297,627)	(341,088)	(297,627)
Amount recovered	(389,979)	(490,210)	(389,979)	(490,210)
Debt equity conversion	(69,749)	(53,770)	(69,749)	(53,770)
Amount written off	(530,055)	(1,055,067)	(530,055)	(1,055,067)
Balance at end of year	5,282,134	5,631,518	5,273,097	5,622,481
Less:				
Specific allowance	(890,196)	(677,506)	(887,640)	(674,950)
Interest/Income-in-suspense	(971,393)	(987,116)	(964,913)	(980,636)
	<u>(1,861,589)</u>	<u>(1,664,622)</u>	<u>(1,852,553)</u>	<u>(1,655,586)</u>
Non-performing loans and financing (net)	<u>3,420,545</u>	<u>3,966,896</u>	<u>3,420,544</u>	<u>3,966,895</u>
Ratio of net non-performing loans to loans, advances and financing	<u>11.95%</u>	<u>15.02%</u>	<u>11.94%</u>	<u>15.01%</u>

During the financial year, for certain loans in arrears of more than 7 years, the Company has not assigned any value for the property collaterals.

- (v) Movements in the allowance for bad and doubtful debts and financing and interest/income-in-suspense accounts are as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>General Allowance</b>				
Balance at beginning of year	405,255	388,705	405,255	388,705
Allowance made during the year (Note 28)	24,153	16,550	24,153	16,550
Balance at end of year	429,408	405,255	429,408	405,255
% of total loans less specific allowance and interest/income-in-suspense	1.50%	1.53%	1.50%	1.53%
<b>Specific Allowance</b>				
Balance at beginning of year	677,506	989,277	674,950	986,721
Allowance made during the year (Note 28)	877,367	696,900	877,367	696,900
Amount written back in respect of recoveries (Note 28)	(278,830)	(268,848)	(278,830)	(268,848)
Net charge to income statements	598,537	428,052	598,537	428,052
Debt equity conversion	-	(49,387)	-	(49,387)
Amount written off/ Adjustment to Asset Deficiency Account	(385,847)	(690,436)	(385,847)	(690,436)
Balance at end of year	890,196	677,506	887,640	674,950

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Interest/Income-in-suspense</b>				
Balance at beginning of year				
As previously reported	947,905	1,190,485	941,425	1,184,005
Prior year adjustments (Note 44)	39,211	46,279	39,211	46,279
As restated	987,116	1,236,764	980,636	1,230,284
Allowance made during the year	358,112	480,202	358,112	480,202
Amount written back in respect of recoveries	(163,847)	(221,362)	(163,847)	(221,362)
Net charge to income statements	194,265	258,840	194,265	258,840
Debt equity conversion	(76,437)	(135,778)	(76,437)	(135,778)
Amount written off/ Adjustment to Asset Deficiency Account	(133,551)	(372,710)	(133,551)	(372,710)
Balance at end of year	<u>971,393</u>	<u>987,116</u>	<u>964,913</u>	<u>980,636</u>

## 9. OTHER ASSETS

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deferred assets	77,140	72,022	77,140	72,022
Other receivables, deposits and prepayments	84,844	91,010	89,921	94,590
Amount recoverable from Danaharta	-	-	-	-
Amount recoverable under asset-backed securitisation transactions	97,566	-	97,566	-
Foreclosed properties net of impairment loss of RM87,129,000 (2004: RM10,000,000)	84,981	2,607	84,981	2,607
	<u>344,531</u>	<u>165,639</u>	<u>349,608</u>	<u>169,219</u>
			The Group and Company	
			2005	2004
			RM'000	RM'000

## (i) Deferred Assets

Arising from takeover of Kewangan Usahasama Makmur Berhad	61,184	61,184
Arising from takeover of Abrar Finance Berhad	15,956	10,838
Balance at end of year	<u>77,140</u>	<u>72,022</u>

In 1988, the Company took over the operations of Kewangan Usahasama Makmur Berhad ("KUMB"), a deposit taking co-operative in Malaysia. The Government of Malaysia granted to KUMB a future tax benefit amounting to RM434 million; subsequently adjusted to RM426.69 million upon finalisation of KUMB's tax credit in consideration of the deficit in assets taken over from the deposit taking co-operatives. The tax benefit is a fixed monetary sum and is not dependent on any changes in tax rates.

The net tax benefit is shown as a deferred asset and the utilisation of the deferred tax benefit is based on the receipt of notices of assessment and subsequent remission of the tax liabilities by the relevant authority net of the amount payable to the tax authorities for purposes of Section 108 tax credit.

Subsequent to the vesting of assets and liabilities from AMFB Holdings Berhad ("AMFB Holdings"), the deferred assets arising from the takeover of Abrar Finance Berhad were vested over to the Company. This deferred assets arose when AMFB Holdings participated in a scheme approved by the Minister of Finance and sanctioned by the High Court of Malaya, whereby certain assets and liabilities of Abrar Finance Berhad ("AFB"), a licensed finance company incorporated in Malaysia, were transferred with effect from 18 December 1998, to AMFB Holdings with financial assistance from Bank Negara Malaysia ("BNM").



The net asset deficiency representing the excess of liabilities over the assets transferred from AFB arising from the scheme, is shown as deferred assets, and is reduced progressively by net income derived from the utilisation of the deposit placed by BNM, as mentioned in Note 15, and net recoveries of defaulted loans of AFB computed based on a formula determined by BNM.

- (ii) Included under the gross amount of other receivables, deposits and prepayments of the Group and Company are outstanding balances totalling RM1,024,000 (2004: RM6,185,000) and RM8,300,000 (2004: RM14,447,000) respectively owing by other related companies. These amounts are interest-free and represent amounts paid on behalf.
- (iii) Other receivables, deposits and prepayments are net of allowance for doubtful debts of the Group and Company of RM6,698,000 (2004: RM4,796,000) and RM4,595,000 (2004: RM2,684,000) respectively.

	<b>The Group and Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>
<b>(iv) Amount recoverable from Danaharta</b>		
Balance at beginning of year	-	67,497
Allowance made during the year	-	(62,794)
Amount recovered		(4,703)
	<u>          </u>	<u>          </u>
Balance at end of year	<u>          </u>	<u>          </u>

**10. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA**

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958, the amounts of which are determined as a set percentage of total eligible liabilities.

## 11. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2005 RM'000	2004 RM'000
Unquoted shares at cost	39,779	41,280
Impairment losses	(10,000)	(11,501)
Net	<u>29,779</u>	<u>29,779</u>

The subsidiary companies, which are all incorporated in Malaysia are as follows:

Name of Company	Principal Activities	Effective Equity Interest	
		2005 %	2004 %
MBf Nominees (Tempatan) Sdn. Bhd.	Nominee company	100.0	100.0
MBf Information Services Sdn. Bhd.	Rental of computer equipment and the provision of related support services	100.0	100.0
AmProperty Holdings Sdn. Bhd.	Property investment	100.0	100.0
MBf Equity Partners Sdn. Bhd.	Venture capital	100.0	100.0
MBf Trustees Berhad	Trustee services	60.0	60.0
Bougainvillaea Development Sdn. Bhd.	Property holding	100.0	100.0
Natprop Sdn. Bhd.	Investment holding	100.0	100.0
Teras Oak Pembangunan Sdn. Bhd.	Dormant	100.0	100.0
Komuda Credit & Leasing Sdn. Bhd.	Dormant	100.0	100.0
Everflow Credit & Leasing Corporation Sdn. Bhd.	Dormant	100.0	100.0
AmCredit & Leasing Sdn Bhd (formerly known as Komewah Credit & Leasing Sdn. Bhd.)	Dormant	100.0	100.0
Li & Ho Sdn. Bhd.	Dormant	100.0	100.0
Malco Properties Sdn. Bhd.	Dormant	51.0	51.0
Annling Sdn. Bhd.	Dormant	100.0	100.0
MBf Nominees (Asing) Sdn. Bhd.	Dormant	100.0	100.0
Lekir Development Sdn. Bhd.	Ceased operations	100.0	100.0
Crystal Land Sdn. Bhd.	Ceased operations	80.0	80.0
MBf Property Trust Management Berhad	Dormant	-	* 100.0

\* This subsidiary was disposed on 9 August 2004.

## 12. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unquoted shares, at cost	100	100	150	150
Share of post-acquisition results, net of tax	358	150	-	-
	<u>458</u>	<u>250</u>	<u>150</u>	<u>150</u>

The associated companies, which are incorporated in Malaysia are as follows:

	Principal Activity
AmTrustee Berhad	Trustee Services
MBf Trustees Berhad	Trustee Services

The effective equity interests are as follows:

	The Group		The Company	
	Effective Equity Interest 2005	2004	Effective Equity Interest 2005	2004
AmTrustee Berhad	20%	20%	20%	20%
MBf Trustees Berhad	<u>60%</u>	<u>60%</u>	<u>20%</u>	<u>20%</u>

The investment in MBf Trustees Berhad is classified as investment in subsidiary companies at Group level through additional equity interest held by another subsidiary company.

As at 31 March 2005, the carrying value of the investment in associated companies is represented by:

	The Group	
	Effective Equity Interest 2005 RM'000	2004 RM'000
Group's share of aggregate net tangible assets	<u>854</u>	<u>628</u>

## 13. PROPERTY AND EQUIPMENT

## The Group

	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
<b>COST</b>							
At beginning of year	312,613	36,890	117,035	82,626	362,127	5,914	917,205
Additions	-	-	21,401	10,364	19,099	425	51,289
Disposals	(13,365)	(5,526)	-	(2,885)	(2,228)	(654)	(24,658)
Write offs	-	-	(2,788)	-	(3,064)	-	(5,852)
Reclassification/ Transfer	-	-	(3,016)	2,973	43	-	-
At end of year	<u>299,248</u>	<u>31,364</u>	<u>132,632</u>	<u>93,078</u>	<u>375,977</u>	<u>5,685</u>	<u>937,984</u>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>							
At beginning of year	33,632	4,787	91,239	60,607	298,183	4,158	492,606
Current depreciation	5,268	691	7,349	9,386	18,117	620	41,431
Impairment losses	29,834	-	-	-	-	-	29,834
Disposals	(1,830)	(1,201)	-	(2,118)	(2,189)	(654)	(7,992)
Write offs	-	-	(1,945)	-	-	-	(1,945)
At end of year	<u>66,904</u>	<u>4,277</u>	<u>96,643</u>	<u>67,875</u>	<u>314,111</u>	<u>4,124</u>	<u>553,934</u>
Analysed as:							
Accumulated depreciation	37,070	4,277	96,643	67,875	314,111	4,124	524,100
Accumulated impairment losses	29,834	-	-	-	-	-	29,834
	<u>66,904</u>	<u>4,277</u>	<u>96,643</u>	<u>67,875</u>	<u>314,111</u>	<u>4,124</u>	<u>553,934</u>
<b>NET BOOK VALUE</b>							
As at 31.03.2005	<u>232,344</u>	<u>27,087</u>	<u>35,989</u>	<u>25,203</u>	<u>61,866</u>	<u>1,561</u>	<u>384,050</u>
As at 31.03.2004	<u>278,981</u>	<u>32,103</u>	<u>25,796</u>	<u>22,019</u>	<u>63,944</u>	<u>1,756</u>	<u>424,599</u>
Depreciation charge for the year ended 31.03.2004	<u>5,127</u>	<u>787</u>	<u>9,449</u>	<u>6,633</u>	<u>31,519</u>	<u>803</u>	<u>54,318</u>
<b>Details as at 1.04.2003</b>							
Cost	312,613	36,890	105,647	74,640	343,561	8,215	881,566
Accumulated depreciation	<u>28,505</u>	<u>4,000</u>	<u>81,894</u>	<u>54,434</u>	<u>267,200</u>	<u>6,184</u>	<u>442,217</u>

**The Company**

	<b>Freehold land and buildings RM'000</b>	<b>Leasehold land and buildings RM'000</b>	<b>Leasehold improve- ments RM'000</b>	<b>Office equipment, furniture and fittings RM'000</b>	<b>Computer equipment and software RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>COST</b>							
At beginning of year	263,848	26,420	117,001	82,620	362,127	5,914	857,930
Additions	-	-	21,401	10,364	19,099	425	51,289
Disposals	(195)	-	-	(2,885)	(2,228)	(654)	(5,962)
Write offs	-	-	(2,788)	-	(3,064)	-	(5,852)
Reclassification/ Transfer	-	-	(3,016)	2,973	43	-	-
At end of year	<u>263,653</u>	<u>26,420</u>	<u>132,598</u>	<u>93,072</u>	<u>375,977</u>	<u>5,685</u>	<u>897,405</u>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>							
At beginning of year	26,409	2,870	91,233	60,601	298,183	4,158	483,454
Current depreciation	4,628	537	7,342	9,386	18,117	620	40,630
Impairment losses	28,386	-	-	-	-	-	28,386
Disposals	(48)	-	-	(2,119)	(2,189)	(654)	(5,010)
Write offs	-	-	(1,945)	-	-	-	(1,945)
At end of year	<u>59,375</u>	<u>3,407</u>	<u>96,630</u>	<u>67,868</u>	<u>314,111</u>	<u>4,124</u>	<u>545,515</u>
Analysed as:							
Accumulated depreciation	30,989	3,407	96,630	67,868	314,111	4,124	517,129
Accumulated impairment losses	28,386	-	-	-	-	-	28,386
	<u>59,375</u>	<u>3,407</u>	<u>96,630</u>	<u>67,868</u>	<u>314,111</u>	<u>4,124</u>	<u>545,515</u>
<b>NET BOOK VALUE</b>							
As at 31.03.2005	<u>204,278</u>	<u>23,013</u>	<u>35,968</u>	<u>25,204</u>	<u>61,866</u>	<u>1,561</u>	<u>351,890</u>
As at 31.03.2004	<u>237,439</u>	<u>23,550</u>	<u>25,768</u>	<u>22,019</u>	<u>63,944</u>	<u>1,756</u>	<u>374,476</u>
Depreciation charge for the year ended 31.03.2004	<u>4,457</u>	<u>613</u>	<u>9,443</u>	<u>6,633</u>	<u>31,519</u>	<u>803</u>	<u>53,468</u>
<b>Details as at 1.04.2003</b>							
Cost	263,848	26,420	105,647	74,633	343,561	8,215	822,324
Accumulated depreciation	<u>21,952</u>	<u>2,257</u>	<u>81,894</u>	<u>54,428</u>	<u>267,200</u>	<u>6,184</u>	<u>433,915</u>

- (a) Details of leasehold land and buildings are as follows:

<b>The Group</b>	<b>Long term leasehold land and buildings</b>	<b>Short term leasehold land and buildings</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cost	30,415	949	31,364
Accumulated Depreciation	(3,889)	(388)	(4,277)
	<u>26,526</u>	<u>561</u>	<u>27,087</u>
<b>The Company</b>			
Cost	26,165	255	26,420
Accumulated Depreciation	(3,187)	(220)	(3,407)
	<u>22,978</u>	<u>35</u>	<u>23,013</u>

The long term leasehold properties for the Group and the Company are for lease periods of 66-999 years and 85-855 years respectively and with unexpired lease periods of 54-875 years and 63-788 years respectively.

