Financial Statements

Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of the purchase of mortgage loans and hire purchase and leasing debts from primary lenders approved by the Company and the issue of bonds and notes to finance the purchases. The Company also purchases Islamic house financing debts and Islamic hire purchase debts and issues bonds under Islamic principles.

There has been no significant change in the nature of these activities during the year.

FINANCIAL RESULTS

	RM'000
Profit before taxation and zakat	207,504
Taxation	(57,196)
Zakat	(254)
Net profit for the year	150,054
Retained earnings brought forward	885,812
Profits available for appropriation	1,035,866
Final dividend (net of income tax of 28%) for financial year ended 31 December 2001	(10,800)
Interim dividend (net of income tax of 28%) for financial year ended 31 December 2002	(10,800)
Retained earnings carried forward	1,014,266

DIVIDENDS

The dividends paid by the Company since 31 December 2001 are as follows:

	RM'000
In respect of the financial year ended 31 December 2001, as shown in the Directors' report of that year, a final gross dividend of 10 sen per share on 150,000,000 ordinary shares, less income tax, paid on 10 April 2002	10,800
In respect of the financial year ended 31 December 2002, an interim gross dividend of 10 sen per share on 150,000,000 ordinary shares, less income tax, paid on 17 October 2002	10,800
	21,600

The Directors now recommend the payment of a final gross dividend of 15 sen per share, less income tax, and a special gross dividend of 93 sen per share, tax exempt, on 150,000,000 ordinary shares amounting to RM155,700,000 for the year ended 31 December 2002 which, subject to approval of members at the forthcoming Annual General Meeting of the Company, will be paid on 14 April 2003 to shareholders registered on the Company's Register of Members as at the close of business on 21 March 2003.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the year are shown in the financial statements.

DIRECTORS

The Directors who have held office during the year since the date of the last report are as follows:

Ooi Sang Kuang (Chairman)	(appointed on 4.7.2002)
Tan Sri Dato' Azman Hashim	
Datuk Tay Ah Lek	
Dato' Tan Teong Hean	
Datuk Amirsham A. Aziz	
Mohamed Azmi Mahmood	
Md Agil Mohd Natt	
Dato' Mohd Razif Abdul Kadir	
Dato' Wan Ismail Abdul Rahman	
Dr. Rozali Mohamed Ali	
Michael Andrew Hague	(appointed on 24.7.2002)
Yvonne Chia	(resigned on 23.3.2002)
Dato' Huang Sin Cheng	(resigned on 16.6.2002)
Dr. Zeti Akhtar Aziz	(relinquished post on 7.10.2002)
Lee Kam Chuen	(resigned on 16.12.2002)

In accordance with the Company's Articles of Association, the following Directors retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election:

Datuk Amirsham A. Aziz
Md Agil Mohd Natt
Dato' Mohd Razif Abdul Kadir

In accordance with the Company's Articles of Association, the following Directors, who vacate office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election:

Michael Andrew Hague
Ooi Sang Kuang

DIRECTORS' BENEFITS

During and at the end of the year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to 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 year, no Director has received or become entitled to receive a benefit (other than directors' remuneration disclosed in Note 20 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, none of the Directors in office at the end of the year held any interest in shares in the Company.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statement and balance sheet were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

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 year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

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

(a) any charge on the assets of the Company which has arisen since the end of the year which secures the liability of any other person; or

(b) any contingent liability of the Company which has arisen since the end of the year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors,

(a) the results of the Company's operations during the year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

RELATED-PARTY TRANSACTIONS

Most of the transactions involving mortgage loans, hire purchase and leasing debts, Islamic house financing debts and Islamic hire purchase debts as well as issuance of unsecured debt securities are done at arm's length with related parties, namely the financial institutions who are related by virtue of these parties being the shareholders of the Company.

AUDITORS

Our auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 25 February 2003.

OOI SANG KUANG
CHAIRMAN

TAN SRI DATO' AZMAN HASHIM
DIRECTOR

Balance Sheet as at 31 December 2002

	Note	2002 RM'000	2001 RM'000
ASSETS			
Cash and short-term funds	4	60,900	305,985
Deposits and placements with financial institutions	5	–	6,740
Amounts due from counter parties	6	25,330,082	22,122,786
Investment securities	7	224,644	164,541
Islamic financing debts	8	703,390	142,954
Tax recoverable		11,964	19,559
Other assets	9	47,951	46,477
Fixed assets	10	4,204	2,628
TOTAL ASSETS		26,383,135	22,811,670
LIABILITIES			
Unsecured bearer bonds and notes	11	24,940,165	21,516,511
Deferred taxation	12	7,588	4,820
Other liabilities	13	271,116	254,527
TOTAL LIABILITIES		25,218,869	21,775,858
SHARE CAPITAL	14	150,000	150,000
RESERVES	15	1,014,266	885,812
SHAREHOLDERS' FUNDS		1,164,266	1,035,812
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		26,383,135	22,811,670
NET TANGIBLE ASSETS PER SHARE (RM)	22	7.76	6.91

The notes on pages 135 to 156 form an integral part of these financial statements.

Income Statement for the financial year ended 31 December 2002

	Note	2002 RM'000	2001 RM'000
INTEREST INCOME	16	1,146,321	1,130,548
INTEREST EXPENSE	17	(941,443)	(963,666)
NET INTEREST INCOME		204,878	166,882
ISLAMIC OPERATIONS INCOME	32	1,388	681
NON-INTEREST INCOME	18	9,339	5,130
NET INCOME		215,605	172,693
ADMINISTRATION AND GENERAL EXPENSES		(4,426)	(4,405)
PERSONNEL COST		(3,675)	(3,216)
PROFIT BEFORE TAXATION AND ZAKAT	19	207,504	165,072
TAXATION	21	(57,196)	(46,629)
ZAKAT		(254)	(77)
NET PROFIT FOR THE YEAR		150,054	118,366
EARNINGS PER SHARE (SEN)	22	100.0	78.9
DIVIDEND PER SHARE (SEN)	23	118	20

The notes on pages 135 to 156 form an integral part of these financial statements.

