

The Directors are pleased to submit their report to the members together with the audited financial statements of the Company for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the underwriting of all classes of general insurance business. There have been no significant changes in the nature of these activities during the year.

FINANCIAL RESULTS

	RM'000
Net profit for the year	<u>41,593</u>

DIVIDENDS

The dividends paid or declared by the Company since 31 March 2005 were as follows:

	RM'000
In respect of the year ended 31 March 2005, as shown in the Directors' report of that year, a final tax exempt gross dividend of 15 sen per share, paid on 1 August 2005	<u>13,600</u>
In respect of the year ended 31 March 2006, an interim gross dividend of 10 sen per share, less income tax at 28%, paid on 1 December 2005	<u>7,200</u>

The Directors now recommend the payment of final gross dividend of 15 sen per share, less income tax 28%, amounting to RM10,800,000, in respect of the year ended 31 March 2006, which is subject to the approval of the members at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

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

PROVISION FOR OUTSTANDING CLAIMS

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the Directors, will or may affect the ability of the Company to meet their obligations as and when they fall due.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

SHARE CAPITAL

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

CORPORATE GOVERNANCE

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

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

Board Responsibilities

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

Among others, the responsibilities of the Board include:

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

Board Activities

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

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

Members	Status of Directorship	Number of Board Meetings	
		Held	Attended
Dato' Maznah Abdul Jalil*	Non-Executive Director	6	5
David Chan Mun Wai**	Non-Executive Director	6	6
Dato' Mohd. Nor Mohamad	Non-Executive Director	6	5
Lawrence Pereira	Non-Executive Director	6	6
Datuk Abdul Shukor Hassan	Non-Executive Director	6	6
George Isac Pereira	Independent Non-Executive Director	6	6
Chan Kok Seong	Non-Executive Director	6	6
Hashim Harun	Chief Executive Officer/ Managing Director	6	6

* Chairman

** Deputy Chairman

CORPORATE GOVERNANCE (CONTINUED)

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

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

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

Directors' Remuneration Package

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

Directors Remuneration Package	RM
Chairman of the Board	40,000
Chairman of Committees	35,000
Members of Committees	30,000
Meeting Allowance for Non-Executive Directors	
Chairman of Board/Committee	700
Members of Board/Committee	600

Re-election

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

The applications for reappointment of Directors are 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' Training

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

Board of Directors' Policy

In the spirit of Principle 4 of BNM JPI/GPI 25 – Prudential Framework of Corporate Governance for Insurers and the training requirements as propounded in BNM JPI: 13/2003 – Corporate Governance Standard, IAD has prepared and updated the Board of Directors' Policy to provide the Directors with overview information of the insurance industry in general and Uni.Asia General Insurance Berhad specifically together with a comprehensive list of other information. It will be the main reference material on the Malaysia insurance industry and UAGIB operations as a whole for the newly appointed as well as the current Directors.

Directors' Responsibility Statement

The Directors are required by the Companies Act 1965 to prepare financial statements in accordance with the applicable approved accounting standards on the state of affairs of the Company, the results and the cashflows of the Company for the financial year.

In preparing the financial statements, the Directors have:

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

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

The Directors have the overall responsibilities for taking reasonable steps to safeguarding the assets of the Company, and to prevent and detect fraud and other irregularities.

CORPORATE GOVERNANCE (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. The Chief Executive Officer / Managing Director ("CEO/MD") 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 financial year or entered into since the end of the previous financial year.

Public Accountability

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

Internal Control and Enterprise Risk Management

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

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

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

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

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

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

(a) Underwriting

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

(b) Financial Control Procedures

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

(c) Financial Position

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

(d) Investment

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

(e) Information System

The IT Steering Committee, whose members are represented by the Senior Management of the Company, the Head of IT and IAD, is responsible for identifying the IT needs of the Company in line with the requirements of BNM's Guidelines on Management of IT Environment (GPIS 1).

CORPORATE GOVERNANCE (CONTINUED)

(f) Claims

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

(g) Internal Audit

The IAD reports directly to the Audit Committee ("AC") and its findings and recommendations are communicated to the AC via internal audit reports. The reports are issued within one and half months from completion of the audits and tabled to the AC regularly. In addition, the AC reviews the annual audit plan and follow-up actions on various audit observations. The AC Chairman provides written reports to the Board on the deliberation of the AC on a regular basis. A copy of the report is extended to the affected management personnel and the members of the AC. In line with BNM circular JP 3/2/99 requirement, the audit reports are also submitted to BNM.

Board Committees

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

A The Audit Committee

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

This Committee comprises the following members and details of attendance of each member at meeting held during the year ended 31 March 2006 are as follows:

Members	Status of Directorship	Number of Meetings	
		Held	Attended
George Isac Pereire*	Independent Non-Executive Director	5	5
Dato' Mohd. Nor Mohamad	Non-Executive Director	5	5
Chan Kok Seong	Non-Executive Director	5	5

* Chairman

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

- Ensure the IAD is distinct and has appropriate status within the Company and ensure an effective organisation of the internal audit function.
- Review and approve the audit plan, audit charter and budget.
- Review the scope of internal audit procedures including appropriateness of risk management methodology employed by the IAD and ensures compliance with the internal auditing standards.
- Ensure being adequately informed and understand the risks and implications of internal audit findings and recommendations and that it is resolved effectively and in a timely manner.
- Ensure on on-going basis that the IAD has adequate and competent resources as well as necessary training for the staff to performs audit works and also there is a programme of continuing education and training.
- Review and assess various relationships between external auditor and the Company and the fees paid to them.
- Review the annual audit plan, financial statements and audit reports with the external auditor.
- Review the Chairman's statement, interim financial report and preliminary announcements.
- Submit the AC annual report and its activities to BNM pursuant to Principle 18 of JPI/GPI 25.