The short term leasehold properties for the Group and the Company are for lease periods of 20-49 years and 20 years respectively and with unexpired lease periods of 1-34 years and 1 year respectively.

- (b) Included in the net book value of computer equipment and software is capital work-in-progress for the Group and Company of RM14,776,000 (2004:RM29,103,000).
- (c) Details of fully depreciated property and equipment of the Group and the Company, which are still in use are as follows:

<b>The Group and Company</b>	<b>Freehold land and building</b>	<b>Leasehold improvements</b>	<b>Office equipment, furniture and fittings</b>	<b>Computer equipment and software</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cost	<u>75</u>	<u>68,172</u>	<u>40,544</u>	<u>267,576</u>	<u>2,563</u>	<u>378,930</u>

## 14. DEPOSITS FROM CUSTOMERS

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Savings deposits	2,688,669	2,579,429	2,688,669	2,579,429
Fixed/Investment deposits	19,363,863	17,794,831	19,365,562	17,796,625
Negotiable certificates of deposits	219,225	37,533	219,225	37,533
	<u>22,271,757</u>	<u>20,411,793</u>	<u>22,273,456</u>	<u>20,413,587</u>

(i) The maturity structure of deposits from customers is as follows:

Due within six months	16,101,534	15,130,704	16,103,233	15,132,498
Six months to one year	4,689,867	4,258,784	4,689,867	4,258,784
One year to three years	853,386	666,963	853,386	666,963
Three years to five years	626,970	355,342	626,970	355,342
	<u>22,271,757</u>	<u>20,411,793</u>	<u>22,273,456</u>	<u>20,413,587</u>

(ii) The deposits are sourced from the following types of customers:

Business enterprises	3,876,068	3,160,118	3,877,767	3,161,912
Individuals	16,395,827	14,911,651	16,395,827	14,911,651
Government and other statutory bodies	1,682,335	2,046,943	1,682,335	2,046,943
Others	317,527	293,081	317,527	293,081
	<u>22,271,757</u>	<u>20,411,793</u>	<u>22,273,456</u>	<u>20,413,587</u>

## 15. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Licensed banks	1,597,184	1,060,804	1,597,184	1,060,804
Licensed finance companies	19,928	-	19,928	-
Non-banking institutions	3,452,393	3,194,607	3,452,393	3,194,607
Bank Negara Malaysia ("BNM")	808,000	808,000	808,000	808,000
	<u>5,877,505</u>	<u>5,063,411</u>	<u>5,877,505</u>	<u>5,063,411</u>

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

Negotiable instruments of deposits	2,581,594	2,182,031	2,581,594	2,182,031
Interbank borrowing (Note 4)	-	200	-	200
	<u>2,581,594</u>	<u>2,182,231</u>	<u>2,581,594</u>	<u>2,182,231</u>

Deposits from BNM represent long-term deposits and interest-free loans placed with the Group and the Company in connection with the transfer of certain assets and liabilities of Abrar Finance Berhad and Kewangan Usahasama Makmur Berhad to the Company as mentioned in Note 9.

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Soft deposit	135,000	135,000	135,000	135,000
Soft loan	513,000	513,000	513,000	513,000
Commercial loan	160,000	160,000	160,000	160,000
	<u>808,000</u>	<u>808,000</u>	<u>808,000</u>	<u>808,000</u>

Included above are soft deposit of RM135,000,000 (2004: RM135,000,000) and soft loan of RM180,000,000 (2004: RM180,000,000) bearing interest of 1% (2004: 1%) per annum. The remaining soft loan and the commercial loan are interest free. The soft loan of RM180,000,000 (2004: RM180,000,000) is repayable on 18 December 2008 or when the deferred assets relating to AFB referred to in Note 9 are fully utilised, whichever is earlier. The remaining loans and soft deposit are repayable when the deferred assets relating to KUMB referred to in Note 9 are fully utilised.

#### 16. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements represent the obligations to repurchase these securities sold as mentioned in Note 7.

#### 17. AMOUNT DUE TO CAGAMAS BERHAD

Amount due to Cagamas Berhad represents the proceeds received from loans (excluding Islamic financing) sold directly and indirectly to Cagamas Berhad with recourse to the Company. Under this arrangement, the Company undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans, which are regarded as defective based on prudential criteria.

#### 18. OTHER LIABILITIES

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Tax payable	18	253	-	-
Lease deposits and advance rentals	39,373	42,005	39,373	42,005
Interest payable	181,783	172,533	181,783	172,533
Other creditors and accruals (i)	625,730	507,139	623,189	502,471
General allowance for commitment and contingencies (ii)	13,000	52,000	13,000	52,000
Profit equalisation reserve	97,352	51,999	97,352	51,999
	<u>957,256</u>	<u>825,929</u>	<u>954,697</u>	<u>821,008</u>



(i) **Other creditors and accruals**

Included under other creditors and accruals of the Group and of the Company are outstanding balances totalling RM48,252,000 (2004:RM5,895,000) and RM48,515,000 (2004:RM6,420,000) respectively owing to other related companies. The amounts are interest-free and represent amounts paid on behalf.

(ii) **General allowance for commitment and contingencies**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at beginning of year	52,000	15,000
Allowance made during the year	-	37,000
Payment during the year	(39,000)	-
	<u>13,000</u>	<u>52,000</u>
Balance at end of year	<u>13,000</u>	<u>52,000</u>

The above general provision for contingencies is in connection with three legal suits relating to the Highland Towers tragedy, whereby the plaintiffs had contended that AMFB Holdings caused or contributed to the collapse of Block 1 and forced evacuation of Blocks 2 and 3 of the Highland Towers.

By a Vesting Order of the High Court of Malaya dated 21 May 2002 pursuant to Section 50 of the Banking and Financial Institutions Act, 1989, all rights and liabilities (including rights and liabilities under and or in respect of any past, pending or future litigation) accruing to, owed or incurred by AMFB Holdings in relation to its finance company business have been transferred to and assumed by the Company with effect from 15 June 2002 and AMFB Holdings shall cease to be liable in respect of such liabilities with effect therefrom.

On 31 May 2004, the Company entered into a settlement agreement with the plaintiffs in respect of the legal suits whereby the Company agreed to pay plaintiffs a settlement sum of RM52.0 million in full and final settlement inclusive of costs and the plaintiffs shall, among others, release and assign to the Company all their rights of action in the suits against Highland Properties Sdn. Bhd. (the developer of Highland Towers) as well as all their rights and title to their individual apartment units and their rights to common property, unencumbered and free from claims of end financiers.

The Company had made full provision in prior year of which RM39.0 million has been paid during the year.

**19. SUBORDINATED TERM LOAN**

The subordinated term loan is unsecured, subordinated to all other liabilities and was obtained from Danamodal Nasional Berhad ("Danamodal"), a company incorporated for the purpose of recapitalising the local banking and financial institutions, to strengthen the Company's capital base.

Pursuant to the acquisition of the Company by AMFB Holdings on 20 December 2001, Danamodal extended the loan for a further period of ten (10) years to be repaid on 20 December 2011. The loan bore interest at 6.5% per annum for the first five years and at 7.5% per annum or 1.0% above 3 months KLIBOR, whichever is higher, for the next five years. The interest is payable on a half yearly basis.

On 28 October 2003, the Company entered into a Supplemental Facility Agreement with Danamodal whereby the subordinated term loan was novated to Astute Assets Berhad, a special purpose vehicle. In accordance with the new terms of agreement, interest on the loan is charged at 6.5% per annum until 19 December 2006, 7.0% per annum from 20 December 2006 until 19 December 2007, and 7.5% per annum from 20 December 2007 until 19 December 2011.

## 20. REDEEMABLE UNSECURED SUBORDINATED BONDS

Pursuant to a Trust Deed dated 24 April 2003, the Company issued RM200,000,000 nominal amount of Negotiable Interest-bearing Redeemable Unsecured Subordinated Bonds ("Subordinated Bonds") for the purpose of increasing the Company's capital funds.

The salient features of the Subordinated Bonds are as follows:

- (a) The Subordinated Bonds bear interest at 7.95% per annum for the first five years and subsequently at 8.45% to 10.45% per annum. The interest is payable on a semi-annual basis.
- (b) The Subordinated Bonds are for a period of ten years maturing on 30 April 2013. However, subject to the prior approval of Bank Negara Malaysia, the Company may redeem the Subordinated Bonds on 30 April 2008 or on each anniversary date thereafter, at nominal value together with interest accrued to the date of redemption.

## 21. MINORITY INTERESTS

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

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

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at beginning of year	101	113
Share in net results of subsidiary companies	(15)	(12)
Balance at end of year	<u>86</u>	<u>101</u>

## 22. SHARE CAPITAL

	<b>The Group and the Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Authorised		
Balance at beginning and end of year		
Ordinary shares	1,386,250	1,386,250
8% Irredeemable Non-Cumulative Convertible Preference Shares	2,500,000	2,500,000
	<u>3,886,250</u>	<u>3,886,250</u>
Issued and fully paid		
Balance at beginning and end of year		
Ordinary shares	<u>528,402</u>	<u>528,402</u>

## 23. RESERVES

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Non-distributable Reserves:</b>				
Share premium	379,953	379,953	379,953	379,953
Statutory reserve	528,402	483,070	528,402	483,070
Capital reserve	-	278,342	-	278,342
Total non-distributable reserves	908,355	1,141,365	908,355	1,141,365
<b>Distributable Reserves:</b>				
Unappropriated profits	1,185,708	712,657	1,174,432	704,698
	<u>2,094,063</u>	<u>1,854,022</u>	<u>2,082,787</u>	<u>1,846,063</u>

Movements in reserves are shown in the statements of changes in equity on pages 15 and 16.

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

The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividends.

The capital reserve is in respect of the deferred tax asset on the Company's unabsorbed tax losses recognised in equity. During the year, the entire capital reserve has been transferred to unappropriated profits.

Distributable reserves are those available for distribution by way of dividends. There is no tax credit available under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of the Company's distributable reserves as at 31 March 2005.

## 24. INTEREST INCOME

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Loans and advances	1,933,533	2,141,921	1,934,149	2,142,754
Money at call, deposits and placements with financial institutions	63,064	79,344	63,064	79,344
Dealing securities	1,076	892	1,076	892
Investment securities	52,116	33,239	52,116	33,239
Others	50,676	23,583	50,676	23,583
	<u>2,100,465</u>	<u>2,278,979</u>	<u>2,101,081</u>	<u>2,279,812</u>
Net interest suspended (Amortisation of premium)	(180,661)	(267,951)	(180,661)	(267,951)
/accretion of discounts	(1,390)	16,755	(1,390)	16,755
	<u>1,918,414</u>	<u>2,027,783</u>	<u>1,919,030</u>	<u>2,028,616</u>

## 25. INTEREST EXPENSE

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits and placements	656,426	698,816	656,499	698,898
Amounts due to Cagamas Berhad	125,332	147,186	125,332	147,186
Others	126,654	112,990	126,638	112,975
	<u>908,412</u>	<u>958,992</u>	<u>908,469</u>	<u>959,059</u>

## 26. NON-INTEREST INCOME

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Fee and Other Operating Income:</b>				
Commissions	19,188	15,978	19,188	15,978
Guarantee fees	1,085	999	1,085	999
Income from asset securitisation	42,838	-	42,838	-
Other fee income	12,599	11,908	12,599	11,908
	<u>75,710</u>	<u>28,885</u>	<u>75,710</u>	<u>28,885</u>
<b>Investment and Trading Income:</b>				
Net loss on disposal of dealing securities	(10,622)	(4,324)	(10,622)	(4,324)
Net loss on disposal of investment securities	(1,726)	(3,949)	(1,726)	(3,949)
Gain on disposal of subsidiary company	402	-	-	-
Gross dividends from investment securities:				
Shares quoted in Malaysia	7,590	3,091	7,590	3,091
Unquoted shares	640	7,078	613	7,023
	<u>(3,716)</u>	<u>1,896</u>	<u>(4,145)</u>	<u>1,841</u>
<b>Other Income:</b>				
Gain on disposal of leased assets	3	8	3	8
Gain on disposal of properties	567	-	185	-
Rental income	8,004	8,659	7,365	8,151
Gain on disposal of property and equipment	2,845	1,134	688	1,134
Other income	-	58	-	-
	<u>11,419</u>	<u>9,859</u>	<u>8,241</u>	<u>9,293</u>
	<u>83,413</u>	<u>40,640</u>	<u>79,806</u>	<u>40,019</u>

**27. OPERATING EXPENSES**

	<b>The Group</b>		<b>The Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
Personnel/Staff costs	214,633	194,366	214,633	194,366
Establishment costs	123,908	137,580	126,605	140,794
Marketing and communication expenses	178,028	165,612	178,028	165,612
Administration and general expenses	<u>37,767</u>	<u>45,411</u>	<u>37,102</u>	<u>46,498</u>
	<u>554,336</u>	<u>542,969</u>	<u>556,368</u>	<u>547,270</u>

The above expenditure includes the following statutory disclosure:

Directors' remuneration (Note 30)	2,771	2,479	2,771	2,479
Rental of premises				
- subsidiary companies	-	-	4,971	5,257
- others	15,945	17,534	15,945	17,534
Lease rental	1,419	1,338	1,419	1,338
Depreciation of property and equipment (Note 13)	41,431	54,318	40,630	53,468
Auditors' remuneration:				
Statutory audit	316	316	300	300
Special audit	120	120	120	120
Property and equipment written off	3,907	145	3,907	145
Impairment losses on foreclosed property	2,000	4,000	2,000	4,000
Allowance for doubtful debts - other receivables	<u>1,964</u>	<u>464</u>	<u>1,911</u>	<u>464</u>

The total number of employees of the Group and of the Company as at 31 March 2005 was 5,335 (2004: 5,220).

Staff costs include salaries, bonuses, contributions to employees' provident fund and all other staff related expenses. Contributions to employees' provident fund of the Group and of the Company amounted to RM20,956,000 (2004: RM19,046,000).

## 28. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Allowance for bad and doubtful debts and financing:				
Specific allowance (net)				
- made in the financial year	877,367	696,900	877,367	696,900
- written back	(278,830)	(268,848)	(278,830)	(268,848)
General allowance	24,153	16,550	24,153	16,550
Bad debts and financing recovered	(174,232)	(209,634)	(174,232)	(209,634)
	<u>448,458</u>	<u>234,968</u>	<u>448,458</u>	<u>234,968</u>
Allowance on amount recoverable from Danaharta	-	62,794	-	62,794
	<u>448,458</u>	<u>297,762</u>	<u>448,458</u>	<u>297,762</u>

## 29. HOLDING AND ULTIMATE HOLDING COMPANIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The holding and ultimate holding companies are AMFB Holdings Berhad and AMMB Holdings Berhad respectively, both of which are incorporated in Malaysia.

