

Lonpac Insurance Bhd

(Company No. 307414-T)

(Incorporated in Malaysia)

Financial statements for the year ended 31 December, 2003 together with Directors' and Auditors' reports

Domiciled in Malaysia
Registered office
6th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur

Lonpac Insurance Bhd

(Company No. 307414-T)

(Incorporated in Malaysia)

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Lonpac Insurance Bhd

(Company No. 307414-T)

(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER, 2003

The Directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 December, 2003.

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 principal activity during the financial year.

RESULTS

	RM'000
Net profit for the year	28,911 =====

DIVIDENDS

The amount of dividend paid by the Company since the end of the previous financial year was as follows:

	RM'000
In respect of the financial year ended 31 December, 2003:	
Interim dividend of 30% less 28% taxation paid on 23/12/2003	21,600 =====

The Directors do not recommend any final dividend to be paid for the financial year under review.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year other than as disclosed in the Statement of Changes in Equity on page 13 of the financial statements.

PROVISION FOR OUTSTANDING CLAIMS

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

Before the income statement and balance sheet were made out, the Directors took reasonable steps to ensure that any current assets, other than debts, 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 method 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:

- i) 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
- ii) any contingent liability of the Company which has arisen since the end of the financial year.

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No contingent 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, in the opinion of the Directors, will or may substantially 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.

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the 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 year in which this report is made.

SHARE CAPITAL

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

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.

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Nominating, Remuneration and Risk Management Committee

i. Membership and Meetings of the Committees

The composition of the Committees and the meetings held during the financial year ended 31 December 2003 are as follows:

<u>Director</u>	Nominating	Remuneration	Risk Management
	← (Attendance/Number of Meetings) →		
Tan Sri Dato' Sri Dr. Teh Hong Piow (<i>Non-Independent Non-Executive Director</i>)	Member (1/1)	Member (3/3)	-
Dato' Yeoh Chin Kee (<i>Independent Non-Executive Director</i>)	Chairman (1/1)	Chairman (3/3)	Chairman (1/1)
Geh Cheng Hooi (<i>Independent Non-Executive Director</i>)	Member (1/1)	Member (3/3)	Member (1/1)
Lee Chin Guan (<i>Independent Non-Executive Director</i>)	Member (1/1)	Member (3/3)	Member (1/1)
Tee Choon Yeow (<i>Non-Independent Executive Director</i>)	Member (1/1)	-	-

ii. Responsibilities of the Committees

The duties and responsibilities of the Committees are as follows:

Nominating Committee

- (i) To establish the minimum requirements for the Board of Directors and the Chief Executive Officer to perform their responsibilities effectively.

To oversee the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required, through annual reviews.

- (ii) To assess and recommend the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the position of Chief Executive Officer. This would include assessing Directors and the Chief Executive Officer proposed for reappointment, before an application for approval would be submitted to Bank Negara Malaysia.
- (iii) To establish a mechanism for formal assessment on the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer.
- (iv) To recommend to the Board on removal of a Director/Chief Executive Officer if he is ineffective, errant or negligent in discharging his responsibilities.
- (v) To ensure that all Directors undergo appropriate induction programmes and receive continuous training.
- (vi) To oversee appointment, management succession planning and performance evaluation of key senior officers and recommending to the Board the removal of key senior officers if they were ineffective, errant and negligent in discharging their responsibilities.

Remuneration Committee

- (i) To recommend a framework of remuneration for Directors, Chief Executive Officer and key senior officers.
- (ii) To recommend specific remuneration packages for Directors, Chief Executive Officer and key senior officers.

Risk Management Committee

- (i) To review and recommend risk management strategies, policies and risk tolerance for the Board of Directors' approval.
- (ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.

- (iii) To ensure adequate infrastructure, resources and systems are in place for an effective risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities.
- (iv) To review the management's periodic reports on the risk exposure, risk portfolio composition and risk management activities.
- (v) To perform any other functions in relation to the risk management as may be agreed by the Risk Management Committee and the Board of Directors.

iii. Assessment by the Nominating Committee

To assess and review the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer. The Committee would ensure that the fiduciary duties and responsibilities of the Directors, Chief Executive Officer and key senior officers are not compromised.

iv. Risk Management Framework

The formalisation of the risk management framework was enhanced by the following initiatives:

- A Risk Management Committee was established to drive the risk management processes in identifying principal business risks and ensure the implementation of appropriate systems to manage these risks. The Risk Management Committee is supported by the Working Risk Management Committee.
- The Working Risk Management Committee, headed by the Chief Executive Officer was established with the responsibility to identify and communicate to the Risk Management Committee on critical risks (present and potential) in terms of likelihood exposures and impact on the Company's business and the management action plans to manage these risks on a continuing basis.
- The consolidated risk profile of the Company and the risk management manual are in place.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year.

