



American Home Assurance Company
Malaysia (991951-W) (Incorporated in the U.S.A.)

OPERATIONS IN MALAYSIA

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2004

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STATUTORY DECLARATION PURSUANT TO SECTION 336(6) OF THE COMPANIES ACT, 1965

I, William Michael Rigby, the officer primarily responsible for the financial management of the operations in Malaysia of American Home Assurance Company, do solemnly and sincerely declare that the financial statements for the financial year ended 31 December 2004 set out on pages 5 to 38 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.

WILLIAM MICHAEL RIGBY

Subscribed and solemnly declared by the abovenamed William Michael Rigby at Kuala Lumpur on 28 March 2005.

Before me:

T. THANDONEE RAJAGOPAL (No. W228)
COMMISSIONER FOR OATHS

Kuala Lumpur

STATEMENT OF CORPORATE GOVERNANCE

The Management of the operations in Malaysia of American Home Assurance Company has pleasure in submitting the statement of Corporate Governance for the financial year ended 31 December 2004.

This Statement of Corporate Governance relates only to the activities of the Malaysian Branch of American Home Assurance Company.

MANAGEMENT ACCOUNTABILITY

The Management has a documented and well-communicated organisational structure that clearly shows lines of reporting responsibility and authority. Individual's duties and responsibilities are documented in job descriptions. Anti-Money Laundering measures are diligently practised. Disclosure of conflicts of interest is required to be made once a year for all senior management under the American International Group ("AIG") Code of Conduct.

Proper communication channels have been put in place to ensure priority information is being communicated to the right personnel. Operational manuals which document policies and procedures, internal controls and risk management are constantly reviewed and updated. These manuals and updates are circulated to all staff concerned. Our Statement of Corporate Governance is overtly reflected on policies issued.

A formal process is in place and being practised for the development of individual goals. Staff performance appraisals are done annually with half yearly reviews to ensure all goals are on track and not in conflict with the AIG corporate objectives.

CORPORATE INDEPENDENCE

The Management ensures compliance with JPI/GPI 19 in respect of Bank Negara Malaysia ("BNM") guidelines on Related-Party Transactions.

INTERNAL CONTROLS AND OPERATIONAL RISK MANAGEMENT

An established and effective internal control and risk management system has been put in place to enable the recognition and continued assessment of material risks that could affect the Corporation's performance and financial condition. This system is constantly being reviewed to enhance its effectiveness.

A dedicated Internal Audit team is available to carry out independent examination of the operations. The team reports to the Audit Committee based in New York.

STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

PUBLIC ACCOUNTABILITY

The Management maintains a practice of professionalism in its business conduct. The policyholder's rights and interests are paramount in all consideration and decisions.

FINANCIAL REPORTING

The Management ensures that books and records for the preparation of financial statements are properly maintained in accordance with approved accounting standards. Key financial information is made available to the public in accordance with the provision of Section 95(1) of the Insurance Act, 1996. Regular statutory reporting which is prepared with due care and diligence has been made as required by BNM.

BY THE MANAGEMENT OF AMERICAN HOME ASSURANCE COMPANY,
OPERATIONS IN MALAYSIA

WILLIAM MICHAEL RIGBY
28 March 2005

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF THE CORPORATION'S OPERATIONS IN MALAYSIA PURSUANT TO SECTION 336 OF THE COMPANIES ACT, 1965

We have audited the financial statements set out on pages 5 to 38 of the operations in Malaysia of American Home Assurance Company. These financial statements are the responsibility of the Corporation's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, 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 approved auditing standards 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Corporation's operations in Malaysia as at 31 December 2004 and of the results and cash flows of the Corporation's operations in Malaysia for the financial year ended on that date;

and

- (b) the accounting and other records required by the Act to be kept by the Corporation's operations in Malaysia have been properly kept in accordance with the provisions of the Act.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

DATO' AHMAD JOHAN BIN MOHAMMAD RASLAN
(No. 1867/09/06 (J))
Partner of the firm

Kuala Lumpur
28 March 2005

STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 DECEMBER 2004

	Note	2004 RM	2003 RM
ASSETS			
Property, plant and equipment	3	16,214,913	17,544,703
Investments	4	540,235,337	487,116,691
Loans	5	15,174,877	16,257,250
Receivables	6	60,796,511	41,080,740
Tax recoverable		-	906,517
Deferred tax assets	7	2,385,000	4,193,000
Cash and bank balances		7,473,033	38,686,530
Total assets		<u>642,279,671</u>	<u>605,785,431</u>
LIABILITIES			
Provision for outstanding claims	8	164,053,087	153,155,488
Payables	9	70,683,136	86,380,413
Current tax liabilities		1,898,617	776,934
		<u>236,634,840</u>	<u>240,312,835</u>
Unearned premium reserves	10	193,255,108	172,224,055
Total liabilities		<u>429,889,948</u>	<u>412,536,890</u>
AMOUNT DUE TO HEAD OFFICE	11	<u>212,389,723</u>	<u>193,248,541</u>
Total liabilities and amount due to Head Office		<u>642,279,671</u>	<u>605,785,431</u>

