



**MAYBAN LIFE ASSURANCE BHD. (235175-H)**  
**(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements**  
**30 June 2009**

**MAYBAN LIFE ASSURANCE BHD.**  
**(Incorporated in Malaysia)**

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**MAYBAN LIFE ASSURANCE BHD.**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT**

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2009.

**PRINCIPAL ACTIVITIES**

The Company is principally engaged in the underwriting of life insurance business and its subsidiary is principally engaged in offshore investment-linked life insurance business.

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

**RESULTS**

	<b>Group</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>
Net profit for the financial year	45,313	45,176

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

**DIVIDENDS**

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any final dividend in respect of the current financial year.

**DIRECTORS**

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

Datuk Syed Tamim Ansari bin Syed Mohamed (Chairman)	(appointed on 31 March 2009)
Damis Jacobus Ziengs (Vice Chairman)	
Sulaiman bin Salleh	
Datuk Johar bin Che Mat	
Hans J.J. De Cuyper	
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	(resigned on 15 February 2009)

## CORPORATE GOVERNANCE

The Board of Directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practised in the Company. This is a fundamental part in discharging their responsibilities to protect and enhance all stakeholders' values and the financial performance of the Company.

### (a) Board Responsibilities

In discharging their duties, the Board is equally responsible to ensure compliance with the Insurance Act ("the Act") and Regulations, 1996 and Bank Negara Malaysia's ("BNM") Guidelines, including BNM/RH/GL/003-1: Minimum Standards for Prudential Management for Insurers (Consolidated) and other directives. They also have to comply with the tenets of corporate governance by adopting its best practices as stipulated under BNM/RH/GL/003-2: Prudential Framework of Corporate Governance for Insurers. Apart from their statutory responsibilities, the Board approves the Company's major investments, disposals and funding decisions. They ensure the implementation of appropriate systems to manage risks and also review and approve the strategies and financial objectives to be implemented by the management. These functions are carried out by the Board directly and/or through their various committees.

The Board is responsible for creating the framework and policies within which the Company should be operating and the management is responsible for implementing them. This demarcation reinforces the supervisory role of the Board.

Hence, the Company has an organisational structure showing all reporting lines as well as clearly documented job descriptions for all management and executive employees and formal performance appraisals are done annually.

The directors, with different backgrounds and experiences, collectively bring with them a wide range of skills and specialised knowledge that are required for the management of the Company.

The Board met 6 times during the financial year and the attendance of the directors was as follows:

Name	Number of Board Meetings	
	Attended	%
Datuk Syed Tamim Ansari bin Syed Mohamed (Chairman)	2/2	100
Damis Jacobus Ziengs (Vice Chairman)	5/6	83
Sulaiman bin Salleh	6/6	100
Datuk Johar bin Che Mat	6/6	100
Hans J.J. De Cuyper	5/6	83
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	3/3	100

**CORPORATE GOVERNANCE (CONT'D.)**

**(b) Management Accountability**

Whilst the Board is responsible for creating the framework and policies within which the Company should be operating, the management is accountable for the execution of the enabling policies and attainment of the Company's corporate objectives.

**(c) Corporate Independence**

All material related party transactions have been disclosed in Note 25 to the financial statements.

**(d) Internal Controls and Audit**

The Board exercises overall responsibility for the Company's internal controls and its effectiveness. The Board recognises that risks cannot be eliminated completely; as such, the systems and processes put in place are aimed at minimising and managing them. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as to safeguard the assets of the Company and stakeholders' interests. Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective action where necessary, is taken in a timely manner.

The internal audit reports are tabled at the first scheduled Audit Committee ("AC") meeting after the date of receipt of these reports. The internal audit function reports to the Board through the AC, and its findings and recommendations are communicated to senior management and all levels of staff concerned. The AC is established at the holding company's level.

The composition of the AC is as follows:

Sulaiman bin Salleh (Chairman)  
Independent Non-Executive Director

Damis Jacobus Ziengs  
Non-Independent Non-Executive Director

Datuk Dr. Syed Othman bin Syed Hussin Al-Habshi  
Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli (resigned on 31 March 2009)  
Non-Independent Non-Executive Director

**CORPORATE GOVERNANCE (CONT'D.)**

**(d) Internal Controls and Audit (cont'd.)**

Datuk Syed Tamim Ansari bin Syed Mohamed  
Independent Non-Executive Director

The AC met 5 times during the financial year.

**(e) Risk Management**

The Board takes responsibility in establishing the Risk Management Committee (“RMC”). The primary objective of the RMC is to oversee the senior management’s activities in managing the key risk areas of the Company and to ensure that the risk management process is in place and functioning effectively.

The Company established the RMC at the holding company’s level. In discharging its responsibilities, the RMC is complemented by the Investment Committee of the Board and assisted by the Asset Liability Committee (“ALCO”) of the management.

The risk management framework for the Company comprises three main components i.e. policy-making, monitoring and control, and risk acceptance while the risk management approach would premise on three lines of defence i.e. risk-taking, risk control and coordinating units and internal audit. Risks have been classified into three main categories, which are made up of insurance risk, financial risk (including market risk, credit risk and balance sheet risk) and operational risk.

There is an on-going process for identifying, evaluating and managing the significant risks faced by the Company. This is achieved through designated management functions and internal controls, which includes the setting up of operational risk limits for all core activities.

The composition of the RMC is as follows:

Datuk Syed Tamim Ansari bin Syed Mohamed (Chairman)  
Independent Non-Executive Director

Petrus Bernardus Gerardus van Harten (resigned on 18 July 2009)  
Non-Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli (resigned on 31 March 2009)  
Non-Independent Non-Executive Director

The RMC met 5 times during the financial year.

## **CORPORATE GOVERNANCE (CONT'D.)**

### **(f) Nomination Committee and Remuneration and Establishment Committee**

The Board also takes responsibility in establishing the Nomination Committee and Remuneration and Establishment Committee. The Company will continue to use the existing Nomination Committee and Remuneration and Establishment Committee of the ultimate holding company, Malayan Banking Berhad ("MBB") Group as part of its governance structure.

The primary objective of the Nomination Committee is to establish a documented, formal and transparent procedure for the appointment of directors, chief executive officer and key senior officers. The committee is also responsible to assess the effectiveness of directors, the Board as a whole and the various committees of the Board, the chief executive officer and key senior officers.

The Remuneration and Establishment Committee, on the other hand, is responsible to provide a formal and transparent procedure for developing a remuneration policy for directors, chief executive officer and key senior officers and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

The composition of the Nomination Committee is as follows:

Haji Mohd Hashir bin Haji Abdullah (Chairman)  
Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli ( resigned on 31 March 2009)  
Non-Independent Non-Executive Director

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor ( resigned on 15 February 2009)  
Independent Non-Executive Director

Datuk Zainun Aishah binti Ahmad  
Non-Independent Non-Executive Director

Datuk Syed Tamim Ansari bin Syed Mohamed  
Independent Non-Executive Director

The Nomination Committee met 12 times during the financial year.

The composition of the Remuneration and Establishment Committee is as follows:

Haji Mohd Hashir bin Haji Abdullah (Chairman) (appointed on 19 February 2009)  
Independent Non-Executive Director

**CORPORATE GOVERNANCE (CONT'D.)**

**(f) Nomination Committee and Remuneration and Establishment Committee (cont'd.)**

Tan Sri Dato' Megat Zaharuddin  
bin Megat Mohd Nor (Chairman) (resigned on 15 February 2009)  
Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli (resigned on 31 March 2009)  
Non-Independent Non-Executive Director

Datuk Zainun Aishah binti Ahmad  
Non-Independent Non-Executive Director

Tan Sri Dato' Sri Chua Hock Chin  
Independent Non-Executive Director

The Remuneration and Establishment Committee met 9 times during the financial year.

**(g) Investment Committee**

The Investment Committee ("IC") is set up at Mayban Life Assurance Bhd. However, its membership, roles and responsibilities transcend beyond Mayban Life Assurance Bhd to include and cover all other operating companies under Mayban Fortis Holdings Berhad, which are Mayban General Assurance Berhad, Etiqa Insurance Berhad and Etiqa Takaful Berhad.

The objectives of the IC include, to present an opinion on the long-term strategic investment policy including real estate, as a recommendation for the Risk Management Meeting ("RMM")/ RMC/ Board based on ALCO advice, to establish the tactical investment policy on the basis of the proposal by the investment manager and within the boundaries laid out in the Investment Management Mandates ("IMM"), to test the policy conducted by the investment manager against the strategic and tactical investment policy/asset management mandate, to evaluate and approve the operational policy conducted by the Investment Management ("IM") and also to evaluate, negotiate conditions with, appoint or dismiss external fund managers, custodians, banks and other financial intermediaries.

The IC reports to the Board of all the operating companies under Mayban Fortis Holdings Berhad.

The composition of the IC is as follows:

Dato' Sri Abdul Wahid bin Omar (Chairman) (appointed on 11 December 2008)  
Non-Independent Non-Executive Director

**CORPORATE GOVERNANCE (CONT'D.)**

**(g) Investment Committee (cont'd.)**

Sulaiman bin Salleh  
Independent Non-Executive Director

Datuk Dr. Syed Othman bin Syed Hussin Al-Habshi  
Independent Non-Executive Director

Dato' Haji Aminuddin bin Md. Desa (appointed on 1 November 2008)  
Non-Independent Non-Executive Director

Hans J.J. De Cuyper  
Senior Management Team

Haji Mohd. Tarmidzi bin Ahmad Nordin  
Senior Management Team

Encik Mohd Din bin Merican (appointed on 1 November 2008)  
Senior Management Team

Norlia Mat Yusof (resigned on 1 September 2008)  
Senior Management Team

Amirudin bin Abdul Halim (resigned on 15 October 2008)  
Senior Management Team

See Toong Chow (retired on 1 November 2008)  
Senior Management Team

Hugo Philip Van Vledder (resigned on 1 November 2008)  
Senior Management Team

Datuk Haji Abdul Rahman bin Mohd Ramli (resigned on 31 March 2009)  
Non-Independent Non-Executive Director

The IC met 4 times during the financial year.