DIRECTORS

The Directors who served since the date of the last report are:

Tan Sri Dato' Sri Dr. Teh Hong Piow
Dato' Yeoh Chin Kee
Tee Choon Yeow
Geh Cheng Hooi
Lee Chin Guan
Tan Kok Guan

In accordance with the Company's Articles of Association, Mr. Tee Choon Yeow and Mr. Lee Chin Guan retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Tan Sri Dato' Sri Dr. Teh Hong Piow retires pursuant to Section 129 of the Companies Act, 1965 and a resolution is being proposed for his reappointment as Director under the provision of Section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object 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 apart from the option granted pursuant to the Employees' Share Option Scheme of the ultimate holding company.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 15 to the financial statements of the Company) by reason of a contract made by the Company or a related corporation with the 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, other than a Director who has significant financial interests in companies which traded with the Group in the ordinary course of business.

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DIRECTORS' INTERESTS

As the Company is a wholly-owned subsidiary of another corporation, the interests in the shares of the holding company of Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Yeoh Chin Kee, Mr. Tee Choon Yeow, Mr. Lee Chin Guan and Mr. Tan Kok Guan, who are also Directors of the ultimate holding company, are shown in the Directors' report of the ultimate holding company.

HOLDING AND ULTIMATE HOLDING COMPANY

The Directors regard LPI Capital Bhd, a company incorporated in Malaysia, as the holding and ultimate holding company of the Company.

AUDITORS

Messrs KPMG retire and have indicated their willingness to accept re-appointment.

Signed on behalf of the Board in accordance with a resolution of the Directors:

Signed

.....

Dato' Yeoh Chin Kee

Signed

.....

Tee Choon Yeow

Kuala Lumpur,

Date: 19 January 2004

Lonpac Insurance Bhd

(Company No. 307414-T)

(Incorporated in Malaysia)

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

We, Dato' Yeoh Chin Kee and Tee Choon Yeow, being two of the Directors of Lonpac Insurance Bhd, do hereby state that, in the opinion of the Directors, the financial statements of the Company set out on pages 12 to 44 are properly drawn up to give a true and fair view of the state of affairs of the Company as at 31 December, 2003 and of the results and cash flows for the financial year then ended, and have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors:

Signed

.....
Dato' Yeoh Chin Kee

Signed

.....
Tee Choon Yeow

Kuala Lumpur,

Date: 19 January 2004

Lonpac Insurance Bhd

(Company No. 307414-T)

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

I, **TEE CHOON YEOW**, the Director primarily responsible for the financial management of Lonpac Insurance Bhd, do solemnly and sincerely declare that the financial statements set out on pages 12 to 44, are, to the best of my knowledge and belief, 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 **TEE CHOON YEOW** in Kuala Lumpur on 19 January 2004.

Signed

.....
TEE CHOON YEOW

Before me:

S. NADARAJAH
Commissioner for Oath



KPMG (Firm No. AF 0758)
Chartered Accountants
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REPORT OF THE AUDITORS TO THE MEMBER OF LONPAC INSURANCE BHD

(Company No. 307414-T)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 12 to 44. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i) the state of affairs of the Company at 31 December, 2003 and of the results and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

Signed

KPMG

Firm Number: AF 0758
Chartered Accountants

Signed

Hew Lee Lam Sang

Partner

Approval Number: 1862/10/05(J)

Kuala Lumpur,

Date: 19 January 2004



KPMG, a partnership established under Malaysian law, is a member of KPMG International, a Swiss association.



Lonpac Insurance Bhd

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BALANCE SHEET AS AT 31 DECEMBER, 2003

	Note	2003 RM'000	2002 RM'000
ASSETS			
Property and equipment	3	8,918	7,484
Investments	4	338,701	318,728
Loans (secured)	5	11,998	10,031
Receivables	6	52,761	41,012
Cash and bank balances		3,823	2,069
		<hr/>	<hr/>
TOTAL GENERAL BUSINESS AND SHAREHOLDERS' FUND ASSETS		416,201	379,324
		=====	=====
LIABILITIES			
Provision for outstanding claims	7	110,322	95,844
Payables	8	42,570	36,864
Provision for taxation		1,732	3,477
		<hr/>	<hr/>
Total general business and shareholders' fund liabilities		154,624	136,185
		-----	-----
Unearned premium reserves	9	93,446	82,586
		-----	-----
SHAREHOLDERS' FUND			
Share capital	10	100,000	100,000
Reserves		68,131	60,553
		<hr/>	<hr/>
Total shareholders' fund		168,131	160,553
		-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' FUND		416,201	379,324
		=====	=====

The notes set out on pages 19 to 44 form an integral part of, and should be read in conjunction with, these financial statements.

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2003

	Note	<i>Non-Distributable</i>		<i>Distributable</i>	
		Share capital	Foreign exchange reserve	Retained profits	Total
		RM'000	RM'000	RM'000	RM'000
At 1 January, 2002		100,000	(1,584)	50,700	149,116
Currency translation differences		-	1,192	-	1,192
Net gains not recognised in the income statement		-	1,192	-	1,192
Net profit for the year		-	-	24,645	24,645
Dividends	11	-	-	(14,400)	(14,400)
At 31 December, 2002		100,000	(392)	60,945	160,553
Currency translation differences		-	267	-	267
Net gains not recognised in the income statement		-	267	-	267
Net profit for the year		-	-	28,911	28,911
Dividends	11	-	-	(21,600)	(21,600)
At 31 December, 2003		100,000	(125)	68,256	168,131
		=====			
		Note 10			

The foreign exchange reserve is in respect of exchange differences arising from the translation of the Singapore branch's financial statements.

