

Directors' Report

The Directors are pleased to submit their report to the members together with the audited financial statements of the Company for the year ended 31 March 2005.

Principal Activities

The Company is principally engaged in the underwriting of all classes of general insurance business.

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

Financial Results

	RM'000
Net profit for the year	<u>49,262</u>

Dividends

The dividends paid or declared by the Company since 31 March 2004 were as follows:

	RM'000
In respect of the year ended 31 March 2004, as shown in the Directors' Report of that year, a final tax exempt gross dividend of 22 sen per share, paid on 2 August 2004	<u>22,000</u>
In respect of the year ended 31 March 2005, an interim gross dividend of 10 sen per share, less income tax at 28%, paid on 11 January 2005	<u>7,200</u>

The Directors now recommend the payment of final gross dividend of 15 sen per share, consisting of gross dividend of 5 sen per share less income tax 28%, and tax exempt gross dividend of 10 sen per share, amounting to RM13,600,000, in respect of the year ended 31 March 2005, which is subject to the approval of the members at the forthcoming Annual General Meeting of the Company.

Reserves And Provisions

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

Provision For Outstanding Claims

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

Bad And Doubtful Debts

Before the income statement and balance sheet of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would render the amounts written off for bad debts or the amounts of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

Directors' Report (continued)

Current Assets

Before the income statement and balance sheet of the Company were made out, the Directors took reasonable steps to ascertain that any current assets which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

Valuation Methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

Contingent And Other Liabilities

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

- (a) any charge on the assets of the Company that has arisen since the end of the year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Company that has arisen since the end of the year.

No contingent or other liability of the Company 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 affect the ability of the Company to meet their obligations as and when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

Change Of Circumstances

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

Items Of An Unusual Nature

The results of the operations of the Company for the year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the year in which this report is made.

Share Capital

There were no new shares issued by the Company during the year.

Directors' Report (continued)

Corporate Governance

Compliance with Bank Negara Malaysia JPI/GPI 25: Prudential Framework of Corporate Governance of Insurers

The Board of Directors ("Board") confirms that the Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with, the principles prescribed under Bank Negara Malaysia (BNM) Guideline JPI/GPI 25 - Prudential Framework of Corporate Governance for Insurers.

Board Responsibilities

The Board is responsible for the overall governance of the Company and discharges this responsibility through compliance with the Insurance Act 1996, Insurance Regulations 1996 and BNM Guidelines JPI/GPI 1 on Duties and Responsibilities of Directors and Chief Executives of Insurers and JPI/GPI 25 and other directives, in addition to adopting other best practices on corporate governance.

The responsibilities of the Board include:

- (a) To select and appoint key senior officers who are qualified and competent to administer the insurance business effectively and soundly;
- (b) To safeguard the integrity and credibility of the Company;
- (c) To establish an Audit Committee comprising a number of Independent Non-Executive Directors;
- (d) To set up an Internal Audit Department, with qualified internal audit personnel;
- (e) To effectively supervise the affairs of the Company to ensure sound management;
- (f) To adopt and follow sound policies and objectives which have been fully deliberated;
- (g) To act honestly for the benefit of the Company and to avoid self-serving practices and conflicts of interest;
- (h) To be regularly informed of the condition of business and management policies of the Company;
- (i) To observe all laws, rules and regulations as part of statutory duties; and
- (j) To ensure that the Company have a beneficial influence on the national economy.

Board Activities

The Board comprises nine (9) directors with wide-ranging skills and experience. There is a balance in the Board represented by the presence of one (1) Executive Director, two (2) Independent Non-Executive Directors and six (6) Non-Executive Directors.

During the year, the Board met six (6) times and confirms that all Directors in office at the end of the year complied with 75% minimum attendance requirement at such meeting. Details of attendance of each member at meetings held during the year ended 31 March 2005 are as follows:

Members of the Board	Number of Meetings	
	Attended	Held
Dato' Maznah Abdul Jalil, Chairman, Non-Executive Director	6	6
David Chan Mun Wai, Deputy Chairman, Non-Executive Director	5	6
Dato' Mohd. Nor Mohamad, Non-Executive Director	5	6
Lawrence Pereira, Non-Executive Director	6	6

Directors' Report (continued)

Board Activities (continued)

Members of the Board	Number of Meetings	
	Attended	Held
Datuk Abdul Shukor Hassan, Non-Executive Director	6	6
Cheah Yoke Phow*, Independent Non-Executive Director	3	6
George Isac Pereire, Independent Non-Executive Director	5	6
Chan Kok Seong, Non-Executive Director	5	6
Hashim Harun, Executive Director	6	6

* Resigned as Independent Non-Executive Director and Chairman of Audit Committee with effect from 1 October 2004

In furtherance of its duties, the Board has delegated specific responsibilities to seven (7) Board Committees:

- (a) Audit Committee
- (b) Nomination Committee
- (c) Remuneration Committee
- (d) Risk Management Committee
- (e) Executive Committee
- (f) Claims and Underwriting Committee
- (g) Investment Committee

The above Committees have the authority to examine pertinent issues and report back to the Board with their recommendations. The ultimate responsibilities for the final decision on all matters lie with the Board.

Directors' Remuneration Package

Details of the nature and amount of each major element of the remuneration for each Director during the period are as follows:

Directors' Remuneration Package	RM
Chairman of the Board	40,000
Chairman of Committees	35,000
Members of Committees	30,000
Directors	25,000
Meeting Allowance for Non-Executive Directors	
Chairman of Board / Committee	500
Members of Board / Committee	400

Re-election

In accordance with the Company's Memorandum and Articles of Association ("M&A"), all Directors who are appointed by the Board are subjected to election by shareholders at the first opportunity after their appointment. The M&A also provide at least one third of the remaining Directors are subjected to re-election by rotation at each Annual General Meeting at least once every three years.

Directors' Report (continued)

Directors' Training

Directors are encouraged to attend continuous education programmes and seminars to keep abreast with developments in the market place and they are kept informed of such programmes and seminars. The Company has established a written policy for induction and education programmes for Directors in line with the corporate governance standard requirements.

Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 to prepare financial statements for each year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Company at the end of the year and of the results and cash flows of the Company of the year.

In preparing the financial statements, the Directors have:

- (a) Selected suitable accounting policies and applied them constantly;
- (b) Made judgement and estimates that are reasonable and prudent;
- (c) Ensured that all applicable accounting standards have been followed; and
- (d) Prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made inquiries, that the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility for ensuring that the Company keeps accounting records that disclose with reasonable accuracy their financial position and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have the overall responsibilities for taking such steps as reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Annual General Meeting ("AGM")

At each AGM, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. Executive Directors and, where appropriate, the Chairman of the Audit, Nomination, Remuneration, Risk Management, Executive, Claims and Underwriting and Investment Committees are available to respond to shareholders' questions during the meeting.

Financial Reporting

In presenting the annual financial statements, the Directors aim to present a balanced and understandable assessment of the Company's position and prospects in all its reports to the shareholders and regulatory authorities.

Material Contracts

No material contracts (not being contracts entered into the ordinary course of business) have been entered into by the Company involving Directors' and substantial shareholders' interests, either still subsisting at the end of the year or entered into since the end of the previous year.

Public Accountability

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

Directors' Report (continued)

Internal Control and Enterprise Risk Management

The Board affirms its overall responsibility for the system of internal control, and for reviewing its effectiveness within the Company. The system is designed to ensure effective and efficient operations, internal control, including financial reporting, and compliance with laws and regulations. It is primarily the Board responsibility to determine the strategies and policies for risk and control, whilst Management is responsible for designing, operating and monitoring risk management and control processes to implement Board policies effectively. The objective of the system of internal control is to enable the Company to achieve its corporate objectives within a managed risk profile.

The Board confirms that there is an existing process for the identification and evaluation of significant risks throughout the year. The Enterprise Risk Management structure begins with Risk Management Committee of the Management ("RMCM"), which was established by the Risk Management Committee of the Board ("RMCB") and the process is subject to regular reviews by both committees.

The RMCM will oversee day-to-day management of risk at senior management level and to report regularly the assessment on governance and risk management of the Company back to the RMCB.

In addition to the monitoring function of RMCM, Internal Audit Department has also anticipated on the audit of Enterprise Risk Management based on the auditees' risk profile which were approved by the RMCB at the earlier stage. The risk-based audit approach is to provide independent assurance to the Board that the treatment which management has made to risks is adequate and effective in minimizing those risks to a level acceptable to the Board. In addition, the risk-based audit provides further assurance to the Board since detection and prevention on fraud risk is also included in the audit program.

Identifying, evaluating and managing of risks faced by the Company is an on-going process. The main features of the process are as follows:

(a) **Underwriting**

The Company exercises control over underwriting exposures covering both risks accepted and reinsured. Exposure limits are reviewed as and when necessary.

(b) **Financial Control Procedures**

Detailed controls are laid down in the procedural manuals of each operating unit.

(c) **Financial Position**

Yearly business plans and budgets are submitted to the Board for their approval at the beginning of each year. As part of regular monitoring of performance, the financial reports are submitted to the Board for their review at every Board of Directors' Meetings. These reports covers all key operation areas and provide a sound basis for the Board to assess the Company's financial performance and to identify potential problems faced by the Company.

(d) **Investment**

The terms of reference of the Investment Committee and the Head of Investment Department, the investment policies and guidelines and the investment decision making structure and process are clearly defined in the Investment Department's Administrative Guidelines. The performance of investment funds and the equity exposure reports are amongst the reports submitted to the Investment Committee for their review at their regular meetings. The investment limits are monitored continuously to ensure compliance with the specification of admitted assets pursuant to Section 46(2) of the Insurance Act, 1996.

(e) **Information System**

The IT Steering Committee, whose members are represented by the Senior Management of the Company and the Head of IT and Internal Audit Department is responsible for identifying the IT needs of the Company. The requirements of BNM's GPIS 1 Guidelines on Management of IT Environment have been met.

Directors' Report (continued)

Internal Control and Enterprise Risk Management (continued)

(f) Claims

The Company exercises control over the out going of claims. The allocations of provisions are annually reviewed.