Statement of Changes in Equity for the financial year ended 31 December 2002

	Issued and fully paid ordinary shares of RM1 each		Distributable		
	Number of Shares RM'000	**Nominal Value RM'000**	**General Reserve RM'000**	**Retained Earnings RM'000**	**Total RM'000**
Balance as at 1 January 2001	150,000	150,000	528,160	268,446	946,606
Net profit for the year	–	–	–	118,366	118,366
Transfer to General Reserve	–	–	30,000	(30,000)	–
Transfer to Retained Earnings	–	–	(558,160)	558,160	–
Dividends for the financial year ended: 31 December 2000 – final dividend of 17 sen per share, less income tax	–	–	–	(18,360)	(18,360)
31 December 2001 – interim dividend of 10 sen per share, less income tax	–	–	–	(10,800)	(10,800)
Balance as at 31 December 2001	150,000	150,000	–	885,812	1,035,812
Net profit for the year	–	–	–	150,054	150,054
Dividends for the financial year ended: 31 December 2001 – final dividend of 10 sen per share, less income tax	–	–	–	(10,800)	(10,800)
31 December 2002 – interim dividend of 10 sen per share, less income tax	–	–	–	(10,800)	(10,800)
Balance as at 31 December 2002	150,000	150,000	–	1,014,266	1,164,266

The notes on pages 135 to 156 form an integral part of these financial statements.

Cash Flow Statement for the financial year ended 31 December 2002

	2002 RM'000	2001 RM'000
OPERATING ACTIVITIES		
Net profit for the year	150,054	118,366
Adjustments for investment items and items not involving the movement of cash and cash equivalents:		
Amortisation of premium on Malaysian Government securities	380	(247)
Amortisation of premium on Islamic debt securities	106	–
Income accrued from Islamic investments	(10,398)	(5,276)
Interest income accrued from investments	(2,634)	(2,660)
Interest income accrued from interest rate swaps	(14,324)	(12,296)
Depreciation of fixed assets	754	617
Gain on disposal of fixed assets	(53)	(90)
Taxation	57,196	46,629
Zakat	254	77
Operating profit before working capital changes	181,335	145,120
(Increase)/decrease in amounts due from counter parties	(3,207,296)	74,730
(Increase)/decrease in Islamic financing debts	(560,436)	70,012
(Increase)/decrease in other assets	(663)	5,836
Increase in unsecured bearer bonds and notes	3,423,654	74,493
Increase/(decrease) in other liabilities	11,731	(46,103)
Cash (utilised in)/generated from operations	(151,675)	324,088
Payment of zakat	(77)	(130)
Payment of taxation	(42,152)	(57,078)
Net cash (utilised in)/generated from operating activities	(193,904)	266,880
INVESTING ACTIVITIES		
Purchase of:		
Investments	(51,350)	–
Fixed assets	(2,347)	(1,046)
Income received from Islamic investments	586	280
Interest income received from investments	2,634	2,660
Interest income received from interest rate swaps	14,088	12,025
Proceeds from disposal of fixed assets	68	105
Proceeds from disposal of investments	–	1,038
Net cash (utilised in)/generated from investing activities	(36,321)	15,062

	2002 RM'000	2001 RM'000
FINANCING ACTIVITIES		
Payment of dividends	(21,600)	(29,160)
Net cash utilised in financing activities	(21,600)	(29,160)
Net (decrease)/increase in cash and cash equivalents	(251,825)	252,782
Cash and cash equivalents as at beginning of the year	312,725	59,943
Cash and cash equivalents as at end of the year	60,900	312,725
Analysis of cash and cash equivalents:		
Cash and short-term funds	60,900	305,985
Deposits and placements with financial institutions maturing within three months	–	6,740
	60,900	312,725

The notes on pages 135 to 156 form an integral part of these financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

The principal activities of the Company consist of the purchase of mortgage loans, hire purchase and leasing debts from primary lenders approved by the Company and the issue of bonds and notes to finance the purchases. The Company also purchases Islamic house financing debts and Islamic hire purchase debts and issues bonds under Islamic principles.

There has been no significant change in the nature of these activities during the year.

The number of employees in the Company at the end of the year was 54 (2001: 53).

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

The address of the registered office and principal place of business of the Company is 19th Floor, West Wing, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous year.

(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.

The financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The financial statements incorporate those activities relating to the Islamic operations of the Company.

The Islamic operations of the Company refer to the purchase of Islamic house financing debts and Islamic hire purchase debts from approved originators and issuance of debt securities under Islamic principles, and acquisition, investment in and trading of Islamic financial instruments. In the accounting for its Islamic operations, the Company has, whenever necessary, modified its accounting policies to comply with the Islamic Syariah principles.

(b) Amounts due from counter parties

Note 1 of the financial statements describes the principal activities of the Company, which are inter alia, the purchase of mortgage loans and hire purchase and leasing debts. These activities are also set out in the object clauses of the Memorandum of Association of the Company.

The purchase of "Mortgage loans and hire purchase and leasing debts" was reclassified as "Amounts due from counter parties" on the balance sheet in accordance with a Guideline issued by Bank Negara Malaysia to the financial institutions on 31 July 2001. However, the Company and the counter parties to these transactions still consider the transactions to be sales and purchases. The Company and the relevant counter parties have entered into agreements which state that any accounting reclassification is only to accommodate accounting convention and/or to comply with the directives of the regulatory authorities, and does not reflect or change the intention of the parties to effect true absolute sales.

