AFFIN MONEYBROKERS SDN. BHD. (106666-U)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2005

106666-U

AFFIN MONEYBROKERS SDN. BHD.
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AFFIN MONEYBROKERS SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of a broker in the interbank foreign exchange and money market.

There have been no significant changes in the nature of these activities during the year.

RESULTS

	RM
Profit for the year	1,391,510

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

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

DIVIDEND

	RM
In respect of the financial year ended 31 December 2005:	
Interim dividend of 400% less 28% taxation, paid on 29 November 2005	576,000

In accordance with the directors' circular resolution dated 17 January 2006, a final dividend of 550% less 28% taxation amounting to RM792,000 in respect of the financial year ended 31 December 2005 based on the issued and paid-up ordinary shares of the Company of RM200,000 was proposed for Bank Negara's approval. The accompanying financial statements do not reflect the proposed dividend. The dividend, which was subsequently approved by Bank Negara Malaysia via its letter dated 28 February 2006, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2006.

The interim dividend has been approved by Bank Negara Malaysia via its letter dated 22 November 2005.

DIRECTORS

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

YBhg. Tan Sri Dato' Nasruddin bin Bahari
Mej.Gen (B) Datuk Ahmad Merican bin S.T.Merican
Tuan Haji Mohd Mokhtar bin Ghazali
Tuan Haji Abdul Aziz bin Ismail (Appointed on 8.8.05)

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 directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the director as shown in Note 6 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest.

DIRECTORS' INTERESTS

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

	At 1.1.2005	**Bought**	**Sold**	**At 31.12.2005**
Affin Holdings Berhad:				
Tuan Haji Mohd Mokhtar bin Ghazali				
- ordinary shares of RM1 each	500,819	-	-	500,819
- warrants 2005	# 50,136	-	-	# 50,136
Tuan Haji Abdul Aziz bin Ismail				
- ordinary shares of RM1 each	-	15000 *	-	15,000
- warrants 2005	-	2500 *	-	2,500

DIRECTORS' INTERESTS (CONTD.)

	At 1.1.2005	Bought	Sold	At 31.12.2005
Affin Holdings Berhad (Contd.):				
YBhg. Tan Sri Dato' Nasruddin bin Bahari				
- ordinary shares of RM1 each	30,000	-	-	30,000

\# As a result of Affin Holdings Berhad Rights Issue in June 2000.
* The director was appointed on 8.8.05.

OTHER STATUTORY INFORMATION

(a) Before the income statement and balance sheet 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 provisions 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 value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might expect so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Company; and

(ii) the values attributed to 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.

(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.

OTHER STATUTORY INFORMATION (CONTD.)

(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 in respect 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 as and 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.

COMMENTARY OF BUSINESS PLANS

1. Business strategy for the current financial year (Year 2005)

The gross brokerage income performance for the year ended 31.12.2005 is RM9,639,728.21. This performance is significantly higher by RM1,958.903.94 or 25.5 per cent in comparison with the previous year 2004 of RM7,680,824.27.

The dramatic increase in gross brokerage income, with July 2005 registering an unparalleled achievement to date, is mainly due to the de-pegging of the ringgit. This added catalyst sparked active trading in spot ringgit thereby influencing most instruments creating arbitrage opportunities and a shift in market sentiment. Although the trading of ringgit is currently restrictive domestically, the future internationalization of the currency will add depth to reflect the fundamentals of the economy.

Uncertainties continue to dominate the world economy with soaring energy costs surpassing uncharted barriers, catastrophic natural disasters and geo-political concerns.

COMMENTARY OF BUSINESS PLANS (CONTD.)

2. Outlook for the next financial year (Year 2006)

(i) Brokerage Fee Liberalization

The liberalization of brokerage fees, as outlined in the Financial Sector Masterplan, and the bilateral negotiation of brokerage fee is expected to commence in year 2006. Competitive negotiations to capture a larger market share will invariably result in a battle of discounts offered by our competitors. With discounts in excess of 30 per cent, the resultant impact will see a drastic erosion in revenue.

(ii) E-broking

The eventual entry and acceptance by market participants, of e-broking will also have a negative impact on conventional voice broking. As witnessed in other major financial centers, the success of e-broking, especially in foreign exchange is extremely detrimental to voice broking.

(iii) Consolidation of the Financial Industry

The ongoing consolidation of finance companies with Banks, and the formation of Investment Banks through mergers, will reduce market players thereby siphon liquidity in the wholesale market. The Governments plan to establish large and well capitalized banks to compete in the global market-place may result in the further consolidation of the banking industry.

