Uni Asia
General Insurance

ANNUAL REPORT
2012

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Board of Directors

Dato' Hj. Kamil Khalid Ariff - Chairman
David Chan Mun Wai – Deputy Chairman
Dato' Sri Haji Mohd Khamil bin Jamil
Lawrence Pereira
Datuk Abdul Shukor Hassan
Dato' Dr. Mohd Shahari Ahmad Jabar
Chan Kok Seong
George Isac Pereire
Dato' Majid Mohamad
Carol Chan Choy Lin

Company Secretaries

Carol Chan Choy Lin
Claire Yeong Yin Fun

Auditors

PricewaterhouseCoopers
Level 10, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
50706 Kuala Lumpur
Tel: 03-2173 1188

Bankers

Hong Leong Bank Berhad
Maybank Berhad
CIMB Bank Berhad
Citibank Berhad
United Overseas Bank Berhad

Registered Office

9th Floor, Menara Uni.Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-2693 8111

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the **Thirty-Eighth Annual General Meeting** of the Shareholders of the Company will be held at the Board Room, 9th Floor, Menara Uni.Asia, 1008 Jalan Sultan Ismail, 50250 Kuala Lumpur on **Wednesday, 18th July, 2012 at 9.30 a.m.**

AGENDA

1. To receive and adopt the Audited Accounts for the year ended 31st March, 2012 together with the Directors' and Auditors' Reports thereon.

2. To declare a final dividend of 8% less 25% income tax in respect of the financial year ended 31st March, 2012.

3. To approve Directors' Fees of RM583,060.11 for the year ended 31st March, 2012.

4. To re-elect the following Directors who retire in accordance with the Company's Articles of Association:-
   Under Article 63 :

   (i) Mr. Chan Kok Seong

   Under Article 68 :

   (i) YBhg. Dato' Haji Kamil Khalid Ariff
   (ii) YBhg. Dato' Majid Bin Mohamad
   (iii) Ms. Chan Choy Lin

5. To re-elect the following Directors who retire pursuant to Section 129(6) of the Companies Act 1965:-

   (i) Mr. Lawrence Pereira
   (ii) YBhg. Datuk Abdul Shukor Hassan
   (iii) YBhg. Dato' Dr. Mohd. Shahari bin Ahmad Jabar

6. To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.

BY ORDER OF THE BOARD

CAROL CHAN CHOY LIN (MIA 3930)

CLAIRE YEONG YIN FUN (LS 000138)

Company Secretaries

Kuala Lumpur
26th June, 2012

NOTE:
A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. The instrument appointing a proxy shall be delivered in writing under the hand of the appointor or his attorney or, if such an appointor is a corporation, under its Common Seal or the hand of its attorney. All proxies must be deposited at the Company's Registered Office not less than 48 hours before the time of the holding of the meeting or any adjournment thereof.

BOARD OF DIRECTORS

CHAIRMAN

DEPUTY CHAIRMAN

CHAIRMAN'S REVIEW

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Uni.Asia General Insurance Berhad for the financial year ended 31 March 2012.

Financial Performance

In 2011, the Malaysian economy recorded a steady Gross Domestic Product (GDP) growth of 5.1 percent despite the challenging international economic environment and the natural disasters that struck Australia, New Zealand, Japan and Thailand. Malaysia's stable growth rate was supported by strong domestic demand, driven by both household and business spending and higher public sector spending. In tandem with the improvement in the domestic economy, the general insurance industry grew 8.0 percent, recording RM13.6 billion in gross direct premiums from RM12.6 billion in the previous year.

Uni.Asia General has managed to achieve an impressive financial performance for the year ended 31st March 2012. The Company's fine financial performance is attributed to an ongoing Company-wide strategic transformation program that has gained traction and momentum.

For the financial year ended 31st March 2012, Uni.Asia General recorded a profit before tax of RM52.1 million as compared to RM40.3 million in the previous year. The profit before tax was achieved despite taking into account a RM16.5 million share of losses incurred through the Malaysia Motor Insurance Pool (MMIP). The Company registered its highest ever gross written premium of RM431.7 million, up from the RM412.8 million attained in the previous year. Capital Adequacy Ratio (CAR) continued to improve to register at 221 percent, exceeding Bank Negara Malaysia's supervisory requirement of 130 percent and the internal CAR of 180 percent.

Operational Review

Uni.Asia General's strategic initiatives are aimed at maintaining a robust balance sheet, sustaining growth within the industry, and realizing its vision of being relevant and profitable at all times. To ensure Uni.Asia's business quality remains strong and uncompromised, the Company focused on the marketing of retail oriented products to targeted consumer segments.

One of the key ongoing initiatives is the strengthening of its distribution capability. In this respect, Uni.Asia General leveraged on the opportunities created from the synergy within the DRB-HICOM group. The Company expanded its nationwide distribution reach with the addition of POS Malaysia branches as distribution agents and the setup of 10 "UAG@Puspakom" branches at key Puspakom centres.

CHAIRMAN'S REVIEW

In addition, Uni.Asia General managed to recruit MYEG Services to distribute its products and services. Notwithstanding the creation of new distribution links, the company continued to focus on development of its existing 1,700 plus strong business partners comprising of general agents, franchise holders, car dealers and bank partners.

To complement the Company's enhanced distribution reach, the focus continues on the development and promotion of retail oriented products to targeted consumer segments. During the year, apart from the creation of a series of new retails products catered for POS customers, 3 new protection plans i.e. Motorist Companion Rider for motorcyclists, Motorist Companion Taxi for taxi drivers and Foreign Workers Health Scheme for foreign workers were introduced. The acceptances of these plans have been truly encouraging.

Improving operational efficiency by leveraging on Information Technology remains a key focus of the company. The Company successfully installed "*WEBi*", a state-of-the-art business intelligence tool that allows the quick retrieval and efficient analysis of business data. To further enhance the efficiency of claims operations and expedite claims settlement, the Company has been developing and will be implementing an electronic claims workflow system which is targeted to 'Go Live' in Q2 2012.

The company recognizes its human capital as its key asset. With regard to human capital development, the Company continues to invest in training and development programs. During the year, an internet based e-learning module was developed and launched to support the learning needs of our staff and business partners. To-date, we have more than 1,800 active users within the system. Apart from the e-learning module, many other training programs were conducted to cater to the needs of our staff. One of the more popular training programs was the 6 months basic language skills course attended by 80 of our staff. The Company also believes that a prerequisite towards increasing staff productivity is by having an engaging and healthy workforce. Numerous teambuilding activities were organised to boost morale, enhance collaboration among management and employees, facilitate teamwork and ultimately increase productivity.

Another strategic area that the Company places great importance on is the enhancement of its Uni.Asia brand image. Apart from the traditional advertising initiatives with our business partners to create brand awareness, one area that the Company takes seriously are complaints received. All complaints regardless of nature and source are reviewed by a complaints panel and dealt with expeditiously. Any corrective and improvement measures are duly instituted.

CHAIRMAN'S REVIEW

As a responsible corporate citizen, Uni.Asia General has positioned corporate social responsibility as one of the Company's priorities. During the year, Uni.Asia General had undertaken a series of corporate social events. These included blood donation drives and visitations coupled with financial assistance to orphanages and homes of the underprivileged. The events were held nationwide, from Alor Setar to Johor Bharu and to as far east as the base of Mount Kinabalu, so that Uni.Asia General can engage with the community it operates in. From the successful response that the Company has received, more of such activities have been planned for the coming year.

Future Outlook

Whilst we are encouraged by positive forecast for the Malaysian economy to grow by 5 percent in 2012 and the launch of the new motor framework aimed at enhancing efficiency in the motor insurance sector, we remain cautiously optimistic in our outlook. The developments in the global economies provide few indications that there will be a recovery to these economies in the near term. Meanwhile the number of catastrophes that occurred in 2011 has affected the reinsurance market in terms of risk placement and the hardening of rates. Notwithstanding these challenges, Uni.Asia General will draw upon its strengths of innovative product offerings, strategic distribution networks, shareholders synergy, financial strength and dedicated workforce to ensure sustainable revenue and profit growth in 2013 and beyond.

Appreciation

On behalf of the Board of Directors, I would like to record our appreciation to Dato' Khalid bin Abdol Rahman who had resigned as a Director of the Company for his significant contributions and extend a warm welcome to Dato' Majid Mohamad and Ms Carol Chan Choy Lin to the Board. My heartfelt appreciation to the Management team, staff, shareholders, business partners, agents and customers for their continuous support and confidence in the Company.

Lastly, I would like to take this opportunity to thank my fellow Directors for their wise counsel, unwavering support and contributions to the Board.

Dato' Haji Kamil Khalid Ariff
Chairman

Financial Statements

DIRECTORS' REPORT

The Directors hereby submit their report to the members together with the audited financial statements of the Company for the financial year ended 31 March 2012.

PRINCIPAL ACTIVITY

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

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

FINANCIAL RESULTS

	RM'000
Profit for the financial year	36,644

RESERVES AND PROVISIONS

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

DIVIDENDS

The amounts of dividends declared and paid by the Company since 31 March 2011 were as follows:

	RM
Financial year ended 31 March 2011:	
First and final dividend of ten (10) sen per share less income tax of twenty five percent (25%), paid on 7 July 2011	7,500,000
Financial year ended 31 March 2012:	
Interim dividend of five (5) sen per share less income tax of twenty five percent (25%), paid on 5 December 2011	3,750,000
	11,250,000

The Directors recommend the payment of final dividend of eight (8) sen per share less income tax of twenty five percent (25%) amounting to RM6,000,000 in respect of the financial year ended 31 March 2012, which is subject to the approval of the members at the forthcoming Annual General Meeting of the Company.

SHARE CAPITAL

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

David Chan Mun Wai	
Dato' Sri Haji Mohd Khamil bin Jamil	
Datuk Abdul Sukur bin Hadji Mohd Hassan	
Dato' Dr. Mohd Shahari bin Ahmad Jabar	
Lawrence Pereira	
George Isac Pereire	
Chan Kok Seong	
Dato' Haji Kamil Khalid Ariff	(Appointed as Director on 24 October 2011)
Dato' Majid bin Mohamad	(Appointed as Director on 3 January 2012)
Chan Choy Lin	(Appointed as Director on 23 April 2012)
Dato' Khalid bin Abdol Rahman	(Resigned as Director on 31 December 2011)

In accordance with the Company's Article 63 of Association, Dato' Sri Haji Khamil bin Jamil, Dato' Haji Kamil Khalid Ariff and Dato' Majid bin Mohamad retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Dato' Dr. Mohd Shahari bin Ahmad Jabar, Lawrence Pereira and Datuk Abdul Sukur bin Hadji Mohd Hassan retire and a resolution is being proposed for their reappointments as Directors under the provision of Section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

PROVISION FOR INSURANCE LIABILITIES

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework") issued by Bank Negara Malaysia ("BNM") for insurers.

BAD AND DOUBTFUL DEBTS

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

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

DIRECTORS' REPORT (CONTINUED)

CURRENT ASSETS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that any current assets which were unlikely to be realised in the ordinary course of business, their value 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 which has arisen since the end of the financial year and 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 financial year.

No contingent liability 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 financial year which, in the opinion of the Directors, will or may affect the ability of the Company to meet its 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, which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT (CONTINUED)

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors, the results of the operations of the Company during the financial year were not 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 financial 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 financial year in which this report is made.

CORPORATE GOVERNANCE

Corporate Governance for Licensed Institutions

The Company is prescribing to the requirements of, and adopts management practices that are consistent with the principles of BNM's Guidelines on Minimum Standards for Prudential Management of Insurers (Consolidated) (BNM/RH/GL 003-1) and Guidelines on Prudential Framework of Corporate Governance for Insurers (BNM/RH/GL 003-2).

On 28 February 2012, BNM issued the Guidelines on Internal Capital Adequacy Assessment Process ("the ICAAP Guidelines") which is applicable to all insurers licensed under the Insurance Act, 1996 and is to be read together with the RBC Framework and Guidelines on Stress Testing for Insurers (BNM/RH/GL/003-23). An insurer's ICAAP is a key process in the management of the insurer's business and it should be integrated with its business planning, risk management processes and day-to-day operations. A high degree of integration will also ensure the conclusions from the ICAAP are realistic and reliable.

The ICAAP Guidelines are effective from 1 September 2012.

Board Responsibilities and Oversight

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/RH/GL 001-1 and other directives. The Company strives to adopt other best practices on corporate governance.

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

(i) Audit Committee
(ii) Nomination Committee
(iii) Remuneration Committee
(iv) Risk 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. Ultimate responsibilities for final decisions on all matters lie with the Board.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibilities and Oversight (continued)

(a) Composition of the Board

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

(b) Board Meetings

During the financial year, the Board met seven 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 financial year are as follows:

Members	Status of directorship	Number of Board Meetings	
		Held	Attended
Dato' Haji Kamil Khalid Ariff [1]	Independent Non-Executive Director & Chairman	7	3 of 3
David Chan Mun Wai	Non-Executive Director & Deputy Chairman	7	7
Dato' Sri Haji Mohd Khamil bin Jamil	Non-Executive Director	7	6
Dato' Dr. Mohd Shahari bin Ahmad Jabar	Independent Non-Executive Director	7	7
Chan Kok Seong	Non-Executive Director	7	6
Dato' Khalid bin Abdol Rahman [2]	Non-Executive Director	7	5 of 5
Lawrence Pereira	Non-Executive Director	7	7
Datuk Abdul Sukur bin Hadji Mohd Hassan	Non-Executive Director	7	7
George Isac Pereire	Non-Executive Director	7	7
Dato' Majid bin Mohamad [3]	Independent Non-Executive Director	7	2 of 2

[1] Appointed as Director on 24 October 2011 and as Chairman on 19 January 2012

[2] Resigned as Director on 31 December 2011

[3] Appointed as Director on 3 January 2012

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibilities and Oversight (continued)

(c) 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.