**(h) Public Accountability**

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

**CORPORATE GOVERNANCE (CONT'D.)****(i) Financial Reporting**

The Board takes responsibility for presenting a balanced and comprehensive assessment of the Company's operations and prospects each time it releases its annual financial statements to shareholders. The AC of the Board assists by scrutinising the information to be disclosed, to ensure accuracy, adequacy and completeness.

**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 the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the ultimate holding company, Maybank Group Employee Share Options Scheme ("ESOS").

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 disclosed in Note 20 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

**DIRECTORS' INTERESTS**

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the ultimate holding company, Malayan Banking Berhad, during the financial year were as follows:

	<b>Number of Ordinary Shares of RM1 Each</b>			
	<b>1 July 2008/ Date of Appointment</b>	<b>Bought/ Exercised / Rights Issue</b>	<b>Sold</b>	<b>30 June 2009</b>
<b>Ultimate holding company: Malayan Banking Berhad</b>				
<b>Direct Interest:</b>				
Sulaiman bin Salleh	57,500	25,875	20,000	63,375
Datuk Johar bin Che Mat	146,250	65,800	-	212,050
Datuk Syed Tamim Ansari bin Syed Mohamed	12,500	5,625	-	18,125

**DIRECTORS' INTERESTS (CONT'D.)**

	Option date	Option price RM	Number of options over Ordinary Shares of RM1 each		
			1 July 2008	Rights Issue	30 June 2009
<b>Ultimate holding company: Malayan Banking Berhad</b>					
Sulaiman bin Salleh	14.11.2006	10.19	10,000	4,000	14,000
Datuk Johar bin Che Mat	14.11.2006	10.19	16,900	6,700	23,600

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 sheets and income statements of the Group and 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.
- (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 Group and of the Company inadequate to any substantial extent; and
  - (ii) render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

**OTHER STATUTORY INFORMATION (CONT'D.)**

- (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 Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or 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 Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) 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 will or may affect the ability of the Group or of the Company to meet their obligations 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 Group or of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e) and (f), contingent and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group and 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 dated 14 August 2009

DATUK SYED TAMIM ANSARI BIN  
SYED MOHAMED

HANS J.J. DE CUYPER

**MAYBAN LIFE ASSURANCE BHD.  
(Incorporated in Malaysia)**

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

We, DATUK SYED TAMIM ANSARI BIN SYED MOHAMED and HANS J.J. DE CUYPER, being two of the directors of MAYBAN LIFE ASSURANCE BHD., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 14 to 104 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2009 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 August 2009

DATUK SYED TAMIM ANSARI BIN  
SYED MOHAMED

HANS J.J. DE CUYPER

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

I, SUE CHI KONG, being the officer-in-charge primarily responsible for the financial management of MAYBAN LIFE ASSURANCE BHD., do solemnly and sincerely declare that the accompanying financial statements set out on pages 14 to 104 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 SUE CHI KONG  
at Kuala Lumpur in Wilayah Persekutuan  
on 14 August 2009

SUE CHI KONG

Before me,

Commissioner for Oaths

235175-H

**Independent auditors' report to the members of  
Mayban Life Assurance Bhd.  
(Incorporated in Malaysia)**

**Report on the financial statements**

We have audited the financial statements of Mayban Life Assurance Bhd., which comprise the balance sheets as at 30 June 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 14 to 104.

*Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors' responsibility*

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

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

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

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**Independent auditors' report to the members of  
Mayban Life Assurance Bhd. (cont'd.)  
(Incorporated in Malaysia)**

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2009 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

**Reporting on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report on the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiary that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' report on the accounts of the subsidiary was not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

**Other matters**

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

Ernst & Young  
AF: 0039  
Chartered Accountants

Gloria Goh Ewe Gim  
No.1685/04/11(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
14 August 2009

**MAYBAN LIFE ASSURANCE BHD.**  
(Incorporated in Malaysia)

**BALANCE SHEETS AS AT 30 JUNE 2009**

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>ASSETS</b>					
<b>Shareholders' fund assets</b>					
Property, plant and equipment	3(a)	9,975	10,623	9,975	10,622
Prepaid land lease payments	5	2,375	2,406	2,375	2,406
Investment in a subsidiary	7	-	-	11,076	11,076
Investments	8(a)	223,885	178,511	211,861	167,513
Receivables	10(a)	43,538	45,910	43,182	45,567
Tax recoverable		4,268	-	4,268	-
Cash and bank balances		84	357	22	273
<b>Total shareholders' fund assets</b>		<b>284,125</b>	<b>237,807</b>	<b>282,759</b>	<b>237,457</b>
<b>Total life insurance assets (page 19)</b>		<b>6,557,011</b>	<b>6,592,255</b>	<b>6,547,739</b>	<b>6,576,982</b>
<b>TOTAL ASSETS</b>		<b>6,841,136</b>	<b>6,830,062</b>	<b>6,830,498</b>	<b>6,814,439</b>
<b>EQUITY, INSURANCE FUNDS AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	11	100,000	100,000	100,000	100,000
Retained profits		183,989	138,676	181,821	136,645
Currency translation reserve		(822)	(1,701)	-	-
<b>Total equity</b>		<b>283,167</b>	<b>236,975</b>	<b>281,821</b>	<b>236,645</b>
<b>Insurance funds</b>					
<b>Life policyholders' fund</b>	12	<b>3,751,400</b>	<b>3,211,016</b>	<b>3,749,504</b>	<b>3,208,777</b>
<b>Investment-linked funds</b>	23	<b>2,454,391</b>	<b>3,216,882</b>	<b>2,448,342</b>	<b>3,205,328</b>
<b>Currency translation reserve</b>		<b>(207)</b>	<b>(352)</b>	<b>-</b>	<b>-</b>
<b>Total insurance funds</b>		<b>6,205,584</b>	<b>6,427,546</b>	<b>6,197,846</b>	<b>6,414,105</b>

**MAYBAN LIFE ASSURANCE BHD.**  
**(Incorporated in Malaysia)**

**BALANCE SHEETS AS AT 30 JUNE 2009 (CONT'D.)**

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Liabilities</b>					
<b>Shareholders' fund liabilities</b>					
Payables	15(a)	333	121	333	121
Deferred tax liabilities	16	605	419	605	419
Tax payable		20	292	-	272
<b>Total shareholders' fund liabilities</b>		<b>958</b>	<b>832</b>	<b>938</b>	<b>812</b>
<b>Total life insurance liabilities (page 19)</b>		<b>351,427</b>	<b>164,709</b>	<b>349,893</b>	<b>162,877</b>
<b>Total liabilities</b>		<b>352,385</b>	<b>165,541</b>	<b>350,831</b>	<b>163,689</b>
<b>TOTAL EQUITY, INSURANCE FUNDS AND LIABILITIES</b>					
		<b>6,841,136</b>	<b>6,830,062</b>	<b>6,830,498</b>	<b>6,814,439</b>

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

**MAYBAN LIFE ASSURANCE BHD.**  
**(Incorporated in Malaysia)**

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	<b>Share Capital RM'000</b>	<b>Non- distributable Currency Translation Reserve RM'000</b>	<b>Distributable Retained Profits RM'000</b>	<b>Total RM'000</b>
<b>Group</b>				
<b>At 1 July 2007</b>	100,000	(1,192)	98,478	197,286
Currency translation differences, representing net loss recognised directly in equity	-	(509)	-	(509)
Net profit for the financial year	-	-	40,198	40,198
Total recognised income and expense for the financial year	-	(509)	40,198	39,689
<b>At 30 June 2008</b>	<b>100,000</b>	<b>(1,701)</b>	<b>138,676</b>	<b>236,975</b>
<b>At 1 July 2008</b>	100,000	(1,701)	138,676	236,975
Currency translation differences, representing net loss recognised directly in equity	-	879	-	879
Net profit for the financial year	-	-	45,313	45,313
Total recognised income and expense for the financial year	-	879	45,313	46,192
<b>At 30 June 2009</b>	<b>100,000</b>	<b>(822)</b>	<b>183,989</b>	<b>283,167</b>

**MAYBAN LIFE ASSURANCE BHD.**  
**(Incorporated in Malaysia)**

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2009 (CONT'D.)**

	<b>Share Capital RM'000</b>	<b>Distributable Retained Profits RM'000</b>	<b>Total RM'000</b>
<b>Company</b>			
<b>At 1 July 2007</b>	100,000	97,286	197,286
Net profit for the financial year representing total recognised income for the financial year	-	39,359	39,359
<b>At 30 June 2008</b>	<u>100,000</u>	<u>136,645</u>	<u>236,645</u>
<b>At 1 July 2008</b>	100,000	136,645	236,645
Net profit for the financial year representing total recognised income for the financial year	-	45,176	45,176
<b>At 30 June 2009</b>	<u>100,000</u>	<u>181,821</u>	<u>281,821</u>