During the financial year, the significant related party transactions and balances are as follows:

(a) The significant transactions and balances of the Company with its holding and ultimate holding companies and related companies are as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Income</b>				
<u>Related companies</u>				
Interest on deposits and placement				
AmMerchant Bank Berhad	2,292	25,624	2,292	25,624
AmBank Berhad	<u>1,244</u>	<u>7,544</u>	<u>1,244</u>	<u>7,544</u>
	<u>3,536</u>	<u>33,168</u>	<u>3,536</u>	<u>33,168</u>
Interest on investment securities				
AmMerchant Bank Berhad	7,842	9,187	7,842	9,187
AmBank Berhad	<u>1,659</u>	<u>2,042</u>	<u>1,659</u>	<u>2,042</u>
	<u>9,501</u>	<u>11,229</u>	<u>9,501</u>	<u>11,229</u>
Interest on loans and advances				
AmProperty Holdings Sdn Bhd	-	-	616	832
Arab-Malaysian Credit Berhad	<u>-</u>	<u>36</u>	<u>-</u>	<u>36</u>
	<u>-</u>	<u>36</u>	<u>616</u>	<u>868</u>

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Other income				
Arab-Malaysian Credit Berhad	306	350	306	350
AmSecurities Berhad	-	435	-	435
AmAssurance Berhad	17,965	15,343	15,808	15,343
AmInvestment Services Berhad	1,070	1,070	1,070	1,070
	<u>19,341</u>	<u>17,198</u>	<u>17,184</u>	<u>17,198</u>
<b>Expenditure</b>				
<u>Ultimate holding company</u>				
Interest on deposits and placements				
AMMB Holdings Berhad	28	270	28	270
	<u>28</u>	<u>270</u>	<u>28</u>	<u>270</u>
<u>Holding company</u>				
Interest on subordinated loan notes				
AMFB Holdings Berhad	-	9,445	-	9,445
	<u>-</u>	<u>9,445</u>	<u>-</u>	<u>9,445</u>
<u>Related companies</u>				
Interest on deposits and placements				
AmMerchant Bank Berhad	2,211	944	2,211	944
AmAssurance Berhad	6,993	7,029	6,993	7,029
AmBank Berhad	578	1,119	578	1,119
AmTrustee Berhad	6	12	6	12
AmSecurities Berhad	-	9	-	9
AmFutures Sdn Bhd	-	5	-	5
MBf Information Services Sdn Bhd	-	-	39	42
MBf Nominees (Tempatan) Sdn Bhd	-	-	-	1
MBf Trustees Berhad	-	-	4	8
AmProperty Holdings Sdn Bhd	-	-	-	2
Bougainvillaea Development Sdn Bhd	-	-	14	13
	<u>9,788</u>	<u>9,118</u>	<u>9,845</u>	<u>9,184</u>
Other expenses				
AmAssurance Berhad	280	1,892	280	1,892
Arab-Malaysian Credit Berhad	2,220	1,314	2,220	1,314
AmInvestment Management Sdn Bhd	288	81	288	81
AmProperty Trust Management Berhad	2,200	1,951	2,200	1,951
AmProperty Holdings Sdn Bhd	-	-	3,643	4,150
Bougainvillaea Development Sdn Bhd	-	-	1,106	1,106
	<u>4,988</u>	<u>5,238</u>	<u>9,737</u>	<u>10,494</u>

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Amount due from</b>				
<u>Related companies</u>				
Loans and advances				
AmProperty Holdings Sdn Bhd	-	-	3,881	8,273
Deposits and placements				
AmMerchant Bank Berhad	127,600	727,500	127,600	727,500
AmBank Berhad	99,700	-	99,700	-
	<u>227,300</u>	<u>727,500</u>	<u>227,300</u>	<u>727,500</u>
Investment securities				
AmMerchant Bank Berhad	<u>401,102</u>	<u>393,908</u>	<u>401,102</u>	<u>393,908</u>
Interest receivable				
AmMerchant Bank Berhad	81	1,174	81	1,174
AmBank Berhad	<u>225</u>	<u>-</u>	<u>225</u>	<u>-</u>
	<u>306</u>	<u>1,174</u>	<u>306</u>	<u>1,174</u>
<b>Amount due to</b>				
<u>Ultimate holding company</u>				
Deposits and placements				
AMMB Holdings Berhad	<u>331</u>	<u>2,560</u>	<u>331</u>	<u>2,560</u>
Interest payable				
AMMB Holdings Berhad	-	5	-	5
AmMerchant Bank Berhad	<u>45</u>	<u>-</u>	<u>45</u>	<u>-</u>
<u>Related companies</u>				
Deposits and placements				
AmMerchant Bank Berhad	711,922	277,700	711,922	277,700
AmBank Berhad	43,852	42,464	43,852	42,464
AmAssurance Berhad	100,393	100,382	100,393	100,382
AmTrustee Berhad	100	100	100	100
MBf Information Services Sdn Bhd	-	-	1,316	1,277
MBf Trustees Berhad	-	-	100	218
Bougainvillaea Development Sdn Bhd	-	-	283	275
	<u>856,267</u>	<u>420,646</u>	<u>857,966</u>	<u>422,416</u>
Interest payable				
AmAssurance Berhad	1,087	1,107	1,087	1,107
AmTrustee Berhad	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>1,088</u>	<u>1,108</u>	<u>1,088</u>	<u>1,108</u>
Commitments and Contingencies				
AmMerchant Bank Berhad	<u>1,700,000</u>	<u>630,000</u>	<u>1,700,000</u>	<u>630,000</u>

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



## (b) Directors related transactions

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

<b>Company</b>	<b>Types of transactions</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
<b>Expense</b>			
MCM Horizon Sdn Bhd (formerly known as Blue Star Infotech (M) Sdn Bhd)	Computer maintenance and consultancy services	1,730	1,520
MCM Consulting Sdn Bhd (formerly known as Gamarapi Sdn Bhd)	Computer maintenance and consultancy services	2,876	2,094
MCM Systems Sdn Bhd (formerly known as Infotech Project Sdn Bhd)	Computer maintenance	205	-
Modular Corporation (M) Sdn Bhd	Provision of PMPC cards	1,025	-
Conquest Marketing Sdn Bhd	Advertising	-	707
Arab-Malaysian Realty Sdn Bhd	Rental of premises and property maintenance costs	234	261
Taifab Properties Sdn Bhd	Rental of premises	80	193
Melawangi Sdn Bhd	Rental of premises	300	-
Aon Insurance Brokers (M) Sdn Bhd	Insurance brokerage fees	2,338	3,010
<b>Capital expenditure</b>			
MCM Consulting Sdn Bhd (formerly known as Gamarapi Sdn Bhd)	Purchase of computer hardware, software and related consultancy services	2,440	3,092
MCM Systems Sdn Bhd (formerly known as Infotech Project Sdn Bhd)	Purchase of computer hardware, software and related consultancy services	2,333	412
MCM Horizon Sdn Bhd (formerly known as Blue Star Infotech (M) Sdn Bhd)	Purchase of computer hardware, software and related consultancy services	289	389

The significant non-banking transactions of the Group and the Company with companies in which Tun Mohammed Hanif Omar is also a director is as follows:

<b>Company</b>	<b>Types of transactions</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
<b>Expense</b>			
Unigaya Protection Systems Sdn Bhd	Provision of security services	373	460

The above transactions have been entered into in the normal course of business and have been established under terms and conditions that are not materially different from those arranged with independent parties.

As at 31 March 2005 and 31 March 2004, there are no outstanding balances arising from directors related transactions.

### 30. DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all the Group's and the Company's directors charged to the income statements for the financial year are as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
<u>Directors of the Company</u>				
Executive directors				
Salaries and other remuneration	2,225	1,973	2,225	1,973
Benefits-in-kind	110	132	110	132
	<u>2,335</u>	<u>2,105</u>	<u>2,335</u>	<u>2,105</u>
Non-executive directors				
Other remuneration	<u>546</u>	<u>506</u>	<u>546</u>	<u>506</u>
Total	<u>2,881</u>	<u>2,611</u>	<u>2,881</u>	<u>2,611</u>
Total (excluding benefits-in-kind)	<u>2,771</u>	<u>2,479</u>	<u>2,771</u>	<u>2,479</u>

The remuneration attributable to the Managing Director of the Company, including benefits-in-kind during the financial year amounted to RM1,352,000 (2004: RM1,516,000).

## 31. TAXATION

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Estimated current tax payable	63	944	-	-
Share in taxation of associated company	73	73	-	-
Net transfer from/(to) deferred taxation (Note 32)	124,929	(58,191)	124,929	(57,934)
	125,065	(57,174)	124,929	(57,934)
Under/(Over) provision of current taxation in respect of prior years	941	(78)	500	-
Prior year tax expense in respect of business vested over from AMFB Holdings	8,047	20,859	8,047	20,859
	<u>134,053</u>	<u>(36,393)</u>	<u>133,476</u>	<u>(37,075)</u>

Taxation of the Group is in respect of estimated taxable income of certain subsidiary companies. There is no tax charge for the Company for the current year and prior year due to the utilisation of unabsorbed tax losses and capital allowances brought forward of RM403.9million (2004: RM894.4million) and RM10.1million (2004: RM22.4million) respectively.

As at 31 March 2005, the Company has unabsorbed tax losses and unutilised capital allowances amounting to approximately RM1,055.4million (2004: RM1,459.3million) and RM101.9million (2004: RM123.1million) respectively, which can be used to offset future taxable profits subject to agreement with the Inland Revenue Board.

The prior year taxation in respect of AMFB Holdings' business has been vested over to the Company pursuant to the Vesting Order of the High Court of Malaya dated 21 May 2002, whereby all rights and liabilities accruing to, owed or incurred by AMFB Holdings in relation to its finance company business have been transferred to and assumed by the Company with effect from 15 June 2002.

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:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Profit before taxation	<u>374,079</u>	<u>497,269</u>	<u>370,200</u>	<u>492,989</u>
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	104,742	139,235	103,656	138,037
Income not subject to tax	(1,094)	(2,357)	(1,094)	(1,639)
Expenses not deductible for tax purposes	8,608	15,231	9,558	14,951
Deferred tax asset charged out/(not recognised in prior years)	12,809	(209,283)	12,809	(209,283)
Tax charge/(tax credit) for the year	<u>125,065</u>	<u>(57,174)</u>	<u>124,929</u>	<u>(57,934)</u>

## 32. DEFERRED TAX ASSET

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Balance at beginning of year				
As previously reported	(701,236)	(645,859)	(701,236)	(646,116)
Prior year adjustments (Note 44) *	(40,497)	(37,683)	(40,497)	(37,683)
As restated	(741,733)	(683,542)	(741,733)	(683,799)
Transfer from income statements	124,929	(58,191)	124,929	(57,934)
Balance at end of year	<u>(616,804)</u>	<u>(741,733)</u>	<u>(616,804)</u>	<u>(741,733)</u>

\* The prior year adjustment is in respect of the decrease in utilisation of unabsorbed tax losses resulting from the change of accounting policy on hire purchase handling fees.

The deferred tax (assets)/liabilities are in respect of the following temporary differences:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unabsorbed tax losses	(295,510)	(444,288)	(295,510)	(444,288)
Leasing temporary differences	-	(15,691)	-	(15,691)
Temporary differences between depreciation and tax allowances on property and equipment	15,496	14,285	15,496	14,285
Temporary differences arising from impairment loss on foreclosed properties	(24,396)	(2,930)	(24,396)	(2,930)
Temporary differences arising from allowance on amount recoverable from Danaharta	(74,357)	(76,929)	(74,357)	(76,929)
Temporary difference arising from allowance for diminution in value of investments	(93,717)	(92,265)	(93,717)	(92,265)
Temporary difference arising from general allowance	(120,234)	(113,471)	(120,234)	(113,471)
Others	(24,086)	(10,444)	(24,086)	(10,444)
	<u>(616,804)</u>	<u>(741,733)</u>	<u>(616,804)</u>	<u>(741,733)</u>

**33. EARNINGS PER SHARE**

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2005</b> <b>RM'000/000</b>	<b>2004</b> <b>RM'000/000</b>	<b>2005</b> <b>RM'000/000</b>	<b>2004</b> <b>RM'000/000</b>
Net profit attributable to shareholders of the Company	<u>240,041</u>	<u>533,674</u>	<u>236,724</u>	<u>530,064</u>
Weighted average number of ordinary shares in issue	<u>528,402</u>	<u>528,402</u>	<u>528,402</u>	<u>528,402</u>
Basic earnings per share (sen)	<u>45.43</u>	<u>101.00</u>	<u>44.80</u>	<u>100.31</u>

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

**34. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group and the Company 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 and the Company's assets.

The risk-weighted exposure of the Group and the Company is as follows:

<b>The Group</b>	<b>2005</b>			<b>2004</b>		
	<b>Principal Amount RM'000</b>	<b>Credit Equivalent Amount* RM'000</b>	<b>Risk Weighted Amount RM'000</b>	<b>Principal Amount RM'000</b>	<b>Credit Equivalent Amount* RM'000</b>	<b>Risk Weighted Amount RM'000</b>
Direct credit substitutes	51,404	51,404	15,300	81,045	81,045	26,634
Transaction-related contingent items	-	-	-	616	308	308
Unpaid portion of partly paid shares	250	250	250	250	250	250
Irrevocable commitments to extend credit:						
- maturing less than one year	3,056,148	-	-	2,880,399	-	-
- maturing more than one year	483,410	241,705	241,705	568,697	284,349	284,349
Interest rate swap contracts:						
- maturing within one year	250,000	500	100	30,000	75	15
- maturing more than one year to less than five years	1,880,000	33,986	6,797	800,000	13,230	2,646
Islamic financing sold to Cagamas Berhad with recourse	925,365	925,365	925,365	-	-	-
<b>Total</b>	<b>6,646,577</b>	<b>1,253,210</b>	<b>1,189,517</b>	<b>4,361,007</b>	<b>379,257</b>	<b>314,202</b>

The Company	2005			2004		
	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
Direct credit substitutes	51,404	51,404	15,300	81,045	81,045	26,634
Transaction-related contingent items	-	-	-	616	308	308
Unpaid portion of partly paid shares	150	150	150	150	150	150
Irrevocable commitments to extend credit:						
- maturing less than one year	3,056,148	-	-	2,880,399	-	-
- maturing more than one year	483,410	241,705	241,705	568,697	284,349	284,349
Interest rate swap contracts:						
- maturing within one year	250,000	500	100	30,000	75	15
- maturing more than one year to less than five years	1,880,000	33,986	6,797	800,000	13,230	2,646
Islamic financing sold to Cagamas Berhad with recourse	925,365	925,365	925,365	-	-	-
<b>Total</b>	<b>6,646,477</b>	<b>1,253,110</b>	<b>1,189,417</b>	<b>4,360,907</b>	<b>379,157</b>	<b>314,102</b>

\* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia guidelines.