(g) Internal Audit

The Internal Audit Department reports directly to the Audit Committee ("AC") and its findings and recommendations are communicated to the AC via internal audit reports. The reports are issued within one and half months from completion of the audits and tabled before the AC subsequently.

A copy of the report is extended to the affected management personnel and the members of the Audit Committee. In line with BNM circular JP 3/2/99, the audit reports are also submitted to BNM.

Board Committees

There are seven (7) Board Committees namely Audit, Nomination, Remuneration, Risk Management, Executive, Claims & Underwriting and Investment.

A The Audit Committee

The Audit Committee is to assist the Board in discharging its duties of maintaining a sound system of internal controls to safeguard the Company's assets. It also responsible to review the accounting policies, internal control assessment and to determine that appropriate corrective actions are being taken by the Management. This Committee comprises the following members and details of attendance of each member at meetings held during the year ended 31 March 2005 are as follows.

Members of Audit Committee	Number of Meetings	
	Attended	Held
Cheah Yoke Phow*		
Chairman, Independent Non-Executive Director	2	3
Dato' Mohd. Nor Mohamad		
Non-Executive Director	2	3
George Isac Pereire**		
Independent Non-Executive Director	3	3
Chan Kok Seong***		
Non-Executive Director	1	3

* Resigned as Member of Audit Committee on 1 October 2004

** Appointed as Chairman of Audit Committee on 31 January 2005

*** Appointed as Member of Audit Committee on 3 March 2005

Pursuant to the revised BNM JPI/GPI 13 on Audit Committee and Internal Audit Departments for Insurance Companies dated 24 December 2004, the Revised Audit Committee Terms of Reference and Revised Audit Charter were established and approved by the Audit Committee and endorsed by the Board on 31 March 2005. Among the changes in the revised Terms of Reference are Audit Committee memberships, quorum, frequency of meeting, duties and responsibilities, and reporting.

As reference to the previous Terms of Reference, during the year, the Committee had fulfilled its obligations as required under its terms of reference. The following is a summary of the main activities carried out by the Committee:

- (a) Reviewed and approved the Internal Audit Department's annual audit plan, including its budget, resource and training needs;
- (b) Reviewed the Internal Audit Department's methodology in assessing and rating the risk levels of the various auditable areas and ensured that audit emphasis was given on high and critical risk areas;

Directors' Report (continued)

A The Audit Committee (continued)

- (c) Monitored the performance progress of the Internal Audit Department in completing its Annual Audit Plan;
- (d) Reviewed the adequacy and effectiveness of the system of controls, reporting and risk management to ensure there is a systematic methodology in identifying, assessing and mitigating/controlling risk areas;
- (e) Reviewed and discussed reports of the Internal Audit Department, BNM and other external parties, and directed Management to take the necessary remedial action. The Committee also followed-up on major issues raised in the reports;
- (f) Reviewed and discussed the financial position and internal controls of the Company with the external auditor;
- (g) Minutes of all Audit Committee meetings are tabled at subsequent Board Meetings;
- (h) Reviewed with external auditors the audit plan prior to the commencement of the annual audit. Committee also reviewed the external auditors' scope of work;
- (i) Reviewed with the external auditors the financial statements before the audited financial statements are presented to the Board; and
- (j) Submission of Audit Committee annual report and its activities to BNM pursuant to Principle 18 of JPI/GPI 25.

All activities carried out by the Audit Committee have been reported to Bank Negara Malaysia in order to comply with JPI/GPI 25 requirements.

B The Nomination Committee

This Committee comprises the following members and details of attendance of each member at meetings held during the year ended 31 March 2005 are as follows:

Members of Nomination Committee	Number of Meetings	
	Attended	Held
Cheah Yoke Phow*		
Chairman, Independent Non-Executive Director	3	6
Dato' Maznah Abdul Jalil		
Non-Executive Director	4	6
Dato' Mohd. Nor Mohamad		
Non-Executive Director	5	6
David Chan Mun Wai		
Non-Executive Director	6	6
George Isac Pereire		
Independent Non-Executive Director	5	6
Datuk Abdul Shukor Hassan**		
Non-Executive Director	3	6

* Resigned as Member of Nomination Committee on 1 October 2004

** Appointed as Member of Nomination Committee on 3 December 2004

A Nomination Committee Manual for the Company was established on 16 September 2004 to serve as a general guide for the Board. It contains information on Nomination Committee matters including the nomination procedures of the Board.

Directors' Report (continued)

B The Nomination Committee (continued)

Terms of Reference:

The functions of the Committee as outlined shall be:

- (a) To establish minimum requirements for the Board and the CEO to perform their responsibilities effectively;
- (b) Review annually and overall composition of the Board in terms of appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors;
- (c) Recommend and assess the nominees for directorship, the various Board committees' membership as well as nominees for the CEO and key senior officer's position. This includes assessing Directors and CEO proposed for reappointment, before an application for approval is submitted to BNM;
- (d) Establish a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees, the performance of CEO and the key senior officers;
- (e) Recommend to the Board on removal of a Director, the CEO or any key senior officers if it is clearly proven that he is ineffective, errant or negligent in discharging his/her responsibilities;
- (f) Ensure all Board of Directors undergo appropriate induction programmes and receive continuous training; and
- (g) Oversee appointment, management succession planning and performance evaluation of key senior officers.

C The Remuneration Committee

All members of the Committee are Non-Executive Directors who are independent of management. The Committee is responsible in determining and agreeing with the Board the framework or broad policy for the remuneration of the Company's CEO/Managing Director, and other members of the staff of the Company.

This Committee comprises the following members and details of attendance of each member at meetings held during the year ended 31 March 2005 are as follows:

Members of Remuneration Committee	Number of Meetings	
	Attended	Held
Cheah Yoke Phow*		
Chairman, Independent Non-Executive Director	2	2
Dato' Maznah Abdul Jalil		
Non-Executive Director	2	2
Datuk Abdul Shukor Hassan		
Non-Executive Director	2	2
Lawrence Pereira		
Non-Executive Director	2	2
George Isac Pereire**		
Independent Non-Executive Director	0	2

* Resigned as Member of Remuneration Committee on 1 October 2004

** Appointed as Member of Remuneration Committee on 31 March 2005

A Remuneration Committee's Manual for the Company was established on 16 September 2004 to serve as a general guide for the Board.

Directors' Report (continued)

C The Remuneration Committee (continued)

Terms of Reference:

The function of the Committee as outlined shall be:

- (a) Recommend a framework of remuneration for Directors, CEO and key senior officers. The remuneration policy shall:
- Be documented and approved by the full Board and any changes thereto should be subjected to the endorsement of the full Board;
 - Reflect the experience and level of responsibility borne by individual Directors, the CEO and key senior officers;
 - Be sufficient to attract and retain Directors, CEO and key senior officers of calibre needed to manage the company successfully; and
 - Be balanced against the need to ensure that the fund of the company is not used to subsidise excessive remuneration packages.
- (b) Recommend specific remuneration packages for Directors, CEO and key senior officers. The remuneration packages shall:
- Be based on an objective consideration and approved by the full Board;
 - Take due consideration of the assessments of the nominating committee of the effectiveness and contribution of the Director, CEO or key senior officers concerned;
 - Not be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
 - Be competitive and is consistent with the company's culture, objective and strategy.
- (c) Ensure the remuneration packages for Executive Directors shall be structured to link rewards to corporate and individual performances to encourage high performance standards. The rewards-to-performance linkages shall not create incentives for irresponsible behaviour and insider excesses.
- (d) Ensure the remuneration packages for Non-Executive Directors and Independent Directors shall be linked to their level of responsibilities undertaken and contribution to the effective functioning of the board.
- (e) Review and propose the human resources policies and guidelines including compensation and benefits structure for Board's approval.
- (f) Detail out items to be published in the Company's Annual Report relating to the activities of the Committee.

D Risk Management Committee

This Committee comprises the following members and details of attendance of each member at meetings held during the year ended 31 March 2005 are as follows:

Members of Risk Management Committee	Number of Meetings	
	Attended	Held
George Isac Pereira Chairman, Independent Non-Executive Director	3	3
Dato' Mohd. Nor Mohamad Non-Executive Director	3	3
Datuk Abdul Shukor Hassan Non-Executive Director	3	3
David Chan Mun Wai Non-Executive Director	3	3

Directors' Report (continued)

D Risk Management Committee (continued)

Terms of Reference:

The functions of the Committee as outlined shall be:

- (a) Review and recommend risk management strategies, policies and risk tolerance for the Board's approval;
- (b) Review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- (c) Ensure adequate infrastructure, resources and systems are in place for an effective risk management;
- (d) Ensure the risk management induction, training and education programmes, targeted appropriately for all levels of staff, are established and implemented; and
- (e) Review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

E The Executive Committee

As per Revised Terms of Reference for the Committee, which was issued on 3 December 2004, the objectives of the Committee are:

- To ensure that the broad policies and basic objectives of the Company as set out by the Board are carried out by the Management.
- To assist the Board in overseeing the operations of the Company.

The Committee meets on a monthly basis to review matters relevant to the operations of the Company, empowered by the Board with relevant authority for effective and efficient decision-making. The minutes of Committee meeting shall be circulated to all members of the Committee and to the Chairman of the Board and made available on request to other members of the Board. The Committee comprises the following members and details of attendance of each member at meetings held during the year ended 31 March 2005 are as follows:

Members of Executive Committee	Number of Meetings	
	Attended	Held
Dato' Maznah Abdul Jalil Chairman, Non-Executive Director	11	11
George Isac Pereire Independent Non-Executive Director	10	11
Chan Kok Seong Non-Executive Director	10	11
Hashim Harun Executive Director	11	11

F The Claims and Underwriting Committee

This Committee comprises four (4) members of the Board, one of whom is the CEO/ Managing Director. It is responsible to assist the Board and Management in the effective discharge of its strategic responsibilities and accountabilities in the areas of claims and underwriting of the Company.

The Committee shall periodically report to the Board of the results, observations and recommendations arising from the review of the above for deliberation and formalisation by the Board.

Directors' Report (continued)

F The Claims and Underwriting Committee (continued)

In discharging its duties, the Committee shall provide professional directions to the state of affairs of the Company where it is heading in the areas of claims and underwriting.