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

**MAYBAN LIFE ASSURANCE BHD.**  
**(Incorporated in Malaysia)**

**INCOME STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Operating revenue	17	<u>1,063,517</u>	<u>1,141,073</u>	<u>1,063,171</u>	<u>1,140,078</u>
Shareholders' fund:					
Investment income	18(a)	9,914	9,714	9,751	9,198
Other income/(expenditure) (net)	19(a)	35	330	40	(16)
Management expenses	20(a)	<u>(993)</u>	<u>(716)</u>	<u>(992)</u>	<u>(713)</u>
Profit from operations		8,956	9,328	8,799	8,469
Transfer from life fund revenue account		<u>42,400</u>	<u>45,034</u>	<u>42,400</u>	<u>45,034</u>
Profit before taxation		51,356	54,362	51,199	53,503
Taxation	21(a)	<u>(6,043)</u>	<u>(14,164)</u>	<u>(6,023)</u>	<u>(14,144)</u>
Net profit for the financial year		<u>45,313</u>	<u>40,198</u>	<u>45,176</u>	<u>39,359</u>
Earnings per share - basic (sen)	22	<u>45.3</u>	<u>40.2</u>	<u>45.2</u>	<u>39.4</u>

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

**MAYBAN LIFE ASSURANCE BHD.**  
(Incorporated in Malaysia)

**LIFE FUND BALANCE SHEETS**  
**AS AT 30 JUNE 2009**

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>ASSETS</b>					
Property, plant and equipment	3(b)	43,863	47,167	43,862	47,166
Investment properties	4	220	220	220	220
Prepaid land lease payments	5	9,501	9,626	9,501	9,626
Intangible assets	6	8	142	8	142
Investments	8(b)	3,606,381	3,080,722	3,604,750	3,078,927
Loans	9	115,556	113,490	115,556	113,490
Receivables	10(b)	85,585	65,419	84,822	64,742
Tax recoverable		4,063	1,973	4,063	1,973
Cash and bank balances		7,969	14,602	7,850	14,201
<b>Investment-linked funds</b>					
<b>assets</b>	23	2,683,865	3,258,894	2,677,107	3,246,495
<b>Total life insurance assets</b>		<u>6,557,011</u>	<u>6,592,255</u>	<u>6,547,739</u>	<u>6,576,982</u>
<b>LIABILITIES AND INSURANCE FUNDS</b>					
Provision for outstanding claims	13	29,610	30,658	29,610	30,533
Derivative liabilities	14	5,058	360	5,058	360
Payables	15(b)	80,117	90,473	79,292	89,611
Deferred tax liabilities	16	3,395	923	3,395	923
Tax payable		3,773	283	3,773	283
<b>Investment-linked funds</b>					
<b>liabilities</b>	23	229,474	42,012	228,765	41,167
<b>Total life insurance liabilities</b>		<u>351,427</u>	<u>164,709</u>	<u>349,893</u>	<u>162,877</u>
<b>Life policyholders' fund</b>	12	3,751,400	3,211,016	3,749,504	3,208,777
<b>Investment-linked funds</b>	23	2,454,391	3,216,882	2,448,342	3,205,328
<b>Currency translation reserve</b>		<u>(207)</u>	<u>(352)</u>	<u>-</u>	<u>-</u>
<b>Total life insurance liabilities and life policyholders' funds</b>		<u>6,557,011</u>	<u>6,592,255</u>	<u>6,547,739</u>	<u>6,576,982</u>

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

**MAYBAN LIFE ASSURANCE BHD.**  
**(Incorporated in Malaysia)**

**LIFE FUND REVENUE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Gross premiums	17	696,492	365,190	696,492	365,190
Reinsurance		(9,291)	(7,855)	(9,313)	(8,246)
Net premiums		<u>687,201</u>	<u>357,335</u>	<u>687,179</u>	<u>356,944</u>
Benefits paid and payable:					
Death		(48,728)	(50,323)	(48,728)	(50,264)
Maturity		(69,179)	(59,614)	(69,179)	(59,614)
Surrender		(84,844)	(74,361)	(84,844)	(74,361)
Cash bonus		(125)	(230)	(125)	(230)
Others		(13,628)	(12,304)	(13,628)	(12,304)
		<u>(216,504)</u>	<u>(196,832)</u>	<u>(216,504)</u>	<u>(196,773)</u>
		470,697	160,503	470,675	160,171
Commissions and agency expenses		(33,532)	(35,906)	(33,532)	(35,906)
Management expenses	20(b)	(44,486)	(46,289)	(43,966)	(45,443)
		<u>392,679</u>	<u>78,308</u>	<u>393,177</u>	<u>78,822</u>
Investment income	18(b)	183,117	165,463	183,096	165,379
Other income (net)	19(b)	18,454	20,301	18,320	20,009
Surplus before taxation		<u>594,250</u>	<u>264,072</u>	<u>594,593</u>	<u>264,210</u>
Taxation	21(b)	(11,466)	(11,406)	(11,466)	(11,406)
Surplus after taxation		<u>582,784</u>	<u>252,666</u>	<u>583,127</u>	<u>252,804</u>
Life policyholders' fund at beginning of financial year		3,211,016	3,003,384	3,208,777	3,001,007
Transfer to income statement		<u>(42,400)</u>	<u>(45,034)</u>	<u>(42,400)</u>	<u>(45,034)</u>
Life policyholders' fund at end of financial year		<u>3,751,400</u>	<u>3,211,016</u>	<u>3,749,504</u>	<u>3,208,777</u>

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

**MAYBAN LIFE ASSURANCE BHD.**  
**(Incorporated in Malaysia)**

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	51,356	54,362	51,199	53,503
Adjustments for:				
Depreciation of property, plant and equipment	4,589	4,524	4,587	4,524
Amortisation of prepaid land lease payments	156	155	156	155
Amortisation of intangible assets	134	739	134	739
Gain on disposal of property and equipment	-	(32)	-	(32)
(Writeback of)/provision for diminution in value of investments	(33,902)	25,397	(33,902)	25,397
Accretion of discounts net of amortisation of premiums	(22,381)	(27,209)	(22,381)	(27,209)
Loss/(gain) on disposal of investments	36,387	(38,305)	29,014	(38,748)
Loss on disposal of derivatives	7,266	9,983	7,266	9,983
Gross dividend income	(18,030)	(19,557)	(17,950)	(19,334)
Interest income	(218,478)	(208,418)	(218,212)	(207,646)
Other investment income	-	(1,444)	-	(1,444)
(Writeback of)/provision for doubtful debts	(3,045)	3,168	(3,045)	3,168
Life fund (surplus)/deficit	(163,123)	248,603	(156,387)	256,198
(Increase)/decrease in value of investments in investment-linked funds	(44,637)	84,163	(40,409)	80,006
Decrease in value of investments in derivatives	79,308	51,786	79,308	51,786
Translation differences	1,912	(1,380)	-	-
Transfer of life fund surplus to shareholders' fund	(42,400)	(45,034)	(42,400)	(45,034)
(Loss)/profit from operations before changes in operating assets and liabilities	(364,888)	141,501	(363,022)	146,012
Net proceeds from/(purchase of) investments	191,491	(643,829)	184,003	(646,220)
Net (purchase of)/proceeds from derivatives	(3,887)	1,253	(3,887)	1,253

**MAYBAN LIFE ASSURANCE BHD.**  
(Incorporated in Malaysia)

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009 (CONT'D.)**

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>(CONT'D.)</b>				
Increase in loans	(2,066)	(901)	(2,066)	(901)
Decrease in receivables	10,657	19,171	10,749	19,035
(Increase)/decrease in fixed and call deposits	(32,867)	300,696	(26,985)	299,105
Increase in provision for outstanding claims	176,269	3,652	176,394	4,154
(Decrease)/increase in payables	(11,219)	2,839	(11,049)	3,335
Cash used in operations	(36,510)	(175,618)	(35,863)	(174,227)
Income taxes paid	(23,810)	(35,653)	(23,789)	(35,641)
Dividends received	15,481	14,832	15,399	14,584
Interest received	217,097	191,392	216,822	190,596
Net cash generated from/(used in) operating activities	172,258	(5,047)	172,569	(4,688)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(637)	(12)	(636)	(12)
Proceeds from disposal of property, plant and equipment	-	32	-	32
Net cash (used in)/generated from investing activities	(637)	20	(636)	20
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	171,621	(5,027)	171,933	(4,668)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
	16,162	21,189	15,669	20,337
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	187,783	16,162	187,602	15,669
Cash and cash equivalents comprise:				
Cash and bank balances:				
Shareholders' fund	84	357	22	273
Life fund	7,969	14,602	7,850	14,201
Investment-linked funds	179,730	1,203	179,730	1,195
	187,783	16,162	187,602	15,669

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

**MAYBAN LIFE ASSURANCE BHD.**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2009**

**1. CORPORATE INFORMATION**

The Company is principally engaged in the underwriting of life insurance business and its subsidiary is principally engaged in offshore investment-linked life insurance business.

There have been no significant changes in the nature of the principal activities 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 Level 19, Tower C, Dataran Maybank, No. 1, Jalan Maarof, 59000 Kuala Lumpur.

The holding and ultimate holding companies of the Company are Mayban Fortis Holdings Berhad ("MFHB") and Malayan Banking Berhad ("MBB") respectively, both of which are companies incorporated in Malaysia. MBB is a licensed commercial bank listed on the Main Market of the Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 August 2009.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of Preparation**

The financial statements of the Group and of the Company have been prepared under the historical cost convention, except for the valuation of investments of the investment linked funds at market value and investment properties that have been measured at their fair values and comply with Financial Reporting Standards ("FRS"), provisions of the Companies Act, 1965, the Insurance Act, 1996 and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM") in Malaysia.