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

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	2004 RM	2003 RM
Operating revenue	12	<u>462,989,504</u>	<u>421,234,443</u>
Shareholders' fund:			
Investment income	13	1,664,374	2,042,772
Other operating income - net	14	<u>261,435</u>	<u>2,663</u>
		1,925,809	2,045,435
Surplus transferred from General Insurance Revenue Account		<u>48,131,474</u>	<u>38,469,023</u>
Profit before taxation		50,057,283	40,514,458
Taxation	15	<u>(15,916,101)</u>	<u>(11,462,541)</u>
Net profit for the financial year		34,141,182	29,051,917
Retained earnings brought forward		<u>93,248,541</u>	<u>75,196,624</u>
Profits available for appropriation		127,389,723	104,248,541
Transfer to Head Office Account		<u>(15,000,000)</u>	<u>(11,000,000)</u>
Retained earnings carried forward		<u>112,389,723</u>	<u>93,248,541</u>

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

GENERAL INSURANCE REVENUE ACCOUNT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	Fire RM	Motor RM	Marine, aviation and transit RM	Miscellaneous RM	Total RM
Gross premium		132,120,313	153,779,117	8,783,757	146,446,734	441,129,921
Reinsurance		(92,765,510)	(13,560,149)	(4,965,859)	(57,734,212)	(169,025,730)
Net premium		39,354,803	140,218,968	3,817,898	88,712,522	272,104,191
(Increase)/decrease in unearned premium reserves	10	(40,461,984)	(4,933,032)	361,688	24,002,275	(21,031,053)
Earned premium		(1,107,181)	135,285,936	4,179,586	112,714,797	251,073,138
Net claims incurred	16	(14,019,762)	(97,804,000)	(1,874,798)	(36,339,935)	(150,038,495)
Net commission		7,553,916	(14,751,218)	140,966	(5,795,359)	(12,851,695)
Underwriting (deficit)/ surplus before management expenses		(7,573,027)	22,730,718	2,445,754	70,579,503	88,182,948
Management expenses	17					(63,016,420)
Underwriting surplus						25,166,528
Investment income	13					20,195,209
Other operating income - net	14					2,769,737
Surplus transferred to Income Statement						48,131,474

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

GENERAL INSURANCE REVENUE ACCOUNT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Note	Fire RM	Motor RM	Marine, aviation and transit RM	Miscellaneous RM	Total RM
Gross premium		64,669,270	143,938,902	10,328,051	182,604,571	401,540,794
Reinsurance		(34,103,893)	(11,902,831)	(6,287,545)	(104,098,110)	(156,392,379)
Net premium		30,565,377	132,036,071	4,040,506	78,506,461	245,148,415
Decrease/(increase) in unearned premium reserves	10	468,819	(480,113)	(208,925)	(30,722,001)	(30,942,220)
Earned premium		31,034,196	131,555,958	3,831,581	47,784,460	214,206,195
Net claims incurred	16	(8,992,267)	(88,840,183)	(1,748,122)	(27,458,418)	(127,038,990)
Net commission		(690,704)	(13,692,980)	313,616	2,550,402	(11,519,666)
Underwriting surplus before management expenses		21,351,225	29,022,795	2,397,075	22,876,444	75,647,539
Management expenses	17					(55,887,200)
Underwriting surplus						19,760,339
Investment income	13					17,650,877
Other operating income - net	14					1,057,807
Surplus transferred to Income Statement						38,469,023

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

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	2004 RM	2003 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the financial year		34,141,182	29,051,917
Adjustments for:			
Property, plant and equipment			
- depreciation		3,333,069	2,128,813
- (gain)/loss on disposal		(23,000)	92,781
Investment income		(21,859,583)	(19,693,649)
Write-back of allowance for diminution in value of investments		-	(280,978)
Gain on disposal of investments		(2,723,934)	(326,889)
Increase in unearned premium reserves		21,031,053	30,942,220
Taxation		15,916,101	11,462,541
		<u>49,814,888</u>	<u>53,376,756</u>
(Increase)/decrease in fixed deposits		(42,323,754)	61,642
Increase in provision for outstanding claims		10,897,599	1,133,937
Increase in trade payables		4,475,737	5,500,770
(Decrease)/Increase in other payables		(20,173,014)	20,360,789
Decrease in loans		1,082,373	258,852
(Increase)/decrease in trade receivables		(21,980,401)	7,039,561
Decrease in other receivables		1,010,704	651,995
Investment income received		29,744,331	23,639,200
Proceeds from disposal of investments		260,198,416	203,600,638
Purchase of investments		(274,900,196)	(257,130,520)
Cash (used in)/generated from operations		<u>(2,153,317)</u>	<u>58,493,620</u>
Tax refunded		906,435	5,951,352
Tax paid		<u>(12,986,336)</u>	<u>(20,910,880)</u>
Net cash (outflow)/inflow from operating activities	18	<u>(14,233,218)</u>	<u>43,534,092</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		30,319	1,000
Purchase of property, plant and equipment		<u>(2,010,598)</u>	<u>(13,061,865)</u>
Net cash outflow from investing activities	18	<u>(1,980,279)</u>	<u>(13,060,865)</u>

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004 (Continued)

	Note	2004 RM	2003 RM
CASH FLOW FROM FINANCING ACTIVITIES			
Transfer to Head Office		(15,000,000)	(11,000,000)
Net cash outflow from financing activities	18	(15,000,000)	(11,000,000)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	18	(31,213,497)	19,473,227
CASH AND CASH EQUIVALENTS AT 1 JANUARY		38,686,530	19,213,303
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		<u>7,473,033</u>	<u>38,686,530</u>
Cash and cash equivalents comprise:			
Cash and bank balances		<u>7,473,033</u>	<u>38,686,530</u>

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004

1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The principal activity of the Corporation's operations in Malaysia ("the Branch") is the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the financial year.

The number of employees as at the end of the financial year in the Branch was 597 (2003: 556).

