

BERJAYA GENERAL INSURANCE BERHAD (62605-U)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
30 April 2006

BERJAYA GENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

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BERJAYA GENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 30 April 2006.

PRINCIPAL ACTIVITY

The principal activity of the Company is the underwriting of general insurance business.

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

RESULTS

RM

Net profit for the year	<u>26,149,427</u>
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There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statement of changes in equity.

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.

DIVIDENDS

The amount of dividends paid by the Company since 30 April 2005 were as follows:

RM

In respect of the financial year ended 30 April 2005:

Interim dividend of 12% less 28% taxation, on 118,000,000 ordinary shares, declared on 1 July 2005 and paid on 8 July 2005	10,195,200
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In respect of the financial year ended 30 April 2006:

Interim dividend of 16.5% less 28% taxation, on 118,000,000 ordinary shares, declared on 11 October 2005 and paid on 20 October 2005	14,018,400
	<u>24,213,600</u>

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Thong Yaw Hong	
Dato' Abdul Rahman bin Hamidon	
Khaw Ooi Tong	
Loh Lye Ngok	
Dato' Haji Ahmad bin Sidek	(appointed on 1 August 2005)
Datuk Maizan bin Shaari	(appointed on 8 November 2005)
Datuk Bhupatrai a/l Mansukhlal Premji	(appointed on 18 January 2006)
Dato' Robin Tan Yeong Ching	(appointed on 26 June 2006)
Tan Sri Dato' Tan Chee Sing	(resigned on 10 October 2005)

CORPORATE GOVERNANCE

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

Corporate Governance Standards

The membership, roles and terms of reference of the Audit Committee, Risk Management Committee, Nominating Committee and Remuneration Committee of the Board are as follows:

(1) Audit Committee

The composition of the Audit Committee ("AC") is as follows:

- (i) Tan Sri Dato' Thong Yaw Hong (Chairman)
- (ii) Dato' Abdul Rahman bin Hamidon
- (iii) Dato' Haji Ahmad bin Sidek (appointed on 3 August 2005)
- (iv) Datuk Maizan bin Shaari (appointed on 18 January 2006)
- (v) Datuk Bhupatrai a/l Mansukhlal Premji (appointed on 18 January 2006)
- (vi) Khaw Ooi Tong (resigned on 20 September 2005)

The AC is to assist the Board of Directors in discharging its duties of maintaining a sound system of internal controls to safeguard the Company's assets. It is also responsible for reviewing the financial reporting and internal audit processes to ensure compliance with relevant laws and regulations.

The AC met seven times during the financial year.

CORPORATE GOVERNANCE (CONTD.)

(2) Risk Management Committee

The composition of the Risk Management Committee (“RMC”) is as follows:

- (i) Dato’ Abdul Rahman bin Hamidon (Chairman)
- (ii) Tan Sri Dato’ Thong Yaw Hong
- (iii) Khaw Ooi Tong
- (iv) Dato’ Haji Ahmad bin Sidek (appointed on 22 December 2005)
- (v) Datuk Maizan bin Shaari (appointed on 18 January 2006)

The responsibilities of the RMC include the review, assessment and recommendation of the risk management strategies and risk tolerance, the adequacy of the policies and framework for identifying, measuring, monitoring and controlling risks, as well as the extent to which these are operating effectively through adequate infrastructure, resources and systems.

The RMC met four times during the financial year.

(3) Nominating Committee

The composition of the Nominating Committee (“NC”) is as follows:

- (i) Dato’ Abdul Rahman bin Hamidon (Chairman)
- (ii) Tan Sri Dato’ Thong Yaw Hong
- (iii) Khaw Ooi Tong
- (iv) Loh Lye Ngok
- (v) Datuk Maizan bin Shaari (appointed on 8 November 2005)
- (vi) Tan Sri Dato’ Tan Chee Sing (resigned on 10 October 2005)

The NC is responsible to establish the minimum requirement for the Board of Directors and the Chief Executive Officer to perform their responsibilities effectively. It also annually reviews the Board structure, size and composition, and the mix of skills and core competencies required for the Board to discharge its duties effectively. It will also assess on an annual basis, the effectiveness of the Board and the Board Committees.

The NC is also empowered to consider and evaluate the appointment of new directors and directors to fill the seats on the Board Committees of the Company and to recommend candidates to the Board and BNM for appointment and reappointment or reelection. In addition to that, the committee is also entrusted with the responsibility for both the appointment and evaluation of the Chief Executive Officer and key senior officers of the Company.

The NC also ensures that all Directors undergo appropriate induction programmes and receive continuous training. In addition, the NC also oversees the management succession planning of the Company.

The NC met four times during the financial year.

CORPORATE GOVERNANCE (CONTD.)

(4) Remuneration Committee

The composition of the Remuneration Committee ("RC") is as follows:

- (i) Dato' Abdul Rahman bin Hamidon (Chairman)
- (ii) Tan Sri Dato' Thong Yaw Hong
- (iii) Khaw Ooi Tong

The RC is responsible to recommend a framework of remuneration for Directors, Chief Executive Officer and key senior officers of the Company. In addition, it is also responsible to recommend specific remuneration packages for Directors, Chief Executive Officer and key senior officers of the Company.

The RC met twice during the financial year.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the options over the unissued shares of the holding company and other related companies granted to certain directors as disclosed in the directors' interests.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 18 to the financial statements and the financial statements of related corporations or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in Note 21 to the financial statements.

