



MAYBAN GENERAL ASSURANCE BERHAD (4157-A)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
30 June 2005

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

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MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 30 June 2005.

PRINCIPAL ACTIVITY

The principal activity of the Company is the underwriting of all classes of general insurance business.

There has been no significant change in the nature of this principal activity during the financial year.

RESULTS

	RM'000
Net profit for the year	<u>62,823</u>

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

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

DIVIDENDS

The amount of dividend paid by the Company since 30 June 2004 was as follows:

	RM'000
In respect of the financial year ended 30 June 2005:	
Special tax exempt interim dividend of 19%, paid on 16 December 2004	<u>33,852</u>

The directors do not recommend the payment of any final dividends in respect of the current financial year.

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' Megat Zaharuddin bin Megat Mohd Nor (Chairman)	(Appointed on 4 February 2005)
Damis Jacobus Ziengs (Vice Chairman)	
Sulaiman bin Salleh	
Tee Keng Sing	
Gary Lee Crist	(Appointed on 1 November 2004)
Md Agil bin Mohd Natt	(Appointed on 3 February 2005)
Muhamad Umar Swift	(Appointed on 4 February 2005)
Hooi Lai Hoong	(Resigned on 3 September 2004)
Clifford Robin Huke	(Resigned on 31 October 2004)
Tan Sri Mohamed Basir bin Ahmad	(Resigned on 3 February 2005)
Haji Mohd. Hashir bin Haji Abdullah	(Resigned on 3 February 2005)
Kasim bin Zakaria	(Resigned on 11 June 2005)

CORPORATE GOVERNANCE

The Board of Directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practised in the Company. This is a fundamental part in discharging their responsibilities to protect and enhance all stakeholders' values and the financial performance of the Company.

(a) Board Responsibilities

In discharging their duties, the Board is equally responsible to ensure compliance with the Insurance Act ("the Act") and Regulations, 1996 and Bank Negara Malaysia ("BNM") Guidelines, including JPI/GPI 1: Duties and Responsibilities of Directors and Chief Executive of Insurers and other directives. They also have to comply with the tenets of corporate governance by adopting its best practices as stipulated under JPI/GPI 25: Prudential Framework of Corporate Governance for Insurers. Apart from their statutory responsibilities, the Board approves the Company's major investments, disposals and funding decisions. They ensure the implementation of appropriate systems to manage risks and also review and approve the strategies and financial objectives to be implemented by the management. These functions are carried out by the Board directly and/or through their various committees.

The Board is responsible for creating the framework and policies within which the Company should be operating and the management is responsible for implementing them. This demarcation reinforces the supervisory role of the Board.

Hence, the Company has an organisational structure showing all reporting lines as well as clearly documented job descriptions for all management and executive employees and formal performance appraisals are done annually.

CORPORATE GOVERNANCE (CONT'D)**(a) Board Responsibilities (Cont'd)**

The directors, with different backgrounds and experiences, collectively bring with them a wide range of skills and specialised knowledge that are required for the management of the Company.

The Board met 6 times during the financial year and the attendance of the directors was as follows:

Name	Number of Board meetings	
	Attended	%
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (Chairman)	2/2	100
Damis Jacobus Ziengs (Vice Chairman)	6/6	100
Sulaiman bin Salleh	6/6	100
Tee Keng Sing	5/6	83
Gary Lee Crist	4/4	100
Md Agil bin Mohd Natt	3/3	100
Muhamad Umar Swift	2/2	100
Hooi Lai Hoong	1/1	100
Clifford Robin Huke	2/2	100
Tan Sri Mohamed Basir bin Ahmad	4/4	100
Haji Mohd. Hashir bin Haji Abdullah	4/4	100
Kasim bin Zakaria	5/5	100

(b) Management Accountability

Whilst the Board is responsible for creating the framework and policies within which the Company should be operating, the management is accountable for the execution of the enabling policies and attainment of the Company's corporate objectives.

(c) Corporate Independence

All material related party transactions have been disclosed in Note 24 to the financial statements.

(d) Internal Controls and Audit

The Board exercises overall responsibility for the Company's internal controls and its effectiveness. The Board recognises that risks cannot be eliminated completely; as such, the systems and processes put in place are aimed at minimising and managing them. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as to safeguard the assets of the Company and stakeholders' interests.

CORPORATE GOVERNANCE (CONT'D)

(d) Internal Controls and Audit (Cont'd)

Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective action where necessary, is taken in a timely manner. The internal audit reports are tabled at the first scheduled Audit Committee ("AC") meeting after the date of receipt of these reports. The internal audit function reports to the Board through the AC, and its findings and recommendations are communicated to senior management and all levels of staff concerned. The AC is established at the holding company's level with the consent of BNM.

The composition of the AC is as follows:

Raja Tan Sri Muhammad Alias

Raja Muhd. Ali (Chairman)

(Appointed on 24 February 2005)

Independent Non-Executive Director

Damis Jacobus Ziengs

Non-Independent Non-Executive Director

Sulaiman bin Salleh

Independent Non-Executive Director

Haji Mohd. Hashir bin Haji Abdullah

(Resigned on 16 February 2005)

Independent Non-Executive Director

The AC met 4 times during the financial year.

(e) Risk Management

The Board takes responsibility in establishing the Risk Management Committee ("RMC"). The primary objective of the RMC is to oversee the senior management's activities in managing the key risk areas of the Company and to ensure that the risk management process is in place and functioning effectively.

The Company established the RMC at the holding company's level with the consent of BNM. In discharging its responsibilities, the RMC is complemented by the Investment Committee of the Board and assisted by the Asset Liability Committee ("ALCO") of the management.

The risk management framework for the Company comprises three main components i.e. policy-making, monitoring and control and risk acceptance while the risk management approach would premise on three lines of defence i.e. risk-taking units, risk control and coordinating unit and internal audit. Risks have been classified into three main categories, which are made up of insurance risk, financial risk (including market risk, credit risk and balance sheet risk) and operational risk.

CORPORATE GOVERNANCE (CONT'D)

(e) Risk Management (Cont'd)

There is an on-going process for identifying, evaluating and managing the significant risks faced by the Company. This is achieved through designated management functions and internal controls, which includes the setting up of operational risk limits for all core activities.

The composition of the RMC is as follows:

Tan Sri Mohamed Basir bin Ahmad (Chairman)
Non-Independent Non-Executive Director

Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali
Independent Non-Executive Director

Petrus Bernardus Gerardus van Harten (Appointed on 11 July 2005)
Non-Independent Non-Executive Director

Jozef De Mey (Resigned on 24 February 2005)
Non-Independent Non-Executive Director

The RMC met 4 times during the financial year.

(f) Nomination and Remuneration Committees

The Board also takes responsibility in establishing the Nomination and Remuneration Committees. The Company will continue to use the existing Nomination and Remuneration Committees of the Maybank Group as part of its governance structure.

The primary objective of the Nomination Committee is to establish a documented, formal and transparent procedure for the appointment of directors, chief executive officer and key senior officers. The committee is also responsible to assess the effectiveness of directors, the Board as a whole and the various committees of the Board, the chief executive officer and key senior officers.

The Remuneration Committee, on the other hand, is responsible to provide a formal and transparent procedure for developing a remuneration policy for directors, chief executive officer and key senior officers and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

The composition of the Nomination Committee is as follows:

Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali (Chairman)
Independent Non-Executive Director

CORPORATE GOVERNANCE (CONT'D)

(f) Nomination and Remuneration Committees (Cont'd)

Mohammad bin Abdullah
Independent Non-Executive Director

Haji Mohd. Hashir bin Haji Abdullah
Independent Non-Executive Director

Datuk Amirsham A. Aziz
Non-Independent Executive Director

Datuk Abdul Rahman bin Mohd. Ramli
Non-Independent Non-Executive Director

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (Appointed on 25 November 2004)
Independent Non-Executive Director

The Nomination Committee met 9 times during the financial year.