The ultimate holding corporation of American Home Assurance Company is American International Group, Inc., a corporation incorporated in the United States of America.

The address of the registered office and principal place of business of the Branch is Wisma AIG, No 99, Jalan Ampang, 50450 Kuala Lumpur.

The financial statements were authorised for issue on 28 March 2005.

2 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of preparation

The financial statements of the Branch have been prepared under the historical cost convention and comply with MASB approved accounting standards in Malaysia, the provisions of the Companies Act, 1965, the Insurance Act, 1996 and relevant Guidelines and Circulars issued by Bank Negara Malaysia ("BNM") in all material aspects.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and MASB approved accounting standards in Malaysia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Management's best knowledge of current events and actions, actual results may differ from estimates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(b) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment is provided on a straight line basis calculated to write off the cost of each asset over the estimated useful lives of the assets concerned. The annual rates used are:

Furniture and equipment	10% - 20%
Computer equipment	10% - 20%
Motor vehicles	20%
Renovation	5% - 20%

At each financial year end, the Branch assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(g) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to the revenue account and/or income statement.

Repairs and maintenance are charged to the revenue account and/or income statement during the financial year in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Branch. Major renovations are depreciated over the remaining useful life of the related assets.

(c) Foreign currencies

Foreign currency transactions in the Branch are accounted for at the exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at the exchange rates prevailing at the date of the statement of assets and liabilities. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement and/or revenue account.

The principal closing rates used in the translation of foreign currency amounts as at the financial year end are as follows:

Foreign currency	2004	2003
United States Dollar	3.800	3.800
Singapore Dollar	2.246	2.230
Hong Kong Dollar	0.494	0.489

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(d) Investments

Malaysian Government Securities, Cagamas papers and other unquoted approved debt securities as specified by BNM which are intended to be held to maturity, are stated at cost, adjusted for the amortisation of premiums or accretion of discounts, calculated on a constant yield basis, from the date of purchase to maturity date. The amortisation of premiums and accretion of discounts are recognised in the revenue account and/or income statement.

Quoted investments are stated at the lower of cost and market value determined on an aggregate portfolio basis by each category of investments, except that where diminution in value of a particular investment is not regarded as temporary, specific allowance is made against the value of that investment. Market value is determined by reference to the stock exchange closing price at the date of the statement of assets and liabilities.

Unquoted investments are stated at cost and an allowance for diminution in value is made where, in the opinion of the Management, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the financial year in which the decline is identified.

(e) Employee benefits

(i) Short-term employees benefits

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

(ii) Post-employment benefits

The Branch's contributions to the Employees' Provident Fund, the national defined contribution plan, are charged to the income statement and/or revenue account in the financial year to which they relate. Once the contributions have been paid, the Branch has no further payment obligations.

(f) Trade receivables

Trade receivables are carried at invoiced amount less an allowance made for doubtful debts.

Known bad debts are written off and specific allowance is made for any premiums including agents' balances or reinsurance balances which remain outstanding for more than six months from the date on which they become receivable and for all debts which are considered doubtful.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(g) Impairment of assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets 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 the net realisable value and the value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit.

An impairment loss is charged to the revenue account and/or income statement immediately.

A 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 revenue account and/or income statement immediately.

(h) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement and revenue account on a straight line basis over the lease period.

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 financial year in which termination takes place.

(i) General insurance underwriting results

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

Premium income

Premium income is recognised in a financial year in respect of risks assumed during that particular financial year. Premiums from direct business are recognised during the financial year upon the issuance of premium debit notes. Premiums in respect of risks incepted for which debit notes have not been issued as of the date of the statement of assets and liabilities are accrued at the date.

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Outward reinsurance premiums are recognised in the same accounting period as the original policy to which the reinsurance relates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 the policies at the end of the financial year.

In determining the UPR at the date of the statement of assets and liabilities, the method that most accurately reflects the actual unearned premium is used. UPR is computed with reference to the month of accounting for the premium on the following bases:

- (i) 25% method for marine cargo, aviation cargo and transit business;
- (ii) 1/24th method for all other classes of general business in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM; and
- (iii) time apportionment method for non-annual policies, reduced by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM.

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 obligation at the date of the statement of assets and liabilities.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported ("IBNR") at the date of the statement of assets and liabilities, based on an actuarial valuation carried out by an independent professional actuary, using a proper and consistent method of estimation based on properly collated claims statistics.

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 financial periods in which it is probable they give rise to income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(j) Other revenue recognition

Interest income on loans is recognised on an accrual basis except where a loan is considered non-performing, i.e. where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised on the receipt basis until all arrears have been paid.

Other interest income, including the amount of amortisation of premiums and accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.

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

Gains or losses arising on disposal of investments are credited or charged to the revenue account and/or income statement.

(k) Income taxes

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

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purpose and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Tax rates enacted or substantively enacted by the statement of assets and liabilities date are used to determine deferred tax.

(l) Contingent liabilities and contingent assets

The Branch does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Branch or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Branch. The Branch does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(m) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(n) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances excluding fixed and call deposits, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(o) Financial instruments

Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Recognition method

The particular recognition method adopted for financial instruments recognised on the statement of assets and liabilities date is disclosed in the individual accounting policy note associated with each item.