(iv) Globalised Markets

The globalisation of financial markets i.e. borderless trading, will see the entry of foreign moneybroking companies competing in the domestic inter-bank market.

(v) Islamic and Conventional Banks

The recent approval by BNM to issue the new Islamic Banking License will add greater depth to Islamic banking in the country. The growth of Islamic banking will have a tremendous positive effect in the market place. More international conventional banks will also likely to commence operation locally.

(vi) New Market Participants

The greater dealing requirements of Universal Brokers, Insurance companies and the probably entry of corporate bodies. e.g. EPF, Petronas.

COMMENTARY OF BUSINESS PLANS (CONTD.)

2. Outlook for the next financial year (Year 2006) (Contd.)

(vii) Strategic business growth plan

To fully exploit the opportunity, the Company plans to introduce new products like Currency Options, Interest Rate Options, NDF, US Treasuries and Euro-Bonds.

3. Corporate governance

(a) Board responsibility and oversight

The Board of Directors comprise of four (4) non-executive directors with a wide range of experience and knowledge, has been instrumental in the formulation and crafting of the Company's vision and its strategic business direction.

The Board meets on a bi-monthly basis, to review the Company's financial and business performance, to oversee the conduct of the Company's business as well as to ensure that adequate internal control system are in place.

(b) Internal audit and internal control activities

The internal control systems are based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. The key processes that the Board has established in reviewing the adequacy and integrity of the internal control systems are as follows:

The Company has an organisation chart which clearly defines the responsibilities and accountabilities of the staff.

The Board of Directors meets bi-monthly to ensure that it maintains full and effective supervision over appropriate controls

A comprehensive budget and business strategy is established annually.

The Management meets every month to review, deliberate and approve matters relating to business strategy, performance of the Company, operational issues and financial position.

Continuous review by Internal Audit which is focussed on areas of significant risks and effectiveness of internal control in accordance to the approved Audit Plan.

COMMENTARY OF BUSINESS PLANS (CONTD.)

3. Corporate governance (Contd.)

(b) Internal audit and internal control activities (Contd.)

Establishment of guidelines in respect of control applications and environment of computer information systems.

Establishment of system in maintaining and reviewing control accounts and trial balances.

(c) Management reports

The Management report is submitted to Affin Holding Bhd every month and tabled to the Board on bi-monthly basis.

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

YBhg. Tan Sri Dato' Nasruddin bin Bahari

Tuan Haji Mohd Mokhtar bin Ghazali

Kuala Lumpur, Malaysia
1 March 2006

AFFIN MONEYBROKERS SDN. BHD.
(Incorporated in Malaysia)

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

We, YBhg. Tan Sri Dato' Nasruddin bin Bahari and Tuan Haji Mohd Mokhtar bin Ghazali, being two of the directors of Affin Moneybrokers Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 10 to 30 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia modified by Bank Negara Malaysia guidelines so as to give a true and fair view of the financial position of the Company as at 31 December 2005 and of the results and the cash flows of the Company for the year then ended.

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

YBhg. Tan Sri Dato' Nasruddin bin Bahari

Tuan Haji Mohd Mokhtar bin Ghazali

Kuala Lumpur, Malaysia
1 March 2006

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

I, Chandra A/L K.V. Sreedharan Nair being the officer primarily responsible for the financial management of Affin Moneybrokers Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 30 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 Chandra A/L K.V. Sreedharan Nair at Kuala Lumpur in the Federal Territory on 1 March 2006.

Chandra A/L K.V. Sreedharan Nair

Before me,

106666-U

REPORT OF THE AUDITORS TO THE MEMBERS OF
AFFIN MONEYBROKERS SDN. BHD.
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 10 to 30. 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 modified by Bank Negara Malaysia guidelines so as to give a true and fair view of:

   (i) the financial position of the Company as at 31 December 2005 and of the results and 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 of the Company; 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

Mohd Sukarno bin Tun Sardon
No. 1697/03/07 (J)
Partner

Kuala Lumpur, Malaysia
1 March 2006

AFFIN MONEYBROKERS SDN. BHD.
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 RM	2004 RM
Interest income	3	62,718	80,447
Non interest income	4	8,413,299	7,094,612
Net income		8,476,017	7,175,059
Other operating expenses	5	(6,342,273)	(5,465,325)
Profit before taxation		2,133,744	1,709,734
Taxation	7	(742,234)	(554,069)
Net profit for the year		1,391,510	1,155,665
Earnings per share (sen)	8	6.96	5.78