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, Irredeemable Convertible Unsecured Loan Stocks ("ICULS") and warrants in the ultimate holding company, holding company and other related companies during the financial year were as follows:

DIRECTORS' INTERESTS (CONTD.)**Ultimate Holding Company:****- Berjaya Corporation Berhad ("Bcorp")****Number of Ordinary Shares of RM1.00 each**

	As at 1.5.2005	Acquired	Disposed	As at 30.4.2006
Khaw Ooi Tong	-	20,800 #	-	20,800
Loh Lye Ngok	-	2,000 #	-	2,000

**Number of 0% Irredeemable Convertible Unsecured
Loan Stocks 2005/2015 of RM0.50 nominal value each**

	As at 1.5.2005	Acquired	Converted	As at 30.4.2006
Tan Sri Dato' Thong Yaw Hong	-	313,588 (a)	-	313,588
	-	* 598,810 (a)	-	598,810
Khaw Ooi Tong	-	137,382 (a)	-	137,382

Holding Companies:**- Berjaya Group Berhad ("BGB")****Number of Ordinary Shares of RM1.00 each**

	As at 1.5.2005	Acquired	Disposed	As at 30.4.2006
Loh Lye Ngok	10,000	-	10,000 #	-

**Number of 5% Irredeemable Convertible Unsecured
Loan Stocks 1999/2009 of RM1.00 nominal value each**

	As at 1.5.2005	Acquired	Disposed	As at 30.4.2006
Tan Sri Dato' Thong Yaw Hong	332,500	-	332,500 #	-
Loh Lye Ngok	1,000	-	1,000	-
Khaw Ooi Tong	29,000	-	29,000 #	-

Number of Warrants

	As at 1.5.2005	Acquired	Disposed	As at 30.4.2006
Loh Lye Ngok	1,000	-	1,000	-
Khaw Ooi Tong	416,000	-	416,000 #	-

DIRECTORS' INTERESTS (CONTD.)**Holding Companies (Contd.):****- Berjaya Capital Berhad ("BCap")**

	Number of Ordinary Shares of RM1.00 each			
	As at 1.5.2005	Acquired	Disposed	As at 30.4.2006
Loh Lye Ngok	1,000	-	1,000	-
Khaw Ooi Tong	11,833	16,566 (d)	25,560 (e)	2,839

Related Company**- Berjaya Land Berhad ("BLB")**

	Number of Ordinary Shares of RM1.00 each			
	As at 1.5.2005	Acquired	Disposed	As at 30.4.2006
Tan Sri Dato' Thong Yaw Hong	17,500	28,000 (b)	28,000 (c)	17,500
	* 114,000	182,400 (b)	182,400 (c)	114,000
Loh Lye Ngok	2,000	-	2,000	-
Khaw Ooi Tong	10,000	16,000 (b)	16,000 (c)	10,000

Number of 5% Irredeemable Convertible Unsecured Loan Stocks 1999/2009 of RM1.00 nominal value each

	Number of 5% Irredeemable Convertible Unsecured Loan Stocks 1999/2009 of RM1.00 nominal value each			
	As at 1.5.2005	Acquired	Disposed	As at 30.4.2006
Tan Sri Dato' Thong Yaw Hong	26,250	-	-	26,250
	* 171,000	-	-	171,000
Loh Lye Ngok	1,000	-	1,000	-

* Indirect interest

Exchange of BGB's securities with new securities of BCorp pursuant to BGB's voluntary scheme of arrangement under Section 176 of the Companies Act, 1965 ("BGB Scheme").

(a) BCorp Irredeemable Convertible Unsecured Loan Stocks allotted pursuant to the BGB Scheme and the accompanying corporate exercise of BCap and BLB.

(b) BLB Bonus Issue 1:1 and Bonus Issue 3:2 after the Capital Repayment of RM0.80 per BLB share.

(c) Equivalent number of BLB shares reduced pursuant to the consolidation of RM0.20 shares after the Capital Repayment of RM0.80 per BLB share.

DIRECTORS' INTERESTS (CONTD.)

- (d) BCap Bonus Issue of 7:5.
- (e) Equivalent number of BCap shares reduced pursuant to the consolidation of RM0.10 shares after the Capital Repayment of RM0.90 per BCap share after the Bonus Issue 7:5.

Other than as disclosed above, none of the directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the balance sheet and income statement of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise; and
 - (iii) to ascertain that there was adequate provision for incurred claims, including incurred but not reported ("IBNR") claims.
- (b) At the date of this report, the directors are not aware of any circumstances which would:
 - (i) require any amount to be written off as bad debts or render the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
 - (ii) render the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (CONTD.)

- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e) and (f) above, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors

Tan Sri Dato' Thong Yaw Hong

Loh Lye Ngok

Kuala Lumpur, Malaysia
26 July 2006

**BERJAYA GENERAL INSURANCE BERHAD
(Incorporated in Malaysia)**

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Tan Sri Dato' Thong Yaw Hong and Loh Lye Ngok, being two of the directors of Berjaya General Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 43 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia 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 at 30 April 2006 and of the results and the cash flows of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

Tan Sri Dato' Thong Yaw Hong

Loh Lye Ngok

Kuala Lumpur, Malaysia
26 July 2006

**STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Lim Chee Heng, being the officer primarily responsible for the financial management of Berjaya General Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 43 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.

Subscribed and solemnly declared
by the abovenamed Lim Chee Heng,
at Kuala Lumpur in Wilayah
Persekutuan on 26 July 2006.

Lim Chee Heng

Before me,

62605-U

**REPORT OF THE AUDITORS TO THE MEMBER OF
BERJAYA GENERAL INSURANCE BERHAD
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 11 to 43. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Company as at 30 April 2006 and of the results and the cash flows of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

Gloria Goh Ewe Gim
No. 1685/04/07 (J)
Partner

Kuala Lumpur, Malaysia
26 July 2006

BERJAYA GENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

BALANCE SHEET AS AT 30 APRIL 2006

	Note	2006 RM	2005 RM
ASSETS			
Property and equipment	3	22,761,032	22,762,002
Investments	4	418,472,122	385,482,658
Deferred tax assets, net	5	3,608,821	3,693,774
Loans	6	52,422	58,523
Receivables	7	23,968,792	16,832,649
Cash and bank balances		7,725,748	5,444,440
		<u>476,588,937</u>	<u>434,274,046</u>
LIABILITIES			
Provision for outstanding claims	8	192,050,985	164,686,320
Payables	9	28,915,213	25,642,609
Tax payable		3,411,935	9,005,756
		<u>224,378,133</u>	<u>199,334,685</u>
Unearned premium reserves	10	<u>85,805,130</u>	<u>70,469,514</u>
SHAREHOLDER'S FUND			
Share capital	11	118,000,000	118,000,000
Retained profits		48,405,674	46,469,847
		<u>166,405,674</u>	<u>164,469,847</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUND		<u>476,588,937</u>	<u>434,274,046</u>