The notes set out on pages 19 to 44 form an integral part of, and should be read in conjunction with, these financial statements.

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INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2003

	Note	2003 RM'000	2002 RM'000
Operating Revenue	12	334,205 =====	286,919 =====
Shareholders' fund:			
Investment income	13	588	643
		-----	-----
		588	643
Transfer from General Insurance Revenue Account		36,491	31,034
		-----	-----
Profit before taxation		37,079	31,677
Taxation	16	(8,168)	(7,032)
		-----	-----
Net profit for the year		28,911 =====	24,645 =====
Earnings per share (sen)			
- Basic	17	29	25
		-----	-----

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GENERAL INSURANCE REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER, 2003

	Note	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Gross premium		86,989	73,441	76,598	74,054	12,472	11,115	145,107	115,540	321,166	274,150
Less: Reinsurance		(40,588)	(33,277)	(13,895)	(15,194)	(7,634)	(6,966)	(94,345)	(76,380)	(156,462)	(131,817)
Net premium		46,401	40,164	62,703	58,860	4,838	4,149	50,762	39,160	164,704	142,333
Increase in unearned premium reserves	9	(2,505)	(3,448)	(566)	(6,039)	(361)	(615)	(7,275)	(8,690)	(10,707)	(18,792)
Earned premium		43,896	36,716	62,137	52,821	4,477	3,534	43,487	30,470	153,997	123,541
Net claims incurred	18	(8,580)	(8,992)	(49,589)	(41,154)	(1,657)	(1,629)	(25,283)	(16,709)	(85,109)	(68,484)
Net commission		(5,080)	(3,902)	(6,250)	(5,547)	(297)	(333)	(931)	261	(12,558)	(9,521)
		(13,660)	(12,894)	(55,839)	(46,701)	(1,954)	(1,962)	(26,214)	(16,448)	(97,667)	(78,005)
Underwriting surplus before management expenses		30,236	23,822	6,298	6,120	2,523	1,572	17,273	14,022	56,330	45,536
Management expenses	15									(35,118)	(28,743)
Underwriting surplus										21,212	16,793

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GENERAL INSURANCE REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER, 2003

(continued)

	Note	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
		2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Underwriting surplus										21,212	16,793
Investment income	13									12,451	12,126
Other operating income/ (expenses)-net	14									2,828	2,115
Transfer to income statement										<u>36,491</u>	<u>31,034</u>

The notes set out on pages 19 to 44 form an integral part of, and should be read in conjunction with, these financial statements.

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2003

	2003 RM'000	2002 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	37,079	31,677
Adjustments for:		
Depreciation	1,928	1,441
Loss/(Gain) on disposal of property and equipment	5	(36)
Loss/(Gain) on disposal of investments	25	(12)
Increase in unearned premium reserves	10,707	18,792
Interest paid on reinsurers' deposits	31	67
Investment income	(13,039)	(12,769)
Provision for outstanding claims	14,274	12,265
(Write back)/Provision for diminution in value of investment	(274)	120
	-----	-----
Profit from operations before changes in operating assets and liabilities	50,736	51,545
Increase in due premiums including agents/brokers and co-insurers balances and amount due from reinsurers and cedants	(11,513)	(6,591)
(Increase)/Decrease in other receivables, deposits and prepayments and income due and accrued	(236)	1,353
Increase in staff loans	(1,967)	(510)
Increase/(Decrease) in other payables and accrued expenses	1,005	(648)
Increase in amount due to reinsurers, cedants, agents/brokers, co-insurers and insureds	4,701	5,926
Increase in fixed deposits	(19,352)	(33,007)
Purchase of Malaysian and Singapore Government Securities	(11,655)	-
Purchase of unquoted debentures, bonds, unit trust and loan stocks	(10,758)	(13,891)
Purchase of other investments	(1,093)	(6,162)
Proceeds from maturity of Malaysian Government Securities	18,548	20,864
Proceeds from unquoted debentures, bonds, unit trust and loan stocks	5,503	13,638
	-----	-----
	23,919	32,517
Tax paid	(9,913)	(11,512)
Interest paid on reinsurers' deposits	(31)	(67)
Investment income received		
- Dividend	3,127	2,444
- Interest	9,495	9,729
- Others	102	64
	-----	-----
Net cash generated from operating activities	26,699	33,175
	-----	-----

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2003

(continued)

	2003 RM'000	2002 RM'000
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	10	135
Purchase of property and equipment	(3,307)	(2,749)
Amortisation of premiums in respect of Malaysian and Singapore Government Securities	495	438
Amortisation of premium in respect of Malaysian Government Guaranteed Loan	27	27
Amortisation of premium in respect of unquoted cagamas	-	32
Accretion of discounts on unquoted bonds	(837)	(1,029)
	(3,612)	(3,146)
	-----	-----
CASH FLOW FROM FINANCING ACTIVITY		
Dividend paid to holding company	(21,600)	(30,480)
	(21,600)	(30,480)
	-----	-----
Net increase/(decrease) in cash and cash equivalents	1,487	(451)
Cash and cash equivalents at beginning of year	2,069	1,328
Effects of exchange rate changes	267	1,192
	3,823	2,069
	=====	=====
Cash and cash equivalents comprise:		
Cash and bank balances	3,823	2,069
	=====	=====

The notes set out on pages 19 to 44 form an integral part of, and should be read in conjunction with, these financial statements.

