

financial statements

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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 2007.

PRINCIPAL ACTIVITIES

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

There has been no significant changes in the nature of this activity during the year.

FINANCIAL RESULTS

Net profit for the year

RM'000

45,471

DIVIDENDS

The dividends paid or declared by the Company since 31 March 2006 were as follows:

In respect of the year ended 31 March 2006, as shown in the Directors' report of that year,
a final gross dividend of 15 sen per share, less income tax 28%, paid on 1 August 2006

RM'000

10,800

In respect of the year ended 31 March 2007, an interim gross dividend
of 10 sen per share, less income tax at 27%, paid on 7 December 2006

7,300

The Directors now recommend the payment of final gross dividend of 15 sen per share, less income tax 26%, amounting to RM11,100,000, in respect of the year ended 31 March 2007, 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.

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.

Directors' Report (continued)

CONTINGENT AND OTHER LIABILITIES (CONTINUED)

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.

CORPORATE GOVERNANCE

Compliance with Bank Negara Malaysia JPI/GPI 25:

Prudential Framework of Corporate Governance of Insurers

The Company is prescribing to the requirements of, and adopts management practices that are consistent with the principles of Bank Negara Malaysia (BNM) Guideline JPI/GPI 25 (Consolidated) - Prudential Framework of Corporate Governance for Insurers (JPI/GPI 25).

Board Responsibilities

The Board of Directors (Board) is committed in ensuring that the highest standards of governance are being maintained. This is achieved through compliance with the Insurance Act 1996, Insurance Regulations 1996 and JPI/GPI 25 and other directives. The Company strives to adopt other best practices on corporate governance.

Board Activities

There is a balance mix in the Board membership with wide ranging skills and experience that comprises nine directors i.e. five Non-Executive Directors, one Managing Director and three Independent Non-Executive Directors. No individual or group of individuals is able to dominate the Board's decision-making process. In addition, the Directors do not hold directorships in excess of the prescribed maximum limit.

During the financial year, the Board met six times and all Directors complied with the 75% minimum attendance requirement at such meeting. Details of attendance of each Board member at meetings held during the year are as follows:

Members	Status of directorship	Number of Board Meetings	
		Held	Attended
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail*	Independent Non-Executive Director & Chairman	6	5
David Chan Mun Wai	Non-Executive Director & Deputy Chairman	6	6
Lawrence Pereira	Non-Executive Director	6	6
Datuk Abdul Shukor Hassan	Non-Executive Director	6	6
George Isac Pereira	Independent Non-Executive Director	6	5
Hashim Harun	Chief Executive Officer / Managing Director	6	6
Chan Kok Seong	Non-Executive Director	6	6
Dato' Dr. Mohd Shahari Ahmad Jabar**	Independent Non-Executive Director	6	5
Hasni Harun***	Non-Executive Director	6	4
Dato' Maznah Abdul Jalil****	Non-Executive Director	6	1
Dato' Mohd Nor Mohamad*****	Non-Executive Director	6	1

Directors' Report (continued)

BOARD ACTIVITIES (CONTINUED)

* Appointed as Director and Chairman wef 11.07.2006

** Appointed as Director wef 11.07.2006

*** Appointed as Director wef 01.08.2006

**** Resigned as Director wef 01.06.2006

***** Resigned as Director wef 11.07.2006

The Board has delegated specific responsibilities to seven Board Committees as follows:

- (i) Audit Committee
- (ii) Nomination Committee
- (iii) Remuneration Committee
- (iv) Risks Management Committee
- (v) Executive Committee
- (vi) Claims and Underwriting Committee
- (vii) 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' Training

Directors are encouraged to attend continuous education programmes and seminars to keep abreast with developments in the industry. The Company has established a written policy for induction and education programmes for Directors in line with the corporate governance standard requirements.

Board of Directors' Policy

In the spirit of Principle 4 of JPI/GPI 25, the Internal Audit Department (IAD) has prepared and updated the Board of Directors' Policy to provide the Directors with overview information of the insurance industry in general and Uni.Asia General Insurance Berhad specifically together with a comprehensive list of other information. It will be the main reference material on the Malaysia insurance industry and UAGIB operations as a whole for the newly appointed as well as the current Directors.

Directors' Responsibility Statement

The Directors are required by the Companies Act 1965 to prepare financial statements in accordance with the applicable approved accounting standards on the state of affairs of the Company, the results and the cashflows of the Company for the financial 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 reasonable steps 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. The Chief Executive Officer / Managing Director 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.

Directors' Report (continued)

CORPORATE GOVERNANCE (CONTINUED)

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.

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 financial year or entered into since the end of the previous financial year.

Public Accountability

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

Internal Control and Enterprise Risk Management

The Board affirms its overall responsibility on the system of internal control within the Company. The objective of the system of internal control is to enable the Company to achieve its corporate objectives. The system is designed to ensure effective and efficient operations, financial reporting and compliance with the relevant laws and regulations.

It is primarily the Board responsibility to determine the strategies and policies for risk and control, whilst the Management is responsible for the effectiveness of the design and operation of risk management and control processes.

The process for the identification and evaluation of significant risks is through the adoption of the Enterprise Risk Management (ERM) framework and policy. The process is undertaken throughout the year. The Risk Management Committee of the Board (RMCB) will oversee senior management's activities in managing the key risk areas and ensure that the risk management framework and processes are in place and functioning effectively.

The implementation of the ERM is delegated to the Chief Executive Officer and supported by the Risk Management Committee of the Management (RMCM). The RMCM will assist the Chief Executive Officer in formulating appropriate procedures (including assessment methodologies, tools and techniques) and review the application of risk management practices. The RMCM will regularly report back the assessment on governance and risk management to the RMCB.

The IAD is also actively involved in the audit of ERM based on auditees' risk profile. Through risk-based audit approach, it provides the Board with an independent assurance on the adequacy and integrity of the internal control system and risk management framework. It also assesses the existing risk treatment adequacy and its effectiveness in minimizing the risks to an acceptable level. The IAD also incorporates as part of its audit work, the detection of fraud risk and anti-money laundering activities.

The identifying, evaluating and managing of risks faced by the Company are an on-going process that encompasses the following areas:

(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 financial year. As part of regular performance monitoring, the financial reports are submitted to the Board for their review at every Board Meeting. These reports cover all key operational 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 manual. The performance of investment funds and the equity exposure reports are amongst the reports submitted to the Investment Committee for 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, the Head of IT and IAD, is responsible for identifying the IT needs of the Company in line with the requirements of BNM's Guidelines on Management of IT Environment (GPIS 1).

Directors' Report (continued)

CORPORATE GOVERNANCE (CONTINUED)

(f) Claims

The Company exercises control over the processing and payments of claims. The allocations of provisions are annually reviewed.

(g) Internal Audit

The IAD reports directly to the Audit Committee (AC) functionally 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 to the AC regularly. In addition, the AC reviews the annual audit plan and follow-up actions on various audit observations. The AC Chairman provides written reports to the Board on the deliberation of the AC on a regular basis. A copy of the report is extended to the affected management personnel and the members of the AC. In line with BNM circular JPI 3/2/99 requirement, the audit reports are also submitted to BNM.

Board Committees

There are seven Board Committees namely Audit, Nomination, Remuneration, Risks Management, Executive, Claims and Underwriting and Investment. Details of each Board Committees are as follows:

A. The Audit Committee

The primary objective of the Committee is to assist Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process and the monitoring of compliance with relevant laws and regulations.