**35. NET TANGIBLE ASSETS PER SHARE (RM)**

Net tangible assets per share represent the balance sheet total assets value less total liabilities and minority interests expressed as an amount per ordinary share.

Net tangible assets per share is calculated as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
Total assets	<u>35,097,851</u>	<u>33,514,256</u>	<u>35,085,629</u>	<u>33,503,069</u>
Less:				
Total Liabilities	32,475,300	31,131,731	32,474,440	31,128,604
Minority interests	<u>86</u>	<u>101</u>	<u>-</u>	<u>-</u>
	<u>32,475,386</u>	<u>31,131,832</u>	<u>32,474,440</u>	<u>31,128,604</u>
Net tangible assets	<u>2,622,465</u>	<u>2,382,424</u>	<u>2,611,189</u>	<u>2,374,465</u>
Issued and fully paid up ordinary shares of RM1.00 each ('000)	<u>528,402</u>	<u>528,402</u>	<u>528,402</u>	<u>528,402</u>
Net tangible assets per share (RM)	<u>4.96</u>	<u>4.51</u>	<u>4.94</u>	<u>4.49</u>



36. **SEGMENT ANALYSIS**

Analysis by activity

<b>The Group 31 March 2005</b>	<b>Finance RM'000</b>	<b>Others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Operating Revenue</b>				
External revenue	2,495,170	366	-	2,495,536
Inter-segment revenue	616	4,749	(5,365)	-
Total revenue	<u>2,495,786</u>	<u>5,115</u>	<u>(5,365)</u>	<u>2,495,536</u>
<b>Results</b>				
Profit from operations	370,200	3,231	367	373,798
Share of profits of associated company			281	281
Profit before tax				374,079
Taxation				(134,053)
Profit after taxation				<u>240,026</u>
<b>Other information</b>				
Capital additions	51,289	-	-	51,289
Depreciation	40,630	765	36	41,431
Loan and financing loss and allowance (net of recoveries)	448,458	-	-	448,458
Writeback of allowance for diminution in value of investment securities	4,597	34	-	4,631
Accretion of discounts less amortisation of premium	(4,604)	-	-	(4,604)
Property and equipment written off	3,907	-	-	3,907
Impairment losses on property and equipment	28,386	1,448	-	<u>29,834</u>
<b>Consolidated Balance Sheet</b>				
<b>Assets</b>				
Segment assets	35,085,479	86,941	(75,027)	35,097,393
Investment in associated companies	150	-	308	458
Consolidated total assets				<u>35,097,851</u>
<b>Liabilities</b>				
Segment liabilities	32,474,440	153,863	(153,003)	32,475,300
Consolidated total liabilities				<u>32,475,300</u>

<b>The Group 31 March 2004</b>	<b>Finance RM'000</b>	<b>Others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Operating Revenue</b>				
External revenue	2,463,810	508	-	2,464,318
Inter-segment revenue	832	5,257	(6,089)	-
Total revenue	<u>2,464,642</u>	<u>5,765</u>	<u>(6,089)</u>	<u>2,464,318</u>
<b>Results</b>				
Profit from operations	492,989	4,107	(35)	497,061
Share of profits of associated company			208	208
Profit before tax				497,269
Taxation				<u>36,393</u>
Profit after taxation				<u>533,662</u>
<b>Other information</b>				
Capital additions	46,250	33	-	46,283
Depreciation	53,468	814	36	54,318
Loan and financing loss and allowance (net of recoveries)	234,968	-	-	234,968
Allowance on amount recoverable from Danaharta	62,794	-	-	62,794
Writeback of allowance for diminution in value of investment securities	(20,118)	84	-	(20,034)
Accretion of discounts less amortisation of premium	(21,607)	-	-	(21,607)
Property and equipment written off	145	-	-	145
General allowance for contingencies	37,000	-	-	<u>37,000</u>
<b>Consolidated Balance Sheet</b>				
<b>Assets</b>				
Segment assets	33,502,919	90,573	(79,486)	33,514,006
Investment in associated companies	150	-	100	<u>250</u>
Consolidated total assets				<u>33,514,256</u>
<b>Liabilities</b>				
Segment liabilities	31,128,604	161,795	(158,668)	<u>31,131,731</u>
Consolidated total liabilities				<u>31,131,731</u>

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established under terms and conditions that are no less favourable than those arranged with independent parties.

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.

**37. CAPITAL COMMITMENTS**

As at the balance sheet date, the Group and the Company have the following commitments:

	<b>The Group</b>		<b>The Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
Authorised and contracted for:				
Purchase of computer equipment and software	36,816	39,506	36,816	39,506
Leasehold improvements	18,530	6,805	18,530	6,805
Unpaid portion of partly paid-up shares in associated companies	250	250	150	150
	<u>55,596</u>	<u>46,561</u>	<u>55,496</u>	<u>46,461</u>

**38. LEASE COMMITMENTS**

The Group and the Company have lease commitments in respect of rented 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:

Year ending	<b>The Group</b>		<b>The Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
2005	-	21,330	-	21,330
2006	19,318	20,139	19,318	20,139
2007	18,423	19,534	18,423	19,534
2008	19,040	19,021	19,040	19,021
2009 and thereafter	124,008	88,597	124,008	88,597
	<u>180,789</u>	<u>168,621</u>	<u>180,789</u>	<u>168,621</u>

The lease commitments represent minimum rentals not adjusted for operating expenses which the Company is 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.

**39. CAPITAL ADEQUACY RATIO**

Bank Negara Malaysia's ("BNM") guideline on capital adequacy requires the Company to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

The risk weighted capital adequacy ratio of the Company of 11.51% (2004: 11.24%) exceeds the minimum requirements of BNM.

	<b>The Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Tier 1 capital</u>		
Paid-up share capital	528,402	528,402
Share premium	379,953	379,953
Statutory reserve	528,402	483,070
Unappropriated profit at end of year *	574,259	402,498
	<u>2,011,016</u>	<u>1,793,923</u>
<u>Tier 2 capital</u>		
General allowance for bad and doubtful debts and financing	425,857	402,415
Subordinated term loan	680,000	581,710
Subordinated bonds	200,000	200,000
	<u>1,305,857</u>	<u>1,184,125</u>
Total tier 2 capital		
	<u>1,305,857</u>	<u>1,184,125</u>
Total capital funds	3,316,873	2,978,048
Less: Investment in subsidiary companies	(29,779)	(29,779)
	<u>3,287,094</u>	<u>2,948,269</u>
Capital base		
	<u>3,287,094</u>	<u>2,948,269</u>

\* The unappropriated profit included in the Tier-1 capital excludes the deferred tax asset that was recognised by the Company and this is in accordance to the revised guideline issued by Bank Negara Malaysia in August 2003.

The comparative ratios are not adjusted for the prior year adjustments.

	<b>The Company</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Principal RM'000</b>	<b>Risk - Weighted RM'000</b>	<b>Principal RM'000</b>	<b>Risk - Weighted RM'000</b>
Notional risk-weighted assets:				
Categories				
0%	4,022,069	-	3,635,821	-
10%	294,805	29,481	-	-
20%	1,498,658	299,731	1,662,809	332,562
50%	3,889,353	1,944,677	4,357,048	2,178,524
100%	<u>26,271,294</u>	<u>26,271,294</u>	<u>23,721,454</u>	<u>23,721,454</u>
	<u>35,976,179</u>	<u>28,545,183</u>	<u>33,377,132</u>	<u>26,232,540</u>

**Capital Ratios**

Core capital ratio	7.04%	6.84%
Risk-weighted capital ratio	<u>11.51%</u>	<u>11.24%</u>

The risk weighted capital adequacy ratio of the Group are as follows:

	<b>The Group</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>
<u>Tier 1 capital</u>		
Paid-up share capital	528,402	528,402
Share premium	379,953	379,953
Statutory reserve	528,402	483,070
Unappropriated profit at end of year *	585,504	410,457
Minority interests	86	101
Total tier 1 capital	<u>2,022,347</u>	<u>1,801,983</u>
<u>Tier 2 capital</u>		
General allowance for bad and doubtful debts and financing	425,857	402,415
Subordinated term loan	680,000	581,710
Subordinated bonds	200,000	200,000
Total tier 2 capital	<u>1,305,857</u>	<u>1,184,125</u>
Capital base	<u>3,328,204</u>	<u>2,986,108</u>

\* The unappropriated profit included in the Tier-1 capital excludes the deferred tax asset that was recognised by the Company and this is in accordance to the revised guideline issued by Bank Negara Malaysia in August 2003.

The comparative ratios are not adjusted for the prior year adjustments.

	<b>The Group</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Principal RM'000</b>	<b>Risk - Weighted RM'000</b>	<b>Principal RM'000</b>	<b>Risk - Weighted RM'000</b>
Notional risk-weighted assets:				
Categories				
0%	4,022,069	-	3,635,821	-
10%	294,805	29,481	-	-
20%	1,516,895	303,379	1,665,116	333,023
50%	3,889,353	1,944,677	4,357,048	2,178,524
100%	<u>26,295,026</u>	<u>26,295,026</u>	<u>23,760,113</u>	<u>23,760,113</u>
	<u>36,018,148</u>	<u>28,572,563</u>	<u>33,418,098</u>	<u>26,271,660</u>
<b>Capital Ratios</b>				
Core capital ratio		7.08%		6.86%
Risk-weighted capital ratio		<u>11.65%</u>		<u>11.37%</u>

#### 40. SIGNIFICANT EVENT

On 25 February 2004, the Company entered into a conditional sale and purchase agreement with MBf Corporation Berhad ("MBf Corp") for the sale of its entire 100% equity interest consisting of 1,000,000 ordinary shares of RM1.00 each, in MBf Property Trust Management Berhad ("MBfPT") for a consideration of RM1.00.

The purchase consideration was arrived at on a willing-buyer and willing-seller basis after taking into consideration the financial position of MBfPT which had negative shareholder's funds as at 31 March 2004.

The disposal was completed on 9 August 2004.

#### 41. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, its ultimate holding company AMMB Holdings Berhad ("AHB") proposed a rationalisation exercise which involves the following proposals:

- (i) Proposed Acquisition of AmBank Berhad ("AmBank") by its holding company AMFB Holdings Berhad ("AMFB Holdings")

The Proposed Acquisition involves the acquisition by AMFB Holdings of the entire equity interest in a related company, AmBank, comprising 761,718,750 ordinary shares from AHB for a purchase consideration based on the carrying value of AHB's investment in AmBank as at the date of completion of the Proposed Acquisition by AMFB Holdings. The Purchase Consideration is proposed to be satisfied by the issuance of new shares in AMFB Holdings to AHB at an issue price to be determined based on the unaudited net tangible assets ("NTA") per share of AMFB Holdings as at the completion date.

Upon completion of the Proposed Acquisition by AMFB Holdings, AmBank will become a wholly-owned subsidiary of AMFB Holdings.

(ii) Proposed AmBank Acquisition by the Company

Upon completion of the Proposed Acquisition by AMFB Holdings, the Company proposes to acquire the entire equity interest in AmBank comprising 761,718,750 shares from AMFB Holdings for a purchase consideration based on the NTA of AmBank after adjusting for certain non-transferable assets as at the date of completion of the Proposed AmBank Acquisition by the Company. The Purchase Consideration is proposed to be satisfied by the issuance of new shares in the Company to AMFB Holdings at an issue price to be determined based on the unaudited NTA per share of the Company as at the completion date.

(iii) Proposed Business Merger

Upon completion of the Proposed AmBank Acquisition by the Company, the finance company business of the Company and the commercial banking business of AmBank will be merged by way of a transfer of AmBank's assets and liabilities (save for certain non-transferable assets) to the Company via a vesting order under Section 50 of the Banking and Financial Institutions Act, 1989.

The Proposed Business Merger is conditional on the completion of the Proposed AmBank Acquisition by the Company which is in turn conditional upon completion of the Proposed Acquisition by AMFB Holdings.

The Proposed Acquisition by AMFB Holdings, Proposed AmBank Acquisition by the Company and the Proposed Business Merger are subject to the approvals from the Securities Commission ("SC"), Minister of Finance, BNM and other relevant authorities.

#### 42. **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 are 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 condition. For the Group's trading portfolio, the Group's value at risk measurement takes a more sophisticated form by taking into account the correlation effects of various instruments in the portfolio.

The Group controls its 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.



Company No. 8515-D

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.

The Group	2005						Non-interest sensitive	Total	Effective interest rate
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>									
Cash and short-term funds	2,706,370	-	-	-	-	-	468,626	3,174,996	2.57
Deposits and placements with financial institutions	-	336,700	-	103	-	-	22,100	358,903	2.60
Dealing securities	-	-	-	-	-	-	75,796	75,796	-
Investment securities	100,238	-	300,863	228,405	574,629	371,888	298,851	1,874,874	3.64
Loans, advances and financing									
- Performing	6,201,675	308,752	785,445	1,393,892	8,208,473	1,963,188	5,425,948	24,287,373	7.75
- Non-performing *	-	-	-	-	-	-	2,991,136	2,991,136	-
Other non-interest sensitive balances	-	-	-	-	-	-	2,334,773	2,334,773	-
<b>TOTAL ASSETS</b>	<b>9,008,283</b>	<b>645,452</b>	<b>1,086,308</b>	<b>1,622,400</b>	<b>8,783,102</b>	<b>2,335,076</b>	<b>11,617,230</b>	<b>35,097,851</b>	
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>									
Deposits from customers	7,040,820	3,477,785	2,843,115	4,580,875	1,365,278	-	2,963,884	22,271,757	3.15
Deposits and placements of banks and other financial institutions	614,920	926,745	423,872	199,773	313,434	908,000	2,490,761	5,877,505	2.66
Securities sold under repurchase agreements	33,059	-	-	-	-	-	-	33,059	2.46
Amount due to Cagamas Berhad	341,683	154,481	110,392	223,961	1,498,163	127,043	-	2,455,723	3.92
Subordinated term loan	-	-	-	-	680,000	-	-	680,000	6.50
Subordinated bonds	-	-	-	-	200,000	-	-	200,000	7.95
Other non-interest sensitive balances	-	-	-	-	-	-	957,256	957,256	-
Total Liabilities	8,030,482	4,559,011	3,377,379	5,004,609	4,056,875	1,035,043	6,411,901	32,475,300	
Minority interests	-	-	-	-	-	-	86	86	
Shareholder's Funds	-	-	-	-	-	-	2,622,465	2,622,465	-
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>	<b>8,030,482</b>	<b>4,559,011</b>	<b>3,377,379</b>	<b>5,004,609</b>	<b>4,056,875</b>	<b>1,035,043</b>	<b>9,034,452</b>	<b>35,097,851</b>	
On-balance sheet interest sensitivity gap	977,801	(3,913,559)	(2,291,071)	(3,382,209)	4,726,227	1,300,033	2,582,778	-	
Off-balance sheet interest sensitivity gap	860,000	1,220,000	-	(150,000)	(1,930,000)	-	-	-	
Total interest sensitivity gap	<b>1,837,801</b>	<b>(2,693,559)</b>	<b>(2,291,071)</b>	<b>(3,532,209)</b>	<b>2,796,227</b>	<b>1,300,033</b>	<b>2,582,778</b>	<b>-</b>	