At the beginning of the financial year, the Group and the Company had adopted new and revised FRSs as described fully in Note 2.3.

The financial statements are presented in Ringgit Malaysia ("RM") and rounded to the nearest thousand ("RM'000") unless otherwise stated.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of Significant Accounting Policies

#### (a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary at the balance sheet date. The financial statements of the subsidiary are prepared for the same reporting date as the Company.

Subsidiaries are consolidated using the acquisition method of accounting.

In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Under the acquisition method, subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. The acquisition method involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiary's identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiary's equity since then.

#### (b) Subsidiary

A subsidiary is an entity over which the Group has the ability to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of Significant Accounting Policies (cont'd.)

#### (b) Subsidiary (cont'd.)

In the Company's separate financial statements, the investment in subsidiary is stated at cost less impairment losses. On disposal of such investment, the difference between the net disposal proceeds and the carrying amount are included in the income statement.

#### (c) Life Insurance Underwriting Results

The surplus transferable from the life insurance funds to the income statement is based on the surplus determined by an annual actuarial valuation of the long-term liabilities to policyholders.

##### (i) Premium income

Premium income represents premium recognised in the life insurance funds.

Premium income of the life insurance funds is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured.

Outward reinsurance premiums are recognised in the same financial period as the original policies to which the reinsurance relates.

Net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract are reflected in the income statements of the investment-linked funds. Net creation of units is recognised on a receipt basis.

##### (ii) Provision for claims

Claims and settlement costs that are incurred during the financial period are recognised when a claimable event occurs and/or the insurer is notified.

Recoveries on reinsurance claims are accounted for in the same financial period as the original claims are recognised.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.2 Summary of Significant Accounting Policies (cont'd.)****(c) Life Insurance Underwriting Results (cont'd.)****(ii) Provision for claims (cont'd.)**

Claims and provisions for claims arising on life insurance policies, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

- maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates and
- death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the assured or occurrence of the contingency covered.

**(iii) Commissions and agency expenses**

Commissions and agency expenses, which are costs directly incurred in securing premiums on insurance policies net of income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to the revenue account in the period in which they are incurred.

**(d) 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/profit income**

Interest/profit income is recognised on a time proportion basis that reflects the effective yield on the asset except for interest on loans which are considered non-performing, i.e., when repayments are in arrears for more than three months, in which case, recognition of such interest is suspended with retrospective adjustment made to the date of first default. Subsequent to suspension, interest is recognised on the receipt basis until all arrears have been paid.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.2 Summary of Significant Accounting Policies (cont'd.)****(d) Other Revenue Recognition (cont'd.)****(ii) Dividend income**

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

**(iii) Rental income**

Rental income is recognised on the accrual basis in accordance with the terms of the relevant agreements except where default in payment of rental has already occurred and rental due remains outstanding for over three 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.

**(e) Employee Benefits****(i) Short-term benefits**

Wages, salaries, bonuses and social security contribution ("SOCSCO") are recognised as an expense in the period which the associated services are rendered by employees of the Group. 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 absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(ii) Defined contribution plan**

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient funds to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement/revenue account as incurred. As required by law, the Group makes such contributions to the Employees Provident Fund ("EPF").

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of Significant Accounting Policies (cont'd.)

#### (e) Employee Benefits (cont'd.)

##### (iii) Share-based compensation

The ultimate holding company's share-based compensation scheme, Maybank Group Employee Share Options Scheme ("ESOS"), allows the Group's employees to acquire ordinary shares of the ultimate holding company.

The total fair value of share options granted to employees is recognised as an employee cost charged by the ultimate holding company over the vesting period and taking into account the probability that the options will vest. The fair value of the share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable on vesting date.

Settlement with the ultimate holding company in respect of the arrangement of the scheme is by cash over the vesting period.

#### (f) Property, Plant and Equipment and Depreciation

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

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Buildings on leasehold land are depreciated over the shorter of 50 years or the remaining period of the respective leases.

Depreciation on other property, plant and equipment 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:

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of Significant Accounting Policies (cont'd.)

#### (f) Property, Plant and Equipment and Depreciation (cont'd.)

Buildings	2%
Furniture, fittings, office equipment and renovation	10% - 20%
Computers and peripherals	25%
Electrical and security equipment	10%
Motor vehicles	20%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in income statement/revenue account.

#### (g) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at, by reference to market evidence of transaction prices for similar properties and is performed by firms of professional independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued and/or periodic intervening valuation by in-house qualified professional valuer, as appropriate.

Gains or losses arising from changes in the fair values of investment properties are recognised in income statement/revenue account in the year in which they arise.

Investment properties are derecognised when either, they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in income statement/revenue account in the year in which they arise.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of Significant Accounting Policies (cont'd.)

#### (h) Leases

##### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group, all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases except that property held under operating leases that would otherwise meet the definition of an investment property, is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.2(g)).

##### (ii) Finance Leases - The Group as Lessee

Useful lives of all leasehold buildings are shorter than the lease term of the leasehold land on which the buildings are located. As such, all risks and rewards incidental to the ownership of such assets would be deemed to have been substantially transferred to the Group at the end of their useful lives. All leasehold buildings are therefore classified as finance lease in the financial statements.

Buildings held under finance lease are recognised as assets in the balance sheet of the Group and measured in accordance with FRS 116 - Property, Plant and Equipment and FRS 140 - Investment Properties.

##### (iii) Operating Leases - The Group as Lessee

Operating lease payments are recognised as expense on a straight-line basis over the term of the relevant lease.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payment made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of Significant Accounting Policies (cont'd.)

#### (i) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination, is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least, at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently, if the events or changes in circumstances indicate that the carrying value may be impaired either individually, or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually, to determine whether the useful life assessment continues to be supportable.

Computer software are amortised over their finite useful lives of 2 to 5 years.

#### (j) Impairment of Non-financial Assets

The carrying amounts of assets, other than investment properties and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.2 Summary of Significant Accounting Policies (cont'd.)****(j) Impairment of Non-financial Assets (cont'd.)**

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises. An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the income statement/revenue account.

**(k) Foreign Currencies****(i) Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.2 Summary of Significant Accounting Policies (cont'd.)****(k) Foreign Currencies (cont'd.)****(ii) Foreign currency transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies), are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair values were determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items and on the translation of monetary items, are included in the income statement/revenue account for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where the monetary item is denominated in either, the functional currency of the reporting entity or the foreign operations, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the income statement/revenue account.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where the monetary items are denominated in a currency other than the functional currency of either the reporting entity or the foreign operations, are recognised in the income statement/revenue account for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, regardless of the currency of the monetary items, are recognised in the Company's financial statements or the individual financial statements of the foreign operations, as appropriate.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of Significant Accounting Policies (cont'd.)

#### (k) Foreign Currencies (cont'd.)

##### (ii) Foreign currency transactions (cont'd.)

Exchange differences arising on the translation of non-monetary items carried at fair value, are included in the income statement/revenue account for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

##### (iii) Labuan operations

The results and financial position of Labuan operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

- assets and liabilities for each balance sheet presented, are translated at the closing rate prevailing at the balance sheet date;
- income and expenses for each income statement/revenue account are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and
- all resulting exchange differences are taken to the foreign currency translation reserve within equity.

#### (l) Income Tax

Income tax on the income statement/revenue account for the year comprises of current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit and surplus 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 profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of Significant Accounting Policies (cont'd.)

#### (l) Income Tax (cont'd.)

Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and the time of the transaction, affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the 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, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

#### (m) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash and bank balances but do not include fixed and call deposits.

The cash flow statements have been prepared using the indirect method.

#### (n) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Interest/profit, dividends, gains and losses relating to a financial instrument classified as liabilities, 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 Group 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of Significant Accounting Policies (cont'd.)

#### (n) Financial Instruments (cont'd.)

Disclosure 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.

#### (i) Malaysian government securities and other approved investments

Malaysian government securities ("MGS") and other approved investments inclusive of negotiable certificates of deposits ("NCD") and negotiable Islamic certificates of deposits ("NICD") 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.

Amortisation of premiums and accretion of discounts are charged or credited to the income statement.

#### (ii) Government guaranteed bonds and unquoted corporate bonds

Government guaranteed bonds and unquoted corporate bonds which are secured or unsecured and which carry a minimum rating of "BBB" or "P3" are stated at cost adjusted for amortisation of premiums and accretion of discounts, where applicable, calculated on the 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 net realisable value.

For the purpose of determining net realisable values, the discounted cash flow model is used, after taking into account the projected cash flow expected to be generated from holding the bond.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(n) Financial Instruments (cont'd.)**

**(iii) 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 of a particular investment is not regarded as temporary, specific provision is made against the value of that investment.

Cost is determined on the weighted average basis while market value is determined based on market prices as at balance sheet date.

**(iv) Unquoted investments**

Unquoted investments are stated at cost less any accumulated impairment losses.

Increases or decreases in the carrying amount of investments are recognised in the income statement.

**(v) Investments of the investment-linked funds**

All investments of the investment-linked funds are stated at closing market prices or indicative market prices as at balance sheet date.

Any increase or decrease in value of investments is taken into the investment-linked funds income statements.

Gain or loss arising from the disposal of the above investments is the difference between net disposal proceeds and their carrying amounts. Gain or loss on disposal of investment is recognised in the income statement/revenue account.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.2 Summary of Significant Accounting Policies (cont'd.)**

#### **(n) Financial Instruments (cont'd.)**

##### **(vi) Derivative instruments**

Derivative financial instruments are not recognised in the financial statements.