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

AFFIN MONEYBROKERS SDN. BHD.
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 RM	2004 RM
ASSETS			
Cash and short-term funds	9	2,349,414	1,622,047
Deposit placements with bank	10	467,738	787,909
Securities available-for-sale	11	38,900	36,070
Property, plant and equipment	12	1,363,263	920,322
Trade receivables	13	1,157,311	752,236
Other assets	14	435,245	811,147
Amount due from related companies	15	62,288	67,657
Tax recoverable		-	127,419
TOTAL ASSETS		5,874,159	5,124,807
LIABILITIES AND SHAREHOLDER'S FUND			
Other liabilities	16	877,410	651,572
Taxation		55,174	-
Deferred taxation	17	82,000	-
Proposed dividends	18	-	432,000
Total liabilities		1,014,584	1,083,572
Share capital	19	200,000	200,000
Reserves	20	4,659,575	3,841,235
Shareholder's fund		4,859,575	4,041,235
TOTAL LIABILITIES AND SHAREHOLDER'S FUND		5,874,159	5,124,807

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

AFFIN MONEYBROKERS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

		Non-distributable			Distributable	
	Note	Share Capital RM	Statutory Reserve RM	Equity Reserve RM	Retained Profit RM	Total RM
As at 1 January 2004						
As previously stated		200,000	200,000	-	2,930,200	3,330,200
Prior year adjustment	22	-	-	(14,700)	-	(14,700)
As at 1 January 2004 (restated)		200,000	200,000	(14,700)	2,930,200	3,315,500
Prior year adjustment	22	-	-	2,070	-	2,070
Net profit for the year		-	-	-	1,155,665	1,155,665
Dividend	18	-	-	-	(432,000)	(432,000)
At 31 December 2004		200,000	200,000	(12,630)	3,653,865	4,041,235
As at 1 January 2005		200,000	200,000	(12,630)	3,653,865	4,041,235
Change in securities available for sale		-	-	2,830	-	2,830
Net profit for the year		-	-	-	1,391,510	1,391,510
Dividend	18	-	-	-	(576,000)	(576,000)
At 31 December 2005		200,000	200,000	(9,800)	4,469,375	4,859,575

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

AFFIN MONEYBROKERS SDN. BHD.
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CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,133,744	1,709,734
Adjustments for:		
Depreciation of property, plant and equipment	350,122	82,752
Loss/(gain) on disposal of property, plant and equipment	9,156	(88,680)
Property, plant and equipment written off	1,628	174
Interest income	(62,718)	(80,447)
Operating profit before working capital changes	2,431,932	1,623,533
(Increase)/Decrease in operating assets		
Trade receivables	(405,075)	(192,560)
Related companies	5,369	(7,299)
Other assets	375,902	-
Increase/(Decrease) in operating liabilities	225,838	112,716
Cash generated from operations	2,633,966	1,536,390
Tax paid	(477,641)	(619,642)
Interest received	62,718	80,447
Net cash generated from operating activities	2,219,043	997,195
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(841,407)	(828,472)
Proceeds from disposal of property, plant and equipment	37,560	253,170
Net cash used in investing activities	(803,847)	(575,302)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,008,000)	-
Net cash used in financing activities	(1,008,000)	-

AFFIN MONEYBROKERS SDN. BHD.
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CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTD.)

	2005 RM	2004 RM
NET INCREASE IN CASH AND CASH EQUIVALENTS	407,196	421,893
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,409,956	1,988,063
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,817,152	2,409,956

Cash and cash equivalents comprise the following:

	2005 RM	2004 RM
Deposit placements with bank	467,738	787,909
Cash and short-term funds	2,349,414	1,622,047
	2,817,152	2,409,956

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

AFFIN MONEYBROKERS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

1. CORPORATE INFORMATION

The principal activities of the Company are that of a broker in the interbank foreign exchange and money market. There has been no significant changes in the nature of the principal activities during the financial year.

The Company is a private limited company, incorporated and domiciled in Malaysia. The registered office is located at C15-1, Level 15 Tower C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur. The principal place at which business is carried on is located at Level 25, Menara Boustead, Jalan Raja Chulan, 50200 Kuala Lumpur.

The number of employees in the Company at the end of the financial year was 40 (2004: 43).

The immediate holding company is Affin Holdings Berhad and the ultimate holding corporate body is Lembaga Tabung Angkatan Tentera (LTAT), a corporate body established under the Tabung Angkatan Tentera Act 1973. Both the holding company and the corporate body are incorporated and domiciled in Malaysia.