The Group	2004							Total RM'000	Effective interest rate %
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non- interest sensitive		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>ASSETS</b>									
Cash and short-term funds	2,862,100	-	-	-	-	-	192,667	3,054,767	2.77
Deposits and placements with financial institutions	-	-	19,132	98	-	-	-	19,230	5.71
Dealing securities	-	-	-	-	-	98,290	157,769	256,059	5.25
Investment securities	320,021	275,892	60,144	104,013	371,742	441,716	345,062	1,918,590	2.83
Loans, advances and financing									
- Performing	5,864,035	475,117	1,037,847	1,259,842	8,264,392	671,337	4,875,442	22,448,012	8.32
- Non-performing *	-	-	-	-	-	-	3,561,641	3,561,641	-
Other non-interest sensitive balances	-	-	-	-	-	-	2,255,957	2,255,957	-
<b>TOTAL ASSETS</b>	<u>9,046,156</u>	<u>751,009</u>	<u>1,117,123</u>	<u>1,363,953</u>	<u>8,636,134</u>	<u>1,211,343</u>	<u>11,388,538</u>	<u>33,514,256</u>	
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>									
Deposits from customers	7,292,777	2,941,112	2,673,027	4,065,573	892,774	6	2,546,524	20,411,793	3.24
Deposits and placements of banks and other financial institutions	152,997	139,193	388,260	786,275	380,237	908,000	2,308,449	5,063,411	2.48
Securities sold under repurchase agreements	274,991	-	-	-	-	-	-	274,991	2.78
Amount due to Cagamas Berhad	56,510	113,567	171,726	870,530	2,322,410	140,864	-	3,675,607	3.92
Subordinated term loan	-	-	-	-	680,000	-	-	680,000	6.50
Subordinated bonds	-	-	-	-	-	200,000	-	200,000	7.95
Other non-interest sensitive balances	-	-	-	-	-	-	825,929	825,929	-
Total Liabilities	7,777,275	3,193,872	3,233,013	5,722,378	4,275,421	1,248,870	5,680,902	31,131,731	
Minority interests	-	-	-	-	-	-	101	101	-
Shareholder's Funds	-	-	-	-	-	-	2,382,424	2,382,424	-
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>	<u>7,777,275</u>	<u>3,193,872</u>	<u>3,233,013</u>	<u>5,722,378</u>	<u>4,275,421</u>	<u>1,248,870</u>	<u>8,063,427</u>	<u>33,514,256</u>	
On-balance sheet interest sensitivity gap	1,268,881	(2,442,863)	(2,115,890)	(4,358,425)	4,360,713	(37,527)	3,325,111	-	
Off-balance sheet interest sensitivity gap	350,000	480,000	-	(30,000)	(800,000)	-	-	-	
Total interest sensitivity gap	<u>1,618,881</u>	<u>(1,962,863)</u>	<u>(2,115,890)</u>	<u>(4,388,425)</u>	<u>3,560,713</u>	<u>(37,527)</u>	<u>3,325,111</u>	<u>-</u>	

The Company	2005						Non-interest sensitive RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000			
<b>ASSETS</b>									
Cash and short-term funds	2,706,370	-	-	-	-	-	450,492	3,156,862	2.57
Deposits and placements with financial institutions	-	336,700	-	-	-	-	22,100	358,800	2.60
Dealing securities	-	-	-	-	-	-	75,796	75,796	-
Investment securities	100,239	-	300,863	228,405	574,629	371,888	298,596	1,874,620	3.64
Loans, advances and financing									
- Performing	6,201,736	308,951	785,750	1,394,522	8,211,160	1,963,188	5,425,947	24,291,254	7.75
- Non-performing *	-	-	-	-	-	-	2,991,136	2,991,136	-
Other non-interest sensitive balances	-	-	-	-	-	-	2,337,161	2,337,161	-
<b>TOTAL ASSETS</b>	<b>9,008,345</b>	<b>645,651</b>	<b>1,086,613</b>	<b>1,622,927</b>	<b>8,785,789</b>	<b>2,335,076</b>	<b>11,601,228</b>	<b>35,085,629</b>	
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>									
Deposits from customers	7,042,519	3,477,785	2,843,115	4,580,875	1,365,278	-	2,963,884	22,273,456	3.15
Deposits and placements of banks and other financial institutions	614,920	926,745	423,872	199,773	313,434	908,000	2,490,761	5,877,505	2.66
Securities sold under repurchase agreements	33,059	-	-	-	-	-	-	33,059	2.46
Amount due to Cagamas Berhad	341,683	154,481	110,392	223,961	1,498,163	127,043	-	2,455,723	3.92
Subordinated term loan	-	-	-	-	680,000	-	-	680,000	6.50
Subordinated bonds	-	-	-	-	200,000	-	-	200,000	7.95
Other non-interest sensitive balances	-	-	-	-	-	-	954,697	954,697	-
Total Liabilities	8,032,181	4,559,011	3,377,379	5,004,609	4,056,875	1,035,043	6,409,342	32,474,440	
Shareholder's Funds	-	-	-	-	-	-	2,611,189	2,611,189	-
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>	<b>8,032,181</b>	<b>4,559,011</b>	<b>3,377,379</b>	<b>5,004,609</b>	<b>4,056,875</b>	<b>1,035,043</b>	<b>9,020,531</b>	<b>35,085,629</b>	
On-balance sheet interest sensitivity gap	976,164	(3,913,360)	(2,290,766)	(3,381,682)	4,728,914	1,300,033	2,580,697	-	
Off-balance sheet interest sensitivity gap	860,000	1,220,000	-	(150,000)	(1,930,000)	-	-	-	
Total interest sensitivity gap	<u>1,836,164</u>	<u>(2,693,360)</u>	<u>(2,290,766)</u>	<u>(3,531,682)</u>	<u>2,798,914</u>	<u>1,300,033</u>	<u>2,580,697</u>	<u>-</u>	

The Company	2004							Non-interest sensitive	Total	Effective interest rate
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	RM'000			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>ASSETS</b>										
Cash and short-term funds	2,862,100	-	-	-	-	-	190,458	3,052,558	2.77	
Deposits and placements with financial institutions	-	-	19,132	-	-	-	-	19,132	5.71	
Dealing securities	-	-	-	-	-	98,290	157,769	256,059	5.25	
Investment securities	320,021	275,892	60,144	104,013	371,742	441,716	344,773	1,918,301	2.83	
Loans, advances and financing										
- Performing	5,864,233	475,512	1,038,430	1,260,968	8,269,621	672,080	4,875,442	22,456,286	8.32	
- Non-performing *	-	-	-	-	-	-	3,561,640	3,561,640	-	
Other non-interest sensitive balances	-	-	-	-	-	-	2,239,093	2,239,093	-	
<b>TOTAL ASSETS</b>	<b>9,046,354</b>	<b>751,404</b>	<b>1,117,706</b>	<b>1,364,981</b>	<b>8,641,363</b>	<b>1,212,086</b>	<b>11,369,175</b>	<b>33,503,069</b>		
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>										
Deposits from customers	7,294,571	2,941,112	2,673,027	4,065,573	892,774	6	2,546,524	20,413,587	3.24	
Deposits and placements of banks and other financial institutions	152,997	139,193	388,260	786,275	380,237	908,000	2,308,449	5,063,411	2.48	
Securities sold under repurchase agreements	274,991	-	-	-	-	-	-	274,991	2.78	
Amount due to Cagamas Berhad	56,510	113,567	171,726	870,530	2,322,410	140,864	-	3,675,607	3.92	
Subordinated term loan	-	-	-	-	680,000	-	-	680,000	6.50	
Subordinated loan notes	-	-	-	-	-	200,000	-	200,000	7.95	
Other non-interest sensitive balances	-	-	-	-	-	-	821,008	821,008	-	
Total Liabilities	7,779,069	3,193,872	3,233,013	5,722,378	4,275,421	1,248,870	5,675,981	31,128,604		
Shareholder's Funds	-	-	-	-	-	-	2,374,465	2,374,465	-	
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>	<b>7,779,069</b>	<b>3,193,872</b>	<b>3,233,013</b>	<b>5,722,378</b>	<b>4,275,421</b>	<b>1,248,870</b>	<b>8,050,446</b>	<b>33,503,069</b>		
On-balance sheet interest sensitivity gap	1,267,285	(2,442,468)	(2,115,307)	(4,357,397)	4,365,942	(36,784)	3,318,729	-		
Off-balance sheet interest sensitivity gap	350,000	480,000	-	(30,000)	(800,000)	-	-	-		
Total interest sensitivity gap	1,617,285	(1,962,468)	(2,115,307)	(4,387,397)	3,565,942	(36,784)	3,318,729	-		

\* This is arrived at after deducting the general allowance, specific allowance and interest/income-in-suspense from gross non-performing loans outstanding.

## **LIQUIDITY RISK**

Liquidity risk is the risk that the organisation will not be able to fund its day-to-day operations at a reasonable cost.

The primary objective of liquidity risk management framework is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as they come 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 Bank Negara Malaysia.
- 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.

Company No. 8515-D

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

The Group	2005							Total RM'000
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non- specific maturity RM'000	
<b>ASSETS</b>								
Cash and short-term funds	3,174,996	-	-	-	-	-	-	3,174,996
Deposits and placements with financial institutions	-	358,800	-	103	-	-	-	358,903
Dealing securities	-	-	-	-	-	-	75,796	75,796
Investment securities	100,238	-	300,863	296,668	691,628	371,888	113,589	1,874,874
Loans, advances and financing	2,821,211	1,276,438	1,818,783	3,443,759	12,176,116	5,742,202	-	27,278,509
Other assets	-	-	-	-	-	-	344,531	344,531
Deferred tax asset	-	-	-	-	-	-	616,804	616,804
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	988,930	988,930
Investment in associated companies	-	-	-	-	-	-	458	458
Property and equipment	-	-	-	-	-	-	384,050	384,050
<b>TOTAL ASSETS</b>	<u>6,096,445</u>	<u>1,635,238</u>	<u>2,119,646</u>	<u>3,740,530</u>	<u>12,867,744</u>	<u>6,114,090</u>	<u>2,524,158</u>	<u>35,097,851</u>
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>								
Deposits from customers	8,742,748	4,198,546	3,160,240	4,689,867	1,480,356	-	-	22,271,757
Deposits and placements of banks and other financial institutions	1,239,194	1,600,866	620,406	683,360	825,679	908,000	-	5,877,505
Securities sold under repurchase agreements	33,059	-	-	-	-	-	-	33,059
Amount due to Cagamas Berhad	341,683	154,481	110,392	223,961	1,498,163	127,043	-	2,455,723
Other liabilities	-	-	-	-	-	-	957,256	957,256
Subordinated term loan	-	-	-	-	-	680,000	-	680,000
Subordinated bonds	-	-	-	-	-	200,000	-	200,000
Total Liabilities	10,356,684	5,953,893	3,891,038	5,597,188	3,804,198	1,915,043	957,256	32,475,300
Minority interests	-	-	-	-	-	-	86	86
Shareholder's funds	-	-	-	-	-	-	2,622,465	2,622,465
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>	<u>10,356,684</u>	<u>5,953,893</u>	<u>3,891,038</u>	<u>5,597,188</u>	<u>3,804,198</u>	<u>1,915,043</u>	<u>3,579,807</u>	<u>35,097,851</u>
Net maturity mismatch	<u>(4,260,239)</u>	<u>(4,318,655)</u>	<u>(1,771,392)</u>	<u>(1,856,658)</u>	<u>9,063,546</u>	<u>4,199,047</u>	<u>(1,055,649)</u>	<u>-</u>

The Group	2004							Total RM'000
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non- specific maturity RM'000	
<b>ASSETS</b>								
Cash and short-term funds	3,054,767	-	-	-	-	-	-	3,054,767
Deposits and placements with financial institutions	-	-	19,132	98	-	-	-	19,230
Dealing securities	-	-	-	-	-	98,290	157,769	256,059
Investment securities	323,000	395,000	60,144	104,013	405,034	441,716	189,683	1,918,590
Loans, advances and financing	2,601,433	1,216,898	1,686,561	3,239,834	12,240,533	5,024,394	-	26,009,653
Other assets	-	-	-	-	-	-	165,639	165,639
Deferred tax asset	-	-	-	-	-	-	741,733	741,733
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	923,736	923,736
Investment in associated companies	-	-	-	-	-	-	250	250
Property and equipment	-	-	-	-	-	-	424,599	424,599
<b>TOTAL ASSETS</b>	<b>5,979,200</b>	<b>1,611,898</b>	<b>1,765,837</b>	<b>3,343,945</b>	<b>12,645,567</b>	<b>5,564,400</b>	<b>2,603,409</b>	<b>33,514,256</b>
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>								
Deposits from customers	8,373,324	3,701,326	3,056,053	4,258,784	1,022,300	6	-	20,411,793
Deposits and placements of banks and other financial institutions	837,398	708,005	661,499	1,146,777	801,732	908,000	-	5,063,411
Securities sold under repurchase agreements	274,991	-	-	-	-	-	-	274,991
Amount due to Cagamas Berhad	56,510	113,567	171,726	870,530	2,322,410	140,864	-	3,675,607
Other liabilities	-	-	-	-	-	-	825,929	825,929
Subordinated term loan	-	-	-	-	-	680,000	-	680,000
Subordinated loan notes	-	-	-	-	-	200,000	-	200,000
Total Liabilities	9,542,223	4,522,898	3,889,278	6,276,091	4,146,442	1,928,870	825,929	31,131,731
Minority interests	-	-	-	-	-	-	101	101
Shareholder's funds	-	-	-	-	-	-	2,382,424	2,382,424
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>	<b>9,542,223</b>	<b>4,522,898</b>	<b>3,889,278</b>	<b>6,276,091</b>	<b>4,146,442</b>	<b>1,928,870</b>	<b>3,208,454</b>	<b>33,514,256</b>
Net maturity mismatch	<u>(3,563,023)</u>	<u>(2,911,000)</u>	<u>(2,123,441)</u>	<u>(2,932,146)</u>	<u>8,499,125</u>	<u>3,635,530</u>	<u>(605,045)</u>	<u>-</u>

