

Directors' report

The Directors are pleased to submit their report to the members together with the audited financial statements of the Group and the Company for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies and an associated company are disclosed in Note 3 to the financial statements.

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

FINANCIAL RESULTS

	GROUP	COMPANY
	RM'000	RM'000
Net profit for the year	50,171	50,188

DIVIDENDS

The dividends paid or declared by the Company since 31 March 2003 were as follows:

	RM'000
In respect of the year ended 31 March 2003, as shown in the Directors' report of that year, a final gross dividend of 4 sen per share, less income tax at 28%, paid on 29 July 2003	2,880
In respect of the year ended 31 March 2004, an interim gross dividend of 3 sen per share, less income tax at 28%, paid on 21 November 2003	2,160

The Directors now recommend the payment of a final tax exempt gross dividend of 22 sen per share, amounting to RM22,000,000, in respect of the year ended 31 March 2004, 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 statements and balance sheets of the Group and 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 statements and balance sheets of the Group and 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 Group and the Company inadequate to any substantial extent.

Directors' report (continued)

CURRENT ASSETS

Before the income statements and balance sheets of the Group and 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 Group and 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 Group and 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 Group and 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 Group and 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 Group and the Company that has arisen since the end of the year.

No contingent or other liability of the Group and 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 Group and 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 Group and 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 Group and 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 Group and 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, except for the change in accounting policy disclosed in Note 27 to the financial statements.

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 Group and 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 has subscribed to the recommendations of the Bank Negara Malaysia ("BNM") corporate governance framework and is committed to ensuring that good governance is practised at all times.

Directors' report (continued)

CORPORATE GOVERNANCE (continued)

Compliance with Bank Negara Malaysia JPI/GPI 25:

Prudential Framework of Corporate Governance of Insurers (continued)

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with prescriptive and best practice principles, as set out in the BNM JPI/GPI 25 on Prudential Framework of Corporate Governance of Insurers and BNM Circular JPI 13/2003 on Corporate Governance Standards. The Board of Directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practised throughout the Company as a fundamental part of discharging the responsibilities to achieve its governing objective of protecting, maximising shareholder value and safeguarding the interests of the stakeholders.

Board Responsibilities

The Board sets the overall strategic business direction of the Company. It oversees the business and affairs of the Company, and the processes for evaluating the adequacy of the Company's internal controls and financial reporting.

To be specific, the major responsibilities placed on the Board are consistent with the BNM Guideline JPI/GPI 1 - Guidelines on Duties and Responsibilities of Directors and Chief Executives of Insurers as follows:

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

Board Activities

The Board currently comprises nine (9) Directors with wide-ranging skills and experience. There is a balance in the Board represented by the presence of one (1) executive Director, two (2) independent non-executive Directors and six (6) non-executive Directors of the calibre, necessary skills and with diverse corporate experience to ensure strategies proposed by the management are fully discussed and examined, as well as take into account the long term interests of various stakeholders. No individual or group of individuals is able to dominate the Board's decision-making process. The executive Director, non-executive Directors and independent non-executive Directors do not hold directorships in excess of the prescribed maximum limit. During the year, the Board met six (6) times.

All Directors review Board reports prior to the Board meeting. The reports were issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

In addition, the Board decides on matters reserved specifically for the Board's decision, including the approval of corporate plans and budgets, acquisition and disposal of assets that are material to the Company, major investments, changes to the management and control structure of the Company, including key policies, procedures and authority limits.

The Board has approved the adoption of the various terms of reference for Directors to undertake their responsibilities in line with the BNM Circular JPI: 13/2003 on Corporate Governance Standards requirements, namely Nomination Committee, Remuneration Committee and Risk Management Committee.

Directors' report (continued)

Board Activities (continued)

The Board has also adopted a policy for induction and education programmes for Directors. The programme is to provide essential information and comprehensive list of other information to a new Director in order to be familiar with relevant insurance industry regulations requirements and the company's nature of business. The Directors may also request independent professional advice, at the Company's expense.

The Company's secretary, to whom the Directors have independent access, assists the Board and keeps it apprised of relevant laws and regulations.

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

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

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

<u>Members</u>	<u>Status of Directorship</u>
Tan Sri Dato' Seri Mohd Saleh Sulong*	Non-Executive Director
Dato' Maznah Abdul Jalil**	Non-Executive Director
David Chan Mun Wai	Non-Executive Director
Dato' Mohd. Nor Mohamad	Non-Executive Director
Lawrence Pereira	Non-Executive Director
Datuk Abdul Shukor Hassan	Non-executive Director
Cheah Yoke Phow	Independent Non-executive Director
George Isac Pereire	Independent Non-executive Director
Chan Kok Seong	Non-Executive Director
Hashim Harun	Executive Director

* Resigned as Chairman with effect from 4 September 2003

** Dato' Maznah Abdul Jalil was appointed as Chairperson of the Board due to the resignation of Tan Sri Dato' Seri Mohd Saleh Sulong

Numbers of Directors' meetings and attendance for the year are as follows:

<u>Members</u>	<u>Number of Board Meeting</u>	
	<u>Held</u>	<u>Attended</u>
Dato' Maznah Abdul Jalil*	6	6
David Chan Mun Wai	6	5
Dato' Mohd. Nor Mohamad	6	6
Lawrence Pereira	6	6
Datuk Abdul Shukor Hassan	6	6
Cheah Yoke Phow	6	6
George Isac Pereire	6	6
Chan Kok Seong	6	5
Hashim Harun	6	6

* Chairman

Directors' report (continued)

Directors' Remuneration Package

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

Directors' Remuneration Package	RM
Chairman of the Board	35,000
Chairman of Committees	30,000
Members of Committees	25,000
Directors	20,000

Meeting Allowance for Non-Executive Directors

Chairman of Board / Committee	500
Members of Board / Committee	400

Re-election

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

The application for reappointment of Directors must be sent to BNM no later than 3 months from the expiry date as set out in BNM Circular JPI 21/2003 on 'Perlantikan Pengarah/Ketua Pegawai Eksekutif oleh Pemegang Lesen/Pengawal Penanggung Insurans'.

Directors' Handbook

In the spirit of Principle 4 of BNM JPI/GPI 25 - Prudential Framework of Corporate Governance for Insurers and the training requirements as propounded in BNM JPI 13/2003 - Corporate Governance Standards, Internal Audit department has prepared a Directors' handbook to provide the Directors with overview information of the insurance industry in general and the Company specifically. It will be the main reference material on the Malaysian insurance industry and the Company operations as a whole for the newly appointed as well as the current Directors.

Directors' Training

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

Directors' Responsibility Statement

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

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

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

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

Directors' report (continued)

Annual General Meeting ("AGM")

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

Financial Reporting

In presenting the annual financial statements, the Directors aim to present a balanced and understandable assessment of the Company's position and prospects.

Material Contracts

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

Public Accountability

The Company complies with the provision relating to policies under Parts XII and XV of the Insurance Act, 1996. Each member of the staff and the agency force is also required to adhere to the Persatuan Insuran Am Malaysia ("PIAM") Code of Ethics and Conduct when dealing with the customers.

Members of the public are made aware of avenues for appeal against the Company's practices or decisions. A policy contract issued to any policy owner contains a written disclosure alerting them to the existence of the Insurance Mediation Bureau ("IMB") and Customer Service Bureau of Bank Negara Malaysia ("CSB"). In addition, notice containing the same information is exhibited in the head office and all the Company's branches. The Company's letter to any claimant on the rejection of a claim also includes similar information for appeal to IMB and CSB.

Internal Control and Enterprise Risk Management

The Board of Directors acknowledges its responsibility for the system of internal control, and for reviewing its effectiveness within the Company. The system is designed to ensure effective and efficient operations, internal control, including financial reporting, and compliance with laws and regulations. It is primarily the Board's responsibility to determine the strategies and policies for risk and control, whilst management is responsible for designing, operating and monitoring risk management and control processes to implement Board policies effectively.

The internal controls were established after the overall control environment had been considered together with the proper assessment of the relevant risks and effective monitoring mechanisms. However, it is essential to realise that any control system can only provide reasonable but not absolute assurance against any material loss. The objective of the system of internal control is not to eliminate risk completely, but to enable the Company to achieve its corporate objectives within a managed risk profile. The effectiveness of internal controls should be reviewed in this context.

The Directors and senior management of the Company are committed to maintaining a control conscious culture across all areas of operation. The Company has in place Management Accountability and Exception Reporting mechanism whereby results are monitored on monthly basis and exceptions are reviewed to ensure action plans for improvement are effective and efficient.

In 2003, the focus on risk and risk management policies begins at the most senior management level of the Company. The Board had approved the engagement of a consultant to introduce a new approach in managing risks by using Enterprise Risk Management Framework ("ERM"). ERM helps in getting and defining a flexible mechanism to handle key risk categories, which are strategic and operational in nature.

Directors' report (continued)

Internal Control and Enterprise Risk Management (continued)

In line with BNM Corporate Governance Standard requirement, the Board has set-up the Risk Management Committee of the Board ("RMCB"). Subsequently, RMCB has established a Committee to be known as the Risk Management Committee of the Management ("RMCM"). Both Committees have their own terms of reference that specifically detailed the objective and the duties and responsibilities in improving the quality of governance and risk management in the Company. The RMCM will oversee day-to-day management of risk at senior management level and to report regularly the assessment on governance and risk management of the Company back to the RMCB.

The Chief Executive Officer ("CEO") has assumed the role of the Chief Risk Officer ("CRO"), who is responsible for the implementation of the Risk Management Framework and its continued application, and for ensuring alignment of business and risk strategies and policies. Subsequently, the Board and the Audit Committee review the effectiveness of the internal control regularly.

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

(a) Underwriting

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

(b) Financial Control Procedures

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

(c) Financial Position

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

(d) Investment

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

(e) Information System

The IT Steering Committee, whose members are represented by the Senior Management of the Company and the Head of IT and Internal Audit Department, is responsible for identifying the IT needs of the Company. The requirements of BNM's Guidelines on EDP Security Controls (JPI/GPI 7) have been met.

(f) Claims

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

(g) Internal Audit

The Company has an Internal Audit Department, which assists the Audit Committee in the discharge of its duties and responsibilities. The internal audit function carries out comprehensive audit of the Company's internal control system on a continuous basis. The annual audit plan, audit reports and follow-up actions on various audit observations are reviewed by the Audit Committee.