This Committee comprises the following members and details of attendance of each member at meetings held during the year ended 31 March 2005 are as follows:

Members of Claims & Underwriting Committee	Number of Meetings	
	Attended	Held
Lawrence Pereira Chairman, Non-Executive Director	10	10
Datuk Abdul Shukor Hassan Non-Executive Director	10	10
David Chan Mun Wai Non-Executive Director	10	10
Hashim Harun Executive Director	10	10

G The Investment Committee

The Committee is empowered by the Board to assist the Board and Management in the effective discharge of its strategic responsibilities and accountabilities in the areas of investment of the Company.

The Committee shall report to the Board of Directors of the results, observations and recommendations for deliberation and formalisation by the Board pertaining to the investment activities of the Company. This Committee comprises the following members and details of attendance of each member at meetings held during the year ended 31 March 2005 are as follows:

Members of Investment Committee	Number of Meetings	
	Attended	Held
Dato' Maznah Abdul Jalil Chairman, Non-Executive Director	11	11
George Isac Pereire Independent Non-Executive Director	10	11
Chan Kok Seong Non-Executive Director	10	11
Hashim Harun Executive Director	11	11

Directors

The Directors who have held office during the period since the date of the last report are:

Dato' Maznah Abdul Jalil
Dato' Mohd. Nor Mohamad
Lawrence Pereira
Datuk Abdul Shukor Hassan
George Isac Pereire
Hashim Harun
Cheah Yoke Phow (resigned on 1.10.2004)
Chan Kok Seong
David Chan Mun Wai

Directors' Report (continued)

Directors (continued)

In accordance with the Company's Article of Association, Dato' Maznah Abdul Jalil, Chan Kok Seong and David Chan Mun Wai retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Directors' Interests

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

	Number of Ordinary Shares of RM1.00 each			
	As at 1.4.2004	Acquired	Disposed	As at 31.3.2005
In the Company				
Direct:				
George Isac Pereire	2,052,381	-	-	2,052,381
Indirect:				
Lawrence Pereira*	9,850,000	-	-	9,850,000
Datuk Abdul Shukor Hassan**	10,003,175	-	-	10,003,175
In DRB-HICOM Berhad (Ultimate Holding Company)				
Direct:				
Dato' Maznah Abdul Jalil	554,000	-	(54,000)	500,000
Dato' Mohd. Nor Mohamad	72,000	90,000	(90,000)	72,000
George Isac Pereire	74,000	-	-	74,000
Chan Kok Seong	-	5,000	-	5,000
Options over Ordinary Shares of RM1.00 each				
	As at 1.4.2004	Offered	Exercised	As at 31.3.2005
In DRB-HICOM Berhad (Ultimate Holding Company)				
Dato' Maznah Abdul Jalil	104,000	-	-	104,000
Dato' Mohd. Nor Mohamad	104,000	-	90,000	14,000

* Deemed interest by virtue of his interest in the shares of Emaco Sdn Bhd in accordance with Section 6A(4) of the Companies Act, 1965.

** Deemed interest by virtue of his interest in the shares of Salinah Enterprise Sdn Bhd in accordance with Section 6A(4) of the Companies Act, 1965.

None of the other Directors in office at the end of the year held any interests in the shares of options over shares in the Company or in its related corporations during the year.

Directors' Benefits

During and at the end of the year, no arrangements subsisted to which the Company is a party, 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, other than the options over shares granted by its ultimate holding company, DRB-HICOM Berhad, to certain Directors of the Company pursuant to DRB-HICOM Berhad's Employees' Share Option Scheme.

Directors' Report (continued)

Directors' Benefits (continued)

Since the end of the previous year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits provided to Directors disclosed in Note 17 to the financial statements) by reason of a contract made by the Company or a related corporation with a Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any deemed benefits that may accrue to a Director by virtue of normal trade transactions between the Company and companies in which the Director has significant equity interest.

Immediate Holding Company And Ultimate Holding Company

The immediate holding company is Uni.Asia Capital Sdn. Bhd. The Directors regard DRB-HICOM Berhad as the ultimate holding company of the Company. Both companies are incorporated in Malaysia.

Auditors

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

In accordance with a resolution of the Board of Directors dated 8 June 2005.

DATO' MAZNAH ABDUL JALIL
Director

DAVID CHAN MUN WAI
Director

Kuala Lumpur

Balance Sheet

as at 31 March 2005

	Note	2005 RM'000	2004 RM'000
ASSETS			
Property, plant and equipment	3	53,213	52,763
Investments	4	466,656	488,427
Loans	5	948	590
Amount due from immediate holding company	27	5	6
Subsidiary companies	6	86	86
Associated company	7	-	-
Deferred tax assets	8	7,018	5,649
Receivables	9	37,362	42,286
Cash and bank balances		5,497	6,768
Total assets		<u>570,785</u>	<u>596,575</u>
LIABILITIES			
Provision for outstanding claims	10	222,933	253,570
Payables	11	31,727	40,023
Post employment benefit obligations	12	1,070	6,506
Current tax liabilities		8,518	14,835
		<u>264,248</u>	<u>314,934</u>
Unearned premium reserves	13	120,729	115,970
Total liabilities		<u>384,977</u>	<u>430,904</u>
SHAREHOLDERS' EQUITY			
Share capital	14	100,000	100,000
Reserves	15	85,808	65,671
		<u>185,808</u>	<u>165,671</u>
Total liabilities and shareholders' equity		<u>570,785</u>	<u>596,575</u>

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

Income Statements

for the year ended 31 March 2005

	Note	2005 RM'000	2004 RM'000
Operating revenue	16	339,651	337,016
Shareholders' fund:			
Management expenses	17	(1,069)	(1,184)
Other operating (expense)/income - net	19	(1)	69
Finance costs	20	-	(1,297)
		(1,070)	(2,412)
Surplus transferred from Revenue Account		60,094	74,222
Profit before taxation		59,024	71,810
Taxation	21	(9,762)	(21,622)
Net profit for the year		49,262	50,188
Earnings per share (sen)	22	49.26	50.2

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

General Insurance Revenue Account

for the year ended 31 March 2005

	Note	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
Gross premium		37,489	236,476	9,838	37,237	321,040
Reinsurance		(21,105)	(14,969)	(6,947)	(19,219)	(62,240)
Net premium		16,384	221,507	2,891	18,018	258,800
Decrease/(increase) in unearned premium reserves	13	862	(7,881)	(115)	2,375	(4,759)
Earned premium		17,246	213,626	2,776	20,393	254,041
Net claims incurred	24	(5,062)	(133,951)	(1,206)	(7,877)	(148,096)
Net commission		(2,521)	(16,847)	(150)	(1,512)	(21,030)
Underwriting surplus before management expenses		9,663	62,828	1,420	11,004	84,915
Management expenses	17					(47,944)
Underwriting surplus						36,971
Investment income	18					18,611
Other operating income - net	19					4,512
Surplus transferred to Income Statement						60,094

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

General Insurance Revenue Account

for the year ended 31 March 2004

	Note	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
Gross premium		49,644	225,904	5,638	35,500	316,686
Reinsurance		(32,210)	(14,877)	(3,265)	(16,803)	(67,155)
Net premium		17,434	211,027	2,373	18,697	249,531
(Increase)/decrease in unearned premium reserves	13	(3,830)	14,901	430	10,611	22,112
Earned premium		13,604	225,928	2,803	29,308	271,643
Net claims incurred	24	(3,274)	(143,013)	106	(8,969)	(155,150)
Net commission		(80)	(20,029)	(223)	(2,332)	(22,664)
Underwriting surplus before management expenses		10,250	62,886	2,686	18,007	93,829
Management expenses	17					(61,881)
Underwriting surplus						31,948
Investment income	18					20,330
Other operating income - net	19					21,944
Surplus transferred to Income Statement						74,222

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

Statement Of Changes In Equity

for the year ended 31 March 2005

	Note	Issued and fully paid ordinary shares of RM1 each		Non- distributable	Distributable	Total RM'000
		Number of shares 000	Nominal value RM'000	Asset revaluation reserve RM'000	Retained earnings RM'000	
At 1 April 2004		100,000	100,000	2,677	62,994	165,671
Realisation of revaluation surplus net of tax of investment property, plant and equipment on disposal		-	-	(191)	191	-
Reversal of deferred tax liabilities on revaluation surplus of property, plant and equipment upon disposal		-	-	-	75	75
Net gain not recognised in income statement		-	-	(191)	266	75
Net profit for the year reserve of PPE upon disposal		-	-	-	49,262	49,262
Dividends:	23					
- final for year ended 31 March 2004		-	-	-	(22,000)	(22,000)
- interim for year ended 31 March 2005		-	-	-	(7,200)	(7,200)
At 31 March 2005		100,000	100,000	2,486	83,322	185,808
At 1 April 2003		100,000	100,000	2,677	17,846	120,523
Net profit for the year		-	-	-	50,188	50,188
Dividends:						
- final for year ended 31 March 2003		-	-	-	(2,880)	(2,880)
- interim for year ended 31 March 2004	23	-	-	-	(2,160)	(2,160)
At 31 March 2004		100,000	100,000	2,677	62,994	165,671

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

Cash Flow Statement

for the year ended 31 March 2005

	Note	2005 RM'000	2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		49,262	50,188
Adjustments for non-cash items	25	(9,007)	(35,780)
		40,255	14,408
(Increase)/decrease in loans		(358)	244
Decrease in fixed and call deposits		6,784	52,546
Purchase of investments		(147,839)	(144,033)
Proceeds from disposal of investments		120,811	149,703
Proceeds from maturity of investments		40,000	4,000
Interest income received		15,261	17,384
Dividend income received		1,179	2,591
Other investment income received		304	57
Post employment benefit obligations		(5,436)	(481)
Decrease/(increase) in amount due to holding company		1	(6)
Increase in amount due to subsidiary company		-	(26)
Decrease in trade receivables		15,350	2,476
Decrease in trade payables		(7,718)	(6,959)
Decrease in provision for outstanding claims		(30,637)	(29,405)
(Increase)/decrease in other receivables		(725)	3,678
(Decrease)/increase in other payables		(578)	1,695
Cash generated from operations		46,654	67,872
Finance costs paid		-	(1,297)
Tax paid		(17,373)	(18,524)
Net cash inflow from operating activities		29,281	48,051
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,057)	(5,793)
Proceeds from disposal of property, plant and equipment		1,705	238
Net cash outflow from investing activities		(1,352)	(5,555)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	(40,145)
Dividends paid		(29,200)	(5,040)
Net cash outflow from financing activities		(29,200)	(45,185)
NET DECREASE IN CASH AND CASH EQUIVALENTS	26	(1,271)	(2,689)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	26	6,768	9,457
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	5,497	6,768

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

Notes To The Financial Statements

- 31 March 2005

1 Principal Activities And General Information

The Company is principally engaged in the underwriting of all classes of general insurance business.