As at the balance sheet date, amounts due from counter parties in respect of mortgage loans and hire purchase and leasing debts are stated at their unpaid principal balances due to the Company. Interest income on amounts due from counter parties is recognised on an accrual basis and computed at the respective interest rates based on monthly rest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments

Malaysian Government securities and long term private debt securities intended to be held to maturity, are stated at cost adjusted for amortisation of premium or accretion of discount over the period from acquisition to maturity of the investments.

Malaysian Government securities and other investments intended to be held on a short-term basis are stated at the lower of cost and market value.

(d) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated on a straight line basis to write off the cost of the assets over their estimated useful lives. The principal annual rates of depreciation used are as follows:

Office equipment	20%
Motor vehicles	20%
Furniture and fittings	10%

(e) Income recognition

Interest income is recognised on an accrual basis. As for Islamic operations, income is accounted for on the cash basis of accounting in accordance with the principles of Syariah. Receipts in advance are treated as liabilities in the balance sheet.

(f) Premium and discount on unsecured bearer bonds issued by the Company

Premium on unsecured bearer bonds representing the excess of the issue price over the redemption value of the bonds are accreted to the income statement over the life of the bonds. Where the redemption value exceeds the issue price of the bonds, the difference, being the discount is amortised to the income statement over the life of the bonds.

(g) Discount on unsecured bearer notes issued by the Company

Discount on unsecured bearer notes representing the excess of redemption value over the issue price of the notes are amortised to the income statement over the life of the notes.

(h) Deferred taxation

Deferred taxation is provided under the liability method for all material timing differences except where there is reasonable evidence that these timing differences will not reverse in the foreseeable future.

(i) Cash and cash equivalents

For the purposes of the cashflow statement, cash and cash equivalents comprise cash and balances with banks and other financial institutions and short-term investments in money market instruments maturing within three months.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Interest rate swaps (IRS)

Interest rate swaps are used as hedging tools to support issuance of fixed rate bonds to fund floating rate purchases of mortgage loans. By entering into IRS contracts, the Company is protected from adverse movements in interest rates since the Company pays the floating rate receipts on its floating rate purchases to, and receives fixed rate payments from the swap counter parties. These fixed rate payments will then be utilised to pay interest on the fixed rate bonds issued. Any differential to be paid or received on an IRS contract is recognised as a component of interest expense or revenue over the period of the agreement. Losses and gains on early termination of IRS are taken to the income statement.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(l) Provisions

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

3 RISK MANAGEMENT OBJECTIVE AND POLICIES

The Company is subject to four major areas of risk which comprise market risk, liquidity risk, credit risk and operational risk. The Company's risk management objective is to effectively manage and link risks with rewards in order to maximise the Company's shareholders' value as well as to ensure that the Company is able to sustain its performance.

The Board of Directors has approved the risk management framework which sets out, amongst others, the roles and responsibilities of parties involved in the management of risks. The Board of Directors ensures that there is proper oversight of the management of risks in the Company. The Board sets the risk appetite and tolerance level that is consistent with the Company's overall business objectives and desired risk profile. The Board also regularly reviews and approves all significant risk management policies and risk exposures.

Senior Management (Chief Executive Officer, Chief Operating Officer and Senior Manager) is responsible to carry out the policies laid down by the Board by ensuring that there are adequate and effective operational procedures, internal controls and systems for measuring, monitoring and controlling risks.

The Risk Management Committee is responsible for the Company's asset liability management, pricing and funding strategies as well as management of market and liquidity risks. The Credit Risk Committee is responsible for the management of credit risk. The Investment Committee is responsible to ensure that the Company's investments are made in accordance with the policies approved by the Board of Directors. Overseeing the management of operational risk is the Internal Audit Department which regularly reports to the Board Audit Committee to provide independent assurance that risks have been identified and there are sufficient and effective controls on all aspects of the Company's operations. The departments and units are primarily responsible for managing risks in their respective functional areas. The Risk Management Unit was set up during the year to centralise the management of risks and to assist Senior Management and the risk committees in the controlling, monitoring and reporting of risks.

3 RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

The risks faced by the Company and the strategies adopted by the Company in managing these risks are as follows:

(a) Market risk

Market risk is the exposure of the Company's financial position to adverse movements in market interest rates or prices. The Company is mainly exposed to interest rate risk associated with issuing debt securities after committing to purchase loans and debts. Since the Company would have to purchase a sizeable amount of loans and debts prior to the issuance of the bonds, the Company's margin could be reduced in the event bond yields rise between the time of purchase of loans and debts and the issuance of bonds.

The Company also faces the risk of funding mismatch between its assets and its liabilities. Despite their contractual maturity, the average life of the assets depends on the actual rate of prepayment. The assets portfolio of the Company has a shorter average life if the rate of prepayment is high. As a result of funding mismatch, the Company will be subject to the risk of having to reinvest at lower rates or to borrow at higher rates.

Interest rate risk is mitigated through close monitoring of the secondary market trading of bonds and prevailing market expectations on interest rates and bond yields. The Company has the ability to issue debt securities within the shortest possible time. To minimise the impact of repurchases on its cash flow, the Company has also incorporated compulsory replacement of all repurchased loans and debts, with the exception of housing loans, where it remains optional.

In December 2001, the Board of Directors had approved the Treasury Management Policy as a framework within which the Company's exposure to various treasury risks are managed. The Treasury Management Policy sets out, inter alia, the structure and functions of the Treasury Department, policies regarding liquidity management, funding and investments, the management of risks relevant to treasury activities, authorised transactions and limits for treasury activities.

The Company's Asset Liability Management System enables the Company to simulate and perform gap, margin, duration and sensitivity analysis using rate scenario and assumption builders on its total portfolio (including all balance sheet items). Duration analysis is undertaken before any new bond issuance to ensure that the Company's assets and liabilities are closely matched within the tolerance limit set by the Board. The Company performs sensitivity analysis of its forecast net interest income to manage the Company's exposure to changes in interest rates.