This Committee comprises the following members and details of attendance of each member at meetings held during the year ended 31 March 2007 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail*	Independent Non-Executive Director & Chairman	4	3
George Isac Pereire	Independent Non-Executive Director	4	4
Dato' Dr. Mohd Shahari Ahmad Jabar**	Independent Non-Executive Director	4	3
Dato' Mohd Nor Mohamad***	Non-Executive Director	4	1
Chan Kok Seong****	Non-Executive Director	4	1

* Appointed as Chairman of Audit Committee wef 26.07.2006

** Appointed as Member wef 26.07.2006

*** Resigned as Director wef 11.07.2006

**** Resigned as Member wef 26.07.2006

B. The Nomination Committee

The primary objective of the Committee is to establish a documented, formal and transparent procedure for the appointment of new Directors, CEO and key Senior Officers. It is also a process of reviewing the balance and assesses the effectiveness of each of the individual Directors, the Board as a whole and the various Committees of the Board, the CEO and the key Senior Officers.

This Committee comprises the following members and details of attendance of each member at meetings held during the year ended 31 March 2007 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail*	Independent Non-Executive Director & Chairman	3	1
David Chan Mun Wai	Non-Executive Director	3	3
Datuk Abdul Shukor Hassan	Non-Executive Director	3	3
George Isac Pereire	Independent Non-Executive Director	3	3
Dato' Dr. Mohd Shahari Ahmad Jabar**	Independent Non-Executive Director	3	1
Dato' Maznah Abdul Jalil***	Non-Executive Director	3	2
Dato' Mohd Nor Mohamad****	Non-Executive Director	3	2

Directors' Report (continued)

CORPORATE GOVERNANCE (CONTINUED)

* Appointed as Chairman of Nomination Committee wef 26.07.2006

** Appointed as Member wef 26.07.2006

*** Resigned as Director wef 01.06.2006

**** Resigned as Director wef 11.07.2006

C. The Remuneration Committee

The primary objective of the Committee is to establish a documented, formal and transparent procedure for developing a remuneration policy for Directors, CEO and key Senior Officers and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

This Committee comprises the following members and details of attendance of each member at meetings held during the year ended 31 March 2007 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail*	Independent Non-Executive Director & Chairman	4	-
David Chan Mun Wai**	Non-Executive Director	4	-
Lawrence Pereira	Non-Executive Director	4	4
Datuk Abdul Shukor Hassan	Non-Executive Director	4	4
George Isac Pereire	Independent Non-Executive Director	4	4
Hasni Harun***	Non-Executive Director	4	2

* Appointed as Chairman of Remuneration Committee wef 22.03.2007

** Appointed as Member wef 22.03.2007

*** Resigned as Member wef 22.03.2007

D. Risk Management Committee

The primary objective of the Committee is to establish a documented, formal and transparent procedure to provide opportunities for focusing on improving the quality of governance and risk management in the Company.

This Committee comprises the following members and details of attendance of each member at meetings held during the year ended 31 March 2007 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
George Isac Pereire	Independent Non-Executive Director & Chairman	4	4
David Chan Mun Wai	Non-Executive Director	4	4
Datuk Abdul Shukor Hassan	Non-Executive Director	4	4
Dato' Dr. Mohd Shahari Ahmad Jabar*	Independent Non-Executive Director	4	-
Dato' Mohd Nor Mohamad**	Non-Executive Director	4	1
Hasni Harun***	Non-Executive Director	4	2

* Appointed as Member wef 22.03.2007

** Resigned as Director wef 11.07.2006

*** Resigned as Member wef 22.03.2007

E. The Executive Committee

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 were 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.

Directors' Report (continued)

CORPORATE GOVERNANCE (CONTINUED)

E. The Executive Committee (continued)

The Committee comprises the following members and details of attendance of each member at meetings held during the year ended 31 March 2007 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
David Chan Mun Wai*	Non-Executive Director & Chairman	9	7
Hashim Harun	Chief Executive Officer / Managing Director	9	9
Chan Kok Seong	Non-Executive Director	9	8
Hasni Harun	Non-Executive Director	9	7
Dato' Maznah Abdul Jalil**	Non-Executive Director	9	2

* Appointed as Chairman of Executive Committee wef 26.07.2006

** Resigned as Director wef 01.06.2006

F. The Claims and Underwriting Committee

The Committee 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 reports to the Board of the results, observations and recommendations arising from the review of the above for deliberation and formalisation by the Board. In discharging its duties, the Committee provides 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 2007 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
Lawrence Pereira	Non-Executive Director & Chairman	10	10
David Chan Mun Wai	Non-Executive Director	10	10
Datuk Abdul Shukor Hassan	Non-Executive Director	10	10
Hashim Harun	Chief Executive Officer / Managing Director	10	10
Hasni Harun*	Non-Executive Director	10	6

* Resigned as Member wef 22.03.2007

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 reports to the Board 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 2007 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
Hasni Harun*	Non-Executive Director & Chairman	9	7
Hashim Harun	Chief Executive Officer / Managing Director	9	9
Chan Kok Seong	Non-Executive Director	9	8
Habshah Mohamed	General Manager, Finance & Accounts	9	8
Dato' Maznah Abdul Jalil**	Non-Executive Director	9	2

* Appointed as Chairman of Investment Committee wef 01.08.2006

** Resigned as Director wef 01.06.2006

Directors' Report (continued)

DIRECTORS

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

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail	(appointed on 11.07.2006)
David Chan Mun Wai	
Lawrence Pereira	
Datuk Abdul Shukor Hassan	
George Isac Pereire	
Hashim Harun	
Chan Kok Seong	
Dato' Dr. Mohd Shahari Ahmad Jabar	(appointed on 11.07.2006)
Hasni Harun	(appointed on 01.08.2006)
Dato' Maznah Abdul Jalil	(resigned on 01.06.2006)
Dato' Mohd. Nor Mohamad	(resigned on 11.07.2006)

In accordance with the Company's Article of Association, David Chan Mun Wai and Hashim Harun retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with the Company's Article of Association, YAM Tan Sri Dato' Seri Syed Anwar Jamalullail and Hasni Harun, who were appointed during the period, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Pursuant to section 129 of the Companies Act, 1965, Dato' Dr. Mohd Shahari Ahmad Jabar retires and a resolution is being proposed for his reappointment as Director under the provision of section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

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 31.3.2007
	As at 1.4.2006	Acquired	Disposed	
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	550,500	-	430,500	120,000
Dato' Mohd. Nor Mohamad	86,000	-	76,000	10,000
George Isac Pereire	74,000	96,000	-	170,000
Chan Kok Seong	5,000	-	5,000	-

* 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 Directors in office at the end of the year held any interests in the shares and/or options over shares in the Company or in its related corporations during the year.

Directors' Report (continued)

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. 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 18 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 31 May 2007.

TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
DIRECTOR

DAVID CHAN MUN WAI
DIRECTOR

Kuala Lumpur

Balance Sheet as at 31 March 2007

	Note	2007 RM'000	2006 RM'000
ASSETS			
Property, plant and equipment	4	52,831	56,425
Investment properties	5	27,405	27,405
Investments	6	463,307	463,082
Loans	7	945	1,078
Amount due from immediate holding company	27	8	8
Deferred tax assets	9	3,396	3,760
Receivables	10	40,341	43,838
Cash and bank balances		4,386	3,510
Total assets		<u>592,619</u>	<u>599,106</u>
LIABILITIES			
Provision for outstanding claims	11	200,252	215,431
Payables	12	27,668	30,207
Post employment benefit obligations	13	716	1,181
Current tax liabilities		6,224	5,079
		<u>234,860</u>	<u>251,898</u>
Unearned premium reserves	14	121,605	138,492
Total liabilities		<u>356,465</u>	<u>390,390</u>
SHAREHOLDERS' EQUITY			
Share capital	15	100,000	100,000
Reserves	16	136,154	108,716
		<u>236,154</u>	<u>208,716</u>
Total liabilities and shareholders' equity		<u>592,619</u>	<u>599,106</u>

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

Income Statement

 for the year ended 31 March 2007

	Note	2007 RM'000	2006 RM'000
Operating revenue	17	345,345	381,386
Shareholders' fund:			
Management expenses	18	(2,451)	(2,202)
Other operating expense - net	20	-	(11)
		(2,451)	(2,213)
Surplus transferred from Revenue Account		66,954	63,491
Profit before taxation		64,503	61,278
Taxation	21	(19,032)	(19,685)
Net profit for the year		45,471	41,593
Earnings per share (sen)	22	45.47	41.60

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

General Insurance Revenue Account for the year ended 31 March 2007

	Note	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
Gross premium		44,514	241,645	8,671	29,736	324,566
Reinsurance		(20,766)	(13,884)	(6,540)	(10,583)	(51,773)
Net premium		23,748	227,761	2,131	19,153	272,793
(Increase)/decrease in unearned premium reserves	14	(385)	17,632	(119)	(241)	16,887
Earned premium		23,363	245,393	2,012	18,912	289,680
Net claims incurred	24	(9,173)	(150,840)	(628)	(11,911)	(172,552)
Net commission		(1,411)	(19,762)	(26)	(2,312)	(23,511)
Underwriting surplus before management expenses		12,779	74,791	1,358	4,689	93,617
Management expenses	18					(64,035)
Underwriting surplus						29,582
Investment income	19					20,779
Other operating income - net	20					16,593
Surplus transferred to Income Statement						66,954

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

General Insurance Revenue Account for the year ended 31 March 2006

	Note	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
Gross premium		45,508	278,944	8,974	28,228	361,654
Reinsurance		(20,730)	(15,207)	(7,014)	(9,599)	(52,550)
Net premium		24,778	263,737	1,960	18,629	309,104
(Increase)/decrease in unearned premium reserves	14	(1,236)	(15,934)	273	(866)	(17,763)
Earned premium		23,542	247,803	2,233	17,763	291,341
Net claims incurred	24	(7,966)	(143,822)	(891)	(12,063)	(164,742)
Net commission		(1,929)	(23,284)	(6)	(2,325)	(27,544)
Underwriting surplus before management expenses		13,647	80,697	1,336	3,375	99,055
Management expenses	18					(55,400)
Underwriting surplus						43,655
Investment income	19					19,732
Other operating income - net	20					104
Surplus transferred to Income Statement						63,491

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

Statement Of Changes In Equity for the year ended 31 March 2007

	Note	Number of shares 000	Nominal value RM'000	Issued and fully paid ordinary shares of RM1 each	Non- distributable Asset revaluation reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 April 2006							
- as previously reported		100,000	100,000		4,601	104,115	208,716
- changes in accounting policy	28	-	-		(1,084)	1,084	-
At 31 March 2007		100,000	100,000		3,517	105,199	208,716
Realisation of revaluation surplus net of tax of properties, plant and equipment on disposal		-	-		(48)	48	-
Reversal of deferred tax liabilities on revaluation surplus of property, plant and equipment upon disposal		-	-		-	19	19
Reversal of deferred tax liabilities due to change in tax rates		-	-		48	-	48
Net gain not recognised in income statement		-	-		-	67	67
Net profit for the year		-	-		-	45,471	45,471
Dividends:							
- final for the financial year ended 31 March 2006	23	-	-		-	(10,800)	(10,800)
- interim for the financial year ended 31 March 2007		-	-		-	(7,300)	(7,300)
		100,000	100,000		3,517	132,637	236,154
At 1 April 2005		100,000	100,000		2,486	83,322	185,808
Surplus on revaluation of properties		-	-		2,937	-	2,937
Transferred to deferred tax		-	-		(822)	-	(822)
Net profit for the year		-	-		-	41,593	41,593
Dividends:	23						
- final for year ended 31 March 2005		-	-		-	(13,600)	(13,600)
- interim for year ended 31 March 2006		-	-		-	(7,200)	(7,200)
At 31 March 2006		100,000	100,000		4,601	104,115	208,716

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

Cash Flow Statement

for the year ended 31 March 2007

	Note	2007 RM'000	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		45,471	41,593
Adjustments for non-cash items	25	(30,644)	19,988
		14,827	61,581
Decrease/(increase) in loans		133	(130)
(Increase)/decrease in fixed and call deposits		(54,830)	31,666
Purchase of investments		(111,235)	(140,883)
Proceeds from disposal of investments		171,784	71,089
Proceeds from maturity of investments		10,000	10,000
Interest income received		18,577	17,767
Dividend income received		2,233	2,040
Other investment income received		(1,048)	(54)
Payment of staff retirement benefits		(515)	-
Increase in amount due to holding company		-	(3)
Decrease/(increase) in trade receivables		4,121	(3,506)
Decrease in trade payables		(2,785)	(70)
Decrease in provision for outstanding claims		(15,179)	(7,502)
Decrease in other receivables		610	34
Increase/(decrease) in other payables		246	(1,449)
Cash generated from operations		36,939	40,580
Tax paid		(17,456)	(20,688)
Net cash inflow from operating activities		19,483	19,892
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,089)	(1,709)
Proceeds from disposal of property, plant and equipment		582	40
Proceeds from disposal of associated company		-	330
Proceeds from disposal of subsidiary companies		-	260
Net cash outflow from investing activities		(507)	(1,079)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(18,100)	(20,800)
Net cash outflow from financing activities	26	(18,100)	(20,800)
NET DECREASE IN CASH AND CASH EQUIVALENTS	26	876	(1,987)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	26	3,510	5,497
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	4,386	3,510

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

Notes To The Financial Statements 31 March 2007

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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 this activity 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 financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 May 2007.

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 are prepared under the historical cost convention except as disclosed in this summary of significant accounting policies. The financial statements are comply with Financial Reporting Standards ("FRS"), the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities, the provisions of the Insurance Act, 1996, and relevant Guidelines and Circulars issued by Bank Negara Malaysia ("BNM") and the provision of Companies Act, 1965, in all material respects.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities 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 those estimates.

The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are in Note 3 to the financial statements.

(i) Standards that are effective and relevant to the Company's operations

The new accounting standards effective and relevant to the Company's operations, for the Company's financial year beginning on 1 April 2006 are as follows:

FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 140	Investment Property

There was no significant impact to the Company's financial statements as a result of adopting the new accounting standards except as disclosed in Note 28 to the financial statements.