Directors' report (continued)

Internal Control and Enterprise Risk Management (continued)

The internal audit function covers all units and operations within the Company, with major emphasis being placed on the critical areas such as underwriting, claims and other high-risk units. The frequency of audit depends on the risk profile of the business or operations unit and high risks units are audited at least once a year. This internal audit function is consistent with the requirements stipulated in BNM JPI/ GPI 13 on Minimum Audit Standards for Internal Auditors of Financial Institutions, which underlined the importance of the management to enhance and to upgrade the internal audit function so as to enable the internal auditors to play a more proactive and meaningful role in assisting the Company to achieve sound and stable growth.

The audit plan covers review of adequacy of risk management, operational controls, compliance with law and regulations, quality of assets, management efficiency and level of customer service, amongst others. The audit plans are drawn up based on the inherent business and control risk in each operating unit and their financial significance.

The internal audit function is conducted on a Company wide basis to ensure consistency in the control environment and the application of policies and procedures. A systematic and disciplined approach is adopted to provide an independent and objective review.

All audit reports have been issued within one and half months from completion of the audits. A copy of the reports is extended to the affected management personnel and the members of the Audit Committee. In line with BNM circular JP3/2/99, the audit reports are also submitted to BNM.

The size of the internal audit function comprises 17 professionals. Going forward, through its education and training programme, the Department will further enhance its risks based auditing techniques, upgrade the level of staff expertise and benchmark it against global best practices in internal auditing.

Board Committees

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

The Audit Committee

The Audit Committee is to assist the Board of Directors in discharging its duties of maintaining a sound system of internal controls to safeguard the Company's assets. It also responsible for reviewing the accounting policies, internal control assessment and to determine that appropriate corrective actions are being taken by the management. This Committee comprises one (1) non-executive Director of the Company and two (2) independent non-executive Directors.

Members

Dato' Mohd Nor Mohamad
George Isac Pereire
Cheah Yoke Phow

Status of Directorship

Non-Executive Director
Independent Non-Executive Director
Independent Non-Executive Director

Number of meetings and attendance for the year are as follows:

Members of the Committee

Number of Meetings

	<u>Held</u>	<u>Attended</u>
Cheah Yoke Phow*	8	8
Dato' Mohd Nor Mohamad	8	8
George Isac Pereire	8	8

* Chairman

Note: All the meetings were held before 31 March 2004

Directors' report (continued)

The Audit Committee (continued)

During the year, the Committee had fulfilled its obligations as required under its terms of reference. The following is a summary of the main activities carried out by the Committee:

- (a) Reviewed and approved the Internal Audit Department's annual audit plan, including its budget, resource and training needs;
- (b) Reviewed the Internal Audit Department's methodology in assessing and rating the risk levels of the various auditable areas and ensured that audit emphasis was given on high and critical risk areas;
- (c) Monitored the performance progress of the Internal Audit Department in completing its Annual Audit Plan;
- (d) Reviewed the adequacy and effectiveness of the system of controls, reporting and risk management to ensure there is a systematic methodology in identifying, assessing and mitigating/controlling risk areas;
- (e) Reviewed and discussed reports of the Internal Audit Department, BNM and other external parties, and directed management to take the necessary remedial action. The Committee also followed-up on major issues raised in the reports;
- (f) Reviewed and discussed the financial position and internal controls of the Company with the external auditor; and
- (g) Minutes of all Audit Committee meetings are tabled at subsequent Board Meetings.

All activities carried out by the Audit Committee have been reported to Bank Negara Malaysia in order to comply with JPI/GPI 25 requirements. The Committee also reviewed the external auditors' scope of work.

The Nomination Committee

During the year, the Board had approved to adopt the terms of reference for the Committee consistent with the BNM Corporate Governance Standards requirements and the best practices requirement, item A3, Principle 3 of BNM JPI/GPI 25.

Members

Dato' Maznah Abdul Jalil
David Chan Mun Wai
Cheah Yoke Phow
George Isac Pereire

Status of Directorship

Non-Executive Director
Non-Executive Director
Independent Non-Executive Director
Independent Non-Executive Director

Number of meetings and attendance for the year are as follows:

Members of the Committee

Number of Meetings

	<u>Held</u>	<u>Attended</u>
Cheah Yoke Phow*	2	2
Dato' Maznah Abdul Jalil	2	2
David Chan Mun Wai	2	1
Dato' Mohd Nor Mohamad**	2	1
George Isac Pereire	2	2

* Chairman

** Appointed in December 2003

Note: All the meetings were held before 31 March 2004

Directors' report (continued)

The Nomination Committee (continued)

Terms of Reference:

The functions of the Committee shall be to:

- (a) Establish minimum requirements for the Board and the CEO to perform their responsibilities effectively and overseeing the overall composition of the Board in terms of appropriate size and skills, the balance between executive Directors, non-executive and independent Directors;
- (b) Recommend and assess the nominees for Directorship, the various Board Committees' membership as well as nominees for the CEO position. This includes assessing Directors and CEO proposed for reappointment, before an application for approval is submitted to BNM;
- (c) Establish a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various Committees and the performance of the CEO;
- (d) Recommend to the Board on removal of a Directors/CEO from the Board/management if it is clearly proven that the Director/CEO is ineffective, errant or negligent in discharging his/her responsibilities;
- (e) Ensure all Board of Directors undergo appropriate induction programmes and receive continuous training;
- (g) Oversee appointment, management succession planning and performance evaluation of key senior officers, and recommending to the Board the removal of key seniors officers if they are ineffective, errant and negligent in discharging their responsibilities;
- (h) Detail out items to be published in the Company's Annual Report relating to the activities of the Committee.

The Remuneration Committee

All members of the Committee are non-executive Directors who are independent of management. The Committee is responsible in determining and agreeing with the Board the framework or broad policy for the remuneration of the Company's CEO/Director, and other members of the staff of the Company. The terms of reference of this Committee had been enhanced in 2003 to be in line with the BNM Corporate Governance Standards requirements stated in BNM Circular JPI: 13/2003.

<u>Members</u>	<u>Status of Directorship</u>
Dato' Maznah Abdul Jalil	Non-Executive Director
Lawrence Pereira	Non-Executive Director
Datuk Abdul Shukor Hassan	Non-Executive Director
Cheah Yoke Phow	Independent Non-Executive Director

Number of meetings and attendance for the year are as follows:

<u>Members of the Committee</u>	<u>Number of Meetings</u>	
	<u>Held</u>	<u>Attended</u>
Cheah Yoke Phow*	3	2
Dato' Maznah Abdul Jalil	3	3
Lawrence Pereira	3	2
Datuk Abdul Shukor Hassan	3	3

* Chairman

Note: All the meetings were held before 31 March 2004

Directors' report (continued)

The Remuneration Committee (continued)

Terms of Reference:

The function of the Committee shall be to:

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

Risk Management Committee

On 27 July 2003, the Board had approved the establishment of the Risk Management Committee ("RMC"), at Board level. This Committee is to oversee the determination of risk management framework and to identify and implement action plans to address key risks affecting the Company.

The Risk Management Committee of the Board had established and adopted the terms of reference for the Committee, consistent with the BNM Circular JPI: 13/2003 on Corporate Governance Standards. Subsequent to the establishment of the Committee, the Committee has appointed a consultant to assist the Company with the establishment of an Enterprise Risk Management ("ERM") Framework. A Project Steering Committee has been formed to facilitate the establishment of ERM Framework. The RMC has also established a Risk Management Committee of the Management to implement and monitor the ERM framework at management level after the completion of the project.

Directors' report (continued)

Risk Management Committee (continued)

<u>Members</u>	<u>Status of Directorship</u>
David Chan Mun Wai	Non-Executive Director
Dato' Mohd Nor Mohamad	Non-Executive Director
Datuk Abdul Shukor Hassan	Non-Executive Director
George Isac Pereire	Independent Non-Executive Director

Number of meetings and attendance for the year are as follows:

<u>Members of the Committee</u>	<u>Number of Meetings</u>	
	<u>Held</u>	<u>Attended</u>
George Isac Pereire*	5	5
David Chan Mun Wai	5	5
Dato' Mohd Nor Mohamad**	5	2
Datuk Abdul Shukor Hassan	5	5

* Chairman

** Appointed in September 2003

Note: All the meetings were held before 31 March 2004

Terms of Reference:

The functions of the Committee shall be to:

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

The Executive Committee

The Committee comprises the CEO/Director of the Company and at least two (2) other members of the Board. It 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 meeting of this Committee are tabled to the Board for discussion and notation.

<u>Members</u>	<u>Status of Directorship</u>
Dato' Maznah Abdul Jalil	Non-Executive Director
George Isac Pereire	Independent Non-Executive Director
Chan Kok Seong	Non-Executive Director
Hashim Harun	Executive Director

Directors' report (continued)

The Executive Committee (continued)

Number of meetings and attendance for the year are as follows:

<u>Members of the Committee</u>	<u>Number of Meetings</u>	
	<u>Held</u>	<u>Attended</u>
Dato' Maznah Abdul Jalil*	13	13
George Isac Pereire	13	12
Chan Kok Seong	13	12
Hashim Harun	13	13

* Chairman

Note: All the meetings were held before 31 March 2004

The Claims and Underwriting Committee

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

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

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

<u>Members</u>	<u>Status of Directorship</u>
David Chan Mun Wai	Non-Executive Director
Lawrence Pereira	Non-Executive Director
Datuk Abdul Shukor Hassan	Non-Executive Director
Hashim Harun	Executive Director

Number of meetings and attendance for the year are as follows:

<u>Members of the Committee</u>	<u>Number of Meetings</u>	
	<u>Held</u>	<u>Attended</u>
Lawrence Pereira*	9	9
David Chan Mun Wai	9	8
Datuk Abdul Shukor Hassan	9	9
Hashim Harun	9	9

* Chairman

Note: All the meetings were held before 31 March 2004

The Investment Committee

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

The Committee shall report to the Board of Directors the results, observations and recommendations for deliberation and formalisation by the Board of Directors pertaining to the investment activities of the Company.