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

BERJAYA GENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2006

	Note	Share capital RM	Distributable Retained profits RM	Total RM
At 1 May 2004		100,000,000	47,360,003	147,360,003
Issuance of ordinary shares	11	18,000,000	-	18,000,000
Net profit for the year		-	17,109,844	17,109,844
Dividends	19	-	(18,000,000)	(18,000,000)
At 30 April 2005		<u>118,000,000</u>	<u>46,469,847</u>	<u>164,469,847</u>
At 1 May 2005		118,000,000	46,469,847	164,469,847
Net profit for the year		-	26,149,427	26,149,427
Dividends - 2005	19	-	(10,195,200)	(10,195,200)
Dividends - 2006	19	-	(14,018,400)	(14,018,400)
At 30 April 2006		<u>118,000,000</u>	<u>48,405,674</u>	<u>166,405,674</u>

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

BERJAYA GENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2006

	Note	2006 RM	2005 RM
Operating revenue	12	<u>272,535,993</u>	<u>224,414,725</u>
Shareholder's fund:			
Investment income	13	4,147,878	1,256,563
Other operating income - net	14	<u>6,578</u>	<u>3,719,252</u>
		4,154,456	4,975,815
Surplus transferred from General Insurance Revenue Account (Page 14)		<u>32,679,924</u>	<u>18,843,989</u>
Profit before taxation		36,834,380	23,819,804
Taxation	15	<u>(10,684,953)</u>	<u>(6,709,960)</u>
Net profit for the year		<u>26,149,427</u>	<u>17,109,844</u>
Earnings per share (sen) - Basic	16	<u>22.2</u>	<u>15.6</u>

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

BERJAYA GENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

GENERAL INSURANCE REVENUE ACCOUNT
FOR THE YEAR ENDED 30 APRIL 2006

	Note	Fire		Motor		Marine, Aviation and Transit		Miscellaneous ("Misc.")		Total	
		2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
Operating revenue	12									268,388,115	223,158,162
Gross premiums		45,201,912	41,381,788	145,370,416	114,720,284	8,637,756	7,397,580	52,336,878	45,963,658	251,546,962	209,463,310
Reinsurance		(23,449,438)	(23,799,261)	(8,045,805)	(7,378,277)	(3,836,180)	(3,361,821)	(11,935,106)	(10,700,392)	(47,266,529)	(45,239,751)
Net premiums		21,752,474	17,582,527	137,324,611	107,342,007	4,801,576	4,035,759	40,401,772	35,263,266	204,280,433	164,223,559
Decrease/(increase) in unearned premium reserves	10	(1,093,988)	1,711,988	(11,701,843)	(5,725,715)	(60,897)	(30,833)	(2,478,888)	318,018	(15,335,616)	(3,726,542)
Earned premiums		20,658,486	19,294,515	125,622,768	101,616,292	4,740,679	4,004,926	37,922,884	35,581,284	188,944,817	160,497,017
Net claims incurred	17	(10,268,604)	(10,021,564)	(94,656,512)	(72,293,311)	(2,462,732)	(1,229,832)	(13,465,699)	(22,214,935)	(120,853,547)	(105,759,642)
Net commissions		(1,874,732)	(693,510)	(14,748,129)	(11,043,424)	(785,062)	(603,538)	(7,065,835)	(6,183,060)	(24,473,758)	(18,523,532)
Underwriting surplus before management expenses		8,515,150	8,579,441	16,218,127	18,279,557	1,492,885	2,171,556	17,391,350	7,183,289	43,617,512	36,213,843
Management expenses	18									(33,942,183)	(30,156,728)
Underwriting surplus										9,675,329	6,057,115
Investment income	13									16,841,153	13,694,852
Other operating income/ (expenses) - net	14									6,163,442	(907,978)
Surplus transferred to Income Statement (Page 13)										32,679,924	18,843,989

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

BERJAYA GENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 APRIL 2006

	Note	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Retained premiums less commissions		181,268,172	152,608,129
Claims less recoveries		(97,024,335)	(99,148,953)
Interest income		10,324,420	9,172,982
Gross dividends		9,564,920	5,342,004
Management expenses		(31,514,039)	(27,757,818)
Purchase of investments		(104,076,230)	(73,295,842)
Proceeds from sale of investments		43,593,995	59,481,929
Net withdrawal/ (placement) of fixed and call deposits		31,746,584	(6,446,749)
Rental income		633,799	628,208
Cash generated from operations		<u>44,517,286</u>	<u>20,583,890</u>
Taxes paid		<u>(15,967,154)</u>	<u>(19,067,977)</u>
Net cash generated from operating activities	20	<u>28,550,132</u>	<u>1,515,913</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment		(2,170,524)	(2,393,536)
Proceeds from sale of property and equipment		115,300	44,800
Net cash used in investing activities	20	<u>(2,055,224)</u>	<u>(2,348,736)</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Dividends paid		(24,213,600)	(18,000,000)
Proceeds from issuance of ordinary shares		-	18,000,000
Net cash used in financing activities	20	<u>(24,213,600)</u>	<u>-</u>
NET CHANGE IN CASH AND BANK BALANCES		2,281,308	(832,823)
CASH AND CASH EQUIVALENTS AT			
BEGINNING OF YEAR	20	<u>5,444,440</u>	<u>6,277,263</u>
CASH AND BANK BALANCES			
AT END OF YEAR	20	<u>7,725,748</u>	<u>5,444,440</u>

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

BERJAYA GENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 APRIL 2006

1. CORPORATE INFORMATION

The principal activity of the Company is the underwriting of general insurance business.

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at the 18th Floor, Menara BGI, Plaza Berjaya, 12, Jalan Imbi, 55100 Kuala Lumpur.

The holding and ultimate holding companies of the Company are Berjaya Capital Berhad and Berjaya Corporation Berhad respectively, both of which are incorporated in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad.

The number of employees in the Company at the end of the financial year was 449 (2005: 391).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 July 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965, the Insurance Act, 1996, Guidelines/Circulars issued by Bank Negara Malaysia ("BNM") and applicable MASB Approved Accounting Standards in Malaysia.

The general business assets and liabilities relate to both the general insurance and shareholder's funds.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) General Insurance Underwriting Results

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

(i) Premium Income

Premium income net of reinsurance is recognised based on assumption of risks.

Inward treaty reinsurance premium is recognised on the basis of periodic advices received from ceding insurers.