Lonpac Insurance Bhd

(Company No. 307414-T)

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER, 2003

1. PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The Company is engaged principally in the underwriting of all classes of general insurance. There has been no significant change in the nature of this principal activity during the financial year.

The number of employees of the Company as at the end of the financial year was 345 (2002 - 328).

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The principal place of business of the Company is located at:

6th, 7th, 21st - 23rd Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur

The holding and ultimate holding company is LPI Capital Bhd, a company incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 19 January 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Company and are consistent with those adopted in previous year except for the adoption of the following:

- i) MASB 25, Income Taxes which has been adopted retrospectively; and
- ii) MASB 29, Employee Benefits which has been adopted retrospectively.

Apart from the new policies and extended disclosures where required by these new standards, the adoption of these new standards have no material impact on the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Accounting

The financial statements of the Company have been prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965, the Insurance Act and Regulations, 1996 and Guidelines/Circulars issued by Bank Negara Malaysia.

General business assets and liabilities relate to both General Insurance Fund and Shareholder's Fund.

(b) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

On disposal of property and equipment, the difference between net proceeds and the carrying amount is recognised in the revenue account.

Property and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the assets retired from active use, less impairment losses, if any.

The straight-line method is used to write off the cost of the assets over the term of their estimated useful lives at the following principal annual rates:

Long leasehold office premises	2%
Office equipment	25%
Furniture and fittings	25%
Renovation	20%
Computers	25%
Motor vehicles	20%

(c) Investments

Malaysian and Singapore Government Securities, Government Guaranteed Loan, unquoted bonds and other investments as specified by Bank Negara Malaysia and held to maturity are stated at cost adjusted for amortisation of premiums or accretion of discounts calculated on a constant yield basis, from the date of purchase to maturity date. The amortisation of premiums and accretion of discounts are recognised in the revenue account.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments (continued)

Diminution in value of a particular investment is not regarded as temporary when the market value has been less than 80% of its cost at all times during the preceding 24 months, by writing down the cost of that quoted investment to the average median price for each month during that 24 month period.

Long term unquoted investments are stated at cost. A provision is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

(d) Investment Property

Investment property is stated at cost and includes related and incidental expenditure incurred. Investment property is not depreciated.

On disposal of an investment property, the difference between the net proceed and the carrying amount is recognised in the revenue account.

The carrying amount of investment property is reduced to recognise impairment loss.

(e) Impairment of Assets

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

An impairment loss is charged to the revenue account.

Subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the revenue account.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

Known bad debts are written off and specific allowances are made for any outstanding premiums, including agents or reinsurance balances, which remain outstanding for more than six (6) months from the date on which they become receivable, and for all debts which are considered doubtful.

(g) General Insurance Underwriting Results

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

Premium income

Premium is recognised in a financial period in respect of risks assumed during that particular financial period. Inward treaty reinsurance premiums are recognised on the basis of periodic advices/accounts received from ceding insurers.

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 period.

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

Annual policies

- (i) 25% method for marine cargo, aviation cargo and transit business
- (ii) 1/24th method for all other classes of Malaysian general policies business.
- (iii) 1/24th method for all other classes of overseas inward business.

Non annual policies

Premium are apportioned evenly over the period the policy is on risk.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) General Insurance Underwriting Results (continued)

Provision for Claims

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

Provision is also made for the cost of claims, together with related expenses incurred but not reported at balance sheet date, using a mathematical method of estimation.

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.

(h) Other Revenue Recognition

Interest income on loans and other interest-bearing investments are recognised on an accrual basis except where a loan is considered non-performing i.e. where repayments are in arrears for more than six (6) months, in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six (6) months, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Currency Conversion and Translation

a) *Foreign currency transactions*

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

b) *Financial statements of Singapore branch*

The assets and liabilities of the Singapore branch are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of the branch are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rate used in the translation of foreign currency monetary assets and liabilities and the financial statements of the above branch is as follows:

SGD1.00	RM2.20	(2002 - RM2.16)
---------	--------	-----------------

(j) Liabilities

Trade and other payables are stated at cost.

(k) Income Tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Income Tax (continued)

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(l) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with banks but excludes fixed and call deposits.

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3. PROPERTY AND EQUIPMENT

<i>Cost</i>	Long leasehold office premises RM'000	Office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Computers RM'000	Motor vehicles RM'000	Total RM'000
At 1 January, 2003	4,404	506	1,460	1,350	6,892	2,305	16,917
Additions	-	143	759	838	1,228	339	3,307
Disposals	-	(6)	-	-	(4)	(29)	(39)
Exchange differences	82	-	1	-	10	5	98
At 31 December, 2003	4,486	643	2,220	2,188	8,126	2,620	20,283
<i>Accumulated depreciation</i>							
At 1 January, 2003	971	414	1,153	1,036	5,172	687	9,433
Charge for the year	90	58	269	215	796	500	1,928
Disposals	-	(5)	-	-	(2)	(17)	(24)
Exchange differences	18	-	-	-	9	1	28
At 31 December, 2003	1,079	467	1,422	1,251	5,975	1,171	11,365
<i>Net book value</i>							
At 31 December, 2003	3,407	176	798	937	2,151	1,449	8,918
At 31 December, 2002	3,433	92	307	314	1,720	1,618	7,484
Depreciation charge for the year ended 31 December, 2002	89	22	138	96	737	359	1,441