<u>Members</u>	<u>Status of Directorship</u>
Dato' Maznah Abdul Jalil	Non-Executive Director
George Isac Pereire	Independent Non-Executive Director
Chan Kok Seong	Non-Executive Director
Hashim Harun	Executive Director
Habshah Mohamed	Management Staff

Directors' report (continued)

The Investment Committee (continued)

Number of meetings and attendance for the year are as follows:

Members of the Committee	Number of Meetings	
	Held	Attended
Dato' Maznah Abdul Jalil*	13	13
George Isac Pereire	13	12
Chan Kok Seong**	13	12
Hashim Harun	13	13
Habshah Mohamed	13	12

* Chairperson

** Appointed in May 2003

Note: All the meetings were held before 31 March 2004

DIRECTORS

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

Tan Sri Dato' Seri Mohd. Saleh Sulong (resigned on 4.9.2003)

Dato' Maznah Abdul Jalil

Dato' Mohd. Nor Mohamad

Lawrence Pereira

Datuk Abdul Shukor Hassan

George Isac Pereire

Hashim Harun

Cheah Yoke Phow

Chan Kok Seong

David Chan Mun Wai

In accordance with the Company's Articles of Association, Dato' Mohd. Nor Mohamad, George Isac Pereire and Hashim Harun retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1.00 each			
	As at 1.4.2003	Acquired	Disposed	As at 31.3.2004
In the Company				
<u>Direct:</u>				
George Isac Pereire	2,052,381	-	-	2,052,381
<u>Indirect:</u>				
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)				
<u>Direct:</u>				
Dato' Maznah Abdul Jalil	592,000	54,000	92,000	554,000
Dato' Mohd. Nor Mohamad	58,000	54,000	40,000	72,000
George Isac Pereire	74,000	-	-	74,000
Hashim Harun	-	96,000	96,000	-

Directors' report (continued)

DIRECTORS' INTERESTS (continued)

	Options over Ordinary Shares of RM1.00 each			
	As at 1.4.2003	Offered	Exercised	As at 31.3.2004
In DRB-HICOM Berhad (Ultimate Holding Company)				
Dato' Mohd. Nor Mohamad	158,000	-	54,000	104,000
Dato' Maznah Abdul Jalil	158,000	-	54,000	104,000
Hashim Harun	96,000	-	96,000	-

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

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

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

DIRECTORS' BENEFITS

During and at the end of the year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the options over shares granted by its ultimate holding company, DRB-HICOM Berhad, to certain Directors of the Company pursuant to DRB-HICOM Berhad's Employees' Share Option Scheme.

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 19 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 Group 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 25 May 2004.

DATO' MAZNAH ABDUL JALIL
Director
Kuala Lumpur

DAVID CHAN MUN WAI
Director

Balance sheets as at 31 March 2004

	Note	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
ASSETS					
Property, plant and equipment	4	52,763	51,370	52,763	51,370
Investments	5	488,427	528,054	488,427	528,054
Loans	6	590	834	590	834
Amount due from immediate holding company	30	6	-	6	-
Subsidiary companies	7	-	-	86	60
Associated company	8	-	-	-	-
Deferred tax assets	9	5,649	10,116	5,649	10,116
Receivables	10	42,288	48,872	42,286	48,870
Cash and bank balances		7,074	9,756	6,768	9,457
Total assets		596,797	649,002	596,575	648,761
LIABILITIES					
Provision for outstanding claims	11	253,570	282,975	253,570	282,975
Payables	12	40,647	46,148	39,788	45,287
Post employment benefit obligations	13	6,741	5,545	6,741	5,545
Unsecured term loan (interest bearing)	14	-	40,145	-	40,145
Current tax liabilities		14,835	16,204	14,835	16,204
		315,793	391,017	314,934	390,156
Unearned premium reserves	15	115,970	138,082	115,970	138,082
Total liabilities		431,763	529,099	430,904	528,238
SHAREHOLDERS' EQUITY					
Share capital	16	100,000	100,000	100,000	100,000
Reserves	17	65,034	19,903	65,671	20,523
		165,034	119,903	165,671	120,523
Total liabilities and shareholders' equity		596,797	649,002	596,575	648,761

Income statements for the year ended 31 March 2004

	Note	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Operating revenue	18	337,016	365,070	337,016	365,070
Shareholders' fund:					
Management expenses	19	(1,187)	(1,076)	(1,184)	(1,074)
Other operating income/(expenses) - net	21	55	(4)	69	(1)
Finance costs	22	(1,297)	(1,888)	(1,297)	(1,888)
		(2,429)	(2,968)	(2,412)	(2,963)
Surplus transferred from Revenue Account		74,222	39,007	74,222	39,007
Profit before taxation		71,793	36,039	71,810	36,044
Taxation	23	(21,622)	(9,696)	(21,622)	(9,696)
Net profit for the year		50,171	26,343	50,188	26,348
Earnings per share (sen)	24	50.2	26.3		

General insurance revenue account

for the year ended 31 March 2004

	Note	GROUP/COMPANY				
		Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
Gross premium		49,644	225,904	5,638	35,500	316,686
Reinsurance		(32,210)	(14,877)	(3,265)	(16,803)	(67,155)
Net premium		17,434	211,027	2,373	18,697	249,531
(Increase)/decrease in unearned premium reserves	15	(3,830)	14,901	430	10,611	22,112
Earned premium		13,604	225,928	2,803	29,308	271,643
Net claims incurred	26	(3,274)	(143,013)	106	(8,969)	(155,150)
Net commission		(80)	(20,029)	(223)	(2,332)	(22,664)
Underwriting surplus before management expenses		10,250	62,886	2,686	18,007	93,829
Management expenses	19					(61,881)
Underwriting surplus						31,948
Investment income	20					20,330
Other operating income - net	21					21,944
Surplus transferred to Income Statement						74,222

Uni.Asia General
Insurance Berhad
(16688-K)

113

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

General insurance revenue account

for the year ended 31 March 2003

	Note	GROUP/COMPANY				
		Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
Gross premium		28,574	257,258	8,948	49,459	344,239
Reinsurance		(19,262)	(21,274)	(6,156)	(31,968)	(78,660)
Net premium		9,312	235,984	2,792	17,491	265,579
Decrease/(increase) in unearned premium reserves	15	1,312	4,469	151	(12,746)	(6,814)
Earned premium		10,624	240,453	2,943	4,745	258,765
Net claims incurred	26	(2,888)	(124,499)	(940)	(10,719)	(139,046)
Net commission		(116)	(22,743)	(71)	(1,649)	(24,579)
Underwriting surplus/(deficit) before management expenses		7,620	93,211	1,932	(7,623)	95,140
Management expenses	19					(53,589)
Underwriting surplus						41,551
Investment income	20					20,831
Other operating expenses - net	21					(23,375)
Surplus transferred to Income Statement						39,007

Consolidated statement of changes in equity for the year ended 31 March 2004

	Note	Issued and fully paid ordinary shares of RM1 each		Exchange reserve RM'000	Asset revaluation reserve RM'000	Retained earnings RM'000	Total RM'000
		Number of shares 000	Nominal value RM'000				
At 1 April 2003:							
- as previously stated		100,000	100,000	766	3,443	5,304	109,513
- prior year adjustment	27	-	-	-	(766)	11,156	10,390
- as restated		100,000	100,000	766	2,677	16,460	119,903
Net profit for the year		-	-	-	-	50,171	50,171
Dividends:							
- final for year ended 31 March 2003	25	-	-	-	-	(2,880)	(2,880)
- interim for year ended 31 March 2004	25	-	-	-	-	(2,160)	(2,160)
At 31 March 2004		100,000	100,000	766	2,677	61,591	165,034

Consolidated statement of changes in equity for the year ended 31 March 2003

	Note	Issued and fully paid ordinary shares of RM1 each		Exchange reserve RM'000	Asset revaluation reserve RM'000	Retained earnings RM'000	Total RM'000
		Number of shares 000	Nominal value RM'000				
At 1 April 2002:							
- as previously stated		100,000	100,000	766	3,028	32,844	136,638
- prior year adjustment	27	-	-	-	(766)	3,552	2,786
- as restated		100,000	100,000	766	2,262	36,396	139,424
Surplus on revaluation of investment properties	17	-	-	-	575	-	575
Transfer to deferred taxation	9, 17	-	-	-	(160)	-	(160)
Write off of goodwill on acquisition of general insurance business	31	-	-	-	-	(20,479)	(20,479)
Net profit for the year, as restated		-	-	-	-	26,343	26,343
Dividends:							
- final for year ended 31 March 2002		-	-	-	-	(10,800)	(10,800)
- special interim for year ended 31 March 2003	25	-	-	-	-	(15,000)	(15,000)
At 31 March 2003		100,000	100,000	766	2,677	16,460	119,903

UniAsia General
Insurance Berhad
(16688-K)

Company statement of changes in equity for the year ended 31 March 2004

	Note	Issued and fully paid ordinary shares of RM1 each		Non- distributable	Distributable	Total RM'000
		Number of shares 000	Nominal value RM'000	Asset revaluation reserve RM'000	Retained earnings RM'000	
At 1 April 2003:						
- as previously stated		100,000	100,000	3,443	6,690	110,133
- prior year adjustment	27	-	-	(766)	11,156	10,390
- as restated		100,000	100,000	2,677	17,846	120,523
Net profit for the year		-	-	-	50,188	50,188
Dividends:						
- final for year ended 31 March 2003	25	-	-	-	(2,880)	(2,880)
- interim for year ended 31 March 2004	25	-	-	-	(2,160)	(2,160)
At 31 March 2004		100,000	100,000	2,677	62,994	165,671

Company statement of changes in equity for the year ended 31 March 2003

	Note	Issued and fully paid ordinary shares of RM1 each		Non- distributable	Distributable	Total RM'000
		Number of shares 000	Nominal value RM'000	Asset revaluation reserve RM'000	Retained earnings RM'000	
At 1 April 2002:						
- as previously stated		100,000	100,000	3,028	34,225	137,253
- prior year adjustment	27	-	-	(766)	3,552	2,786
- as restated		100,000	100,000	2,262	37,777	140,039
Surplus on revaluation of investment properties	17	-	-	575	-	575
Transfer to deferred taxation	9,17	-	-	(160)	-	(160)
Write off of goodwill on acquisition of general insurance business	31	-	-	-	(20,479)	(20,479)
Net profit for the year, as restated		-	-	-	26,348	26,348
Dividends:						
- final for year ended 31 March 2002		-	-	-	(10,800)	(10,800)
- special interim for year ended 31 March 2003	25	-	-	-	(15,000)	(15,000)
At 31 March 2003		100,000	100,000	2,677	17,846	120,523

UniAsia General
Insurance Berhad
(16688-K)