The Company	2005							Total RM'000
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non- specific maturity RM'000	
<b>ASSETS</b>								
Cash and short-term funds	3,156,862	-	-	-	-	-	-	3,156,862
Deposits and placements with financial institutions	-	358,800	-	-	-	-	-	358,800
Dealing securities							75,796	75,796
Investment securities	100,239	-	300,863	296,668	691,628	371,888	113,334	1,874,620
Loans, advances and financing	2,821,272	1,276,637	1,819,088	3,444,389	12,178,803	5,742,201	-	27,282,390
Other assets	-	-	-	-	-	-	349,608	349,608
Deferred tax asset	-	-	-	-	-	-	616,804	616,804
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	988,930	988,930
Investment in subsidiary companies	-	-	-	-	-	-	29,779	29,779
Investment in associated companies	-	-	-	-	-	-	150	150
Property and equipment	-	-	-	-	-	-	351,890	351,890
<b>TOTAL ASSETS</b>	<b>6,078,373</b>	<b>1,635,437</b>	<b>2,119,951</b>	<b>3,741,057</b>	<b>12,870,431</b>	<b>6,114,089</b>	<b>2,526,291</b>	<b>35,085,629</b>
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>								
Deposits from customers	8,744,447	4,198,546	3,160,240	4,689,867	1,480,356	-	-	22,273,456
Deposits and placements of banks and other financial institutions	1,239,194	1,600,866	620,406	683,360	825,679	908,000	-	5,877,505
Securities sold under repurchase agreements	33,059	-	-	-	-	-	-	33,059
Amount due to Cagamas Berhad	341,683	154,481	110,392	223,961	1,498,163	127,043	-	2,455,723
Other liabilities	-	-	-	-	-	-	954,697	954,697
Subordinated term loan	-	-	-	-	-	680,000	-	680,000
Subordinated bonds	-	-	-	-	-	200,000	-	200,000
Total Liabilities	10,358,383	5,953,893	3,891,038	5,597,188	3,804,198	1,915,043	954,697	32,474,440
Shareholder's funds	-	-	-	-	-	-	2,611,189	2,611,189
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>	<b>10,358,383</b>	<b>5,953,893</b>	<b>3,891,038</b>	<b>5,597,188</b>	<b>3,804,198</b>	<b>1,915,043</b>	<b>3,565,886</b>	<b>35,085,629</b>
Net maturity mismatch	(4,280,010)	(4,318,456)	(1,771,087)	(1,856,131)	9,066,233	4,199,046	(1,039,595)	-



The Company	2004							Total RM'000
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non- specific maturity RM'000	
<b>ASSETS</b>								
Cash and short-term funds	3,052,558	-	-	-	-	-	-	3,052,558
Deposits and placements with financial institutions	-	-	19,132	-	-	-	-	19,132
Dealing securities	-	-	-	-	-	98,290	157,769	256,059
Investment securities	323,000	395,000	60,144	104,013	405,034	441,716	189,394	1,918,301
Loans, advances and financing	2,601,629	1,217,293	1,687,144	3,240,960	12,245,763	5,025,137	-	26,017,926
Other assets	-	-	-	-	-	-	169,219	169,219
Deferred tax asset	-	-	-	-	-	-	741,733	741,733
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	923,736	923,736
Investment in subsidiary companies	-	-	-	-	-	-	29,779	29,779
Investment in associated companies	-	-	-	-	-	-	150	150
Property and equipment	-	-	-	-	-	-	374,476	374,476
<b>TOTAL ASSETS</b>	<u>5,977,187</u>	<u>1,612,293</u>	<u>1,766,420</u>	<u>3,344,973</u>	<u>12,650,797</u>	<u>5,565,143</u>	<u>2,586,256</u>	<u>33,503,069</u>
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>								
Deposits from customers	8,375,118	3,701,326	3,056,053	4,258,784	1,022,300	6	-	20,413,587
Deposits and placements of banks and other financial institutions	837,398	708,005	661,499	1,146,777	801,732	908,000	-	5,063,411
Securities sold under repurchase agreements	274,991	-	-	-	-	-	-	274,991
Amount due to Cagamas Berhad	56,510	113,567	171,726	870,530	2,322,410	140,864	-	3,675,607
Other liabilities	-	-	-	-	-	-	821,008	821,008
Subordinated term loan	-	-	-	-	-	680,000	-	680,000
Subordinated loan notes	-	-	-	-	-	200,000	-	200,000
Total Liabilities	<u>9,544,017</u>	<u>4,522,898</u>	<u>3,889,278</u>	<u>6,276,091</u>	<u>4,146,442</u>	<u>1,928,870</u>	<u>821,008</u>	<u>31,128,604</u>
Shareholder's funds	-	-	-	-	-	-	2,374,465	2,374,465
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>	<u>9,544,017</u>	<u>4,522,898</u>	<u>3,889,278</u>	<u>6,276,091</u>	<u>4,146,442</u>	<u>1,928,870</u>	<u>3,195,473</u>	<u>33,503,069</u>
Net maturity mismatch	<u>(3,566,830)</u>	<u>(2,910,605)</u>	<u>(2,122,858)</u>	<u>(2,931,118)</u>	<u>8,504,355</u>	<u>3,636,273</u>	<u>(609,217)</u>	<u>-</u>

## **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 the credit risk management framework 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 management begins with an assessment 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 then 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 credit commitments. Expected Default Frequencies are calibrated to the internal rating model while Loan Loss Estimates are based on past portfolio default experiences.

For retail credits, an in-house developed credit-scoring system to support the housing and hire purchase applications is being used to complement the credit assessment process.

The Group's lending activities are guided by internal credit policies and guidelines that are approved by the Board of Directors. Within these policies, single customer 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 judgement, 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 organisation to facilitate compliance with regulations. These include a compliance monitoring and reporting process that requires identification of risk areas, prescription of controls to minimise these risks, staff training and assessments, provision of advice 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 used by the Group to manage the Group's own market risk exposure. The Group's involvement in financial derivatives is currently focussed on interest rate swaps.

Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts.

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 factors, the Group uses them to reduce the overall interest rate exposure 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 and the Company's outstanding derivative financial instruments are as below. These values are stand-alone without taking into account their potential offsetting relationships with other non-derivatives exposures of the Group.

	2005		2004	
	Principal Amount	Fair Value	Principal Amount	Fair Value
	RM'000	RM'000	RM'000	RM'000
Interest rate related contracts :				
Interest rate swaps	<u>2,130,000</u>	<u>(8,472)</u>	<u>830,000</u>	<u>(5,048)</u>

### Risk associated with financial derivatives

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

The Group uses interest rate swaps as hedging instruments to offset exposures generated by other non-derivative activities of the Group.

### **Credit risk of derivatives**

Counterparty credit risk arises from the possibility that a counterparty may be unable to meet the terms of the derivatives contract. 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 2005, the Group has no counterparty credit risk as there were no outstanding positive value contracts. This may vary over the life of the contracts, mainly as a function of movement in market rates and time.

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

### **43. FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments are contracts that gives 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 Financial Reporting Standard 132 ("FRS 132"), 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:

The Group	2005		2004	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
<b>Financial Assets</b>				
Cash and short-term funds	3,174,996	3,174,996	3,054,767	3,054,767
Deposits and placements with financial institutions	358,903	358,903	19,230	19,230
Dealing securities	75,796	75,796	256,059	256,093
Investment securities	1,874,874	2,076,793	1,918,590	2,085,517
Loans, advances and financing *	27,707,916	28,437,082	26,414,908	28,060,511
Other financial assets	262,160	262,160	198,965	198,965
	<u>33,454,645</u>	<u>34,385,730</u>	<u>31,862,519</u>	<u>33,675,083</u>
Non-financial assets	1,643,206	1,643,206	1,651,737	1,651,737
<b>TOTAL ASSETS</b>	<u>35,097,851</u>	<u>36,028,936</u>	<u>33,514,256</u>	<u>35,326,820</u>
<b>Financial Liabilities</b>				
Deposits from customers	22,271,757	22,359,208	20,411,793	20,432,491
Deposits and placements of banks and other financial institutions	5,877,505	5,776,389	5,063,411	4,970,987
Securities sold under repurchase agreements	33,059	33,059	274,991	274,991
Amount due to Cagamas Berhad	2,455,723	2,451,554	3,675,607	3,677,937
Subordinated term loan	680,000	670,269	680,000	778,997
Subordinated bonds	200,000	201,622	200,000	231,976
Other financial liabilities	846,904	846,904	720,505	720,505
	<u>32,364,948</u>	<u>32,339,005</u>	<u>31,026,307</u>	<u>31,087,884</u>
<b>Non-Financial Liabilities</b>				
Other non-financial liabilities	110,352	110,352	105,424	105,424
Minority interests	86	86	101	101
Shareholder's funds	2,622,465	2,622,465	2,382,424	2,382,424
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>	<u>35,097,851</u>	<u>35,071,908</u>	<u>33,514,256</u>	<u>33,575,833</u>

The Company	2005		2004	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
<b>Financial Assets</b>				
Cash and short-term funds	3,156,862	3,156,862	3,052,558	3,052,558
Deposits and placements with financial institutions	358,800	358,800	19,132	19,132
Dealing securities	75,796	75,796	256,059	256,093
Investment securities	1,874,620	2,075,160	1,918,301	2,083,850
Loans, advances and financing *	27,711,798	28,440,964	26,423,181	28,069,739
Other financial assets	267,238	267,238	202,545	202,545
	<u>33,445,114</u>	<u>34,374,820</u>	<u>31,871,776</u>	<u>33,683,917</u>
Non-financial assets	1,640,515	1,640,515	1,631,293	1,631,293
<b>TOTAL ASSETS</b>	<u>35,085,629</u>	<u>36,015,335</u>	<u>33,503,069</u>	<u>35,315,210</u>
<b>Financial Liabilities</b>				
Deposits from customers	22,273,456	22,360,908	20,413,587	20,434,285
Deposits and placements of banks and other financial institutions	5,877,505	5,776,389	5,063,411	4,970,987
Securities sold under repurchase agreements	33,059	33,059	274,991	274,991
Amount due to Cagamas Berhad	2,455,723	2,451,554	3,675,607	3,677,937
Subordinated term loan	680,000	670,269	680,000	778,997
Subordinated bonds	200,000	201,622	200,000	231,976
Other financial liabilities	844,344	844,344	717,009	717,009
	<u>32,364,087</u>	<u>32,338,145</u>	<u>31,024,605</u>	<u>31,086,182</u>
<b>Non-Financial Liabilities</b>				
Other non-financial liabilities	110,353	110,353	103,999	103,999
Shareholder's funds	2,611,189	2,611,189	2,374,465	2,374,465
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>	<u>35,085,629</u>	<u>35,059,687</u>	<u>33,503,069</u>	<u>33,564,646</u>

\* The general allowance for both the Group and the Company amounting to RM429,408,000 (2004: RM405,255,000) has been included under non-financial assets.

The fair value of derivatives financial instruments are shown in Note 43.

The fair value 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 loss that may arise should these commitments crystallise. The Group assess that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant and no allowances 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 2005:

**(a) Cash And Short-Term Funds**

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

**(b) Securities Purchased Under Repurchased Agreements And Deposits With Financial Institutions**

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

**(c) Dealing And Investment Securities**

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 the underlying collateral values. Where the discounted cash flow technique is 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 (“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 value, net of interest in suspense and specific allowance for bad and doubtful debts and financing.

**(e) Deposits From Customers, Deposits Of Banks And Other Financial Institutions And Securities Sold Under Repurchase Agreements**

The fair value 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 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.

**(f) Amount Due To Cagamas Berhad**

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

**(g) Subordinated Term Loan, Subordinated Bonds And Subordinated Loan Notes (“Borrowings”)**

The fair value of borrowings with remaining maturities of less than six months are estimated to approximate their carrying values at balance sheet date. The fair value 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 balance sheet date.

**(h) Interest Rate Swaps**

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

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

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.



#### 44. PRIOR YEAR ADJUSTMENTS

During the financial year, the Group and the Company changed its accounting policy on:

- (i) the 3-month classification for non-performing loans from the previous 6-month classification which has been adopted retrospectively.
- (ii) in the previous years, handling fees paid to motor vehicle dealers for hire purchase loans and financing approved and disbursed after 1 January 2004 were expensed off to income statements in the year in which the handling fees were incurred, whereas handling fees paid to motor vehicle dealers for hire purchase loans and financing approved and disbursed prior to 1 January 2004 were amortised to the income statements over the tenor of the hire purchase loans using the "sum-of-digits" method. During the current year, the Company changed its accounting policy to fully expense off all handling fees paid in the year incurred.

The accounting change has been accounted for retrospectively and the effects on prior years have been taken up as prior year adjustments in the financial statements.

Accordingly, the following accounts in prior years have been restated to reflect the effects of the accounting change:

	<b>As previously stated RM'000</b>	<b>Adjustments RM'000</b>	<b>As restated RM'000</b>
<b>The Group</b>			
<b>As at 31 March 2003</b>			
Non-performing loans	4,349,529	1,459,592	5,809,121
Interest/Income-in-suspense	1,190,485	46,279	1,236,764
Deferred tax asset	645,859	37,683	683,542
Capital reserve	392,045	37,683	429,728
Unappropriated profit at end of year	430,718	(134,433)	296,285
<b>For the financial year ended 31 March 2004</b>			
Interest suspended	247,371	20,580	267,951
Operating expenses	525,775	17,194	542,969
Taxation	(33,579)	(2,814)	(36,393)
<b>As at 31 March 2004</b>			
Non-performing loans	4,051,944	1,579,574	5,631,518
Interest/Income-in-suspense	947,905	39,211	987,116
Other assets	270,987	(105,348)	165,639
Deferred tax asset	701,236	40,497	741,733
Capital reserve	237,845	40,497	278,342
Unappropriated profit at end of year	857,216	(144,559)	712,657

	<b>As previously stated RM'000</b>	<b>Adjustments RM'000</b>	<b>As restated RM'000</b>
<b>The Company</b>			
<b>As at 31 March 2003</b>			
Non-performing loans	4,340,492	1,459,592	5,800,084
Interest/Income-in-suspense	1,184,005	46,279	1,230,284
Deferred tax asset	646,116	37,683	683,799
Capital reserve	392,045	37,683	429,728
Unappropriated profit at end of year	426,369	(134,433)	291,936
<b>For the financial year ended 31 March 2004</b>			
Interest suspended	247,371	20,580	267,951
Operating expenses	530,076	17,194	547,270
Taxation	(34,261)	(2,814)	(37,075)
<b>As at 31 March 2004</b>			
Non-performing loans	4,042,907	1,579,574	5,622,481
Interest/Income-in-suspense	941,425	39,211	980,636
Other assets	274,567	(105,348)	169,219
Deferred tax asset	701,236	40,497	741,733
Capital reserve	237,845	40,497	278,342
Unappropriated profit at end of year	849,257	(144,559)	704,698

## 45. THE OPERATIONS OF ISLAMIC BANKING SCHEME

The state of affairs as at 31 March 2005 (20 Safar 1426 Hijrah) and the results for the financial year ended on that date under the Islamic Banking Scheme are summarised as follows:

**BALANCE SHEETS AS AT 31 MARCH 2005**

		<b>The Group and Company</b>	
	<b>Note</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds	(b)	249,385	71,472
Deposits and placements with financial institutions	(c)	22,100	-
Investment securities	(d)	185,262	155,379
Financing activities	(e)	5,602,309	5,161,756
Statutory deposit with Bank Negara Malaysia		204,938	185,185
Property and equipment		15	32
Other assets	(f)	11,068	383
Deferred tax asset	(q)	53,450	35,054
<b>TOTAL ASSETS</b>		<u>6,328,527</u>	<u>5,609,261</u>
<b>LIABILITIES AND ISLAMIC BANKING FUND</b>			
Deposits from customers	(g)	2,963,884	2,546,524
Deposits and placements of banks and other financial institutions	(h)	2,562,903	2,467,979
Other liabilities	(i)	161,034	136,798
Total Liabilities		<u>5,687,821</u>	<u>5,151,301</u>
Capital funds	(j)	420,542	360,542
Unappropriated profits		220,164	97,418
Islamic Banking Fund		<u>640,706</u>	<u>457,960</u>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUND</b>		<u>6,328,527</u>	<u>5,609,261</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	(s)	<u>1,100,797</u>	<u>317,357</u>

The accompanying Notes form an integral part of the Islamic Banking Business Financial Statements.