3. PROPERTY AND EQUIPMENT (continued)

Included in property and equipment of the General business and shareholders' fund are the following fully depreciated assets which are still in use:

	2003 RM'000	2002 RM'000
At cost:		
Office equipment	362	362
Furniture and fittings	908	891
Renovations	863	863
Computers	3,724	3,533
Motor vehicles	210	-
	=====	=====

4. INVESTMENTS

	2003		2002	
	Cost/ Valuation RM'000	Market Value RM'000	Cost/ Valuation RM'000	Market Value RM'000
Investment property, at cost				
Freehold land and building	400		400	
	-----		-----	
Malaysian Government Securities	21,209		29,695	
Amortisation of premiums	(577)		(1,702)	
	-----		-----	
	20,632	20,980	27,993	29,357
	-----	-----	-----	-----
Malaysian Government Guaranteed Loan	10,136		10,136	
Amortisation of premiums	(54)		(27)	
	-----		-----	
	10,082	9,799	10,109	10,136
	-----	-----	-----	-----
Singapore Government Securities	2,574		1,453	
Amortisation of premiums	(68)		(40)	
	-----		-----	
	2,506	2,556	1,413	1,508
	-----	-----	-----	-----

4. INVESTMENTS (continued)

	2003		2002	
	Cost/ Valuation RM'000	Market Value RM'000	Cost/ Valuation RM'000	Market Value RM'000
Quoted:				
Equity securities in corporations				
Quoted in Malaysia	51,679	107,336	51,679	69,201
Quoted outside Malaysia	1,784	1,583	1,752	1,265
	<hr/>	<hr/>	<hr/>	<hr/>
	53,463	108,919	53,431	70,466
Provision for diminution in value	(430)	-	(716)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	53,033	108,919	52,715	70,466
	<hr/>	<hr/>	<hr/>	<hr/>
Unquoted:				
Equity securities in corporations				
Unquoted in Malaysia	235		235	
Unquoted outside Malaysia	54		53	
	<hr/>		<hr/>	
	289		288	
Provision for diminution in value	(54)		(33)	
	<hr/>		<hr/>	
	235		255	
	<hr/>		<hr/>	
Debentures, bonds, unit trust and loan stocks	38,754		33,303	
Accretion of discounts	3,632		2,795	
	<hr/>		<hr/>	
	42,386		36,098	
	<hr/>		<hr/>	

4. INVESTMENTS (continued)

	2003		2002	
	Cost/ Valuation RM'000	Market Value RM'000	Cost/ Valuation RM'000	Market Value RM'000
Fixed deposits with:				
- Licensed banks in Malaysia	141,366		130,282	
- Banks outside Malaysia	19,561		14,921	
- Licensed finance companies	48,500		44,542	
	<hr/>		<hr/>	
	209,427		189,745	
	<hr/>		<hr/>	
Total investments	338,701		318,728	
	<hr/>		<hr/>	
Investments maturing after 12 months	49,866		36,606	
	<hr/>		<hr/>	

Included in fixed deposits with banks outside Malaysia are deposits amounting to RM1,100,000 (SGD500,000) (2002 – RM1,080,000 (SGD500,000)) lodged with the Monetary Authority of Singapore as a statutory deposit under Section 14 of the Singapore Insurance Act, Chapter 142.

Included in investments in shares of corporations quoted in Malaysia is investment in Public Bank Berhad shares costing RM50,269,000 (2002 – RM50,269,000).

5. LOANS (SECURED)

	2003 RM'000	2002 RM'000
Staff loans:		
Receivable within twelve months	1,289	1,043
Receivable after twelve months	10,709	8,988
	<hr/>	<hr/>
	11,998	10,031
	<hr/>	<hr/>

Included in staff loans is housing loan to Directors amounting to RM245,000 (2002 – RM302,000).

6. RECEIVABLES

	2003	2002
	RM'000	RM'000
Trade receivables:		
Due premiums including agents/brokers and co-insurers balances	38,940	33,829
Due from reinsurers and cedants	11,160	4,483
Less: Allowance for doubtful debts	(3,363)	(3,088)
	<u>46,737</u>	<u>35,224</u>
	-----	-----
Other receivables:		
Other receivables, deposits and prepayments	3,383	3,061
Income due and accrued	2,641	2,727
	<u>6,024</u>	<u>5,788</u>
	-----	-----
	<u>52,761</u>	<u>41,012</u>
	=====	=====

7. PROVISION FOR OUTSTANDING CLAIMS

	2003	2002
	RM'000	RM'000
Provision for outstanding claims	180,273	145,355
Less: Recoverable from reinsurers	(69,951)	(49,511)
	<u>110,322</u>	<u>95,844</u>
	=====	=====