(d) Board of Directors' Policy

In compliance with Part A of BNM's Guidelines BNM/RH/GL 003-22 on Guidelines for Audit Committees and Internal Audit Department, the Internal Audit Department ("IAD") has prepared and updated the Board of Directors' Policy to provide the Directors with overview information of the insurance industry in general and the Company specifically together with a comprehensive list of other information. It will be the main reference material on the Malaysian insurance industry and the Company's operations as a whole for the newly appointed as well as the current Directors.

(e) Annual General Meeting ("AGM")

At each AGM, the Board presents the progress and performance of the business and encourages shareholders to participate in a question and answer session. The Chief Executive Officer ("CEO") 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.

Board Committees

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

A The Audit Committee

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

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 March 2012 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
Dato' Majid bin Mohamad [1]	Independent Non-Executive Director	5	1 of 1
Dato' Dr. Mohd Shahari bin Ahmad Jabar	Independent Non-Executive Director	5	5
George Isac Pereire	Non-Executive Director	5	5
Chan Kok Seong [2]	Non-Executive Director	5	4

[1] Appointed as Director on 24 October 2011 and as Chairman on 19 January 2012
[2] Relinquished on 19 January 2012

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, the CEO and key Senior Officers. It is also a process of reviewing the balance and assessing the effectiveness of each of the individual Directors, the Board as a whole and the various Committees of the Board, the CEO and the key Senior Officers.

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 March 2012 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
Dato' Haji Kamil Khalid Ariff [1]	Independent Non-Executive Director	3	nil of nil
David Chan Mun Wai	Non-Executive Director	3	3
Dato'Sri Haji Mohd Khamil bin Jamil	Non-Executive Director	3	3
Datuk Abdul Sukur bin Hadji Mohd Hassan	Non-Executive Director	3	3
Dato' Dr. Mohd Shahari bin Ahmad Jabar	Independent Non-Executive Director	3	3
George Isac Pereire	Non-Executive Director	3	3

[1] Appointed as Director on 24 October 2011 and as Chairman on 19 January 2012

C The Remuneration Committee

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

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 March 2012 are as follows:

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibilities and Oversight (continued)

Members	Status of directorship	Number of Meetings	
		Held	Attended
Dato' Haji Kamil Khalid Ariff [1]	Independent Non-Executive Director	3	nil of nil
David Chan Mun Wai	Non-Executive Director	3	3
Dato'Sri Haji Mohd Khamil bin Jamil	Non-Executive Director	3	2
Lawrence Pereira	Non-Executive Director	3	3
Datuk Abdul Sukur bin Hadji Mohd Hassan	Non-Executive Director	3	3
George Isac Pereire	Non-Executive Director	3	3

[1] Appointed as Director on 24 October 2011 and as Chairman on 19 January 2012

D The Risk Management Committee

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

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 March 2012 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
Dato' Majid bin Mohamad [1]	Independent Non-Executive Director	5	1 of 1
David Chan Mun Wai	Non-Executive Director	5	5
George Isac Pereire	Non-Executive Director	5	5
Dato' Khalid bin Abdol Rahman [2]	Non-Executive Director	5	2 of 4
Datuk Abdul Sukur bin Hadji Mohd Hassan	Non-Executive Director	5	5
Dato' Dr. Mohd Shahari bin Ahmad Jabar	Independent Non-Executive Director	5	5

[1] Appointed as Director on 24 October 2011 and as Chairman on 19 January 2012
[2] Resigned on 31 December 2011

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibilities and Oversight (continued)

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 bimonthly 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 the 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 meetings held during the financial year ended 31 March 2012 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
Dato' Sri Haji Mohd Khamil bin Jamil [1]	Non-Executive Director	6	4
David Chan Mun Wai	Non-Executive Director	6	6
Chan Kok Seong	Non-Executive Director	6	6
Dato' Khalid bin Abdol Rahman [2]	Non-Executive Director	6	4 of 4
David Tan See Dip [3]	Chief Executive Officer	6	5 of 5

[1] Chairman
[2] Resigned on 31 December 2011
[3] Relinquished on 19 January 2012

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 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.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibilities and Oversight (continued)

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 March 2012 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
Lawrence Pereira [1]	Non-Executive Director	6	6
Dato' Sri Haji Mohd Khamil bin Jamil	Non-Executive Director	6	2
David Chan Mun Wai	Non-Executive Director	6	6
Datuk Abdul Sukur bin Hadji Mohd Hassan	Non-Executive Director	6	6
David Tan See Dip [2]	Chief Executive Officer	6	5 of 5

[1] Chairman
[2] Relinquished on 19 January 2012

G The Investment Committee

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

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 March 2012 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
Chan Kok Seong [1]	Non-Executive Director	6	6
Dato' Haji Kamil Khalid Ariff [2]	Independent Non-Executive Director	6	1 of 1
Datuk Abdul Sukur bin Hadji Mohd Hassan [3]	Non-Executive Director	6	1 of 1
Dato' Khalid bin Abdol Rahman [4]	Non-Executive Director	6	4 of 4
David Tan See Dip [5]	Chief Executive Officer	6	5 of 5

[1] Chairman
[2] Appointed on 19 January 2012
[3] Appointed on 19 January 2012
[4] Resigned on 31 December 2011
[5] Relinquished on 19 January 2012

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Management Accountability

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.

Corporate Independence

The Company has complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL 003-3) in respect of all its related party transactions.

Internal Control and Enterprise Risk Management

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

It is the Board's responsibility to determine the strategies and policies for a sound risk management and control environment, whilst Senior Management should ensure that the Company's business activities are consistent with the risk strategies and policies approved by the Board.

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 ("RMC") will oversee Senior Management's activities in managing the key risk areas and ensuring that the risk management framework and processes are in place and functioning effectively.

The implementation of the ERM is delegated to the CEO who supported by the Enterprise-wide, Opportunity and Risk Management Committee of the Management ("EORMC-M"). The EORMC-M will assist the CEO in formulating appropriate procedures (including assessment methodologies, tools and techniques) and review the application of risk management practices. The EORMC-M will regularly report to the RMC on the effectiveness of risk management and control measures.

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

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Internal Control and Enterprise Risk Management (continued)

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

(d) Investment

The terms of reference of the Investment Committee and the Head of Investment Department, the investment policies and guidelines and the investment decision making structure and process are clearly defined in the Investment Department's manual. Performance of investment funds and equity exposure reports are amongst the reports submitted to the Investment Committee for review at their regular meetings. Investment limits are monitored continuously to ensure compliance with the regulatory limit as per Risk Based Capital framework.

(e) Information system

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

(f) Claims

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

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Internal Control and Enterprise Risk Management (continued)

(g) Internal Audit

The functions and responsibilities of the Board with respect to internal audit and the functions and responsibilities of the Internal Audit Department are in accordance with the BNM's Guidelines on Audit Committees and Internal Audit Department (BNM/RH/GL 003-22), Guidelines on Internal Audit Function of Licensed Institutions (BNM/RH/GL 013-4) and Guidelines on Prudential Framework of Corporate Governance for Insurers (BNM/RH/GL 003-2).

The Internal Audit Department reports directly to the Audit Committee ("AC") functionally and its findings and recommendations are communicated to the AC via internal audit reports. 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.

Public Accountability

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

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.

(a) Directors' responsibility statement

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

In preparing the financial statements, the Directors have:

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

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Internal Control and Enterprise Risk Management (continued)

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 responsibility for taking reasonable steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities.

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	At 1.4.2011/ Date of appointment	Acquired	Disposed	At 31.3.2012
In the Company				
Direct:				
George Isac Pereire	2,052,381	-	-	2,052,381
Indirect:				
Lawrence Pereira*	9,850,000	-	-	9,850,000
Datuk Abdul Sukur bin Hadji Mohd Hassan**	10,003,175	-	-	10,003,175
In DRB-HICOM Berhad (Penultimate holding company)				
Direct:				
George Isac Pereire	220,000	30,000	-	250,000
Dato' Majid bin Mohamad	10,000	-	-	10,000
In Etika Strategi Sdn Bhd (Ultimate holding company)				
Dato' Sri Haji Mohd Khamil Jamil	30,000	-	-	30,000

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

* 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.

Other than the above, none of the Directors in office at the end of the year held any interests in the shares in, or debentures of, the Company or in its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial 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.

Since the end of the previous financial 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 27 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 and Etika Strategi Sdn. Bhd. as the penultimate holding company and ultimate holding company of the Company respectively. The companies are incorporated in Malaysia.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 May 2012.

DATO' SRI HAJI MOHD KHAMIL BIN JAMIL DIRECTOR	DAVID CHAN MUN WAI DIRECTOR

Kuala Lumpur
25 May 2012

STATEMENT OF FINANCIAL POSITION

as at 31 March 2012

	Note	31.3.2012	31.3.2011
		RM'000	RM'000
ASSETS			
Property and equipment	4	61,655	60,725
Investment properties	5	43,933	40,388
Available-for-sale financial assets	6	94,038	79,275
Held-to-maturity financial assets	6	143,344	148,888
Loans and receivables	7	379,166	347,762
Reinsurance assets	9	227,466	270,290
Insurance receivables	10	51,486	53,069
Deferred acquisition cost	11	22,165	18,693
Tax recoverable		-	3,549
Cash and cash equivalents	12	46,530	35,194
Total assets		1,069,783	1,057,833
EQUITY AND LIABILITIES			
Share capital	13	100,000	100,000
Other reserves	14	26,313	19,415
Retained earnings	15	155,469	130,075
Total equity		281,782	249,490
Insurance contract liabilities	16	631,498	657,341
Subordinated loan	17	30,000	30,000
Deferred tax liabilities	8	3,409	1,655
Deferred acquisition cost - reinsurance	11	8,167	7,732
Insurance payables	18	91,503	94,019
Other payables	19	19,473	16,955
Post employment benefit obligations	20	610	641
Tax payable		3,341	-
Total liabilities		788,001	808,343
Total equity and liabilities		1,069,783	1,057,833

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

STATEMENT OF INCOME

for the financial year ended 31 March 2012

	Note	2012 RM'000	2011 RM'000
Operating revenue	21	445,860	432,106
Gross written premium		431,721	412,802
Change in premium liabilities		(11,800)	(2,721)
Gross earned premiums		419,921	410,081
Gross written premium ceded to reinsurers		(156,533)	(205,355)
Change in premium liabilities		(22,600)	66,270
Premium ceded to reinsurers		(179,133)	(139,085)
Net earned premium		240,788	270,996
Investment income	22	25,939	22,025
Realised gains and losses	23	458	31
Fair value gains and losses	24	3,024	637
Commission income	25	33,892	38,921
Other income	26	12,033	10,668
Other income		75,346	72,282
Gross claims paid		(261,825)	(290,296)
Claims ceded to reinsurers		88,573	48,925
Gross change to contract liabilities		37,643	(28,751)
Change in contract liabilities ceded to reinsurers		(20,224)	72,219
Net claims incurred		(155,833)	(197,903)
Commission expense	25	(41,662)	(45,216)
Management expenses	27	(63,832)	(57,857)
Other expenses		(105,494)	(103,073)
Finance costs	17	(2,706)	(2,036)
Profit before taxation		52,101	40,266
Tax expense	28	(15,457)	(4,053)
Profit for the financial year		36,644	36,213
Basic earnings per share (sen)	29	36.64	36.21

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

STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 March 2012

	Note	2012 RM'000	2011 RM'000
Profit for the financial year		36,644	36,213
Other comprehensive income:			
Revaluation surplus on self-occupied properties	4	1,651	79
Reclassification to investment properties	5	547	-
Fair value gain on available-for-sale financial assets		6,529	(249)
(Loss)/gain recognised in statement of income on disposal of available-of-sale financial assets		(262)	19
		8,465	(151)
Tax effect on fair value gain in available-for sale financial assets	8	(1,632)	62
Tax effect on (loss)/gain recognised in statement of income on disposal of available-for-sale financial assets	8	65	(5)
Other comprehensive income for the financial year, net of tax		6,898	(94)
Total comprehensive income for the financial year		43,542	36,119

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

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 March 2012

	Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable	
	Number of shares	Nominal value	Asset revaluation reserve	AFS reserve	Retained earnings	Total
	000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2010	100,000	100,000	19,310	208	93,853	213,371
Reversal of revaluation surplus on disposal of self- occupied properties	-	-	(9)	-	9	-
Total comprehensive income for the financial year	-	-	79	(173)	36,213	36,119
At 31 March 2011	100,000	100,000	19,380	35	130,075	249,490
At 1 April 2011	100,000	100,000	19,380	35	130,075	249,490
Total comprehensive income for the financial year	-	-	2,198	4,700	36,644	43,542
Dividend paid (Note 30)	-	-	-	-	(11,250)	(11,250)
At 31 March 2012	100,000	100,000	21,578	4,735	155,469	281,782

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

STATEMENT OF CASH FLOWS

for the financial year ended 31 March 2012

	2012 RM'000	2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	36,644	36,213
Adjustment for non-cash items:		
Property and equipment		
- depreciation	2,765	2,484
- loss on disposal	10	(5)
- written off	36	3
Gain on disposal of investments	(509)	(49)
Investment income	(25,939)	(22,025)
Finance cost	2,706	2,036
Write-back of impairment allowance for doubtful debts	(59)	(401)
Provision for post-employment benefits	70	208
Tax expenses	15,457	4,053
Fair value gain on investment properties	(2,998)	(624)
Reversal of impairment loss on self occupied properties	(26)	(13)
	28,157	21,880
Purchase of available-for-sale financial assets	(31,577)	(49,738)
Purchase of held-to-maturity financial assets	-	(31,175)
Proceeds from maturity of available-for-sale financial assets	10,000	15,000
Proceeds from disposal of available-for-sale financial assets	13,031	10,704
Proceeds from disposal of held-to-maturity financial assets	5,159	-
Interest income received	18,068	20,332
Dividend income received	3,706	830
Other investment income received	1,152	1,116
Payment of staff retirement benefits	(101)	(394)
Decrease/(increase) in reinsurance assets	42,824	(138,489)
Decrease/(increase) in insurance receivables	1,642	(558)
(Increase)/decrease in deferred acquisition cost	(3,472)	390
(Decrease)/increase in insurance payables	(2,516)	41,280
(Decrease)/increase in insurance contract liabilities	(25,844)	31,472
(Increase)/decrease in loan and receivables	(27,154)	18,884
Increase in other payables	2,503	3,266
Increase in deferred acquisition cost - reinsurance	435	5,077
Cash generated from operations	36,013	(50,123)
Income tax paid	(8,372)	(683)
Net cash flows from operating activities	27,641	(50,806)

STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2012 (continued)

	Note	31.3.2012 RM'000	31.3.2011 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(2,552)	(3,044)
Proceeds from disposal of property and equipment		196	201
Net cash flows from investing activities		(2,356)	(2,843)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(11,250)	-
Finance cost paid		(2,699)	(1,599)
Drawdown of subordinated loan		-	30,000
Net cash flows from financing activities		(13,949)	28,401
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11,336	(25,248)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		35,194	60,442
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	12	46,530	35,194

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012

1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The Company is principally engaged in the underwriting of all classes of general insurance business. The registered office of the Company is located at 9th Floor, Menara Uni.Asia, 1008 Jalan Sultan Ismail, 50250 Kuala Lumpur.