The principal activities of the subsidiary companies and an associated company are disclosed in Note 6 and 7, respectively to the financial statements.

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

The Company is a public limited liability company incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company is located at 9th Floor, Menara Uni.Asia, 1008 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia.

The immediate holding company is Uni.Asia Capital Sdn. Bhd. The Directors regard DRB-HICOM Berhad as the ultimate holding company of the Company. Both companies are incorporated in Malaysia.

The number of employees as at the end of the year in the Company was 770 (2004: 765).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 8 June 2005.

2 Significant Accounting Policies

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

(a) Basis of preparation

The financial statements of the Company are prepared under the historical cost convention modified by the revaluation of certain land and buildings included in property, plant and equipment and investment properties, and comply with Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia, the provisions of the Companies Act, 1965, the Insurance Act, 1996 and relevant Guidelines and Circulars issued by Bank Negara Malaysia ("BNM") in all material aspects.

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

(b) Basis of consolidation

Consolidated financial statements have not been prepared as all of the Company's subsidiary companies were placed under voluntary liquidation which have impaired the Company's ability to exercise its control over the financial and operating policies of the subsidiary companies so as to obtain benefit from the subsidiary companies' activities, as permitted under MASB 11 - Consolidated Financial Statements and Investments in Subsidiaries.

The financial statements of the subsidiary companies as disclosed in Note 7 that have not been consolidated are annexed as required by the Ninth Schedule of the Companies Act, 1965.

(c) Subsidiary companies

Subsidiary companies are those companies in which the Company has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiary companies are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(h) on impairment of assets.

Notes To The Financial Statements

- 31 March 2005 (continued)

2 Significant Accounting Policies (continued)

(d) Associated companies

Associated companies are companies in which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control over those policies.

Investments in associated companies are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(h) on impairment of assets.

(e) Property, plant and equipment

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

Freehold and leasehold land and buildings are stated at Directors' valuation based upon the latest independent valuation on the open market value basis by professional valuers after approval by the relevant government authorities, with subsequent additions stated at cost. These properties are revalued at regular intervals of at least once in every three years by independent professional valuers with additional valuation in the intervening years where market conditions indicate that the carrying values of the revalued assets differ materially from market values.

Surpluses arising from revaluation of these properties are credited directly to an asset revaluation reserve account. Surpluses arising from revaluation of these properties are credited to the revenue account and/or income statement to the extent that they offset any previously recorded deficits on that same asset. Deficits arising from revaluation of these properties are charged against the asset revaluation reserve account to the extent of a previous surplus held in that account for that same asset. In all other cases, deficits arising from revaluation of these properties are recognised as an expense in the revenue account and/or income statement.

Freehold land is not depreciated.

Depreciation is provided on a straight line basis so as to write off the cost of the other property, plant and equipment over the estimated useful lives of the assets. The annual depreciation rates used are:

Freehold buildings	2%
Long term leasehold land and buildings	2%
Motor vehicles	20%
Office equipment, furniture and fittings	5% to 10%
Office renovation	10%
Computer equipment	20%

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

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

On disposal of revalued assets, the revaluation surplus relating to those assets is transferred to retained earnings.

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

Notes To The Financial Statements

- 31 March 2005 (continued)

2 Significant Accounting Policies (continued)

(f) Investments properties

Investment properties are stated at Directors' valuation based upon the latest independent valuation on the open market value basis by professional valuers after approval by the relevant government authorities, with subsequent additions stated at cost. These properties are revalued at regular intervals of at least once in every three years by independent professional valuers with additional valuation in the intervening years where market conditions indicate that the carrying values of the revalued assets differ materially from market values.

Surpluses arising from revaluation of investment properties are credited directly to an asset revaluation reserve account. Surpluses arising from revaluation of investment properties are credited to the revenue account and/or income statement only to the extent that they offset any previously recorded deficits on that same asset. Deficits arising from revaluation of investment properties are charged against the asset revaluation reserve account to the extent of a previous surplus held in that account for that same asset. In all other cases, deficits arising from revaluation of these properties are recognised as an expense in the revenue account and/or income statement.

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

On disposal of investment properties, the difference between net proceeds and the carrying amounts is recognised in the revenue account and/or income statement. The amount of any related revaluation surplus is transferred to retained earnings.

(g) Investments

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

Quoted investments are stated at the lower of cost and market value determined on an aggregate portfolio basis by category of investments, except that if diminution in value of a particular investment is not regarded as temporary, a write down to average median market value is made against the value of that investment. Market value is determined by reference to the stock exchange closing price at the balance sheet date.

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

(h) Impairment of assets

The carrying values of assets are reviewed for impairment losses when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the assets' net realisable value and value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is charged to the revenue account and/or income statement immediately, 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 the previously recognised revaluation surplus for the same asset, with the excess being charged to the revenue account and/or income statement.

A subsequent increase in the recoverable amount of an impaired asset is treated as a reversal of the previously recognised impairment loss and is recognised to the extent of the carrying amount of the asset that would

Notes To The Financial Statements

- 31 March 2005 (continued)

2 Significant Accounting Policies (continued)

(h) Impairment of assets (continued)

have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the revenue account and/or income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the asset revaluation reserve account. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the revenue account and/or income statement, a reversal of that impairment loss is recognised as income in the revenue account and/or income statement.

(i) Receivables

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

Known bad debts are written off and specific allowances are made for motor premiums including agents balances which remain outstanding for more than 30 days and non-motor premiums including agents balances or reinsurance balances which remain outstanding for more than six months from the date on which they become receivable, and for all debts which are considered doubtful.

In previous year, allowances were made for motor premises including agents balances which remain outstanding for more than 6 months. This change in estimate has resulted in a reduction in the Company's net profit for the year of approximately RM797,735.

(j) General insurance underwriting results

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

Premium income

Premium income is recognised in a year in respect of risks assumed during that particular year. Premiums from direct business are recognised during the year upon the issuance of insurance policies. Premiums in respect of risks incepted for which policies have not been issued as of the balance sheet date are accrued at that date.

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

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

Unearned premium reserves

Unearned premium reserves ("UPR") represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the year.

In determining the UPR at the balance sheet date, the method that most accurately reflects the actual unearned premium is used, as follows:

- 25% method for marine cargo, aviation cargo and transit;
- 1/24th method for all other classes of Malaysian general policies reduced by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM; and
- 1/8th method for all other classes of overseas inward business with a deduction of 20% for acquisition costs.

Provision for claims

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

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the balance sheet date, based on an actuarial valuation by an independent qualified actuary.

Notes To The Financial Statements

- 31 March 2005 (continued)

2 Significant Accounting Policies (continued)

- (j) General insurance underwriting results (continued)

Acquisition costs

The costs of acquiring and renewing insurance policies, net of income derived from ceding reinsurance premiums, are recognised as incurred and allocated to the periods in which they give rise to income.

- (k) Other revenue recognition

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

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

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

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

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

- (l) Foreign currency transactions

The financial statements are presented in Ringgit Malaysia.

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

- (m) Employee benefits

Short term benefits

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

Post employment benefits

Prior to 1 April 2004, the Company has two post employment benefit schemes, i.e. a defined benefit scheme and a defined contribution scheme.

Defined benefit plan:

Prior to 1 April 2004, the Company operates an unfunded defined benefit scheme.

The retirement benefits cost is assessed using the projected unit credit method by an independent qualified actuary. Under this method, the cost of providing retirement benefits including actuarial gains and losses, is charged to the revenue accounts and/or income statements so as to spread the regular asset cost over the service lives of employees, based on an actuarial valuation of the scheme which is carried out once in every 3 years.

The last actuarial valuation was performed as at 31 October 2002.

On 1 April 2004, the Company discontinued the operation of its unfunded defined benefit scheme. Benefits for services provided by eligible employees after 1 April 2004 will be payable under the defined contribution benefit scheme.

Notes To The Financial Statements

- 31 March 2005 (continued)

2 Significant Accounting Policies (continued)

(m) Employee benefits (continued)

Defined contribution plan:

The Company contributes to the Employees' Provident Fund ("EPF"), the national defined contribution scheme. Additionally, the Company makes accruals for services provided by eligible employees after 31 December 2001 until the 5th year of service, after which time the accrual is paid into the individual employees' EPF accounts.

The Company's contributions to defined contribution plans are charged to the revenue account and/or income statement in the period to which it relates. Once the contributions have been paid, the Company has no further payment obligations.

(n) Dividends

Dividends are recognised as liabilities when the obligation to pay is established.

(o) Income taxes

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

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

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

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

(p) Contingent liabilities and contingent assets

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

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

(q) Provisions

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

(r) Cash and cash equivalents

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

(s) Financial instruments

Description

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

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

Notes To The Financial Statements

- 31 March 2005 (continued)

2 Significant Accounting Policies (continued)

(s) Financial instruments (continued)

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

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy note associated with each item.