(ii) Standards, amendments to published standards and interpretations that are effective but not relevant to the Company's operations

The new accounting standards, amendments to published standards and IC Interpretations to existing standards effective, but not relevant to the Company's operations, for the Company's financial year beginning on 1 April 2006 are as follows:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
FRS 102	Inventories
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 138	Intangible Assets

Amendment to FRS 119₂₀₀₄ Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures – in relation to the "asset ceiling" test

Notes To The Financial Statements 31 March 2007 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

IC 107	Introduction of the Euro
IC 110	Government Assistance – No Specific Relation to Operating Activities
IC 112	Consolidation – Special Purpose Entities
IC 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
IC 115	Operating Leases – Incentives
IC 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
IC 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
IC 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC 129	Disclosure – Service Concession Arrangements
IC 131	Revenue – Barter Transactions Involving Advertising Services
IC 132	Intangible Assets – Web Site Costs

(iii) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted

The new standards that are applicable for the Company's financial year beginning on or after 1 April 2007 or later years are as follows:

- FRS 117 Leases (effective for accounting periods beginning on or after 1 October 2006). This standard requires the classification of leasehold land as prepaid lease payments. The Company will apply this standard from financial year beginning on 1 April 2007.
- FRS 124 Related Party Disclosures (effective for accounting periods beginning on or after 1 October 2006). This standard will affect the identification of related parties and some other related party disclosures. The Company will apply this standard from financial year beginning 1 April 2007.
- FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by MASB). This new standard establishes principles for recognising and measuring financial assets and financial liabilities.
- Amendment to FRS FRS 119₂₀₀₄ Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures (effective for accounting periods beginning on or after 1 January 2007).
- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operations (effective for accounting periods beginning on or after 1 July 2007).
- FRS 6 Exploration for and Evaluation of Mineral Resources (effective for accounting periods beginning on or after 1 January 2007).
- IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (effective for accounting periods beginning on or after 1 July 2007).

(iv) Standards, amendments to standards and interpretations to existing standards that are not relevant for the Company's operations

- IC Interpretation 5 Rights to Interests arising from Decommission, Restoration and Environmental Rehabilitation Funds (effective for accounting periods beginning on or after 1 July 2007).
- IC Interpretation 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective for accounting periods beginning on or after 1 July 2007).
- IC Interpretation 7 Applying the Restatement Approach under FRS 1292004 Financial Reporting in Hyperinflationary Economies (effective for accounting periods beginning on or after 1 July 2007).
- IC Interpretation 8 Scope of FRS 2 (effective for accounting periods beginning on or after 1 July 2007).

(b) Property, plant and equipment

Property, plant and equipment are initially stated at cost.

Freehold and leasehold land and buildings are stated at valuation based upon the latest independent valuation on the open market value basis by professional valuers after approval by the relevant government authorities less subsequent depreciation and impairment loss. 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement and/or revenue account during the financial period in which they are incurred.

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 income statement and/or revenue account 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 income statement and/or revenue account.

Notes To The Financial Statements 31 March 2007 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment (continued)

All other property, plant and equipment are stated at cost less accumulated depreciation and impairment loss cost include expenditure that is directly attributable to the acquisition of the asset.

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on the straight line basis to write off the cost of the assets, to their residual values over their estimated useful lives, summarised as follow:

Freehold buildings	50 years
Leasehold land and buildings	50 years
Motor vehicles	5 years
Computer equipment	5 years
Office equipment,	10 years
Furniture and fittings	20 years

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The Company revised the residual values and useful lives of certain property, plant and equipment at the balance sheet date. The revision was accounted for as change in accounting estimate and as a result, the depreciation charge for current and future periods will reduce by RM233,578.

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 (g) on impairment of non-financial assets.

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

(c) 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 except where there is an indication or impairment, the investment is written-down to its net realisable value. The amortisation of premiums and accretion of discounts are recognised in the income statements and/or revenue account.

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.

(d) Investment properties

Investment properties, comprising of principally land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Company.

Investment properties are initially stated at cost including related and incidental expenditure incurred and are subsequently carried at fair value, representing open-market value determined by independent external valuers. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment properties differ materially from the fair values. These valuations are reviewed by an independent valuation expert.

Changes in fair values are recorded in the income statement and/or revenue account as part of other income.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the balance sheet). The difference between the net disposal proceeds and the carrying amount is recognised in the income statement and/or revenue account in the year of the retirement or disposal.

(e) 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 six months from the date on which they become receivable, and for all debts which are considered doubtful.

(f) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents consist of cash in hand and bank balances.

Notes To The Financial Statements 31 March 2007 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is charged to the income statement and/or revenue account immediately. Any subsequent increase in recoverable amount is recognised in the income statement and/or revenue account.

(h) General insurance underwriting results

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

Premium income

Premium income is recognised in a financial year in respect of risks assumed during that particular financial year. Premiums from direct business are recognised during the financial year upon the issuance of 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 financial year.

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

- (i) 25% method for marine cargo, aviation cargo and transit;
- (ii) 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 Bank Negara Malaysia;
- (iii) 1/8th method for all other classes of overseas inward business with a deduction of 20% for acquisition costs; and
- (iv) time appointment method for policies with insurance periods other than 12 months.

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.

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.

(i) Other revenue recognition

Interest income on loans are recognised on an accrual basis except for 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 premiums 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 income statements and/or revenue accounts.

Notes To The Financial Statements 31 March 2007 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Income taxes

Current tax expense is determined according to the tax laws of jurisdiction in which the Company operates and includes all taxes based upon the taxable profits. The tax expense of the Life fund is based on the method prescribed under the Income Tax Act, 1967 for life insurance business.

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 amounts in the financial statements.

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

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

(k) Foreign currencies

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 at that date. 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 statements and/or revenue accounts.

(l) Employee benefits

(i) Short term employee 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 Company.

(ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Group and Company pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Company's contributions to defined contribution plan are charged to the income statement and/or revenue account in the period to which they relate. Once the contributions have been paid, the Company have no further payment obligation.

(iii) Termination benefits

Termination benefits are payable to an entitled employee whenever the employment has to be terminated before the normal retirement date or when the employee accepts voluntary separation in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(m) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date. Upon the dividend becoming payable, it will be accounted for as a liability.

(n) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but disclosed 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 circumstance 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.

(o) Financial Instruments

Description

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

Notes To The Financial Statements 31 March 2007 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial Instruments (continued)

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

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

Fair value estimation for disclosure purposes

The fair value of publicly traded financial instruments is based on quoted market prices at the balance sheet date. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

In assessing the fair value of non-traded financial instruments, the Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Techniques such as estimated discounted value of future cash flows, are used to determine fair value. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The carrying values for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Provision for incurred but not reported ("IBNR") claims

The estimation of provision for incurred but not reported claims involves projection of the Company's future claims experience. As with all projections, there are elements of inherent uncertainty in any estimates, as a result of which the projected future claims experience may be different from its actual claims experience. These uncertainties arise from changes in underlying risks, changes in spread of risk, claims settlement, for example, size of court awards, the attitudes of claimants towards settlement of their claims, and social and economic inflation as well as uncertainties in the projection model and underlying assumptions. The final selected estimates are based on a judgemental consideration of results of each method and qualitative information, such as those mentioned above. It is thus, impractical to disclose the extent of the possible effects of potential changes to the key assumptions used in assessing the provision for incurred but not reported claims due to the number of variables included in the assessment.

(b) Fair values of investment properties

Fair value of investment properties are valued at open market value by independent property valuers, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets adjusted if necessary, for any difference in the nature, location or condition of the specific asset or discounted cash flow projections.