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

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

The financial statements were authorised for issue by the Board of Directors on 25 May 2012.

2 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies, unless otherwise stated below, 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 have been prepared in accordance with Financial Reporting Standards ("FRS"), being the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

The financial statements of the Company have been prepared on the historical cost basis except for those financial instruments that have been stated at their fair values and the estimation of insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes to Financial Reporting Standards

(i) New accounting standards, amendments and improvements to published standards and interpretations that are relevant to the Company and effective for the financial year ended 31 March 2012 are as follows:

FRSs/Interpretations	Effective date
Amendments to FRS 132 "Financial Instruments: Presentation" on classification of right issues	1 March 2010
Amendments to FRS 7 "Financial Instruments: Disclosures"	1 January 2011
IC Interpretation 4 "Determining whether an Arrangement Contains a Lease"	1 January 2011
Improvements to FRSs (2010)	1 January 2011

The adoption of the above new accounting standards, amendments and improvements to published standard and interpretations does not have any significant impact to the financial statements of the Company, except as stated below:

- FRS 7 (Amendment) "Financial Instruments: Disclosures"

  Fair value

  An entity shall disclose for each class of financial instruments, the methods and when valuation techniques is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. If there has been a change in valuation technique, the entity shall disclose that change and the reasons for making it. An entity shall classify fair value measurements using a fair value hierarchy that reflects the signature of the inputs used in making the measurements.

  Liquidity risk

  An entity shall disclose:

  a) A maturity analysis for non-derivative financial liabilities that shows the remaining contractual maturities;
  b) A maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an undertaking of the timing of the cash flows; and
  c) A description of how it managed the liquidity risk inherent in (a) and (b).

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes to Financial Reporting Standards (continued)

(i) New accounting standards, amendments and improvements to published standards and interpretations that are relevant to the Company and effective for the financial year ended 31 March 2012 are as follows: (continued)

- Improvements to FRS 101 "Presentation of financial statements" effective from 1 January 2011 clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

The adoption of the above amendment does not have any significant impact to the financial statements of the Company other than additional disclosures.

(ii) The new accounting standards, amendments and improvements to published standards and interpretations that are effective but not relevant to the Company's financial year beginning on or after 1 January 2011 are as follows:

FRSs/Interpretations	Effective date
FRS 3 (revised) "Business Combinations"	1 July 2010
FRS 127 (revised) "Consolidated and Separate Financial Statements"	1 July 2010
Amendments to FRS 2 "Share-based Payment"	1 July 2010
Amendments to FRS 5 "Non-current Assets Held For Sale and Discontinued Operations"	1 July 2010
Amendments to FRS 138 "Intangible Assets"	1 July 2010
Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives"	1 July 2010
IC Interpretation 12 "Service Concession Arrangements"	1 July 2010
IC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation"	1 July 2010
IC Interpretation 17 "Distribution of Non-cash Assets to Owners"	1 July 2010
Amendments to FRS 1 "First time Adoption of Financial Reporting Standards"	1 January 2011
Amendments to FRS 2 "Share-based Payment: Group Cash -settled Share-based Payment Transactions"	1 January 2011
IC Interpretation 18 "Transfer of Assets from Customers"	1 January 2011

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes to Financial Reporting Standards (continued)

(iii) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Company but not yet effective are as follows:

The Company will apply the new standards, amendments to standards and interpretations in the following period:

<u>Financial year beginning on/after 1 April 2012</u>

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS"). The Company will be required to prepare its financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 March 2013.

MFRS 1 "First-time Adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters. The Company does not expect any significant financial impact to arise from the adoption of MFRS. These MFRS include the following:

- The revised MFRS 124 "Related Party Disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

  The Company will apply this standard from financial periods beginning on 1 April 2012.

- Amendment to MFRS 112 "Income Taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an assets depending in whether the entity expects to recover the carrying amount of the assets through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 "Investment Property". As a result of the amendments, IC Interpretation 121 "Income Taxes – Recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn. The Company will apply this standard from financial periods beginning on 1 April 2012.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes to Financial Reporting Standards (continued)

(iii) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Company but not yet effective are as follows: (continued)

Financial year beginning on/after 1 April 2013

- MFRS 9 " Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities" (effective from 1 January 2013 and deferred to 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in fair value due to changes in the liability's credit risk directly in other comprehensive income. There is no subsequent recycling of the amounts in other comprehensive income, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply. The Company will apply this standard from financial periods beginning on 1 April 2015.

- MFRS 13 "Fair Value Measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value. The Company will apply this standard from financial periods beginning on 1 April 2013.

- Amendment to MFRS 1 "First-time Adoption on Fixed Dates and Hyperinflation" (effective from 1 July 2011) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to MFRS', thus eliminating the need for entities adopting MFRS for the first time to restate de-recognition transactions that occurred before the date of transition to MFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRS after a period when the entity was unable to comply with MFRS because its functional currency was subject to severe hyperinflation. The Company will apply this standard from financial periods beginning on 1 April 2013.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes to Financial Reporting Standards (continued)

(iii) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Company but not yet effective are as follows: (continued)

Financial year beginning on/after 1 April 2013 (continued)

- Amendment to MFRS 7 "Financial Instruments: Disclosures on Transfers of Financial Assets" (effective from 1 July 2011) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The Company will apply this standard from financial periods beginning on 1 April 2013.

- Amendment to MFRS 101 "Financial Statements Presentation" (effective from 1 July 2012) requires entities to separate items presented in other comprehensive income in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in other comprehensive income. The Company will apply this standard from financial periods beginning on 1 April 2013.

- Amendment to MFRS 119 "Employee Benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment. The Company will apply this standard from financial periods beginning on 1 April 2013.

The Company has completed its preliminary review of the MFRS requirements. No critical conversion issues were identified, hence, it is expected that there will not be any significant impact from the adoption of the above MFRS.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property and Equipment

Property and equipment are initially stated at cost.

Freehold and leasehold buildings are stated at valuation based upon the latest independent valuation on the open market value basis by professional valuers, less subsequent depreciation and impairment loss. These properties are revalued at regular intervals of at least once in every three years by independent professional valuers with additional valuation in the intervening years where market conditions indicate that the carrying values of the revalued assets differ materially from market values.

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

Surpluses arising from revaluation of these properties are credited directly to an asset revaluation reserve account via the statement of other comprehensive income. 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 statement of income through the statement of other comprehensive income.

All other property and equipment are stated at cost less accumulated depreciation and impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. Freehold land is not depreciated as it has an infinite life. Other property and equipment are depreciated on the straight line basis to write off the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

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

The residual values and useful lives of property and equipment are reviewed, and adjusted as appropriate, at each financial position date.

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property and Equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in the statement of income. On disposal of revalued assets, amount in the asset revaluation reserve relating to the assets are transferred to retained earnings.

(d) Investment Properties

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

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

Changes in fair values are recorded in the statement of income in the year in which they arise.

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

(e) Leases

A lease in which significant risk and rewards are retained by the lessor are classified as operating lease. Payments made under operating lease (less of any incentives received from the lessor) are charged to the statement of income on a straight line basis over the period of the lease.

(f) Investments and Other Financial Assets

The Company classifies its investments into the following categories of financial assets: held-to-maturity, loans and other receivables and available-for-sale financial assets. Classification of the financial asset is determined at initial recognition and relates to the purpose for which the financial asset were acquired.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Held-to-maturity ("HTM") financial assets

HTM financial assets are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. HTM financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in the statement of income when the financial assets are derecognised or impaired.

An allowance of impairment for HTM financial assets is established when there is objective impairment that the Company will not be able to collect the amounts due according to the original terms (see Note 2(g) for the accounting policy on impairment).

(ii) Loans and receivables ("LAR")

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using effective yield method, less provision for impairment. Gains and losses are recognised in the statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivative financial assets that are not classified as fair value through profit or loss, held-to maturity or loan and receivables.

AFS financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at fair value. Fair value gains and losses of those financial assets are reported in the statement of other comprehensive income until the investment is derecognised or investment is determined to be impaired. When these AFS financial assets are sold or impaired, the accumulated fair value adjustments previously recognised in equity is transferred through the statement of other comprehensive income to the statement of income.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment

(i) Financial assets, excluding insurance receivables

The Company assesses at each financial position date whether there is objective evidence that a financial asset is impaired. An asset security is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the security that can be reliably estimated.

(a) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income.

(b) Financial assets carried at cost

If there is objective evidence that an impairment loss on financial assets carried at cost (e.g. unquoted equity instruments or which there is no active market or whose fair value cannot be reliably measured) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial asset. Such impairment losses shall not be reversed.

(c) Loans and receivables

An impairment loss in respect of loans and receivables (excluding insurance receivables) is recognised in the statement of income and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment (continued)

(i) Financial assets, excluding insurance receivables (continued)

(d) Financial assets carried at fair value

In the case of investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognised in the statement of income is removed from equity through the statement of other comprehensive income to the statement of income.

If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income, the impairment loss is reversed through the statement of income. Impairment losses previously recognised in the statement of income on equity instruments are not reversed through the statement of income.

(ii) Insurance receivables

Insurance receivables at each reporting date are assessed for any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal for insurance receivables is past due for more than 90 days or 3 months, as prescribed in BNM's Guidelines on Financial Reporting for Insurers.

An impairment loss in respect of insurance receivables is recognised in the statement of income and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

(iii) Impairment of non-financial assets

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

An impairment loss is recognised for the amount by which the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment (continued)

(i) Financial assets, excluding insurance receivables (continued)

(iii) Impairment of non-financial assets (continued)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is charged to the statement of income immediately. Any subsequent increase in recoverable amount is recognised in the statement of income.

(h) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

(i) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and call deposits which have maturity of less than one month.

(j) Product classification

The Company issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines the possibility having to pay benefits on occurrence of an insured event that are more than the benefits paid if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) General Insurance Underwriting Results

The general insurance underwriting results are determined for each class of business after taking into account reinsurance, commissions, premium liabilities and claims liabilities.

Premium Income

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

Insurance Contract Liabilities

These liabilities comprise premium liabilities and claims liabilities.

(i) Premium liabilities

Premium liabilities are the higher of:

(a) the aggregate of the unearned premium reserves (“UPR”); or

(b) the best estimate value of the insurer’s unexpired risk reserves (“URR”) at the valuation date and the Provision of Risk Margin for Adverse Deviation (“PRAD”) calculated at the overall Company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer’s expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future premium refunds.

UPR represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) General Insurance Underwriting Results (continued)

Insurance contract liabilities (continued)

(i) Premium liabilities (continued)

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

(i) 25% method for marine cargo, aviation cargo and transit;

(ii) 1/24th method for all other classes of Malaysian general policies reduced by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM;

(iii) 1/8th method for all other classes of overseas inward business with a deduction of 20% for acquisition costs; and

(iv) time appointment method for policies with insurance periods other than 12 months.

(ii) Claims liabilities

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the end of the reporting period.

The liability is calculated at the reporting date by an independent actuarial firm using projection techniques as set out below, that included a regulatory risk margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Acquisition costs and deferred acquisition costs (“DAC”)

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income. Acquisition costs or ceding income which are not recoverable, or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

Those costs are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) General Insurance Underwriting Results (continued)

Insurance contract liabilities (continued)

Acquisition costs and deferred acquisition costs (“DAC”) (continued)

Subsequent to initial recognition, these costs are amortised/allocated to the periods according to the original policies which give rise to income. Amortisation is recognised in the statement of income.

An impairment review is performed at each reporting date of more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of income. DAC is also considered in the liability adequacy test for each financial reporting period.

DAC are derecognised when the related contracts are either settled or disposed of.

Liability adequacy test on insurance contract liabilities

PRAD is calculated at overall Company level and is an additional component of liability value aimed at ensuring the value of insurance liabilities is established at a level such that there is a higher level of confidence (or probability) that the liability will ultimately be sufficient. For the purpose of URR valuation, the level of confidence is set at 75% at an overall Company level.

At each financial position date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and DAC over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in the statement of income initially by writing off DAC and by subsequently establishing a provision for liability adequacy.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Reinsurance

The Company cedes insurance risk in the normal course of business for all of its business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the insurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amount due under the terms of the contract and the event has a reliable measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the statement of income.

Gains or losses on buying reinsurance are recognised in the statement of income immediately at the date of purchase and are not amortised.

The Company also assumes reinsurance risk in the normal course of business when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to the reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted or directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Other Revenue Recognition

Interest income is recognised using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts.

When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

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

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

Rental income is recognised on a time proportion 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.

Gains or losses arising on disposal of financial assets are credited or charged to the statement of income.

(n) Income Taxes

Income tax on the statement of income for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profits for the financial year and is measured using the tax rates that have been enacted at the financial position date.

Deferred tax is provided for using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the financial position date.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Income Taxes (continues)

Deferred tax is recognised as income or an expense and included in the statement of income for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(o) Foreign Currencies

The financial statements are presented in Ringgit Malaysia which is also the functional currency of the Company.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the financial position date. All differences are taken to the statement of income.