Fair value estimation for disclosure purpose

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

- Malaysian Government Securities are based on indicative market prices;
- Quoted equity securities are based on quoted market prices;
- Cagamas papers and unquoted corporate debt securities are based on average indicative market yields obtained from three fund managers; and
- Loans receivable are estimated by discounting the estimated future cash flows based on the contracted maturity of the loans. The discount rates are based on the current market rates.
- Other financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

3 Property, Plant And Equipment

	Long term							Total
	Freehold land and buildings	leasehold land and buildings	Motor vehicles	Furniture and fittings	Office equipment	Office renovation	Computer equipment	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net book value								
at 1 April 2004	5,542	31,654	1,298	2,402	1,245	5,289	5,333	52,763
Additions at cost	-	-	158	269	211	844	1,575	3,057
Disposals at net book value	(460)	(595)	(66)	(3)	(6)	-	-	(1,130)
Write off at net book value	-	-	-	(21)	(11)	(63)	-	(95)
Reclassification from:								
- Investment properties	3,188	-	-	-	-	-	-	3,188
- Others	-	-	-	35	(20)	(15)	-	-
Depreciation charge for the year	(221)	(711)	(318)	(183)	(253)	(904)	(1,980)	(4,570)
Net book value at 31 March 2005	8,049	30,348	1,072	2,499	1,166	5,151	4,928	53,213

Notes To The Financial Statements

- 31 March 2005 (continued)

3 Property, Plant And Equipment (continued)

	Long term		Furniture		Office equipment	Office renovation	Computer equipment	Total
	Freehold land and buildings	leasehold land and buildings	Motor vehicles	and fittings				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 March 2005:								
At cost	-	-	1,669	3,577	3,391	10,065	17,926	36,628
At valuation	9,099	32,705	-	-	-	-	-	41,804
Accumulated depreciation	(1,050)	(2,357)	(597)	(1,078)	(2,225)	(4,914)	(12,998)	(25,219)
Net book value	8,049	30,348	1,072	2,499	1,166	5,151	4,928	53,213
At 31 March 2004:								
At cost	-	-	2,135	3,314	3,282	9,510	16,352	34,593
At valuation	6,460	33,405	-	-	-	-	-	39,865
Accumulated depreciation	(918)	(1,751)	(837)	(912)	(2,037)	(4,221)	(11,019)	(21,695)
Net book value	5,542	31,654	1,298	2,402	1,245	5,289	5,333	52,763
Depreciation charge for the year ended 31 March 2004	(175)	(722)	(235)	(241)	(279)	(866)	(1,693)	(4,211)

Freehold and long term leasehold land and buildings included in property, plant and equipment were revalued by the Directors in 2003 based on independent valuations on the open market value basis by qualified valuers, and the revalued amounts were incorporated in the financial statements after approval by the relevant authority.

During the year, the Directors revalued all freehold and long term leasehold land and buildings properties of the Company held as property, plant and equipment based on independent valuation on the open market value basis by the following professional valuers:

- Thoong Soo Fun, Member of Institute Surveyor Malaysia, Registered Valuers, Member of Rahim & Co Chartered Surveyor Sdn Bhd.
- Donald Lam Joo Onn, Diploma In Valuation and Fellow of Institute Surveyor Malaysia and Member of Fellow Institution of Surveyor, Malaysia, partner of Rahim & Co Chartered Surveyor (Sarawak) Sdn Bhd.
- Khor Siew Suan, Associate Diploma in Valuation and Member of Institute Surveyor Malaysia, partner of Rahim & Co Chartered Surveyor (Melaka) Sdn Bhd.
- Ros Liza Ariffin, Bachelor in Survey (Honours) Estate Management, partner of Rahim & Co (Pahang) Sdn Bhd.
- Tan Teoh Eng, Member of Institute of Surveyors, Malaysia, partner of Rahim & Lai Sdn Bhd.
- Tay Lai Hee, Member of Associate Royal Institution of Chartered Surveyors, UK and Institute of Revenues, Ratings and Valuations, UK, partner of Rahim & Co Chartered Surveyor (Penang) Sdn Bhd, Fellow of Institute Surveyor Malaysia.
- Madihah Hj Omar, Member of Institute Surveyor Malaysia, Registered Valuers, Member of Rahim & Co Chartered Surveyor (Kedah) Sdn Bhd.

Notes To The Financial Statements

- 31 March 2005 (continued)

3 Property, Plant And Equipment (continued)

- Kan Kok Leong, MSc Real Estate Management (UK), Diploma in Surveying ((CEM), UK, Advance Diploma In Building, Member of Institute Surveyor Malaysia and Member of Rahim & Co Chartered Surveyor (NS) Sdn Bhd.
- Chee Kok Thin, Fellow of Rahim & Co Chartered Surveyor Sdn Bhd, Bachelor in Property Administration and Member of Institute Surveyor Malaysia.

The revaluation resulted in a surplus of RM6,726,000. The revalued amounts of these properties were submitted to the relevant government authority for approval on 25 March 2005. Pending the approval from the relevant government authority, the resultant revaluation surplus were not incorporated in the financial statements.

Had the freehold and long term leasehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amounts that would have been included in the financial statements at the end of the year are as follows:

	2005 RM'000	2004 RM'000
Freehold land and buildings	6,712	3,916
Long term leasehold land and buildings	34,755	36,023
	41,467	39,939

The long term leasehold land and buildings have unexpired lease periods ranging from 73 years to 889 years (31.3.2004: 74 years to 890 years).

The titles to certain long term leasehold properties and freehold properties included in property, plant and equipment at carrying value of RM28,231,788 (2004: RM28,861,740) and RM4,640,461 (2004: RM1,556,266) respectively, are in the process of being transferred to the Company. Risks, rewards and effective titles to these properties have been passed to the Company upon unconditional completion of the acquisition of those properties. The Company has submitted the relevant documents to the land authorities for transfer of legal titles to the Company and is awaiting the process and formalities of this transfer to be completed.

4 Investments

	2005		2004	
	Carrying value RM'000	Market value RM'000	Carrying value RM'000	Market value RM'000
Investment properties:				
Freehold land and buildings:				
At valuation	5,204		8,610	
Leasehold land and buildings:				
At cost	827		827	
At valuation	22,000		22,000	
	28,031		31,437	
Malaysian Government Securities, at cost	20,004	18,752	31,192	29,990
Amortisation of premiums net of accretion of discounts	(1,235)		(1,915)	
	18,769		29,277	
Cagamas papers, at cost	30,079		30,051	
Amortisation of premiums net of accretion of discounts	(28)		(9)	
	30,051		30,042	

Notes To The Financial Statements

- 31 March 2005 (continued)

4 Investments (continued)

	2005		2004	
	Carrying value RM'000	Market value RM'000	Carrying value RM'000	Market value RM'000
Quoted:				
Equity securities of corporations				
- quoted in Malaysia, at cost	60,994	54,815	54,090	62,183
- quoted outside Malaysia, at cost			-	
Allowance for diminution in value	(6,179)		-	
	54,815		54,090	
Corporate debts securities				
- quoted in Malaysia, at cost	8,365		124	
Accretion of discounts net of amortisation of premiums	79	10,300	-	436
	8,444		124	
Unquoted:				
Equity securities of corporations, at cost	214		214	
Allowance for diminution in value	(110)		(109)	
	104		105	
Corporate debt securities, at cost	116,800		120,746	
Accretion of discounts net of amortisation of premiums	2,418		8,598	
	119,218		129,344	
Fixed and call deposits with:				
Licensed banks	168,823		140,574	
Licensed finance companies	10,100		59,550	
Other corporations	28,301		13,884	
	207,224		214,008	
TOTAL INVESTMENTS	466,656		488,427	

Freehold and leasehold land and buildings included in investments were revalued by the Directors in 2003 based on independent valuations on the open market value basis by independent qualified valuers, and the revalued amounts were incorporated in the financial statements after approval by the relevant authority.

The fair values of the investment properties at 31 March 2005 were estimated by the Directors to approximate their carrying values.

Notes To The Financial Statements

- 31 March 2005 (continued)

4 Investments (continued)

The maturity structure of money market instruments, corporate debt securities and fixed and call deposits above is as follows:

	2005	2004
	RM'000	RM'000
Investments maturing within 12 months	217,440	253,093
Investments maturing after 12 months	166,265	149,702
	<u>383,705</u>	<u>402,795</u>

During the year, the Directors revalued all the investment properties of the Company based on independent valuation on the open market value basis by the following professional valuers:

- Thoong Soo Fun, Member of Institute Surveyor Malaysia, Registered Valuers, Member of Rahim & Co Chartered Surveyor Sdn Bhd.
- Tay Lai Hee, Member of Revaluation Institute, Partner of Rahim & Co Chartered Surveyors (Penang) Sdn Bhd, Fellow of Institute Surveyor Malaysia.

The revaluation resulted in a surplus of RM428,000. The revalued amounts of these properties were submitted to the relevant government authority for approval on 25 March 2005. Pending the approval from the relevant government authority, the resultant revaluation surplus were not incorporated in the financial statements.

The titles to certain leasehold land and buildings included in investment properties at carrying value of RM25,343,321 (31.3.2004: RM28,532,000) are in the process of being transferred to the Company. Risks, rewards and effective titles to these properties have been passed to the Company upon unconditional completion of the acquisition of those properties. The Company has submitted the relevant documents to the land authorities for transfer of legal titles to the Company and is awaiting the process and formalities of this transfer to be completed.

5 Loans

	2005	2004
	RM'000	RM'000
Staff housing loans (secured)	921	544
Staff vehicle loans (secured)	23	39
Other staff loans (unsecured)	4	7
	<u>948</u>	<u>590</u>
Receivable within 12 months	88	117
Receivable after 12 months	860	473
	<u>948</u>	<u>590</u>

Notes To The Financial Statements

- 31 March 2005 (continued)

6 Subsidiary Companies

	2005 RM'000	2004 RM'000
Unquoted shares, at cost	3,941	3,941
Accumulated impairment losses	(3,855)	(3,855)
	86	86
Amount due from subsidiary companies	61	61
Allowance for doubtful debts	(61)	(61)
	-	-
	86	86

The amounts due from and to subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

The principal activities of the companies and the effective interest therein as at 31 March 2005 are shown below:

Name of company	Country of incorporation	Effective equity interest		Principal activities	Year end
		2005	2004		
Subsidiary companies:		%	%		
+ Seains Pte Ltd	Singapore	100	100	Dormant	31 March
+ South East Asia Management Services Sdn Bhd	Malaysia	100	100	Dormant	31 March
Subsidiary of South East Asia Management Services Sdn Bhd:					
+ Chattel Credit & Leasing Sdn Berhad	Malaysia	100	100	Dormant	31 March

+ Not audited by PricewaterhouseCoopers.