3.2 Critical judgement in applying the entity's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group. The Directors are of the view that currently there are no accounting policies which require significant judgement to be exercised.

Notes To The Financial Statements 31 March 2007 (continued)

4 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Freehold buildings RM'000	Long term leasehold land RM'000	Long term leasehold buildings RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Office equipment RM'000	Office renovation RM'000	Computer equipment RM'000	Total RM'000
Net book value at 1 April 2006	2,453	6,230	1,430	33,443	931	2,529	1,141	4,456	3,812	56,425
Additions at cost	-	-	-	-	263	19	55	18	734	1,089
Disposals at net book value	(124)	(182)	-	-	(125)	(9)	-	(1)	(4)	(445)
Write off at net book value	-	-	-	-	-	(64)	(14)	(118)	(1)	(197)
Depreciation charge for the financial year	(82)	(170)	(46)	(791)	(62)	(178)	(226)	(866)	(1,620)	(4,041)
Net book value at 31 March 2007	2,247	5,878	1,384	32,652	1,007	2,297	956	3,489	2,921	52,831
At 31 March 2007:										
At cost	-	-	-	-	1,555	3,509	3,593	9,012	15,693	33,362
Valuation	2,425	6,246	1,484	34,366	-	-	-	-	-	44,521
Accumulated depreciation	(178)	(368)	(100)	(1,714)	(548)	(1,212)	(2,637)	(5,523)	(12,772)	(25,052)
Net book value	2,247	5,878	1,384	32,652	1,007	2,297	956	3,489	2,921	52,831

Notes To The Financial Statements

31 March 2007 (continued)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Freehold buildings RM'000	Long term leasehold land RM'000	Long term leasehold buildings RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment RM'000	Office renovation RM'000	Computer equipment RM'000	Total RM'000
Net book value at 1 April										
2005	2,070	5,979	1,162	29,186	1,072	2,499	1,166	5,151	4,928	53,213
Additions at cost	-	-	-	-	198	234	241	281	755	1,709
Revaluation and reversal of depreciation due to revaluation	473	432	316	5,069	-	-	-	-	-	6,290
Disposals at net book value	-	-	-	-	(3)	(16)	(1)	(1)	(30)	(51)
Write off at net book value	-	-	-	-	-	(13)	(10)	(7)	-	(30)
Reclassification at net book value	-	-	-	-	-	-	-	(1)	-	(1)
Depreciation charge for the financial year	(90)	(181)	(48)	(812)	(336)	(175)	(255)	(967)	(1,841)	(4,705)
Net book value at 31 March 2006	2,453	6,230	1,430	33,443	931	2,529	1,141	4,456	3,812	56,425
At 31 March 2006:										
At cost	-	-	-	-	1,860	3,620	3,592	10,301	18,627	38,000
Valuation	2,555	6,436	1,484	34,366	-	-	-	-	-	44,841
Accumulated depreciation	(102)	(206)	(54)	(923)	(929)	(1,091)	(2,452)	(5,844)	(14,815)	(26,416)
Net book value	2,453	6,230	1,430	33,443	931	2,529	1,140	4,457	3,812	56,425

Notes To The Financial Statements 31 March 2007 (continued)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In 2005, 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.

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:

	2007 RM'000	2006 RM'000
Freehold land and buildings	6,136	6,552
Long term leasehold land and buildings	33,195	33,975
	39,331	40,527

The long term leasehold land and buildings have unexpired lease periods ranging from 72 years to 888 years (31.3.2006: 73 years to 889 years).

The titles to certain long term leasehold properties and freehold properties included in property, plant and equipment at carrying value of RM 31,551,861 (2006: RM32,303,310) and RM 4,537,384 (2006: RM4,659,976) 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 finalisation of this transfer to be completed.

5 INVESTMENTS PROPERTIES

	2007 RM'000 Carrying value	2006 RM'000 Carrying value
Investment properties:		
Freehold land and buildings: At valuation	5,405	5,405
Leasehold land and buildings: At valuation	22,000	22,000
	27,405	27,405

In 2005, the Directors revalued all the investment properties of the Company based on independent valuation on the open market value basis.

The fair values of the investment properties at 31 March 2007 were estimated by the Directors to approximate their carrying values.

The titles to the leasehold land and buildings and freehold land and buildings included in investment properties at carrying value of RM 22,000,000 (2006: RM22,000,000) and RM5,405,000 (2006: RM5,405,000) 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 formalisation of this transfer to be completed.

Notes To The Financial Statements 31 March 2007 (continued)

6 INVESTMENTS

	Carrying value RM'000	2007 Market value RM'000	Carrying value RM'000	2006 Market value RM'000
Malaysian Government Securities, at cost	53,203		47,986	
Amortisation of premiums net of accretion of discounts	(3,780)		(1,823)	
	49,423	49,342	46,163	45,877
Cagamas papers, at cost	-		5,028	
Amortisation of premiums net of accretion of discounts	-		(16)	
	-		5,012	
Quoted:				
Equity securities of corporations - quoted in Malaysia, at cost	4,593		58,248	
Allowance for diminution in value	-		(7,755)	
	4,593	5,575	50,493	50,493
Corporate debts securities - quoted in Malaysia, at cost	-		8,365	
Accretion of discounts net of amortisation of premiums	-		395	
	-	-	8,760	10,000
Unit trust, at cost	13,570	13,930	5,768	6,028
Unquoted:				
Equity securities of corporations, at cost	214		214	
Allowance for diminution in value	(121)		(121)	
	93		93	
Corporate debt securities, at cost	166,018		170,915	
Accretion of discounts net of amortisation of premiums	230		320	
Allowance for diminution in value	(1,008)		-	
	165,240		171,235	
	2007 RM'000		2006 RM'000	
Fixed and call deposits with: Licensed banks	230,388		175,558	
TOTAL INVESTMENTS	463,307		463,082	

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

	2007 RM'000	2006 RM'000
Investments maturing within 12 months	303,364	185,703
Investments maturing after 12 months	141,687	221,025
	445,051	406,728

Notes To The Financial Statements 31 March 2007 (continued)

7 LOANS

	2007 RM'000	2006 RM'000
Staff housing loans (secured)	893	1,033
Staff vehicle loans (secured)	14	19
Other staff loans (unsecured)	38	26
	945	1,078
Receivable within 12 months	100	98
Receivable after 12 months	845	980
	945	1,078

8 SUBSIDIARY COMPANY

	2007 RM'000	2006 RM'000
Unquoted shares, at cost	-	1,394
Accumulated impairment losses	-	(1,394)
	-	-

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

Name of company	Country of incorporation	Effective equity interest		Principal activities	Year end
		2007	2006		
Subsidiary company:		%	%		
+ Seains Pte Ltd	Singapore	-	-	Dormant	31 March

+ Not audited by PricewaterhouseCoopers.
Seains Pte Ltd was dissolved on 26 August 2006.