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

B The Nomination Committee

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

This Committee comprises the following members and details of attendance of each member at meeting held during the year ended 31 March 2006 are as follows:

Members	Status of Directorship	Number of Meetings	
		Held	Attended
George Isac Pereire*	Independent Non-Executive Director	3	3
Dato' Maznah Abdul Jalil	Non-Executive Director	3	3
David Chan Mun Wai	Non-Executive Director	3	3
Dato' Mohd. Nor Mohamad	Non-Executive Director	3	3
Datuk Abdul Shukor Hassan	Non-Executive Director	3	3

* Chairman

CORPORATE GOVERNANCE (CONTINUED)

B The Nomination 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 responsibility of the Committee:

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

C The Remuneration Committee

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

This Committee comprises the following members and details of attendance of each member at meeting held during the year ended 31 March 2006 are as follows:

Members	Status of Directorship	Number of Meetings	
		Held	Attended
George Isac Pereire*	Independent Non-Executive Director	2	2
Dato' Maznah Abdul Jalil	Non-Executive Director	2	2
Lawrence Pereira	Non-Executive Director	2	2
Datuk Abdul Shukor Hassan	Non-Executive Director	2	2

* Chairman

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

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

CORPORATE GOVERNANCE (CONTINUED)

D Risk Management Committee

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

This Committee comprises the following members and details of attendance of each member at meeting held during the year ended 31 March 2006 are as follows:

Members	Status of Directorship	Number of Meetings	
		Held	Attended
George Isac Pereire*	Independent Non-Executive Director	5	5
David Chan Mun Wai	Non-Executive Director	5	5
Dato' Mohd. Nor Mohamad	Non-Executive Director	5	5
Datuk Abdul Shukor Hassan	Non-Executive Director	5	5

* Chairman

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

- 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;
- Review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

E The Executive Committee

The objectives of the Committee are:

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

The Committee meets on a monthly basis to review matters relevant to the operations of the Company, empowered by the Board with relevant authority for effective and efficient decision-making. The minutes of Committee were circulated to all members of the Committee and to the Chairman of the Board and made available on request to other members of the Board.

The Committee comprises the following members and details of attendance of each member at meeting held during the year ended 31 March 2006 are as follows:

Members	Status of Directorship	Number of Meetings	
		Held	Attended
Dato' Maznah Abdul Jalil*	Non-Executive Director	10	10
George Isac Pereire**	Independent Non-Executive director	10	10
Chan Kok Seong	Non-Executive Director	10	10
Hashim Harun	Chief Executive Officer/Managing Director	10	10

* Chairman

** Resigned on 26th January 2006

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

- Monitor that the Company practices are in strict compliance with laws and regulatory requirements.
- Review and monitor on regular basis the operation, solvency position and financial performance of the Company.
- Review and recommend for approval by the Board on financial, underwriting and claims policies, guidelines and controls.
- Review and recommend to the Board, proposals by management on matters related to annual budget, business/corporate plans, financial accounts and management information system.
- Monitor the profitability and performance of the Company and its group, and where necessary to call for management's appropriate action.
- Being informed and consulted in respect of any matter of significant importance for ramification.
- Exercise the financial and administration authority limit, underwriting authority limit and claims approval mandate.
- Recommend to the Board the payment and approval of interim and final dividends.
- Any matters that may be delegated by the Board from time to time.

CORPORATE GOVERNANCE (CONTINUED)

F The Claims and Underwriting Committee

The Committee is responsible to assist the Board and Management in the effective discharge of its strategic responsibilities and accountabilities in the areas of claims and underwriting of the Company. The Committee reports to the Board of the results, observations and recommendations arising from the review of the above for deliberation and formalisation by the Board. In discharging its duties, the Committee provides professional directions to the state of affairs of the Company where it is heading in the areas of claims and underwriting.

This Committee comprises the following members and details of attendance of each member at meeting held during the year ended 31 March 2006 are as follows:

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

* Chairman

G The Investment Committee

The Committee is empowered by the Board to assist the Board and Management in the effective discharge of its strategic responsibilities and accountabilities in the areas of investment of the Company. The Committee reports to the Board the results, observations and recommendations for deliberation and formalisation by the Board pertaining to the investment activities of the Company.

This Committee comprises the following members and details of attendance of each member at meeting held during the year ended 31 March 2006 are as follows:

Members	Status of Directorship	Number of Meetings	
		Held	Attended
Dato' Maznah Abdul Jalil*	Non-Executive Director	11	11
George Isac Pereire**	Independent Non-Executive Director	11	9
Chan Kok Seong	Non-Executive Director	11	10
Hashim Harun	Chief Executive Officer/Managing Director	11	11
Habshah Mohamed	GM, Finance & Accounts	11	11

* Chairman

** Resigned on 26th January 2006

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

- (a) Report to the Board on the results, observations and recommendation every quarter for deliberation and formalisation by the Board.
- (b) Review and recommend for approval of the Administrative Guideline on investment to Board.
- (c) Establish investment strategy and obtain approval from the Board and regularly review the changing market and economic conditions.
- (d) Assist and advise the Board in the setting of investment objectives, targets and on overall assets allocation.
- (e) Setting up management control procedures and monitoring these procedures.
- (f) Setting short-term variations from the long-terms targets set by the Board and communicating these to the Head of Investment.
- (g) Review sectoral allocation as recommended by the Head of Investment.
- (h) Review approved securities and money market instruments recommended by the Head of Investment and setting investment criteria.
- (i) Monitoring the investment portfolio to ensure conformity with overall objectives and statutory requirements.
- (j) Review and decide on critical investment issues as and when the need arises.
- (k) All investment risks must be recognised, systematically identified, prioritised according to their significance and implications, and manage as best as possible.
- (l) Set the authorisation limits and draw up the reporting requirements.
- (m) Nominate and reviews authorise dealers, fund managers and custodian account when the need arises.

DIRECTORS

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

Dato' Maznah Abdul Jalil
 Dato' Mohd. Nor Mohamad
 Lawrence Pereira
 Datuk Abdul Shukor Hassan
 George Isac Pereire
 Hashim Harun
 Chan Kok Seong
 David Chan Mun Wai

DIRECTORS (CONTINUED)

In accordance with the Company's Article of Association, Lawrence Pereira, Datuk Abdul Shukor Hassan and George Isac Pereire retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1.00 each			
	As at 1.4.2005	Acquired	Disposed	As at 31.3.2006
In the Company				
Direct:				
George Isac Pereire	2,052,381	-	-	2,052,381
Indirect:				
Lawrence Pereira*	9,850,000	-	-	9,850,000
Datuk Abdul Shukor Hassan**	10,003,175	-	-	10,003,175
In DRB-HICOM Berhad (Ultimate Holding Company)				
Direct:				
Dato' Maznah Abdul Jalil	500,000	650,500	600,000	550,500
Dato' Mohd. Nor Mohamad	72,000	14,000	-	86,000
George Isac Pereire	74,000	-	-	74,000
Chan Kok Seong	5,000	-	-	5,000
Options over Ordinary Shares of RM1.00 each				
	As at 1.4.2005	Offered	Exercised	As at 31.3.2006
In DRB-HICOM Berhad (Ultimate Holding Company)				
Dato' Maznah Abdul Jalil	104,000	-	104,000	-
Dato' Mohd. Nor Mohamad	14,000	-	14,000	-

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

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

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

DIRECTORS' BENEFITS

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

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

IMMEDIATE HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

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

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 31 May 2006.