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by Bank Negara Malaysia via its letter dated 28 February 2006 and by the Board of Directors in accordance with a resolution of the directors on 1 March 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia modified by Bank Negara Malaysia guidelines.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Change in Accounting Policies

The accounting policies adopted by the Company are consistent with those adopted in the previous financial year except for the adoption of the revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia on 5 October 2004 which became effective for the current financial year. The adoption of the revised BNM/GP8 has resulted in the change in the classification, recognition and measurement of the holdings of securities portfolio of the Company into securities held-for-trading, securities held-to-maturity and securities available-for-sale (as disclosed in Note 11 to the financial statements), which have been adopted retrospectively.

The effects of adopting the revised BNM/GP8 are reflected as prior year adjustment and are disclosed in Note 22 to the financial statements.

(c) Property, Plant and Equipment and Depreciation

Property, plant 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).

Depreciation of property, plant and equipment is provided for on the straight line basis to write off the cost of each asset to its residual value over their estimated useful life at the following rates:

Office furniture and fittings	20%
Office equipment	20%
Motor vehicles	20%
Renovation	20%

Upon disposal of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

(d) Cash and Cash Equivalents

For the purpose of cash flow statement, cash and cash equivalents represent cash on hand and at bank balances, deposits at call and other short term, highly liquid investments that are readily convertible to cash with insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Income Tax

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

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 substantially enacted at the balance sheet date. Deferred tax is recognised in the income statement, 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.

(f) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security 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 a paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured with reliable certainty.

Interest income is recognised on a time proportion basis that takes into account the effective yield on the deposit.

(h) 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. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

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

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(i) Provisions for liabilities

Provisions for liabilities are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Financial Instruments

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

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

(i) Securities available-for-sale

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

(ii) Trade receivables

Trade 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.

(iii) 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, whether or not billed to the Company.

(iv) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared and approved by the shareholders.

3. INTEREST INCOME

	2005 RM	2004 RM
Staff loan and advances	5,949	15,941
Deposit and placement with financial institutions	56,769	64,506
	62,718	80,447

4. NON INTEREST INCOME

	2005 RM	2004 RM
Brokerage fees (net of discounts and agent fees)	8,395,299	7,094,612
Other fees	18,000	-
	8,413,299	7,094,612

5. OTHER OPERATING EXPENSES

	2005 RM	2004 RM
Personnel costs (note a)	4,185,565	3,837,717
Marketing expenses (note b)	799,936	805,215
Establishment expenses (note c)	675,816	265,420
Administration and general expenses (note d)	680,956	556,973
	6,342,273	5,465,325

(a) Personnel costs

	2005 RM	2004 RM
Salaries and allowances	2,636,312	2,492,116
Directors' Fees and allowances	80,000	84,500
Social security costs	19,110	15,020
Pension costs-defined contribution plan	405,325	372,412
Bonus	819,970	637,500
Other staff related expenses	224,848	236,169
	4,185,565	3,837,717

5. OTHER OPERATING EXPENSES (CONTD.)

	2005 RM	2004 RM
(b) Marketing expenses		
Entertainment and golf tournament	484,775	471,236
Telerates & Subscription	280,006	280,704
Advertising	26,554	23,108
Others	8,601	30,167
	799,936	805,215
(c) Establishment expenses		
Depreciation of property, plant and equipment	350,122	82,752
Rental of premises	261,986	172,643
Others	63,708	10,025
	675,816	265,420
(d) Administration and general expenses		
Telecommunication expenses	308,066	220,949
Others	372,890	336,024
	680,956	556,973

Included in the above expenditure are the following :

	2005 RM	2004 RM
Auditors' remuneration		
- current year	9,000	9,000
- (over)/under provision in prior year	(1,000)	500
- others	6,000	6,000
Depreciation of property, plant and equipment	350,122	82,752
Property, plant and equipment written off	1,628	174
Office rental	261,986	172,643
Loss/(gain) on disposal of property, plant and equipment	9,156	(88,680)

6. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION

	2005 RM	2004 RM
Chief Executive Officer		
Salary	170,400	122,400
Allowance	-	12,000
Bonus	91,550	70,000
Benefits-in-kind	26,400	16,221
	288,350	220,621
Non-Executive Directors		
Fees	50,000	54,500
Allowance	30,000	30,000
Benefits-in-kind	1,800	1,800
	81,800	86,300

Number of directors whose total remuneration is RM50,000 and above is Nil (2004: Nil).