Seains Pte Ltd and South East Asia Management Services Sdn Bhd were placed under members' voluntary liquidation while Chattel Credit and Leasing Sdn Bhd was placed under creditors' voluntary liquidation. Liquidators were appointed on 8 December 2003 for Seains Pte Ltd and Chattel Credit and Leasing Sdn Bhd and on 5 February 2004 for South East Asia Management Services Sdn Bhd.

Notes To The Financial Statements

- 31 March 2005 (continued)

7 Associated Company

	2005 RM'000	2004 RM'000
Unquoted shares, at cost	165	165
Accumulated impairment loss	(165)	(165)
	-	-
Amount due from associated company	17	17
Allowance for doubtful debts	(17)	(17)
	-	-

The amount due from associated company is unsecured, interest free and has no fixed terms of repayment.

The principal activities of the associated company and the effective interest as at 31 March are as shown below:

Name of company	Country of incorporation	Effective equity interest		Principal activities	Year end
		2005	2004		
Associated company:		%	%		
* South East Asia Insurance (B) Sdn Bhd	Brunei	30	30	General insurance underwriter	31 December

* Audited by PricewaterhouseCoopers.

Had equity accounting been applied for the investment in associated company, the effect on the income statement and investment in associated company in the balance sheet based on its financial statements for the year ended 31 March 2005 would be as follows:

	2005 RM'000	2004 RM'000
(i) Income statement		
Profit before taxation of the Company	59,024	71,810
Share of loss of associated company	-	-
Profit before taxation	59,024	71,180
Taxation	(9,762)	(21,622)
	49,262	50,188
Retained earnings brought forward	62,994	17,846
Transferred to revenue reserve	266	-
Dividends	(29,200)	(5,040)
Retained earnings carried forward	83,322	62,994
Retained earnings carried forward comprise of:		
Retained earnings of Company	83,847	63,159
Share of post accumulated losses of associated company	(165)	(165)
	83,322	62,994
(ii) Balance sheet		
Investment in associated company, at cost	165	165
Share of post acquisition losses	(165)	(165)
	-	-

Notes To The Financial Statements

- 31 March 2005 (continued)

8 Deferred Taxation

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

The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2005 RM'000	2004 RM'000
Deferred tax assets	7,018	5,649
At 1 April	5,649	10,116
Credited/(charged) to income statements (Note 21):		
- property, plant and equipment	(188)	(253)
- investments	3,253	(4,025)
- receivables	(12)	(883)
- retirement benefits	(1,446)	335
- payables	(296)	575
- unearned premium reserves	(17)	(216)
	1,294	(4,467)
Charged to equity	75	-
At 31 March	7,018	5,649
Subject to income tax:		
Deferred tax assets (after offsetting)		
Investments	5,476	2,166
Receivables	1,115	1,127
Retirement benefits	441	1,888
Payables	1,067	1,363
Unearned premium reserves	17	17
	8,099	6,561
	(1,081)	(912)
	7,018	5,649
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	1,080	912
Unearned premium reserves	1	-
	1,081	912
Offsetting	(1,081)	(912)
Deferred tax liabilities (after offsetting)	-	-

Notes To The Financial Statements

- 31 March 2005 (continued)

9 Receivables

	2005 RM'000	2004 RM'000
Trade receivables		
Due premiums including agents, brokers and co-insurers balances	28,352	38,303
Due from reinsurers and cedants	9,116	16,283
Allowance for doubtful debts	(11,972)	(24,416)
	25,496	30,170
Knock-for-knock claims recoveries due from other insurers	2,731	4,868
Allowance for doubtful debts	(1,001)	(1,991)
	1,730	2,877
Other receivables		
Investment income due and accrued	4,838	4,666
Assets held under Malaysian Motor Insurance Pool	1,996	2,025
Deposits	708	795
Prepayments	808	555
Other receivables less allowance for doubtful debts of RM328,000 (2004: RM328,000)	1,786	1,198
	10,136	9,239
	37,362	42,286
Receivable after 12 months	1,996	2,025

10 Provision For Outstanding Claims

Provision for outstanding claims	308,842	302,091
Less: Recoverable from reinsurers	(85,909)	(48,521)
Net outstanding claims	222,933	253,570

11 Payables

Trade payables		
Due to insureds, agents, brokers and co-insurers	9,698	10,887
Due to reinsurers and cedants	10,033	16,562
	19,731	27,449
Other payables		
Amount due to a shareholder	61	61
Payroll liabilities	3,242	4,657
Unclaimed monies	1,159	663
Cash collaterals held on bond business	1,015	1,246
Duties and other taxes payable	687	600
Accrual of Insurance Guarantee Scheme Fund Levy	781	770
Other payables and accrued liabilities	5,051	4,577
	11,996	12,574
	31,727	40,023

The amount due to a shareholder of the Company is unsecured, interest free and has no fixed terms of repayment.

Notes To The Financial Statements

- 31 March 2005 (continued)

12 Post Employment Benefit Obligations

Defined contribution plan:

The Company contributes to the Employees' Provident Fund, the national defined contribution scheme. Additionally, the Company makes accruals for services provided by eligible employees after 31 December 2001 until the 5th year of service, after which time the accrual is paid into the individual employees' EPF accounts. The accruals are included in other payables.

Defined benefit plan:

The movements during the year in the amounts recognised in the balance sheet for the defined benefit plan are as follows:

	2005 RM'000	2004 RM'000
At 1 April	6,506	5,545
Charged to income statements/revenue accounts	-	1,442
Benefits paid	(5,436)	(481)
At 31 March	1,070	6,506
Payable within 12 months	367	5,204
Payable after 12 months	703	1,302
	1,070	6,506

The amounts recognised in the balance sheet may be analysed as follows:

Present value of unfunded obligations	1,070	6,134
Additional accrual	-	372
	1,070	6,506

The expense recognised in the income statements/revenue accounts may be analysed as follows:

Current service cost	-	692
Interest cost	-	378
Additional accrual	-	372
	-	1,442

The principal actuarial assumptions used in respect of the defined benefit scheme were as follows :

	2005 %	2004 %
Discount rate	7	7
Expected rate of salary increase	7	7

On 1 April 2004, the Company discontinued the operations of its unfunded defined benefit scheme. Benefits payable under the defined benefit scheme as of 31 March 2004 are payable to the individual employees' Employees' Provident Fund over a period of 5 years upon completion of 5 years of service with the Company by the respective employees.

Arising from this change, the Company has an actual liability of RM6,741,000 as of 1 April 2004. An additional amount of RM607,000, being the difference between the actual liability as of 1 April 2004 of RM6,741,000 and the present value of unfunded obligations as of 31 March 2004 based on the actuarial valuation, has been accrued for in the financial statements as of 31 March 2004.

Notes To The Financial Statements

- 31 March 2005 (continued)

13 Unearned Premium Reserves

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
2005					
At 1 April 2004	10,204	94,351	671	10,744	115,970
(Decrease)/increase in unearned premium reserves	(862)	7,881	115	(2,375)	4,759
At 31 March 2005	9,342	102,232	786	8,369	120,729
2004					
At 1 April 2003	6,374	109,252	1,101	21,355	138,082
Increase/(decrease) in unearned premium reserves	3,830	(14,901)	(430)	(10,611)	(22,112)
At 31 March 2004	10,204	94,351	671	10,744	115,970

14 Share Capital

	2005 RM'000	2004 RM'000
Ordinary shares of RM1 each:		
Authorised	250,000	250,000
Issued and fully paid	100,000	100,000

15 Reserves

Non-distributable		
Asset revaluation reserve	2,486	2,677
Distributable		
Retained earnings (Note (a))	83,322	62,994
	85,808	65,671

(a) Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income account balance under Section 12 of the Income Tax (Amendment) Act, 1999 to pay dividends out of all its retained earnings at 31 March 2005.

16 Operating Revenue

Insurance fund		
Gross premium income	321,040	316,686
Investment income (Note 18)	18,611	20,330
	339,651	337,016

Notes To The Financial Statements

- 31 March 2005 (continued)

17 Management Expenses

	Shareholders' fund		Insurance fund	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Staff cost (including				
Executive Directors:				
- Salaries and bonus	499	552	24,469	27,040
- Defined contribution scheme	75	72	3,677	3,780
- Defined benefit scheme	-	34	-	1,408
- Others	44	49	2,140	2,340
	618	707	30,286	34,568
Depreciation of property plant and equipment	4	5	4,566	4,206
Auditors' remuneration	3	3	137	142
Writeback of doubtful debts	-	-	(13,434)	(2,663)
Bad debts recovery	-	-	-	(6)
Bad debts written off	-	-	3,905	1,927
Rental of properties	22	28	1,084	1,364
Insurance Guarantee Scheme Fund Levy	-	-	649	693
EDP expenses	51	-	2,508	2,206
Advertising	97	-	4,776	6,404
Printing and stationery	36	-	1,754	2,040
Postage, telephone, telex and telefax	45	-	2,185	2,069
Training	35	-	1,731	1,535
Others	158	441	7,797	7,396
	451	477	17,658	27,313
	1,069	1,184	47,944	61,881

Included in management expenses
were emoluments received by Directors
of the Company during the year:

Executive Directors:

- salaries and bonus	8	8	403	390
- defined contribution scheme	4	1	170	47

Non-Executive Directors:

- fees	4	4	238	239
- other emoluments	2	3	118	140
	18	16	929	816

The estimated monetary value of benefits provided to Directors during the year by way of usage of the Company's assets amounted to RM13,000 (2004: RM13,000).

The remuneration, including benefits-in-kind, attributable to the CEO of the Company during the year amounted to RM598,000 (2004: RM459,000).