DATO' MAZNAH ABDUL JALIL
DIRECTOR

DAVID CHAN MUN WAI
DIRECTOR

Kuala Lumpur

Balance Sheet

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as at 31 March 2006

Uni.Asia General Insurance Berhad (16688-K)

	Note	2006 RM'000	2005 RM'000
ASSETS			
Property, plant and equipment	3	56,425	53,213
Investments	4	490,487	466,656
Loans	5	1,078	948
Amount due from immediate holding company	26	8	5
Subsidiary companies	6	-	86
Deferred tax assets	8	3,760	7,018
Receivables	9	43,838	37,362
Cash and bank balances		3,510	5,497
Total assets		<u>599,106</u>	<u>570,785</u>
LIABILITIES			
Provision for outstanding claims	10	215,431	222,933
Payables	11	30,207	31,727
Post employment benefit obligations	12	1,181	1,070
Current tax liabilities		5,079	8,518
		<u>251,898</u>	<u>264,248</u>
Unearned premium reserves	13	138,492	120,729
Total liabilities		<u>390,390</u>	<u>384,977</u>
SHAREHOLDERS' EQUITY			
Share capital	14	100,000	100,000
Reserves	15	108,716	85,808
		<u>208,716</u>	<u>185,808</u>
Total liabilities and shareholders' equity		<u>599,106</u>	<u>570,785</u>

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

	Note	2006 RM'000	2005 RM'000
Operating revenue	16	381,386	339,651
Shareholders' fund:			
Management expenses	17	(2,202)	(1,069)
Other operating expense - net	19	(11)	(1)
		(2,213)	(1,070)
Surplus transferred from Revenue Account		63,491	60,094
Profit before taxation		61,278	59,024
Taxation	20	(19,685)	(9,762)
Net profit for the year		41,593	49,262
Earnings per share (sen)	21	41.60	49.26

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

General Insurance Revenue Account

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for the year ended 31 March 2006

Uni.Asia General Insurance Berhad (16688-K)

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

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

General Insurance Revenue Account

Uni.Asia General Insurance Berhad (16688-K)

for the year ended 31 March 2005

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	Note	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
Gross premium		37,489	236,476	9,838	37,237	321,040
Reinsurance		(21,105)	(14,969)	(6,947)	(19,219)	(62,240)
Net premium		16,384	221,507	2,891	18,018	258,800
Decrease/(increase) in unearned premium reserves	13	862	(7,881)	(115)	2,375	(4,759)
Earned premium		17,246	213,626	2,776	20,393	254,041
Net claims incurred	23	(5,062)	(133,951)	(1,206)	(7,877)	(148,096)
Net commission		(2,521)	(16,847)	(150)	(1,512)	(21,030)
Underwriting surplus before management expenses		9,663	62,828	1,420	11,004	84,915
Management expenses	17					(47,944)
Underwriting surplus						36,971
Investment income	18					18,611
Other operating income - net	19					4,512
Surplus transferred to Income Statement						60,094

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

Statement Of Changes In Equity

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for the year ended 31 March 2006

Uni.Asia General Insurance Berhad (16688-K)

	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 2005		100,000	100,000	2,486	83,322	185,808
Surplus on revaluation of properties		-	-	2,937	-	2,937
Transferred to deferred tax		-	-	(822)	-	(822)
Net profit for the year		-	-	-	41,593	41,593
Dividends:	22					
- final for year ended 31 March 2005		-	-	-	(13,600)	(13,600)
- interim for year ended 31 March 2006		-	-	-	(7,200)	(7,200)
At 31 March 2006		100,000	100,000	4,601	104,115	208,716
At 1 April 2004		100,000	100,000	2,677	62,994	165,671
Realisation of revaluation surplus net of tax of investment property, plant and equipment on disposal		-	-	(191)	191	-
Reversal of deferred tax liabilities on revaluation surplus of property, plant and equipment upon disposal		-	-	-	75	75
Net gain not recognised in income statement		-	-	(191)	266	75
Net profit for the year		-	-	-	49,262	49,262
Dividends:	22					
- final for year ended 31 March 2004		-	-	-	(22,000)	(22,000)
- interim for year ended 31 March 2005		-	-	-	(7,200)	(7,200)
At 31 March 2005		100,000	100,000	2,486	83,322	185,808

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

Cash Flow Statement

for the year ended 31 March 2006

	Note	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		41,593	49,262
Adjustments for non-cash items	24	19,988	(9,007)
		61,581	40,255
Increase in loans		(130)	(358)
Decrease in fixed and call deposits		31,666	6,784
Purchase of investments		(140,883)	(147,839)
Proceeds from disposal of investments		71,089	120,811
Proceeds from maturity of investments		10,000	40,000
Interest income received		17,767	15,261
Dividend income received		2,040	1,179
Other investment income received		(54)	304
Post employment benefit obligations		-	(5,436)
(Increase)/decrease in amount due to holding company		(3)	1
(Increase)/decrease in trade receivables		(3,506)	15,350
Decrease in trade payables		(70)	(7,718)
Decrease in provision for outstanding claims		(7,502)	(30,637)
Decrease/(increase) in other receivables		34	(725)
Decrease in other payables		(1,449)	(578)
Cash generated from operations		40,580	46,654
Tax paid		(20,688)	(17,373)
Net cash inflow from operating activities		19,892	29,281
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,709)	(3,057)
Proceeds from disposal of property, plant and equipment		40	1,705
Proceeds from disposal of associated company		330	-
Proceeds from disposal of subsidiary companies		260	-
Net cash outflow from investing activities		(1,079)	(1,352)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(20,800)	(29,200)
Net cash outflow from financing activities	25	(20,800)	(29,200)
NET DECREASE IN CASH AND CASH EQUIVALENTS	25	(1,987)	(1,271)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	25	5,497	6,768
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	3,510	5,497

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

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

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

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

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

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

The number of employees as at the end of the year in the Company was 760 (2005: 770).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 May 2006.

2 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(b) Basis of consolidation

Consolidated financial statements have not been prepared as all of the Company's subsidiary companies were placed under voluntary liquidation which have impaired the Company's ability to exercise its control over the financial and operating policies of the subsidiary companies so as to obtain benefit from the subsidiary companies' activities, as permitted under FRS 122 (formerly known as MASB 11) - Consolidated Financial Statements and Investments in Subsidiaries.