7. TAXATION

	2005 RM	2004 RM
Malaysian income tax based on results for the year		
- Current	651,000	534,000
- Deferred	82,000	-
Under provision in prior year	9,234	20,069
	742,234	554,069

Domestic income tax is calculated at the Malaysian statutory rate of 20% on the first RM500,000 (2004: RM500,000) chargeable income and 28% on subsequent chargeable income (2004: 28%) determined for companies with paid up capital of RM2.5 million and below at the beginning of the basis period.

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:

7. TAXATION (CONTD.)

	2005 RM	2004 RM
Profit before taxation	2,133,744	1,709,734
Taxation at Malaysian statutory rate of 28%	597,448	478,726
Effect of income subject to tax rate of 20%	(40,000)	(40,000)
Expenses not deductible for tax purposes	175,552	99,274
Deferred tax asset not recognised during the year	-	(4,000)
Underprovided in prior years	9,234	20,069
Tax expense for the year	742,234	554,069

8. EARNINGS PER SHARE

The earnings per share of the Company is calculated based on the profit after taxation of RM1,391,510 (2004: RM1,155,664) on the weighted average of 200,000 ordinary shares of RM1.00 each (2004: 200,000) during the year.

9. CASH AND SHORT-TERM FUNDS

	2005 RM	2004 RM
Cash and balances with banks	172,600	378,561
Deposit placements maturing within one month *	2,176,814	1,243,486
	2,349,414	1,622,047

* The deposits are placed with Affin Bank which is part of LTAT group of companies.

10. DEPOSITS AND PLACEMENTS WITH BANK

The deposits are placed with Affin Bank which is part of LTAT group of companies.

11. AVAILABLE-FOR-SALE SECURITIES

	2005 RM	2004 RM
At fair value:		
Qutoed shares in Malaysia	900	1,070
Unquoted shares in Malaysia	38,000	35,000
	38,900	36,070

12. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RM	Office furniture and fittings RM	Office equipment RM	Renovation RM	Work in progress RM	Total 2005 RM	Total 2004 RM
Cost							
At beginning of year	326,489	87,285	1,112,078	27,621	552,319	2,105,792	1,721,345
Additions	-	186,760	529,467	125,180	-	841,407	828,472
Disposals	-	(87,285)	(939,039)	(27,621)	-	(1,053,945)	(443,286)
Write offs	-	-	(5,818)	-	-	(5,818)	(739)
Reclass	-	-	287,319	265,000	(552,319)	-	-
At end of year	326,489	186,760	984,007	390,180	-	1,887,436	2,105,792
Accumulated Depreciation							
At beginning of year	69,237	72,154	1,016,458	27,621	-	1,185,470	1,382,079
Charge for the year	65,155	34,239	179,195	71,533	-	350,122	82,752
Disposal	-	(72,153)	(907,455)	(27,621)	-	(1,007,229)	(278,797)
Write offs	-	-	(4,190)	-	-	(4,190)	(564)
At end of year	134,392	34,240	284,008	71,533	-	524,173	1,185,470
Net Book Value							
At 31 December 2005	192,097	152,520	699,999	318,647	-	1,363,263	-
At 31 December 2004	257,252	15,131	95,620	-	552,319	-	920,322
Depreciation charge for 2004	27,224	5,261	50,267	-	-	-	82,752

13. TRADE RECEIVABLES

The trade credit term ranges from 30 days to 60 days. The Company has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

14. OTHER ASSETS

	2005 RM	2004 RM
Deposits	258,477	250,688
Prepayments	79,088	130,379
Staff loan	74,680	405,548
Loan to a former director	918,118	918,118
Other debtors	-	1,532
Other investments	23,000	23,000
	1,353,363	1,729,265
Provision for doubtful debts	(918,118)	(918,118)
	435,245	811,147

Included in staff loan in prior year was an amount of RM319,639 to an ex-Chief Executive Officer who was transferred to a related company within LTAT group of companies. The staff loan bears interest rate of 4% per annum (2004: 4%).

The loan to a former director relates to a loan given to an individual in 1989 who was then a director of the Company. The individual has since defaulted on this loan, and the Company is in the midst of legal proceedings against this individual to recover this loan. Accordingly, a full provision had been made by the Company.

15. AMOUNT DUE FROM RELATED COMPANIES

	2005 RM	2004 RM
Brokerage fees	62,288	67,657

Related companies refer to those companies within the LTAT group of companies. The amounts due from related companies are unsecured, interest free have no fixed terms of repayment.