118

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

Cash flow statements

for the year ended 31 March 2004

	Note	2004 RM'000	GROUP 2003 RM'000	2004 RM'000	COMPANY 2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit for the year		50,171	26,343	50,188	26,348
Adjustments for non-cash items	28	(35,546)	29,028	(35,546)	29,028
		14,625	55,371	14,642	55,376
Decrease in loans		244	436	244	436
Decrease in fixed and call deposits		52,546	15,853	52,546	15,853
Purchase of investments		(144,033)	(24,156)	(144,033)	(24,156)
Proceeds from disposal of investments		149,703	34,181	149,703	34,181
Proceeds from maturity of investments		4,000	45,000	4,000	45,000
Interest income received		17,384	17,979	17,384	17,979
Dividend income received		2,591	1,809	2,591	1,809
Other investment income received		57	88	57	88
Payment of staff retirement benefits		(481)	(227)	(481)	(227)
Increase in amount due to holding company		(6)	-	(6)	-
Increase in amount due to subsidiary company		-	-	(26)	-
Decrease/(increase) in trade receivables		2,476	(9,032)	2,476	(9,032)
(Decrease)/increase in trade payables		(6,959)	3,164	(6,959)	3,164
Decrease in provision for outstanding claims		(29,405)	(44,521)	(29,405)	(44,521)
Decrease in other receivables		3,679	221	3,679	221
Increase/(decrease) in other payables		1,458	(2,234)	1,460	(2,234)
Cash generated from operations		67,879	93,932	67,872	93,937
Finance costs paid		(1,297)	(1,888)	(1,297)	(1,888)
Tax paid		(18,524)	(17,750)	(18,524)	(17,750)
Net cash inflow from operating activities		48,058	74,294	48,051	74,299

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

Cash flow statements

for the year ended 31 March 2004 (continued)

	Note	2004 RM'000	GROUP 2003 RM'000	2004 RM'000	COMPANY 2003 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of general insurance business	31	-	(87,489)	-	(87,489)
Purchase of property, plant and equipment		(5,793)	(1,953)	(5,793)	(1,953)
Proceeds from disposal of property, plant and equipment		238	172	238	172
Net cash outflow from investing activities		(5,555)	(89,270)	(5,555)	(89,270)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		-	93,794	-	93,794
Repayment of borrowings		(40,145)	(53,649)	(40,145)	(53,649)
Dividends paid		(5,040)	(25,800)	(5,040)	(25,800)
Net cash (outflow)/inflow from financing activities		(45,185)	14,345	(45,185)	14,345
NET DECREASE IN CASH AND CASH EQUIVALENTS	29	(2,682)	(631)	(2,689)	(626)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29	9,756	10,387	9,457	10,083
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	7,074	9,756	6,768	9,457

UniAsia General
Insurance Berhad
(16688-K)

Notes to the financial statements

- 31 March 2004

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

The principal activities of the subsidiary companies and an associated company are disclosed in Note 3 to the financial statements.

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

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

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

The number of employees as at the end of the year in the Group and Company was 765 (2003: 768).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 May 2004.

2 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

The new applicable approved accounting standards which have been adopted in these financial statements are as follows:

- * MASB Standard 25 - Income Taxes
- * MASB Standard 29 - Employee Benefits

With the exception of MASB Standard 25 (see Note 27), there are no changes in accounting policy that affect net profit or shareholders' equity of the Company.

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

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the year. Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. The Group's subsidiary companies are disclosed in Note 3 to the financial statements.

Notes to the financial statements

- 31 March 2004 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The excess of the acquisition cost over the fair values of the Group's share of the subsidiary companies' identifiable net assets are reflected as goodwill on consolidation.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiary companies to ensure consistency of accounting policies with those of the Group.

(c) Associated companies

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting. Associated companies are companies in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not the power to exercise control over those policies. The Group's associated company is disclosed in Note 3 to the financial statements.

Equity accounting involves recognising, in the income statement, the Group's share of the results of associated companies for the year. The Group's investments in associated companies are carried in the balance sheet at an amount that reflects its share of the net assets of the associated companies and include goodwill on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(d) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition of subsidiary and associated companies acquired over the Group's share of the fair values of their identifiable net assets at the date of acquisition. Goodwill arising on consolidation is written off to reserves in the year of acquisition.

Goodwill arising on acquisition of general insurance business represents the excess of the cost of acquisition of the general insurance business over the aggregate of the fair value of the net assets of the business acquired at the date of acquisition. Goodwill arising on acquisition of general insurance business is written off to reserves in the year of acquisition.

(e) Property, plant and equipment

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

Freehold and leasehold land and buildings are stated at Directors' valuation based upon the latest independent valuation on the open market value basis by professional valuers after approval by the relevant government authorities, with subsequent additions stated at cost. These properties are revalued at regular intervals of at least once in every ten 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.

Notes to the financial statements

- 31 March 2004 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

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

Freehold land is not depreciated.

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

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

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

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

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

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

(f) Investments properties

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

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

Notes to the financial statements

- 31 March 2004 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments properties (continued)

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

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

(g) Investments

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

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, allowance 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.

Investments in subsidiary companies and associated company are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

(h) Impairment of assets

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

An impairment loss is charged to the revenue accounts and/or income statements immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of the previously recognised revaluation surplus for the same asset, with the excess being charged to the revenue accounts and/or income statements.

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

Notes to the financial statements

- 31 March 2004 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Receivables

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

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

(j) General insurance underwriting results

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

Premium income

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

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

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

Unearned premium reserves

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

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

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

Provision for claims

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

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

Acquisition costs

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

(k) Other revenue recognition

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

Notes to the financial statements

- 31 March 2004 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Other revenue recognition (continued)

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

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

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

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

(l) Foreign currency transactions

The financial statements are presented in Ringgit Malaysia.

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

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

Foreign currency	2004	2003
1 Singapore Dollar	RM2.261	RM2.120
1 Brunei Dollar	RM2.261	RM2.120

(m) Employee benefits

Short term benefits

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

Post employment benefits

The Company has two post employment benefit schemes, i.e. a defined benefit plan and a defined contribution plan.

Defined benefit plan:

The Company operates an unfunded defined benefit scheme.

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

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

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

Notes to the financial statements

- 31 March 2004 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee benefits (continued)

Defined contribution plan:

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

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

(n) Dividends

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

(o) Income taxes

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

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

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

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

(p) Contingent liabilities and contingent assets

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

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

(q) Provisions

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

(r) Cash and cash equivalents

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

(s) Financial instruments

Description

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

Notes to the financial statements

- 31 March 2004 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial instruments (continued)

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

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

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

Fair value estimation for disclosure purpose

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

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

3 COMPANIES IN THE GROUP

The principal activities of the companies in the Group and the effective interest of the Group therein as at 31 March 2004 are shown below:

Name of company	Country of incorporation	Effective equity interest		Principal activities	Year end
		2004	2003		
<u>Subsidiary companies:</u>					
+ Seains Pte Ltd	Singapore	100	100	Dormant	31 March
+ South East Asia Management Services Sdn Bhd	Malaysia	100	100	Dormant	31 March
<u>Subsidiary of South East Asia Management Services Sdn Bhd:</u>					
+ Chattel Credit & Leasing Sdn Bhd	Malaysia	100	100	Dormant	31 March
<u>Associated company:</u>					
* South East Asia Insurance (B) Sdn Bhd	Brunei	30	30	General insurance underwriter	31 December

+ Not audited by PricewaterhouseCoopers.

* Audited by PricewaterhouseCoopers, Brunei.

On 19 November 2003, the Board of Directors of Seains Pte Ltd, South East Asia Management Services Sdn Bhd and Chattel Credit & Leasing Sdn Bhd resolved to wind-up the operations of these respective companies.

Notes to the financial statements

- 31 March 2004 (continued)

4 PROPERTY, PLANT AND EQUIPMENT

	GROUP/COMPANY							Total RM'000
	Freehold land and buildings RM'000	Long term leasehold land and buildings RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment RM'000	Office renovation RM'000	Computer equipment RM'000	
Net book value at 1 April 2003	5,717	32,376	500	2,417	1,371	5,076	3,913	51,370
Additions at cost	-	-	1,095	236	243	1,094	3,125	5,793
Disposals at net book value	-	-	(62)	-	(6)	(1)	(12)	(81)
Write off at net book value	-	-	-	(10)	(84)	(15)	-	(109)
Depreciation charge for the year	(175)	(722)	(235)	(241)	(279)	(865)	(1,693)	(4,210)
Net book value at 31 March 2004	5,542	31,654	1,298	2,402	1,245	5,289	5,333	52,763
At 31 March 2004:								
At cost	-	-	2,135	3,314	3,282	9,510	16,352	34,593
At valuation	6,460	33,405	-	-	-	-	-	39,865
Accumulated depreciation	(918)	(1,751)	(837)	(912)	(2,037)	(4,221)	(11,019)	(21,695)
Net book value	5,542	31,654	1,298	2,402	1,245	5,289	5,333	52,763

Notes to the financial statements

- 31 March 2004 (continued)

4 PROPERTY, PLANT AND EQUIPMENT (continued)

	GROUP/COMPANY							
	Freehold land and buildings	Long term leasehold land and buildings	Motor vehicles	Furniture and fittings	Office equipment	Office renovation	Computer equipment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 March 2003:								
At cost	-	-	1,146	3,190	3,194	8,446	13,243	29,219
At valuation	6,460	33,405	-	-	-	-	-	39,865
Accumulated depreciation	(743)	(1,029)	(646)	(773)	(1,823)	(3,370)	(9,330)	(17,714)
Net book value	5,717	32,376	500	2,417	1,371	5,076	3,913	51,370
Depreciation charge for the year ended 31 March 2003	(175)	(705)	(173)	(91)	(239)	(765)	(1,377)	(3,525)

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

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:

	GROUP/COMPANY	
	2004 RM'000	2003 RM'000
Freehold land and buildings	3,916	4,019
Long term leasehold land and buildings	36,023	36,814
	39,939	40,833

The long term leasehold land and buildings have unexpired lease periods ranging from 74 years to 890 years (31.3.2003: 75 years to 891 years).

The titles to certain long term leasehold properties and freehold properties included in property, plant and equipment at carrying value of RM28,861,740 (2003: RM29,754,176) and RM1,556,266 (2003: RM1,613,941) respectively, are in the process of being transferred to the Company. Risks, rewards and effective titles to these properties have been passed to the Company upon unconditional completion of the acquisition of those properties. The Company has submitted the relevant documents to the land authorities for transfer of legal titles to the Company and is awaiting the process and formalities of this transfer to be completed.