The composition of the Remuneration Committee is as follows:

Mohammad bin Abdullah (Chairman)
Independent Non-Executive Director

Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali
Independent Non-Executive Director

Datuk Abdul Rahman bin Mohd. Ramli
Non-Independent Non-Executive Director

Teh Soon Poh
Independent Non-Executive Director

The Remuneration Committee met 9 times during the financial year.

(g) Public Accountability

As custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

(h) Financial Reporting

The Board takes responsibility for presenting a balanced and comprehensive assessment of the Company's operations and prospects each time it releases its annual financial statements to shareholders. The AC of the Board assists by scrutinising the information to be disclosed, to ensure accuracy, adequacy and completeness.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the Maybank Group Employee Share Option Scheme ("ESOS").

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 15 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 24 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM1 each			
	1 July 2004/ date of appointment	Bought	Sold	30 June 2005
The Company				
Tee Keng Sing				
- direct	45,000	-	-	45,000
- indirect	4,860,000	-	-	4,860,000
Ultimate holding company: Malayan Banking Berhad				
Direct interest:				
Sulaiman bin Salleh	3,000	-	-	3,000
Md Agil bin Mohd Natt	59,600	62,000	-	121,600
Indirect interest:				
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	10,000	-	-	10,000

DIRECTORS' INTERESTS (CONT'D)

	Option date	Option price RM	Number of options over ordinary shares of RM1 each			
			1 July 2004	Granted	Exercised	30 June 2005
Malayan Banking Berhad						
Md Agil bin Mohd Natt	1.9.2004	9.23	-	200,000	(60,000)	140,000
	15.10.2004	9.87	-	8,200	(2,000)	6,200
Sulaiman bin Salleh	1.9.2004	9.23	-	70,000	-	70,000

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 corporations during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the balance sheet and income statement of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would:
- (i) require any amount to be written off as bad debts or render the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) render the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

OTHER STATUTORY INFORMATION (CONT'D)

- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e) and (f), contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

- (g) Before the balance sheet and income statement were made out, the directors took reasonable steps to ascertain that there was adequate provision for incurred claims including Incurred But Not Reported ("IBNR") claims.

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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

Megat Zaharuddin bin Megat Mohd Nor

Sulaiman bin Salleh

Kuala Lumpur, Malaysia

11 August 2005

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Megat Zaharuddin bin Megat Mohd Nor and Sulaiman bin Salleh, being two of the directors of Mayban General Assurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 13 to 55 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 30 June 2005 and of its results and its cash flows for the year then ended.

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

Megat Zaharuddin bin Megat Mohd Nor

Sulaiman bin Salleh

Kuala Lumpur, Malaysia
11 August 2005

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

I, Zainal Abidin bin Mohd. Noor, being the officer primarily responsible for the financial management of Mayban General Assurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 13 to 55 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 Zainal Abidin bin Mohd. Noor
at Kuala Lumpur in Wilayah Persekutuan
on 11 August 2005

Zainal Abidin bin Mohd. Noor

Before me,

Commissioner for Oaths

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**REPORT OF THE AUDITORS TO THE MEMBERS OF
MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 13 to 55. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Company as at 30 June 2005 and of the results and the cash flows of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

Pushpanathan a/l S.A. Kanagarayar
No. 1056/03/07 (J/PH)
Partner

Kuala Lumpur, Malaysia
11 August 2005

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

BALANCE SHEET AS AT 30 JUNE 2005

	Note	2005 RM'000	2004 RM'000
ASSETS			
Property and equipment	3	62,280	70,714
Intangible asset	4	164,292	174,949
Investments	5	588,000	530,342
Staff loans	6	6,583	6,434
Receivables	7	52,186	55,127
Cash and bank balances		6,030	9,950
TOTAL ASSETS		<u>879,371</u>	<u>847,516</u>
LIABILITIES			
Provision for outstanding claims	8	191,190	193,866
Payables	9	34,693	51,075
Tax payable		3,489	2,106
Deferred taxation	10	4,028	3,517
		<u>233,400</u>	<u>250,564</u>
PROVISION FOR INSURANCE LIABILITIES			
Unearned premium reserves	11	<u>109,969</u>	<u>90,042</u>
SHAREHOLDERS' EQUITY			
Share capital	12	178,171	178,171
Reserves		<u>357,831</u>	<u>328,739</u>
		<u>536,002</u>	<u>506,910</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>879,371</u>	<u>847,516</u>

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

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2005

	Note	←Non-distributable→			Distributable	Total RM'000
		Share capital RM'000	Share premium RM'000	Currency translation reserve RM'000	Retained profits RM'000	
At 1 July 2003		178,171	249,929	11,295	48,965	488,360
Currency translation differences representing net gains not recognised in the income statement		-	-	1,367	-	1,367
Net profit for the year		-	-	-	54,599	54,599
Dividends	20	-	-	-	(37,416)	(37,416)
At 30 June 2004		178,171	249,929	12,662	66,148	506,910
At 1 July 2004		178,171	249,929	12,662	66,148	506,910
Currency translation differences representing net gains not recognised in the income statement		-	-	121	-	121
Net profit for the year		-	-	-	62,823	62,823
Dividends	20	-	-	-	(33,852)	(33,852)
At 30 June 2005		178,171	249,929	12,783	95,119	536,002

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

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 RM'000	2004 RM'000
Operating revenue	13	<u>350,476</u>	<u>310,044</u>
Surplus transferred from revenue account		96,568	84,417
Management expenses	15	(315)	(576)
Investment income	16	2,780	1,412
Other expenditure (net)	17	<u>(10,879)</u>	<u>(10,814)</u>
Profit before taxation		88,154	74,439
Taxation	18	<u>(25,331)</u>	<u>(19,840)</u>
Net profit for the year		<u>62,823</u>	<u>54,599</u>
Earnings per share - Basic (sen)	19	<u>35.3</u>	<u>30.6</u>
Net dividends per share (sen)	20	<u>19.0</u>	<u>21.0</u>

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

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

GENERAL INSURANCE REVENUE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Fire		Motor		Marine, Aviation & Transit		Miscellaneous ("Misc.")		Total	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Gross premiums		92,866	85,327	69,708	64,097	9,411	7,349	153,070	128,356	325,055	285,129
Reinsurance		(14,219)	(21,231)	(3,965)	(4,273)	(3,025)	(3,057)	(27,452)	(29,019)	(48,661)	(57,580)
Net premiums		78,647	64,096	65,743	59,824	6,386	4,292	125,618	99,337	276,394	227,549
(Increase)/decrease in unearned premium reserves	11	(8,051)	(3,056)	(4,282)	5,284	(493)	(109)	(6,064)	267	(18,890)	2,386
Earned premium		70,596	61,040	61,461	65,108	5,893	4,183	119,554	99,604	257,504	229,935
Net claims incurred	14	(16,886)	(11,553)	(27,444)	(26,286)	1,566	(786)	(53,879)	(49,960)	(96,643)	(88,585)
Net commissions		(8,902)	(8,944)	(8,038)	(6,901)	(1,157)	(829)	(21,448)	(16,323)	(39,545)	(32,997)
Underwriting surplus before management expenses		44,808	40,543	25,979	31,921	6,302	2,568	44,227	33,321	121,316	108,353
Management expenses	15									(51,892)	(57,000)
Underwriting surplus										69,424	51,353
Investment income	16									22,641	23,503
Other income (net)	17									4,503	9,561
Transfer to income statement										96,568	84,417