Over-the-counter derivatives comprise forward foreign exchange contracts, currency on swap contracts and options.

They are revalued at balance sheet date, of which, valuations are provided by financial institutions using market conventions. Unrealised losses from derivative financial instruments are recognised in the income statement/revenue account. For investment-linked business, any increase or decrease in the revaluation of derivative financial instruments are taken into the investment-linked funds income statements.

##### **(vii) Loans and receivables**

Loans and receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date. Specific provisions are made for any premiums, including brokers and reinsurers balances which remain outstanding for more than six months from the date on which they become receivable.

##### **(viii) Payables**

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

##### **(ix) Equity instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised and accounted for, in equity in the year in which they are declared.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 Changes in Accounting Policies and Effects arising from Adoption of New and Revised FRS, Amendments to FRS and Interpretations

The accounting policies applied by the Group and the Company are consistent with those adopted in the previous years.

#### Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new FRSs, amendment to FRS and Interpretations of the Issues Committee ("IC Interpretations") have been issued but are not yet effective and have not been adopted by the Group and the Company:

<b>FRS, Amendments to FRS and Interpretations</b>	<b>Effective for financial periods beginning on or after</b>
(i) FRS 4: Insurance Contracts	1 January 2010
(ii) FRS 7: Financial Instruments-Disclosures	1 January 2010
(iii) FRS 8: Operating Segments	1 July 2009
(iv) FRS 139: Financial Instruments - Recognition and Measurement	1 January 2010
(v) FRS 123: Borrowing Costs	1 January 2010
(vi) Amendments to FRS 2 Share-based Payment - Vesting Conditions and Cancellations	1 January 2010
(vii) Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
(viii) IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
(ix) IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010
(x) IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions	1 January 2010
(xi) IC Interpretation 13: Customer Loyalty Programmes	1 January 2010
(xii) IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

The impact of applying FRS 4 and 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs.

FRS 7, FRS 8, FRS 123, Amendments to FRS 1 and 2, IC Interpretation 9, 10, 11, 13 and 14 are not expected to have significant impact on the financial statements of the Group and the Company except for changes in disclosures arising from the adoption of FRS 7.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.4 Significant Accounting Estimates and Judgements

#### (a) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

##### (i) Depreciation of property, plant and equipment

The cost of the building's plant and equipment, for example, elevators, lifts and others and the self-occupied properties are depreciated on a straight-line basis, over the estimated remaining useful lives.

The Group estimates the useful lives of these plant and equipment to be within 5 to 10 years.

The cost of self-occupied buildings are depreciated on a straight-line basis. The Group estimates the useful lives to be 50 years.

##### (ii) Valuation of investment properties

The measurement of the fair value for investment properties is arrived at, by reference to market evidence of transaction prices for similar properties. Full valuations on investment properties are performed by firms of professional independent valuers at regular intervals, of not less than every 3 years. In intervening years, desktop valuations using comparable method and investment method are performed by in-house qualified professional valuers to update the valuations.

##### (iii) Amortisation and impairment of intangible assets

Intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful lives.

The determination of the estimated useful life of these intangible assets requires management to analyse the circumstances, the industry and market practice and also to use judgement. At each balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Significant Accounting Estimates and Judgements (cont'd.)**

**(a) Key Sources of Estimation Uncertainty (cont'd.)**

**(iv) Liabilities of insurance businesses**

The actuarial estimate of future contingent policy liabilities, is computed in accordance with the standards and basis prescribed under the Insurance Act and Regulations, 1996 and uses a level net premium methodology with allowances for acquisition costs through the application of a zilmer or full preliminary term adjustment, whichever produces higher reserves.

**(b) Critical Judgements made in Applying Accounting Policies**

The following are judgements made by management in the process of applying the Group and Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

**(i) Impairment of unquoted investments**

Impairment of unquoted investments is made after considering several factors, including business viability of the investee, potential recovery of capital invested and present values of any future dividend or income streams thereon. The present values of future income streams are measured by applying an expected rate of return that reflects the risk profile of the investment.

These are compared against the carrying costs of investments and appropriate judgement and consideration is made by management to ascertain if the current carrying costs continue to be relevant.

This assessment is performed at each balance sheet date and is critically reviewed by management, taking into consideration specific industry and economic factors relevant to the investment concerned.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.4 Significant Accounting Estimates and Judgements (cont'd.)****(b) Critical Judgements made in Applying Accounting Policies (cont'd.)****(ii) Deferred taxation**

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the balance sheet date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the balance sheet date, changes in business strategy, future operating performance and other factors could impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the income statement in the period in which actual realisation and settlement occurs.

Deferred tax assets are recognised for all provisions for diminution in value of investments, net amortisation of premium in investments and other temporary differences to the extent that it is probable that taxable profit will be available against which the benefits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

The total carrying value of recognised provisions for diminution in value of investments, net amortisation/accretion of premiums/discounts in investments and other temporary differences of the Shareholders' Fund is RM2,421,228 (2008: RM1,675,740) and the Life Insurance Fund is RM42,426,600 (2008: RM11,536,575).

## 3. PROPERTY, PLANT AND EQUIPMENT

## (a) Shareholders' fund

## Group

	Buildings self - occupied properties RM'000	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Total RM'000
<b>2009</b>						
<b>Cost</b>						
At 1 July 2008/ 30 June 2009	11,257	1,889	2	162	3,722	17,032
<b>Accumulated Depreciation</b>						
At 1 July 2008	1,689	1,766	1	162	2,791	6,409
Charge for the year	226	49	1	-	372	648
At 30 June 2009	1,915	1,815	2	162	3,163	7,057
<b>Net Book Value</b>	9,342	74	-	-	559	9,975

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

## (a) Shareholders' fund (cont'd.)

## Group (cont'd.)

2008	Buildings self - occupied properties RM'000	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Total RM'000
<b>Cost</b>						
At 1 July 2007/ 30 June 2008	11,257	1,889	2	162	3,722	17,032
<b>Accumulated Depreciation</b>						
At 1 July 2007	1,463	1,717	1	162	2,419	5,762
Charge for the year	226	49	-	-	372	647
At 30 June 2008	1,689	1,766	1	162	2,791	6,409
<b>Net Book Value</b>	9,568	123	1	-	931	10,623

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

## (a) Shareholders' fund (cont'd.)

Company	Buildings self - occupied properties RM'000	Furniture, fittings and office equipment RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Total RM'000
<b>2009</b>					
<b>Cost</b>					
At 1 July 2008/ 30 June 2009	11,257	1,889	162	3,722	17,030
<b>Accumulated Depreciation</b>					
At 1 July 2008	1,689	1,766	162	2,791	6,408
Charge for the year	226	49	-	372	647
At 30 June 2009	1,915	1,815	162	3,163	7,055
<b>Net Book Value</b>	9,342	74	-	559	9,975

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

## (a) Shareholders' fund (cont'd.)

## Company (cont'd.)

2008	Buildings self - occupied properties RM'000	Furniture, fittings and office equipment RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Total RM'000
<b>Cost</b>					
At 1 July 2007/ 30 June 2008	11,257	1,889	162	3,722	17,030
<b>Accumulated Depreciation</b>					
At 1 July 2007	1,463	1,717	162	2,419	5,761
Charge for the year	226	49	-	372	647
At 30 June 2008	1,689	1,766	162	2,791	6,408
<b>Net Book Value</b>	9,568	123	-	931	10,622

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

## (b) Life fund

## Group

	Buildings on leasehold land RM'000	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>2009</b>							
<b>Cost</b>							
At 1 July 2008	45,028	13,166	7,854	8,034	14,887	423	89,392
Additions	-	260	377	-	-	-	637
Disposals	-	-	-	(81)	-	-	(81)
Translation differences	-	2	-	18	-	7	27
At 30 June 2009	45,028	13,428	8,231	7,971	14,887	430	89,975
<b>Accumulated Depreciation</b>							
At 1 July 2008	6,754	11,232	4,629	8,023	11,165	422	42,225
Charge for the year	901	713	831	6	1,489	1	3,941
Disposals	-	-	-	(81)	-	-	(81)
Translation differences	-	2	-	18	-	7	27
At 30 June 2009	7,655	11,947	5,460	7,966	12,654	430	46,112
<b>Net Book Value</b>	37,373	1,481	2,771	5	2,233	-	43,863

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

## (b) Life fund (cont'd.)

## Group (cont'd.)

2008	Buildings on leasehold land RM'000	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>							
At 1 July 2007	45,028	13,199	7,854	8,138	14,887	527	89,633
Additions	-	12	-	-	-	-	12
Disposals	-	-	-	-	-	(99)	(99)
Write-offs	-	(42)	-	(89)	-	-	(131)
Translation differences	-	(3)	-	(15)	-	(5)	(23)
At 30 June 2008	45,028	13,166	7,854	8,034	14,887	423	89,392
<b>Accumulated Depreciation</b>							
At 1 July 2007	5,854	10,585	3,842	8,119	9,676	525	38,601
Charge for the year	900	692	787	8	1,489	1	3,877
Disposals	-	-	-	-	-	(99)	(99)
Write-offs	-	(42)	-	(89)	-	-	(131)
Translation differences	-	(3)	-	(15)	-	(5)	(23)
At 30 June 2008	6,754	11,232	4,629	8,023	11,165	422	42,225
<b>Net Book Value</b>	38,274	1,934	3,225	11	3,722	1	47,167