8. PAYABLES

	2003	2002
	RM'000	RM'000
Trade payables:		
Due to reinsurers and cedants	32,176	28,088
Due to agents/brokers, co-insurers and insureds	3,653	3,040
	<u>35,829</u>	<u>31,128</u>
Other payables:		
Other payables and accrued expenses	6,741	5,736
	<u>42,570</u>	<u>36,864</u>
	=====	=====

9. UNEARNED PREMIUM RESERVES

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Miscellaneous RM'000	Total RM'000
2003					
At 1 January	19,484	31,808	1,320	29,974	82,586
Increase in unearned premium reserves	2,505	566	361	7,275	10,707
Movement taken up in foreign exchange reserves	4	45	1	103	153
At 31 December	21,993	32,419	1,682	37,352	93,446
2002					
At 1 January	16,027	25,750	695	21,115	63,587
Increase in unearned premium reserves	3,448	6,039	615	8,690	18,792
Movement taken up in foreign exchange reserves	9	19	10	169	207
At 31 December	19,484	31,808	1,320	29,974	82,586

10. SHARE CAPITAL

	2003		2002	
	No. of shares '000	RM'000	No. of shares '000	RM'000
Authorised:				
Ordinary shares of RM1.00 each	100,000	100,000	100,000	100,000
Issued and fully paid:				
Ordinary shares of RM1.00 each	100,000	100,000	100,000	100,000

11. DIVIDENDS

	Amount		Net Dividend per share	
	2003 RM'000	2002 RM'000	2003 sen	2002 sen
Ordinary dividend				
Interim:				
30% (2002 – 20%) less 28% taxation	21,600	14,400	21.6	14.4
	=====	=====	=====	=====

12. OPERATING REVENUE

	Shareholders' fund RM'000	General business RM'000	Total RM'000
2003			
Gross premium	-	321,166	321,166
Investment income (note 13)	588	12,451	13,039
	-----	-----	-----
	588	333,617	334,205
	=====	=====	=====
2002			
Gross premium	-	274,150	274,150
Investment income (note 13)	643	12,126	12,769
	-----	-----	-----
	643	286,276	286,919
	=====	=====	=====

13. INVESTMENT INCOME

	Shareholders' fund RM'000	General business RM'000	Total RM'000
2003			
Gross dividends			
- quoted shares in Malaysia	-	2,998	2,998
- quoted shares outside Malaysia	-	94	94
- unquoted shares in Malaysia	-	35	35
Interest income			
- Malaysian Government Securities	-	1,673	1,673
- Malaysian Government Guaranteed Loan	-	402	402
- Singapore Government Securities	-	84	84
- Debentures/Bonds/Loan Stocks (unquoted)	-	1,155	1,155
- Fixed and call deposits	588	5,593	6,181
Rental of properties	-	102	102
Accretion of discounts, net of amortisation of premiums	-	315	315
	<hr/>	<hr/>	<hr/>
	588	12,451	13,039
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
2002			
Gross dividends			
- quoted shares in Malaysia	-	2,425	2,425
- unquoted shares in Malaysia	-	19	19
Interest income			
- Malaysian Government Securities	-	2,871	2,871
- Malaysian Government Guaranteed Loan	-	127	127
- Cagamas Bonds	-	31	31
- Singapore Government Securities	-	61	61
- Debentures/Bonds/Loan Stocks (unquoted)	-	1,218	1,218
- Fixed and call deposits	643	4,778	5,421
Rental of properties	-	64	64
Accretion of discounts, net of amortisation of premiums	-	532	532
	<hr/>	<hr/>	<hr/>
	643	12,126	12,769
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

14. OTHER OPERATING INCOME/(EXPENSES) - NET

	2003	2002
	RM'000	RM'000
(Loss)/Gain on disposal of investments	(25)	12
(Loss)/Gain on disposal of property and equipment	(5)	36
Interest on staff car loans	135	125
Interest on staff housing loans	219	262
Interest received on inward treaties	3	4
Writeback/(Provision) for diminution in value of investment	274	(120)
Sundry income	2,227	1,796
	<u>2,828</u>	<u>2,115</u>
	=====	=====

15. MANAGEMENT EXPENSES

	2003	2002
	RM'000	RM'000
Staff salary and bonus	17,296	15,166
Directors' remuneration:		
- emoluments	911	898
- contribution to a provident fund	101	99
	<u>18,308</u>	<u>16,163</u>
Auditors' remuneration		
- audit fees	143	143
- underprovision in prior year	15	-
- other services	35	63
Bad and doubtful debts	275	(263)
Depreciation	1,928	1,441
Directors' fees	372	270
Rental expense on office premises	1,936	1,470
Interest paid on reinsurers' deposits	31	67
IGSF levies	334	(1,266)
Other expenses	11,741	10,655
	<u>35,118</u>	<u>28,743</u>
	=====	=====

The estimated monetary value of Directors' benefits-in-kind is RM87,900 (2002 - RM61,000).