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

MAYBAN GENERAL ASSURANCE BERHAD
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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	88,154	74,439
Adjustment for:		
Amortisation of goodwill	10,657	10,656
Increase/(decrease) in unearned premium reserves	18,890	(2,386)
Write-back of provision for doubtful debts	(9,475)	(4,252)
Interest income	(18,463)	(17,514)
Interest expense	50	67
Gross dividend income	(3,851)	(4,328)
Net gain on disposal of investments	(4,632)	(10,048)
Net provision for/(write-back of) diminution in value of investments	154	(849)
Accretion of discounts net of amortisation of premiums	(697)	(690)
Depreciation of property and equipment	6,139	7,968
Short-term accumulating compensated absences	77	63
Gain on disposal of property and equipment	(1)	(40)
Reclassification of Work-in-Progress	-	9
Property and equipment written off	10	77
Profit from operations before changes in operating assets and liabilities	87,012	53,172
Net (increase)/decrease in loans	(149)	208
Purchase of investments	(523,470)	(166,289)
Proceeds from disposal/maturity of investments	429,610	143,573
Net decrease/(increase) in fixed and call deposits	43,845	(809)
Decrease in amounts due from insureds, agents, brokers, co-insurers and reinsurers	9,656	9,648
Decrease/(increase) in other receivables	3,513	(3,069)
Decrease in outstanding claims	(4,003)	(7,670)
(Decrease)/increase in amounts due to insureds, agents, brokers, co-insurers and reinsurers	(13,259)	9,461
Decrease in other payables	(2,608)	(11,456)
Foreign exchange fluctuation	(434)	(1)
Cash generated from operations	29,713	26,768
Interest received	17,217	17,527
Interest paid	(50)	(67)
Net dividend received	3,172	3,538
Net dividend paid	(33,852)	(37,416)
Net tax paid	(19,552)	(9,307)
Net cash (used for)/generated from operating activities	(3,352)	1,043

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

	2005	2004
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(796)	(924)
Proceeds from disposal of property and equipment	29	40
Net cash used in investing activities	<u>(767)</u>	<u>(884)</u>
NET (DECREASE)/INCREASE IN CASH AND BANK		
BALANCES	(4,119)	159
EFFECT OF EXCHANGE RATE CHANGES	199	169
CASH AND BANK BALANCES AT BEGINNING OF YEAR	<u>9,950</u>	<u>9,622</u>
CASH AND BANK BALANCES AT END OF YEAR	<u><u>6,030</u></u>	<u><u>9,950</u></u>

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

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2005

1. CORPORATE INFORMATION

The Company is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of the principal activity during the financial year.

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

The principal place of business of the Company is located at Mayban Assurance Tower, Dataran Maybank, No. 1, Jalan Maarof, 59000 Kuala Lumpur.

The holding and ultimate holding companies of the Company are Mayban Fortis Holdings Berhad and Malayan Banking Berhad ("MBB") respectively, both of which are incorporated in Malaysia. MBB is a licensed commercial bank listed on the Main Board of Bursa Malaysia Securities Berhad.

The number of employees in the Company at the end of the financial year was 326 (2004: 337).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 11 August 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Company have been prepared under the historical cost convention and comply with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965, the Insurance Act, 1996 and the Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

The assets and liabilities relate to both the general insurance business and shareholders' fund.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Intangible Asset

Intangible asset which relates to the excess of the purchase price over the fair value of assets and liabilities acquired is included in the balance sheet as goodwill arising on acquisition and is amortised on a straight-line basis over a period of 20 years. Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(g).

(c) Underwriting Results

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, unearned premium reserves, commissions and claims incurred.

(i) Premium Income

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

(ii) Unearned Premium Reserves

Unearned Premium Reserves ("UPR") represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of policies at the end of the financial year. In determining the UPR at the balance sheet date, the method that most accurately reflects the actual unearned premium is used as follows:

- 25% method for marine cargo, aviation cargo and transit business
- 1/24th method for all other classes of Malaysian policies reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding the limits specified by BNM as follows:

Motor and bonds	10%
Fire, engineering, aviation and marine hull	15%
Medical and health	
- Stand-alone individuals	15%
- Group of 3 or more	10%
Workmen compensation and employers' liability	
- Foreign workers	10%
- Others	25%
Other classes	25%

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Underwriting Results (Cont'd)

(ii) Unearned Premium Reserves (Cont'd)

- 1/8th method for all classes of overseas inward treaty business with a deduction of 20% for commissions
- Non-annual policies are time apportioned over the period of the risks

(iii) Provision for Claims

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

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

(iv) Acquisition Costs

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

(d) Other Revenue Recognition

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

(i) Interest Income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset except for interest on loans which are considered non-performing, i.e., when repayments are in arrears for more than three months, in which case, recognition of such interest is suspended with retrospective adjustment made to the date of first default. Subsequent to suspension, interest is recognised on the receipt basis until all arrears have been paid.

(ii) Dividend Income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Other Revenue Recognition (Cont'd)

(iii) Rental Income

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

(e) Property and Equipment and Depreciation

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

Freehold land and renovation and building-in-progress are not depreciated. Leasehold land is amortised over the period of the respective leases. Buildings are amortised over the shorter period of 50 years or the period of the respective leases.

Depreciation of other property and equipment is provided for on a straight-line basis calculated to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Furniture, fittings, equipment and renovations	20%
Computers and peripherals	20% - 25%
Electrical and security equipment	10%
Motor vehicles	25%

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

(f) Investment Properties

Investment properties consist of investments in land and buildings that are not substantially occupied for use by, or in the operations of the Company.

Investment properties are treated as long-term investments and are stated at cost and include related and incidental expenditure incurred less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(g). Investment properties are not depreciated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investment Properties (Cont'd)

Upon the disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement/revenue account.

(g) Impairment of Assets

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

An impairment loss is recognised as an expense in the income statement/revenue account immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(h) Employee Benefits

(i) Short-term Benefits

Wages, salaries, bonuses and social security ("SOCSO") contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated balances, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plan

As required by law, the Company and its overseas branch make contributions to the Employees Provident Fund ("EPF") and the Singapore Central Provident Fund ("CPF") respectively. Such contributions are recognised as an expense in the income statement/revenue account as incurred.

(i) Income Tax

Income tax on the profit or loss for the year comprises of current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Income Tax (Cont'd)

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement/revenue account, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(j) Foreign Currencies

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

Foreign currency assets and liabilities of an overseas branch are translated into Ringgit Malaysia at rates of exchange ruling at the balance sheet date and the results for the financial year are translated at average rates. Exchange differences arising from the translation of the results at average rates and assets and liabilities at rates ruling at the balance sheet date and the restatement of the opening net investment in the overseas branch at rates of exchange ruling at the balance sheet date are dealt with through the currency translation reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Foreign Currencies (Cont'd)

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

	2005	2004
	RM	RM
United States Dollars	3.80	3.80
Singapore Dollars	2.26	2.21

(k) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash and bank balances, excluding fixed and call deposits. The cash flow statement has been prepared using the indirect method.

(l) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends, gains and losses relating to financial instruments classified as liabilities, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised 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.

Disclosure information for financial assets and liabilities that relate to rights and obligations arising under insurance contracts are excluded from the scope of Financial Reporting Standard 132 (MASB Standard 24) - Financial Instruments: Disclosure and Presentation.

(i) Malaysian Government Securities and Other Approved Investments

Malaysian Government Securities and other approved investments as specified by BNM are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on the effective yield basis, from the date of purchase to maturity date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(I) Financial Instruments (Cont'd)

(ii) Government Guaranteed Bonds and Unquoted Corporate Bonds

Government guaranteed bonds and unquoted corporate bonds which carry a minimum rating of “BBB” or “P3” are valued at cost adjusted for amortisation of premiums and accretion of discounts, where applicable, calculated on the effective yield basis, from the date of purchase to their respective maturity dates. Any corporate bond with a lower rating is stated at the lower of cost and net realisable value.

(iii) Quoted Investments

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

(iv) Unquoted Investments

Unquoted investments are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(g).