Notes To The Financial Statements

- 31 March 2005 (continued)

17 Management Expenses (continued)

The Directors of the Company in office during the year were as follows:

Non-Executive Directors

Dato' Maznah Abdul Jalil
David Chan Mun Wai
Dato' Mohd. Nor Mohamad
Lawrence Pereira
Datuk Abdul Shukor Hassan
George Isac Pereire
Chan Kok Seong
Cheah Yoke Pow (resigned on 1.10.2004)

Executive Director

Hashim Harun

18 Investment Income

	2005 RM'000	2004 RM'000
Insurance fund		
Interest from:		
Malaysian Government Securities	1,316	3,180
Cagamas papers	1,386	837
Corporate debt securities	4,947	5,284
Fixed and call deposits	6,902	7,809
Staff loans	33	31
	<hr/> 14,584	<hr/> 17,141
Accretion of discounts net of amortisation of premiums	1,695	1,463
Gross dividends from shares quoted in Malaysia	1,680	2,591
Rental income from land and buildings	1,568	83
Less: Rates and maintenance expenses	(916)	(948)
	<hr/> 18,611	<hr/> 20,330

Notes To The Financial Statements

- 31 March 2005 (continued)

19 Other Operating Income - Net

	2005 RM'000	2004 RM'000
Insurance fund		
Gain on disposal of investments	5,658	9,113
(Allowance for)/write back of diminution in value of investments	(6,179)	20,334
Write down of cost of investment	-	(8,390)
Property, plant and equipment		
- gain on disposal	575	157
- written off	(95)	(109)
Loss on foreign exchange	(7)	(6)
Written off outward treaty deposit and agent balances	1,648	-
Written off reinsurance balances	2,416	-
Others	496	845
	4,512	21,944
Shareholders' fund		
Allowance for diminution in value of investments	(1)	191
Loss on disposal of investment	-	(122)
	(1)	69

20 Finance Costs

Shareholders' fund		
Interest on unsecured term loan	-	1,297
	-	1,297

The interest rate charged on unsecured term loan during the year ended 31 March 2004 was 7.4% per annum.

21 Taxation

	2005 RM'000	2004 RM'000
Current tax	11,056	17,155
Deferred tax (Note 8)	(1,294)	4,467
Tax expense	9,762	21,622
Current tax		
Current year	18,571	17,592
Overaccrual in prior years	(7,515)	(437)
Deferred tax		
Origination and reversal of temporary differences	(1,294)	4,467
	9,762	21,622

Notes To The Financial Statements

- 31 March 2005 (continued)

21 Taxation (continued)

	2005	2004
	%	%
Numerical reconciliation between the average effective tax rate and the Malaysian tax rate:		
Malaysian tax rate	28	28
Tax effects of:		
- expenses not deductible for tax purposes	2	3
- overaccruals in prior years	(13)	(1)
Average effective tax rate	17	30

22 Earnings Per Share

	Income	
	2005	2004
	RM'000	RM'000
Net profit for the year (RM'000)	49,262	50,188
Number of ordinary shares ('000)	100,000	100,000
Basic earnings per share (Sen)	49.6	50.2

23 Dividends

Dividends declared or proposed in respect of the year ended 31 March 2005 are as follows:

	2005		2004	
	Gross dividend per share	Amount of dividend, net of tax	Gross dividend per share	Amount of dividend, net of tax
	Sen	RM'000	Sen	RM'000
Interim dividend paid	10.00	7,200	3.00	2,160
Proposed final dividend	15.00	13,600	22.00	22,000
	25.00	20,800	25.00	24,160

At the forthcoming Annual General Meeting, a final gross dividend in respect of the year ended 31 March 2005 of 15 sen per share, consisting of gross dividend of 5 sen per share, less income tax of 28% and tax exempt gross dividend of 10 sen per share (31.3.2004: 22 sen per share, less income tax of 28%), amounting to RM13,600,000 (31.3.2004: RM22,000,000) will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accrued as a liability when approved by shareholders.

Notes To The Financial Statements

- 31 March 2005 (continued)

24 Net Claims Incurred

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
2005					
Gross claims paid less salvage	13,413	174,575	1,610	15,247	204,845
Reinsurance recoveries	(8,596)	(12,533)	(580)	(4,403)	(26,112)
Net claims paid	4,817	162,042	1,030	10,844	178,733
Net outstanding claims:					
At 31 March 2005	5,324	198,889	2,333	16,387	222,933
At 1 April 2004	(5,079)	(226,980)	(2,157)	(19,354)	(253,570)
Net claims incurred	5,062	133,951	1,206	7,877	148,096
2004					
Gross claims paid less salvage	8,502	180,004	4,973	23,892	217,371
Reinsurance recoveries	(3,892)	(14,832)	(3,298)	(10,794)	(32,816)
Net claims paid	4,610	165,172	1,675	13,098	184,555
Net outstanding claims:					
At 31 March 2004	5,079	226,980	2,157	19,354	253,570
At 1 April 2003	(6,415)	(249,139)	(3,938)	(23,483)	(282,975)
Net claims incurred	3,274	143,013	(106)	8,969	155,150

25 Adjustments For Non-cash Items

	2005 RM'000	2004 RM'000
(Decrease)/increase in unearned premium reserves	4,759	(22,112)
Property, plant and equipment		
- depreciation	4,570	4,211
- gain on disposal	(575)	(157)
- written off	95	109
(Gain)/loss on disposal of investments	(5,658)	(8,991)
(Write back of)/allowance for diminution in value of investments	6,180	(20,525)
Write down of cost of investment	-	8,390
Investment income	(18,611)	(20,330)
Bad debts written off	3,905	1,927
Writeback of doubtful debts	(13,434)	(2,663)
Allowance for staff post employment benefit obligations	-	1,442
Finance costs	-	1,297
Tax expenses	9,762	21,622
	(9,007)	(35,780)

Notes To The Financial Statements

- 31 March 2005 (continued)

26 Segment Information On Cash Flow

	2005			2004		
	General fund RM'000	Share- holders' fund RM'000	Total RM'000	General fund RM'000	Share- holders' fund RM'000	Total RM'000
Cash flows from:						
Operating activities	(81)	29,200	29,281	2,866	45,185	48,051
Investing activities	(1,352)	-	(1,352)	(5,555)	-	(5,555)
Financing activities	-	(29,200)	(29,200)	-	(45,185)	(45,185)
	(1,271)	-	(1,271)	(2,689)	-	(2,689)
Net decrease in cash and cash equivalents						
	(1,271)	-	(1,271)	(2,689)	-	(2,689)
Cash and cash equivalents:						
At beginning of the year	6,768	-	6,768	9,457	-	9,457
At end of the year	5,497	-	5,497	6,768	-	6,768

27 Significant Related Party Disclosures

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The transactions with the Company's related companies, being subsidiaries of DRB-HICOM Berhad ("DRB-HICOM Group") and affiliated companies, namely Edaran Otomobil Nasional Berhad and Perusahaan Otomobil Nasional Berhad, described below were carried out on terms and conditions obtainable in transactions with unrelated parties.

Related companies	Country of incorporation	Relationship
DRB-HICOM Berhad	Malaysia	Ultimate holding company
Uni.Asia Capital Sdn Bhd	Malaysia	Immediate holding company
Affiliated companies		
Edaran Otomobil Nasional Berhad	Malaysia	Associated company of DRB-HICOM Group
United Overseas Bank Berhad	Malaysia	Substantial shareholder of the immediate holding company

The subsidiary and associated companies of the Company are disclosed in Notes 6 and 7 to the financial statements.

The related party balances at the balance sheet date and significant related party transactions arising from normal business transactions during the year are set out below.

Significant related party balances

The amount due from immediate holding company is unsecured, interest free and has no fixed terms of repayment.

The balances with associated companies of the Company are disclosed in Note 7 to the financial statements respectively.

Notes To The Financial Statements

- 31 March 2005 (continued)

27 Significant Related Party Disclosures (continued)

The other related party balances as at the balance sheet date are included in the following notes to the financial statements:

	2005 RM'000	2004 RM'000
Receivables (Note 9)		
Due premiums from related companies, DRB-HICOM Berhad Group	4,119	3,118
Due premiums from affiliated company, Edaran Otomobil Nasional Berhad Group	2,562	1,299
Payables (Note 11)		
Due to related companies	25	208

Significant related party transactions

The significant related party transactions arising from normal business transactions during the year are set out below:

	2005 RM'000	2004 RM'000
Transactions with related companies, DRB-HICOM Berhad Group:		
Gross premiums received	(18,899)	(11,265)
Claims paid	805	1,516
Purchase of information technology services	384	812
Maintenance charges and others	2,220	1,376
Transactions with affiliated companies, Edaran Otomobil Nasional Berhad Group:		
Gross premiums received	(542)	(4,027)
Purchase of motor vehicle	17	977
Claims paid	430	56

28 Financial Instruments

Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks, including credit risk, market risk, interest rate risk, liquidity and cash flow risk. The Company's overall financial risk management objective is to ensure that the Company creates value for its shareholders. The Company focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Company. Financial risk management is carried out through risk reviews and internal control systems.

Credit risk

Credit risk is the risk of financial loss resulting from a failure of a counter party to honour its obligations to the Company.

Credit risks arise in the Company's investment and lending activities. The Company's policy is to maintain a diversified portfolio of investments in government guaranteed and A rated financial instruments issued by companies with strong credit ratings.

Notes To The Financial Statements

- 31 March 2005 (continued)

28 Financial Instruments (continued)

The credit risk exposure on the unquoted corporate debt securities of the Company at balance sheet date is analysed as follows:

	2005 RM'000	2004 RM'000
Analysed by rating:		
AAA	10,041	10,051
AA	17,768	27,266
A	99,853	92,088
Unrated	-	63
Total	127,662	129,468

The rating categories are based on the gradings of Malaysian Credit Rating Corporation and Rating Agency of Malaysia.

Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices. The Company's investments in equities are subject to fluctuations in market prices. The Company's investments in equities are managed by licensed asset management companies.

The Company have given clear investment guidelines to the asset management companies under the fund management agreement in order to manage the market risk.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. Interest rate exposure arises from the Company's investment, lending activities and floating rate borrowings.

The following table provides information about financial assets and financial liabilities, showing the weighted average effective interest rate and the earlier of the contractual repricing or maturity date for each class of interest-bearing financial instrument in the balance sheet.