(ii) Unearned Premium Reserves

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

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

- 25% method for marine cargo, aviation cargo and transit
- 1/24th method for all other classes of business (except non-annual policies), reduced by the corresponding percentage of accounted gross direct business commissions and agency related expenses not exceeding the limits specified by BNM as follows:

Motor and bonds	10%
Fire, engineering, aviation and marine hull	15%
Other classes	25%
- 1/8th method for overseas inward treaty business with a deduction of 20% for commissions
- Non-annual policies with a duration of cover extending beyond one year is time apportioned over the period of the risks.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) General Insurance Underwriting Results (Contd.)

(iii) Acquisition Costs

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.

(iv) Provision for Claims

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

Provision is also made for the cost of claims, together with related expenses incurred but not reported ("IBNR") at balance sheet date, using a mathematical method of estimation based on actual claims development pattern.

(c) Property and Equipment and Depreciation

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(d).

Depreciation is provided for on a straight-line basis to write-off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Freehold and leasehold properties	2%
Motor vehicles	20%
Furniture, fittings and office equipment	10%
Computer equipment	20%

Upon the disposal of an item of property and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement/revenue account.

(d) Impairment of Assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of the net selling price and value in use, which is measured by reference to discounted future cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Impairment of Assets (Contd.)

An impairment loss is recognised as an expense in the income statement/revenue account immediately. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased.

(e) Employee Benefits

(i) Short-term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated balances, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plan

As required by law, the Company makes contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement/revenue account as incurred.

(f) Other Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Interest Income

Interest income is recognised on a time proportion basis that takes into account the effective yield of the asset.

(ii) Dividend Income

Dividend income is recognised on a declared basis when the right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Other Revenue Recognition (Contd.)

(iii) Rental Income

Rental income is recognised on an accrual basis in accordance with the terms of the relevant agreements except where a default in the 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 is recognised on a receipt basis until all arrears have been paid.

(g) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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 balance sheet date. Deferred tax is recognised in the income statement/revenue account, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

(h) Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. All exchange rate differences are taken to the income statement/revenue account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Related Companies

Related companies refer to companies related to Berjaya Corporation Berhad.

(j) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank but do not include fixed and call deposits.

The cash flow statement is prepared using the indirect method.

(k) Investment Properties

Investment properties consist of investment in land and buildings that are not substantially occupied for use by, or in the operations of the Company.

Investment properties are treated as long-term investments and are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(d).

Upon the disposal of an investment property, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statement/revenue account.

(l) Financial Instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends, gains and losses relating to a financial instrument classified as an asset or liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Disclosure of information for financial assets and liabilities that relate to rights and obligations arising under insurance contracts are excluded from the scope of Financial Reporting Standard 132 - Financial Instruments: Disclosure and Presentation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(I) Financial Instruments (Contd.)

(i) Malaysian Government Securities and Other Approved Investments

Malaysian Government Securities and other approved investments as specified by BNM are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on an effective yield basis from the date of purchase to maturity date. The amortisation of premiums and accretion of discounts are charged or credited to the income statement/revenue account.

(ii) Quoted Investments

Quoted investments are stated at the lower of cost and market value determined on an aggregate portfolio basis by category of investments except that if diminution in value of a particular investment is not regarded as temporary in accordance with the BNM Regulations 1996, a write down is made against the value of that investment.

(iii) Unquoted Investments

Unquoted investments are stated at cost less provision for any diminution in value other than temporary. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurs.

(iv) Government Guaranteed Bonds and Unquoted Corporate Bonds

Government guaranteed bonds and unquoted corporate bonds which are secured or which carry a minimum rating of "BBB" (long-term) or "P3" (short-term) are valued at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on an effective yield basis from the date of purchase to their respective maturity dates. Any corporate bond with a lower rating is stated at the lower of cost and market value.

(v) Receivables

Receivables are carried at anticipated realisable values.

Known bad debts are written off and specific provisions are made for any premiums including agents, brokers and reinsurers balances in arrears for more than six months from the date on which they become receivable and for all debts which are considered doubtful.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(I) Financial Instruments (Contd.)

(vi) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(vii) Equity Instruments

Ordinary shares are classified as equity.

Dividends on ordinary shares are recognised and reflected in the statement of changes in equity in the period in which they are declared.

3. PROPERTY AND EQUIPMENT

	Freehold properties RM	Leasehold properties RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Computer equipment RM	Total RM
Cost						
At 1 May 2005	20,766,516	480,000	3,044,456	5,574,573	6,637,733	36,503,278
Additions	-	-	390,060	686,974	1,093,490	2,170,524
Disposals	-	-	(470,429)	-	-	(470,429)
At 30 April 2006	20,766,516	480,000	2,964,087	6,261,547	7,731,223	38,203,373
Accumulated Depreciation and Impairment Losses						
At 1 May 2005						
Accumulated Depreciation	2,952,221	4,800	2,275,108	3,235,990	4,428,077	12,896,196
Accumulated Impairment Losses	845,080	-	-	-	-	845,080
	3,797,301	4,800	2,275,108	3,235,990	4,428,077	13,741,276
Charge for the year	415,330	9,600	395,793	561,364	789,399	2,171,486
Disposals	-	-	(470,421)	-	-	(470,421)
At 30 April 2006	4,212,631	14,400	2,200,480	3,797,354	5,217,476	15,442,341
Net Book Value						
At 30 April 2006	16,553,885	465,600	763,607	2,464,193	2,513,747	22,761,032
At 30 April 2005	16,969,215	475,200	769,348	2,338,583	2,209,656	22,762,002
Details at 1 May 2004						
Cost	20,766,516	-	3,069,148	5,353,873	5,303,745	34,493,282
Accumulated depreciation	3,381,970	-	1,986,647	2,940,223	3,768,699	12,077,539
Depreciation charge for 2005	415,331	4,800	427,397	513,300	659,378	2,020,206

3. PROPERTY AND EQUIPMENT (CONTD.)

Included in property and equipment are the cost of fully depreciated assets, which are still in use, as follows:

	2006	2005
	RM	RM
Motor vehicles	944,283	941,693
Furniture, fittings and office equipment	2,239,930	326,203
Computer equipment	3,534,523	3,137,741
	<u>6,718,736</u>	<u>4,405,637</u>