Notes to the financial statements

- 31 March 2004 (continued)

5 INVESTMENTS

	GROUP/COMPANY			
	2004	2004	2003	2003
	Carrying value	Market value	Carrying value	Market value
	RM'000	RM'000	RM'000	RM'000
Investment properties:				
Freehold land and buildings:				
At valuation	8,610		8,810	
Leasehold land and buildings:				
At cost	827		827	
At valuation	22,000		22,000	
	31,437		31,637	
Malaysian Government Securities, at cost	31,192	29,990	77,995	80,861
Amortisation of premium - net	(1,915)		(2,522)	
	29,277		75,473	
Cagamas papers, at cost	30,051		5,000	
Amortisation of premium - net	(9)		-	
	30,042		5,000	
Quoted :				
Equity securities of corporations				
- quoted in Malaysia, at cost	54,090	62,183	63,703	45,326
- quoted outside Malaysia, at cost	-		213	
Allowance for diminution in value	-		(19,754)	
	54,090		44,162	
Corporate debts securities				
- quoted in Malaysia, at cost	124	436	-	-
Unquoted :				
Equity securities of corporations, at cost	214		337	
Allowance for diminution in value	(109)		(31)	
	105		306	
Corporate debt securities, at cost	120,746		97,558	
Accretion of discounts net of amortisation of premiums	8,598		7,032	
	129,344		104,590	
Unit trusts, at cost	-		1,181	
Allowance for diminution in value	-		(849)	
	-		332	
Fixed and call deposits with:				
Licensed banks	140,574		186,266	
Licensed finance companies	59,550		41,200	
Other corporations	13,884		39,088	
	214,008		266,554	
TOTAL INVESTMENTS	488,427		528,054	

Notes to the financial statements

- 31 March 2004 (continued)

5 INVESTMENTS (continued)

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

The fair values of the investment properties at 31 March 2004 were estimated by the Directors to approximate their carrying values.

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

	GROUP/COMPANY	
	2004	2003
	RM'000	RM'000
Investments maturing within 12 months	253,093	270,625
Investments maturing after 12 months	149,702	180,992
	402,795	451,617

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Insurance Berhad
(16688-K)

132

The titles to certain leasehold land and buildings included in investment properties at carrying value of RM28,532,000 (31.3.2003: RM29,359,000) are in the process of being transferred to the Company. Risks, rewards and effective titles to these properties have been passed to the Company upon unconditional completion of the acquisition of those properties. The Company has submitted the relevant documents to the land authorities for transfer of legal titles to the Company and is awaiting the process and formalities of this transfer to be completed.

6 LOANS

	GROUP/COMPANY	
	2004	2003
	RM'000	RM'000
Staff housing loans	544	718
Staff vehicle loans	39	73
Other staff loans	7	43
	590	834
Receivable within 12 months	117	235
Receivable after 12 months	473	599
	590	834

Notes to the financial statements

- 31 March 2004 (continued)

7 SUBSIDIARY COMPANIES

	COMPANY	
	2004 RM'000	2003 RM'000
Unquoted shares, at cost	3,941	3,941
Accumulated impairment losses	(3,855)	(3,855)
	86	86
Amount due from subsidiary companies	61	61
Allowance for doubtful debts	(61)	(61)
	-	-
Amount due to a subsidiary company	-	(26)
	86	60

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

The details of the subsidiary companies are as disclosed in Note 3 to the financial statements.

8 ASSOCIATED COMPANY

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unquoted shares, at cost	165	165	165	165
Accumulated impairment loss	-	-	(165)	(165)
Share of loss	(165)	(165)	-	-
	-	-	-	-
Amount due from associated company	17	17	17	17
Allowance for doubtful debts	(17)	(17)	(17)	(17)
	-	-	-	-
Share of net assets of associated company	-	-	-	-

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

The details of the associated company are as disclosed in Note 3 to the financial statements.

Notes to the financial statements

- 31 March 2004 (continued)

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:

	GROUP/COMPANY	
	2004 RM'000	2003 RM'000
Deferred tax assets	5,649	10,116
At 1 April	10,116	2,672
Credited/(charged) to income statements (Note 23):		
- property, plant and equipment	(253)	1,229
- investments	(4,025)	6,867
- receivables	(883)	(536)
- retirement benefits	335	357
- payables	575	(472)
- unearned premium reserves	(216)	159
	(4,467)	7,604
Charged to equity	-	(160)
At 31 March	5,649	10,116
<u>Subject to income tax:</u>		
<u>Deferred tax assets (before offsetting)</u>		
Property, plant and equipment	1,310	1,372
Investments	5,338	8,962
Receivables	1,127	2,010
Retirement benefits	1,888	1,553
Payables	1,363	788
Unearned premium reserves	17	233
	11,043	14,918
Offsetting	(5,394)	(4,802)
Deferred tax assets (after offsetting)	5,649	10,116
<u>Deferred tax liabilities (before offsetting)</u>		
Property, plant and equipment	2,222	2,031
Investments	3,172	2,771
	5,394	4,802
Offsetting	(5,394)	(4,802)
Deferred tax liabilities (after offsetting)	-	-

Notes to the financial statements

- 31 March 2004 (continued)

10 RECEIVABLES

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<u>Trade receivables</u>				
Due premiums including agents, brokers and co-insurers balances	38,303	43,014	38,303	43,014
Due from reinsurers and cedants	16,283	15,499	16,283	15,499
Allowance for doubtful debts	(24,416)	(26,432)	(24,416)	(26,432)
	30,170	32,081	30,170	32,081
<hr/>				
Knock-for-knock claims recoveries due from other insurers	4,868	5,344	4,868	5,344
Allowance for doubtful debts	(1,991)	(2,638)	(1,991)	(2,638)
	2,877	2,706	2,877	2,706
<hr/>				
<u>Other receivables</u>				
Interest income due and accrued	4,666	5,831	4,666	5,831
Assets held under Malaysian Motor Insurance Pool	2,025	4,602	2,025	4,602
Deposits	795	1,012	795	1,012
Prepayments	555	681	555	681
Other receivables less allowance for doubtful debts of RM328,000 (2003: RM328,000)	1,200	1,959	1,198	1,957
	9,241	14,085	9,239	14,083
	42,288	48,872	42,286	48,870
<hr/>				
Receivable after 12 months	2,025	5,904	2,025	5,904

Notes to the financial statements

- 31 March 2004 (continued)

11 PROVISION FOR OUTSTANDING CLAIMS

	GROUP/COMPANY	
	2004	2003
	RM'000	RM'000
Provision for outstanding claims	302,091	369,443
Less: Recoverable from reinsurers	(48,521)	(86,468)
Net outstanding claims	253,570	282,975

12 PAYABLES

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
<u>Trade payables</u>				
Due to insureds, agents, brokers and co-insurers	10,887	17,545	10,887	17,545
Due to reinsurers and cedants	16,562	16,863	16,562	16,863
	27,449	34,408	27,449	34,408
<u>Other payables</u>				
Amount borrowed without security	741	741	-	-
Amount due to a shareholder	61	61	61	61
Payroll liabilities	4,657	3,227	4,657	3,227
Unclaimed monies	663	626	663	626
Cash collaterals held on bond business	1,246	1,639	1,246	1,639
Duties and other taxes payable	600	1,110	600	1,110
Accrual of Insurance Guarantee Scheme Fund Levy	770	830	770	830
Other payables and accrued liabilities	4,460	3,506	4,342	3,386
	13,198	11,740	12,339	10,879
	40,647	46,148	39,788	45,287

The amount borrowed without security from a third party by a subsidiary company is interest free and has no fixed terms of repayment.

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

Notes to the financial statements

- 31 March 2004 (continued)

13 POST EMPLOYMENT BENEFIT OBLIGATIONS

Defined contribution plan:

The Company contributes to the Employees' Provident Fund, the national defined contribution plan. 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.

Defined benefit plan:

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

	GROUP/COMPANY	
	2004	2003
	RM'000	RM'000
At 1 April	5,545	4,270
Charged to income statements	1,677	1,502
Benefits paid	(481)	(227)
At 31 March	6,741	5,545
Payable within 12 months	5,204	223
Payable after 12 months	1,537	5,322
	6,741	5,545

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

Present value of unfunded obligations	6,134	5,545
Additional accrual	607	-
	6,741	5,545

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

Current service cost	692	419
Interest cost	378	291
Actuarial loss recognised	-	792
Additional accrual	607	-
	1,677	1,502

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

	2004	2003
	%	%
Discount rate	7	7
Expected rate of salary increase	7	7

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

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

Notes to the financial statements

- 31 March 2004 (continued)

14 UNSECURED TERM LOAN (INTEREST BEARING)

	GROUP/COMPANY	
	2004 RM'000	2003 RM'000
Repayable within 12 months	-	8,760
Repayable after 12 months	-	31,385
	-	40,145

The unsecured term loan from a licensed bank bears a fixed interest rate of 1% per annum above the prevailing base lending rate. During the year, the interest rate charged was 7.4% per annum (2003: 7.4% per annum). The loan is repayable on a monthly basis over a period of five years from date of full disbursement of the loan.

During the current year, the Company opted for an early settlement of the outstanding sums and fully repaid the loan.

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138

15 UNEARNED PREMIUM RESERVES

	GROUP/COMPANY				
	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
<u>2004</u>					
At 1 April 2003	6,374	109,252	1,101	21,355	138,082
Increase/(decrease) in unearned premium reserves	3,830	(14,901)	(430)	(10,611)	(22,112)
At 31 March 2004	10,204	94,351	671	10,744	115,970
<u>2003</u>					
At 1 April 2002	3,367	110,371	796	6,028	120,562
Arising from acquisition of general insurance business (Note 31)	4,319	3,350	456	2,581	10,706
(Decrease)/increase in unearned premium reserves	(1,312)	(4,469)	(151)	12,746	6,814
At 31 March 2004	6,374	109,252	1,101	21,355	138,082

Notes to the financial statements

- 31 March 2004 (continued)

16 SHARE CAPITAL

	GROUP/COMPANY	
	2004	2003
	RM'000	RM'000
Ordinary shares of RM1 each:		
Authorised	250,000	250,000
Issued and fully paid	100,000	100,000

17 RESERVES

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
<u>Non-distributable</u>				
Exchange reserve	766	766	-	-
Asset revaluation reserve (Note a)	2,677	2,677	2,677	2,677
	3,443	3,443	2,677	2,677
<u>Distributable</u>				
Retained earnings, as restated (Note b)	61,591	16,460	62,994	17,846
	65,034	19,903	65,671	20,523

(a) The asset revaluation reserve which is not distributable by way of cash dividends, is analysed as follows:

	GROUP/COMPANY		
	Land and buildings	Investment properties	Total
	RM'000	RM'000	RM'000
<u>31 March 2004</u>			
At 1 April 2003:			
- as previously reported	2,191	1,252	3,443
- prior year adjustment	(620)	(146)	(766)
- as restated/at 31 March 2004	1,571	1,106	2,677
<u>31 March 2003</u>			
At 1 April 2002:			
- as previously reported	2,191	837	3,028
- prior year adjustment	(620)	(146)	(766)
- as restated	1,571	691	2,262
Revaluation surplus	-	575	575
Transfer to deferred taxation	-	(160)	(160)
At 31 March 2003	1,571	1,106	2,677

(b) 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 2004.