Non-monetary items that are measured in terms of historical cost in foreign currency are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of income, except for differences relating to items where gains or losses are recognised directly in equity, in which case, the gain or loss is recognised net of the exchange component in equity.

(p) Employee Benefits

(i) Short term employee benefits

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

(ii) Defined contribution plan

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

The Company’s contributions to the defined contribution plan are charged to the statement of income in the period to which they relate. Once the contributions have been paid, the Company has no further payment obligation.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee Benefits (continued)

(iii) Defined benefits plan

The Company operates an unfunded defined benefits scheme. Provision for retirement benefit is made in the financial statements. The retirement benefit cost is assessed using the projected unit credit method. Under this method the cost of providing retirement benefits is charged to the statement of income so as to spread the regular asset cost over the service lives of employees.

(iv) Termination benefits

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

(p) Insurance Payables and Other Payables

Insurance payables and other payables are recognised when due and measured on initial recognition at the fair value of the consideration less directly attributable transaction costs. Subsequent to the initial recognition, they are measured at amortised cost using the effective yield method.

(q) Provisions

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

(r) Share Capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Dividends to shareholders of the Company

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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 circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

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

(t) Fair value estimation for disclosure purpose

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

(i) The fair values of unquoted corporate debt securities are based on the indicative market prices.

(ii) The fair values of quoted real estate investment trusts ("REITs") are based on quoted market prices in an active market.

(iii) The fair values of fixed rate loans are estimated by discounting future expected cash flows, taking into consideration market conditions and contractual terms of these loans.

(iv) The carrying amounts for other financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Critical accounting estimates and assumptions

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions (continued)

Valuation of general insurance contract liabilities

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the financial position date and for the expected ultimate cost of claims incurred but not reported ("IBNR").

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projections techniques, such as the Chain Ladder and the Bornhuetter–Ferguson methods.

The main assumptions underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by significant business lines and claims types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflations or loss ratios. Instead, the assumptions used are those implicit in the historic claims development date on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example, to reflect one-off occurrences, changes in external or market factors such as public attitude to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate costs of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

3.2 Critical judgement in applying the entity's accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

4 PROPERTY AND EQUIPMENT

	Freehold land RM'000	Long term leasehold land RM'000	Freehold buildings RM'000	Long term leasehold buildings RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment RM'000	Office renovation RM'000	Computer equipment RM'000	Total RM'000
Net book value at 1 April 2011	2,541	10,718	2,636	38,366	1,250	1,778	639	1,228	1,569	60,725
Additions at cost	-	-		-	-	49	136	138	2,229	2,552
Disposals at net book value	-	-	-	-	(199)	-	-	-	(7)	(206)
Write-offs at net book value	-	-	-	-	-	(32)	(3)	-	(1)	(36)
Depreciation charge for the financial year	-	-	(95)	(1,031)	(193)	(177)	(143)	(364)	(762)	(2,765)
Revaluation surplus	28	891	132	600	-	-	-	-	-	1,651
Reversal of impairment loss previously charged to income statement (Note 24)	-	-	-	26	-	-	-	-	-	26
Reversal at cost	-	-	-	-	(292)	-	-	-	-	(292)
Net book value at 31 March 2012	2,569	11,609	2,673	37,961	566	1,618	629	1,002	3,028	61,655
At 31 March 2012										
Cost	-	-	-	-	1,045	3,609	3,556	9,598	16,283	34,091
Valuation	2,569	11,609	2,681	38,049	-	-	-	-	-	54,908
Accumulated depreciation	-	-	(8)	(88)	(479)	(1,991)	(2,927)	(8,596)	(13,255)	(27,344)
Net book value	2,569	11,609	2,673	37,961	566	1,618	629	1,002	3,028	61,655

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

4 PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Long term leasehold land RM'000	Freehold buildings RM'000	Long term leasehold buildings RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment RM'000	Office renovation RM'000	Computer equipment RM'000	Total RM'000
Net book value at 1 April 2010	2,627	10,588	2,667	38,049	1,086	1,897	703	1,594	1,060	60,271
Additions at cost	-	168	-	1,288	292	61	88	99	1,048	3,044
Disposals at net book value	(95)	-	(35)	-	(63)	-	(2)	-	-	(195)
Write-offs at net book value	-	-	-	-	-	(2)	-	-	(1)	(3)
Depreciation charge for the financial year	-	-	(92)	(996)	(65)	(178)	(150)	(465)	(538)	(2,484)
Revaluation surplus	9	(38)	96	12	-	-	-	-	-	79
Reversal of impairment loss previously charged to statement of income (Note 24)	-	-	-	13	-	-	-	-	-	13
Net book value at 31 March 2011	2,541	10,718	2,636	38,366	1,250	1,778	639	1,228	1,569	60,725

At 31 March 2011

	Freehold land RM'000	Long term leasehold land RM'000	Freehold buildings RM'000	Long term leasehold buildings RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment RM'000	Office renovation RM'000	Computer equipment RM'000	Total RM'000
Cost	-	-	-	-	1,982	3,678	3,732	9,467	14,333	33,192
Valuation	2,541	10,718	2,644	38,452	-	-	-	-	-	54,355
Accumulated depreciation	-	-	(8)	(86)	(732)	(1,900)	(3,093)	(8,239)	(12,764)	(26,822)
Net book value	2,541	10,718	2,636	38,366	1,250	1,778	639	1,228	1,569	60,725

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

4 PROPERTY AND EQUIPMENT (CONTINUED)

During the current financial year, the Directors revalued all freehold and long term leasehold properties of the Company held as self-occupied properties based on independent valuation on the open market value basis by Rahim & Co. Chartered Surveyors Sdn. Bhd., an independent professional qualified valuer.

Had the freehold and long term leasehold 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:

	31.3.2012	31.3.2011
	RM'000	RM'000
Freehold land and buildings	2,307	2,382
Long term leasehold land and buildings	29,293	30,073
	31,600	32,455

The long term leasehold buildings have unexpired lease periods ranging from 67 years to 883 years (2011: 68 years to 884).

The titles to certain long term leasehold land and buildings and freehold land and buildings included in property and equipment at carrying value of RM239,020 (2011: RM46,118,959) and RM1,296,481 (2011: RM1,296,592) respectively, are in the process of being transferred to the Company. Risks, rewards and effective titles to these properties have been passed to the Company upon unconditional completion of the acquisition of those properties. The Company has submitted the relevant documents to the land authorities for transfer of legal titles to the Company and is awaiting the process and finalisation of this transfer to be completed.

5 INVESTMENT PROPERTIES

	Freehold land and building	Leasehold land and building	Total
	RM'000	RM'000	RM'000
At 1 April 2011	10,600	29,788	40,388
Reclassification from asset revaluation reserve	-	547	547
Fair value gain (Note 24)	200	2,798	2,998
31 March 2012	10,800	33,133	43,933
At 1 April 2010	10,200	29,564	39,764
Fair value gain (Note 24)	400	224	624
At 31 March 2011	10,600	29,788	40,388

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

5 INVESTMENT PROPERTIES (CONTINUED)

During the current financial year, the Directors revalued all freehold and long term leasehold properties of the Company held as investment properties based on independent valuation on the open market value basis by Rahim & Co. Chartered Surveyors Sdn. Bhd., an independent professional qualified valuer.

The titles to the leasehold land and buildings and freehold land and buildings included in investment properties of the Company at carrying value of nil (2011: RM29,788,000) and RM10,800,000 (2011: RM10,600,000) respectively are in the process of being transferred to the Company. Risks, rewards and effective titles to these properties have been passed to the Company upon unconditional completion of the acquisition of those properties. The Company has submitted the relevant documents to the land authorities for transfer of legal titles to the Company and is awaiting the process and finalisation of this transfer to be completed.

6 INVESTMENTS

The Company's investments are summarised by categories as follows:

	31.3.2012 RM'000	31.3.2011 RM'000
Available-for-sale ("AFS") financial assets	94,038	79,275
Held-to-maturity ("HTM") financial assets	143,344	148,888
Total investments	237,382	228,163

The assets included in the above categories are detailed in the table below:

(a) AFS financial assets

At fair value:		
Unquoted equity securities in Malaysia	93	93
Quoted REITs in Malaysia	67,300	28,900
Unquoted corporate debt securities in Malaysia	26,424	49,640
Accrued interest	221	642
Total AFS financial assets	94,038	79,275

(b) HTM financial assets

At amortised cost:		
Unquoted corporate debt securities in Malaysia:		
Cost	142,251	147,410
Amortisation of premiums net of accretion of discounts	(667)	(333)
Accrued interest	1,760	1,811
Total HTM financial assets	143,344	148,888

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

6 INVESTMENTS (CONTINUED)

(c) Carrying value of financial assets

	AFS RM'000	HTM RM'000	Total RM'000
At 1 April 2010	55,805	117,583	173,388
Purchases	49,738	31,176	80,914
Disposal/maturity/repayment	(25,615)	(40)	(25,655)
Fair value gain recorded in:			
- other comprehensive income	(230)	-	(230)
Amortisation adjustment	(375)	(259)	(634)
Movement in accrued interest	(48)	428	380
At 31 March 2011/1 April 2011	79,275	148,888	228,163
Purchases	31,577	-	31,577
Disposal/maturity/repayment	(22,522)	(5,159)	(27,681)
Fair value gain recorded in:			
- other comprehensive income	6,267	-	6,267
Amortisation adjustment	(138)	(334)	(472)
Movement in accrued interest	(421)	(51)	(472)
At 31 March 2012	94,038	143,344	237,382

The maturity structure of AFS financial assets is as follows:

	31.3.2012 RM'000	31.3.2011 RM'000
Investments maturing within 12 months	5,234	25,338
Investments maturing after 12 months	88,804	53,937
	94,038	79,275

The maturity structure of HTM financial assets is as follows:

	31.3.2012 RM'000	31.3.2011 RM'000
Investments maturing within 12 months	36,764	9,811
Investments maturing after 12 months	106,580	139,077
	143,344	148,888

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

6 INVESTMENTS (CONTINUED)

(d) Fair value hierarchy of AFS financial assets

The following tables show financial assets recorded at fair value analysed by the different basis of fair values as follows:

	31.3.2012 RM'000	31.3.2011 RM'000
Level 1	67,300	28,900
Level 2	26,645	50,282
Level 3	93	93
	94,038	79,275

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company's valuation techniques for determining the fair value of the financial instruments.

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 – Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Those include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Level 3 – Fair value measurements using significant non market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

7 LOANS AND RECEIVABLES

	31.3.2012 RM'000	31.3.2011 RM'000
Staff loans:		
Staff housing loans (secured)	541	769
Other staff loans (unsecured)	1	3
	542	772
Fixed and call deposits with licensed bank with maturity more than 1 month	351,361	332,083
Accrued interest	5,671	1,734
	357,032	333,817
Other receivables:		
Rent receivable	76	76
Assets held under the Malaysian Motor Insurance Pool	16,133	8,727
Deposits	736	750
Prepayment	352	403
Other receivables	4,295	3,217
	21,592	13,173
Total loans and receivables	379,166	347,762
The following loans and receivables mature after 12 months:	17,859	10,584

The carrying amounts disclosed above approximate the fair values at the financial position date.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

8 DEFERRED TAX LIABILITIES

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 financial position:

	31.3.2012 RM'000	31.3.2011 RM'000
Deferred tax liabilities	(3,409)	(1,655)
At 1 April	(1,655)	-
(Charged)/credited to statement of income (Note 28):		
- property and equipment	(193)	(176)
- investment properties	(887)	(156)
- AFS financial assets	(158)	(36)
- retirement benefits	(5)	(30)
- payables	1,124	287
- premium liabilities	(68)	22
- unutilised tax losses	-	(1,623)
	(187)	(1,712)
(Charged)/credited to equity:		
- AFS financial assets	(1,567)	57
At 31 March	(3,409)	(1,655)

	31.3.2012 RM'000	31.3.2011 RM'000
Subject to income tax:		
Deferred tax assets (before offsetting)		
Receivables	4	4
Retirement benefits	262	267
Payables	2,422	1,298
Premium liabilities	-	31
	2,688	1,600
Offsetting	(2,688)	(1,600)
Deferred tax asset (after offsetting)	-	-

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

8 DEFERRED TAX LIABILITIES (CONTINUED)

Deferred tax liabilities (before offsetting)		
Property and equipment	1,292	1,099
Investment properties	2,770	1,883
AFS financial assets	1,327	(398)
HTM financial assets	671	671
Premium liabilities	37	-
	6,097	3,255
Offsetting	(2,688)	(1,600)
Deferred tax liabilities (after offsetting)	3,409	1,655

9 REINSURANCE ASSETS

	31.3.2012 RM'000	31.3.2011 RM'000
Reinsurance of insurance contracts		
Claims liabilities (Note 16)	150,846	171,070
Premium liabilities (Note 16)	76,620	99,220
	227,466	270,290

The carrying amounts disclosed above approximate the fair values at the financial position date.

10 INSURANCE RECEIVABLES

	31.3.2012 RM'000	31.3.2011 RM'000
Due premiums including agents, brokers and co-insurers balances	37,788	33,371
Due from reinsurers and cedants	18,116	25,084
	55,904	58,455
Less: Impairment allowance	(6,279)	(6,325)
	49,625	52,130
Knock-for-knock claims recoveries due from other insurers	1,908	1,000
Less: Impairment allowance	(47)	(61)
	1,861	939
	51,486	53,069

The carrying amounts disclosed above approximate the fair values at the financial position date.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

11 DEFERRED ACQUISITION COSTS

	31.3.2012 RM'000	31.3.2011 RM'000
Deferred acquisition cost:		
At 1 April	18,693	19,083
Movement during the financial year (Note 25)	3,472	(390)
At 31 March	22,165	18,693
Deferred acquisition cost - reinsurance:		
At 1 April	(7,732)	(2,655)
Movement during the financial year (Note 25)	(435)	(5,077)
At 31 March	(8,167)	(7,732)

The carrying amounts disclosed above approximate the fair values at the financial position date.