9 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:

	2007 RM'000	2006 RM'000
Deferred tax assets	3,396	3,760
At 1 April	3,760	7,018
(Charged)/credited to income statements (Note 21):		
- property, plant and equipment	330	(785)
- investments	(838)	(282)
- receivables	1	(1,109)
- retirement benefits	(175)	(3)
- payables	228	(244)
- unearned premium reserves	23	(13)
	(431)	(2,436)
Charged to equity	67	(822)
At 31 March	3,396	3,760

Notes To The Financial Statements

31 March 2007 (continued)

9 DEFERRED TAX (CONTINUED)

	2007 RM'000	2006 RM'000
Subject to income tax:		
Deferred tax assets (after offsetting)		
Investments	4,301	5,139
Receivables	4	5
Retirement benefits	263	438
Payables	1,051	823
Unearned premium reserves	10	-
	5,629	6,405
Offsetting	(2,233)	(2,645)
Deferred tax asset (after offsetting)	3,396	3,760
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	2,233	2,632
Unearned premium reserves	-	13
	2,233	2,645
Offsetting	(2,233)	(2,645)
Deferred tax liabilities (after offsetting)	-	-
10 RECEIVABLES		
Trade receivables		
Due premiums including agents, brokers and co-insurers balances	29,511	32,655
Due from reinsurers and cedants	7,968	8,595
Allowance for doubtful debts	(9,023)	(9,363)
	28,456	31,887
Knock-for-knock claims recoveries due from other insurers	2,107	2,457
Allowance for doubtful debts	(710)	(587)
	1,397	1,870
Other receivables		
Investment income due and accrued	5,834	4,817
Assets held under Malaysian Motor Insurance Pool	2,409	2,426
Deposits	713	688
Prepayments	472	518
Other receivables less allowance for doubtful debts of RM328,000 (2006: RM328,000)	1,060	1,632
	10,488	10,081
	40,341	43,838
Receivable after 12 months	2,409	2,426

Notes To The Financial Statements 31 March 2007 (continued)

11 PROVISION FOR OUTSTANDING CLAIMS

	2007 RM'000	2006 RM'000
Provision for outstanding claims	249,883	275,707
Less: Recoverable from reinsurers	(49,631)	(60,276)
Net outstanding claims	200,252	215,431

12 PAYABLES

Trade payables		
Due to insureds, agents, brokers and co-insurers	6,422	6,981
Due to reinsurers and cedants	10,454	12,680
	16,876	19,661
Other payables		
Amount due to a shareholder	61	61
Payroll liabilities	3,355	2,611
Defined contribution plan	257	383
Unutilised leave	545	545
Unclaimed monies	580	743
Cash collaterals held on bond business	599	737
Duties and other taxes payable	727	619
Accrual of Insurance Guarantee Scheme Fund Levy	794	886
Profit commission	243	978
Other payables and accrued liabilities	3,631	2,983
	10,792	10,546
	27,668	30,207

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

13 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:

	2007 RM'000	2006 RM'000
At 1 April	1,181	1,070
Charged to income statement/revenue account	50	111
Benefits paid	(515)	-
At 31 March	716	1,181
Payable within 12 months	-	36
Payable after 12 months	716	1,145
	716	1,181
The amounts recognised in the balance sheet may be analysed as follows:		
Present value of unfunded obligations	716	1,181
Additional accrual	-	-
	716	1,181

Notes To The Financial Statements 31 March 2007 (continued)

13 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

	2007 RM'000	2006 RM'000
The expense recognised in the income statement/revenue account may be analysed as follows:		
Current service cost	50	111

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

	2007 %	2006 %
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.

14 UNEARNED PREMIUM RESERVES

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
2007					
At 1 April 2006	10,578	118,166	513	9,235	138,492
Increase/(decrease) in unearned premium reserves	385	(17,632)	119	241	(16,887)
At 31 March 2007	10,963	100,534	632	9,476	121,605
2006					
At 1 April 2005	9,342	102,232	786	8,369	120,729
Increase/(decrease) in unearned premium reserves	1,236	15,934	(273)	866	17,763
At 31 March 2006	10,578	118,166	513	9,235	138,492

15 SHARE CAPITAL

	2007 RM'000	2006 RM'000
Ordinary shares of RM1 each:		
Authorised	250,000	250,000
Issued and fully paid	100,000	100,000

Notes To The Financial Statements 31 March 2007 (continued)

16 RESERVES

	2007 RM'000	2006 RM'000
Non-distributable		
Asset revaluation reserves	3,517	4,601
Distributable		
Retained earnings (Note (a))	132,637	104,115
	136,154	108,716

- (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 2007.

17 OPERATING REVENUE

	2007 RM'000	2006 RM'000
Insurance fund		
Gross premium income	324,566	361,654
Investment income (Note 19)	20,779	19,732
	345,345	381,386

18 MANAGEMENT EXPENSES

	Shareholders' fund		Insurance fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Staff cost (including Executive Directors):				
- Salaries and bonus	1,160	1,008	28,160	24,274
- Defined contribution scheme	176	167	4,239	4,016
- Others	106	105	2,550	2,522
	1,442	1,280	34,949	30,812
Depreciation of property plant and equipment	-	3	4,041	4,702
Auditors' remuneration	6	7	149	160
Writeback of doubtful debts	-	-	-	(3,024)
Bad and doubtful debts	-	-	102	-
Rental of properties	40	42	961	1,007
Insurance Guarantee Scheme Fund Levy	-	-	692	785
EDP expenses	118	121	2,848	2,920
Advertising	230	237	5,531	5,703
Printing and stationery	76	67	1,838	1,612
Postage, telephone, telex and telefax	80	92	1,931	2,220
Training	72	46	1,741	1,104
Others	387	307	9,252	7,399
	1,009	922	29,086	24,588
	2,451	2,202	64,035	55,400

Notes To The Financial Statements

31 March 2007 (continued)

18 MANAGEMENT EXPENSES (CONTINUED)

	Shareholders' fund		Insurance fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Included in management expenses were emoluments received by Directors of the Company during the year:				
Executive Directors:				
- salaries and bonus	20	17	489	414
- defined contribution scheme	3	3	73	62
Non-Executive Directors:				
- fees	15	9	355	221
- other emoluments	8	7	190	159
	46	36	1,107	856

The remuneration, including benefits-in-kind, attributable to the CEO of the Company during the year amounted to RM598,879 (2006: RM509,226).

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

Non-Executive Directors

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail	(appointed on 11.7.2006)
David Chan Mun Wai	
Lawrence Pereira	
Datuk Abdul Shukor Hassan	
George Isac Pereira	
Chan Kok Seong	
Dato' Maznah Abdul Jalil	(resigned on 1.6.2006)
Dato' Mohd. Nor Mohamad	(resigned on 11.7.2006)
Dato' Dr Mohd Shahari Ahmad Jabar	(appointed on 11.7.2006)
Hasni Harun	(appointed on 1.8.2006)

Executive Director

Hashim Harun

19 INVESTMENT INCOME

	2007 RM'000	2006 RM'000
Insurance fund		
Interest from:		
Malaysian Government Securities	3,464	3,181
Cagamas papers	139	275
Corporate debt securities	9,146	8,783
Fixed and call deposits	6,738	5,464
Staff loans	40	43
	19,527	17,746
Amortisation of premiums net of accretion of discounts	(1,896)	(970)
Gross dividends from shares quoted in Malaysia	2,233	2,040
Rental income from land and buildings	1,805	1,808
Less: Rates and maintenance expenses	(890)	(892)
	20,779	19,732