The Company also uses derivative financial instruments such as interest rate futures and interest rate swaps to manage and hedge its exposure to fluctuations in market interest rates. The Company does not undertake any treasury activity that is unrelated to its underlying cash flows or is purely speculative in nature.

(b) Liquidity risk

Liquidity risk arises when the Company does not have sufficient funds to meet its liabilities as and when they fall due. This includes the risk that borrowed funds may not be available when the Company requires them or that they will not be available for the required period or at an acceptable cost.

The Company mitigates its liquidity risk by matching the timing of purchases of loans and debts with the issuance of debt securities. The Company maintains adequate undrawn funding sources for possible use to meet its debt obligations. Close monitoring and planning of cash flows and the Company's ability to issue notes for short-term funding needs also helps to mitigate the Company's liquidity risk.

3 RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(c) Credit risk

The Company purchases loans and debts on with recourse basis. The Company is subject to credit risk when a counter party defaults on its payments to the Company, which may result in the Company having to replace the transaction with a different counter party or borrow from the inter-bank money market. Most of the Company's purchases of loans and debts are from financial institutions which are supervised by Bank Negara Malaysia. The Company's loans and debts are also subject to an annual audit to ensure the loans and debts purchased are of the quality required by Cagamas. Hence, the likelihood of default by the selling institutions is minimised.

Another form of credit risk arises from the investments made by the Company, where changes in the market's perception and assessment of the issuer's financial strength and credit quality may result in adverse price movements of the investments. The Company may face financial losses when the investments are liquidated prior to their maturity.

The Company mitigates its credit risk through credit policies and limits approved by the Board of Directors. The parameters in setting credit limits are reviewed by the Board of Directors from time to time. The credit limits for counter parties for purchases of loans and debts, investments and money market transactions are regularly reviewed and monitored. There are strict guidelines and limits on permitted investments and these investments are restricted to high quality papers. The primary objective of investments is to manage the Company's funds by optimising the return on investments, within the constraints of safety and liquidity, to match the benchmark set by the Board. It is the Company's policy to liquidate its investments only under limited circumstances and within a reasonable time period as specified in the Company's Treasury Management Policy.

(d) Operational risk

The Company is subject to operational risk i.e. the potential exposure to financial or other damages resulting from inadequate or failed internal processes, human behaviour, systems or from external events. It also includes human resources, legal and reputation risks.

The Company mitigates its operational risk by having comprehensive internal controls, systems and procedures which are reviewed on a regular basis and are subjected to regular audits by the internal auditors. The Company has also set in place a comprehensive Business Continuity Plan (BCP) to minimise the impact from potential internal and external disaster disruptions to the Company's operations. The BCP is updated on a regular basis in line with changes in business processes and tested to ensure that the BCP remains relevant.

The Company is in the process of implementing a fully integrated Treasury Management System and Loans Processing System to enhance efficiency, processing and reporting capabilities and to minimise the likelihood of errors due to manual processes. The systems have built-in controls and validations which will enable the Company to maintain and monitor limits and receive alerts on any breach of limits.

4 CASH AND SHORT-TERM FUNDS

	2002 RM'000	2001 RM'000
Cash and balances with banks and other financial institutions	77	125
Money at call and deposit placements maturing within one month	48,540	304,550
Mudharabah money at call and deposit placements maturing within one month	12,283	1,310
	60,900	305,985

5 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2002 RM'000	2001 RM'000
Licensed finance company	–	6,740

6 AMOUNTS DUE FROM COUNTER PARTIES

	2002 RM'000	2001 RM'000
Relating to:		
Mortgage loans	14,816,756	15,685,681
Hire purchase and leasing debts	10,513,326	6,437,105
	25,330,082	22,122,786

The maturity structure of amounts due from counter parties is as follows:

	2002 RM'000	2001 RM'000
Maturing within one year	8,676,095	6,139,879
One year to three years	9,978,801	11,895,891
Three years to five years	5,589,929	3,255,905
More than five years	1,085,257	831,111
	25,330,082	22,122,786

7 INVESTMENT SECURITIES

	2002 RM'000	2001 RM'000
Malaysian Government securities	34,806	34,806
Khazanah bonds	114,164	114,164
Islamic debt securities	51,350	–
	200,320	148,970
Amortisation of premium less accretion of discount	24,324	15,571
	224,644	164,541

7 INVESTMENT SECURITIES (continued)

	2002 RM'000	2001 RM'000
Market value of investment securities is as follows:		
Malaysian Government securities	35,157	36,531
Khazanah bonds	176,444	170,600
Islamic debt securities	52,255	–
	263,856	207,131
The maturity structure of investment securities is as follows:		
One year to three years	10,401	–
Three years to five years	89,104	34,806
More than five years	100,815	114,164
	200,320	148,970

8 ISLAMIC FINANCING DEBTS

	2002 RM'000	2001 RM'000
Islamic house financing debts	244,505	142,954
Islamic hire purchase debts	458,885	–
	703,390	142,954
The maturity structure of Islamic financing debts is as follows:		
Maturing within one year	81,862	5,669
One year to three years	298,676	133,934
Three years to five years	281,866	3,351
More than five years	40,986	–
	703,390	142,954

9 OTHER ASSETS

	2002 RM'000	2001 RM'000
Accrued interest receivables	43,748	43,006
Staff loans and financing	3,400	3,282
Deposits	144	144
Prepayments	83	38
Other receivables	576	7
	47,951	46,477