Fair values

The Branch's basis of estimation of fair values for financial instruments is as follows:

Component	Method of determining fair values
Malaysian Government Securities and Cagamas papers	Indicative market prices
Unquoted corporate debt securities	Interest rate yield obtained from comparable quoted investments
Quoted equity securities	Quoted market prices
Loans receivable	Discounted future cash flows based on the contracted maturity period. Discount rates are based on current market value
Other financial assets and liabilities with a maturity period of less than one year	Carrying values assumed to approximate their fair values

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment RM	Computer equipment RM	Motor vehicles RM	Renovation RM	Total RM
Financial year ended 31 December 2004					
Net book value at 1 January 2004	6,041,341	4,624,667	103,000	6,775,695	17,544,703
Additions at cost	342,994	1,095,605	-	571,999	2,010,598
Disposals	-	(7,319)	-	-	(7,319)
Depreciation charge	(794,135)	(1,881,554)	(63,333)	(594,047)	(3,333,069)
Net book value at 31 December 2004	<u>5,590,200</u>	<u>3,831,399</u>	<u>39,667</u>	<u>6,753,647</u>	<u>16,214,913</u>
At 31 December 2004					
Cost	6,634,291	16,141,323	330,000	7,638,493	30,744,107
Accumulated depreciation	(1,044,091)	(12,309,924)	(290,333)	(884,846)	(14,529,194)
Net book value	<u>5,590,200</u>	<u>3,831,399</u>	<u>39,667</u>	<u>6,753,647</u>	<u>16,214,913</u>
Financial year ended 31 December 2003					
Net book value at 1 January 2003	385,192	5,640,386	169,000	510,854	6,705,432
Additions at cost	5,910,926	604,940	-	6,545,999	13,061,865
Disposals	(41,915)	-	-	(51,866)	(93,781)
Depreciation charge	(212,862)	(1,620,659)	(66,000)	(229,292)	(2,128,813)
Net book value at 31 December 2003	<u>6,041,341</u>	<u>4,624,667</u>	<u>103,000</u>	<u>6,775,695</u>	<u>17,544,703</u>
At 31 December 2003					
Cost	6,291,297	15,056,697	330,000	7,066,493	28,744,487
Accumulated depreciation	(249,956)	(10,432,030)	(227,000)	(290,798)	(11,199,784)
Net book value	<u>6,041,341</u>	<u>4,624,667</u>	<u>103,000</u>	<u>6,775,695</u>	<u>17,544,703</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Included in the cost of property, plant and equipment are the following fully depreciated property, plant and equipment which are still in use:

	2004 RM	2003 RM
Furniture and equipment	4,850	-
Motor vehicles	160,000	-
	<u>164,850</u>	<u>-</u>

4 INVESTMENTS

	2004		2003	
	Carrying value RM	Market value RM	Carrying value RM	Market value RM
Malaysian Government Securities	244,723,077		298,863,178	
Amortisation of premiums	(4,103,242)		(7,213,345)	
	<u>240,619,835</u>	<u>241,672,000</u>	<u>291,649,833</u>	<u>287,089,800</u>
Cagamas papers	70,510,300		19,998,200	
(Amortisation of premiums)/accretion of discounts	(17,922)		441	
	<u>70,492,378</u>	<u>70,306,000</u>	<u>19,998,641</u>	<u>19,266,000</u>
Other investments	<u>220,000</u>		<u>220,000</u>	
Quoted:				
Equity securities of corporations:				
Quoted in Malaysia	22,692,963		10,663,786	
Allowance for diminution in value	-		-	
	<u>22,692,963</u>	<u>25,336,028</u>	<u>10,663,786</u>	<u>12,615,520</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 INVESTMENTS (Continued)

	2004		2003	
	Carrying value RM	Market value RM	Carrying value RM	Market value RM
Unquoted:				
Corporate debt securities	81,618,850		81,869,350	
Amortisation of premiums	(1,255,231)		(807,707)	
	<u>80,363,619</u>		<u>81,061,643</u>	
Fixed deposits with licensed banks	125,846,542		83,522,788	
Total investments	<u>540,235,337</u>		<u>487,116,691</u>	

The maturity structure of Malaysian Government Securities, Cagamas papers, corporate debt securities and fixed deposits above is as follows:

	2004 Carrying value RM	2003 Carrying value RM
Investments maturing within 12 months	9,200,000	21,089,610
Investments maturing after 12 months	508,122,374	455,143,295
	<u>517,322,374</u>	<u>476,232,905</u>

5 LOANS

	2004 RM	2003 RM
Unsecured staff loans	6,424,877	7,121,566
Bank guaranteed loans	8,750,000	9,135,684
	<u>15,174,877</u>	<u>16,257,250</u>
Receivable within 12 months	1,090,777	1,130,510
Receivable after 12 months	14,084,100	15,126,740
	<u>15,174,877</u>	<u>16,257,250</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 RECEIVABLES

	2004 RM	2003 RM
Trade receivables		
Due premiums including agents, brokers and co-insurers balances	45,204,947	27,046,845
Due from reinsurers and cedants	15,858,863	15,871,584
	<u>61,063,810</u>	<u>42,918,429</u>
Allowance for doubtful debts	(13,393,710)	(17,228,730)
	<u>47,670,100</u>	<u>25,689,699</u>
Other receivables		
Interest income due and accrued	6,395,049	7,648,975
Assets held under Malaysian Motor Insurance Pool	2,654,222	2,851,504
Other receivables, deposits and prepayments	3,386,398	3,630,430
Amount due from related corporations	690,742	1,260,132
	<u>13,126,411</u>	<u>15,391,041</u>
	<u>60,796,511</u>	<u>41,080,740</u>

The amount due from related corporations is unsecured, interest-free and has no fixed terms of repayment.