Gain or loss arising from the disposal of the above investments is the difference between net disposal proceeds and its carrying value, net of accretion of discounts or amortisation of premiums. Gain or loss on disposal of investment is credited or charged to the income statement/revenue account.

(v) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date. Specific provision are made for any premiums including agents, brokers and reinsurers balances which remain outstanding for more than six months from the date on which they become receivable.

(vi) Payables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(I) Financial Instruments (Cont'd)

(vii) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised and accounted for in the statement of changes in equity in the period in which they are declared.

3. PROPERTY AND EQUIPMENT

	Properties** RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Renovation & building- in-progress RM'000	Total RM'000
Cost							
At 1 July 2004	61,912	23,937	20,079	8,703	809	486	115,926
Additions	-	514	258	-	-	24	796
Disposals	-	(60)	-	-	-	-	(60)
Write-offs	-	(984)	-	-	-	-	(984)
Reversal*	(2,282)	(765)	-	(45)	-	-	(3,092)
Reclassification	-	24	-	-	-	(24)	-
Translation differences	58	29	18	-	6	-	111
At 30 June 2005	59,688	22,695	20,355	8,658	815	486	112,697
Accumulated Depreciation and Impairment Losses							
At 1 July 2004							
Accumulated depreciation	5,861	17,465	17,348	3,688	776	-	45,138
Impairment losses	74	-	-	-	-	-	74
	5,935	17,465	17,348	3,688	776	-	45,212
Charge for the year	1,146	3,606	1,760	762	36	-	7,310
Disposals	-	(31)	-	-	-	-	(31)
Write-offs	-	(974)	-	-	-	-	(974)
Reversal*	(476)	(634)	-	(61)	-	-	(1,171)
Translation differences	32	27	9	-	3	-	71
At 30 June 2005	6,637	19,459	19,117	4,389	815	-	50,417
Net Book Value							
At 30 June 2005	53,051	3,236	1,238	4,269	-	486	62,280
At 30 June 2004	55,977	6,472	2,731	5,015	33	486	70,714
Details at 1 July 2003							
Cost	61,848	25,659	19,726	8,802	966	21	117,022
Accumulated depreciation	4,595	15,470	15,294	2,985	802	-	39,146
Impairment losses	74	-	-	-	-	-	74
Depreciation charge for 2004							
	1,232	3,766	2,055	782	133	-	7,968

* During the year, adjustments were made on the cost of the leasehold land and building and its fittings based on the final billing received from the building developer.

3. PROPERTY AND EQUIPMENT (CONT'D)

** Properties consist of:

	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land 50 years or more RM'000	Total RM'000
Cost					
At 1 July 2004	294	239	9,150	52,229	61,912
Reversal	-	-	(256)	(2,026)	(2,282)
Translation differences	-	-	-	58	58
At 30 June 2005	<u>294</u>	<u>239</u>	<u>8,894</u>	<u>50,261</u>	<u>59,688</u>
Accumulated Depreciation and Impairment Losses					
At 1 July 2004					
Accumulated depreciation	-	70	690	5,101	5,861
Impairment losses	-	-	-	74	74
	-	70	690	5,175	5,935
Charge for the year	-	5	176	965	1,146
Reversal	-	-	(372)	(104)	(476)
Translation differences	-	-	-	32	32
At 30 June 2005	<u>-</u>	<u>75</u>	<u>494</u>	<u>6,068</u>	<u>6,637</u>
Net Book Value					
At 30 June 2005	<u>294</u>	<u>164</u>	<u>8,400</u>	<u>44,193</u>	<u>53,051</u>
At 30 June 2004	<u>294</u>	<u>169</u>	<u>8,460</u>	<u>47,054</u>	<u>55,977</u>
Details at 1 July 2003					
Cost	294	239	9,150	52,165	61,848
Accumulated depreciation	-	65	507	4,023	4,595
Impairment losses	-	-	-	74	74
Depreciation charge for 2004	<u>-</u>	<u>5</u>	<u>183</u>	<u>1,044</u>	<u>1,232</u>

3. PROPERTY AND EQUIPMENT (CONT'D)

Included in the property and equipment of the Company are the costs of fully depreciated assets which are still in use amounting to RM20,792,821 (2004: RM16,776,716).

4. INTANGIBLE ASSETS

	2005	2004
	RM'000	RM'000
Goodwill arising from acquisition of business	211,360	211,360
Accumulated amortisation	(47,068)	(36,411)
	<u>164,292</u>	<u>174,949</u>

5. INVESTMENTS

	2005		2004	
	Cost	Market/ indicative value**	Cost	Market/ indicative value**
	RM'000	RM'000	RM'000	RM'000
Investment properties*:				
Freehold land and buildings	16,812		18,390	
Impairment losses	(129)		(279)	
	<u>16,683</u>	<u>20,552</u>	<u>18,111</u>	<u>22,037</u>
Leasehold land and buildings	1,251		1,781	
Impairment losses	-		(10)	
	<u>1,251</u>	<u>1,620</u>	<u>1,771</u>	<u>2,160</u>
	<u>17,934</u>	<u>22,172</u>	<u>19,882</u>	<u>24,197</u>
Malaysian Government Securities ("MGS")	9,872		5,099	
Amortisation of premiums	(339)		(236)	
	<u>9,533</u>	<u>9,601</u>	<u>4,863</u>	<u>4,847</u>
Government Investment Issues ("GII")	11,182		8,388	
Accretion of discounts	314		288	
	<u>11,496</u>	<u>11,618**</u>	<u>8,676</u>	<u>8,668**</u>

5. INVESTMENTS (CONT'D)

	2005		2004	
	Cost RM'000	Market/ indicative value** RM'000	Cost RM'000	Market/ indicative value** RM'000
Cagamas bonds	40,284		25,875	
Amortisation of premiums	(34)		(32)	
	<u>40,250</u>	<u>41,095**</u>	<u>25,843</u>	<u>25,847**</u>
Singapore Government Securities ("SGS")	63,635		15,250	
Net amortisation of premiums	(67)		(84)	
Provision for diminution in value	-		(154)	
	<u>63,568</u>	<u>64,778</u>	<u>15,012</u>	<u>15,012</u>
Malaysian Government guaranteed bonds	29,252		34,292	
Net accretion of discounts	436		111	
	<u>29,688</u>	<u>30,343**</u>	<u>34,403</u>	<u>34,388**</u>
Negotiable Certificates of Deposit ("NCD")	63,700		36,438	
Amortisation of premiums	(947)		(678)	
	<u>62,753</u>	<u>63,190**</u>	<u>35,760</u>	<u>36,177**</u>
Quoted in Malaysia:				
Bonds/loan stocks of corporations	-		37	
Provision for diminution in value	-		-	
	<u>-</u>	<u>-</u>	<u>37</u>	<u>28</u>
Shares and warrants of corporations	47,024		42,200	
Provision for diminution in value	(1,525)		(691)	
	<u>45,499</u>	<u>53,060</u>	<u>41,509</u>	<u>50,068</u>
Unit and property trusts	7,857		7,957	
Provision for diminution in value	(3,740)		(3,353)	
	<u>4,117</u>	<u>4,117</u>	<u>4,604</u>	<u>4,605</u>