10 FIXED ASSETS

2002	As at 1.1.2002 RM'000	Additions RM'000	Disposals RM'000	As at 31.12.2002 RM'000
Cost				
Office equipment	3,986	1,933	(83)	5,836
Furniture and fittings	556	114	(51)	619
Motor vehicles	709	299	(147)	861
	5,251	2,346	(281)	7,316
Accumulated depreciation				
Office equipment	2,114	576	(80)	2,610
Furniture and fittings	210	45	(38)	217
Motor vehicles	299	133	(147)	285
	2,623	754	(265)	3,112
Net book value				
Office equipment				3,226
Furniture and fittings				402
Motor vehicles				576
				4,204

2001	As at 1.1.2001 RM'000	Additions RM'000	Disposals RM'000	As at 31.12.2001 RM'000
Cost				
Office equipment	3,319	748	(81)	3,986
Furniture and fittings	479	82	(5)	556
Motor vehicles	658	215	(164)	709
	4,456	1,045	(250)	5,251
Accumulated depreciation				
Office equipment	1,751	443	(80)	2,114
Furniture and fittings	146	69	(5)	210
Motor vehicles	343	105	(149)	299
	2,240	617	(234)	2,623
Net book value				
Office equipment				1,872
Furniture and fittings				346
Motor vehicles				410
				2,628

11 UNSECURED BEARER BONDS AND NOTES

	Year of Maturity	2002 Amount Outstanding RM'000	2002 Effective Rates %	2001 Amount Outstanding RM'000	2001 Effective Rates %
Fixed rate bonds	2002	–	–	5,367,000	4.023 - 8.979
	2003	5,152,000	3.131 - 4.894	5,152,000	3.131 - 4.894
	2004	7,022,000	3.133 - 6.054	4,602,000	3.133 - 6.054
	2005	3,925,000	3.132 - 5.449	1,710,000	3.690 - 5.449
	2006	4,482,000	3.104 - 3.928	1,102,000	3.311 - 3.875
	2007	1,040,000	3.253 - 4.351	130,000	4.351
	2011	220,000	3.912	220,000	3.912
		21,841,000		18,283,000	
Add: Unaccreted premium		4,728		7,805	
Less: Unamortised discount		(8,760)		(12,320)	
		21,836,968		18,278,485	
Sanadat Mudharabah Cagamas	2004	144,000	–	144,000	–
	2007	560,000	–	–	–
	2009	50,000	–	–	–
		754,000		144,000	
Short-term notes	2002	–	–	3,110,000	2.738 - 3.022
	2003	2,375,000	2.735 - 2.901	–	–
		2,375,000		3,110,000	
Less: Unamortised discount		(25,803)		(15,974)	
		2,349,197		3,094,026	
Unsecured bearer bonds and notes		24,940,165		21,516,511	

	2002 RM'000	2001 RM'000
The maturity structure of unsecured bearer bonds and notes is as follows:		
Maturing within one year	7,500,680	8,461,593
One year to three years	11,088,432	9,898,818
Three years to five years	6,081,056	2,806,102
More than five years	269,997	349,998
	24,940,165	21,516,511

The bonds and notes are redeemable at par on the due dates, unless previously redeemed, together with accrued interest where applicable except for the Sanadat Mudharabah Cagamas which are on a profit sharing basis and are redeemable at par on the due date unless there is principal diminution.

12 DEFERRED TAXATION

	2002 RM'000	2001 RM'000
Balance as at beginning of the year	4,820	3,074
Transfer from income statement (Note 21)	2,768	1,746
Balance as at end of the year	7,588	4,820

The deferred taxation is in respect of the following:

	2002 RM'000	2001 RM'000
Excess of capital allowances over depreciation on fixed assets	728	460
Timing difference relating to the accretion of discount and amortisation of premium of investment securities	6,860	4,360
	7,588	4,820

13 OTHER LIABILITIES

	2002 RM'000	2001 RM'000
Zakat	254	77
Income attributable to Islamic bondholders	5,832	588
Accrued interest on bonds and notes	258,704	252,093
Other payables	6,326	1,769
	271,116	254,527

14 SHARE CAPITAL

Ordinary shares of RM1 each:

	2002 RM'000	2001 RM'000
Authorised:		
Balance as at beginning and end of the year	500,000	500,000
Issued and fully paid up:		
Balance as at beginning and end of the year	150,000	150,000

15 RESERVES

	2002 RM'000	2001 RM'000
Retained earnings	1,014,266	885,812

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to pay dividends out of its entire retained earnings as at 31 December 2002. The Company also has tax exempt income under Section 12 of the Income Tax (Amendment) Act, 1999 which can be paid out as tax exempt dividends.

16 INTEREST INCOME

	2002 RM'000	2001 RM'000
Amounts due from counter parties relating to:		
Mortgage loans	739,875	848,029
Hire purchase and leasing debts	387,979	265,699
Investment securities	2,580	2,580
Money market instruments	1,889	1,617
Interest rate swaps (Note 26)	14,324	12,296
Others	54	80
	1,146,701	1,130,301
Amortisation of premium	(380)	247
	1,146,321	1,130,548

17 INTEREST EXPENSE

	2002 RM'000	2001 RM'000
Unsecured bearer bonds	857,653	849,687
Unsecured bearer notes	76,543	108,210
Amounts due to licensed financial institutions	7,247	5,769
	941,443	963,666

18 NON-INTEREST INCOME

	2002 RM'000	2001 RM'000
Investment Income:		
Income from Islamic debt securities	9,239	4,996
Other Income:		
Other non-operating income	47	44
Gain on disposal of fixed assets	53	90
	9,339	5,130

19 PROFIT BEFORE TAXATION AND ZAKAT

The following items have been charged in arriving at profit before taxation and zakat:

	2002 RM'000	2001 RM'000
Directors' remuneration (Note 20)	125	92
Rental of premises	526	526
Hire of equipment	78	78
Auditors' remuneration:		
Statutory audit services	40	40
Other services	22	–
Depreciation	754	617

20 DIRECTORS' REMUNERATION

	2002 RM'000	2001 RM'000
Forms of remuneration in aggregate for all Directors charged to the profit for the year are as follows:		
Fees	89	55
Other remuneration	36	37
	125	92

21 TAXATION

	2002 RM'000	2001 RM'000
Income tax:		
Current	55,500	44,883
Prior years' over provision	(1,072)	–
	54,428	44,883
Deferred taxation (Note 12)	2,768	1,746
	57,196	46,629

22 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM1,164,266,000 (2001: RM1,035,812,000) by the 150,000,000 shares of the Company in issue.