The currency exposure of the amount due from related corporations is set out below:

	2004 RM	2003 RM
Ringgit Malaysia	98,517	46,914
United States Dollar	592,225	1,213,218
	<u>690,742</u>	<u>1,260,132</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the statement of assets and liabilities:

	2004 RM	2003 RM
<u>Subject to income tax:</u>		
Deferred tax assets	2,385,000	4,193,000
At 1 January	4,193,000	1,987,000
(Charged)/credited to income statement/revenue account (Note 15):	(1,808,000)	2,206,000
- property, plant and equipment	(122,000)	191,000
- investments	(740,000)	2,405,000
- trade and other receivables	(865,000)	(212,000)
- unearned premium reserves	(81,000)	42,000
- others	-	(220,000)
At 31 December	2,385,000	4,193,000
	2004 RM	2003 RM
<u>Subject to income tax:</u>		
<u>Deferred tax assets (before offsetting)</u>		
Investments	1,502,000	2,242,000
Trade and other receivables	2,768,000	4,085,000
Unearned premium reserves	303,000	384,000
	4,573,000	6,711,000
Offsetting	(2,188,000)	(2,518,000)
Deferred tax assets (after offsetting)	2,385,000	4,193,000
<u>Deferred tax liabilities (before offsetting)</u>		
Property, plant and equipment	1,356,000	1,234,000
Trade and other receivables	832,000	1,284,000
	2,188,000	2,518,000
Offsetting	(2,188,000)	(2,518,000)
Deferred tax liabilities (after offsetting)	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 PROVISION FOR OUTSTANDING CLAIMS

	2004 RM	2003 RM
Provision for outstanding claims	246,030,237	240,423,003
Recoverable from reinsurers	(81,977,150)	(87,267,515)
Net outstanding claims	<u>164,053,087</u>	<u>153,155,488</u>

9 PAYABLES

	2004 RM	2003 RM
Trade payables		
Due to agents, brokers, co-insurers and insureds	24,408,969	21,883,067
Due to reinsurers and cedants	40,720,453	46,358,769
	<u>65,129,422</u>	<u>68,241,836</u>
Other payables		
Payroll liabilities	653,816	997,289
Duties and other taxes payable	2,229,161	1,240,443
Accrual for Insurance Guarantee Scheme Fund levy	991,741	890,000
Accrued expenses	879,671	1,948,065
Accrued capital expenditure	382,750	12,002,785
Other payables	416,575	1,059,995
	<u>5,553,714</u>	<u>18,138,577</u>
	<u>70,683,136</u>	<u>86,380,413</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 UNEARNED PREMIUM RESERVES

	Fire RM	Motor RM	Marine, aviation and transit RM	Miscellaneous RM	Total RM
2004					
Short term					
At 1 January 2004	22,979,232	62,758,219	2,454,148	84,032,456	172,224,055
Increase /(decrease) in reserves	40,461,984	4,933,032	(361,688)	(28,250,410)	16,782,918
At 31 December 2004	63,441,216	67,691,251	2,092,460	55,782,046	189,006,973
Long term					
At 1 January 2004	-	-	-	-	-
Increase in reserves	-	-	-	4,248,135	4,248,135
At 31 December 2004	-	-	-	4,248,135	4,248,135
Total	63,441,216	67,691,251	2,092,460	60,030,181	193,255,108
2003					
Short term					
At 1 January 2003	23,448,051	62,278,106	2,245,223	53,310,455	141,281,835
(Decrease)/increase in reserves	(468,819)	480,113	208,925	30,722,001	30,942,220
At 31 December 2003	22,979,232	62,758,219	2,454,148	84,032,456	172,224,055
Long term					
At 1 January 2003	-	-	-	-	-
(Decrease)/increase in reserves	-	-	-	-	-
At 31 December 2003	-	-	-	-	-
Total	22,979,232	62,758,219	2,454,148	84,032,456	172,224,055

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 AMOUNT DUE TO HEAD OFFICE

	2004 RM	2003 RM
At 1 January	193,248,541	175,196,624
Net profit for the financial year	34,141,182	29,051,917
Transfer to Head Office	(15,000,000)	(11,000,000)
At 31 December	<u>212,389,723</u>	<u>193,248,541</u>

12 OPERATING REVENUE

2004

	Shareholders' fund RM	General fund RM	Total RM
Gross premium	-	441,129,921	441,129,921
Investment income (Note 13)	1,664,374	20,195,209	21,859,583
	<u>1,664,374</u>	<u>461,325,130</u>	<u>462,989,504</u>

2003

	Shareholders' fund RM	General fund RM	Total RM
Gross premium	-	401,540,794	401,540,794
Investment income (Note 13)	2,042,772	17,650,877	19,693,649
	<u>2,042,772</u>	<u>419,191,671</u>	<u>421,234,443</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 INVESTMENT INCOME

	2004 RM	2003 RM
General fund		
Interest from:		
Fixed deposits	5,536,260	4,166,102
Malaysian Government securities	13,272,365	14,468,998
Cagamas papers	436,415	-
Unquoted corporate debt securities	4,895,890	3,582,320
Bank guaranteed loans	1,050,949	1,104,001
Amortisation of premiums, net of accretion of discounts	(5,653,484)	(6,148,941)
Gross dividends from quoted equity securities in Malaysia	656,814	478,397
	<u>20,195,209</u>	<u>17,650,877</u>
Shareholders' fund		
Interest from:		
Fixed deposits	30,902	31,576
Malaysian Government securities	1,882,631	997,039
Cagamas papers	728,179	650,600
(Amortisation of premiums)/accretion of discounts-net	(977,338)	363,557
	<u>1,664,374</u>	<u>2,042,772</u>