5. INVESTMENTS (CONT'D)

	2005		2004	
	Cost RM'000	Market/ indicative value** RM'000	Cost RM'000	Market/ indicative value** RM'000
Quoted outside Malaysia:				
Bonds/loan stocks of corporations	13,293		10,948	
Net amortisation of premiums	(42)		(64)	
Provision for diminution in value	-		(28)	
	<u>13,251</u>	<u>13,671</u>	<u>10,856</u>	<u>10,856</u>
Shares and warrants of corporations	10,311		16,790	
Provision for diminution in value	7		-	
	<u>10,318</u>	<u>11,031</u>	<u>16,790</u>	<u>19,193</u>
			2005	2004
			Cost	Cost
			RM'000	RM'000
Unquoted in Malaysia:				
Bonds/loan stocks of corporations			133,690	136,751
Net accretion of discounts			2,378	1,578
			<u>136,068</u>	<u>138,329</u>
Shares and warrants of corporations			518	524
Provision for diminution in value			(228)	(234)
			<u>290</u>	<u>290</u>
Corporate loans			<u>10,000</u>	<u>7,500</u>
Unquoted outside Malaysia:				
Bonds/loan stocks of corporations			9,610	5,110
Net accretion of discounts			24	-
Provision for diminution in value			-	(673)
			<u>9,634</u>	<u>4,437</u>
Shares and warrants of corporations			4,462	65
Provision for diminution in value			(8)	(65)
			<u>4,454</u>	<u>-</u>

5. INVESTMENTS (CONT'D)

	2005	2004
	Cost	Cost
	RM'000	RM'000
Fixed and call deposits with:		
Licensed banks	71,399	83,925
Licensed finance companies	-	4,869
Other financial institutions ***	47,748	72,757
	<u>119,147</u>	<u>161,551</u>
 Total investments	 <u>588,000</u>	 <u>530,342</u>

* Certain investment properties acquired prior to 1 February 1996 are stated at their net book values as at that date of RM608,000 with subsequent additions stated at cost, less impairment losses. The original costs of these properties were RM793,000.

** indicative values are obtained from the secondary market

*** other financial institutions comprises discount houses

(i) Maturity structure of investments, at cost (excluding investment properties, equity investments, warrants, unit and property trusts) is as follows:

	< 1 year	1 to < 3 years	3 to 5 years	> 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2005					
MGS	-	8,362	1,510	-	9,872
GII	-	-	-	11,182	11,182
Cagamas bonds	-	25,015	15,269	-	40,284
SGS	-	20,380	27,072	16,183	63,635
Malaysian					
Government					
guaranteed					
bonds	-	23,136	-	6,116	29,252
NCD	-	36,312	-	27,388	63,700
Quoted bonds/loan					
stocks of					
corporations					
outside					
Malaysia	-	-	3,385	9,908	13,293

5. INVESTMENTS (CONT'D)

	< 1 year	1 to	3 to 5 years	> 5 years	Total
	RM'000	< 3 years	RM'000	RM'000	RM'000
Unquoted bonds/loan					
stocks of					
corporations:					
In Malaysia	15,067	21,216	37,921	59,486	133,690
Outside					
Malaysia	8,484	-	-	1,126	9,610
Corporate					
loans	-	-	-	10,000	10,000
Fixed and call					
deposits	118,859	288	-	-	119,147
	142,410	134,709	85,157	141,389	503,665
2004					
MGS	222	1,576	3,301	-	5,099
GII	-	-	8,388	-	8,388
Cagamas bonds	860	-	25,015	-	25,875
SGS	-	1,780	5,160	8,310	15,250
Malaysian					
Government					
guaranteed					
bonds	-	20,066	8,110	6,116	34,292
NCD	-	36,438	-	-	36,438
Quoted bonds/loan					
stocks of					
corporations:					
In Malaysia	-	37	-	-	37
Outside					
Malaysia	-	4,235	2,712	4,001	10,948
Unquoted bonds/					
loan stocks of					
corporations:					
In Malaysia	15,051	15,067	27,084	79,549	136,751
Outside					
Malaysia	1,656	2,351	-	1,103	5,110
Corporate					
loans	-	-	-	7,500	7,500
Fixed and call					
deposits	161,551	-	-	-	161,551
	179,340	81,550	79,770	106,579	447,239

5. INVESTMENTS (CONT'D)

(ii) The weighted average rates of returns of investments at the balance sheet date were as follows:

	2005	2004
	%	%
	per annum	per annum
MGS	3.43	3.68
GII	4.30	3.82
Cagamas bonds	3.53	3.47
SGS	2.50	2.97
Malaysian Government guaranteed bonds	4.01	3.89
Quoted bonds/loan stocks of corporations:		
In Malaysia	-	4.00
Outside Malaysia	3.64	2.99
Unquoted bonds/loan stocks of corporations:		
In Malaysia	6.39	6.33
Outside Malaysia	2.67	1.78
NCD	4.24	3.99
Corporate loans	7.67	7.48
Fixed and call deposits with:		
Licensed banks	1.92	1.16
Licensed financial companies	-	2.84
Other financial institutions	2.61	2.68

(iii) Fixed deposits amounting to RM13,847,253 (2004: RM13,718,989) were pledged to the ultimate holding company for bank guarantee facilities.

6. STAFF LOANS

	2005	2004
	RM'000	RM'000
Secured:		
Receivable within 12 months	580	816
Receivable after 12 months	5,986	5,592
	<u>6,566</u>	<u>6,408</u>
Unsecured:		
Receivable within 12 months	5	12
Receivable after 12 months	12	14
	<u>17</u>	<u>26</u>
	<u>6,583</u>	<u>6,434</u>

6. STAFF LOANS (CONT'D)

The weighted average effective interest rate during the year for staff loans was 3.52% (2004: 3.81%) per annum on the basis of monthly rest.

7. RECEIVABLES

	2005	2004
	RM'000	RM'000
Trade receivables:		
Outstanding premiums including agents, brokers and co-insurers balances	33,117	31,419
Provision for doubtful debts	(4,146)	(5,088)
	<u>28,971</u>	<u>26,331</u>
Amount due from reinsurers and ceding companies	22,179	33,217
Provision for doubtful debts	(14,994)	(23,549)
	<u>7,185</u>	<u>9,668</u>
Other receivables:		
Other receivables, deposits and prepayments	9,944	11,177
Income due and accrued	6,086	4,730
Tax recoverable	-	3,221
	<u>16,030</u>	<u>19,128</u>
	<u>52,186</u>	<u>55,127</u>

8. PROVISION FOR OUTSTANDING CLAIMS

	2005	2004
	RM'000	RM'000
Provision for outstanding claims	468,955	612,159
Recoverable from reinsurers	(277,765)	(418,293)
Net outstanding claims	<u>191,190</u>	<u>193,866</u>

9. PAYABLES

	2005	2004
	RM'000	RM'000
Trade payables:		
Amount due to reinsurers	7,774	18,540
Amount due to agents, brokers, co-insurers and insureds	6,822	9,150
	<u>14,596</u>	<u>27,690</u>
Other payables:		
Due to holding company	2,477	2,960
Sundry payables	17,620	20,425
	<u>20,097</u>	<u>23,385</u>
	<u>34,693</u>	<u>51,075</u>

The balance due to holding company is mainly in respect of reimbursement of shared services cost.

10. DEFERRED TAXATION

	2005	2004
	RM'000	RM'000
At beginning of year	3,517	2,183
Recognised in the income statement (Note 18)	504	1,302
Exchange differences	7	(12)
Effect of reduction in foreign income tax rate	-	44
At end of year	<u>4,028</u>	<u>3,517</u>
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	6,240	6,274
Deferred tax assets	(2,212)	(2,757)
	<u>4,028</u>	<u>3,517</u>

10. DEFERRED TAXATION (CONT'D)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

2005**Deferred Tax Liabilities**

	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
At 1 July 2004	6,014	260	6,274
Recognised in the income statement	(257)	218	(39)
Exchange differences	6	(1)	5
At 30 June 2005	5,763	477	6,240

Deferred Tax Assets

	Provision for diminution in value of investments RM'000	Provision for doubtful debts RM'000	Provision for bonus RM'000	Others RM'000	Total RM'000
At 1 July 2004	(1,198)	(898)	(685)	24	(2,757)
Recognised in the income statement	(54)	809	(255)	43	543
Exchange difference	-	(1)	-	3	2
At 30 June 2005	(1,252)	(90)	(940)	70	(2,212)