4. INVESTMENTS

	2006		2005	
	Cost	Market/ indicative value	Cost	Market/ indicative value
	RM	RM	RM	RM
Investment properties *	<u>10,407,330</u>	<u>15,300,908</u>	<u>10,407,330</u>	<u>15,301,093</u>
Malaysian Government Securities	53,501,000		33,111,000	
Net amortisation of premiums	<u>(815,938)</u>		<u>(583,572)</u>	
	<u>52,685,062</u>	<u>52,938,000</u>	<u>32,527,428</u>	<u>33,718,100</u>
Government Investment Issues	9,966,000		-	
Accretion of discounts	<u>945</u>		<u>-</u>	
	<u>9,966,945</u>	<u>9,970,000</u>	<u>-</u>	<u>-</u>
Khazanah Bonds	3,965,000		3,965,000	
Accretion of discount	<u>534,750</u>		<u>327,750</u>	
	<u>4,499,750</u>	<u>4,548,500</u>	<u>4,292,750</u>	<u>4,468,500</u>
Quoted:				
Shares of corporations				
- In Malaysia	110,631,687		111,385,633	
- Outside Malaysia	8,969,056		8,033,757	
Provision for diminution in value **	<u>(7,179,404)</u>		<u>(5,741,008)</u>	
	<u>112,421,339</u>	<u>136,680,198</u>	<u>113,678,382</u>	<u>113,742,479</u>
Unit trust funds	21,486,750		10,500,907	
Provision for diminution in value	<u>(511,027)</u>		<u>(169,764)</u>	
	<u>20,975,723</u>	<u>20,975,723</u>	<u>10,331,143</u>	<u>10,331,143</u>

4. INVESTMENTS (CONTD.)

	2006		2005	
	Cost RM	Market/ indicative value RM	Cost RM	Market indicative value RM
Warrants and loan stocks				
- In Malaysia	15,521,992		9,533,317	
- Outside Malaysia	586,814		430,931	
Provision for diminution in value **	<u>(257,643)</u>		<u>(626,822)</u>	
	<u>15,851,163</u>	23,581,339	<u>9,337,426</u>	9,688,050
Unquoted:				
Shares in a corporation	<u>117,500</u>		<u>117,500</u>	
Corporate bonds ***	44,760,185		26,182,400	
Net amortisation of premiums	<u>(167,041)</u>		<u>(92,450)</u>	
	<u>44,593,144</u>	45,180,023	<u>26,089,950</u>	27,391,500
Other investments	541,446		541,446	
Provision for diminution in value	<u>(39,446)</u>		<u>(39,446)</u>	
	<u>502,000</u>		<u>502,000</u>	
Fixed and call deposits with licensed financial institutions:				
Licensed banks	92,687,000		77,250,000	
Finance companies	47,765,166		84,948,749	
Other financial institutions ****	<u>6,000,000</u>		<u>16,000,000</u>	
	<u>146,452,166</u>		<u>178,198,749</u>	
Total investments	<u>418,472,122</u>		<u>385,482,658</u>	

* fair values were determined using the discounted cash flow method based on indicative values established by an external valuer, Hartanah Consultants.

** provision for diminution in value of investments are made for specific quoted investments in accordance with Note 2(1)(ii).

*** all unquoted corporate bonds carry a minimum "A" or "P1" rating.

**** other financial institutions are discount houses.

5. DEFERRED TAX ASSETS, NET

	2006	2005
	RM	RM
At beginning of year	3,693,774	2,293,734
Recognised in the income statement (Note 15)	(84,953)	1,400,040
At end of year	<u>3,608,821</u>	<u>3,693,774</u>

Presented after appropriate offsetting as follows:

Deferred tax assets	4,614,214	4,586,113
Deferred tax liabilities	(1,005,393)	(892,339)
	<u>3,608,821</u>	<u>3,693,774</u>

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred Tax Assets

	Provision for unearned premium reserves RM	Provision for doubtful debts RM	Provision for diminution in value of investments RM	Total RM
At 1 May 2005	170,430	2,585,157	1,830,526	4,586,113
Recognised in the income statement	(34,976)	(331,857)	394,934	28,101
At 30 April 2006	<u>135,454</u>	<u>2,253,300</u>	<u>2,225,460</u>	<u>4,614,214</u>
At 1 May 2004	191,614	2,585,157	410,183	3,186,954
Recognised in the income statement	(21,184)	-	1,420,343	1,399,159
At 30 April 2005	<u>170,430</u>	<u>2,585,157</u>	<u>1,830,526</u>	<u>4,586,113</u>

5. DEFERRED TAX ASSETS, NET (CONTD.)**Deferred Tax Liabilities**

	Accelerated capital allowances RM	Total RM
At 1 May 2005	892,339	892,339
Recognised in the income statement	113,054	113,054
At 30 April 2006	<u>1,005,393</u>	<u>1,005,393</u>
At 1 May 2004	893,220	893,220
Recognised in the income statement	(881)	(881)
At 30 April 2005	<u>892,339</u>	<u>892,339</u>

6. LOANS

	2006 RM	2005 RM
Staff loans:		
- Secured	50,224	56,585
- Unsecured	2,198	1,938
	<u>52,422</u>	<u>58,523</u>
Receivable within 12 months	8,582	7,752
Receivable after 12 months	43,840	50,771
	<u>52,422</u>	<u>58,523</u>

The secured staff loans bear interest at 4.0% (2005: 4.0%) per annum, whilst the unsecured staff loans are interest-free.

7. RECEIVABLES

	2006 RM	2005 RM
Trade receivables:		
Outstanding premiums including agents, brokers and co-insurers balances	25,078,390	20,813,540
Provision for doubtful debts	(9,202,116)	(10,177,393)
	<u>15,876,274</u>	<u>10,636,147</u>

7. RECEIVABLES (CONTD.)

	2006	2005
	RM	RM
Amount due from reinsurers and ceding companies	1,226,322	1,542,999
Provision for doubtful debts	<u>(997,951)</u>	<u>(1,168,783)</u>
	<u>228,371</u>	<u>374,216</u>
	<u>16,104,645</u>	<u>11,010,363</u>
Other receivables:		
Other receivables, deposits and prepayments *	5,082,314	2,867,104
Income due and accrued	<u>2,781,833</u>	<u>2,955,182</u>
	<u>7,864,147</u>	<u>5,822,286</u>
Total receivables	<u>23,968,792</u>	<u>16,832,649</u>

* Included in other receivables, deposits and prepayments is an amount of RM1,611,264 (2005: RM1,820,459) receivable from the Malaysian Motor Insurance Pool.