14 OTHER OPERATING INCOME - NET

General fund		
Gain/(loss) on disposal of property, plant and equipment	23,000	(92,781)
Gain on disposal of investments	2,462,499	324,226
Write-back of allowance for diminution in value of investments	-	280,978
Sundry income	323,530	566,489
Sundry expenses	(39,292)	(21,105)
	<u>2,769,737</u>	<u>1,057,807</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 OTHER OPERATING INCOME - NET *(Continued)*

	2004 RM	2003 RM
Shareholders' fund		
Gain on disposal of investments	261,435	2,663

15 TAXATION

	2004 RM	2003 RM
Current tax		
Current financial year	15,132,000	15,801,000
Overprovision of tax in prior financial year	(1,023,899)	(2,132,459)
	14,108,101	13,668,541
Deferred tax		
Origination and reversal of temporary differences (Note 7)	1,808,000	(2,206,000)
Tax expense	15,916,101	11,462,541

The explanation of the relationship between tax expense and profit before taxation is as follows:

	2004 RM	2003 RM
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate:		
Profit before taxation	50,057,283	40,515,458
Tax calculated at the Malaysian tax rate of 28% (2003: 28%)	14,016,039	11,344,328
Overprovision of tax for prior financial year	(1,023,899)	(2,132,459)
Tax effects of expenses not deductible for tax purposes	2,923,961	2,250,672
Tax expense	15,916,101	11,462,541

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 NET CLAIMS INCURRED

	Fire RM	Motor RM	Marine, aviation and transit RM	Miscellaneous RM	Total RM
2004					
Gross claims paid less salvage	31,684,807	105,784,070	5,923,065	42,334,918	185,726,860
Reinsurance recoveries	(19,873,728)	(5,943,122)	(3,168,989)	(17,600,125)	(46,585,964)
Net claims paid	11,811,079	99,840,948	2,754,076	24,734,793	139,140,896
Net outstanding claims:					
At 31 December 2004	11,515,899	86,080,619	2,832,533	63,624,036	164,053,087
At 1 January 2004	(9,307,216)	(88,117,567)	(3,711,811)	(52,018,894)	(153,155,488)
Net claims incurred	14,019,762	97,804,000	1,874,798	36,339,935	150,038,495
2003					
Gross claims paid less salvage	15,470,571	95,531,075	4,036,167	44,562,196	159,600,009
Reinsurance recoveries	(5,956,827)	(6,802,038)	(2,568,240)	(18,367,851)	(33,694,956)
Net claims paid	9,513,744	88,729,037	1,467,927	26,194,345	125,905,053
Net outstanding claims:					
At 31 December 2003	9,307,216	88,117,567	3,711,811	52,018,894	153,155,488
At 1 January 2003	(9,828,693)	(88,006,421)	(3,431,616)	(50,754,821)	(152,021,551)
Net claims incurred	8,992,267	88,840,183	1,748,122	27,458,418	127,038,990

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 MANAGEMENT EXPENSES

	2004 RM	2003 RM
General fund		
Staff salaries and bonus	22,009,458	19,266,215
Staff benefits	4,772,254	4,204,537
Staff costs	26,781,712	23,470,752
Auditors' remuneration:		
Statutory audit	83,000	79,200
Fees for other services	25,429	15,682
Travelling expenses	588,541	605,207
Motor vehicle expenses	818,545	620,466
Legal expenses	82,510	74,045
Advertising	5,082,165	3,560,871
Printing and stationery	3,542,738	2,571,672
Rent and rates	4,571,768	2,330,467
Electricity and water	560,213	380,788
Postage, telephone, telex and telefax	6,195,338	3,575,518
Office maintenance	315,539	341,615
Entertainment	1,377,527	1,033,102
Depreciation of property, plant and equipment	3,333,069	2,128,813
Training expenses	1,075,414	1,544,776
Insurance Guarantee Scheme Fund levy	736,468	793,766
EDP expenses	6,055,725	5,275,675
Bad debts written off	444,739	340,634
Bad debts recovered	(56,391)	(77,653)
(Decrease)/increase in allowance for doubtful debts	(3,308,693)	3,302,451
Other expenses	4,711,064	3,919,353
	<u>63,016,420</u>	<u>55,887,200</u>

The charge to the income statement for the financial year ended 31 December 2004 in respect of contributions to the Employees' Provident Fund is RM3,119,810 (2003: RM2,698,788).

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Branch during the financial year amounted to RM447,181 (2003: RM539,742).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 CASH FLOW SEGMENT INFORMATION

	Shareholders' fund RM	General fund RM	Total RM
2004			
Cash flows from:			
Operating activities	14,916,067	(29,149,285)	(14,233,218)
Investing activities	-	(1,980,279)	(1,980,279)
Financing activities	(15,000,000)	-	(15,000,000)
	<u>(83,933)</u>	<u>(31,129,564)</u>	<u>(31,213,497)</u>
Net decrease in cash and cash equivalents	(83,933)	(31,129,564)	(31,213,497)
Cash and cash equivalents:			
At 1 January 2004	<u>90,863</u>	<u>38,595,667</u>	<u>38,686,530</u>
At 31 December 2004	<u>6,930</u>	<u>7,466,103</u>	<u>7,473,033</u>
2003			
Cash flows from:			
Operating activities	10,746,172	32,787,920	43,534,092
Investing activities	-	(13,060,865)	(13,060,865)
Financing activities	(11,000,000)	-	(11,000,000)
	<u>(253,828)</u>	<u>19,727,055</u>	<u>19,473,227</u>
Net (decrease)/increase in cash and cash equivalents	(253,828)	19,727,055	19,473,227
Cash and cash equivalents:			
At 1 January 2003	<u>344,691</u>	<u>18,868,612</u>	<u>19,213,303</u>
At 31 December 2003	<u>90,863</u>	<u>38,595,667</u>	<u>38,686,530</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 RELATED PARTY DISCLOSURES

The Corporation is a subsidiary of American International Group, Inc., a corporation incorporated in the United States of America. In the normal course of business, the Corporation's operations in Malaysia undertake at agreed terms and prices, various transactions with the holding corporation and other related corporations deemed related parties by virtue of them being members of American International Group, Inc. group of companies ("AIG Group").