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

## (b) Life fund (cont'd.)

## Company

2009	Buildings on leasehold land RM'000	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>							
At 1 July 2008	45,028	13,139	7,854	7,795	14,887	327	89,030
Additions	-	259	377	-	-	-	636
Disposals	-	-	-	(81)	-	-	(81)
At 30 June 2009	45,028	13,398	8,231	7,714	14,887	327	89,585
<b>Accumulated Depreciation</b>							
At 1 July 2008	6,754	11,205	4,629	7,785	11,165	326	41,864
Charge for the year	901	713	831	5	1,489	1	3,940
Disposals	-	-	-	(81)	-	-	(81)
At 30 June 2009	7,655	11,918	5,460	7,709	12,654	327	45,723
<b>Net Book Value</b>	37,373	1,480	2,771	5	2,233	-	43,862

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

## (b) Life fund (cont'd.)

## Company (cont'd.)

2008	Buildings on leasehold land RM'000	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>							
At 1 July 2007	45,028	13,127	7,854	7,795	14,887	426	89,117
Additions	-	12	-	-	-	-	12
Disposals	-	-	-	-	-	(99)	(99)
At 30 June 2008	45,028	13,139	7,854	7,795	14,887	327	89,030
<b>Accumulated Depreciation</b>							
At 1 July 2007	5,854	10,513	3,842	7,777	9,676	424	38,086
Charge for the year	900	692	787	8	1,489	1	3,877
Disposals	-	-	-	-	-	(99)	(99)
At 30 June 2008	6,754	11,205	4,629	7,785	11,165	326	41,864
<b>Net Book Value</b>	<b>38,274</b>	<b>1,934</b>	<b>3,225</b>	<b>10</b>	<b>3,722</b>	<b>1</b>	<b>47,166</b>

#### 4. INVESTMENT PROPERTIES

##### Life fund - Group and Company

	<b>Buildings on freehold land RM'000</b>	<b>Total RM'000</b>
At 1 July 2007/2008	220	220
Fair value adjustment	-	-
At 30 June 2008/2009	<u>220</u>	<u>220</u>

#### 5. PREPAID LAND LEASE PAYMENTS

	<b>Shareholders' fund RM'000</b>	<b>Life fund RM'000</b>	<b>Total RM'000</b>
<b>Group and Company</b>			
<b>2009</b>			
<b>Cost</b>			
At 1 July 2008/ 30 June 2009	<u>2,639</u>	<u>10,557</u>	<u>13,196</u>
<b>Accumulated Amortisation</b>			
At 1 July 2008	233	931	1,164
Amortisation for the year	31	125	156
At 30 June 2009	<u>264</u>	<u>1,056</u>	<u>1,320</u>
<b>Net Book Value</b>	<u>2,375</u>	<u>9,501</u>	<u>11,876</u>
<b>2008</b>			
<b>Cost</b>			
At 1 July 2007/ 30 June 2008	<u>2,639</u>	<u>10,557</u>	<u>13,196</u>
<b>Accumulated Amortisation</b>			
At 1 July 2007	202	807	1,009
Amortisation for the year	31	124	155
At 30 June 2008	<u>233</u>	<u>931</u>	<u>1,164</u>
<b>Net Book Value</b>	<u>2,406</u>	<u>9,626</u>	<u>12,032</u>

## 6. INTANGIBLE ASSETS

### Life fund

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Cost</b>				
At beginning and end of financial year	8,449	8,449	8,449	8,449
<b>Accumulated Amortisation and Impairment</b>				
At beginning of financial year	8,307	7,568	8,307	7,568
Amortisation	134	739	134	739
At end of financial year	8,441	8,307	8,441	8,307
<b>Net Book Value</b>	8	142	8	142

## 7. INVESTMENT IN A SUBSIDIARY

### Shareholders' fund

	Company	
	2009 RM'000	2008 RM'000
Unquoted shares, at cost	13,225	13,225
Provision for impairment	(2,149)	(2,149)
	11,076	11,076

The subsidiary is:

Name of company	Place of incorporation	Effective interest (%)		Principal activity
		2009	2008	
Etiqa Life International (Labuan) Ltd. (formerly known as Mayban Life International (Labuan) Ltd. )	Federal Territory of Labuan, Malaysia	100	100	Offshore investment - linked life insurance business

## 8. INVESTMENTS

## (a) Shareholders' fund

## Group

	2009		2008	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Malaysian Government Securities ("MGS") <sup>1</sup>	26,807		-	
Net amortisation of premiums	(62)		-	
	<u>26,745</u>	<u>26,413</u>	<u>-</u>	<u>-</u>
Quoted in Malaysia:				
Shares and warrants of corporations	18,083	19,514	8,812	9,624
Loan stocks of corporations	-	-	21	25
Unit and property trusts	1,801		869	
Provision for diminution in value	-		(22)	
	<u>1,801</u>	<u>2,040</u>	<u>847</u>	<u>847</u>
Unquoted in Malaysia:				
Khazanah Nasional Berhad bonds ("Khazanah") <sup>1</sup>	15,989		-	
Net accretion of discounts	194		-	
	<u>16,183</u>	<u>15,818</u>	<u>-</u>	<u>-</u>
Corporate bonds <sup>1</sup>	71,282		81,598	
Net accretion of discounts	2,603		1,960	
	<u>73,885</u>	<u>74,781</u>	<u>83,558</u>	<u>82,748</u>
Negotiable Certificates of Deposit ("NCD")/Negotiable Islamic Certificates of Deposit ("NICD") <sup>1</sup>	20,406		25,406	
Net amortisation of premiums	(314)		(263)	
	<u>20,092</u>	<u>21,194</u>	<u>25,143</u>	<u>25,495</u>
Fixed and call deposits with:				
Licensed commercial banks	12,024		58,759	
Investment banks	55,072		1,371	
	<u>67,096</u>		<u>60,130</u>	
<b>TOTAL INVESTMENTS</b>	<u>223,885</u>		<u>178,511</u>	

<sup>1</sup> indicative market values are obtained from Bondweb for unquoted corporate bonds and secondary market for other investments

## 8. INVESTMENTS (CONT'D.)

## (a) Shareholders' fund (cont'd.)

Company	2009		2008	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Malaysian Government Securities ("MGS") <sup>1</sup>	26,807		-	
Net amortisation of premiums	(62)		-	
	<u>26,745</u>	<u>26,413</u>	<u>-</u>	<u>-</u>
Quoted in Malaysia:				
Shares and warrants of corporations	18,083	19,514	8,812	9,624
Loan stocks of corporations	-	-	21	25
Unit and property trusts	1,801		869	
Provision for diminution in value	-		(22)	
	<u>1,801</u>	<u>2,040</u>	<u>847</u>	<u>847</u>
Unquoted in Malaysia:				
Khazanah bonds <sup>1</sup>	15,989		-	
Net accretion of discounts	194		-	
	<u>16,183</u>	<u>15,818</u>	<u>-</u>	<u>-</u>
Corporate bonds <sup>1</sup>	71,282		81,598	
Net accretion of discounts	2,603		1,960	
	<u>73,885</u>	<u>74,781</u>	<u>83,558</u>	<u>82,748</u>
NCD/NICD <sup>1</sup>	20,406		25,406	
Net amortisation of premiums	(314)		(263)	
	<u>20,092</u>	<u>21,194</u>	<u>25,143</u>	<u>25,495</u>
Fixed and call deposits with:				
Licensed commercial banks	-		47,761	
Investment banks	55,072		1,371	
	<u>55,072</u>		<u>49,132</u>	
<b>TOTAL INVESTMENTS</b>	<u>211,861</u>		<u>167,513</u>	

<sup>1</sup> indicative market values are obtained from Bondweb for unquoted corporate bonds and secondary market for other investments

## 8. INVESTMENTS (CONT'D.)

## (a) Shareholders' fund (cont'd.)

## (i) The remaining maturity of investments at cost is, as follows:

Group	< 1 year RM'000	1 to <3 years RM'000	3 to 5 years RM'000	> 5 years RM'000	Total RM'000
<b>2009</b>					
MGS	-	-	26,807	-	26,807
Khazanah bonds	-	-	-	15,989	15,989
Unquoted corporate bonds	3,409	34,219	11,265	22,389	71,282
NCD/NICD	-	15,406	5,000	-	20,406
Fixed and call deposits with:					
Licensed commercial banks	12,024	-	-	-	12,024
Investment banks	55,072	-	-	-	55,072
<b>2008</b>					
Quoted loan stocks of corporations	21	-	-	-	21
Unquoted corporate bonds	5,000	33,471	20,737	22,390	81,598
NCD/NICD	5,000	15,406	5,000	-	25,406
Fixed and call deposits with:					
Licensed commercial banks	55,759	-	3,000	-	58,759
Investment banks	1,371	-	-	-	1,371
<b>Company</b>					
<b>2009</b>					
MGS	-	-	26,807	-	26,807
Khazanah bonds	-	-	-	15,989	15,989
Unquoted corporate bonds	3,409	34,219	11,265	22,389	71,282
NCD/NICD	-	15,406	5,000	-	20,406
Fixed and call deposits with:					
Investment banks	55,072	-	-	-	55,072

## 8. INVESTMENTS (CONT'D.)

## (a) Shareholders' fund (cont'd.)

## (i) The remaining maturity of investments at cost is, as follows (cont'd.):

Company	< 1 year	1 to <3	3 to 5	> 5 years	Total
	RM'000	years RM'000	years RM'000	RM'000	RM'000
<b>2008</b>					
Quoted loan stocks of corporations	21	-	-	-	21
Unquoted corporate bonds	5,000	33,471	20,737	22,390	81,598
NCD/NICD	5,000	15,406	5,000	-	25,406
Fixed and call deposits with:					
Licensed commercial banks	44,761	-	3,000	-	47,761
Investment banks	1,371	-	-	-	1,371