Earnings per share is calculated by dividing the net profit for the financial year of RM150,054,000 (2001: RM118,366,000) by the 150,000,000 shares of the Company in issue.

23 DIVIDENDS

Dividends paid and proposed are as follows:

	2002		2001	
	Gross per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Amount of dividend net of tax RM'000
Interim dividend paid	10	10,800	10	10,800
Final dividend proposed	15	16,200	10	10,800
Special dividend proposed	93	139,500	–	–
	118	166,500	20	21,600

At the forthcoming Annual General Meeting on 31 March 2003, a final gross dividend of 15 sen per share, less income tax, (2001: 10 sen per share less income tax) and a special gross dividend of 93 sen per share, tax exempt (2001: Nil) in respect of the financial year ended 31 December 2002, amounting to RM155,700,000 (2001: RM10,800,000) will be proposed for shareholders' approval. These financial statements do not reflect the final and special dividends which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2003 when approved by shareholders.

24 CAPITAL COMMITMENTS

	2002 RM'000	2001 RM'000
Capital expenditure:		
Authorised and contracted for	3,693	165
Authorised but not contracted for	–	65
	3,693	230
Analysed as follows:		
Fixed assets	3,693	230

25 LEASE COMMITMENTS

The Company has lease commitments in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments is as follows:

Year	RM'000
2003	253
2004	78
	331

26 INTEREST RATE SWAPS

The Company has entered into the interest rate swaps (IRS) contracts that entitle it to receive interest at fixed rates on notional principal amounts and oblige it to pay interest at floating rates on the same amounts. Under the IRS, the Company agrees with other parties to exchange, at quarterly intervals, the differences between fixed rate and floating rate interests amounts calculated by reference to the agreed notional principal amounts.

The remaining terms and notional principal amounts of the outstanding IRS contracts of the Company at the balance sheet date were:

	2002 RM'000	2001 RM'000
Maturing within one year	614,000	–
One year to three years	358,000	881,000
	972,000	881,000

27 INTEREST RATE RISK

The table below summarises the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates and adjustments are made to factor in expected repayments of amounts due from counter parties. The interest rate swaps are stated at net notional amounts. As interest rates and yield curves change over time, the Company may be exposed to loss in earnings due to the effects of movements in interest rates on the structure of the balance sheet. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liability funding.

	Effective interest rate %	Within one year RM'000	One year to three years RM'000	Three years to five years RM'000	More than five years RM'000	Non-interest bearing RM'000	Transactions based on Islamic principles RM'000	Total RM'000
Cash and short-term funds	2.73	48,540	–	–	–	73	12,287	60,900
Amounts due from counter parties:								
Fixed rate portfolio	4.45	6,918,282	9,212,915	5,368,994	1,015,878	–	–	22,516,069
Floating rate portfolio	3.21	2,814,013	–	–	–	–	–	2,814,013
Investment securities	6.93	–	–	31,442	–	–	193,202	224,644
Islamic financing debts	–	–	–	–	–	–	703,390	703,390
Other assets	3.05	2	69	31	1,542	60,206	2,269	64,119
Total assets		9,780,837	9,212,984	5,400,467	1,017,420	60,279	911,148	26,383,135
Unsecured bearer bonds and notes	3.75	7,500,680	10,944,432	5,521,056	219,997	–	754,000	24,940,165
Other liabilities	–	–	–	–	–	278,704	–	278,704
Total liabilities		7,500,680	10,944,432	5,521,056	219,997	278,704	754,000	25,218,869
Shareholders' funds	–	–	–	–	–	1,164,266	–	1,164,266
Total liabilities and shareholders' funds		7,500,680	10,944,432	5,521,056	219,997	1,442,970	754,000	26,383,135
On balance sheet interest sensitivity gap		2,280,157	(1,731,448)	(120,589)	797,423			
Interest rate swaps interest sensitivity gap		(358,000)	358,000	–	–			
Total interest sensitivity gap		1,922,157	(1,373,448)	(120,589)	797,423			
Cumulative gap		1,922,157	548,709	428,120	1,225,543			

The table represents a static position which provides an indication of the potential impact on the Company's balance sheet through gap analysis of the interest rate sensitive assets, liabilities and off-balance sheet items by time bands. A positive interest rate sensitivity gap exists when more interest sensitive assets than interest sensitive liabilities reprice or mature during a given time period. Similarly, a negative interest rate sensitivity gap exists when more interest sensitive liabilities than interest sensitive assets reprice or mature during a given time period. Any negative interest rate sensitivity gap is to be funded by the Company's shareholders' funds, unsecured bearer notes or money market borrowings.

For decision-making purposes, the Company manages its exposure to interest rate risk by setting limits on the sensitivity of the Company's forecast net interest income at risk to projected changes in interest rates over a one-year, three-year and five-year horizon. The Company also undertakes duration analysis before deciding on the size and tenor of the debt securities to be issued to ensure that the Company's assets and liabilities are closely matched within the tolerance limit set by the Board.