12 CASH AND CASH EQUIVALENTS

	31.3.2012 RM'000	31.3.2011 RM'000
Cash and bank balances	5,461	9,573
Call deposits with licensed banks	41,032	25,604
Accrued interest	37	17
	46,530	35,194

The carrying amounts disclosed above approximate the fair values at the financial position date.

13 SHARE CAPITAL

	31.3.2012		31.3.2011	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares of RM1 each:				
Authorised	250,000	250,000	250,000	250,000
Issued and fully paid	100,000	100,000	100,000	100,000

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

14 OTHER RESERVES

	31.3.2012 RM'000	31.3.2011 RM'000
Non-Distributable		
Asset revaluation reserve	21,578	19,380
AFS reserve	4,735	35
	26,313	19,415

Fair value gains or losses arising from AFS financial assets are accumulated as AFS reserve until they are realised.

15 RETAINED EARNINGS

	31.3.2012 RM'000	31.3.2011 RM'000
Distributable		
Retained earnings	155,469	130,075

Presently, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007, which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders ("single-tier system"). However, there is a transitional period of six years expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credit under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single-tier system. The change in the tax legislation also provides for the Section 108 balance to be locked in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 1967.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. During the transitional period, the Company will utilise the credits in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007.

The Company has sufficient Section 108 balance and balance in the tax-exempt account to frank the payment of dividends out of its entire retained earnings as at 31 March 2012.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

16 INSURANCE CONTRACT LIABILITIES

	31.3.2012			31.3.2011		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
General insurance	631,498	(227,466)	404,032	657,341	(270,290)	387,051

The general insurance contract liabilities and the movement are further analysed as follows:

	31.3.2012			31.3.2011		
	Gross	Re-insurance	Net	Gross	Re-Insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims	294,624	(119,563)	175,061	319,315	(104,064)	215,251
Provision for incurred but not reported ("IBNR") claims	118,440	(31,283)	87,157	131,392	(67,006)	64,386
Claims liabilities (i)	413,064	(150,846)	262,218	450,707	(171,070)	279,637
Premium liabilities (ii)	218,434	(76,620)	141,814	206,634	(99,220)	107,414
	631,498	(227,466)	404,032	657,341	(270,290)	387,051

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

16 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(i) Claims liabilities

	31.3.2012			31.3.2011		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April	450,707	(171,070)	279,637	421,956	(98,851)	323,105
Claims incurred for the current accident year (direct and facultative)	257,487	(102,149)	155,338	287,389	(109,617)	177,772
Adjustment to claims incurred in prior accident years (direct and facultative)	(57,029)	37,985	(19,044)	6,237	(5,778)	459
Claims incurred during the financial year (treaty inwards claims)	20,311	(119)	20,192	5,190	(242)	4,948
Movement in PRAD of claims liabilities at 75% confidence level	4,778	(5,471)	(693)	12,363	(1,283)	11,080
Movement in claims handling expenses	(1,365)	1,405	40	7,867	(4,223)	3,644
Claims paid during the financial year	(261,825)	88,573	(173,252)	(290,295)	48,924	(241,371)
At 31 March	413,064	(150,846)	262,218	450,707	(171,070)	279,637

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

16 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(i) Claims liabilities by class of business

	31.3.2012			31.3.2011		
	Motor	Non-motor	Total	Motor	Non-motor	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross claims liabilities	298,099	114,965	413,064	338,762	111,945	450,707
Reinsurance	(75,005)	(75,841)	(150,846)	(97,206)	(73,864)	(171,070)
Net claims liabilities	223,094	39,124	262,218	241,556	38,081	279,637

(ii) Premium liabilities

	31.3.2012			31.3.2011		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April	206,634	(99,220)	107,414	203,913	(32,950)	170,963
Premiums written during the financial year	431,721	(156,533)	275,188	412,802	(205,355)	207,447
Premiums earned during the financial year	(419,921)	179,133	(240,788)	(410,081)	139,085	(270,996)
At 31 March	218,434	(76,620)	141,814	206,634	(99,220)	107,414

The carrying amounts disclosed above approximate the fair values at the financial position date.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

17 SUBORDINATED LOAN

	31.3.2012 RM'000	31.3.2011 RM'000
Unsecured subordinated loan:		
Payable after 12 months	30,000	30,000

On 29 June 2010, the Company obtained from its shareholders, a subordinated loan amounting to RM30 million to improve the Company's capital adequacy ratio.

The tenure of this subordinated loan is ten (10) years and shall be repaid in full on the maturity basis. The interest rate applicable for the subordinated loan is as follows:

(a) nine per cent (9%) per annum on monthly rest from the disbursement date until the end of the fifth (5th) anniversary of the disbursement date;

(b) eleven per cent (11%) per annum on monthly rest from the sixth (6th) anniversary of the disbursement date until the tenth (10th) anniversary of the disbursement date or the full settlement of the subordinated loan, whichever is earlier.

The Company has the right to elect the maturity date by giving one (1) month written notice to the Lenders of its proposed maturity date which shall not fall less than five (5) years from the disbursement date, and upon the approval of Bank Negara Malaysia.

The Company recognised a finance cost of RM2,706,000 (2011: RM2,036,000) during current financial year.

The carrying amounts disclosed above approximate the fair values at the financial position date.

18 INSURANCE PAYABLES

	31.3.2012 RM'000	31.3.2011 RM'000
Due to insureds, agents, brokers and co-insurers	22,734	22,193
Due to reinsurers and cedants	68,769	71,826
	91,503	94,019

The carrying amounts disclosed above approximate the fair values at the financial position date.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

19 OTHER PAYABLES

	31.3.2012 RM'000	31.3.2011 RM'000
Amount due to shareholder	61	61
Interest payable on subordinated loan	443	436
Payroll liabilities	5,792	3,742
Defined contribution plan	439	290
Unclaimed monies	1,165	1,485
Cash collaterals held on bond business	646	641
Duties and other taxes payable	1,473	767
Accrual of insurance levy	129	1,011
MMIP collection payable	888	-
Other payables and accrued liabilities	8,437	8,522
	19,473	16,955

The amount due to a shareholder of the Company is unsecured, interest free and has no fixed terms of repayment.
The carrying amounts disclosed above approximate the fair values at the financial position date.

20 POST EMPLOYMENT BENEFIT OBLIGATIONS

Defined Contribution Plan:

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

Defined Benefit Plan:

A provision in respect of Company's unfunded defined benefits scheme is made in the financial statements. The retirement benefit cost is assessed using the projected unit credit method and charged to the statement of income so as to spread the regular asset cost over the service lives of employees.

The movements during the financial year in the amounts recognised in the statement of financial position for the defined benefit plan are as follows:

	31.3.2012 RM'000	31.3.2011 RM'000
At 1 April	641	827
Benefits paid	(101)	(394)
Charged to statement of income	70	208
At 31 March	610	641

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

20 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

	31.3.2012 RM'000	31.3.2011 RM'000
Payable within 12 months	14	94
Payable after 12 months	596	547
	610	641

The amounts recognised in the statement of financial position can be analysed as follows:

	31.3.2012 RM'000	31.3.2011 RM'000
Present value of unfunded obligations	610	641

The expense recognised in the statement of income can be analysed as follows:

Current service cost	(31)	(186)

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

	2012 %	2011 %
Discount rate	7	7
Expected rate of salary increase	8	8

On 1 April 2004, the Company discontinued the operations of its unfunded defined benefit plan for all of its employees except for a few who opted for the amount due to them as at 31 March 2004 to be paid upon their retirement.

21 OPERATING REVENUE

	31.3.2012 RM'000	31.3.2011 RM'000
Gross earned premiums	419,921	410,081
Investment income (Note 22)	25,939	22,025
	445,860	432,106

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

22 INVESTMENT INCOME

	31.3.2012 RM'000	31.3.2011 RM'000
AFS financial assets		
Dividend/interest income		
- Corporate debt securities	1,982	1,531
- REITs	3,706	830
- Amortisation of premiums, net of accretion of discounts	(138)	(375)
HTM financial assets		
Interest income		
- Corporate debt securities	6,405	8,100
- Amortisation of premiums, net of accretion of discounts	(334)	(259)
Loans and receivables, and cash and cash equivalents		
Interest income	13,166	11,082
Investment properties		
Rental income	2,308	2,143
Less: Rates and maintenance expenses	(1,156)	(1,027)
	25,939	22,025

23 REALISED GAINS AND LOSSES

	31.3.2012 RM'000	31.3.2011 RM'000
Realised (loss)/gain for:		
Property and equipment	(10)	5
AFS financial assets	312	49
HTM financial assets	197	-
Foreign currency translation	(41)	(23)
	458	31

24 FAIR VALUE GAINS AND LOSSES

	31.3.2012 RM'000	31.3.2011 RM'000
Fair value gain on investment properties (Note 5)	2,998	624
Reversal of impairment loss on self-occupied properties (Note 4)	26	13
	3,024	637

25 COMMISSION INCOME/EXPENSE

	31.3.2012 RM'000	31.3.2011 RM'000
Commission Income:		
Commission income	34,327	43,998
Movement in deferred acquisition cost – reinsurance (Note 11)	(435)	(5,077)
	33,892	38,921
Commission Expense:		
Commission expense	(45,134)	(44,826)
Movement in deferred acquisition cost (Note 11)	3,472	(390)
	(41,662)	(45,216)

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

26 OTHER INCOME

	31.3.2012 RM'000	31.3.2011 RM'000
Gross servicing fees	20,113	15,476
Less: Related management expenses - include depreciation charge of RM206,000 (Note 27)	(8,360)	(3,374)
	11,753	12,102
Interest on deposit retained	(132)	(1,167)
Property and equipment written off	(36)	(3)
Others	448	(264)
	12,033	10,668

27 MANAGEMENT EXPENSES

Staff costs:		
Salaries and bonuses	29,578	27,758
Defined contribution plans	4,263	3,984
Others	3,570	2,253
	37,411	33,995
Advertising	3,348	2,154
Auditors' remuneration	230	218
Depreciation of property and equipment (Note 4)	2,765	2,484
EDP expenses	2,835	2,682
Insurance levy	(292)	544
Postage and telephone	1,872	1,712
Printing and stationery	1,821	1,850
Rental of properties	967	1,080
Training expenses	1,308	1,045
Write-back of impairment allowance for doubtful debts (Note 35)	(59)	(401)
Reimbursement of depreciation charge from MMIP (Note 26)	(206)	-
Others	11,832	10,494
	26,421	23,862
Total management expenses	63,832	57,857

Included in staff costs are emoluments received by Directors of the Company during the financial year:

Non-Executive Directors:		
- fees	583	402
- other emoluments	176	119
Total Directors remuneration	759	521

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

27 MANAGEMENT EXPENSES (CONTINUED)

The number of Non-Executive Directors whose total remuneration received during the financial year falls within the following bands is:

	31.3.2012	31.3.2011
Non-Executive Directors:		
Less than RM50,000	2	-
RM50,001 – RM150,000	8	8

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM980,000 (2011: RM685,000).

28 TAX EXPENSES

	31.3.2012 RM'000	31.3.2011 RM'000
Current tax:		
Current year	14,344	2,340
Under-provision in prior year	926	-
Deferred tax (Note 8)	187	1,713
Tax expense	15,457	4,053

The explanation of the relationship between taxation and profit before taxation is as follows:

	31.3.2012 RM'000	31.3.2011 RM'000
Profit before tax	52,101	40,266
Tax calculated at the statutory rate of 25% (2011: 25%)	13,025	10,066
Tax effects of:		
- lower tax rates for business outside Malaysia	-	(81)
- expenses not deductible	1,671	1,690
- current financial year tax loss not recognised	-	-
- income not subject to tax	(165)	(347)
- utilisation of previous year's tax loss not recognised	-	(8,711)
- utilisation of unabsorbed capital allowances	-	(187)
- reversal of deferred tax assets recognised in prior year	-	1,623
- underprovision of tax in prior year	926	-
	15,457	4,053

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

29 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit/(loss) for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	31.3.2012 RM'000	31.3.2011 RM'000
Profit attributable to ordinary equity holders	36,644	36,213
Weighted average number of shares in issue	100,000	100,000
Basic earnings per share (sen)	36.64	36.21

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the financial position date.

There have been no other transaction involving ordinary shares between the reporting date and the date of completion of these financial statements.

30 DIVIDENDS

	31.3.2012		31.3.2011	
	Gross dividend per share Sen	Amount of dividend RM'000	Gross dividend per share Sen	Amount of dividend RM'000
In respect of the financial year ended 31 March 2011:				
Final dividend paid, net of tax	10	7,500	-	-
In respect of the financial year ended 31 March 2012:				
Interim dividend paid, net of tax	5	3,750	-	-
	15	11,250	-	-

The Directors recommend the payment of final dividend of eight (8) sen per share less income tax of twenty five percent (25%) amounting to RM6,000,000 in respect of the financial year ended 31 March 2012, which is subject to the approval of the members at the forthcoming Annual General Meeting of the Company.

31 COMMITMENTS

(a) Capital Commitments

Capital expenditure contracted for but yet to be incurred is as follows:

	31.3.2012 RM'000	31.3.2011 RM'000
Property and equipment	1,251	-

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

31 COMMITMENTS (CONTINUED)

(b) Operating Lease Commitments

The Company has various branch offices under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31.3.2012	31.3.2011
	RM'000	RM'000
No later than 1 year	1,149	1,133
Later than 1 year and no later than 5 years	1,669	1,172
Later than 5 years	155	-
	2,973	2,305

32 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. In the normal course of business, the Company undertakes various transactions with other companies deemed related parties by virtue of them being members of DRB-Hicom Berhad group of companies ("DRB-HICOM Group") and other related parties on agreed terms and conditions.

Related companies	Country of incorporation	Relationship
Etika Strategi Sdn Bhd	Malaysia	Ultimate holding company
DRB-HICOM Berhad	Malaysia	Penultimate holding company
Uni.Asia Capital Sdn Bhd	Malaysia	Immediate holding company
Affiliated company		
United Overseas Bank Berhad	Malaysia	Substantial shareholder of the immediate holding company
Bank Muamalat Malaysia Berhad	Malaysia	Subsidiary company of the penultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

32 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant Related Party Balances

The significant related party balances at the statement of financial position date are set out below.