8. PROVISION FOR OUTSTANDING CLAIMS

	2006	2005
	RM	RM
Provision for outstanding claims	235,433,557	208,121,843
Recoverable from reinsurers	<u>(43,382,572)</u>	<u>(43,435,523)</u>
Net outstanding claims	<u>192,050,985</u>	<u>164,686,320</u>

9. PAYABLES

	2006	2005
	RM	RM
Trade payables:		
Amount due to agents, brokers, co-insurers and insureds	5,246,230	5,214,744
Amount due to reinsurers and ceding companies	<u>14,283,555</u>	<u>11,456,882</u>
	<u>19,529,785</u>	<u>16,671,626</u>

9. PAYABLES (CONTD.)

	2006	2005
	RM	RM
Other payables:		
Other payables and accrued liabilities *	<u>9,385,428</u>	<u>8,970,983</u>
Total payables	<u>28,915,213</u>	<u>25,642,609</u>

* Included in other payables and accrued liabilities are cash collaterals placed with the Company for bond policies issued, amounting to RM3,630,544 (2005: RM4,081,859).

10. UNEARNED PREMIUM RESERVES

	Fire	Motor	Marine, Aviation and Transit	Misc.	Total
	RM	RM	RM	RM	RM
2006					
At beginning of year	7,929,215	47,461,516	1,638,947	13,439,836	70,469,514
Increase	<u>1,093,988</u>	<u>11,701,843</u>	<u>60,897</u>	<u>2,478,888</u>	<u>15,335,616</u>
At end of year	<u>9,023,203</u>	<u>59,163,359</u>	<u>1,699,844</u>	<u>15,918,724</u>	<u>85,805,130</u>
2005					
At beginning of year	9,641,203	41,735,801	1,608,114	13,757,854	66,742,972
(Decrease)/ increase	<u>(1,711,988)</u>	<u>5,725,715</u>	<u>30,833</u>	<u>(318,018)</u>	<u>3,726,542</u>
At end of year	<u>7,929,215</u>	<u>47,461,516</u>	<u>1,638,947</u>	<u>13,439,836</u>	<u>70,469,514</u>

11. SHARE CAPITAL

	Number of Ordinary Shares of RM1.00 Each		Amount	
	2006	2005	2006 RM	2005 RM
Authorised:				
At beginning/end of year	200,000,000	200,000,000	200,000,000	200,000,000
Issued and fully paid:				
At beginning of year	118,000,000	100,000,000	118,000,000	100,000,000
Issued during the year	-	18,000,000	-	18,000,000
At end of year	118,000,000	118,000,000	118,000,000	118,000,000

12. OPERATING REVENUE

	Note	2006 RM	2005 RM
General Insurance Fund:			
Gross premiums		251,546,962	209,463,310
Investment income	13	16,841,153	13,694,852
		<u>268,388,115</u>	<u>223,158,162</u>
Shareholder's Fund:			
Investment income	13	4,147,878	1,256,563
		<u>272,535,993</u>	<u>224,414,725</u>

13. INVESTMENT INCOME

	2006 RM	2005 RM
General Insurance Fund:		
Interest income from:		
Malaysian Government Securities	1,880,468	1,521,081
Cagamas bonds	-	50,450
Corporate bonds	2,282,245	1,862,719
Fixed and call deposits	4,814,413	4,928,010
Others	2,148	2,397
	<u>8,979,274</u>	<u>8,364,657</u>

13. INVESTMENT INCOME (CONTD.)

	Note	2006 RM	2005 RM
Gross dividends from quoted investments in Malaysia		7,363,122	4,791,937
Net (amortisation of premiums)/ accretion of discounts		(99,011)	9,103
Rental income		487,174	428,458
Other investment income		110,594	100,697
	12	<u>16,841,153</u>	<u>13,694,852</u>
Shareholder's Fund:			
Interest income from:			
Fixed and call deposits		117,379	491,070
Corporate bonds		33,333	-
Gross dividends from quoted investments in Malaysia		3,997,166	765,493
	12	<u>4,147,878</u>	<u>1,256,563</u>
Total investment income		<u>20,989,031</u>	<u>14,951,415</u>

14. OTHER OPERATING INCOME/(EXPENSES) - NET

	2006 RM	2005 RM
General Insurance Fund:		
Other operating income:		
Profit on sale of property and equipment	115,292	27,079
Profit on sale of investments	6,722,939	3,812,976
(Loss)/ gain on foreign exchange - realised	(2,186)	5,387
Sundry income	544,351	356,690
	<u>7,380,396</u>	<u>4,202,132</u>
Other operating expenses:		
Provision for diminution in value of investments	(1,200,531)	(5,095,628)
Sundry expenses	(16,423)	(14,482)
	<u>(1,216,954)</u>	<u>(5,110,110)</u>
Net other operating income/ (expenses)	<u>6,163,442</u>	<u>(907,978)</u>

14. OTHER OPERATING INCOME/(EXPENSES) - NET (CONTD.)

	2006	2005
	RM	RM
Shareholder's fund:		
Other operating income:		
Profit on sale of investments	216,527	3,193,006
Write back of provision for diminution in value of investments	<u>(209,949)</u>	<u>526,246</u>
Net other operating income	<u>6,578</u>	<u>3,719,252</u>

15. TAXATION

	2006	2005
	RM	RM
Income tax:		
Malaysian income tax	10,600,000	8,110,000
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 5)	<u>84,953</u>	<u>(1,400,040)</u>
Tax expense for the year	<u>10,684,953</u>	<u>6,709,960</u>

Domestic income tax for general business and shareholder's fund is calculated at the Malaysian statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year.

A reconciliation of income tax expenses applicable to profit before taxation at the statutory income tax rate to tax expense at the effective tax rate of the Company is as follows:

	2006	2005
	RM	RM
Profit before taxation	<u>36,834,380</u>	<u>23,819,804</u>
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	10,313,626	6,669,545
Effect of different tax rate for offshore business	(205,415)	(364,759)
Effect of income not subject to tax	(18,903)	(7,997)
Effect of expenses not deductible for tax purposes	<u>595,645</u>	<u>413,171</u>
Tax expense for the year	<u>10,684,953</u>	<u>6,709,960</u>

15. TAXATION (CONTD.)

The Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and the balance in the tax exempt income accounts to frank the payment of dividends out of its entire retained profits as at 30 April 2006.