2004**Deferred Tax Liabilities**

	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
At 1 July 2003	5,693	35	5,728
Recognised in the income statement	345	223	568
Exchange differences	8	(1)	7
Effect of reduction in foreign income tax rate	(32)	3	(29)
At 30 June 2004	6,014	260	6,274

10. DEFERRED TAXATION (CONT'D)**Deferred Tax Assets**

	Provision for diminution in value of investments RM'000	Provision for doubtful debts RM'000	Provision for bonus RM'000	Others RM'000	Total RM'000
At 1 July 2003	(1,585)	(931)	(863)	(166)	(3,545)
Recognised in the income statement	387	(30)	178	199	734
Exchange difference	-	(23)	-	4	(19)
Effect of reduction in foreign income tax rate	-	86	-	(13)	73
At 30 June 2004	<u>(1,198)</u>	<u>(898)</u>	<u>(685)</u>	<u>24</u>	<u>(2,757)</u>

11. UNEARNED PREMIUM RESERVES

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc. RM'000	Total RM'000
2005					
At 1 July 2004	28,245	26,750	1,223	33,824	90,042
Increase in reserves	8,051	4,282	493	6,064	18,890
Translation differences	70	403	21	543	1,037
At 30 June 2005	<u>36,366</u>	<u>31,435</u>	<u>1,737</u>	<u>40,431</u>	<u>109,969</u>
2004					
At 1 July 2003	25,144	31,810	1,071	33,783	91,808
Increase/(decrease) in reserves	3,056	(5,284)	109	(267)	(2,386)
Translation differences	45	224	43	308	620
At 30 June 2004	<u>28,245</u>	<u>26,750</u>	<u>1,223</u>	<u>33,824</u>	<u>90,042</u>

12. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 RM'000
(a) Authorised:				
At beginning/end of year	300,000	300,000	300,000	300,000
(b) Issued and fully paid:				
At beginning/end of year	178,171	178,171	178,171	178,171

13. OPERATING REVENUE

	Note	2005 RM'000	2004 RM'000
Gross premiums		325,055	285,129
Investment income	16	25,421	24,915
		<u>350,476</u>	<u>310,044</u>

14. NET CLAIMS INCURRED

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc. RM'000	Total RM'000
2005					
Gross claims paid less salvage	40,573	42,637	41,024	75,127	199,361
Reinsurance recoveries	(27,396)	(2,975)	(39,092)	(29,191)	(98,654)
Net claims paid	13,177	39,662	1,932	45,936	100,707
Net outstanding claims:					
At 30 June 2005	20,321	67,648	9,748	93,473	191,190
At 1 July 2004	(16,556)	(79,366)	(13,214)	(84,730)	(193,866)
Translation differences	(56)	(500)	(32)	(800)	(1,388)
Net claims incurred	16,886	27,444	(1,566)	53,879	96,643

14. NET CLAIMS INCURRED (CONT'D)

	Fire	Motor	Marine, Aviation & Transit	Misc.	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2004					
Gross claims paid less					
salvage	31,144	45,473	41,408	75,725	193,750
Reinsurance					
recoveries	(20,060)	(2,924)	(37,790)	(36,735)	(97,509)
Net claims paid	11,084	42,549	3,618	38,990	96,241
Net outstanding claims:					
At 30 June 2004	16,556	79,366	13,214	84,730	193,866
At 1 July 2003	(16,011)	(95,381)	(16,009)	(73,429)	(200,830)
Translation					
differences	(76)	(248)	(37)	(331)	(692)
Net claims incurred	11,553	26,286	786	49,960	88,585

15. MANAGEMENT EXPENSES

	2005	2004
	RM'000	RM'000
Shareholders' Fund		
Depreciation of property and equipment	315	576
General Business		
Staff costs (Note a):	28,782	26,098
Basic salaries	16,534	15,980
EPF and CPF (excluding director's)	2,872	2,880
SOCSO	102	98
Short-term accumulating compensated absences	77	63
Bonus, allowances and other related costs	9,197	7,077
Directors' remuneration:		
Directors' fees:		
Payable to ultimate holding company	12	12
Payable to the holding company	15	19
Payable to Fortis B.V.	20	24
Payable to other directors (Note a)	46	51
Other emoluments:		
Payable to ultimate holding company	3	3
Payable to the holding company	4	7
Payable to Fortis B.V.	3	-
Payable to other directors (Note a)	11	13

15. MANAGEMENT EXPENSES (CONT'D)

	2005	2004
	RM'000	RM'000
Auditors' remuneration	226	168
Rental of offices	186	319
Rental of office equipment	120	111
Depreciation of property and equipment	5,824	7,392
Interest expense	50	67
Write-back of provision for bad and doubtful debts	(9,475)	(4,252)
Promotional and marketing cost	2,620	2,625
Utilities, assessment and maintenance	3,924	3,709
Printing and stationery	1,945	1,927
Computer upgrade and maintenance	2,119	2,635
Postage and stamp duties	1,011	712
Shared services	6,975	8,281
Outsourcing of information technology services	2,674	1,882
Other expenses	4,797	5,197
	<u>51,892</u>	<u>57,000</u>

(a) Remuneration of chief executive officer ("CEO") and directors

	2005	2004
	RM'000	RM'000
CEO		
- Salary	248	226
- EPF	67	41
- Bonus	140	102
- Benefits-in-kind	48	28
	<u>503</u>	<u>397</u>
Non-executive directors		
- Fees	46	51
- Other emoluments	11	13
	<u>57</u>	<u>64</u>
Total directors' remuneration	<u>57</u>	<u>64</u>
Total CEO's remuneration included as staff costs (excluding benefits-in-kind)	<u>455</u>	<u>369</u>

15. MANAGEMENT EXPENSES (CONT'D)

The number of directors whose total remuneration received from the Company during the year that fall within the following bands is analysed below:

	Number of directors	
	2005	2004
Non-executive directors		
Below RM50,000	12*	8

* During the year, 4 new directors were appointed to office and 5 directors retired from office

16. INVESTMENT INCOME

	2005	2004
	RM'000	RM'000
Shareholders' Fund		
Interest from:		
MGS	82	-
Cagamas bonds	226	-
Malaysian Government guaranteed bonds	249	-
Unquoted bonds in Malaysia	657	436
Fixed and call deposits	876	661
Other investments	204	205
Gross dividends from shares:		
Quoted in Malaysia	497	124
Quoted outside Malaysia	36	-
Net amortisation of premiums	(47)	(14)
	<u>2,780</u>	<u>1,412</u>
 General Business		
Interest from:		
MGS	317	341
Cagamas bonds	875	892
SGS	1,310	457
Malaysian Government guaranteed bonds	769	1,050
Fixed and call deposits	3,901	5,053
Staff loans	8	4
Other investments	824	620
Bonds/loan stocks of corporations:		
Quoted outside Malaysia	454	455
Unquoted in Malaysia	7,635	7,302
Unquoted outside Malaysia	76	38

16. INVESTMENT INCOME (CONT'D)

	2005	2004
	RM'000	RM'000
Gross dividends from shares:		
Quoted in Malaysia	2,833	3,481
Quoted outside Malaysia	485	723
Rental income	2,410	2,383
Net accretion of discounts	744	704
	<u>22,641</u>	<u>23,503</u>
	<u>25,421</u>	<u>24,915</u>

17. OTHER INCOME/(EXPENDITURE) (NET)

	Shareholders' Fund		General Business	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Other income:				
Gain on disposal of property and equipment	-	-	1	40
Gain on disposal of investments	473	152	7,049	10,542
Write-back of provision for diminution in value of investments	574	-	38	1,143
Gain on disposal of investments properties	-	-	460	-
Realised gain on foreign exchange	-	-	252	-
Sundry income	-	-	60	113
	<u>1,047</u>	<u>152</u>	<u>7,860</u>	<u>11,838</u>
Other expenditure:				
Amortisation of goodwill	10,657	10,656	-	-
Property and equipment written off	-	-	10	77
Loss on disposal of investments	885	-	2,465	646
Realised loss on foreign exchange	13	-	-	44
Provision for diminution in value of investments	352	294	414	-
Sundry expenditure	19	16	468	1,510
	<u>11,926</u>	<u>10,966</u>	<u>3,357</u>	<u>2,277</u>
	<u>(10,879)</u>	<u>(10,814)</u>	<u>4,503</u>	<u>9,561</u>