Notes to the financial statements

- 31 March 2004 (continued)

18 OPERATING REVENUE

	GROUP/COMPANY	
	2004	2003
	RM'000	RM'000
<u>Insurance fund</u>		
Gross premium income	316,686	344,239
Investment income (Note 20)	20,330	20,831
	<hr/>	<hr/>
	337,016	365,070

19 MANAGEMENT EXPENSES

	GROUP/COMPANY	
	2004	2003
	RM'000	RM'000
<u>Insurance fund</u>		
Staff salary and bonus	26,650	23,143
Defined contribution retirement plan	3,498	3,045
Defined benefit retirement plan	1,643	1,472
Executive Directors' remuneration and related expenses:		
- Salary and bonus	390	407
- Defined contribution retirement plan	47	50
Others	2,340	2,575
	<hr/>	<hr/>
	34,568	30,692
Depreciation of property, plant and equipment	4,206	3,454
Auditors' remuneration	142	118
Directors' remuneration and related expenses:		
- Fees	239	221
- Other emoluments	140	61
Bad debts recovery	(6)	(24)
Bad debts written off	1,927	2,470
Writeback of doubtful debts	(2,663)	(2,133)
Rental of properties	1,364	1,129
Insurance Guarantee Scheme Fund levy	693	632
Entertainment	1,370	993
EDP expenses	2,206	815
Advertising	6,404	3,847
Printing and stationery	2,040	1,879
Postage, telephone, telex and telefax	2,069	2,622
Training	1,535	1,109
Others	5,647	5,704
	<hr/>	<hr/>
	61,881	53,589

Notes to the financial statements

- 31 March 2004 (continued)

19 MANAGEMENT EXPENSES (continued)

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<u>Shareholders' fund</u>				
Staff salary and bonus	544	472	544	472
Executive Directors' remuneration and related expenses:				
- Salary and bonus	8	8	8	8
- Defined contribution retirement plan	1	1	1	1
Defined contribution retirement plan	71	62	71	62
Defined benefit retirement plan	34	30	34	30
Others	49	47	49	47
	707	620	707	620
Depreciation of property, plant and equipment	5	71	5	71
Auditors' remuneration	3	2	3	2
Non-executive Directors' remuneration and related expenses:				
- Fees	4	4	4	4
- Other emoluments	3	1	3	1
Rental of properties	28	23	28	23
Others	437	355	434	353
	1,187	1,076	1,184	1,074

The estimated monetary value of benefits provided to Directors during the year by way of usage of the Group's assets amounted to RM13,000 (2003: RM13,000).

20 INVESTMENT INCOME

	GROUP/COMPANY	
	2004 RM'000	2003 RM'000
<u>Insurance fund</u>		
Interest from:		
Malaysian Government Securities	3,180	4,287
Cagamas papers	837	481
Corporate debt securities	5,284	5,386
Fixed and call deposits	7,809	8,587
Staff loans	31	45
	17,141	18,786
Accretion of discounts net of amortisation of premiums	1,463	1,229
Gross dividends from shares quoted in Malaysia	2,591	1,809
Rental income from land and buildings	83	51
Less: Rates and maintenance expenses	(948)	(1,044)
	20,330	20,831

Notes to the financial statements

- 31 March 2004 (continued)

21 OTHER OPERATING (EXPENSES)/INCOME - NET

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<u>Insurance fund</u>				
Gain/(loss) on disposal of investments	9,113	(5,159)	9,113	(5,159)
Writeback of/(allowance for) diminution in value of investments	20,334	(14,628)	20,334	(14,628)
write down of cost of investments	(8,390)	-	(8,390)	-
Deficits on revaluation of				
- investment properties	-	(1,464)	-	(1,464)
- property, plant and equipment	-	(4,899)	-	(4,899)
Property, plant and equipment				
- gain on disposal	157	71	157	71
- written off	(109)	(18)	(109)	(18)
Loss on foreign exchange	(6)	14	(6)	14
Others	845	2,708	845	2,708
	21,944	(23,375)	21,944	(23,375)
<u>Shareholders' fund</u>				
Allowance for diminution in value of investments	191	-	191	-
Loss on disposal of investment	(122)	-	(122)	-
Others	(14)	(4)	-	(1)
	55	(4)	69	(1)

142

UniAsia General
Insurance Berhad
(16688-K)

22 FINANCE COSTS

	GROUP/COMPANY	
	2004 RM'000	2003 RM'000
Interest on revolving credit	-	592
Interest on unsecured term loan	1,297	1,296
	1,297	1,888

The interest rate charged for a revolving credit facility during the year was nil (2003: 4.75%). The interest rate for the unsecured term loan is disclosed in Note 14.

Notes to the financial statements

- 31 March 2004 (continued)

23 TAXATION

	GROUP/COMPANY	
	2004 RM'000	2003 RM'000
Current tax	17,155	17,300
Deferred tax (Note 9)	4,467	(7,604)
Tax expense	21,622	9,696
Current tax		
Current year	17,592	17,300
Overaccrual in prior years	(437)	-
Deferred tax		
Origination and reversal of temporary differences	4,467	(7,604)
	21,622	9,696

Numerical reconciliation between the average effective tax rate and the Malaysian tax rate:

	GROUP		COMPANY	
	2004 %	2003 %	2004 %	2003 %
Malaysian tax rate	28	28	28	28
Tax effects of:				
- expenses not deductible for tax purposes	3	8	3	8
- income not subject to tax	-	(9)	-	(9)
- overaccruals in prior years	(1)	-	(1)	-
Average effective tax rate	30	27	30	27

24 EARNINGS PER SHARE

	Income		Weighted average number of shares		GROUP Earnings per share	
	2004 RM'000	2003 RM'000	2004 '000	2003 '000	2004 Sen	2003 Sen
Net profit for the year	50,171	26,343	-	-	-	-
Number of ordinary shares	-	-	100,000	100,000	-	-
Basic earnings per share	-	-	-	-	50.2	26.3

Notes to the financial statements

- 31 March 2004 (continued)

25 DIVIDENDS

Dividends declared or proposed in respect of the year ended 31 March 2004 are as follows:

	2004		COMPANY 2003	
	Gross dividend per share Sen	Amount of dividend, net of tax RM'000	Gross dividend per share Sen	Amount of dividend, net of tax RM'000
Interim dividend paid	3.00	2,160	-	-
Special interim dividend paid	-	-	20.83	15,000
Proposed final dividend	22.00	22,000	4.00	2,880
	25.00	24,160	24.83	17,880

At the forthcoming Annual General Meeting, a final tax exempt gross dividend in respect of the year ended 31 March 2004 of 22 sen per share, (31.3.2003: 4 sen per share) amounting to RM22,000,000 (31.3.2003: RM2,880,000) 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.

144

UniAsia General
Insurance Berhad
(16688-K)

26 NET CLAIMS INCURRED

	GROUP/COMPANY				
	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
2004					
Gross claims paid less salvage	8,502	180,004	4,973	23,892	217,371
Reinsurance recoveries	(3,892)	(14,832)	(3,298)	(10,794)	(32,816)
Net claims paid	4,610	165,172	1,675	13,098	184,555
Net outstanding claims:					
At 31 March 2004	5,079	226,980	2,157	19,354	253,570
At 1 April 2003	(6,415)	(249,139)	(3,938)	(23,483)	(282,975)
Net claims incurred	3,274	143,013	(106)	8,969	155,150

Notes to the financial statements

- 31 March 2004 (continued)

26 NET CLAIMS INCURRED (continued)

	GROUP/COMPANY				
	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
2003					
Gross claims paid less salvage	15,538	185,078	2,657	16,370	219,643
Reinsurance recoveries	(11,596)	(16,699)	(1,653)	(6,128)	(36,076)
Net claims paid	3,942	168,379	1,004	10,242	183,567
Net outstanding claims:					
At 31 March 2003	6,415	249,139	3,938	23,483	282,975
At 1 April 2002	(4,070)	(273,606)	(3,169)	(17,253)	(298,098)
Arising from acquisition of general insurance business (Note 31)	(3,399)	(19,413)	(833)	(5,753)	(29,398)
Net claims incurred	2,888	124,499	940	10,719	139,046

Uni.Asia General
Insurance Berhad
(16688-K)

145

27 PRIOR YEAR ADJUSTMENT

During the year, the Company changed its accounting policy to comply with the new MASB Standard 25 - Income Taxes.

Deferred tax

In previous years, deferred tax was recognised for timing differences except when there was reasonable evidence that such timing differences would not reverse in the foreseeable future. The tax effect of timing differences that resulted in a debit balance or a debit to the deferred tax balance was not carried forward unless there was a reasonable expectation of its realisation.

The potential tax saving relating to a tax loss carry forward was only recognised if there was assurance beyond any reasonable doubt that future taxable income would be sufficient for the benefit of the loss to be realised.

Where there was intention to dispose of revalued assets, the deferred tax relating to such assets was recognised through a transfer from the related revaluation surplus. No provision nor disclosure was made of this tax effect where the Company intended to hold such assets for the foreseeable future.

The Company has now changed its accounting policy to recognise deferred tax on temporary differences arising between the amounts attributable to assets and liabilities for tax purposes and their carrying values in financial statements, as disclosed in Note 2(o) to the financial statements. Deferred tax assets are recognised to the extent that is probable that taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised.