	Note	31.3.2012 RM'000	31.3.2011 RM'000
Fixed and Call Deposits	7		
Fixed deposit in related company, United Overseas Bank Berhad		55,350	17,300
Fixed deposit in related affiliated company, Bank Muamalat Malaysia Berhad		9,000	14,000
Accrued interest in related affiliated company, Bank Muamalat Malaysia Berhad		107	60
Accrued interest in related company, United Overseas Bank Berhad		291	73
Receivables	10		
Due premiums from related companies, DRB-HICOM Group		1,446	1,611
Due premiums from related company, United Overseas Bank Berhad		(5)	375
Other receivable due from immediate holding company		4	8
Subordinated Loan	17		
Due to related companies, DRB-HICOM Group		23,082	23,082
Due to shareholders		6,918	6,918
Claims Liabilities	16		
Due to related companies, DRB-HICOM Group		10,127	7,849
Payables	18		
Due to related companies, DRB-HICOM Group		499	639
Due to related company, United Overseas Bank Bhd		4	25
Due to shareholders of the Company		102	100
Due to related companies, by virtue of their relationship with a shareholder of DRB-HICOM Berhad		37	-

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

32 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant Related Party Transactions

The significant related party transactions are set out below:

Transactions with related companies, DRB-HICOM Group:			
- Gross premiums received/receivable		(13,476)	(13,819)
- Claims paid		6,385	3,323
- Management expenses		2,951	2,184
- Finance cost		2,082	1,565
Transactions with related company, United Overseas Bank Berhad			
- Claims paid		149	-
- Commissions paid		614	545
- Interest income		(731)	(627)
Transactions with related affiliated company, Bank Muamalat Malaysia Berhad			
- Interest income		(542)	(879)
Transactions with related companies, by virtue of their relationship with a shareholder of DRB-HICOM Berhad:			
- Gross premiums received/receivable		(1,306)	(2,546)
- Claims paid		679	681
Transaction with shareholders and Directors:			
- Gross premiums		10	-
- Claims paid		4	-
- Finance cost		624	471
Key management personnel compensation			
Salaries and other short-term employee benefits			
- Chief Executive Officer / Chief Financial Officer		1,402	1,024
- Directors	27	759	521

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

33 RISK MANAGEMENT FRAMEWORK

Enterprise Risk Management

The Company is committed to achieving its objectives, and will face risks that could either negatively or positively influence the achievement of objectives. The effective management of enterprise risks can create, protect, and enhance shareholder value.

The Company adopts an Enterprise Risk Management Framework to support the overall business objectives by:

- Defining risk management roles and responsibilities
- Defining a reporting framework to ensure the communication of necessary risk management information to Senior Management and personnel engaged in risk management activities
- Detailing the approved methods for risk assessment
- Providing a system to accommodate the central accumulation of risk data

Responsibilities

The Board of Directors' overall responsibility for governing the Company also includes determining the Company's business and risk strategies and overseeing its implementation.

The Board is supported in its role by a Risk Management Committee of the Board ("RMC"). The RMC-B is tasked to oversee Senior Management's activities in managing key risk areas and to ensure that the risk management process is in place and functioning effectively.

The Senior Management, headed by the CEO, is supported in its role by the Enterprise-Wide Opportunity and Risk Management Committee of the Management ("EORMC-M"), comprising of the CEO and Heads of Divisions. The EORMC-M will assist Senior Management in formulating appropriate procedures (including assessment methodologies, tools and techniques) and review the application of risk management practices across the Company.

The Divisions/Departments/Regional Offices are accountable to the CEO and will actively participate in risk analysis, review and controls monitoring of their respective divisions/departments/regions and branches.

The effectiveness of risk management will be regularly reported to and acted upon by the Board through the RMC-B.

Risk Management Policy

The Company's policy is to adopt an ERM Framework to support the achievement of the Company's business objectives.

The Risk Management Policy Statement sets out the approach towards achieving the Risk Management Vision including its attitude to, and appetite for risk.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

34 INSURANCE RISK

The Company underwrites various general insurance contracts, which are mostly on an annual coverage and annual premium basis. The exception being short term policies such as Marine Cargo which covers the duration in which the cargo is being transported. The Company also underwrites some non-annual policies with coverage period more than one year such as Contractor's All Risk and Workmen Compensation. The majority of the insurance business underwritten by the Company is Motor, Fire and Personal Accident. Other lines of business underwritten include Engineering, Workmen Compensation, Marine Cargo/Hull, Liability, Health and other miscellaneous classes.

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities. Insurance contracts transfer risk to the Company by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events. The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments may differ significantly from expectations. The factors that contribute to the risks are the fluctuations in timing, frequency and severity of claims, as well as the adequacy of premiums and reserves.

The Company may also be exposed to risks arising from climate changes, natural disasters and terrorism activities. For longer tail claims that take some years to settle, there is also inflation risk.

The Company's primary objective of managing insurance risk is to enhance the long-term financial viability of the business. This includes sustainable growth in profitability, strong asset quality and optimisation of shareholders' value. The Company seeks to underwrite only risk that it understands and that provide an opportunity to earn an acceptable profit

The Company's underwriting strategy is intended to ensure that the risks underwritten are well diversified across a large portfolio of insurance contracts and geographical areas. Strategic underwriting guidelines are designed and implemented to ensure that the risks accepted are managed in line with the Company's philosophy of prudent underwriting.

The Company adopts the following measures to manage insurance risks:

- An underwriting policy that aims to take advantage of its competitive strengths while avoiding volatile risks to ensure underwriting profitability. Acceptance of risk is guided by a set of underwriting guidelines with limits on underwriting capacity and retention.

- Authority to individual underwriters are based on their specific areas of expertise.

- The Company has in place a claims management and control system to pay claims and control claims leakages and fraud. The Company has a claim review policy to access all new and ongoing claims as well as claims handling procedures. Investigation of suspected fraudulent claims are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

- The Company purchases reinsurance protection as part of its risks mitigation programme. The objectives are to provide sufficient capacity in underwriting business while protecting the Company's financial position and optimising it's capital efficiency. Reinsurance is ceded on proportional and non-proportional basis. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. The selection of reinsurers on its treaty and facultative programmes are based on their excellent security ratings and local regulatory requirements.

The table below sets out the concentration of general insurance business by class of business.

	31.3.2012			31.3.2011		
	Gross RM'000	Re-Insurance RM'000	Net RM'000	Gross RM'000	Re-Insurance RM'000	Net RM'000
Motor	317,925	(102,379)	215,546	297,555	(149,142)	148,413
Fire	54,539	(30,855)	23,684	50,015	(24,471)	25,544
Marine, Aviation and Transit	9,388	(7,237)	2,151	8,155	(5,790)	2,365
Miscellaneous	49,869	(16,062)	33,807	57,077	(25,952)	31,125
	431,721	(156,533)	275,188	412,802	(205,355)	207,447

The table below sets out the concentration of insurance contracts liabilities by class of business.

	31.3.2012			31.3.2011		
	Gross RM'000	Re-Insurance RM'000	Net RM'000	Gross RM'000	Re-Insurance RM'000	Net RM'000
Motor	478,962	(131,165)	347,797	501,984	(184,654)	317,330
Fire	50,426	(34,941)	15,485	53,922	(32,549)	21,373
Marine, Aviation and Transit	17,966	(13,710)	4,256	24,874	(20,146)	4,728
Miscellaneous	84,144	(47,650)	36,494	76,561	(32,941)	43,620
	631,498	(227,466)	404,032	657,341	(270,290)	387,051

Key Assumptions

The principal assumptions underlying the estimate of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of loss development pattern and loss ratio movement.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Key Assumptions (continued)

Additional qualitative judgement are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as, judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates. Implicit inflation is allowed for future claims to the extent evident in past claims development.

The Company has based its risk margin for adverse deviation for the provisions for unexpired risks and insurance claims at a minimum 75% of sufficiency, according to the requirement set by BNM under the RBC Framework.

Sensitivities

The risk inherent in general insurance contracts are reflected in the insurance contract liabilities which include the premium and claims liabilities, as set out under Note 16 to the financial statements. Premium liabilities comprise of reserves for unexpired risks, whilst claims liabilities comprise of loss reserves which include provisions for both outstanding claims notified and outstanding claims incurred but not reported.

Outstanding claims provisions are usually established by skilled claims personnel based upon their experience and knowledge, and known facts of individual claims at hand. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson ("BF") methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses based upon past development patterns including the implicit underlying trends. The BF methods which tend to be more stable and the more preferred methods also require the input of initial expected loss ratios ("IELRs") which usually are based upon past claims experience.

Thus, general insurance contract liabilities are normally determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislation changes, judicial decisions, economic conditions and claims handling procedure.

However, additional qualitative judgements are also used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Sensitivities (continued)

The estimates of the general insurance contract liabilities are therefore sensitive to various factors and uncertainties and the actual future premium and claims liabilities may not develop exactly as projected and could vary significantly from initial estimates. To increase the probability that the estimates would ultimately be adequate, provisions for adverse deviations are also included in the estimates.

IELRs is an important assumption in the BF estimation techniques. Increasing the IELRs by 10% yields the following impact:

	Change in assumptions	Impact on gross liabilities	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
31 March 2012					
Initial expected loss ratios	+10%	9,965	8,748	(8,748)	(6,561)
31 March 2011					
Initial expected loss ratios	+10%	9,809	6,111	(6,111)	(4,583)

* Impact on equity reflects adjustments for tax, when applicable

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Claims Development Table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each date of statement of financial position, together with cumulative payment to date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

The management believes that the estimate of total claims outstanding as of 31 March 2012 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Gross claims liabilities for 2012:

Motor

Accident year	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
At end of accident year	156,581	157,359	150,526	147,913	168,608	194,102	182,953	173,517	
One year later	155,782	161,284	164,980	166,700	206,920	221,067	209,077		
Two years later	155,836	167,004	171,121	185,532	215,856	225,126			
Three years later	157,559	171,225	185,713	188,403	215,460				
Four years later	161,931	180,434	188,882	187,432					
Five years later	167,605	181,519	188,250						
Six years later	169,347	180,352							
Seven years later	171,055								
Current estimate of cumulative claims incurred	171,055	180,352	188,250	187,432	215,460	225,126	209,077	173,517	1,550,269
At end of accident year	81,753	83,817	83,438	81,545	87,559	81,559	83,477	86,761	
One year later	131,259	139,478	141,907	144,501	163,234	169,655	156,411		
Two years later	138,780	150,154	152,318	160,606	189,333	197,539			
Three years later	145,734	159,270	168,290	175,858	205,353				
Four years later	152,095	169,577	181,842	183,097					
Five years later	159,839	176,290	184,516						
Six years later	165,951	179,325							
Seven years later	169,651								
Cumulative payment to-date	169,651	179,325	184,516	183,097	205,353	197,539	156,411	86,761	1,362,653

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Gross claims liabilities for 2012 (continued):

Motor

Accident year	Before 2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)	7,407	1,404	1,027	3,734	4,335	10,107	27,587	52,666	86,756	195,023
Gross IBNR	-	-	-	-	302	1,822	4,727	3,880	40,036	50,767
Gross general insurance outstanding liabilities (treaty inwards)										24,288
Best estimates of claims liabilities										270,078
Claims handling expenses										8,370
PRAD at 75% confidence level										19,651
Gross general insurance contract claims liabilities per statement of financial position										298,099

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Gross claims liabilities for 2012 (continued):

Non-motor

Accident year	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
At end of accident year	76,116	41,115	25,758	22,146	54,951	33,246	48,968	30,625	
One year later	50,864	53,070	30,863	31,609	66,561	39,811	51,988		
Two years later	44,880	53,316	30,186	27,030	57,084	39,288			
Three years later	41,900	48,580	29,622	25,946	54,923				
Four years later	39,982	48,730	30,057	25,066					
Five years later	39,972	48,350	30,084						
Six years later	40,157	47,322							
Seven years later	39,810								
Current estimate of cumulative claims incurred	39,810	47,322	30,084	25,066	54,923	39,288	51,988	30,625	319,106
At end of accident year	12,735	10,051	13,834	10,962	8,563	7,812	16,798	7,044	
One year later	32,641	29,653	23,759	21,876	35,280	22,660	33,182		
Two years later	34,931	34,060	27,152	23,427	41,136	26,269			
Three years later	37,132	34,950	28,470	23,748	43,195				
Four years later	37,229	35,421	28,673	24,179					
Five years later	37,488	35,617	28,877						
Six years later	37,541	36,046							
Seven years later	37,565								
Cumulative payment to-date	37,565	36,046	28,877	24,179	43,195	26,269	33,182	7,044	236,357

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Gross claims liabilities for 2012 (continued):

Non-motor

Accident year	Before 2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)	3,125	2,245	11,276	1,207	887	11,728	13,019	18,806	23,581	85,874
Gross IBNR	-	-	-	-	-	-	-	-	13,308	13,308
Gross general insurance outstanding liabilities (treaty inwards)										3,435
Best estimates of claims liabilities										102,617
Claims handling expenses										2,942
PRAD at 75% confidence level										9,405
Gross general insurance contract claims liabilities per statement of financial position										114,965

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Net claims liabilities for 2012:

Motor

Accident year	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
At end of accident year	150,336	149,483	145,824	143,308	163,687	188,461	139,228	101,035	
One year later	146,339	152,785	158,083	160,414	199,354	212,884	151,573		
Two years later	147,108	157,853	163,587	178,382	205,874	216,541			
Three years later	148,655	161,419	176,497	180,634	205,446				
Four years later	151,845	170,242	178,972	179,990					
Five years later	157,467	170,625	178,537						
Six years later	157,814	169,788							
Seven years later	157,528								
Current estimate of cumulative claims incurred	157,528	169,788	178,537	179,990	205,446	216,541	151,573	101,035	1,360,438
At end of accident year	78,813	78,518	80,872	78,664	84,990	79,440	67,028	48,018	
One year later	123,766	131,906	137,003	139,102	157,425	164,120	114,818		
Two years later	130,912	141,723	146,997	154,564	182,162	190,752			
Three years later	137,482	150,148	160,676	169,205	195,933				
Four years later	143,289	159,981	172,596	175,845					
Five years later	150,134	166,332	175,163						
Six years later	155,053	168,803							
Seven years later	156,802								
Cumulative payment to-date	156,802	168,803	175,163	175,845	195,933	190,752	114,818	48,018	1,226,134