18. TAXATION

	2005	2004
	RM'000	RM'000
Income tax:		
Current year's provision		
Malaysian	22,404	20,220
Foreign	3,110	2,017
Double taxation relief	(687)	(562)
	<u>24,827</u>	<u>21,675</u>
Over provision of taxation in prior years	-	(3,181)
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 10)	504	1,302
Relating to reduction in foreign income tax rate	-	44
Tax expense for the year	<u>25,331</u>	<u>19,840</u>

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 Company is as follows:

	2005	2004
	RM'000	RM'000
Profit before taxation	<u>88,154</u>	<u>74,439</u>
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	24,683	20,843
Effect of different tax rate outside Malaysia	(1,244)	(1,108)
Income not subject to tax	(271)	(332)
Expenses not deductible for tax purposes	2,163	3,574
Over provision of taxation in prior years	-	(3,181)
Effects of changes in foreign tax rate	-	44
Tax expense for the year	<u>25,331</u>	<u>19,840</u>

As at 30 June 2005, the Company has tax exempt profits available for distribution of approximately RM34,923,532 (2004: RM53,593,147).

The Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt profits to frank the payment of dividends out of its entire retained profits as at 30 June 2005.

19. EARNINGS PER SHARE - BASIC

Basic earnings per ordinary share is calculated by dividing the net profit for the year by the number of ordinary shares in issue during the financial year.

	2005	2004
Net profit for the year (RM'000)	62,823	54,599
Number of ordinary shares in issue during the financial year ('000)	178,171	178,171
Basic earnings per share (sen)	<u>35.3</u>	<u>30.6</u>

20. DIVIDENDS

	Amount		Net dividend per share	
	2005	2004	2005	2004
	RM'000	RM'000	Sen	Sen
Special tax exempt interim dividend of 19% (2004: 21% tax exempt)	<u>33,852</u>	<u>37,416</u>	<u>19.0</u>	<u>21.0</u>

The directors do not recommend the payment of any final dividends in respect of the current financial year.

21. SEGMENT INFORMATION ON CASH FLOW

	Shareholders'	General	Total
	Fund	Business	Total
	RM'000	RM'000	RM'000
2005			
Cash flows from:			
Operating activities	(371)	(2,981)	(3,352)
Investing activities	-	(767)	(767)
	<u>(371)</u>	<u>(3,748)</u>	<u>(4,119)</u>
Net decrease in cash and bank balances	(371)	(3,748)	(4,119)
At beginning of the year, as previously reported	2,077	7,873	9,950
Effect of exchange rate changes	-	199	199
At beginning of year, as restated	<u>2,077</u>	<u>8,072</u>	<u>10,149</u>
At end of year	<u>1,706</u>	<u>4,324</u>	<u>6,030</u>

21. SEGMENT INFORMATION ON CASH FLOW (CONT'D)

	Shareholders' Fund RM'000	General Business RM'000	Total RM'000
2004			
Cash flows from:			
Operating activities	755	288	1,043
Investing activities	-	(884)	(884)
	<u>755</u>	<u>(596)</u>	<u>159</u>
Net increase/(decrease) in cash and bank balances	755	(596)	159
At beginning of the year, as previously reported	1,322	8,300	9,622
Effect of exchange rate changes	-	169	169
At beginning of year, as restated	<u>1,322</u>	<u>8,469</u>	<u>9,791</u>
At end of year	<u>2,077</u>	<u>7,873</u>	<u>9,950</u>

22. OPERATING LEASE COMMITMENTS

As at the balance sheet date, the Singapore branch leases its office premises and equipment under lease agreements that are not cancellable within a year. The leases contain renewable options. Lease terms do not contain restrictions on the branch's activities concerning additional debts or further leasing.

Future minimum lease payments for the lease with initial or remaining terms of one year or more are as follows:

	2005 RM'000	2004 RM'000
Within 1 year	52	51
After 1 year but not more than five years	43	93
	<u>95</u>	<u>144</u>

23. COMMITMENTS AND CONTINGENCIES

A bank covenant amounting to S\$500,000 equivalent to RM1,128,200 (2004: S\$500,000 equivalent to RM1,105,000) was lodged with the Monetary Authority of Singapore in lieu of the statutory deposit required by the Singapore Insurance Act Chapter 142 in respect of the Singapore branch.

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant transactions of the Company with related parties during the financial year were as follows:

	2005	2004
	RM'000	RM'000
Transactions with the ultimate holding company:		
Gross insurance premium income	16,427	14,302
Interest income	549	471
Commissions and fee expense	(27,508)	(18,453)
Rental income	2,042	672
	<u> </u>	<u> </u>
Transactions with the holding company:		
Gross insurance premium income	400	486
	<u> </u>	<u> </u>
Transactions with other related companies within the MBB group:		
Gross insurance premium income	629	3,017
Net reinsurance premiums on facultative policies	(24)	-
Interest income	1,667	1,494
Commissions and fee expense	(676)	(5,704)
Net reinsurance commissions on facultative policies	12	-
Rental income	-	1,282
Rental expense	(30)	(70)
	<u> </u>	<u> </u>

Other related companies within the MBB group include Maybank International (L) Limited, Aseambankers (M) Berhad, Mayban Securities Sdn. Bhd., Mayban Discount Berhad, Mayban Trustees Berhad, Mayban Life Assurance Bhd., Mayban Takaful Berhad, Mayban Life International (Labuan) Ltd, Mayban Unit Trust Berhad, Mayban Investment Management Sdn. Bhd., Mayban Ventures Sdn. Bhd. and Mayban Trustees Berhad.

	2005	2004
	RM'000	RM'000
Transactions with other related parties:		
Reinsurance premiums on facultative/treaty policies (net) with Labuan Reinsurance (L) Ltd.	(709)	(1,908)
Reinsurance premiums on facultative/treaty policies (net) with Malaysian National Reinsurance Berhad	(11,586)	(11,168)
Reinsurance premiums on facultative/treaty policies (net) with Malaysia National Insurance Berhad	(468)	1

24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	2005	2004
	RM'000	RM'000
Reinsurance premiums on facultative/treaty policies (net) with Takaful Nasional Sdn. Berhad	(61)	50
Net commission from Labuan Reinsurance (L) Ltd.	153	428
Net commission from Malaysian National Reinsurance Berhad	2,819	2,789
Net commission from/(to) Malaysia National Insurance Berhad	100	(6)
Net commission from/(to) Takaful Nasional Sdn. Berhad	<u>13</u>	<u>(10)</u>

(a) Mohammad bin Abdullah, a director of MBB, is a director of Labuan Reinsurance (L) Ltd., and Malaysian National Reinsurance Berhad.

(b) Datuk Abdul Rahman bin Mohd. Ramli, a director of MBB, is a director of Malaysia National Insurance Berhad and Takaful Nasional Sdn. Berhad.