Notes to the financial statements

- 31 March 2004 (continued)

27 PRIOR YEAR ADJUSTMENT (continued)

This change in accounting policy has been accounted for retrospectively. The new accounting policy has the effect of reducing the Group and Company's net profit for the year ended 31 March 2004 by RM4,467,000. The other effects of this change on the Group and Company's financial statements are as follows:

	GROUP			COMPANY		
	As previously reported RM'000	Effect of change in policy RM'000	As restated RM'000	As previously reported RM'000	Effect of change in policy RM'000	As restated RM'000
<u>Balance sheet</u>						
At 1 April 2002						
Retained earnings	(32,844)	(3,552)	(36,396)	(34,225)	(3,552)	(37,777)
As at revaluation reserve:						
- property, plant and equipment	(2,191)	620	(1,571)	(2,191)	620	(1,571)
- investment properties	(837)	146	(691)	(837)	146	(691)
	(3,028)	766	(2,262)	(3,028)	766	(2,262)
At 31 March 2003						
Deferred tax (liabilities) / assets	(274)	10,390	10,116	(274)	10,390	10,116
Retained earnings	(5,304)	(11,156)	(16,460)	(6,690)	(11,156)	(17,846)
As at revaluation reserve:						
- property, plant and equipment	(2,191)	620	(1,571)	(2,191)	620	(1,571)
- investment properties	(1,252)	146	(1,106)	(1,252)	146	(1,106)
	(3,443)	766	(2,677)	(3,443)	766	(2,677)
<u>Income statement</u>						
For the year ended 31 March 2003						
Tax expense	17,300	(7,604)	9,696	17,300	(7,604)	9,696
Net profit for the year	(18,739)	(7,604)	(26,343)	(18,744)	(7,604)	(26,348)

Notes to the financial statements

- 31 March 2004 (continued)

28 ADJUSTMENTS FOR NON-CASH ITEMS

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(Decrease)/increase in unearned premium reserves	(22,112)	6,814	(22,112)	6,814
Property, plant and equipment				
- Depreciation	4,210	3,525	4,210	3,525
- Gain on disposal	(157)	(71)	(157)	(71)
- Written off	109	18	109	18
(Gain)/loss on disposal of investments	(8,991)	5,159	(8,991)	5,159
(Write back of)/allowance for diminution in value of investments	(20,525)	14,628	(20,525)	14,628
write down of cost of investments	8,390	-	8,390	-
Investment income	(20,330)	(20,831)	(20,330)	(20,831)
Bad debts written off	1,927	2,470	1,927	2,470
Writeback of doubtful debts	(2,663)	(2,133)	(2,663)	(2,133)
Provision for staff retirement benefits	1,677	1,502	1,677	1,502
Deficits on revaluation of				
- investment properties	-	1,464	-	1,464
- property, plant and equipment	-	4,899	-	4,899
Finance costs	1,297	1,888	1,297	1,888
Tax expenses	21,622	9,696	21,622	9,696
	(35,546)	29,028	(35,546)	29,028

Uni.Asia General
Insurance Berhad
(16688-K)

147

29 SEGMENT INFORMATION ON CASH FLOW

	2004			GROUP 2003		
	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	2,873	45,185	48,058	88,639	(14,345)	74,294
Investing activities	(5,555)	-	(5,555)	(89,270)	-	(89,270)
Financing activities	-	(45,185)	(45,185)	-	14,345	14,345
	(2,682)	-	(2,682)	(631)	-	(631)
Net (decrease)/increase in cash and cash equivalents	(2,682)	-	(2,682)	(631)	-	(631)
Cash and cash equivalents:						
At beginning of the year	9,756	-	9,756	10,387	-	10,387
At end of the year	7,074	-	7,074	9,756	-	9,756

Notes to the financial statements

- 31 March 2004 (continued)

29 SEGMENT INFORMATION ON CASH FLOW (continued)

	2004			COMPANY 2003		
	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	2,866	45,185	48,051	88,644	(14,345)	74,299
Investing activities	(5,555)	-	(5,555)	(89,270)	-	(89,270)
Financing activities	-	(45,185)	(45,185)	-	14,345	14,345
	(2,689)	-	(2,689)	(626)	-	(626)
Net decrease in cash and cash equivalents	(2,689)	-	(2,689)	(626)	-	(626)
Cash and cash equivalents:						
At beginning of the year	9,457	-	9,457	10,083	-	10,083
At end of the year	6,768	-	6,768	9,457	-	9,457

Uni.Asia General
Insurance Berhad
(16688-K)

148

30 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.

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

The subsidiary and associated companies of the Company are disclosed in Note 3 to the financial statements.

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

Notes to the financial statements

- 31 March 2004 (continued)

30 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

Significant related party balances

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

The balances with subsidiary and associated companies of the Company are disclosed in Notes 7 and 8 to the financial statements respectively.

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

	GROUP/COMPANY	
	2004	2003
	RM'000	RM'000
<u>Receivables (Note 10)</u>		
Due premiums from related companies	3,118	2,995
Due premiums from affiliated company	1,299	1,784
	<hr/>	<hr/>
<u>Payables (Note 12)</u>		
Due to related companies	208	2,800

Significant related party transactions

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

	GROUP/COMPANY	
	2004	2003
	RM'000	RM'000
Transactions with related companies:		
Gross premiums received	(11,265)	(13,210)
Claims paid	1,516	1,822
Purchase of information technology services	812	317
Maintenance charges	1,376	1,323
Transaction with affiliated companies:		
Gross premiums received	(4,027)	(1,244)
Purchase of motor vehicle	977	-
Claims paid	56	(1)

31 ACQUISITION OF GENERAL INSURANCE BUSINESS

During the previous year, on 1 November 2002, the Company completed its acquisition of certain assets and liabilities of the general insurance business of Overseas Union Insurance (Malaysia) Berhad ("OUI"), a general insurance company incorporated in Malaysia for a purchase consideration of RM93,794,000. The fair value of the assets and liabilities acquired from OUI as of 1 November 2002 was RM73,315,000 and the goodwill arising from the acquisition was RM20,479,000.

Notes to the financial statements

- 31 March 2004 (continued)

31 ACQUISITION OF GENERAL INSURANCE BUSINESS (continued)

Details of the net assets acquired, goodwill and cash flow arising from the acquisition are as follows:

	At date of acquisition RM'000
Property, plant and equipment	227
Investments	100,981
Loans	306
Receivables	6,135
Cash and bank balances	6,305
Provision for outstanding claims (Note 26)	(29,398)
Payables	(535)
Unearned premium reserves (Note 15)	(10,706)
<hr/>	
Fair value of net assets acquired at 1 November 2002	73,315
Goodwill	20,479
<hr/>	
Purchase consideration discharged by cash	93,794
Less: Cash and cash equivalents of business acquired	(6,305)
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Cash outflow on acquisition	87,489
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UniAsia General
Insurance Berhad
(16688-K)

150

32 FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group and Company's activities expose it to a variety of financial risks, including credit risk, market risk, interest rate risk, foreign currency exchange risk and liquidity and cash flow risk. The Group and Company's overall financial risk management objective is to ensure that the Company creates value for its shareholders. The Group and Company focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Group and 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 Group and Company.

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

Notes to the financial statements

- 31 March 2004 (continued)

32 FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

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

	GROUP/COMPANY	
	2004	2003
	RM'000	RM'000
Analysed by rating:		
AAA	10,051	20,000
AA	27,266	14,899
A	92,088	58,660
Government guaranteed	-	11,031
Unrated	63	-
Total	129,468	104,590

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 Group and Company's investments in equities are subject to fluctuations in market prices. The Group and Company's investments in equities are managed by licensed asset management companies.

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

Interest rate risk

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

Notes to the financial statements

- 31 March 2004 (continued)

32 FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

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.

GROUP

	Non-interest bearing RM'000	Interest bearing contractual repricing or maturity date			Total carrying amount RM'000	Weighted average effective interest rate %
		1 year or less RM'000	1 to 5 years RM'000	More than 5 years RM'000		
2004						
Financial assets:						
Investments						
Malaysian Government						
Securities	-	5,025	24,252	-	29,277	4.001
Cagamas papers	-	5,000	25,042	-	30,042	3.994
Corporate debt securities	-	29,060	47,393	53,015	129,468	6.740
Equity securities of corporations						
- quoted	54,090	-	-	-	54,090	-
- unquoted	105	-	-	-	105	-
Fixed and call deposits	-	214,008	-	-	214,008	3.152
Loans	-	117	372	101	590	3.753
Amount due from immediate holding company	6	-	-	-	6	-
Other receivables	6,477	-	-	-	6,477	-
Cash and bank balances	7,074	-	-	-	7,074	-
	67,752	253,210	97,059	53,116	471,137	
Other financial assets*					33,047	
Total financial assets					504,184	
Other assets					92,613	
Total assets per balance sheet					596,797	

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

Notes to the financial statements

- 31 March 2004 (continued)

32 FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

GROUP

	Non-interest bearing RM'000	Interest bearing contractual repricing or maturity date			Total carrying amount RM'000	Weighted average effective interest rate %
		1 year or less RM'000	1 to 5 years RM'000	More than 5 years RM'000		
2004						
Financial liabilities:						
Other payables	13,198	-	-	-	13,198	-
Other financial liabilities*					287,760	
Total financial liabilities					300,958	
Other liabilities:						
Current tax liabilities					14,835	
Unearned premium reserves					115,970	
Total liabilities per balance sheet					431,763	

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

GROUP

	Non-interest bearing RM'000	Interest bearing contractual repricing or maturity date			Total carrying amount RM'000	Weighted average effective interest rate %
		1 year or less RM'000	1 to 5 years RM'000	More than 5 years RM'000		
2003						
Financial assets:						
Investments						
Malaysian Government Securities	-	4,071	53,720	17,682	75,473	4.857
Cagamas papers	-	-	5,000	-	5,000	6.054
Corporate debt securities	-	-	79,717	24,873	104,590	7.010
Equity securities of corporations						
- quoted	44,162	-	-	-	44,162	-
- unquoted	306	-	-	-	306	-
Unit trusts	332	-	-	-	332	-
Fixed and call deposits	-	266,554	-	-	266,554	3.353
Loans	-	235	437	162	834	5.000
Other receivables	8,802	-	-	-	8,802	-
Cash and bank balances	9,756	-	-	-	9,756	-
	63,358	270,860	138,874	42,717	515,809	
Other financial assets*					34,787	
Total financial assets					550,596	
Other assets					98,406	
Total assets per balance sheet					649,002	