(a) Details of significant transactions arising from normal business transactions during the financial year between the Corporation's operations in Malaysia and AIG Group are as follows:

	2004 RM	2003 RM
Premiums received	508,717	549,508
Inward reinsurance premiums received	753,472	1,784,875
Reinsurance premiums ceded	(36,546,781)	(43,097,881)
Claims paid	(138,000)	(268,644)
Reinsurance claims recoveries	1,067,584	2,124,079
Commissions paid	(46,222)	(77,623)
Commissions earned	2,545,219	3,497,011
Rental and utilities paid to a related corporation	(4,126,380)	(47,658)
System related costs paid to related corporations	(2,532,847)	(3,086,853)
Personnel and related costs received from a related corporation	225,968	303,790
Accrued capital expenditure for property, plant and equipment payable to a related corporation	-	(10,120,402)

(b) The related party balances as at the date of the statement of assets and liabilities are included in the following notes to the financial statements:

	2004 RM	2003 RM
Receivables (Note 6)		
Due from reinsurers and cedants	932,420	2,633,597
Amount due from related corporations	690,742	1,260,132
Payables (Note 9)		
Due to reinsurers and cedants	912,374	18,305,268

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Investment risk

Generally, insurance regulations restrict the types of assets in which an insurance company may invest. Investment risk represents the exposure to loss resulting from the cash flows from the invested assets, primarily long-term fixed rate investments, being less than the cash flows required to meet the obligations of the expected policy and contract liabilities and the necessary returns on investments.

The Branch makes moderate to long-term investments primarily in Malaysian Government Securities and investment graded corporate bonds to support the general insurance policy liabilities.

To minimise its exposure to investment risk, the Branch adopts fundamental research and active management to seek a balanced portfolio to meet the investment objectives for income, security of principal and diversification in terms of size, issuers and types of industry.

Equity price risk

The Branch currently maintains low exposure to listed equity securities at less than 10% of its total portfolio to limit its equity price risk.

Interest rate risk

The Branch's investment activities are inherently exposed to interest rate risk which arises principally from differences in maturity or re-pricing of invested assets. In dealing with this risk, the Branch adopts an approach of focusing on achieving a desired overall interest rate profile, which may change over time, based on management's longer term view of interest rates and economic conditions.

Liquidity risk

Liquidity risk is the risk that the Branch cannot meet its financial liabilities when due. Liquidity risk is managed both at corporate level and local level. The Branch's liquidity is primarily derived from the operating cash flows which are derived from two sources i.e. underwriting operations and investment operations.

AIG's strong capital position is integral to managing this liquidity, as it enables AIG to raise funds in diverse markets worldwide. Management believes that AIG's liquid assets, its net cash provided by operations and access to the capital markets will enable it to meet any foreseeable cash requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 FINANCIAL INSTRUMENTS *(Continued)*

Business and operational risk

Operational risks include legal, tax, political, regulatory, market conduct and business continuity risks.

These risks arise from the uncertainty of the enforceability through legal or judicial processes, of the obligations of the Branch's clients and counterparts. Internal Audit, supported by Legal and Compliance departments, review the effectiveness of internal controls on a regular basis.

Underwriting and credit risk

The Branch as part of AIG is a major purchaser of reinsurance. AIG is cognisant of the need to exercise good judgement in the selection and approval of companies participating in its reinsurance programs.

AIG's Reinsurance Security department, consisting of members of AIG's senior management, conducts ongoing detailed assessments of the reinsurance markets and current and potential reinsurers. Such assessments include, but are not limited to, identifying if a reinsurer is appropriately licensed, and has sufficient financial capacity, and the local economic environment. This department also reviews the nature of the risks ceded and the need for collateral. In addition, AIG's Credit Risk Committee reviews the credit limits and concentrations with any one reinsurer. No single reinsurer is a material reinsurer on AIG nor is AIG's business substantially dependent upon any reinsurance contract.

In the ordinary course of business, the Branch cedes reinsurance to other insurance companies in order to provide greater diversification of its business and limit the potential losses arising from large risks.