Notes To The Financial Statements

31 March 2007 (continued)

20 OTHER OPERATING INCOME – NET

	2007 RM'000	2006 RM'000
Insurance fund		
Gain on disposal of investments	13,207	166
Write back of/(allowance for) diminution in value of investments	2,737	(3,826)
Write back of/(allowance for) diminution in value		
- Associated company	-	165
- Subsidiary company	-	(86)
Capital distribution from liquidation of subsidiary companies	-	261
Gain from sale of associated company	-	165
Property, plant and equipment		
- gain/(loss) on disposal	137	(11)
- written off	(197)	(30)
Revaluation of properties		
- investment properties	-	(827)
- property, plant and equipment	-	3,554
(Loss)/gain on foreign exchange	(3)	1
Write-offs of reinsurance balances	-	(323)
Share of losses from joint venture	392	-
Others	320	895
	<hr/> 16,593	<hr/> 104
Shareholders' fund		
Allowance for diminution in value of investments	-	(11)
	<hr/> -	<hr/> (11)

21 TAXATION

	2007 RM'000	2006 RM'000
Current tax	18,601	17,249
Deferred tax (Note 9)	431	2,436
	<hr/> 19,032	<hr/> 19,685
Current tax		
Current year	19,203	17,249
Overaccrual in prior years	(602)	-
Deferred tax		
Origination and reversal of temporary differences	431	2,436
	<hr/> 19,032	<hr/> 19,685
	<hr/>	<hr/>
	2007 %	2006 %
Numerical reconciliation between the average effective tax rate and the Malaysian tax rate:		
Malaysian tax rate	27	28
Tax effects of:		
- expenses not deductible for tax purposes	4	4
- overaccruals in prior years	(1)	-
- change in tax rate	(1)	-
	<hr/> 29	<hr/> 32

Notes To The Financial Statements

31 March 2007 (continued)

22 EARNINGS PER SHARE

	2007 RM'000	Income 2006 RM'000
Net profit for the year (RM'000)	45,471	41,593
Number of ordinary shares ('000)	100,000	100,000
Basic earnings per share (sen)	45.47	41.60

23 DIVIDENDS

Dividends declared or proposed in respect of the year ended 31 March 2007 are as follows:

	Gross dividend per share Sen	2007 Amount of dividend, net of tax RM'000	Gross dividend per share Sen	2006 Amount of dividend, net of tax RM'000
Interim dividend paid	10.00	7,300	10.00	7,200
Proposed final dividend	15.00	11,100	15.00	10,800
	25.00	18,400	25.00	18,000

At the forthcoming Annual General Meeting, a final gross dividend in respect of the year ended 31 March 2007 of 15 sen per share, less income tax of 26% (31.3.2006: 15 sen per share, 28% tax), amounting to RM11,100,000 (31.3.2006: RM10,800,000) 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.

24 NET CLAIMS INCURRED

2007	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc- ellaneous RM'000	Total RM'000
Gross claims paid less salvage	20,553	178,725	1,606	15,448	216,332
Reinsurance recoveries	(10,976)	(13,235)	(406)	(3,984)	(28,601)
Net claims paid	9,577	165,490	1,200	11,464	187,731
Net outstanding claims:					
At 31 March 2007	8,254	172,199	1,829	17,970	200,252
At 1 April 2006	(8,658)	(186,849)	(2,401)	(17,523)	(215,431)
Net claims incurred	9,173	150,840	628	11,911	172,552
2006					
Gross claims paid less salvage	21,239	166,650	1,454	12,629	201,972
Reinsurance recoveries	(16,607)	(10,788)	(631)	(1,702)	(29,728)
Net claims paid	4,632	155,862	823	10,927	172,244
Net outstanding claims:					
At 31 March 2006	8,658	186,849	2,401	17,523	215,431
At 1 April 2005	(5,324)	(198,889)	(2,333)	(16,387)	(222,933)
Net claims incurred	7,966	143,822	891	12,063	164,742

Notes To The Financial Statements 31 March 2007 (continued)

25 ADJUSTMENTS FOR NON-CASH ITEMS

	2007 RM'000	2006 RM'000
(Decrease)/increase in unearned premium reserves	(16,887)	17,763
Property, plant and equipment		
- depreciation	4,041	4,705
- (gain)/loss on disposal	(137)	11
- written off	197	30
- revaluation surplus	-	(3,554)
Gain on disposal of investments	(13,207)	(166)
(Writeback of)/allowance for diminution in value of investments	(2,737)	3,837
(Writeback of)/allowance for diminution in value		
- associated company	-	(165)
- subsidiary company	-	86
Capital distribution from liquidation of subsidiary companies	-	(261)
Gain on disposal of associated company	-	(165)
Revaluation deficit on investment properties	-	827
Investment income	(20,779)	(19,732)
Writeback of doubtful debts	(217)	(3,024)
Provision for post-employment benefit	50	111
Tax expenses	19,032	19,685
	<u>(30,644)</u>	<u>19,988</u>

26 SEGMENT INFORMATION ON CASH FLOW

	2007			2006		
	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	1,383	18,100	19,483	(908)	20,800	19,892
Investing activities	(507)	-	(507)	(1,079)	-	(1,079)
Financing activities	-	(18,100)	(18,100)	-	(20,800)	(20,800)
	<u>876</u>	<u>-</u>	<u>876</u>	<u>(1,987)</u>	<u>-</u>	<u>(1,987)</u>
Net decrease in cash and cash equivalents	876	-	876	(1,987)	-	(1,987)
Cash and cash equivalents:						
At beginning of the year	3,510	-	3,510	5,497	-	5,497
At end of the year	<u>4,386</u>	<u>-</u>	<u>4,386</u>	<u>3,510</u>	<u>-</u>	<u>3,510</u>

Notes To The Financial Statements

31 March 2007 (continued)

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
Related parties		
Pelabuhan Tanjung Pelepas	Malaysia	Interest held by a major shareholder of the ultimate holding company
Johor Port Berhad	Malaysia	Interest held by a major shareholder of the ultimate holding company
Tradewinds Hotels and Resorts Sdn Berhad	Malaysia	Interest held by a major shareholder of the ultimate holding company
Johor Tenggara Oil Palm Sdn Bhd	Malaysia	Interest held by a major shareholder of the ultimate holding company
Padi Beras Nasional Berhad	Malaysia	Interest held by a major shareholder of the ultimate holding company

The subsidiary of the Company is disclosed in Note 8 to the financial statements.

Significant related party balances

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

	2007 RM'000	2006 RM'000
Receivables (Note 10)		
Due premiums from related companies, DRB-HICOM Berhad Group	245	933
Due premiums from affiliated company, Edaran Otomobil Nasional Berhad Group	2,243	2,343
Payables (Note 12)		
Due to related companies	24	62

Notes To The Financial Statements 31 March 2007 (continued)

27 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions

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

	2007 RM'000	2006 RM'000
Transactions with related companies, DRB-HICOM Berhad Group:		
Gross premiums received	(12,293)	(13,428)
Claims paid	2,675	2,299
Maintenance charges and others	2,411	1,626
Transactions with related parties, by virtue of their relationship with a shareholder of DRB-HICOM Bhd:		
Gross premium received	(1,932)	1,781
Claims paid	296	-
Transactions with affiliated companies, Edaran Otomobil Nasional Berhad Group:		
Gross premiums received	(3,919)	(4,600)
Claims paid	264	135

28 CHANGES IN ACCOUNTING POLICIES

The list of new accounting standards, effective and relevant to the Company's financial year beginning 1 April 2006 is set on in Note 2(a)(i) to the financial statements. The following describes the impact of the new standards on the financial statements of the Company.