The financial statements of the subsidiary companies as disclosed in Note 6 that have not been consolidated are annexed as required by the Ninth Schedule of the Companies Act, 1965.

(c) Subsidiary companies

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

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

(d) Property, plant and equipment

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(d) Property, plant and equipment (Continued)**

Freehold land is not depreciated.

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

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

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

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

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

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

(e) Investments properties

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

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

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

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

(f) Investments

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

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

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

(g) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(g) Impairment of assets**

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

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

(h) Receivables

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

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

(i) 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 methods that most accurately reflects the actual unearned premium used, are as follows:

- 25% method for marine cargo, aviation cargo and transit;
- 1/24th method for all other classes of Malaysian general policies reduced by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM; and
- 1/8th method for all other classes of overseas inward business with a deduction of 20% for acquisition costs.
- time appointment method for policies with insurance periods other than 12 months.

Provision for claims

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

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

Acquisition costs

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

(j) Other revenue recognition

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(k) Foreign currency transactions**

The financial statements are presented in Ringgit Malaysia.

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

(l) Employee benefits**Short term benefits**

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

Post employment benefits

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

Defined benefit plan:

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

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

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. Accordingly, the last actuarial valuation was performed as at 31 October 2002.

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

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

(m) Dividends

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

(n) Income taxes

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

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

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

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

(o) Contingent liabilities and contingent assets

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

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

(p) Provisions

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

(q) 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.

(r) 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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RM'000	Long term leasehold land and buildings RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Office equipment RM'000	Office renovation RM'000	Computer equipment RM'000	Total RM'000
Net book value								
at 1 March 2005	8,049	30,348	1,072	2,499	1,166	5,151	4,928	53,213
Additions at cost	-	-	198	234	241	281	755	1,709
Revaluation and reversal of depreciation due to revaluation	905	5,385	-	-	-	-	-	6,290
Disposals at net book value	-	-	(3)	(16)	(1)	(1)	(30)	(51)
Write off at net book value	-	-	-	(13)	(10)	(7)	-	(30)
Reclassification at net book value	-	-	-	-	-	(1)	-	(1)
Depreciation charge for the financial year	(271)	(860)	(336)	(175)	(255)	(967)	(1,841)	(4,705)
Net book value at 31 March 2006	8,683	34,873	931	2,529	1,141	4,456	3,812	56,425
At 31 March 2006:								
At cost	-	-	1,861	3,620	3,592	10,301	18,627	38,000
Valuation	8,991	35,850	-	-	-	-	-	44,841
Accumulated depreciation	(308)	(977)	(929)	(1,091)	(2,453)	(5,844)	(14,815)	(26,416)
Net book value	8,683	34,873	931	2,529	1,140	4,457	3,812	56,425

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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	Total RM'000
At 31 March 2005:								
At cost	-	-	1,669	3,577	3,391	10,065	17,926	36,628
At valuation	9,099	32,705	-	-	-	-	-	41,804
Accumulated depreciation	(1,050)	(2,357)	(597)	(1,078)	(2,225)	(4,914)	(12,998)	(25,219)
Net book value	8,049	30,348	1,072	2,499	1,166	5,151	4,928	53,213
Depreciation charge for the year ended 31 March 2005	221	711	318	183	253	904	1,980	4,570

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

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

The revalued amounts of these properties, which resulted in a surplus of RM6,726,600, were submitted to the relevant government authority for approval on 25 March 2005. On 1 June 2005, the authorities approved the revaluation with a revised surplus of RM6,290,000, which was incorporated in the financial statements of the current financial year. Of this amount, an amount of RM3,544,000 was recognised in the revenue account/income statement to the extent of revaluation deficits previously recognised (See Note 19). The remaining balance was credited to the Asset Revaluation Reserve.

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:

	2006 RM'000	2005 RM'000
Freehold land and buildings	6,552	6,712
Long term leasehold land and buildings	33,975	34,755
	40,527	41,467

The long term leasehold land and buildings have unexpired lease periods ranging from 72 years to 888 years (31.3.2005: 73 years to 889 years).

The titles to certain long term leasehold properties and freehold properties included in property, plant and equipment at carrying value of RM32,303,310 (2005: RM28,231,788) and RM4,659,976 (2005: RM4,640,461) 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

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- 31 March 2006 (continued)

Uni.Asia General Insurance Berhad (16688-K)

4 INVESTMENTS

	2006		2005	
	Carrying value RM'000	Market value RM'000	Carrying value RM'000	Market value RM'000
Investment properties:				
Freehold land and buildings:				
At valuation	5,405		5,204	
Leasehold land and buildings:				
At cost	-		827	
At valuation	22,000		22,000	
	27,405		28,031	
Malaysian Government Securities, at cost	47,986		20,004	
Amortisation of premiums net of accretion of discounts	(1,823)		(1,235)	
	46,163	45,877	18,769	18,752
Cagamas papers, at cost	5,028		30,079	
Amortisation of premiums net of accretion of discounts	(16)		(28)	
	5,012		30,051	
Quoted:				
Equity securities of corporations				
- quoted in Malaysia, at cost	58,248		60,994	
Allowance for diminution in value	(7,755)		(6,179)	
	50,493	50,492	54,815	54,815
Corporate debts securities				
- quoted in Malaysia, at cost	8,365		8,365	
Accretion of discounts net of amortisation of premiums	395		79	
	8,760	10,000	8,444	10,300
Unit trust, at cost	5,768	6,028	-	-
Unquoted:				
Equity securities of corporations, at cost	214		214	
Allowance for diminution in value	(121)		(110)	
	93		104	
Corporate debt securities, at cost	170,915		116,800	
Accretion of discounts net of amortisation of premiums	2,569		2,418	
Allowance for diminution in value	(2,249)		-	
	171,235		119,218	
Fixed and call deposits with:				
Licensed banks	159,173		168,823	
Licensed finance companies	10,279		10,100	
Other corporations	6,106		28,301	
	175,558		207,224	
TOTAL INVESTMENTS	490,487		466,656	

Notes To The Financial Statements

Uni.Asia General Insurance Berhad (16688-K)

- 31 March 2006 (continued)

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4 INVESTMENTS (CONTINUED)

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

	2006 RM'000	2005 RM'000
Investments maturing within 12 months	185,703	217,440
Investments maturing after 12 months	221,025	166,265
	406,728	383,705

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

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

The revaluation amounts of these investment properties which resulted in a surplus of RM428,000, were submitted to the relevant government authority for approval on 25 March 2005. On 1 June 2005, the authorities approved the revaluation with a revised surplus of RM201,000, which was incorporated in the financial statements of the current financial year by crediting the Asset Revaluation Reserve. The Company also recognised a revaluation deficit of RM827,000 investment properties, as disclosed in Note 19 to the financial statements.