28 CREDIT RISK

The Company's counter parties are mainly the financial institutions in Malaysia, which are governed by the Banking and Financial Institutions Act, 1989 and are subject to periodic reviews by Bank Negara Malaysia. The table below summarises the Company's exposure to credit risk as at 31 December 2002:

	Cash and short-term funds RM'000	Amounts due from counter parties RM'000	Investment securities RM'000	Islamic financing debts RM'000	Other assets RM'000	Total on-balance sheet items RM'000	Interest rate swaps RM'000	Total RM'000
Government bodies	7	847,404	173,400	–	13,396	1,034,207	–	1,034,207
Financial institutions:								
Commercial banks	12,352	9,888,167	–	244,505	19,389	10,164,413	4,047	10,168,460
Finance companies	–	14,035,894	–	458,885	20,510	14,515,289	–	14,515,289
Merchant banks	–	238,246	–	–	2,022	240,268	7,913	248,181
Discount houses	48,540	–	–	–	4	48,544	–	48,544
Communication, electricity, gas and water	–	320,371	41,075	–	926	362,372	–	362,372
Transportation	–	–	10,169	–	40	10,209	–	10,209
Others	1	–	–	–	7,832	7,833	–	7,833
Total	60,900	25,330,082	224,644	703,390	64,119	26,383,135	11,960	26,395,095

The credit risk concentration for interest rate swaps is based on the credit equivalent amounts as stated in Bank Negara Malaysia's circular dated 14 March 1997.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the balance sheet date.

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

In addition, fair value information for non-financial assets and liabilities such as fixed assets are excluded, as they do not fall within the scope of MASB 24, which requires the fair value information to be disclosed.

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates relative to their terms. The extent to which instruments are favourable or unfavourable and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	Carrying Value RM'000	Fair Value RM'000
Assets		
Cash and short-term funds	60,900	60,900
Amounts due from counter parties	25,330,082	25,354,896
Investment securities	224,644	263,856
Islamic financing debts	703,390	710,445
Other financial assets	59,832	59,832
Non-financial assets	4,287	–
	26,383,135	26,449,929
Liabilities		
Unsecured bearer bonds and notes	24,940,165	25,228,115
Other financial liabilities	278,704	278,704
	25,218,869	25,506,819

		Fair Value	
	Notional Value RM'000	Asset RM'000	Liability RM'000
Derivatives:			
Interest rate swaps	972,000	36,204	(29,543)

The following methods and assumptions were used to estimate the fair value of assets and liabilities as at 31 December 2002:

(a) Cash and short-term funds

The carrying amount of cash and short-term funds is used as reasonable estimate of fair values as the maturity is less than or equal to a month.

(b) Amounts due from counter parties

The fair value of the fixed rate assets portfolio is based on the present value of estimated future cash flows discounted at the risk-adjusted rates at the end of the financial year. The fair value of the floating rate assets portfolio is based on their carrying amount as the repricing date of the floating rate assets portfolio is not greater than 6 months.

(c) Investment securities

The fair value of the investment securities is equal to the estimated market value of the securities provided in Note 7.

(d) Islamic financing debts

The fair value of the Islamic financing debts is based on the present value of estimated future cash flows discounted at the risk-adjusted profit rates at the end of the financial year.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(e) Other financial assets

Other financial assets include accrued interest receivables, other debtors and deposits. The fair value of other financial assets is estimated at their carrying amount.

(f) Unsecured bearer bonds and notes

The estimated fair value of unsecured bonds is based on the estimated future cash flows discounted using current yield curve appropriate for the remaining term of maturity. The fair value of notes is estimated at their carrying amount as notes have maturity of not greater than 12 months.

(g) Deposits and placements of financial institutions

The carrying amount of deposits and placements of financial institutions is used as reasonable estimate of fair values as the maturity is less than or equal to a month.

(h) Other financial liabilities

Other financial liabilities include accrued interest payable, creditors and accruals. The fair value of other financial liabilities is estimated at their carrying amount.

(i) Derivatives

The Company has entered into interest rate swaps (IRS) contracts that entitle it to receive interest at fixed rates on notional principal amounts and oblige it to pay interest at floating rates on the same amounts. The estimated fair value of IRS is based on the discounted estimated future cash flows using the market forward rate.

30 SEGMENT REPORTING

The Directors are of the opinion that the Company has only one business activity, which is the purchase of mortgage loans, hire purchase and leasing debts, Islamic house financing debts and Islamic hire purchase debts from primary lenders on with recourse basis. In addition, all its activities are within Malaysia.

31 CAPITAL ADEQUACY

	2002 RM'000	2001 RM'000
The capital adequacy ratios are as follows:		
Paid-up capital	150,000	150,000
Other reserves	1,014,266	885,812
Tier 1 capital	1,164,266	1,035,812
Total capital base	1,164,266	1,035,812
Capital ratios:		
Core capital ratio	22.3%	24.2%
Risk-weighted capital ratio	22.3%	24.2%

31 CAPITAL ADEQUACY (continued)

	2002 RM'000	2001 RM'000
Breakdown of risk-weighted assets in the various categories of risk-weights is as follows:		
0%	1,022,313	1,662,892
20%	24,968,443	21,019,838
50%	330,972	103,282
100%	61,407	25,658
	26,383,135	22,811,670
Total risk-weighted assets	5,220,581	4,281,267

The above capital adequacy ratio calculations are based on the Guidelines issued by Bank Negara Malaysia to the banking institutions. Although the Company is not subject to the above Guidelines, disclosure of the capital adequacy ratios is made on a voluntary basis for information.