**INCOME STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

		<b>The Group and Company</b>	
	<b>Note</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
Income derived from investment of depositors' funds	(k)	498,363	372,546
Allowance for losses on financing	(l)	(113,535)	(69,160)
Transfer to profit equalisation reserve	(i)	<u>(45,353)</u>	<u>(46,976)</u>
Total attributable income		339,475	256,410
Income attributable to the depositors	(m)	<u>(185,035)</u>	<u>(112,998)</u>
Profit attributable to the Company		154,440	143,412
Income derived from investment of Islamic Banking Capital Fund	(n)	<u>49,667</u>	<u>32,755</u>
Total net income		204,107	176,167
Operating expenditure	(o)	<u>(33,532)</u>	<u>(53,309)</u>
Profit before taxation		170,575	122,858
Taxation	(p)	<u>(47,829)</u>	<u>(34,340)</u>
Profit after taxation		<u><u>122,746</u></u>	<u><u>88,518</u></u>

The accompanying Notes form an integral part of the Islamic Banking Business Financial Statements.

**STATEMENTS OF CHANGES IN ISLAMIC BANKING FUND  
FOR THE YEAR ENDED 31 MARCH 2005**

<b>The Group and Company</b>	<b>Capital RM'000</b>	<b>Unappro- priated profit RM'000</b>	<b>Total RM'000</b>
<b>Balance as at 1 April 2003</b>			
As previously stated	160,542	44,469	205,011
Prior year adjustments (note w)	-	(35,569)	(35,569)
As restated	160,542	8,900	169,442
Increase in capital fund	200,000	-	200,000
Profit for the year	-	88,518	88,518
<b>Balance as at 31 March 2004</b>	<b>360,542</b>	<b>97,418</b>	<b>457,960</b>
<b>Balance as at 1 April 2004</b>			
As previously stated	360,542	132,224	492,766
Prior year adjustments (note w)	-	(34,806)	(34,806)
As restated	360,542	97,418	457,960
Increase in capital fund	60,000	-	60,000
Profit for the year	-	122,746	122,746
<b>Balance as at 31 March 2005</b>	<b>420,542</b>	<b>220,164</b>	<b>640,706</b>

The accompanying Notes form an integral part of the Islamic Banking Business Financial Statements.

**CASH FLOW STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	170,575	122,858
Adjustments for:		
Income-in-suspense, net of recoveries	13,604	(9,111)
Loan and financing loss and allowances, net of recoveries	117,557	72,842
Depreciation of property and equipment	17	35
Transfer to profit equalisation reserve	45,353	46,976
Accretion of discount	(5,994)	(4,852)
	<u>341,112</u>	<u>228,748</u>
Operating Profit Before Working Capital Changes		
(Increase)/Decrease In Operating Assets:		
Deposits and placements with financial institutions	(22,100)	-
Financing activities	(571,714)	(3,102,251)
Other assets	(10,685)	14,164
Statutory deposit with Bank Negara Malaysia	(19,753)	(118,087)
Increase/(Decrease) In Operating Liabilities:		
Deposits from customers	417,360	1,366,585
Deposits and placements of banks and other financial institutions	94,924	1,440,118
Other liabilities	(87,342)	(14,580)
	<u>141,802</u>	<u>(185,303)</u>
Net Cash Generated From/(Used in) Operating Activities		

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of investment securities - net	<u>(23,889)</u>	<u>16,557</u>
Net Cash (Used in)/Generated From Investing Activities	<u>(23,889)</u>	<u>16,557</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Increase in capital fund	<u>60,000</u>	<u>200,000</u>
Net Cash Generated From Financing Activity	<u>60,000</u>	<u>200,000</u>
Net Increase In Cash And Cash Equivalents	177,913	31,254
Cash And Cash Equivalents At Beginning Of Year	<u>71,472</u>	<u>40,218</u>
Cash And Cash Equivalents At End Of Year	<u><u>249,385</u></u>	<u><u>71,472</u></u>

**Cash and Cash Equivalents**

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short term funds net of bank overdrafts. Cash and cash equivalents included in the cash flow statements comprise the following balance sheets amounts:

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and short term funds	<u><u>249,385</u></u>	<u><u>71,472</u></u>

The accompanying Notes form an integral part of the Islamic Banking Business Financial Statements.

**NOTES TO THE ISLAMIC BANKING SCHEME  
FINANCIAL STATEMENTS**

**(a) ISLAMIC BANKING OPERATIONS**

**Disclosure of Shariah Advisor**

The Company's Islamic Banking activities are subject to conformity with Shariah requirements and confirmation by the Shariah Advisor, Professor Madya Dato' Hj Md. Hashim bin Yahaya, Dato' Sheikh Ghazali bin Hj Abdul Rahman and Professor Dr Mohd Daud Bakar.

The role and authority of the Shariah Advisors is to advise and provide guidance on all matters with respect to compliance with Shariah principles including product development, business, marketing and operational implementation activities.

**Zakat Obligations**

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

**(b) CASH AND SHORT TERM FUNDS**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	35	272
Money at call and deposit placements maturing within one month	249,350	71,200
	<u>249,385</u>	<u>71,472</u>

**(c) DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia	22,100	-
	<u>22,100</u>	<u>-</u>



**(d) INVESTMENT SECURITIES**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Money Market Securities:		
Malaysian Government Investment Certificates	100,044	145,319
Islamic Khazanah bonds	79,351	-
Islamic acceptance bills	-	2,979
	<u>179,395</u>	<u>148,298</u>
Add:		
Accretion of discount	5,867	7,081
	<u>185,262</u>	<u>155,379</u>
Market value:		
Money Market Securities:		
Malaysian Government Investment Certificates	104,225	152,801
Islamic Khazanah bonds	81,384	-
	<u>185,609</u>	<u>152,801</u>
The maturity structure of money market securities held for investment are as follows:		
Maturing within one year	65,656	115,792
One year to three years	113,739	32,506
Three to five years	-	-
Over five years	-	-
	<u>179,395</u>	<u>148,298</u>

**(e) FINANCING ACTIVITIES**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Term financing and revolving credit facilities	135,928	246,490
House financing	476,440	419,085
Islamic hire-purchase	6,886,185	5,610,842
Other financing	<u>1,126,710</u>	<u>576,633</u>
	8,625,263	6,853,050
Unearned income	<u>(1,828,692)</u>	<u>(1,474,527)</u>
Gross financing	6,796,571	5,378,523
Less: Islamic financing sold to Cagamas Berhad	<u>(925,365)</u>	<u>-</u>
	5,871,206	5,378,523
Allowance for bad and doubtful financing:		
- Specific	(108,721)	(58,247)
- General	(99,406)	(80,276)
Income-in-suspense	<u>(60,770)</u>	<u>(78,244)</u>
	<u>5,602,309</u>	<u>5,161,756</u>
 (i) Financing analysed by concepts are as follows:		
Al-Bai' Bithaman Ajil	1,004,461	617,704
Al-Ijarah/Al-Ijarah Thumma Al-Bai'	4,747,879	4,534,832
Al-Musyarakah	<u>118,866</u>	<u>225,987</u>
	<u>5,871,206</u>	<u>5,378,523</u>
 (ii) The maturity structure of financing is as follows:		
Maturing within one year	1,954,566	1,454,802
One year to three years	1,748,066	1,710,690
Three years to five years	1,325,448	1,360,758
Over five years	<u>843,126</u>	<u>852,273</u>
	<u>5,871,206</u>	<u>5,378,523</u>

(iii) Financing analysed by their economic purposes are as follows:

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Agriculture	176,852	76,594
Mining and quarrying	5,987	6,941
Manufacturing	202,242	151,309
Electricity, gas and water	3,809	2,539
Construction	196,047	179,668
Real estate	1,431	1,089
Purchase of landed property		
- Residential	239,941	203,052
- Non-residential	57,030	170,145
General commerce	61,402	73,432
Transport, storage and communication	103,732	113,613
Finance, insurance and business services	19,206	14,122
Purchase of securities	24,824	24,548
Purchase of transport vehicles	4,955,689	3,962,298
Consumption credit	719,844	368,339
Others	28,535	30,834
	<u>6,796,571</u>	<u>5,378,523</u>
Less: Islamic financing sold to Cagamas Berhad	<u>(925,365)</u>	<u>-</u>
	<u><u>5,871,206</u></u>	<u><u>5,378,523</u></u>

(iv) Financing analysed by type of customers are as follows:

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic non-bank financial institutions	431	437
Business enterprises	391,439	397,025
Small medium industries	443,322	399,715
Local government and statutory authorities	48	80
Individuals	5,027,320	4,570,266
Other domestic entities	5,769	6,243
Foreign entities	2,877	4,757
	<u>5,871,206</u>	<u>5,378,523</u>

(v) Movements in the non-performing financing are as follows:

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of the year		
As previously reported	214,634	189,843
Prior year adjustments (Note w)	288,447	51,835
As restated	503,081	241,678
Classified as non-performing during the year	131,421	341,355
Reclassified as performing during the year	(30,406)	(29,033)
Amount recovered	(81,179)	(5,204)
Amount written off	(77,658)	(42,977)
Transfer to conventional business	-	(2,738)
Balance at end of year	445,259	503,081
Less:		
Specific allowance	(108,721)	(58,247)
Income in suspense	(60,770)	(78,244)
	(169,491)	(136,491)
Net non-performing financing	<u>275,768</u>	<u>366,590</u>
Ratio of net non-performing financing to gross financing	<u>4.16%</u>	<u>6.99%</u>

- (vi) Movements in the allowance for bad and doubtful financing and income-in-suspense accounts are as follows:

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>General Allowance</b>		
Balance at beginning of year	80,276	33,179
Allowance made during the year	19,130	47,097
	<u>99,406</u>	<u>80,276</u>
Balance at end of year		
	<u>99,406</u>	<u>80,276</u>
% of total financing less specific allowance and income-in-suspense	1.50%	1.53%
	<u>1.50%</u>	<u>1.53%</u>
<b>Specific Allowance</b>		
Balance at beginning of year	58,247	49,758
Allowance made during the year	162,716	42,872
Amount written back in respect of recoveries	(64,289)	(17,127)
	<u>98,427</u>	<u>25,745</u>
Net charge to income statement	98,427	25,745
Amount written off/Adjustment to Asset Deficiency Account	(47,953)	(17,256)
	<u>108,721</u>	<u>58,247</u>
Balance at end of year		
	<u>108,721</u>	<u>58,247</u>
<b>Income-in-suspense</b>		
Balance at beginning of year		
As previously reported	73,490	71,267
Prior year adjustments (Note w)	4,754	32,402
As restated	<u>78,244</u>	<u>103,669</u>
Allowance made during the year	30,103	2,794
Amount written back in respect of recoveries	(16,499)	(11,905)
	<u>13,604</u>	<u>(9,111)</u>
Net charge/(writeback) to income statement	13,604	(9,111)
Amount written off/Adjustment to Asset Deficiency Account	(31,078)	(16,314)
	<u>60,770</u>	<u>78,244</u>
Balance at end of year		
	<u>60,770</u>	<u>78,244</u>

**(f) OTHER ASSETS**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Other receivables, deposits and prepayments	593	383
Amount owing from Head Office	10,475	-
	<u>11,068</u>	<u>383</u>

**(g) DEPOSITS FROM CUSTOMERS**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Mudharabah fund		
General investment deposits	2,571,190	2,267,071
Non-Mudharabah fund		
Saving deposits	353,844	241,921
Islamic negotiable certificates of deposits	38,850	37,532
	<u>2,963,884</u>	<u>2,546,524</u>

The maturity structure of deposits is as follows:

Due within six months	2,739,814	2,223,787
Six months to one year	108,992	193,211
One year to three years	107,777	107,860
Three years to five years	7,301	21,666
	<u>2,963,884</u>	<u>2,546,524</u>

The deposits are sourced from the following customers:

Business enterprises	1,219,037	1,235,147
Individuals	1,068,116	626,427
Government and other statutory bodies	638,824	658,732
Others	37,907	26,218
	<u>2,963,884</u>	<u>2,546,524</u>

**(h) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Mudharabah fund		
Other financial institutions	1,020,244	1,160,682
Non-Mudharabah fund		
Licensed banks	1,013,827	457,506
Licensed finance companies	92,070	159,530
Other financial institutions	436,762	690,261
	<u>2,562,903</u>	<u>2,467,979</u>

Included under deposits and placements of licensed finance companies is an amount of RM72,142,000 (2004: RM159,530,000) due to Head Office.