The fair values of the investment properties at 31 March 2006 were estimated by the Directors to approximate their carrying values.

The titles to certain leasehold land and buildings and freehold land and buildings included in investment properties at carrying value of RM22,000,000 (2005: RM22,000,000) and RM3,545,000 (2005: RM3,342,321) are in the process of being transferred to the Company. Risks, rewards and effective titles to these properties have been passed to the Company upon unconditional completion of the acquisition of those properties. The Company has submitted the relevant documents to the land authorities for transfer of legal titles to the Company and is awaiting the process and formalities of this transfer to be completed.

5 LOANS

	2006 RM'000	2005 RM'000
Staff housing loans (secured)	1,033	921
Staff vehicle loans (secured)	19	23
Other staff loans (unsecured)	26	4
	1,078	948
Receivable within 12 months	98	88
Receivable after 12 months	980	860
	1,078	948

6 SUBSIDIARY COMPANIES

	2006 RM'000	2005 RM'000
Unquoted shares, at cost	1,394	3,941
Accumulated impairment losses	(1,394)	(3,855)
	-	86

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

Name of company	Country of incorporation	Effective equity interest		Principal activities	Year end
		2006 %	2005 %		
Subsidiary company:					
+ Seains Pte Ltd	Singapore	-	100	Dormant	31 March
+ Not audited by PricewaterhouseCoopers.					
Seains Pte Ltd was placed under members' voluntary liquidation on 20 February 2004.					

Notes To The Financial Statements

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- 31 March 2006 (continued)

Uni.Asia General Insurance Berhad (16688-K)

7 ASSOCIATED COMPANY

	2006 RM'000	2005 RM'000
Unquoted shares, at cost	-	165
Accumulated impairment loss	-	(165)
	-	-

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

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

* Audited by PricewaterhouseCoopers.

During the financial year ended 31 March 2006, the Company had disposed its equity interest in the associated company. As a result of the disposal, the Company recognised a gain of RM165,000, as disclosed in note 19 to the financial statements.

8 DEFERRED TAXATION

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

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

	2006 RM'000	2005 RM'000
Deferred tax assets	3,760	7,018
At 1 April	7,018	5,649
(Charged)/credited to income statements (Note 21):		
- property, plant and equipment	(785)	(188)
- investments	(282)	3,253
- receivables	(1,109)	(12)
- retirement benefits	(3)	(1,446)
- payables	(244)	(296)
- unearned premium reserves	(13)	(17)
	(2,436)	1,294
Charged to equity	(822)	75
At 31 March	3,760	7,018
Subject to income tax:		
Deferred tax assets (after offsetting)		
Investments	5,139	5,476
Receivables	5	1,115
Retirement benefits	438	441
Payables	823	1,067
	6,405	8,099
Offsetting	(2,645)	(1,081)
Deferred tax asset (after offsetting)	3,760	7,018

Notes To The Financial Statements

Uni.Asia General Insurance Berhad (16688-K)

- 31 March 2006 (continued)

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8 DEFERRED TAXATION (CONTINUED)

	2006 RM'000	2005 RM'000
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	2,632	1,080
Unearned premium reserves	13	1
	2,645	1,081
Offsetting	(2,645)	(1,081)
	-	-

9 RECEIVABLES

Trade receivables

Due premiums including agents, brokers and co-insurers balances	32,655	28,352
Due from reinsurers and cedants	8,595	9,116
Allowance for doubtful debts	(9,363)	(11,972)
	31,887	25,496

Knock-for-knock claims recoveries due from other insurers	2,457	2,731
Allowance for doubtful debts	(587)	(1,001)

	1,870	1,730
--	-------	-------

Other receivables

Investment income due and accrued	4,817	4,838
Assets held under Malaysian Motor Insurance Pool	2,426	1,996
Deposits	688	708
Prepayments	518	808
Other receivables less allowance for doubtful debts of RM328,000 (2005: RM328,000)	1,632	1,786

	10,081	10,136
--	--------	--------

	43,838	37,362
--	--------	--------

Receivable after 12 months	2,426	1,996
----------------------------	-------	-------

10 PROVISION FOR OUTSTANDING CLAIMS

Provision for outstanding claims	275,707	308,842
Less: Recoverable from reinsurers	(60,276)	(85,909)

Net outstanding claims	215,431	222,933
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11 PAYABLES

Trade payables

Due to insureds, agents, brokers and co-insurers	6,981	9,698
Due to reinsurers and cedants	12,680	10,033

	19,661	19,731
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Other payables

Amount due to a shareholder	61	61
Payroll liabilities	2,611	3,242
Unclaimed monies	743	1,159
Cash collaterals held on bond business	737	1,015
Duties and other taxes payable	619	687
Accrual of Insurance Guarantee Scheme Fund Levy	886	781
Other payables and accrued liabilities	4,889	5,051

	10,546	11,996
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	30,207	31,727
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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

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- 31 March 2006 (continued)

Uni.Asia General Insurance Berhad (16688-K)

12 POST EMPLOYMENT BENEFIT OBLIGATIONS

Defined contribution plan:

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

Defined benefit plan:

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

	2006 RM'000	2005 RM'000
At 1 April	1,070	6,506
Charged to income statement/revenue accounts	111	-
Benefits paid	-	(5,436)
	<hr/>	<hr/>
At 31 March	1,181	1,070
	<hr/>	<hr/>
Payable within 12 months	36	367
Payable after 12 months	1,145	703
	<hr/>	<hr/>
	1,181	1,070

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

Present value of unfunded obligations	1,181	1,070
Additional accrual	-	-
	<hr/>	<hr/>
	1,181	1,070

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

Current service cost	-	-
Interest cost	-	-
Additional accrual	111	-
	<hr/>	<hr/>
	111	-

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

	2006 %	2005 %
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.