## (ii) The weighted average rates of return of investments at the balance sheet date were, as follows:

	Group		Company	
	2009	2008	2009	2008
	%	%	%	%
	per	per	per	per
	annum	annum	annum	annum
MGS	3.51	-	3.51	-
Khazanah bonds	4.52	-	4.52	-
Quoted loan stocks of corporations	-	3.05	-	3.05
Unquoted corporate bonds	5.32	5.41	5.32	5.41
NCD/NICD	5.81	5.69	5.81	5.55
Fixed and call deposits with:				
Licensed commercial banks	0.30	3.32	-	3.43
Investment banks	1.81	3.24	1.81	3.24

## 8. INVESTMENTS (CONT'D.)

## (b) Life fund

## Group

	2009		2008	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
MGS <sup>1</sup>	135,897		26,710	
Net amortisation of premiums	(352)		(125)	
	<u>135,545</u>	<u>131,675</u>	<u>26,585</u>	<u>24,031</u>
Government Investment Issues ("GII") <sup>1</sup>	43,755		16,475	
Net accretion of discounts	223		241	
	<u>43,978</u>	<u>42,298</u>	<u>16,716</u>	<u>16,621</u>
Quoted in Malaysia: Shares and warrants of corporations	179,519	187,103	149,318	162,979
Unit and property trusts Provision for diminution in value	27,748		26,644	
	(1,369)		-	
	<u>26,379</u>	<u>26,383</u>	<u>26,644</u>	<u>27,108</u>
Quoted outside Malaysia: Shares of corporations Provision for diminution in value	2,029		64,175	
	-		(25,715)	
	<u>2,029</u>	<u>2,712</u>	<u>38,460</u>	<u>38,460</u>
Unit trusts Provision for diminution in value	9,240		8,562	
	(1,762)		-	
	<u>7,478</u>	<u>7,478</u>	<u>8,562</u>	<u>14,070</u>

## 8. INVESTMENTS (CONT'D.)

## (b) Life fund (cont'd.)

## Group (cont'd.)

	2009		2008	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Unquoted in Malaysia:				
Shares of corporations	2,147		2,147	
Provision for diminution in value	(55)		(55)	
	<u>2,092</u>		<u>2,092</u>	
Preference shares of a corporation	17,832		-	
Provision for diminution in value	(9,362)		-	
	<u>8,470</u>		<u>-</u>	
Government guaranteed bonds <sup>1</sup>	476,145		344,916	
Net amortisation of premiums	(5,115)		(4,035)	
	<u>471,030</u>	<u>467,372</u>	<u>340,881</u>	<u>330,736</u>
Khazanah bonds <sup>1</sup>	19,187		7,983	
Net accretion of discounts	233		1,918	
	<u>19,420</u>	<u>18,981</u>	<u>9,901</u>	<u>9,918</u>
Corporate bonds <sup>1</sup>	1,772,069		1,456,525	
Net accretion of discounts	39,483		30,068	
Provision for diminution in value	(10,433)		(29,092)	
	<u>1,801,119</u>	<u>1,789,738</u>	<u>1,457,501</u>	<u>1,392,600</u>
NCD/NICD <sup>1</sup>	469,602		459,674	
Net accretion of discounts	31,888		21,266	
	<u>501,490</u>	<u>526,963</u>	<u>480,940</u>	<u>470,420</u>
Structured deposits <sup>1</sup>	214,000		384,000	
Net accretion of discounts	-		10,948	
	<u>214,000</u>	<u>197,619</u>	<u>394,948</u>	<u>382,684</u>

## 8. INVESTMENTS (CONT'D.)

## (b) Life fund (cont'd.)

## Group (cont'd.)

	2009		2008	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Fixed and call deposits with:				
Licensed commercial banks	1,631		39,078	
Investment banks	184,998		88,063	
	<u>186,629</u>		<u>127,141</u>	
Unquoted outside Malaysia:				
Unit trusts	7,203		1,033	
	<u>7,203</u>		<u>1,033</u>	
<b>TOTAL INVESTMENTS</b>	<b><u>3,606,381</u></b>		<b><u>3,080,722</u></b>	

<sup>1</sup> indicative market values are obtained from Bondweb for unquoted corporate bonds and secondary market for other investments

## Company

	2009		2008	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
MGS <sup>1</sup>	135,897		26,710	
Net amortisation of premiums	(352)		(125)	
	<u>135,545</u>	131,675	<u>26,585</u>	24,031
GII <sup>1</sup>	43,755		16,475	
Net accretion of discounts	223		241	
	<u>43,978</u>	42,298	<u>16,716</u>	16,621

## 8. INVESTMENTS (CONT'D.)

## (b) Life fund (cont'd.)

## Company (cont'd.)

	2009		2008	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Quoted in Malaysia:				
Shares and warrants of corporations	179,519	187,103	149,318	162,979
Unit and property trusts	27,748		26,644	
Provision for diminution in value	(1,369)		-	
	<u>26,379</u>	<u>26,383</u>	<u>26,644</u>	<u>27,108</u>
Quoted outside Malaysia:				
Shares of corporations	2,029		64,175	
Provision for diminution in value	-		(25,715)	
	<u>2,029</u>	<u>2,712</u>	<u>38,460</u>	<u>38,460</u>
Unit trusts	9,240		8,562	
Provision for diminution in value	(1,762)		-	
	<u>7,478</u>	<u>7,478</u>	<u>8,562</u>	<u>14,070</u>
Unquoted in Malaysia:				
Shares of corporations	2,147		2,147	
Provision for diminution in value	(55)		(55)	
	<u>2,092</u>		<u>2,092</u>	
Preference shares of a corporation	17,832		-	
Provision for diminution in value	(9,362)		-	
	<u>8,470</u>		<u>-</u>	
Government guaranteed bonds <sup>1</sup>	476,145		344,916	
Net amortisation of premiums	(5,115)		(4,035)	
	<u>471,030</u>	<u>467,372</u>	<u>340,881</u>	<u>330,736</u>

## 8. INVESTMENTS (CONT'D.)

## (b) Life fund (cont'd.)

## Company (cont'd.)

	2009		2008	
	Cost RM'000	Market/ indicative value RM'000	Cost RM'000	Market/ indicative value RM'000
Khazanah bonds <sup>1</sup>	19,187		7,983	
Net accretion of discounts	233		1,918	
	<u>19,420</u>	<u>18,981</u>	<u>9,901</u>	<u>9,918</u>
Corporate bonds <sup>1</sup>	1,772,069		1,456,525	
Net accretion of discounts	39,483		30,068	
Provision for diminution in value	(10,433)		(29,092)	
	<u>1,801,119</u>	<u>1,789,738</u>	<u>1,457,501</u>	<u>1,392,600</u>
NCD/NICD <sup>1</sup>	469,602		459,674	
Net accretion of discounts	31,888		21,266	
	<u>501,490</u>	<u>526,963</u>	<u>480,940</u>	<u>470,420</u>
Structured deposits <sup>1</sup>	214,000		384,000	
Net accretion of discounts	-		10,948	
	<u>214,000</u>	<u>197,619</u>	<u>394,948</u>	<u>382,684</u>
Fixed and call deposits with:				
Licensed commercial banks	-		37,283	
Investment banks	184,998		88,063	
	<u>184,998</u>		<u>125,346</u>	
Unquoted outside Malaysia:				
Unit trusts	7,203		1,033	
	<u>7,203</u>		<u>1,033</u>	
<b>TOTAL INVESTMENTS</b>	<u>3,604,750</u>		<u>3,078,927</u>	

<sup>1</sup> indicative market values are obtained from Bondweb for unquoted corporate bonds and secondary market for other investments

## 8. INVESTMENTS (CONT'D.)

## (b) Life fund

## (i) The remaining maturity of investments at cost is, as follows:

## Group

	< 1 year RM'000	1 to <3 years RM'000	3 to 5 years RM'000	> 5 years RM'000	Total RM'000
<b>2009</b>					
MGS	-	-	26,894	109,003	135,897
GII	-	1,513	-	42,242	43,755
Government guaranteed bonds	-	19,766	10,009	446,370	476,145
Khazanah bonds	-	-	-	19,187	19,187
Unquoted corporate bonds	48,714	268,286	233,053	1,222,016	1,772,069
NCD/NICD	66,821	26,276	216,450	160,055	469,602
Structured deposits	-	20,000	110,000	84,000	214,000
Fixed and call deposits with:					
Licensed commercial banks	1,631	-	-	-	1,631
Investment banks	184,998	-	-	-	184,998
<b>2008</b>					
MGS	150	-	-	26,560	26,710
GII	-	-	1,513	14,962	16,475
Government guaranteed bonds	-	-	64,766	280,150	344,916
Khazanah bonds	7,983	-	-	-	7,983
Unquoted corporate bonds	144,372	167,434	314,268	830,451	1,456,525
NCD/NICD	-	83,169	89,659	286,846	459,674
Structured deposits	140,000	84,000	55,000	105,000	384,000
Fixed and call deposits with:					
Licensed commercial banks	33,211	-	5,867	-	39,078
Investment banks	88,063	-	-	-	88,063