**(i) OTHER LIABILITIES**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount owing to Head Office	-	41,382
Lease deposits and advance rental	17,050	11,124
Dividends payable to depositors	-	18,006
Other payables	46,632	14,287
Profit equalisation reserve (i)	97,352	51,999
	<u>161,034</u>	<u>136,798</u>

**(i) Profit equalisation reserve**

The movements in profit equalisation reserve are as follows:

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at beginning of year	51,999	5,023
Provided during the year	45,353	46,976
	<u>97,352</u>	<u>51,999</u>
Balance at end of year	<u>97,352</u>	<u>51,999</u>

(j) **CAPITAL FUNDS**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Allocated:		
Balance at beginning of year	460,542	210,542
Increase during the year	-	250,000
	<u>460,542</u>	<u>460,542</u>
Utilised:		
Balance at beginning of year	360,542	160,542
Increase during the year	60,000	200,000
	<u>420,542</u>	<u>360,542</u>



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

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of:		
(i) General investment deposits	283,835	262,917
(ii) Others	214,528	109,629
	<u>498,363</u>	<u>372,546</u>
<b>(i) Income derived from investment of general investment deposits</b>		
<u>Finance income and hibah:</u>		
Financing activities	278,905	253,176
Investment securities	-	16
Money at call and deposits with financial institutions	2,174	1,625
	<u>281,079</u>	<u>254,817</u>
Income-in-suspense	(2,489)	1,780
Accretion of discount	3,095	3,309
	<u>281,685</u>	<u>259,906</u>
<u>Fee and commission income:</u>		
Commission	229	969
Other fee income	1,921	2,042
	<u>2,150</u>	<u>3,011</u>
Total	<u>283,835</u>	<u>262,917</u>
<b>(ii) Income derived from investment of other funds</b>		
<u>Finance income and hibah:</u>		
Financing activities	219,556	99,798
Investment securities	-	6
Money at call and deposits with financial institutions	1,656	556
	<u>221,212</u>	<u>100,360</u>
Income-in-suspense	(10,680)	7,109
Accretion of discount	2,357	1,131
	<u>212,889</u>	<u>108,600</u>
<u>Fee and commission income:</u>		
Commission	175	331
Other fee income	1,464	698
	<u>1,639</u>	<u>1,029</u>
Total	<u>214,528</u>	<u>109,629</u>

**(l) ALLOWANCE FOR LOSSES ON FINANCING**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Allowance for bad and doubtful financing:		
- Specific allowance	98,427	25,745
- General allowance	19,130	47,097
Bad debts and financing recovered	(4,022)	(3,682)
	<u>113,535</u>	<u>69,160</u>

**(m) INCOME ATTRIBUTABLE TO DEPOSITORS**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Mudharabah fund	97,663	80,346
Non-Mudharabah	79,471	28,737
Special placement deposits by Head Office	7,901	3,915
	<u>185,035</u>	<u>112,998</u>

**(n) INCOME DERIVED FROM INVESTMENT OF ISLAMIC BANKING CAPITAL FUND**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Finance income and hibah:</u>		
Financing activities	48,804	31,542
Investment securities	-	2
Money at call and deposits with financial institutions	380	202
	<u>49,184</u>	<u>31,746</u>
Income-in-suspense	(435)	222
Accretion of discount	542	412
	<u>49,291</u>	<u>32,380</u>
<u>Fee and commission income:</u>		
Commission	40	121
Other fee income	336	254
	<u>376</u>	<u>375</u>
Total	<u>49,667</u>	<u>32,755</u>

**(o) OPERATING EXPENDITURE**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Personnel/Staff costs	-	-
Establishment costs	17	36
Marketing and communication expenses	32,324	51,975
Administration and general expenses	1,191	1,298
	<u>33,532</u>	<u>53,309</u>

**(p) TAXATION**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Estimated current tax payable	66,225	60,104
Transfer to deferred tax asset (note q)	<u>(18,396)</u>	<u>(25,764)</u>
	<u>47,829</u>	<u>34,340</u>

**(q) DEFERRED TAX ASSET**

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at beginning of year	35,054	9,290
Transfer from income statements	<u>18,396</u>	<u>25,764</u>
Balance at end of year	<u>53,450</u>	<u>35,054</u>
The deferred tax assets/(liabilities) are in respect of the following:		
Temporary differences arising from general allowance for financing	27,834	22,477
Accretion of discount	(1,643)	(1,983)
Profit equalisation reserve	<u>27,259</u>	<u>14,560</u>
	<u>53,450</u>	<u>35,054</u>

**(r) NET INCOME FROM ISLAMIC BANKING OPERATIONS**

For consolidation with the conventional operations, net income from Islamic Banking Business comprises the following items:

	<b>The Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of depositors' fund	498,363	372,546
Income attributable to depositors	<u>(185,035)</u>	<u>(112,998)</u>
Income attributable to the Company	313,328	259,548
Income derived from Islamic Banking Fund	<u>49,667</u>	<u>32,755</u>
	<u><u>362,995</u></u>	<u><u>292,303</u></u>

**(s) COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group and the Company makes various commitments and incurs 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 Company's assets.

The risk-weighted exposure of the Group and of the Company is as follows:

<b>The Group and Company</b>						
	<b>Principal Amount RM'000</b>	<b>2005 Credit Equivalent Amount * RM'000</b>	<b>Risk- Weighted Amount RM'000</b>	<b>Principal Amount RM'000</b>	<b>2004 Credit Equivalent Amount * RM'000</b>	<b>Risk- Weighted Amount RM'000</b>
Direct credit substitutes	30,000	30,000	6,000	-	-	-
Irrevocable commitments to extend credit:						
- maturing less than one year	136,268	-	-	277,301	-	-
- maturing more than one year	9,164	4,582	4,582	40,056	20,028	20,028
Islamic financing sold to Cagamas Berhad with recourse	<u>925,365</u>	<u>925,365</u>	<u>925,365</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u><u>1,100,797</u></u>	<u><u>959,947</u></u>	<u><u>935,947</u></u>	<u><u>317,357</u></u>	<u><u>20,028</u></u>	<u><u>20,028</u></u>

\* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia guidelines.

(t) **CAPITAL ADEQUACY RATIO**

The capital adequacy ratio of the Islamic Banking Scheme of the Group and Company as at 31 March 2005 is analysed as follows:

	<b>2005 RM'000</b>	<b>2004 RM'000</b>
<u>Tier 1 capital</u>		
Islamic Banking Fund	420,542	360,542
Retained profits *	<u>166,714</u>	<u>97,170</u>
Total tier 1 capital	<u>587,256</u>	<u>457,712</u>
<u>Tier 2 capital</u>		
General allowance for bad and doubtful debts	<u>99,406</u>	<u>80,276</u>
Total tier 2 capital	<u>99,406</u>	<u>80,276</u>
Capital base	<u><u>686,662</u></u>	<u><u>537,988</u></u>

\* The amount as at 31 March 2005 excludes deferred tax asset recognised todate.

	<b>2005</b>		<b>2004</b>	
	<b>Principal RM'000</b>	<b>Risk - Weighted RM'000</b>	<b>Principal RM'000</b>	<b>Risk - Weighted RM'000</b>
Notional risk-weighted assets:				
Categories				
0%	591,094	-	364,591	-
10%	-	-	-	-
20%	101,157	20,231	48,106	9,621
50%	181,273	90,637	188,308	94,154
100%	<u>6,460,773</u>	<u>6,460,773</u>	<u>5,121,805</u>	<u>5,121,805</u>
Total notional risk-weighted assets	<u><u>7,334,297</u></u>	<u><u>6,571,641</u></u>	<u><u>5,722,810</u></u>	<u><u>5,225,580</u></u>
<b>Capital Ratios</b>				
Core capital ratio		8.93%		8.76%
Risk-weighted capital ratio		<u>10.44%</u>		<u>10.30%</u>

The comparative ratios are not adjusted for the prior year adjustments

(u) **YIELD/PROFIT RATE RISK**

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

The Group and Company	2005						Non-interest sensitive RM'000	Total RM'000	Effective yield/profit rate %
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000			
<b>ASSETS</b>									
Cash and short-term funds	249,350	-	-	-	-	-	35	249,385	2.78
Deposits and placements with banks and other financial institutions	-	22,100	-	-	-	-	-	22,100	2.81
Investment securities	-	-	-	68,263	116,999	-	-	185,262	3.18
Financing									
- Performing	163,303	283,638	345,575	681,467	3,368,665	583,299	-	5,425,947	8.26
- Non-performing *	-	-	-	-	-	-	176,362	176,362	-
Other non-interest sensitive balances	-	-	-	-	-	-	269,471	269,471	-
<b>TOTAL ASSETS</b>	<b>412,653</b>	<b>305,738</b>	<b>345,575</b>	<b>749,730</b>	<b>3,485,664</b>	<b>583,299</b>	<b>445,868</b>	<b>6,328,527</b>	
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>									
Deposits from customers	1,701,928	720,761	317,125	108,992	115,078	-	-	2,963,884	2.87
Deposits and placements of banks and other financial institutions	696,416	674,121	196,534	483,587	512,245	-	-	2,562,903	3.06
Other non-interest sensitive balances	-	-	-	-	-	-	161,034	161,034	-
Total Liabilities	2,398,344	1,394,882	513,659	592,579	627,323	-	161,034	5,687,821	
Islamic Banking Fund	-	-	-	-	-	-	640,706	640,706	-
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>2,398,344</b>	<b>1,394,882</b>	<b>513,659</b>	<b>592,579</b>	<b>627,323</b>	<b>-</b>	<b>801,740</b>	<b>6,328,527</b>	
On-balance sheet interest sensitivity gap	(1,985,691)	(1,089,144)	(168,084)	157,151	2,858,341	583,299	(355,872)	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	
Total interest sensitivity gap	<b>(1,985,691)</b>	<b>(1,089,144)</b>	<b>(168,084)</b>	<b>157,151</b>	<b>2,858,341</b>	<b>583,299</b>	<b>(355,872)</b>	<b>-</b>	

The Group and Company	2004						Non-interest sensitive RM'000	Total RM'000	Effective yield/profit rate %
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000			
<b>ASSETS</b>									
Cash and short-term funds	71,200	-	-	-	-	-	272	71,472	2.80
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-
Investment securities	2,979	119,108	-	-	33,292	-	-	155,379	3.05
Financing									
- Performing	274,678	199,002	9,759	729,577	2,565,379	1,097,047	-	4,875,442	8.61
- Non-performing *	-	-	-	-	-	-	286,314	286,314	-
Other non-interest sensitive balances	-	-	-	-	-	-	220,654	220,654	-
<b>TOTAL ASSETS</b>	<b>348,857</b>	<b>318,110</b>	<b>9,759</b>	<b>729,577</b>	<b>2,598,671</b>	<b>1,097,047</b>	<b>507,240</b>	<b>5,609,261</b>	
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>									
Deposits from customers	1,080,547	760,214	383,026	193,211	129,526	-	-	2,546,524	2.93
Deposits and placements of banks and other financial institutions	843,931	568,812	273,239	360,502	421,495	-	-	2,467,979	3.03
Other non-interest sensitive balances	-	-	-	-	-	-	136,798	136,798	-
Total Liabilities	1,924,478	1,329,026	656,265	553,713	551,021	-	136,798	5,151,301	
Islamic Banking Fund	-	-	-	-	-	-	457,960	457,960	-
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>1,924,478</b>	<b>1,329,026</b>	<b>656,265</b>	<b>553,713</b>	<b>551,021</b>	<b>-</b>	<b>594,758</b>	<b>5,609,261</b>	
On-balance sheet interest sensitivity gap	(1,575,621)	(1,010,916)	(646,506)	175,864	2,047,650	1,097,047	(87,518)	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	
Total interest sensitivity gap	<b>(1,575,621)</b>	<b>(1,010,916)</b>	<b>(646,506)</b>	<b>175,864</b>	<b>2,047,650</b>	<b>1,097,047</b>	<b>(87,518)</b>	<b>-</b>	

\* This is arrived at after deducting the general allowance, specific allowance and interest/income-in-suspense from gross non-performing loan outstanding.

(v) **FAIR VALUE OF ISLAMIC BANKING OPERATIONS FINANCIAL INSTRUMENTS**

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

	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>The Group and Company</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial Assets</b>				
Cash and short-term funds	249,385	249,385	71,472	71,472
Deposits and placements with banks and other financial institutions	22,100	22,100	-	-
Investment securities	185,262	185,609	155,379	155,798
Financing activities*	5,701,715	6,000,916	5,242,032	5,867,326
Other financial assets	11,068	11,068	383	383
	<u>6,169,530</u>	<u>6,469,078</u>	<u>5,469,266</u>	<u>6,094,979</u>
Non-financial assets	158,997	158,997	139,995	139,995
<b>TOTAL ASSETS</b>	<u>6,328,527</u>	<u>6,628,075</u>	<u>5,609,261</u>	<u>6,234,974</u>
<b>Financial Liabilities</b>				
Deposits from customers	2,963,884	2,973,108	2,546,524	2,547,141
Deposits and placements of banks and other financial institutions	2,562,903	2,567,485	2,467,979	2,468,862
Other financial liabilities	63,682	63,682	84,799	84,799
	<u>5,590,469</u>	<u>5,604,275</u>	<u>5,099,302</u>	<u>5,100,802</u>
<b>Non-Financial Liabilities</b>				
Other non-financial liabilities	97,352	97,352	51,999	51,999
Shareholder's funds	640,706	640,706	457,960	457,960
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>	<u>6,328,527</u>	<u>6,342,333</u>	<u>5,609,261</u>	<u>5,610,761</u>

\* The general allowance for both the Group and the Company amounting to RM99,406,000 (2004: RM80,276,000) has been included under non-financial assets.



**(w) PRIOR YEAR ADJUSTMENTS**

As explained in Note 44 above, certain comparative figures have been adjusted as a result of the change in accounting policy in respect of the 3-month classification for non-performing loans from the previous 6-month classification and the accounting policy on handling fees on hire purchase loans.

<b>The Group and Company</b>	<b>As previously reported</b>	<b>Adjustments</b>	<b>As restated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>As at 31 March 2003</b>			
Non-performing loans	189,843	51,835	241,678
Income-in-suspense	71,267	32,402	103,669
Unappropriated profit at end of year	<u>44,469</u>	<u>(35,569)</u>	<u>8,900</u>
<b>For the financial year ended 31 March 2004</b>			
Income suspended	18,537	(27,648)	(9,111)
Operating expenditure	26,664	26,645	53,309
Taxation	<u>34,100</u>	<u>(240)</u>	<u>34,340</u>
<b>As at 31 March 2004</b>			
Non-performing loans	214,634	288,447	503,081
Income-in-suspense	73,490	4,754	78,244
Other assets	43,927	(43,544)	383
Other liabilities	150,290	(13,492)	136,798
Unappropriated profit at end of year	<u>132,224</u>	<u>(34,806)</u>	<u>97,418</u>

**46. COMPARATIVE FIGURES**

The comparative figures have been audited by a firm of chartered accountants other than Ernst and Young.

**47. GENERAL INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The principal place of business of the Company is located at Bangunan AmFinance, No 8, Jalan Yap Kwan Seng, 50450 Kuala Lumpur.

Company No. 8515-D

**AmFinance Berhad**

(Incorporated in Malaysia)

**Audited Financial Statements for the financial year ended 31 March 2005**

**STATEMENT BY DIRECTORS**

**PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT,1965**

We, Tan Sri Dato' Azman Hashim and Mohamed Azmi Mahmood, being two of the directors of **AmFinance Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements as set on pages 13 to 111 are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2005 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

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

\_\_\_\_\_  
**TAN SRI DATO' AZMAN HASHIM**  
Chairman

\_\_\_\_\_  
**MOHAMED AZMI MAHMOOD**  
Managing Director

Kuala Lumpur  
16 May 2005

**STATUTORY DECLARATION**

**PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT,1965**

I, Lim Hock Aun, being the Officer primarily responsible for the financial management of **AmFinance Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 13 to 111 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 at **KUALA**  
**LUMPUR** this 16th day of May 2005

\_\_\_\_\_  
Before me,

\_\_\_\_\_  
**COMMISSIONER FOR OATHS**