16. OTHER LIABILITIES

	2005 RM	2004 RM
Other payables	834,410	607,572
Amount due to directors	43,000	44,000
	877,410	651,572

The amount due to directors are unsecured, interest free with no fixed terms of repayment.

17. DEFERRED TAXATION

	2005 RM	2004 RM
At 1 January	-	-
Recognised in income statement	82,000	-
At 31 December	82,000	-

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

	Accelerated capital allowance	
	2005 RM	2004 RM
At 1 January	-	-
Recognised in income statement	82,000	-
At 31 December	82,000	-

18. DIVIDEND

	2005 RM	2004 RM
Dividend paid		
Interim dividend of 400% less 28% taxation, paid on 29 November 2005	576,000	-
Proposed dividend		
Interim dividend of 300% less 28% taxation proposed in 2004, paid on 28 March 2005	-	432,000

18. DIVIDEND (CONTD.)

In accordance with the directors' circular resolution dated 17 January 2006, a final dividend of 550% less 28% taxation amounting to RM792,000 in respect of the financial year ended 31 December 2005 based on the issued and paid-up ordinary shares of the Company of RM200,000 was proposed for Bank Negara's approval. The accompanying financial statements do not reflect the proposed dividend. The dividend, which was subsequently approved by Bank Negara Malaysia via its letter dated 28 February 2006, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2006.

The interim dividend has been approved by Bank Negara Malaysia via its letter dated 22 November 2005.

19. SHARE CAPITAL

	2005 RM	2004 RM
Authorised:		
500,000 ordinary shares of RM1 each	500,000	500,000
Issued and fully paid:		
200,000 ordinary shares of RM1 each	200,000	200,000

20. RESERVES

	2005 RM	2004 RM
Non-distributable:		
Statutory reserve	200,000	200,000
Equity reserve	(9,800)	(12,630)
	190,200	187,370
Retained profits	4,469,375	3,653,865
	4,659,575	3,841,235

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

Equity reserve records fair value changes on securities available for sale and is not distributable as dividends.

Subject to the agreement of the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its entire retained profits as at 31 December 2005.

21. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS

	2005 RM	2004 RM
Deposits with a licensed bank	2,644,552	2,031,395
Office rental paid	261,986	172,643
Interest income received	(56,769)	(64,507)
Brokerage fees charged	(530,367)	(488,659)

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

22. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

(a) Changes in Accounting Policies

During the current financial year, the Company adopted the revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) which became effective from 1 January 2005. The adoption of this revised BNM/GP8 has resulted in changes in accounting policies as disclosed in Note 2(a) to the financial statements.

Securities Available-for-Sale

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

(b) Prior Year Adjustments

The change in accounting policy has been applied and comparatives have been restated. The effects of change in accounting policy are as follows:

	2004 RM	2003 RM
Effect on reserves		
At 1 January, as previously stated	3,853,865	3,130,200
Effects of adopting GP8	(12,630)	(14,700)
At end of the year, as restated	3,841,235	3,115,500

23. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its interest rate, liquidity and credit risks.

(b) Interest Rate Risk

The Company's primary interest rate risk relates to interest-bearing debt, as the Company had no substantial long-term interest-bearing assets as at 31 December 2005. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits.

(c) Liquidity Risk

The Company actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Company maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

(d) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Company's associations to business partners with high creditworthiness. Receivables are monitored on an ongoing basis via Company management reporting procedures.

(e) Fair Values

The aggregate net fair values of financial assets and financial liabilities of the Company carried at approximately their fair value.

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

(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables.

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

24. COMPARATIVES

The following comparative amounts as at 31 December 2004 have been restated to conform with Bank Negara Malaysia's Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8).

	As Previously Stated RM	Adjustments RM	As Restated RM
Income statement			
Revenue	7,680,825	(7,680,825)	-
Cost of sales	(586,214)	586,214	-
Non interest income	88,681	7,005,931	7,094,612
Other operating expenses	(4,997,032)	88,680	(4,908,352)
Balance sheet			
Cash and short-term funds	378,561	1,243,486	1,622,047
Deposits and placement with financial institution	2,031,395	(1,243,486)	787,909
Investments	71,700	(71,700)	-
Securities portfolio			
- Available for sale securities	-	36,070	36,070
Other receivables	788,147	(788,147)	-
Other assets	-	811,147	811,147
Other payables	651,572	(651,572)	-
Other liabilities	-	651,572	651,572
Reserves	3,853,865	(12,630)	3,841,235