As at 30 April 2006, the Company has tax exempt income account balances amounting to approximately RM43,000,000 (2005: RM42,000,000), which can be distributed as tax exempt dividends.

16. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	2006	2005
Net profit for the year (RM)	<u>26,149,427</u>	<u>17,109,844</u>
Weighted average number of ordinary shares in issue	<u>118,000,000</u>	<u>109,863,014</u>
Basic earnings per share (sen)	<u>22.2</u>	<u>15.6</u>

17. NET CLAIMS INCURRED

	Fire RM	Motor RM	Marine, Aviation and Transit RM	Misc. RM	Total RM
2006					
Gross claims paid less salvage	14,612,251	71,498,645	2,105,134	18,901,137	107,117,167
Reinsurance recoveries	<u>(5,669,955)</u>	<u>(4,022,790)</u>	<u>(150,844)</u>	<u>(3,784,696)</u>	<u>(13,628,285)</u>
Net claims paid	8,942,296	67,475,855	1,954,290	15,116,441	93,488,882
Net outstanding claims:					
At end of year	14,160,804	141,302,569	5,386,695	31,200,917	192,050,985
At beginning of year	<u>12,834,496</u>	<u>114,121,912</u>	<u>4,878,253</u>	<u>32,851,659</u>	<u>164,686,320</u>
Net claims incurred	<u>10,268,604</u>	<u>94,656,512</u>	<u>2,462,732</u>	<u>13,465,699</u>	<u>120,853,547</u>

17. NET CLAIMS INCURRED (CONTD.)

	Fire RM	Motor RM	Marine, Aviation and Transit RM	Misc. RM	Total RM
2005					
Gross claims					
paid less					
salvage	17,082,780	68,655,897	1,495,233	22,642,368	109,876,278
Reinsurance					
recoveries	(8,565,830)	(4,155,266)	(243,719)	(4,902,327)	(17,867,142)
Net claims					
paid	8,516,950	64,500,631	1,251,514	17,740,041	92,009,136
Net outstanding					
claims:					
At end of					
year	12,834,496	114,121,912	4,878,253	32,851,659	164,686,320
At beginning					
of year	11,329,882	106,329,232	4,899,935	28,376,765	150,935,814
Net claims					
incurred	10,021,564	72,293,311	1,229,832	22,214,935	105,759,642

18. MANAGEMENT EXPENSES

	2006 RM	2005 RM
Directors' remuneration		
- Salaries, allowances and bonus	634,500	578,100
- Other remuneration	76,937	69,559
	711,437	647,659
Salaries, bonus, allowances and other related cost	15,547,995	13,894,813
Employees Provident Fund (excluding directors')	1,744,257	1,570,494
Staff costs	18,003,689	16,112,966
Directors' emoluments		
- Fees, allowances and bonus	308,200	293,188
- Other remuneration	30,360	32,076
	338,560	325,264
Auditors' remuneration	65,000	60,000
Rental of properties	364,789	338,698
Depreciation	2,171,486	2,020,206
Writeback of provision for doubtful debts	(700,000)	-
Provision for Insurance Guarantee Scheme Fund Levy	614,959	515,265
Other expenses	13,083,700	10,784,329
	33,942,183	30,156,728

18. MANAGEMENT EXPENSES (CONTD.)

	2006	2005
	RM	RM
Directors' and Chief Executive Officer's ("CEO") Remunerations:		
Executive		
Salary	510,000	492,000
Bonus	124,500	86,100
Benefits-in-kind	31,750	31,750
Other remuneration	76,937	69,559
	<u>743,187</u>	<u>679,409</u>
Non-Executive		
Fees and allowances	277,200	255,188
Bonus	31,000	38,000
Other remuneration	30,360	32,076
	<u>338,560</u>	<u>325,264</u>

The remuneration, including benefits-in-kind, attributable to the CEO of the Company during the year amounted to RM743,187 (2005: RM679,409).

19. DIVIDENDS

	Amount		Net dividend per share	
	2006	2005	2006	2005
	RM	RM	Sen	Sen
In respect of the financial year ended 30 April 2004:				
Final dividend of				
25% less 28% taxation, on 100,000,000 ordinary shares, declared on 13 October 2004 and paid on 19 October 2004	-	18,000,000	-	18.00

19. DIVIDENDS (CONTD.)

	Amount		Net dividend per share	
	2006	2005	2006	2005
	RM	RM	Sen	Sen
In respect of the financial year ended 30 April 2005:				
Interim dividend of				
12% less 28% taxation, on 118,000,000 ordinary shares declared on 1 July 2005 and paid on 8 July 2005 *	10,195,200	-	-	8.64
In respect of the financial year ended 30 April 2006:				
Interim dividend of				
16.5% less 28% taxation, on 118,000,000 ordinary shares, declared on 11 October 2005 and paid on 20 October 2005	14,018,400	-	11.88	-
	<u>24,213,600</u>	<u>18,000,000</u>		

* The interim dividend of RM10,195,200 for the financial year ended 30 April 2005 was not accounted for in the financial statements in that financial year in accordance with the requirements of FRS110: Events After Balance Sheet Date.

20. SEGMENTAL INFORMATION ON CASH FLOW

2006	General	Shareholders'	Total
	insurance	fund	
	fund	fund	RM
	RM	RM	
Net cash generated from:			
Operating activities	27,849,727	700,405	28,550,132
Investing activities	(2,055,224)	-	(2,055,224)
Financing activity	(24,213,600)	-	(24,213,600)
	<u>1,580,903</u>	<u>700,405</u>	<u>2,281,308</u>
Net change in cash and cash equivalents:			
At beginning of year	5,077,253	367,187	5,444,440
At end of year	6,658,156	1,067,592	7,725,748
	<u>1,580,903</u>	<u>700,405</u>	<u>2,281,308</u>

20. SEGMENTAL INFORMATION ON CASH FLOW (CONTD.)

2005	General insurance fund RM	Shareholders' fund RM	Total RM
Net cash generated used in:			
Operating activities	1,574,021	(58,108)	1,515,913
Investing activities	(2,348,736)	-	(2,348,736)
	<u>(774,715)</u>	<u>(58,108)</u>	<u>(832,823)</u>
Net change in cash and bank balances:			
At beginning of year	5,851,968	425,295	6,277,263
At end of year	5,077,253	367,187	5,444,440
	<u>(774,715)</u>	<u>(58,108)</u>	<u>(832,823)</u>