FRS 140 - Investment Property

The adoption of FRS 140 has not resulted in a significant change to the Company's accounting policy for investment properties.

The Company's accounting policy is to revalue investment properties at regular intervals of at least once in every three years by independent professional valuers with additional valuation in the intervening years when market conditions indicate that the carrying values of the revalued assets differ materially from market values. Surplus arising from revaluations were previously credited directly to an asset revaluation reserve account.

With the adoption of the fair value model of the standard, any fair value changes will be taken directly to the income statement and/ or revenue account. Accordingly, the cumulative surplus relating to investment properties amounting to RM1,084,000 have been adjusted to reflect the change in accounting policy by way of transferring from the asset revaluation reserve balances relating to investment properties as at 1 April 2006 to the retained earnings in accordance with the transitional provision of this standard.

	As previously reported RM	Effect of changes in accounting policies RM	As restated RM
As at 1 April 2006			
Asset revaluation reserve	4,601	(1,084)	3,517
Retained earnings	104,115	1,084	105,199
Investment properties	-	27,405	27,405
Investments	490,487	(27,405)	463,082

Notes To The Financial Statements

31 March 2007 (continued)

29 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.

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

	2007 RM'000	2006 RM'000
Analysed by rating:		
AAA	25,220	10,030
AA	44,526	44,202
A	86,226	120,603
BB	4,108	5,160
B	5,160	-
Total	165,240	179,995

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.

Notes To The Financial Statements 31 March 2007 (continued)

29 FINANCIAL INSTRUMENTS (CONTINUED)

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.

2007	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		
Financial assets:						
Investments						
Malaysian Government Securities	-	32,800	16,623	-	49,423	3.190
Corporate debt securities	-	40,176	114,341	10,723	165,240	5.586
Equity securities of Corporations						
- quoted	4,593	-	-	-	4,593	-
- unquoted	93	-	-	-	93	-
Unit trust	13,570	-	-	-	13,570	-
Fixed and call deposits	-	230,388	-	-	230,388	3.672
Loans	-	100	339	506	945	-
Amount due from immediate holding company	8	-	-	-	8	-
Other receivables	7,607	-	-	-	7,607	-
Cash and bank balances	4,386	-	-	-	4,386	-
	30,257	303,465	131,302	11,229	476,253	
Other financial assets*					32,262	
Total financial assets					508,515	
Other assets					84,104	
Total assets per balance sheet					592,619	
Financial liabilities:						
Other payables	10,792	-	-	-	10,792	
Other financial liabilities*					339,449	
Total financial liabilities					350,241	
Other liabilities					6,224	
Total liabilities per balance sheet					356,465	

* 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 FRS 132.

Notes To The Financial Statements

31 March 2007 (continued)

29 FINANCIAL INSTRUMENTS (CONTINUED) COMPANY

2006	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		
Financial assets:						
Investments						
Malaysian Government Securities	-	-	46,163	-	46,163	3.139
Cagamas papers	-	5,012	-	-	5,012	3.195
Corporate debt securities	-	5,133	143,021	31,841	179,995	6.152
Equity securities of corporations						
- quoted	50,493	-	-	-	50,493	-
- unquoted	93	-	-	-	93	-
Unit trust	5,768	-	-	-	5,768	-
Fixed and call deposits	-	175,558	-	-	175,558	3.041
Loans	26	83	385	584	1,078	3.939
Amount due from immediate holding company	8	-	-	-	8	-
Other receivables	7,137	-	-	-	7,137	-
Cash and bank balances	3,510	-	-	-	3,510	-
	67,035	185,786	189,569	32,425	474,815	
Other financial assets*					36,183	
Total financial assets					510,998	
Other assets					88,108	
Total assets per balance sheet					599,106	
Financial liabilities:						
Other payables	10,546	-	-	-	10,546	-
Other financial liabilities*					374,765	
Total financial liabilities					385,311	
Other liabilities					5,079	
Total liabilities per balance sheet					390,390	

* 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 FRS 132.

Notes To The Financial Statements

29 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 2007 RM'000	Fair values 2006 RM'000	2007 RM'000	2006 RM'000
Investments:				
- Malaysian Government Securities	49,423	46,163	49,342	45,877
- Cagamas papers	-	5,012	-	5,000
- Equity securities - quoted	4,593	50,493	5,575	50,493
- Unit Trust	13,570	5,768	13,930	6,028
- Corporate debt securities				
- quoted	-	8,760	-	10,000
- unquoted	165,240	171,235	166,802	173,357
	232,826	287,431	235,649	290,754

+ 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, Tan Sri Dato' Seri Syed Anwar Jamalullail 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 82 to 112 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2007 and of the results and cash flows of the Company for the year ended on that date in accordance with Malaysian Accounting Standards Board Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 31 May 2007.

TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
DIRECTOR

DAVID CHAN MUN WAI
DIRECTOR

Kuala Lumpur

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 82 to 112 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 31 May 2007, 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 82 to 112. 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 approved accounting standards in Malaysia for Entities Other Than Private Entities 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 2007 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. 2059/06/08 (J))
Partner of the firm

Kuala Lumpur
31 May 2007

List of Properties

as at FYE March 2007

Location	Date of acquisition	Description / Existing Use	Approximate age of building Years	Tenure	Approximate Area (sq. m) : Built-up	Net Book Value as at 31.03.07 RM '000
Menara Uni.Asia No. 1008, Jalan Sultan Ismail, 50250 Kuala Lumpur, W. Persekutuan	14 July 1999	Ground, 2nd, 6th to 10th Floor used as Uni.Asia General Insurance's Corporate Head Office, currently 11th to 13thA floors are rented out	8	Leasehold 99 years expiring on 06.02.2078	11,975	53,257
Adjacent Land (Plot A), Menara Uni.Asia	31 July 2001	Building Commercial land	6	Leasehold 82 years expiring on 15.08.2083	256	0
Lot 7651 & 7658, Taman Desa Jaya, Sg. Petani, Kedah	30 Dec 1990	Lot 7658 is detached with single storey house and Lot 7651 (4,808 sf) is a vacant land	25	Freehold	895	195
Lot 5453, A-4 Jalan Kg. Baru, Sg. Petani, Kedah	26 Feb 1994	4 storey shophouse used as branch office	12	Freehold	433	623
Suite 3.1, 3.2 and 3.3, Menara Penang Garden, P. Pinang	06 May 1992 & 05 Aug 1993	Suite 3.1, 3.2 and 3.3 are used as branch office	13	Freehold	574	1,457
Lot 951 (471) & 801, Mukim 11, Barat Daya, P. Pinang	12 Feb 1980	Vacant land	14	Freehold	8,551	1,860
No 120, Jalan Kota, Taiping, Perak	30 Sep 1982	Double storey shophouse used as branch office	23	Freehold	276	323
122 & 122A, Jalan Raja Musa Aziz, Ipoh, Perak	12 Jan 1981	2 units of 3 storey shophouse used as branch office and Regional Office	25	Leasehold 999 years expiring on 21.09.2894	866	880
9 - 12th Floors, Menara Safuan, Kuala Lumpur, W. Persekutuan	31 Dec 1994	9th and 10th are rented out in April 2004, 11th & 12th floor used as as Central KL branch	24	Freehold	1,785	6,626