	2005	2004
	RM'000	RM'000
Transaction with an affiliated company: Fee expense paid to Computer Recovery Centre Sdn. Bhd., an associated company of MBB	<u>(52)</u>	<u>(175)</u>

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

25. SIGNIFICANT RELATED PARTY BALANCES

Included in the balance sheet of the Company are amounts due from/(to) related companies represented by the following:

	2005	2004
	RM'000	RM'000
Ultimate holding company:		
Bank balances	6,371	9,835
Fixed and call deposits	27,010	26,789
Outstanding premiums	6,467	3,520
Income due and accrued	373	365
Commissions and other payables	<u>(4,195)</u>	<u>(3,292)</u>

25. SIGNIFICANT RELATED PARTY BALANCES (CONT'D)

	2005	2004
	RM'000	RM'000
Holding company:		
Other payables	(439)	(304)
Shared services costs	<u>(2,038)</u>	<u>(2,656)</u>
Other related companies within the MBB group:		
Bank balances	-	87
Fixed and call deposits	47,748	67,184
Outstanding premiums	33	694
Income due and accrued	230	276
Other receivables	96	-
Other payables	<u>(104)</u>	<u>(1,228)</u>

Other related companies within the MBB group include Mayban Discount Berhad, Mayban Life Assurance Berhad, Mayban Takaful Berhad, Mayban Securities Sdn. Bhd., Mayban Unit Trust Berhad, Mayban Ventures Sdn. Bhd. and Mayban Investment Management Sdn. Bhd..

	2005	2004
	RM'000	RM'000
Balances with other related parties:		
Trade payable to Labuan Reinsurance (L) Ltd.	(1,355)	(1,012)
Trade payable to Malaysian National Reinsurance Berhad	(1,491)	(955)
Trade receivable/(payable) from Malaysia National Insurance Berhad	70	(79)
Trade payable to Takaful National Sdn. Berhad	<u>(23)</u>	<u>(26)</u>

26. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

Mayban General Assurance Berhad's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its various risks. The overall objective is to safeguard the interests of all its stakeholders. Risk management at Mayban Fortis Group is therefore organised both centrally and on a business unit basis. As the first line of defence, Mayban General Assurance Berhad ("Mayban Assurance") is responsible for the day-to-day management of risks inherent in their business activities. The Finance and Risk Management Division of Mayban Fortis Group acts as a risk control and coordinating unit whose responsibility includes the setting up of a risk management framework, the formulation and implementation of risk management guidelines and the development of tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. As such, it becomes the second line of defence. The internal auditors of the MBB Group, acting as the third line of defence, provide independent assurance of the effectiveness of the risk management approach. These three-pronged strategies are in line with that of the MBB Group's risk management approach.

A. Types of Risk

Risks can arise in all operational areas, functions, processes, and also from external events. Assessing the risk situation of Mayban Fortis Group therefore requires a holistic approach. At Mayban Fortis Group level, risks specific to Mayban Assurance are classified as follows:

(i) Underwriting risk or insurance business risk

This relates to the risks inherent in the business activities of general business. Such risks include reinsurance risk and claims reserving risk. Reinsurance risk arises from underwriting direct business or reinsurance business in relation to reinsurers, retrocessionaires, cedants and brokers. Special attention is given to the adequacy of claims reserves. The appointed actuary will assess the reserving basis on a regular basis in accordance with BNM guidelines.

26. FINANCIAL INSTRUMENTS (CONT'D)**(a) Financial Risk Management Policies (Cont'd)****A. Types of Risk (Cont'd)****(ii) Financial risk**

Financial risks comprise of market risks and credit risks. Market risk involves potential losses in the value of invested capital as a result of changes in market prices, i.e. due to fluctuations in interest rates, share prices or exchange rates and perhaps to a certain extent property prices. Credit risk arises when a borrower or counterparty is no longer able to pay their debt. Such risks from defaults on receivables may arise from profiles of liabilities supported by mismatch of assets. Attention is also given to the counterparty risk on the bond portfolio.

(iii) Operational risk

Operational risk is defined as the risk of direct loss resulting from inadequate or failed internal processes, people and systems or from external events.

B. Monitoring and Controlling Risks

Having classified all the different types of risks, it is important that these risks are monitored and controlled regularly. The development of a consistent methodology for use throughout the entire Mayban Fortis Group has become the focal point of interests to the management and Boards of Mayban Fortis Group of companies. In essence, these could be described as follows:

- (i) Underwriting guidelines and limits have been well established to clearly regulate responsibility and accountability for the whole process of conducting insurance and reinsurance contracts. They spell out who may accept what risks and up to what amounts. They are regularly monitored for compliance and updated to reflect current requirements. To further control the underwriting risks, the actuarial department will regularly assess the adequacy of the insurance charges and technical provisions. The risks of defaults by reinsurers are further reduced by selecting only those reinsurers with reputable securities or those that have been awarded with at least an "A" rating by internationally recognised rating agencies.

26. FINANCIAL INSTRUMENTS (CONT'D)**(a) Financial Risk Management Policies (Cont'd)****B. Monitoring and Controlling Risks (Cont'd)**

- (ii) In order to manage financial risks, the Asset-Liability Committee ("ALCO") has been established. The ALCO is responsible for advising the Investment Committee ("IC"), the Risk Management Committee ("RMC") and the Board of Directors ("Board") on financial risk management. It is also responsible for preparing global investment management guidelines on counterparty and concentration risks in the fixed income investments, equity and property investments taking into account BNM's regulations and market trends. Moreover, Asset-Liability Management ("ALM") studies, based on stress tests of the impact of alternative investment strategies on solvency and revenue, are performed for every investment portfolio separately, taking into account the characteristics of the liabilities and will be translated into a specific Investment Management Mandate. The global investment management guidelines and the portfolio-specific mandates are submitted to the IC, RMC and the Board for review and approval. ALCO will then monitor the compliance to the approved mandate.

In managing credit risk, credit limits are imposed where ALCO sets forth the maximum credit exposures the Group is willing to assume over specified periods. They relate to products, conditions of the exposure and other factors.

- (iii) The process of implementing a comprehensive framework for monitoring and controlling operational risks is on-going. In the meantime, operational loss data using an approach similar to the requirements of the Bank for International Settlement Accord II (Basel II) is being collected, which is in line with the MBB Group's operational risk framework. Key risk indicators are also compiled for deliberation at the RMC meeting. Another initiative to be carried out includes the risk self-assessment questionnaires. A risk communication programme is being carried out where the objective is to create risk awareness among all staff of the Mayban Fortis Group and to inculcate an appropriate risk culture to avoid the common fallacy to equate risk-awareness with being risk-averse.

26. FINANCIAL INSTRUMENTS (CONT'D)**(b) Fair Values**

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheet of the Company as at the end of the financial year are represented as follows:

	2005		2004	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
MGS	9,533	9,601	4,863	4,847
Cagamas bonds	40,250	41,095	25,843	25,847
GII	11,496	11,618	8,676	8,668
SGS	63,568	64,778	15,012	15,012
Malaysian Government guaranteed bonds	29,688	30,343	34,403	34,388
NCD	62,753	63,190	35,760	36,177
Quoted in Malaysia				
Bonds/loan stocks	-	-	37	28
Shares and warrants	45,499	53,060	41,509	50,068
Unit and property trusts	4,117	4,117	4,604	4,605
Quoted outside Malaysia				
Bonds/loan stocks	13,251	13,671	10,856	10,856
Shares and warrants	10,318	11,031	16,790	19,193
Unquoted in Malaysia				
Bonds/loan stocks	136,068	142,708	138,329	141,353
Shares and warrants	290	*	290	*
Corporate loan	10,000	*	7,500	*
Unquoted outside Malaysia				
Bonds/loan stocks	9,634	9,731	4,437	4,447
Shares and warrants	4,454	*	-	-

* it is not practical to estimate the fair value of these investments as there are no readily available secondary market indicative prices

26. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair Values (Cont'd)

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

(i) Cash and Cash Equivalents and Other Receivables/Payables

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(ii) Investments

The fair values of quoted investments are determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

The fair values of Cagamas bonds, Government securities and bonds, bonds/loan stocks and NCD are indicative values obtained from the secondary market.

The fair values of quoted units in property and unit trust funds are determined by reference to market quotations by the manager of the funds.

27. CURRENCY

All amounts are stated in Ringgit Malaysia, unless otherwise stated.