13 UNEARNED PREMIUM RESERVES

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
2006					
At 1 April 2005	9,342	102,232	786	8,369	120,729
Increase/(decrease) in unearned premium reserves	1,236	15,934	(273)	866	17,763
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	10,578	118,166	513	9,235	138,492

Notes To The Financial Statements

Uni.Asia General Insurance Berhad (16688-K)

- 31 March 2006 (continued)

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13 UNEARNED PREMIUM RESERVES (CONTINUED)

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
2005					
At 1 April 2004	10,204	94,351	671	10,744	115,970
(Decrease)/increase in unearned premium reserves	(862)	7,881	115	(2,375)	4,759
At 31 March 2005	9,342	102,232	786	8,369	120,729

14 SHARE CAPITAL

	2006 RM'000	2005 RM'000
Ordinary shares of RM1 each:		
Authorised	250,000	250,000
Issued and fully paid	100,000	100,000

15 RESERVES

Non-distributable

Asset revaluation reserve	4,601	2,486
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Distributable

Retained earnings (Note (a))	104,115	83,322
	108,716	85,808

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

16 OPERATING REVENUE

	2006 RM'000	2005 RM'000
Insurance fund		
Gross premium income	361,654	321,040
Investment income (Note 18)	19,732	18,611
	381,386	339,651

17 MANAGEMENT EXPENSES

	Shareholders' fund		Insurance fund	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Staff cost (including Executive Directors):				
- Salaries and bonus	1,008	499	24,274	24,469
- Defined contribution scheme	167	75	4,016	3,677
- Others	105	44	2,522	2,140
	1,280	618	30,812	30,286

Notes To The Financial Statements

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- 31 March 2006 (continued)

Uni.Asia General Insurance Berhad (16688-K)

17 MANAGEMENT EXPENSES (CONTINUED)

	Shareholders' fund		Insurance fund	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Depreciation of property plant and equipment	3	4	4,702	4,566
Auditors' remuneration	7	3	160	137
Writeback of doubtful debts	-	-	(3,024)	(13,434)
Bad debts written off	-	-	-	3,905
Rental of properties	42	22	1,007	1,084
Insurance Guarantee Scheme Fund Levy	-	-	785	649
EDP expenses	121	51	2,920	2,508
Advertising	237	97	5,703	4,776
Printing and stationery	67	36	1,612	1,754
Postage, telephone, telex and telefax	92	45	2,220	2,185
Training	46	35	1,104	1,731
Others	307	158	7,399	7,797
	922	451	24,588	17,658
	2,202	1,069	55,400	47,944

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

Executive Directors:				
- salaries and bonus	17	8	414	403
- defined contribution scheme	3	4	62	170
Non-Executive Directors:				
- fees	9	4	221	238
- other emoluments	7	2	159	118
	36	18	856	929

The estimated monetary value of benefits provided to Directors during the year by way of usage of the Company's assets amounted to RM13,277 (2005: RM13,000).

The remuneration, including benefits-in-kind, attributable to the CEO of the Company during the year amounted to RM509,226 (2005: RM598,000).

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

Non-Executive Directors

Dato' Maznah Abdul Jalil
 David Chan Mun Wai
 Dato' Mohd. Nor Mohamad
 Lawrence Pereira
 Datuk Abdul Shukor Hassan
 George Isac Pereire
 Chan Kok Seong

Executive Director

Hashim Harun

18 INVESTMENT INCOME

	2006 RM'000	2005 RM'000
Insurance fund		
Interest from:		
Malaysian Government Securities	3,181	1,316
Cagamas papers	275	1,386
Corporate debt securities	8,783	4,947
Fixed and call deposits	5,464	6,902
Staff loans	43	33
	17,746	14,584

Notes To The Financial Statements

Uni.Asia General Insurance Berhad (16688-K)

- 31 March 2006 (continued)

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18 INVESTMENT INCOME (CONTINUED)

	2006 RM'000	2005 RM'000
Amortisation of premiums net of accretion of discounts	(970)	1,695
Gross dividends from shares quoted in Malaysia	2,040	1,680
Rental income from land and buildings	1,808	1,568
Less: Rates and maintenance expenses	(892)	(916)
	19,732	18,611

19 OTHER OPERATING INCOME – NET

	2006 RM'000	2005 RM'000
Insurance fund		
Gain on disposal of investments	166	5,658
Allowance for diminution in value of investments	(3,826)	(6,179)
Write back of/(allowance for) diminution in value		
- Associated company	165	-
- Subsidiary company	(86)	-
Capital distribution from liquidation of subsidiary companies	261	-
Gain from sale of associated company	165	-
Property, plant and equipment		
- (loss)/gain on disposal	(11)	575
- written off	(30)	(95)
Revaluation of properties		
- investment properties	(827)	-
- property, plant and equipment	3,554	-
Loss/(gain) on foreign exchange	1	(7)
Written off outward treaty deposit and agent balances	-	1,648
(Write-back)/write offs of reinsurance balances	(323)	2,416
Others	895	496
	104	4,512
Shareholders' fund		
Allowance for diminution in value of investments	(11)	(1)
	(11)	(1)

20 TAXATION

	2006 RM'000	2005 RM'000
Current tax	17,249	11,056
Deferred tax (Note 8)	2,436	(1,294)
Tax expense	19,685	9,762
Current tax		
Current year	17,249	18,571
Overaccrual in prior years	-	(7,515)
Deferred tax		
Origination and reversal of temporary differences	2,436	(1,294)
	19,685	9,762

Notes To The Financial Statements

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- 31 March 2006 (continued)

Uni.Asia General Insurance Berhad (16688-K)

20 TAXATION (CONTINUED)

	2006	2005
	%	%
Numerical reconciliation between the average effective tax rate and the Malaysian tax rate:		
Malaysian tax rate	28	28
Tax effects of:		
- expenses not deductible for tax purposes	4	2
- overaccruals in prior years	-	(13)
Average effective tax rate	32	17

21 EARNINGS PER SHARE

	2006	Income 2005
	RM'000	RM'000
Net profit for the year (RM'000)	41,593	49,262
Number of ordinary shares ('000)	100,000	100,000
Basic earnings per share (sen)	41.6	49.3

22 DIVIDENDS

Dividends declared or proposed in respect of the year ended 31 March 2006 are as follows:

	2006		2005	
	Gross dividend per share	Amount of dividend, net of tax	Gross dividend per share	Amount of dividend, net of tax
	Sen	RM'000	Sen	RM'000
Interim dividend paid	10.0	7,200	10.00	7,200
Proposed final dividend	15.00	10,800	15.00	13,600
	25.00	18,000	25.00	20,800

At the forthcoming Annual General Meeting, a final gross dividend in respect of the year ended 31 March 2006 of 15 sen per share, less income tax of 28% (31.3.2005: 15 sen per share, tax exempt), amounting to RM10,800,000 (31.3.2005: RM13,600,000) 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.