Notes to the financial statements

- 31 March 2004 (continued)

32 FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

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

GROUP

	Non-interest bearing RM'000	Interest bearing contractual repricing or maturity date			Total carrying amount RM'000	Weighted average effective interest rate %
		1 year or less RM'000	1 to 5 years RM'000	More than 5 years RM'000		
2003						
Financial liabilities:						
Other payables	11,740	-	-	-	11,740	-
Term loan	-	8,760	31,385	-	40,145	
	11,740	8,760	31,385	-	51,885	
Other financial liabilities*					322,928	
Total financial liabilities					374,813	
Other liabilities:						
Current taxation payable					16,204	
Unearned premium reserves					138,082	
Total liabilities per balance sheet					529,099	

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

Notes to the financial statements

- 31 March 2004 (continued)

32 FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

COMPANY

	Non-interest bearing RM'000	Interest bearing contractual repricing or maturity date			Total carrying amount RM'000	Weighted average effective interest rate %
		1 year or less RM'000	1 to 5 years RM'000	More than 5 years RM'000		
2004						
Financial assets:						
Investments						
Malaysian Government Securities	-	5,025	24,252	-	29,277	4.001
Cagamas papers	-	5,000	25,042	-	30,042	3.994
Corporate debt securities	-	29,060	47,393	53,015	129,468	6,740
Equity securities of corporations						
- quoted	54,090	-	-	-	54,090	-
- unquoted	105	-	-	-	105	-
Fixed and call deposits	-	214,008	-	-	214,008	3.152
Loans	-	117	372	101	590	3.753
Amount due from immediate holding company	6	-	-	-	6	-
Subsidiary company	86	-	-	-	86	-
Other receivables	6,659	-	-	-	6,659	-
Cash and bank balances	6,768	-	-	-	6,768	-
	67,714	253,210	97,059	53,116	471,099	
Other financial assets*					35,072	
Total financial assets					506,171	
Other assets					90,404	
Total assets per balance sheet					596,575	

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

Notes to the financial statements

- 31 March 2004 (continued)

32 FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

COMPANY

	Non-interest bearing RM'000	Interest bearing contractual repricing or maturity date			Total carrying amount RM'000	Weighted average effective interest rate %
		1 year or less RM'000	1 to 5 years RM'000	More than 5 years RM'000		
2004						
Financial liabilities:						
Other payables	12,339	-	-	-	12,339	-
Other financial liabilities*					287,760	
Total financial liabilities					300,099	
Other liabilities:						
Current tax liabilities					14,835	
Unearned premium reserves					115,970	
Total liabilities per balance sheet					430,904	

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

156

UniAsia General Insurance Berhad (16688-K)

COMPANY

	Non-interest bearing RM'000	Interest bearing contractual repricing or maturity date			Total carrying amount RM'000	Weighted average effective interest rate %
		1 year or less RM'000	1 to 5 years RM'000	More than 5 years RM'000		
2003						
Financial assets:						
Investments						
Malaysian Government Securities	-	4,071	53,720	17,682	75,473	4.857
Cagamas papers	-	-	5,000	-	5,000	6.054
Corporate debt securities	-	-	79,717	24,873	104,590	7.010
Equity securities of corporations						
- quoted	44,162	-	-	-	44,162	-
- unquoted	306	-	-	-	306	-
Unit trusts	332	-	-	-	332	-
Fixed and call deposits		266,554	-	-	266,554	3.353
Loans		235	437	162	834	5.000
Subsidiary	60	-	-	-	60	-
Other receivables	8,616	-	-	-	8,616	-
Cash and bank balances	9,457	-	-	-	9,457	-
	62,933	270,860	138,874	42,717	515,384	
Other financial assets*					34,787	
Total financial assets					550,171	
Other assets					98,590	
Total assets per balance sheet					648,761	

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

Notes to the financial statements

- 31 March 2004 (continued)

32 FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

COMPANY

	Non-interest bearing RM'000	Interest bearing contractual repricing or maturity date			Total carrying amount RM'000	Weighted average effective interest rate %
		1 year or less RM'000	1 to 5 years RM'000	More than 5 years RM'000		
2003						
Financial liabilities:						
Other payables	10,879	-	-	-	10,879	-
Term loan	-	8,760	31,385	-	40,145	7.400
	10,879	8,760	31,385	-	51,024	
Other financial liabilities*					322,928	
Total financial liabilities					373,952	
Other liabilities:						
Current tax liabilities					16,204	
Unearned premium reserves					138,082	
Total liabilities per balance sheet					528,238	

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

Foreign currency exchange risk

The Group is exposed to currency risk as a result of foreign currency transactions entered into in currencies other than the functional currency.

The financial assets and liabilities of the Group and Company at 31 March 2004 are denominated in Ringgit Malaysia.

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 Group and Company at the balance sheet date approximated their fair values, except as set out below:

	Carrying amounts		GROUP/COMPANY Fair values	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Investments:				
- Malaysian Government Securities	29,277	75,473	29,990	80,861
- Cagamas papers	30,042	5,000	30,216	5,200
- Equity securities - quoted	54,090	44,162	62,183	45,326
- Corporated debt securities				
- quoted	124	-	436	-
- unquoted	129,344	104,590	130,516	111,434
	242,877	229,225	253,341	242,821

Statement by Directors

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

We, Dato' Maznah Abdul Jalil and David Chan Mun Wai, two of the Directors of Uni.Asia General Insurance Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 111 to 157 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2004 and of the results and cash flows of the Group and Company for the year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 May 2004.

DATO' MAZNAH ABDUL JALIL
Director
Kuala Lumpur

DAVID CHAN MUN WAI
Director

Uni.Asia General
Insurance Berhad
(16688-K)

158

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 111 to 157 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 25 May 2004, 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 111 to 157. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and the Company as at 31 March 2004 and of the results and cash flows of the Group and 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.

The names of the subsidiary companies of which we have not acted as auditors are indicated in Note 3 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of section 174 of the Act.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

JAYARAJAN RATHINASAMY
(No. 2059/06/04 (J))
Partner of the firm

Kuala Lumpur
25 May 2004

List of properties

Location	Tenure	Land Area (sq. ft.)	Built-up Area (sq. ft.)	Description And Existing Use	Approximate Age of Building Years	Net Book Value As At 31.03.04 RM'000
Menara Uni.Asia No. 1008, Jalan Sultan Ismail, 50250 Kuala Lumpur	Leasehold 99 years expiring on 06.02.2078	23,261	128,897.00	Ground, 2nd, 6th to 10th Floor used as Uni.Asia General Insurance's Corporate Head Office, currently 11th to 13thA floors are rented out	5	50,652
Adjacent Land (Plot A), Menara Uni.Asia	Leasehold 82 years expiring on 15.08.2083	2,766	-	Vacant land	3	827
16, Jalan Ibrahim, Sg. Petani	Freehold	2,000	2,796.23	2 storey shophouse used as a store (sold in April 2004)	22	460
Lot 7651 & 7658, Taman Desa Jaya, Sg. Petani	Freehold	9,629	1,285.10	Lot 7658 is detached with single storey house - used as store by Sg. Petani branch and Lot 7651 (4,808 sf) is a vacant land	22	157
Lot 5453, A-4 Jalan Kg. Baru, Sg. Petani	Freehold	1,600	4,656.00	4 storey shophouse used as branch office	9	574
Suite 3.1, 3.2 and 3.3, Menara Penang Garden, Penang	Freehold	6,177	6,177.00	Suite 3.1, 3.2 & 3.3 are used as branch office	10	1,556
Lot 951 (471) & 801, Mukim 11, Barat Daya, Penang	Freehold	92,045	-	Vacant land	11	1,861
120, Jalan Kota, Taiping	Freehold	1,800	2,788.37	Double storey shophouse used as branch office	20	261
122 & 122A, Jalan Raja Musa Aziz, Ipoh	Leasehold 999 years expiring on 21.09.2894	3,200	9,319.00	2 units of 3 storey shophouse used as branch office and regional office	22	635
16, Jalan Pejabat Pos, Batu Gajah	Freehold	1,604	3,849.60	3 storey shophouse used as branch office	21	267
9-12th Floors, Menara Safuan, Kuala Lumpur	Freehold	N/A	19,213.00	9th & 10th are rented out in April 2004, 11th & 12th floor used as Central KL branch	21	6,532
No. 98, Jalan Radin Anum 1, Bandar Baru Seri Petaling	Leasehold 99 years expiring on 05.04.2078	2,401	6,856.00	1st and 2nd floors of the 3 storey shophouse being used as a store and Ground floor is rented out	23	607

List of properties (continued)

Location	Tenure	Land Area (sq. ft.)	Built-up Area (sq. ft.)	Description And Existing Use	Approximate Age of Building Years	Net Book Value As At 31.03.04 RM'000
13, Jalan Melur 8, Taman Suria Jaya, Cheras	Leasehold 99 years expiring on 23.01.2085	1,500	5,860.00	4 storey terrace shophouse being used as a store	21	364
38, Jalan Tingkat Siakap 4, Taman Mutiara, Port Dickson	Freehold	6,708	2,046.00	Bungalow (vacant)	20	141
360, Taman Melaka Raya, Melaka	Leasehold 99 years expiring on 04.10.2082	1,399	3,960.00	3 storey shophouse used as branch office	11	269
9B Condominium, Type A, Frasers Hill, Raub, Pahang	Leasehold 99 years expiring on 23.05.2082	N/A	1,792.00	Condominium (vacant)	18	210
688-C, Jalan Bukit Ubi, Kuantan	Freehold	1,918	4,340.00	3 storey shophouse used as a branch office	22	234
E-2758, Jalan Kampong Jawa, Kuantan	Freehold	4,650	2,184.00	Double storey semi detached house is rented out up to June 2003, vacant effective from July 2003	23	217
17 & 18, Jalan Tebrau, Johor Bahru	Freehold	3,433	7,442.00	Ground, 1st & 2nd floors of Lot 17 & 18 used as branch office and Regional office	21	1,573
Lot 329 & 330, Central Road East, Kuching	Leasehold 999 years expiring on 03.05.2781	2,600	7,400.00	1st & 2nd floor of Lot 329 are vacant and others are used as branch office	9	917
No 361, Taman Bukit Emas, Jalan Tampin, 70450 Seremban, Negeri Sembilan	Freehold	1,760	5,060.00	3 storey shophouse used as branch office	23	319
Total						68,633