32 ISLAMIC OPERATIONS

BALANCE SHEET AS AT 31 DECEMBER 2002

	Note	2002 RM'000	2001 RM'000
ASSETS			
Cash and short-term funds	(a)	12,287	1,319
Deposits and placements with financial institutions	(b)	–	6,740
Investment securities	(c)	51,244	–
Islamic financing debts	(d)	703,390	142,954
Other assets		14,374	98
TOTAL ASSETS		781,295	151,111
LIABILITIES			
Unsecured bearer bonds	(e)	754,000	144,000
Other liabilities	(f)	6,288	720
TOTAL LIABILITIES		760,288	144,720
ISLAMIC OPERATIONS' FUNDS	(g)	21,007	6,391
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		781,295	151,111

32 ISLAMIC OPERATIONS (continued)

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Note	2002 RM'000	2001 RM'000
NET INCOME	(h)	1,429	681
OVERHEAD EXPENSES	(i)	(41)	–
PROFIT BEFORE TAXATION AND ZAKAT		1,388	681
TAXATION		(318)	(170)
ZAKAT		(254)	(77)
NET PROFIT FOR THE YEAR		816	434
RETAINED EARNINGS BROUGHT FORWARD		2,376	1,942
RETAINED EARNINGS CARRIED FORWARD		3,192	2,376

(a) CASH AND SHORT-TERM FUNDS

Cash and balances with banks and other financial institutions	4	9
Mudharabah money at call and deposit placements maturing within one month	12,283	1,310
	12,287	1,319

(b) DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

Licensed finance company	–	6,740

(c) INVESTMENT SECURITIES

Islamic debt securities	51,350	–
Amortisation of premium	(106)	–
	51,244	–

The maturity structure of investment securities is as follows:

One year to three years	10,401	–
Three years to five years	40,949	–
	51,350	–

32 ISLAMIC OPERATIONS (continued)

(d) ISLAMIC FINANCING DEBTS

	2002 RM'000	2001 RM'000
Islamic house financing debts	244,505	142,954
Islamic hire purchase debts	458,885	–
	703,390	142,954

The maturity structure of Islamic financing debts is as follows:

	2002 RM'000	2001 RM'000
Maturing within one year	81,862	5,669
One year to three years	298,676	133,934
Three years to five years	281,866	3,351
More than five years	40,986	–
	703,390	142,954

(e) UNSECURED BEARER BONDS

	2002 RM'000	2001 RM'000
Sanadat Mudharabah Cagamas	754,000	144,000

The maturity structure of unsecured bearer bonds is as follows:

	2002 RM'000	2001 RM'000
One year to three years	144,000	–
Three years to five years	560,000	144,000
More than five years	50,000	–
	754,000	144,000

(f) OTHER LIABILITIES

	2002 RM'000	2001 RM'000
Zakat	254	77
Income attributable to bondholders	5,832	588
Other liabilities	202	55
	6,288	720

(g) ISLAMIC OPERATIONS' FUNDS

	2002 RM'000	2001 RM'000
Allocated capital funds	17,815	4,015
Retained earnings	3,192	2,376
	21,007	6,391

Allocated capital funds:

	2002 RM'000	2001 RM'000
Balance as at beginning of the year	4,015	4,015
Transferred to Islamic operations	13,800	–
Balance as at end of the year	17,815	4,015

32 ISLAMIC OPERATIONS (continued)

(h) NET INCOME

	2002 RM'000	2001 RM'000
Income from Islamic operations	25,801	10,620
Income attributable to bondholders	(24,372)	(9,939)
Income attributable to shareholders	1,429	681

Details of income from Islamic operations are as follows:

	Bondholders' Funds RM'000	Islamic Operations' Funds RM'000
2002		
Income from Islamic financing debts	23,416	1,331
Income from investment securities	956	98
	24,372	1,429
2001		
Income from Islamic financing debts	9,714	626
Income from investment securities	225	55
	9,939	681

(i) OVERHEAD EXPENSES

	2002 RM'000	2001 RM'000
Administration and general expenses	41	–

(j) CAPITAL ADEQUACY

The capital adequacy ratios are as follows:

Allocated capital funds	17,815	4,015
Other reserves	3,192	2,376
Tier 1 capital	21,007	6,391
Total capital base	21,007	6,391
Capital ratios:		
Core capital ratio	11.1%	21.2%
Risk-weighted capital ratio	11.1%	21.2%

32 ISLAMIC OPERATIONS (continued)

(j) CAPITAL ADEQUACY (continued)

Breakdown of risk-weighted assets in the various categories of risk-weights is as follows:

	2002 RM'000	2001 RM'000
0%	13,804	107
20%	715,673	151,004
50%	10,209	–
100%	41,609	–
	781,295	151,111
Total risk-weighted assets	189,848	30,201

The above capital adequacy ratio calculations are based on the Guidelines issued by Bank Negara Malaysia to the banking institutions. Although the Company is not subject to the above Guidelines, disclosure of the capital adequacy ratios is made on a voluntary basis for information.

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

We, Ooi Sang Kuang and Tan Sri Dato' Azman Hashim, two of the Directors of Cagamas Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 130 to 156 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2002 and of its results and cash flows for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 February 2003.

OOI SANG KUANG
CHAIRMAN

TAN SRI DATO' AZMAN HASHIM
DIRECTOR

Statutory Declaration pursuant to Section 169(16) of the Companies Act, 1965

I, Kokularupan A/L Narayanasamy, the officer primarily responsible for the financial management of Cagamas Berhad, do solemnly and sincerely declare that the financial statements set out on pages 130 to 156 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.

KOKULARUPAN A/L NARAYANASAMY

Subscribed and solemnly declared by the abovenamed Kokularupan A/L Narayanasamy at Kuala Lumpur in Malaysia on 25 February 2003, before me.

LIANG HIEN TIEN
COMMISSIONER FOR OATHS

Report of the Auditors to the members of Cagamas Berhad (Company No: 157931 A)

We have audited the financial statements set out on pages 130 to 156. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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 applicable 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 Company as at 31 December 2002 and of the results and cashflows of the Company for the financial year ended on that date;

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.

PRICEWATERHOUSECOOPERS
(No. AF:1146)
Chartered Accountants

DATO' AHMAD JOHAN BIN MOHAMMAD RASLAN
(No. 1867/9/04(J))
Partner of the firm

25 February 2003