23 NET CLAIMS INCURRED

2006	Fire	Motor	Marine, Aviation & Transit	Misce- llaneous	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross claims paid less salvage	21,239	166,650	1,454	12,629	201,972
Reinsurance recoveries	(16,607)	(10,788)	(631)	(1,702)	(29,728)
Net claims paid	4,632	155,862	823	10,927	172,244
Net outstanding claims:					
At 31 March 2006	8,658	186,849	2,401	17,523	215,431
At 1 April 2005	(5,324)	(198,889)	(2,333)	(16,387)	(222,933)
Net claims incurred	7,966	143,822	891	12,063	164,742

Notes To The Financial Statements

Uni.Asia General Insurance Berhad (16688-K)

- 31 March 2006 (continued)

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23 NET CLAIMS INCURRED (CONTINUED)

2005	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misce- llaneous RM'000	Total RM'000
Gross claims paid less salvage	13,413	174,575	1,610	15,247	204,845
Reinsurance recoveries	(8,596)	(12,533)	(580)	(4,403)	(26,112)
Net claims paid	4,817	162,042	1,030	10,844	178,733
Net outstanding claims:					
At 31 March 2005	5,324	198,889	2,333	16,387	222,933
At 1 April 2004	(5,079)	(226,980)	(2,157)	(19,354)	(253,570)
Net claims incurred	5,062	133,951	1,206	7,877	148,096

24 ADJUSTMENTS FOR NON-CASH ITEMS

	2006 RM'000	2005 RM'000
Increase in unearned premium reserves	17,763	4,759
Property, plant and equipment		
- depreciation	4,705	4,570
- loss/(gain) on disposal	11	(575)
- written off	30	95
- revaluation surplus	(3,554)	-
Gain on disposal of investments	(166)	(5,658)
Allowance for diminution in value of investments (Writeback of)/allowance for diminution in value	3,837	6,180
- associated company	(165)	-
- subsidiary company	86	-
Capital distribution from liquidation of subsidiary companies	(261)	-
Gain on disposal of associated company	(165)	-
Revaluation deficit on investment properties	827	-
Investment income	(19,732)	(18,611)
Bad debts written off	-	3,905
Writeback of doubtful debts	(3,024)	(13,434)
Provision for post-employment benefit	111	-
Tax expenses	19,685	9,762
	19,988	(9,007)

25 SEGMENT INFORMATION ON CASH FLOW

	2006			2005		
	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	(908)	20,800	19,892	81	29,200	29,281
Investing activities	(1,079)	-	(1,079)	(1,352)	-	(1,352)
Financing activities	-	(20,800)	(20,800)	-	(29,200)	(29,200)
	(1,987)	-	(1,987)	(1,271)	-	(1,271)
Net decrease in cash and cash equivalents	(1,987)	-	(1,987)	(1,271)	-	(1,271)
Cash and cash equivalents:						
At beginning of the year	5,497	-	5,497	6,768	-	6,768
At end of the year	3,510	-	3,510	5,497	-	5,497

Notes To The Financial Statements

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- 31 March 2006 (continued)

Uni.Asia General Insurance Berhad (16688-K)

26 SIGNIFICANT RELATED PARTY DISCLOSURES

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

Related companies	Country of incorporation	Relationship
DRB-HICOM Berhad	Malaysia	Ultimate holding company
Uni.Asia Capital Sdn Bhd	Malaysia	Immediate holding company
Affiliated companies		
Edaran Otomobil Nasional Berhad	Malaysia	Associated company of DRB-HICOM Group
United Overseas Bank Berhad	Malaysia	Substantial shareholder of the immediate holding company
Related parties		
Pelabuhan Tanjung Pelepas	Malaysia	Relation with a shareholder of the ultimate holding company
Johor Port Berhad	Malaysia	Relation with a shareholder of the ultimate holding company
Tradewinds Hotels and Resorts Sdn Berhad	Malaysia	Relation with a shareholder of the ultimate holding company
Johor Tenggara Oil Palm Sdn Bhd	Malaysia	Relation with a shareholder of the ultimate holding company
Padi Beras Nasional Berhad	Malaysia	Relation with a shareholder of the ultimate holding company

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

Significant related party balances

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

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

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.

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

	2006 RM'000	2005 RM'000
Receivables (Note 9)		
Due premiums from related companies, DRB-HICOM Berhad Group	933	4,119
Due premiums from affiliated company, Edaran Otomobil Nasional Berhad Group	2,343	2,562
Payables (Note 11)		
Due to related companies	62	25

Significant related party transactions

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

	2006 RM'000	2005 RM'000
Transactions with related companies, DRB-HICOM Berhad Group:		
Gross premiums received	(13,428)	(18,899)
Claims paid	2,299	805
Purchase of information technology services	-	384
Maintenance charges and others	1,626	2,220

26 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	2006 RM'000	2005 RM'000
Transactions with related parties, by virtue of their relationship with a shareholder of DRB-HICOM Bhd:		
Gross premium received	1,781	-
Transactions with affiliated companies, Edaran Otomobil National Berhad Group:		
Gross premiums received	(4,600)	(542)
Purchase of motor vehicle	-	17
Claims paid	135	430

27 FINANCIAL INSTRUMENTS**Financial risk management objectives and policies**

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

Credit risk

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

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

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

	2006 RM'000	2005 RM'000
Analysed by rating:		
AAA	10,030	10,041
AA	44,202	17,768
A	120,603	99,853
BB-	5,160	-
Total	179,995	127,662

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

Market risk

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

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

Interest rate risk

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

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

Notes To The Financial Statements

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- 31 March 2006 (continued)

Uni.Asia General Insurance Berhad (16688-K)

27 FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk (continued)

2006	Non-interest bearing RM'000	Interest bearing: Earlier of contractual repricing or maturity date			Total carrying amount RM'000	Weighted average effective interest rate % per annum
		1 year or less RM'000	1 to 5 years RM'000	More than 5 years RM'000		
Financial assets:						
Investments						
Malaysian Government						
Securities	-	-	46,163	-	46,163	3.139
Cagamas papers	-	5,012	-	-	5,012	3.195
Corporate debt securities	-	5,133	143,021	31,841	179,995	6.152
Equity securities of corporations						
- quoted	50,493	-	-	-	50,493	-
- unquoted	93	-	-	-	93	-
Unit trust	5,768	-	-	-	5,768	-
Fixed and call deposits	-	175,558	-	-	175,558	3.041
Loans	26	83	385	584	1,078	3.939
Amount due from immediate holding company						
	8	-	-	-	8	-
Other receivables	7,137	-	-	-	7,137	-
Cash and bank balances	3,510	-	-	-	3,510	-
	67,035	185,786	189,569	32,425	474,815	
Other financial assets*					36,183	
Total financial assets					510,998	
Other assets					88,108	
Total assets per balance sheet					599,106	
Financial liabilities:						
Other payables	10,546	-	-	-	10,546	-
Other financial liabilities*					374,765	
Total financial liabilities					385,311	
Other liabilities					5,079	
Total liabilities per balance sheet					390,390	

* Disclosure information for financial assets and liabilities that relate to rights and obligations arising under employee benefit plans and insurance contracts are not shown as they are excluded from the scope FRS 132 (formerly known as MASB Standard 24) - Financial Instruments: Disclosure and Presentation.