16. TAXATION

	2003	2002
	RM'000	RM'000
Current year's provision:		
Malaysian taxation - current	10,270	8,100
- prior years	(2,123)	(1,082)
Overseas taxation - current	21	14
	<u>8,168</u>	<u>7,032</u>
	=====	=====

Reconciliation of effective tax rate

	2003	2002
	RM'000	RM'000
Profit before taxation	37,079	31,677
	<u>=====</u>	<u>=====</u>
Income tax using Malaysian tax rates	10,382	8,870
Effect of different tax rates for offshore business	(744)	(258)
Non-deductible expenses	1,280	335
Tax exempt income	(9)	(328)
Effect of deductible temporary differences not recognised	(680)	(218)
Other items	62	(287)
	<u>10,291</u>	<u>8,114</u>
Overprovision in prior years	(2,123)	(1,082)
	<u>8,168</u>	<u>7,032</u>
	=====	=====

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank approximately RM44,773,000 of its distributable retained profits at 31 December 2003, if paid out as dividends.

17. EARNINGS PER SHARE

Earnings per share is calculated based on the net profit for the year of RM28,911,000 (2002 - RM24,645,000) divided by the number of ordinary shares in issue of 100,000,000 (2002 - 100,000,000) during the year.

18. NET CLAIMS INCURRED

2003		Marine, Aviation & Transit			Miscellaneous RM'000	Total RM'000
		Fire RM'000	Motor RM'000	RM'000		
	Gross claims paid less salvage Reinsurance recoveries	15,083 (7,438)	50,430 (9,167)	6,758 (5,176)	68,515 (48,170)	140,786 (69,951)
	Net claims paid (a)	7,645	41,263	1,582	20,345	70,835
	Net outstanding claims:					
	At 31 December (b)	7,995	66,851	2,298	33,178	110,322
	At 1 January (c)	7,059	58,480	2,215	28,090	95,844
	Exchange difference taken up in foreign exchange reserve (d)	1	45	8	150	204
	Net claims incurred (a+b-c-d)	8,580	49,589	1,657	25,283	85,109
2002						
	Gross claims paid less salvage Reinsurance recoveries	23,711 (17,286)	40,793 (7,331)	4,945 (3,502)	36,281 (21,392)	105,730 (49,511)
	Net claims paid (a)	6,425	33,462	1,443	14,889	56,219
	Net outstanding claims:					
	At 31 December (b)	7,059	58,480	2,215	28,090	95,844
	At 1 January (c)	4,488	50,696	2,023	25,962	83,169
	Exchange difference taken up in foreign exchange reserve (d)	4	92	6	308	410
	Net claims incurred (a+b-c-d)	8,992	41,154	1,629	16,709	68,484

20. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Exposure to underwriting, credit, interest rate, currency and liquidity risk arise in the normal course of the Company's business. The Company is guided by risk management policies and guidelines which set out their overall business strategies and their general risk management philosophy. The Company has established processes to monitor the risks on an ongoing basis.

Underwriting risk

Underwriting risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioral patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected. The Company seeks to minimise underwriting risks with a balanced mix and spread of business between classes of business and by observing underwriting guidelines and limits, conservative estimation of the claims provisions, and high standards applied to the security of reinsurers.

Credit risk

Credit risk represents the loss that would be recognised if counterparties to insurance, reinsurance and investment transactions failed to perform as contracted.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all new customers, agents, brokers, reinsurers, financial institutions and other counterparties.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Company are represented by the carrying amount of each financial asset.

Interest rate risk

The Company's earnings are affected by changes in market interest rates due to the impact such changes have on interest income from cash and cash equivalents and investments. Strict investment guidelines are used to monitor the risks in the Company's investments, including careful selection of issuers and a geographical spread of investment.

20. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

The Company incurs foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia and also the translation of the financial statements of the Singapore branch to Ringgit Malaysia. Exposures to foreign currency risks are monitored on an ongoing basis.

The Company does not hedge its foreign currency risk.

Liquidity risk

The Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

Company No. 307414-T

20. FINANCIAL INSTRUMENTS (continued)

The following table shows information about the Company's exposure to interest rate risk.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier. There are no interest-bearing financial liabilities.

	← 2003 →					← 2002 →				
	Effective interest rate %	Total RM'000	Within 1 year RM'000	1-5 years RM'000	After 5 years RM'000	Effective interest rate %	Total RM'000	Within 1 year RM'000	1-5 years RM'000	After 5 years RM'000
Financial assets										
Malaysian branch										
Debt securities held to maturity:										
Malaysian Government Securities	7.2	20,632	-	12,196	8,436	7.8	27,993	18,767	6,665	2,561
Malaysian Government Guaranteed Loan	3.7	10,082	-	10,082	-	3.7	10,109	-	10,109	-
Debentures, bonds and loan stocks										
Unquoted	7.1	33,440	23,440	5,000	5,000	7.3	24,175	14,175	5,000	5,000
Fixed and call deposits	3.1	189,866	189,866	-	-	3.3	174,824	174,824	-	-
Staff loans	3.3	11,199	1,111	4,786	5,302	4.0	9,513	911	3,863	4,739
Singapore branch										
Debt securities held to maturity:										
Singapore Government Securities	4.6	2,506	-	1,412	1,094	5.5	1,413	-	215	1,198
Debentures, bonds, unit trust and loan stocks										
Unquoted	3.3	8,946	2,300	4,886	1,760	3.4	11,923	6,065	4,778	1,080
Fixed and call deposits	0.6	19,561	19,561	-	-	0.9	14,921	14,921	-	-
Staff loans	1.5	799	178	392	229	2.5	518	132	386	-

20. FINANCIAL INSTRUMENTS (continued)

Fair values

The aggregate fair values of financial assets carried on the balance sheet as at 31 December are represented in the following table.