21. SIGNIFICANT RELATED PARTY DISCLOSURES

	2006 RM	2005 RM
Related party transactions:		
Ultimate holding company		
- Berjaya Corporation Berhad and its subsidiaries		
Gross premium income	10,356,897	11,638,938
Rental income	52,416	52,525
	<u>10,409,313</u>	<u>11,691,463</u>
Holding company		
- Berjaya Capital Berhad and its subsidiaries		
Gross premium income	274,263	352,008
Brokerage fee	(170,018)	(159,092)
	<u>104,245</u>	<u>192,916</u>
Other related companies		
- Companies in which a director Tan Sri Dato' Tan Chee Sing, has an interest		
Gross premium income	471,083	1,219,088
	<u>471,083</u>	<u>1,219,088</u>
- Companies in which a controlling shareholder of the ultimate holding company has an interest		
Gross premium income	3,794,246	4,877,661
	<u>3,794,246</u>	<u>4,877,661</u>

21. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

	2006	2005
	RM	RM
Related party balances:		
Due from related companies		
Ultimate holding company		
- Berjaya Corporation Berhad and its subsidiaries	<u>829,588</u>	<u>502,113</u>
Holding company		
- Berjaya Capital Berhad and its subsidiaries	<u>65,888</u>	<u>108</u>
Other related companies		
- Companies in which a controlling shareholder of the ultimate holding company has an interest	<u>276,503</u>	<u>19,830</u>

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

22. FINANCIAL INSTRUMENTS**(a) Financial Risk Management Objectives and Policies**

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the Company's business activity whilst managing the Company's interest rate, liquidity, market and credit risks. The Company operates within clearly defined policies and guidelines that are approved by the Board.

(b) Interest Rate Risk

The Company's primary interest rate risk relates to interest-bearing assets. The interest bearing assets are made up of deposits with licensed financial institutions and secured staff loans. The interest rate risk arises from the interest rate movements affecting the reinvestment of interest-bearing assets.

The Company manages the interest rate risk of its deposits with licensed financial institutions by maintaining a prudent mix of short and longer term deposits and actively reviewing its portfolio of deposits.

22. FINANCIAL INSTRUMENTS (CONTD.)**(c) Liquidity Risk**

The Company actively manages the profile of its deposits with financial institutions, operating cash flows and the availability of funding so as to ensure that all operating needs are met. As part of its overall prudent liquidity management, the Company maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

(d) Market Risk

The Company's investments in equities and unit trusts are subject to fluctuations in market prices. The Company's investments in equities, bonds and unit trusts are all subjected to approval by the Investment Committee.

(e) Credit Risk

Trade receivables are monitored regularly and the Company adopts various internal control measures to minimise this credit risk.

(f) Maturity Structure of Investments

The maturity structure of investments, at cost (excluding equity investments, warrants, unit trust funds and investment properties) is as follows:

	Interest-bearing contractual re-pricing or maturity dates (whichever is earlier)			Total RM
	1 year or less RM	1 year to 5 years RM	More than 5 years RM	
2006				
Malaysian Government securities	10,298,334	42,386,728	-	52,685,062
Government Investment Issues	-	9,966,945	-	9,966,945
Khazanah bonds	-	4,499,750	-	4,499,750
Unquoted corporate bonds	-	24,919,493	19,673,651	44,593,144
Fixed and call deposits placed with licensed financial institutions and other corporations	146,452,166	-	-	146,452,166

22. FINANCIAL INSTRUMENTS (CONTD.)**(f) Maturity Structure of Investments (Contd.)**

	Interest-bearing contractual re-pricing or maturity dates (whichever is earlier)			Total RM
	1 year or less RM	1 year to 5 years RM	More than 5 years RM	
	2005			
Malaysian Government securities	-	32,527,428	-	32,527,428
Khazanah bonds	-	4,292,750	-	4,292,750
Unquoted corporate bonds	-	14,986,754	11,103,196	26,089,950
Fixed and call deposits placed with licensed financial institutions and other corporations	178,198,749	-	-	178,198,749

(g) Weighted Average Rate of Return

The weighted average rate of return and the average remaining maturity of deposits as at the balance sheet date for the Company were as follows:

	Weighted average rate of return (% per annum)		Weighted average remaining maturity (Days)	
	2006	2005	2006	2005
Licensed banks	3.1	3.1	117	148
Finance companies	3.1	3.0	96	160
Other financial institutions	3.2	2.7	3	4

22. FINANCIAL INSTRUMENTS (CONTD.)**(h) Fair Values**

The aggregate net fair values of financial assets not carried at fair values on the balance sheet of the Company are represented as follows:

	Carrying value		Fair value	
	2006 RM	2005 RM	2006 RM	2005 RM
Investments				
Malaysian Government Securities	52,685,062	32,527,428	52,938,000	33,718,100
Government Investment Issues	9,966,945	-	9,970,000	-
Khazanah bonds	4,499,750	4,292,750	4,548,500	4,468,500
Quoted shares of corporations	112,421,339	113,678,382	136,680,198	113,742,479
Unit trust funds	20,975,723	10,331,143	20,975,723	10,331,143
Quoted warrants and loan stocks	15,851,163	9,337,426	23,581,339	9,688,050
Unquoted shares of corporations	117,500	117,500	*	*
Unquoted corporate bonds	44,593,144	26,089,950	45,180,023	27,391,500

* It is not practical to estimate the fair value of the unquoted shares because there are no readily available secondary market indicative prices for these shares.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

Cash and Cash Equivalents and Receivables/Payables

The carrying amounts approximate their fair values due to the relatively short-term maturity of these financial instruments.

22. FINANCIAL INSTRUMENTS (CONTD.)

(h) Fair Values (Contd.)

Investments

The fair values of unquoted corporate bonds, Malaysian Government Securities, Cagamas and Khazanah bonds are indicative values obtained from the secondary market.

The fair values of quoted shares, warrants and loan stocks of corporations are determined by reference to the stock exchange quoted market bid prices at the close of business on the balance sheet date.

The fair values of units in the quoted unit trust funds are determined by reference to market quotation by the managers of the unit trust funds.

23. CURRENCY

All amounts are stated in Ringgit Malaysia.