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Net claims liabilities for 2012 (continued):

Motor

Accident year	Before 2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)	4,092	726	985	3,374	4,145	9,513	25,789	36,755	53,017	138,396
Net IBNR	-	-	-	-	35	1,467	3,953	1,283	33,035	39,773
Net general insurance outstanding liabilities (treaty inward)										24,288
Best estimates of claims liabilities										202,457
Claims handling expenses										6,270
PRAD at 75% confidence level										14,367
Net general insurance contract claims liabilities per statement of financial position										223,094

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Net claims liabilities for 2012 (continued):

Non-motor

Accident year	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
At end of accident year	15,116	19,833	19,168	17,994	23,531	21,734	18,697	13,563	
One year later	14,984	20,409	19,132	18,765	24,662	21,103	17,898		
Two years later	14,405	20,947	18,600	18,173	25,165	20,135			
Three years later	13,792	20,360	18,368	18,024	24,552				
Four years later	13,553	20,167	18,490	17,767					
Five years later	13,660	20,171	18,415						
Six years later	13,689	19,705							
Seven years later	13,598								
Current estimate of cumulative claims incurred	13,598	19,705	18,415	17,767	24,552	20,135	17,898	13,563	145,633
At end of accident year	6,679	6,810	8,645	8,478	6,670	6,979	5,664	4,587	
One year later	11,741	16,040	15,720	15,977	17,776	14,771	12,927		
Two years later	12,848	18,154	17,036	17,066	21,194	16,677			
Three years later	13,397	18,552	17,466	17,279	22,080				
Four years later	13,437	18,689	17,576	17,422					
Five years later	13,533	18,754	17,744						
Six years later	13,539	18,794							
Seven years later	13,562								
Cumulative payment to-date	13,562	18,794	17,744	17,422	22,080	16,677	12,927	4,587	123,793

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Net claims liabilities for 2012 (continued):

Non-motor

Accident year	Before 2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)	1,099	36	911	671	345	2,472	3,458	4,971	8,976	22,939
Net IBNR	-	-	-	-	-	-	-	-	7,704	7,704
Net general insurance outstanding liabilities (treaty inwards)										3,435
Best estimates of claims liabilities										34,078
Claims handling expenses										1,102
PRAD at 75% confidence level										3,944
Net general insurance contract claims liabilities per statement of financial position										39,124

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Gross claims liabilities for 2011:

Motor

Accident year	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At end of accident year	166,180	156,581	157,359	150,526	147,913	168,608	194,102	182,953	
One year later	159,319	155,782	161,284	164,980	166,700	206,920	221,067		
Two years later	160,813	155,836	167,004	171,121	185,532	215,856			
Three years later	161,795	157,559	171,225	185,713	188,403				
Four years later	166,181	161,931	180,434	188,882					
Five years later	167,153	167,605	181,519						
Six years later	170,692	169,347							
Seven years later	171,980								
Current estimate of cumulative claims incurred	171,980	169,347	181,519	188,882	188,403	215,856	221,067	182,953	1,520,007
At end of accident year	79,019	81,753	83,817	83,438	81,545	87,559	81,559	83,477	
One year later	132,626	131,259	139,478	141,907	144,501	163,234	169,655		
Two years later	141,591	138,780	150,154	152,318	160,606	189,333			
Three years later	148,578	145,734	159,270	168,290	175,858				
Four years later	155,272	152,095	169,577	181,842					
Five years later	160,759	159,839	176,290						
Six years later	165,031	165,951							
Seven years later	167,286								
Cumulative payment to-date	167,286	165,951	176,290	181,842	175,858	189,333	169,655	83,477	1,309,692

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Gross claims liabilities for 2011 (continued):

Motor

Accident year	Before 2004 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)	11,707	4,694	3,396	5,229	7,040	12,545	26,523	51,412	99,476	222,022
Gross IBNR			713	1,569	3,379	6,782	10,591	13,841	45,412	82,287
Gross general insurance outstanding liabilities (treaty inwards)										6,988
Best estimates of claims liabilities										311,297
Claims handling expenses										9,890
PRAD at 75% confidence level										17,575
Gross general insurance contract liabilities per statement of financial position										338,762

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Gross claims liabilities for 2011 (continued):

Non Motor

Accident year	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At end of accident year	22,341	76,116	41,115	25,758	22,146	54,951	33,246	48,968	
One year later	24,393	50,864	53,070	30,863	31,609	66,561	39,811		
Two years later	23,290	44,880	53,316	30,186	27,030	57,084			
Three years later	22,940	41,900	48,580	29,622	25,946				
Four years later	22,239	39,982	48,730	30,057					
Five years later	22,071	39,972	48,350						
Six years later	23,024	40,157							
Seven years later	22,880								
Current estimate of cumulative claims incurred	22,880	40,157	48,350	30,057	25,946	57,084	39,811	48,968	313,253
At end of accident year	6,738	12,735	10,051	13,834	10,962	8,563	7,812	16,798	
One year later	18,476	32,641	29,653	23,759	21,876	35,280	22,660		
Two years later	20,516	34,931	34,060	27,152	23,427	41,136			
Three years later	20,905	37,132	34,950	28,470	23,748				
Four years later	21,063	37,229	35,421	28,673					
Five years later	21,169	37,488	35,617						
Six years later	21,195	37,541							
Seven years later	21,386								
Cumulative payment to-date	21,386	37,541	35,617	28,673	23,748	41,136	22,660	16,798	227,559

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Gross claims liabilities for 2011 (continued):

Non motor

Accident year	Before 2004 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)	3,076	1,494	2,616	12,733	1,384	2,198	15,948	17,151	32,170	88,770
Gross IBNR									10,063	10,063
Gross general insurance outstanding liabilities (treaty inwards)										3,623
Best estimates of claims liabilities										102,456
Claims handling expenses										2,787
PRAD at 75% confidence level										6,702
Gross general insurance contract liabilities per statement of financial position										111,945

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Net claims liabilities for 2011:

Motor

Accident year	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At end of accident year	155,847	150,336	149,483	145,824	143,308	163,687	188,461	139,228	
One year later	150,232	146,339	152,785	158,083	160,414	199,354	212,884		
Two years later	151,652	147,108	157,853	163,587	178,382	205,874			
Three years later	152,405	148,655	161,419	176,497	180,634				
Four years later	155,790	151,845	170,242	178,972					
Five years later	156,415	157,467	170,625						
Six years later	159,164	157,814							
Seven years later	159,309								
Current estimate of cumulative claims incurred	159,309	157,814	170,625	178,972	180,634	205,874	212,884	139,228	1,405,340
At end of accident year	74,326	78,813	78,518	80,872	78,664	84,990	79,440	67,028	
One year later	125,052	123,766	131,906	137,003	139,102	157,425	164,120		
Two years later	133,251	130,912	141,723	146,997	154,564	182,162			
Three years later	139,934	137,482	150,148	160,676	169,205				
Four years later	146,071	143,289	159,981	172,596					
Five years later	150,686	150,134	166,332						
Six years later	154,715	155,053							
Seven years later	156,782								
Cumulative payment to-date	156,782	155,053	166,332	172,596	169,205	182,162	164,120	67,028	1,233,278

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Net claims liabilities for 2011 (continued):

Motor

Accident year	Before 2004 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)	7,129	2,527	2,761	4,293	6,376	11,429	23,712	48,764	72,200	179,191
Net IBNR	-		269	608	1,331	3,790	6,305	3,804	16,704	32,811
Net general insurance outstanding liabilities (treaty inward)										6,988
Best estimates of claims liabilities										218,990
Claims handling expenses										6,401
PRAD at 75% confidence level										16,165
Net general insurance contract liabilities per statement of financial position										241,556

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Net claims liabilities for 2011 (continued):

<u>Non Motor</u>

Accident year	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At end of accident year	13,595	15,116	19,833	19,168	17,994	23,531	21,734	18,697	
One year later	15,017	14,984	20,409	19,132	18,765	24,662	21,103		
Two years later	14,659	14,405	20,947	18,600	18,173	25,165			
Three years later	14,560	13,792	20,360	18,368	18,024				
Four years later	14,261	13,553	20,167	18,490					
Five years later	14,109	13,660	20,171						
Six years later	14,058	13,689							
Seven years later	14,099								
Current estimate of cumulative claims incurred	14,099	13,689	20,171	18,490	18,024	25,165	21,103	18,697	149,438
At end of accident year	5,533	6,679	6,810	8,645	8,478	6,670	6,979	5,664	
One year later	11,907	11,741	16,040	15,720	15,977	17,776	14,771		
Two years later	13,271	12,848	18,154	17,036	17,066	21,194			
Three years later	13,587	13,397	18,552	17,466	17,279				
Four years later	13,671	13,437	18,689	17,576					
Five years later	13,778	13,533	18,754						
Six years later	13,797	13,539							
Seven years later	13,976								
Cumulative payment to-date	13,976	13,539	18,754	17,576	17,279	21,194	14,771	5,664	122,753

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

34 INSURANCE RISK (CONTINUED)

Net claims liabilities for 2011(continued):

Non Motor

Accident year	Before 2004 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)	854	123	150	1,417	914	745	3,971	6,332	13,033	27,539
Net IBNR									3,152	3,152
Net general insurance outstanding liabilities (treaty inwards)										3,623
Best estimates of claims liabilities										34,314
Claims handling expenses										929
PRAD at 75% confidence level										2,838
Net general insurance contract liabilities per statement of financial position										38,081

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

35 FINANCIAL RISK

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 focuses 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.

The Company is guided by risk management policies which set out the overall business strategies and the general risk management philosophy. The Company has established internal processes to monitor the risks on an ongoing basis.

The policies and measures taken by the Company to manage these risks are set out below.

Credit Risk

Credit risk is the potential financial loss resulting from the failure of a customer, an intermediary or counter party to honour its obligations to the Company as and when they fall due.

The Company's primarily exposure to credit risks arises through its investment in fixed income securities, receivables arising from sales of insurance policies and obligations of reinsurers through reinsurance contracts. The Company's policy is to maintain a diversified portfolio of investments in government guaranteed and minimum 'A' rated financial instruments issued by companies with strong credit ratings.

Cash and deposits are generally placed with banks and financial institutions licensed under the Banking and Financial Institutions Act 1989 and the Islamic Banking Act which are regulated by Bank Negara Malaysia.

The Company monitors the credit quality and financial conditions of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Company typically cedes business to regulated reinsurers that have a good credit rating and concentration of risk is avoided by adhering to policy guidelines in respect of counterparties' limit that are set each year by the Board of Directors. When selecting its reinsurers, the Company considered their relative financial security. The securities of the reinsurers are assessed based on public rating information and annual report.

The Company's credit risk exposure to insurance receivables is from its appointed agents, brokers and other intermediaries. The risk arises where these parties collect premiums from customers to be paid to the Company. The Company has policies to monitor credit risk from these receivables on monthly meeting by Credit Control Committee and Credit Control Department and Business Unit in monitoring on the outstanding position. The Company also has guidelines to evaluate intermediaries before their appointment as well as setting credit limits to these appointees.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

35 FINANCIAL RISK (CONTINUED)

Credit Exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position.

	31.3.2012 RM'000	31.3.2011 RM'000
Available-for-sale financial assets	94,038	79,275
Held-to-maturity financial assets	143,344	148,888
Reinsurance assets, excluding premium liabilities - reinsurance	150,846	171,070
Loans and receivables, excluding prepayments	378,814	347,359
Insurance receivables, excluding deferred commissions and reinsurance premiums	43,032	50,153
Cash and cash equivalents	46,530	35,194
	856,604	831,939

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

35 FINANCIAL RISK (CONTINUED)

Credit exposure by credit quality

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

	Neither past due nor impaired/ investment grade RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
31 March 2012				
Investments:				
Available-for-sale financial assets	90,047	-	5,000	95,047
Held-to-maturity financial assets	143,344	-	-	143,344
Reinsurance assets, excluding premium liabilities - reinsurance	150,846	-	-	150,846
Loans and receivables, excluding prepayments	378,814	-	-	378,814
Insurance receivables, excluding deferred commissions and reinsurance premiums	37,540	5,492	6,326	49,358
Cash and cash equivalents	46,530	-	-	46,530
	847,121	5,492	11,326	863,939
Allowance for impairment	-	-	(7,335)	(7,335)
	847,121	5,492	3,991	856,604
31 March 2011				
Investments:				
Available-for-sale financial assets	74,696	-	5,588	80,284
Held-to-maturity financial assets	148,888	-	-	148,888
Reinsurance assets, excluding premium liabilities - reinsurance	171,070	-	-	171,070
Loans and receivables, excluding prepayments	347,359	-	-	347,359
Insurance receivables, excluding deferred commissions and reinsurance premiums	45,653	4,500	6,385	56,538
Cash and cash equivalents	35,194	-	-	35,194
	822,860	4,500	11,973	839,333
Allowance for impairment	-	-	(7,394)	(7,394)
	822,860	4,500	4,579	831,939

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

35 FINANCIAL RISK (CONTINUED)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Rating Agency of Malaysia ("RAM") or Malaysian Rating Corporation Berhad's ("MARC") credit ratings of counterparties. AAA is the highest possible rating.