Notes To The Financial Statements

Uni.Asia General Insurance Berhad (16688-K)

- 31 March 2006 (continued)

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27 FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk (Continued)

COMPANY

	Non-interest bearing RM'000	Interest bearing: Earlier of contractual repricing or maturity date			Total carrying amount RM'000	Weighted average effective interest rate % per annum
		1 year or less RM'000	1 to 5 years RM'000	More than 5 years RM'000		
2005						
Financial assets:						
Investments						
Malaysian Government						
Securities	-	10,216	8,553	-	18,769	3.079
Cagamas papers	-	-	30,051	-	30,051	3.522
Corporate debt securities	-	-	36,749	90,913	127,662	6.219
Equity securities of corporations						
- quoted	54,815	-	-	-	54,815	-
- unquoted	104	-	-	-	104	-
Fixed and call deposits	-	207,224	-	-	207,224	2.979
Loans	4	-	238	706	948	3.270
Amount due from immediate holding company	5	-	-	-	5	
Subsidiary company	86	-	-	-	86	
Other receivables	7,332	-	-	-	7,332	
Cash and bank balances	5,497	-	-	-	5,497	
	67,843	217,440	75,591	91,619	452,493	
Other financial assets*					29,222	
Total financial assets					481,715	
Other assets					89,070	
Total assets per balance sheet					570,785	
Financial liabilities:						
Other payables	11,996	-	-	-	11,996	
Other financial liabilities*					364,463	
Total financial liabilities					376,459	
Other liabilities					8,518	
Total liabilities per balance sheet					384,977	

* Disclosure information for financial assets and liabilities that relate to rights and obligations arising under employee benefit plans and insurance contracts are not shown as they are excluded from the scope FRS 132 (formerly known as MASB Standard 24) - Financial Instruments: Disclosure and Presentation.

27 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity and cash flow risk

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

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

	Carrying amounts		Fair values	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Investments:				
- Malaysian Government Securities	46,163	18,769	45,877	18,752*
- Cagamas papers	5,012	30,051	5,000	30,227
- Equity securities - quoted	50,493	54,815	50,492	54,815
- Unit Trust	5,768	-	6,028	-
- Corporate debt securities				
- quoted	8,760	8,444	10,000	10,300
- unquoted	171,235	119,218	173,357	120,795
	287,431	231,297	290,754	234,889

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

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 82 to 108 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2006 and of the results and cash flows of the Company for the year ended on that date in accordance with Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 31 May 2006.

DATO' MAZNAH ABDUL JALIL
DIRECTOR

DAVID CHAN MUN WAI
DIRECTOR

Kuala Lumpur

Statutory Declaration

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

I, Hashim Harun, the Director primarily responsible for the financial management of Uni.Asia General Insurance Berhad, do solemnly and sincerely declare that the financial statements set out on pages 82 to 108 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

HASHIM HARUN

Subscribed and solemnly declared by the abovenamed Hashim Harun at Kuala Lumpur on 31 May 2006, before me.

COMMISSIONER FOR OATHS

Auditors' Report

To The Members Of Uni.asia General Insurance Berhad
(Incorporated in Malaysia) (Company No. 16688-K)

We have audited the financial statements set out on pages 82 to 108. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Company as at 31 March 2006 and of the results and cash flows of the Company for the year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

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

Kuala Lumpur
31 MAY 2006

Landed Properties

Uni.Asia General Insurance Berhad (16688-K)

as at 31 March 2006

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Location	Date of acquisition	Description / Existing Use	Approximate age of building Years	Tenure	Approximate Area (sq. m) : Built-up	Net Book Value as at 31.03.06 RM '000
Menara Uni.Asia No. 1008, Jalan Sultan Ismail, 50250 Kuala Lumpur, W. Persekutuan	14 July 1999	Ground, 2nd, 6th to 10th Floor used as Uni.Asia General Insurance's Corporate Head Office, currently 11th to 13thA floors are rented out	7	Leasehold 99 years expiring on 06.02.2078	11,975	53,997
Adjacent Land (Plot A), Menara Uni.Asia	31 July 2001	Vacant land	5	Leasehold 82 years expiring on 15.08.2083	256	0
Lot 7651 & 7658, Taman Desa Jaya, Sg. Petani, Kedah	30 Dec 1990	Lot 7658 is detached with single storey house and Lot 7651 (4,808 sf) is a vacant land	24	Freehold	895	201
Lot 5453, A-4 Jalan Kg. Baru, Sg. Petani, Kedah	26 Feb 1994	4 storey shophouse used as branch office	11	Freehold	433	640
Suite 3.1, 3.2 and 3.3, Menara Penang Garden, P. Pinang	06 May 1992 & 05 Aug 1993	Suite 3.1, 3.2 and 3.3 are used as branch office	12	Freehold	574	1,497
Lot 951 (471) & 801, Mukim 11, Barat Daya, P. Pinang	12 Feb 1980	Vacant land	13	Freehold	8,551	1,860
No 120, Jalan Kota, Taiping, Perak	30 Sep 1982	Double storey shophouse used as branch office	22	Freehold	276	335
122 & 122A, Jalan Raja Musa Aziz, Ipoh, Perak	12 Jan 1981	2 units of 3 storey shophouse used as branch office and Regional Office	24	Leasehold 999 years expiring on 21.09.2894	866	917
No 16, Jalan Pejabat Pos, Batu Gajah, Perak	11 May 1981	3 storey shophouse used as branch office	23	Freehold	358	306
9 - 12th Floors, Menara Safuan, Kuala Lumpur, W. Persekutuan	31 Dec 1994	9th and 10th are rented out in April 2004, 11th & 12th floor used as as Central KL branch	23	Freehold	1,785	6,708