The Branch's reinsurance arrangements do not relieve it from its direct obligations to its insureds. Thus, a credit exposure exists with respect to general reinsurance ceded to the extent that any reinsurer is unable to meet the obligations assumed under the reinsurance agreements. The Branch manages its credit risk in its reinsurance relationships by transacting with reinsurers that it considers financially sound.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 FINANCIAL INSTRUMENTS (Continued)

Weighted average effective interest rates and maturity dates

The following table summarises the composition of the Branch's weighted average effective interest rate and the maturity date for each class of interest-bearing financial instrument in the statement of assets and liabilities:

	<u>Interest-bearing/maturity date</u>				<u>Total carrying value</u> RM	<u>Weighted average effective interest rate</u> %
	<u>Non-interest bearing</u> RM	<u>1 year or less</u> RM	<u>1 to 5 years</u> RM	<u>More than 5 years</u> RM		
2004						
Financial assets:						
Investments						
- Malaysia						
Government						
Securities	-	-	198,141,738	42,478,097	240,619,835	3.50
- Cagamas papers	-	-	70,492,378	-	70,492,378	3.08
- Corporate debt securities	-	-	10,193,724	70,169,895	80,363,619	5.47
- Equity securities of corporations	22,692,963	-	-	-	22,692,963	-
- Fixed deposits	-	9,200,000	40,135,450	76,511,092	125,846,542	4.26
- Other investments	220,000	-	-	-	220,000	-
Bank guaranteed loans	-	454,544	2,272,720	6,022,736	8,750,000	8.25
Unsecured staff loans	13,607	625,057	1,752,175	4,034,038	6,424,877	4.91
Other receivables	13,126,411	-	-	-	13,126,411	-
Cash and bank balances	7,473,033	-	-	-	7,473,033	-
Total financial assets	43,526,014	10,279,601	322,988,185	199,215,858	576,009,658	
Other financial assets*					47,670,100	
Total financial assets					623,679,758	
Non-financial assets:						
Property, plant and equipment					16,214,913	
Deferred tax assets					2,385,000	
Total assets per statement of assets and liabilities					642,279,671	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 FINANCIAL INSTRUMENTS (Continued)

	Interest-bearing/maturity date				Total carrying value RM	Weighted average effective interest rate %
	Non-interest bearing RM	1 year or less RM	1 to 5 years RM	More than 5 years RM		
2004						
Financial liabilities:						
Other payables	5,553,714	-	-	-	5,553,714	-
Other financial liabilities*					422,437,617	
Total financial liabilities					427,991,331	
Non-financial liabilities:						
Current tax liabilities					1,898,617	
Total liabilities per statement of assets and liabilities					429,889,948	

(*Disclosure information for financial assets and liabilities that relates to rights and obligations arising under insurance contracts is not shown as it is excluded from the scope of MASB Standard 24 "Financial Instruments: Disclosure and Presentation".)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 FINANCIAL INSTRUMENTS (Continued)

The following table summarises the composition of the Branch's weighted average effective interest rate and the maturity date for each class of interest-bearing financial instrument in the statement of assets and liabilities:

	Interest-bearing/maturity date				Total carrying value RM	Weighted average effective interest rate %
	Non-interest bearing RM	1 year or less RM	1 to 5 years RM	More than 5 years RM		
2003						
Financial assets:						
Investments						
- Malaysia						
Government Securities	-	-	248,515,014	43,134,819	291,649,833	3.25
- Cagamas papers	-	-	-	19,998,641	19,998,641	3.25
- Corporate debt securities	-	5,002,226	10,250,747	65,808,670	81,061,643	5.61
- Equity securities of corporations	10,663,786	-	-	-	10,663,786	-
- Fixed deposits	-	16,087,384	11,000,000	56,435,404	83,522,788	4.78
- Other investments	220,000	-	-	-	220,000	-
Bank guaranteed loans	-	454,544	2,272,720	6,408,420	9,135,684	8.25
Unsecured staff loans	17,873	665,760	2,121,508	4,316,425	7,121,566	4.90
Other receivables	15,391,041	-	-	-	15,391,041	-
Cash and bank balances	38,686,530	-	-	-	38,686,530	-
Total financial assets	64,979,230	22,209,914	274,159,989	196,102,379	557,451,512	
Other financial assets*					25,689,699	
Total financial assets					583,141,211	
Non-financial assets:						
Property, plant and equipment					17,544,703	
Tax recoverable					906,517	
Deferred tax assets					4,193,000	
Total assets per statement of assets and liabilities					605,785,431	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 FINANCIAL INSTRUMENTS (Continued)

	Interest-bearing/maturity date				Total carrying value RM	Weighted average effective interest rate %
	Non-interest bearing RM	1 year or less RM	1 to 5 years RM	More than 5 years RM		
2003						
Financial liabilities:						
Other payables	18,138,577	-	-	-	18,138,577	-
Other financial liabilities*					393,621,379	
Total financial liabilities					411,759,956	
Non-financial liabilities:						
Current tax liabilities					776,934	
Total liabilities per statement of assets and liabilities					412,536,890	

(* Disclosure information for financial assets and liabilities that relates to rights and obligations arising under insurance contracts is not shown as it is excluded from the scope of MASB Standard 24 "Financial Instruments: Disclosure and Presentation".)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fair values

The carrying values of financial assets and liabilities of the Branch as at 31 December approximated their fair values, except for the following:

	Carrying values 2004 RM	Fair values 2004 RM
Investments:		
- Malaysian Government Securities	240,619,835	241,672,000
- Cagamas papers	70,492,378	70,306,000
- Quoted equity securities of corporations	22,692,963	25,336,028
- Unquoted debt securities	<u>80,363,619</u>	<u>81,893,200</u>
	Carrying values 2003 RM	Fair values 2003 RM
Investments:		
- Malaysian Government Securities	291,649,833	287,089,800
- Cagamas papers	19,998,641	19,266,000
- Quoted equity securities of corporations	10,663,786	12,615,520
- Unquoted debt securities	<u>81,061,643</u>	<u>82,020,300</u>

The carrying value of investments in Cagamas papers at the balance sheet date have not been written down to their fair value as the Management is of the opinion that these investments will be held for long-term purposes.