Financial assets	2003 Carrying amount RM'000	2003 Fair value RM'000	2002 Carrying amount RM'000	2002 Fair value RM'000
Malaysia Branch				
Malaysian Government Securities	20,632	20,980	27,993	29,357
Malaysian Government Guaranteed Loan	10,082	9,799	10,109	10,136
Equity securities in corporations				
- Quoted	51,450	107,336	51,450	69,201
Debentures, bonds and loan stocks				
- Unquoted	33,440	33,583	24,175	24,559
Staff loans	11,199	11,199	9,513	9,513
	126,803	182,897	123,240	142,766
Singapore Branch				
Singapore Government Securities	2,506	2,556	1,413	1,508
Equities securities in corporations				
- Quoted	1,583	1,583	1,265	1,265
Debentures, bonds, unit trust and loan stocks				
- Unquoted	8,946	9,083	11,923	12,140
Staff loans	799	799	518	518
	13,834	14,021	15,119	15,431
	140,637	196,918	138,359	158,197

20. FINANCIAL INSTRUMENTS (continued)

The fair value of quoted securities is their quoted bid price at the balance sheet date. For other financial instruments listed above, fair values are indicative prices at the balance sheet date. In respect of cash and cash equivalents, fixed and call deposits, receivables and payables, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

The fair value of the staff loans is to be the same as carrying amount as it is immaterial in the context of the financial statements.

It is not practicable within constraints of time and cost to estimate the fair value of unquoted securities in corporations. The Company's investment in unquoted securities in corporations are insignificant in the context of the financial statements.

21. SIGNIFICANT RELATED PARTY DISCLOSURES

Controlling related party relationships are as follows:

- i) The holding and ultimate holding company as disclosed in Note 1.
- ii) The substantial shareholder of the Company, Tan Sri Dato' Sri Dr. Teh Hong Piow, through his direct and indirect shareholdings in LPI Capital Bhd.

Significant transactions and balances with companies in which a Director has substantial interests are as follows:

	2003	2002
	RM'000	RM'000
<i>Transactions</i>		
With companies in which Tan Sri Dato' Sri Dr. Teh Hong Piow, a Director, has substantial interests:		
Public Holdings Sdn. Bhd.		
- Rental paid	(1,352)	(1,225)
- Commission incurred for business introduced	(49)	(55)
- Premium income generated from assets insured with the Company	598	632
Public Bank Berhad		
- Rental paid	(12)	(12)
- Commission incurred for business introduced	(5,547)	(4,749)
- Premium income generated from assets insured with the Company	11,564	9,174
- Dividend income	2,925	2,340
- Fixed deposits income	971	532
- Acquisition of investments	-	6,159

21. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

	2003 RM'000	2002 RM'000
Public Finance Berhad		
- Commission incurred for business introduced	(4,283)	(4,201)
- Premium income generated from assets insured with the Company	1,114	1,353
- Fixed deposits income	669	609
 PB International Factors Sdn. Bhd.		
- Commission incurred for business introduced	(14)	(10)
- Premium income generated from assets insured with the Company	8	8
 PB Securities Sdn. Bhd.		
- Commission incurred for business introduced	(4)	(4)
- Stockbroking commission paid for equity investment	-	(18)
- Premium income generated from assets insured with the Company	96	67
 Public Mutual Berhad		
- Commission incurred for business introduced	(4)	(3)
- Premium income generated from assets insured with the Company	69	61
 PB Properties Sdn. Bhd.		
- Commission incurred for business introduced	(8)	(8)
- Premium income generated from assets insured with the Company	47	47
 Public Merchant Bank Berhad		
- Premium income generated from assets insured with the Company	51	143
 Public Leasing & Factoring Sdn. Bhd.		
- Commission incurred for business introduced	(153)	(162)
- Premium income generated from assets insured with the Company	9	8
	=====	=====

These transactions have been entered into in the normal course of business at commercial terms.

21. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

In addition, the Company has investments with companies in which Tan Sri Dato' Sri Dr. Teh Hong Piow, a Director, has substantial interests and the balances of the investments placed and cash and bank balances at the end of the financial year are as follows:

	2003 RM'000	2002 RM'000
Public Bank Berhad		
<u>Insurance fund</u>		
Fixed deposits	24,686	15,364
Quoted shares	50,269	50,269
Cash and bank balances	1,530	970
<u>Non-insurance fund</u>		
Cash and bank balances	15	58
Public Finance Berhad		
<u>Insurance fund</u>		
Fixed deposits	13,000	13,500
<u>Non-insurance fund</u>		
Fixed deposits	4,000	4,000
	=====	=====

These transactions have been entered into in the normal course of business at commercial terms.

22. CURRENCY

All amounts are stated in Ringgit Malaysia.

23. COMPARATIVE FIGURES

The following comparatives have been restated to conform with current year's presentation.

	As restated RM'000	As previously stated RM'000
Balance sheet		
Trade receivables	35,224	37,268
Other receivables	5,788	3,744
	=====	=====
Trade payables	31,128	33,287
Other payables	5,736	3,577
	=====	=====