	Non-interest bearing RM'000	Interest bearing: Earlier of contractual repricing or maturity date			Total carrying amount RM'000	Weighted average effective interest rate % per annum
		1 year or less RM'000	1 to 5 years RM'000	More than 5 years RM'000		
2005						
Financial assets:						
Investments						
Malaysian Government						
Securities	-	10,216	8,553	-	18,769	3.079
Cagamas papers	-	-	30,051	-	30,051	3.522
Corporate debt securities	-	-	36,749	90,913	127,662	6.219
Equity securities of corporations						
- quoted	54,815	-	-	-	54,815	-
- unquoted	104	-	-	-	104	-
Fixed and call deposits	-	207,223	-	-	207,224	2.979

Notes To The Financial Statements

- 31 March 2005 (continued)

28 Financial Instruments (continued)

Interest rate risk (continued)

	Non-interest bearing RM'000	Interest bearing: Earlier of contractual repricing or maturity date			Total carrying amount RM'000	Weighted average effective interest rate % per annum
		1 year or less RM'000	1 to 5 years RM'000	More than 5 years RM'000		
2005						
Financial assets:						
Loans	4	-	238	706	948	3.270
Amount due from immediate holding company	5	-	-	-	5	
Subsidiary company	86	-	-	-	86	
Other receivables	7,332	-	-	-	7,332	
Cash and bank balances	5,497	-	-	-	5,497	
	67,843	217,439	75,591	91,619	452,493	
Other financial assets*					29,222	
Total financial assets					481,715	
Other assets					89,070	
Total assets per balance sheet					570,785	

* Disclosure information for financial assets and liabilities that relate to rights and obligations arising under employee benefit plans and insurance contracts are not shown as they are excluded from the scope MASB Standard 24 - Financial Instruments: Disclosure and Presentation.

Financial liabilities:

Other payables	11,996	-	-	-	11,996
Other financial liabilities*					364,463
Total financial liabilities					376,459
Other liabilities					8,518
Total liabilities per balance sheet					384,977

* Disclosure information for financial assets and liabilities that relate to rights and obligations arising under employee benefit plans and insurance contracts are not shown as they are excluded from the scope MASB Standard 24 - Financial Instruments: Disclosure and Presentation.

Notes To The Financial Statements

- 31 March 2005 (continued)

28 Financial Instruments (continued)

Interest rate risk (continued)

COMPANY	Non-interest bearing RM'000	Interest bearing: Earlier of contractual repricing or maturity date			Total carrying amount RM'000	Weighted average effective interest rate % per annum
		1 year or less RM'000	1 to 5 years RM'000	More than 5 years RM'000		
2004						
Financial assets:						
Investments Malaysian						
Government Securities	-	5,025	24,252	-	29,277	4.001
Cagamas papers	-	5,000	25,042	-	30,042	3.994
Corporate debt securities	-	29,060	47,393	53,015	129,468	6.740
Equity securities of corporations						
- quoted	54,090	-	-	-	54,090	
- unquoted	105	-	-	-	105	
Fixed and call deposits	-	214,008	-	-	214,008	3.152
Loans	-	117	372	101	590	3.753
Amount due from immediate holding company	6	-	-	-	6	
Subsidiary company	86	-	-	-	86	
Other receivables	6,659	-	-	-	6,659	
Cash and bank balances	6,768	-	-	-	6,768	
	67,714	253,210	97,059	53,116	471,099	
Other financial assets*					35,072	
Total financial assets					506,171	
Other assets					90,404	
Total assets per balance sheet					596,575	
* Disclosure information for financial assets and liabilities that relate to rights and obligations arising under employee benefit plans and insurance contracts are not shown as they are excluded from the scope MASB Standard 24 - Financial Instruments: Disclosure and Presentation.						
Financial liabilities:						
Other payables	12,339	-	-	-	12,339	
Other financial liabilities*					403,730	
Total financial liabilities					416,069	
Other liabilities					14,835	
Total liabilities per balance sheet					430,904	
* Disclosure information for financial assets and liabilities that relate to rights and obligations arising under employee benefit plans and insurance contracts are not shown as they are excluded from the scope MASB Standard 24 - Financial Instruments: Disclosure and Presentation.						

Notes To The Financial Statements

- 31 March 2005 (continued)

28 Financial Instruments (continued)

Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

The carrying amounts of financial assets and liabilities of the Company at the balance sheet date approximated their fair values, except as set out below:

	Carrying Amounts		Fair Value	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Investments:				
- Malaysian Government Securities	18,769	29,277	18,752+	29,990
- Cagamas papers	30,051	30,042	30,227	30,216
- Equity securities - quoted	54,815	54,090	54,815	62,183
- Corporate debt securities				
- quoted	8,444	124	10,300	436
- unquoted	119,218	129,344	120,795	130,516
	<u>231,297</u>	<u>242,877</u>	<u>234,889</u>	

+ The carrying amount of Malaysian Government Securities were not reduced to their estimated fair values as the Directors are of the opinion that these investments will be held for long-term purposes.

Statement By Directors

Pursuant To Section 169(15) Of The Companies Act, 1965

We, Dato' Maznah Abdul Jalil and David Chan Mun Wai, two of the Directors of Uni.Asia General Insurance Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 94 to 127 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2005 and of the results and cash flows of the Company for the year ended on that date in accordance with Malaysian Accounting Standards Board ("MASB") 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 8 June 2005.

DATO' MAZNAH ABDUL JALIL

Director

Kuala Lumpur

DAVID CHAN MUN WAI

Director

Statutory Declaration

Pursuant To Section 169(16) Of The Companies Act, 1965

I, Hashim Harun, the Director primarily responsible for the financial management of Uni.Asia General Insurance Berhad, do solemnly and sincerely declare that the financial statements set out on pages 94 to 127 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.

HASHIM HARUN

Subscribed and solemnly declared by the abovenamed Hashim Harun at Kuala Lumpur on 8 June 2005, before me.

COMMISSIONER FOR OATHS

Auditors' Report

To The Members Of Uni.Asia General Insurance Berhad (Incorporated In Malaysia) (Company No. 16688-k)

We have audited the financial statements set out on pages 94 to 127. 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 these 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 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 Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Company as at 31 March 2005 and of the results and cash flows of the Company for the 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

JAYARAJAN A/L U. RATHINASAMY
(No. 2059/06/06 (J))
Partner of the firm

Kuala Lumpur
8 June 2005

List Of Properties

Location	Tenure	Land Area (sq. ft.)	Built-up Area (sq. ft.)	Description And Existing Use	Approximate Age of Building Years	Net Book Value As At 31.03.05 RM'000
Menara Uni.Asia No. 1008, Jalan Sultan Ismail, 50250 Kuala Lumpur W. Persekutuan	Leasehold 99 years expiring on 06.02.2078	30,096	128,897.00	Ground, 2nd, 6th to 10th Floor used as Uni.Asia General Insurance's Corporate Head Office, currently 11th to 13thA floors are rented out	6	50,029
Adjacent Land (Plot A) Menara Uni.Asia	Leasehold 82 years expiring on 15.08.2083	2,766	-	Vacant land	4	827
Lot 7651 & 7658, Taman Desa Jaya, Sg. Petani, Kedah	Freehold	9,629	1,285.10	Lot 7658 is detached with single storey house and Lot 7651 (4,808 sf) is a vacant land	23	153
Lot 5453, A-4 Jalan Kg. Baru, Sg. Petani, Kedah	Freehold	1600	4,656.00	4 storey shophouse used as a branch office	10	560
Suite 3.1, 3.2 and 3.3, Menara Penang Garden, P. Pinang	Freehold	6,177	6,177.00	Suite 3.1, 3.2 and 3.3 are used as branch office	11	1,516
Lot 951 (471) & 801, Mukim 11, Barat Daya, P. Pinang	Freehold	92,045	-	Vacant land	12	1,861
No 120, Jalan Kota, Taiping, Perak	Freehold	1,800	2,970.00	Double storey shophouse used as branch office	21	251
122 & 122A, Jalan Raja Musa Aziz, Ipoh, Perak	Leasehold 999 years expiring on 21.09.2894	3,200	9,320.00	2 units of 3 storey shophouse used as branch office and Regional Office	23	612
No. 16, Jalan Pejabat Pos, Batu Gajah, Perak	Freehold	1,604	3,849.60	3 storey shophouse used as a branch office	22	258
9 - 12th Floors, Menara Safuan, Kuala Lumpur, W. Persekutuan	Freehold	-	19,213.14	9th and 10th are rented out in April 2004, 11th & 12th floor used as Central KL branch	22	6,468

List Of Properties (continued)

Location	Tenure	Land Area (sq. ft.)	Built-up Area (sq. ft.)	Description And Existing Use	Approximate Age of Building Years	Net Book Value As At 31.03.05 RM'000
No. 13, Jalan Melur 8, Taman Suria Jaya, Cheras, Selangor	Leasehold 99 years expiring on 23.01.2085	1,500	5,860.00	4 storey terrace shophouse used as a store	22	350
No. 38, Jalan Tingkat Siakap 4, Taman Mutiara, Port Dickson, Negeri Sembilan	Freehold	6,708	2,046.00	Double storey bungalow (Vacant)	21	136
No 360, Taman Melaka. Raya, Melaka	Leasehold 99 years expiring on 04.10.2082	1,399	3,960.00	3 storey shophouse used as a branch office	12	262
9B Condominium, Type A, Frasers Pine Resort, Bukit Fraser, Raub, Pahang	Leasehold 99 years expiring on 23.05.2082	-	1,792.00	Condominium (Vacant)	19	203
688-C, Jalan Bukit Ubi, Kuantan, Pahang	Freehold	1,918	4,340.00	3 storey shophouse used as a branch office	23	225
No. 17 & 18, Jalan Tebrau, Johor Bahru, Johor	Freehold	3,433	7,436.00	Ground, 1st & 2nd floors of Lot 17 & 18 used as branch office and Regional office	22	1,516
Lot 329 & 330, Central Road East, Kuching, Sarawak	Leasehold 999 years expiring on 03.05.2781	2,600	7,400.00	1st floor of Lot 329 is rented out and others are used as branch office	10	893
No. 361, Taman Bukit Emas, Jalan Tampin, 70450 Seremban, Negeri Sembilan	Freehold	1,760	5,060.00	3 storey shophouse used as a branch office	24	311

Total

66,429