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	B/D RM'000	Unrated RM'000	Exempted RM'000	Total RM'000
31 March 2012								
Available-for-sale financial assets	10,380	5,204	7,069	-	3,992	67,393	-	94,038
Held-to-maturity financial asset	96,638	20,772	-	-	-	15,824	10,110	143,344
Reinsurance assets, excluding premium liabilities - reinsurance	-	40,133	44,574	-	685	65,454	-	150,846
Loan and receivables, excluding prepayments	-	25,891	235,686	-	-	117,237	-	378,814
Insurance receivables, excluding deferred commissions and reinsurance premiums	-	1,124	1,379	-	1,217	39,312	-	43,032
Cash and cash equivalents	-	30,008	-	-	-	16,522	-	46,530
	107,018	123,132	288,708	-	5,894	321,742	10,110	856,604
31 March 2011								
Available-for-sale financial assets	10,198	25,211	10,215	-	4,658	28,993	-	79,275
Held-to-maturity financial asset	96,854	25,930	-	-	-	15,991	10,113	148,888
Reinsurance assets, excluding premium liabilities - reinsurance	38,611	6,868	80,291	1,934	-	43,366	-	171,070
Loan and receivables, excluding prepayments	68,305	75,442	189,361	708	-	13,543	-	347,359
Insurance receivables, excluding deferred commissions and reinsurance premiums	-	10,881	716	-	-	38,556	-	50,153
Cash and cash equivalents	-	-	25,621	-	-	9,573	-	35,194
	213,968	144,332	306,204	2,642	4,658	150,022	10,113	831,939

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

35 FINANCIAL RISK (CONTINUED)

Age analysis of financial assets past due but not impaired

A financial asset is deemed past due when the counterparty has failed to make payment when the outstanding amount are contractually due.

	31 – 60 days	61 – 90 days	91- 180 days	> 180 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2012					
Insurance receivables	227	72	3,162	2,031	5,492
31 March 2011					
Insurance receivables	-	1,690	2,810	-	4,500

Past due and impaired

At 31 March 2012, based on a combination of collective and individual assessment of receivables, there are impaired insurance receivables of RM6,385,000 (2010: RM6,786,000). For assets to be classified as "past due and impaired", contractual payment must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets. The Company records impairment for insurance receivables in separate "allowance for impairment" accounts. A reconciliation of the impairment losses for insurance receivables is as follows:

	31.3.2012	31.3.2011
	RM'000	RM'000
Insurance receivables		
At 1 April	6,385	6,786
Movement during the financial year (Note 27)	(59)	(401)
At 31 March	6,326	6,385
Investments		
At 1 April/31 March	1,009	1,009

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

35 FINANCIAL RISK (CONTINUED)

Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet their obligations when they fall due, or would have to incur excessive cost to do so. In respect of catastrophic events, there is also liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The Company's policy is to maintained adequate liquidity to meet their liquidity needs under normal and stressed conditions.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- The Company wide liquidity risk management policy setting out the assessment and determination of what constitutes liquidity risk for the Company is established. Compliance with the policy is monitored and reported monthly and exposures and breaches are reported to the Company's Risk Management Committee ("RMC") as soon as possible. The Company's Risk Management Committee and Investment Committee are the primary parties responsible for liquidity management based on guidelines approved by the Board.

- There are guidelines on assets allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet insurance and investment contract obligations. As part of their liquidity management, the Company maintains sufficient level of cash and cash equivalents to meet expected and to a lesser extent unexpected outflows.

- Setting up contingency funding plans which specify minimum proportions of fund to meet emergency calls as well as specifying events that would trigger such plans. The Company's contingency funding plans include arranging credit line with banks and funding from the parent Company.

- The Company's treaty reinsurance contract contains a "cash call" clause permitting the Company to make cash call on claim and receive immediate payment for a large loss without waiting for usual periodic payment procedures to occur.

Maturity Profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations.

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from recognised insurance liabilities. Premium liabilities and the reinsurers' share of premium liabilities have been excluded from the analysis as these are not contractual obligations.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

35 FINANCIAL RISK (CONTINUED)

Maturity Profiles (continued)

2012	Carrying value	Up to a year*	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets:								
Available-for-sale	94,038	5,944	8,569	7,480	12,576	-	71,385	105,954
Held-to-maturity	143,344	40,855	69,151	40,277	2,659	7,996	-	160,938
Reinsurance assets, excluding premium liabilities - reinsurance	150,846	68,762	64,153	8,092	9,120	719	-	150,846
Loans and receivables, excluding prepayments	378,814	364,861	105	82	406	-	17,465	382,919
Insurance receivables, excluding deferred commissions and reinsurance premiums	43,032	43,032	-	-	-	-	-	43,032
Cash and cash equivalents	46,530	46,538	-	-	-	-	-	46,538
Total financial assets	856,604	569,992	141,978	55,931	24,761	8,715	88,850	890,227
Claims liabilities	413,064	149,821	192,957	41,125	27,424	1,737	-	413,064
Subordinated loan	30,000	-	-	30,000	-	-	-	30,000
Insurance payables, excluding deferred premiums and reinsurance commissions	78,326	78,326	-	-	-	-	-	78,326
Other payables	19,473	20,013	5,400	1,111	-	-	2,160	28,684
Total financial liabilities	540,863	248,160	198,357	72,236	27,424	1,737	2,160	550,074

* Expected utilisation or settlement is within 12 months from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
– 31 March 2012 (continued)

35 FINANCIAL RISK (CONTINUED)

Maturity Profiles (continued)

2011	Carrying value	Up to a year*	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets:								
Available-for-sale	79,275	27,012	-	18,703	14,337	-	28,993	89,045
Held-to-maturity	148,888	10,311	48,477	102,849	-	12,657	-	174,294
Reinsurance assets, excluding premium liabilities - reinsurance	171,070	71,956	70,135	14,476	12,813	1,690	-	171,070
Loans and receivables, excluding prepayments	347,359	337,198	134	153	264	21	10,069	347,839
Insurance receivables, excluding deferred commissions and reinsurance premiums	50,153	50,153	-	-	-	-	-	50,153
Cash and cash equivalents	35,194	35,201	-	-	-	-	-	35,201
Total financial assets	831,939	531,831	118,746	136,181	27,414	14,368	39,062	867,602
Claims liabilities	450,707	156,837	210,991	45,870	20,449	16,560	-	450,707
Subordinated loan	30,000	-	-	-	30,000	-	-	30,000
Insurance payables, excluding deferred premiums and reinsurance commissions	83,560	83,560	-	-	-	-	-	83,560
Other payables	16,955	17,520	5,400	5,700	14,850	-	2,135	45,605
Total financial liabilities	581,222	257,917	216,391	51,570	65,299	16,560	2,135	609,872

* Expected utilisation or settlement is within 12 months from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

35 FINANCIAL RISK (CONTINUED)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprised three types of exposures: foreign exchange rates (currency risk), market interest rates (interest rates/profit yield risk) and market prices (process risk).

The key features of the Company's market risk management practices and policies are as follows:

- The Company-wide market risk policy setting out the evaluation and determination of what constitutes market risk for the Company is put in place. Compliance with the policy is monitored and reported every two months to the Investment Committee and quarterly to the Risk Management Committee.

- The Company has policies and limits to manage market risk. The market risk is managed through portfolio diversification and changes in assets allocation. The Company's policies on assets allocation, portfolio limit structure and diversification benchmark have been put in line with the Company's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest Rate/ Profit Yield Rate

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates/profit yield.

The Company is exposed to interest rate risk primarily through investments in fixed income securities and deposit placements. Interest rate is managed by the Company on an ongoing basis. The Company has no significant concentration of interest rate/profit yield risk.

The impact on profit before tax at +/- basis points change in the interest rate, with all other variables held consistent, is insignificant to the Company given that it has minimal floating rate financial instruments.

Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of the changes in market prices (other than those arising from interest rate/ profit yield risk or currency risk), regardless whether those changes are caused by factors specific to the individual financial statements or its issuer or factors affecting similar financial instruments traded in the market.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

35 FINANCIAL RISK (CONTINUED)

Price Risk (continued)

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

The Company is exposed to equity price risk arising from investments held by the Company and classified in the statement of financial position as available-for-sale financial assets that comprises unit trusts.

The analysis below is performed for reasonably possible movements in equity price with all other variables held constant, showing the impact of statement of comprehensive income and equity (due to changes in fair value of available-for-sale financial assets).

			31.3.2012			31.3.2011
	Changes in Variables	Impact on Income Statement	Impact on Equity*	Changes in Variables	Impact on Income Statement	Impact on Equity*
Market price	+10%	-	5,048	+10%	-	2,965
Market price	-10%	-	(5,048)	-10%	-	(2,965)

* Impact on equity reflects adjustments for tax, when applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous period.

Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud and external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company cannot expect to eliminate all operational risks but mitigates them by establishing a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access controls, authorisation, reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit. Business risk, such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

The Company's risk taking units (Business Development/Technical/Support Divisions) are primarily responsible for management day-to-day operational risk inherent in their respective business and functional areas. They are responsible for putting in place and maintaining their respective operational manuals, and ensuring that activities undertaken by them comply with the Company's operational risk management framework and oversight by the Risk Management Committee and the Board.

NOTES TO THE FINANCIAL STATEMENTS

– 31 March 2012 (continued)

36 REGULATORY CAPITAL REQUIREMENTS

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect policyholders and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirement prescribed in the RBC Framework. Under the RBC Framework guidelines issued by BNM, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. The Company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the Company as at 31 March 2012, and the comparative, as prescribed under the RBC Framework is provided below:

	31.3.2012 RM'000	31.3.2011 RM'000
Eligible Tier 1 Capital:		
Share capital (paid-up)	100,000	100,000
Retained earnings	155,469	130,075
	255,469	230,075
Tier 2 Capital:		
Assets revaluation reserve	21,578	19,380
AFS reserve	4,735	35
Subordinated loan	30,000	30,000
	56,313	49,415
Total Capital Available	311,782	279,490

STATEMENT BY DIRECTORS

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

We, David Chan Mun Wai and Dato' Sri Haji Mohd Khamil bin Jamil, 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 16 to 103 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2012 and of the financial performance and cash flows of the Company for the financial year ended on that date in accordance with Financial Reporting Standards, being the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 May 2012.

DATO' SRI HAJI MOHD KHAMIL BIN JAMIL DIRECTOR	DAVID CHAN MUN WAI DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

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

I, Tan See Dip, the Officer 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 16 to 103 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.

TAN SEE DIP

Subscribed and solemnly declared by the abovenamed Tan See Dip at Kuala Lumpur in Malaysia on 25 May 2012, before me.

COMMISSIONER OF OATHS

INDEPENDENT AUDITORS' REPORT

To The Members Of Uni.Asia General Insurance Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Uni.Asia General Insurance Berhad, which comprise the statement of financial position as at 31 March 2012, and the statements of income, other comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 103.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of these financial statements that give true and fair view in accordance with Financial Reporting Standards, being the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 March 2012 and of its financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT

To The Members Of Uni.Asia General Insurance Berhad (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that, in our opinion, 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.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/14 (J))
Chartered Accountant

Kuala Lumpur
25 May 2012

LIST OF PROPERTIES as at FYE March 2012

Location and Address	Date of Acquisition	Description / Existing Use	Approximate Age of Building Years	Tenure	Approximate Area (sq. m) : Built-up	Net Book Value as at 31.03.2012 RM '000
Menara Uni.Asia No. 1008,Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah 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.	13	Leasehold 99 years expiring on 06.02.2078	11,975	79,350
Adjacent Land (Plot A), Menara Uni.Asia	31 July 2001	Building commercial land	11	Leasehold 82 years expiring on 15.08.2083	256	0
Lot 7651 & 7658, Taman Desa Jaya, Sg. Petani, Kedah	30 December 1990	Lot 7658 is detached with single storey house and Lot 7651 (4,808 sf) is a vacant land.	30	Freehold	895	190
Lot 5453, A-4 Jalan Kg. Baru, Sg. Petani, Kedah	26 February 1994	4 storey shophouse used as branch office.	17	Freehold	433	799
Suite 3.1, 3.2 and 3.3, Menara Penang Garden, Penang	06 May 1992 & 05 August 1993	Suite 3.1, 3.2 and 3.3 are used as branch office and regional office.	18	Freehold	574	1,296
Lot 951 (471) & 801, Mukim 11, Barat Daya, Penang	12 February 1980	Vacant land.	19	Freehold	8,551	2,200
122 & 122A,Jalan Raja Musa Aziz, Ipoh	12 January 1981	2 units of 3 storey shophouse used as branch office.	30	Leasehold 999 years expiring on 21.09.2894	866	898
9th - 12th Floors, Menara Safuan, Kuala Lumpur, Wilayah Persekutuan	31 December 1994	9th to 12th floors are rented out.	28	Freehold	1,785	8,600
No 13, Jalan Melur 8, Taman Suria Jaya, Cheras, Selangor	24 August 1981	4 storey terrace shophouse being used as a store.	29	Leasehold 99 years expiring on 23.01.2085	544	449
No 360, Taman Melaka Raya, Melaka	11 March 1993	3 storey shophouse used as a branch office.	19	Leasehold 99 years expiring on 04.10.2082	368	589
9B Condominium, Type A, Frasers Pine Resort, Bukit Fraser, Raub, Pahang	06 August 1982	3 Bedroom duplex appartment unit - Vacant	26	Leasehold 99 years expiring on 23.05.2082	166	239

LIST OF PROPERTIES as at FYE March 2012

Location and Address	Date of Acquisition	Description / Existing Use	Approximate Age of Building Years	Tenure	Approximate Area (sq. m) : Built-up	Net Book Value as at 31.03.2012 RM '000
688-C, Jalan Bukit Ubi, Kuantan, Pahang	19 March 1981	3 storey shophouse used as a branch office.	30	Freehold	403	609
No 17 & 18, Jalan Tebrau, Johor Bahru, Johor	31 March 1982	Ground, 1st & 2nd floors of Lot 17 & 18 used as branch office and Regional office.	29	Freehold	691	1,948
Lot 329 & 330, Central Road East, Kuching, Sarawak	13 March 1993	1st floor of Lot 329 is vacant and others are used as branch office.	17	Leasehold 999 years expiring on 03.05.2781	687	1,179
Wisma Uni.Asia, No 361, Taman Bukit Emas, Jalan Tampin, 70450 Seremban,	29 May 1995	3 storey shophouse used as branch office.	31	Freehold	470	399
TOTAL						**4,135**