## 8. INVESTMENTS (CONT'D.)

## (b) Life fund (cont'd.)

## (i) The remaining maturity of investments at cost is, as follows (cont'd.):

Company	< 1 year RM'000	1 to <3 years RM'000	3 to 5 years RM'000	> 5 years RM'000	Total RM'000
<b>2009</b>					
MGS	-	-	26,894	109,003	135,897
GII	-	1,513	-	42,242	43,755
Government guaranteed bonds	-	19,766	10,009	446,370	476,145
Khazanah bonds	-	-	-	19,187	19,187
Unquoted corporate bonds	48,714	268,286	233,053	1,222,016	1,772,069
NCD/NICD	66,821	26,276	216,450	160,055	469,602
Structured deposits	-	20,000	110,000	84,000	214,000
Fixed and call deposits with:					
Investment banks	184,998	-	-	-	184,998
<b>2008</b>					
MGS	150	-	-	26,560	26,710
GII	-	-	1,513	14,962	16,475
Government guaranteed bonds	-	-	64,766	280,150	344,916
Khazanah bonds	7,983	-	-	-	7,983
Unquoted corporate bonds	144,372	167,434	314,268	830,451	1,456,525
NCD/NICD	-	83,169	89,659	286,846	459,674
Structured deposits	140,000	84,000	55,000	105,000	384,000
Fixed and call deposits with:					
Licensed commercial banks	31,416	-	5,867	-	37,283
Investment banks	88,063	-	-	-	88,063

## 8. INVESTMENTS (CONT'D.)

### (b) Life fund (cont'd.)

(ii) The weighted average rates of return of investments at the balance sheet date were, as follows:

	Group		Company	
	2009 %	2008 %	2009 %	2008 %
	per annum	per annum	per annum	per annum
MGS	3.81	4.21	3.81	4.21
GII	3.67	4.42	3.67	4.42
Government guaranteed bonds	4.40	4.61	4.40	4.61
Khazanah bonds	4.52	4.63	4.52	4.63
Unquoted corporate bonds	5.92	5.75	5.92	5.75
NCD/NICD	4.98	5.04	4.98	5.04
Structured deposits	2.48	5.21	2.48	5.21
Fixed and call deposits with:				
Licensed commercial banks	0.30	3.34	-	3.39
Investment banks	2.13	3.53	2.13	3.53

## 9. LOANS

### Life fund

	Group and Company	
	2009 RM'000	2008 RM'000
Policy/automatic premium loans	57,725	52,402
Corporate loans	51,300	54,100
Staff loans:		
Secured	5,645	6,311
Unsecured	886	677
	<u>115,556</u>	<u>113,490</u>
Receivable after 12 months	<u>57,824</u>	<u>61,073</u>

## 9. LOANS (CONT'D.)

The average effective interest rates of the loans receivable during the year were, as follows:

	Group		Company	
	2009 % per annum	2008 % per annum	2009 % per annum	2008 % per annum
Policy/automatic premium loans	8.00	8.00	8.00	8.00
Corporate loans	5.79	5.88	5.79	5.88
Staff loans	3.09	3.09	3.09	3.09

## 10. RECEIVABLES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>(a) Shareholders' fund</b>				
Other receivables:				
Income due and accrued	1,576	1,720	1,575	1,706
Provision for doubtful debts	(4)	(31)	(4)	(31)
	<u>1,572</u>	<u>1,689</u>	<u>1,571</u>	<u>1,675</u>
Amount due from life fund	41,656	44,022	41,301	43,692
Sundry receivables, deposits and prepayments	310	199	310	200
	<u>43,538</u>	<u>45,910</u>	<u>43,182</u>	<u>45,567</u>
<b>(b) Life fund</b>				
Trade receivables:				
Outstanding premiums	3,979	3,629	3,979	3,629
Provision for doubtful debts	(12)	(11)	(12)	(11)
	<u>3,967</u>	<u>3,618</u>	<u>3,967</u>	<u>3,618</u>
Amount due from reinsurers	1,751	4,319	1,734	4,316
Provision for doubtful debts	-	(2,614)	-	(2,614)
	<u>1,751</u>	<u>1,705</u>	<u>1,734</u>	<u>1,702</u>
	<u>5,718</u>	<u>5,323</u>	<u>5,701</u>	<u>5,320</u>

## 10. RECEIVABLES (CONT'D.)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>(b) Life fund (cont'd.)</b>				
Other receivables:				
Sundry receivables, deposits and prepayments	4,663	7,798	4,587	7,778
Provision for doubtful debts	(379)	(678)	(379)	(678)
	<u>4,284</u>	<u>7,120</u>	<u>4,208</u>	<u>7,100</u>
Income due and accrued	35,481	27,051	35,481	27,050
Provision for doubtful debts	(21)	(126)	(21)	(126)
	<u>35,460</u>	<u>26,925</u>	<u>35,460</u>	<u>26,924</u>
Amount due from investment-linked funds	40,123	26,051	39,453	25,398
	<u>79,867</u>	<u>60,096</u>	<u>79,121</u>	<u>59,422</u>
<b>TOTAL RECEIVABLES</b>	<b>85,585</b>	<b>65,419</b>	<b>84,822</b>	<b>64,742</b>

## 11. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2009 '000	2008 '000	2009 RM'000	2008 RM'000
<b>Authorised:</b>				
At beginning/end of financial year	100,000	100,000	100,000	100,000
<b>Issued and fully paid-up:</b>				
At beginning/end of financial year	100,000	100,000	100,000	100,000

## 12. LIFE POLICYHOLDERS' FUND

	2009 RM'000	2008 RM'000
<b>Group</b>		
<b>Actuarial liabilities:</b>		
At beginning of financial year	2,733,494	2,622,282
Add: Increase in policy reserves	458,593	111,290
Translation differences	131	(78)
At end of financial year	<u>3,192,218</u>	<u>2,733,494</u>
<b>Unallocated surplus:</b>		
At beginning of financial year	446,802	378,946
Add: Surplus arising during the financial year	156,572	144,694
Less: Bonus allocated to participating policyholders - from normal surplus	(35,481)	(31,789)
Transfer to income statement	(42,400)	(45,034)
	78,691	67,871
Translation differences	14	(15)
At end of financial year	<u>525,507</u>	<u>446,802</u>
<b>Life policyholders' fund at end of financial year:</b>		
Actuarial liabilities	3,192,218	2,733,494
Bonus allocated to participating policyholders - from normal surplus	35,481	31,789
Less: Interim bonus paid	(2,013)	(1,421)
Unallocated surplus	525,507	446,802
Translation differences	207	352
	<u>3,751,400</u>	<u>3,211,016</u>
<b>Company</b>		
<b>Actuarial liabilities:</b>		
At beginning of financial year	2,731,796	2,620,572
Add: Increase in policy reserves	458,593	111,224
At end of financial year	<u>3,190,389</u>	<u>2,731,796</u>
<b>Unallocated surplus:</b>		
At beginning of financial year	446,613	378,538
Add: Surplus arising during the financial year	156,915	144,898
Less: Bonus allocated to participating policyholders - from normal surplus	(35,481)	(31,789)
Transfer to income statement	(42,400)	(45,034)
	79,034	68,075
At end of financial year	<u>525,647</u>	<u>446,613</u>

**12. LIFE POLICYHOLDERS' FUND (CONT'D.)**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Life policyholders' fund at end of financial year:</b>		
Actuarial liabilities	3,190,389	2,731,796
Bonus allocated to participating policyholders		
- from normal surplus	35,481	31,789
Less: Interim bonus paid	(2,013)	(1,421)
Unallocated surplus	525,647	446,613
	<u>3,749,504</u>	<u>3,208,777</u>

**13. PROVISION FOR OUTSTANDING CLAIMS****Life fund**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Provision for outstanding claims	30,754	32,918	30,754	32,793
Recoverable from reinsurers	(1,144)	(2,260)	(1,144)	(2,260)
Net outstanding claims	<u>29,610</u>	<u>30,658</u>	<u>29,610</u>	<u>30,533</u>

**14. DERIVATIVE LIABILITIES****2009****Life fund - Group and Company**

	<b>Maturity date</b>	<b>Notional amount</b>	<b>Fair value</b>
		<b>RM'000</b>	<b>RM'000</b>
Forward foreign exchange contracts in United States Dollars	28 Sept 2009	29,454	1,542
Forward foreign exchange contracts in United States Dollars	07 May 2010	27,820	3,516
<b>TOTAL DERIVATIVE LIABILITIES</b>		<u>57,274</u>	<u>5,058</u>

**14. DERIVATIVE LIABILITIES (CONT'D.)****2008****Life fund - Group and Company**

	<b>Maturity date</b>	<b>Notional amount RM'000</b>	<b>Fair value RM'000</b>
Forward foreign exchange contracts in United States Dollars	28 Sept 2009	29,454	(726)
Forward foreign exchange contracts in United States Dollars	07 May 2010	27,822	1,086
<b>TOTAL DERIVATIVE LIABILITIES</b>		<u>57,276</u>	<u>360</u>

**15. PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2009 RM'000</b>	<b>2008 RM'000</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>(a) Shareholders' fund</b>				
Other payables:				
Sundry payables and accrued liabilities	333	121	333	121
<b>(b) Life fund</b>				
Trade payables:				
Amount due to reinsurers	2,073	3,326	2,073	3,326
Commissions and agency expenses payable	1,643	2,422	1,643	2,422
	<u>3,716</u>	<u>5,748</u>	<u>3,716</u>	<u>5,748</u>

**15. PAYABLES (CONT'D.)**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(b) Life fund (cont'd.)</b>				
Other payables:				
Amount due to investment				
-linked funds	347	732	-	388
Premium deposits	17,978	20,813	17,978	20,813
Amount due to shareholders'				
fund	41,656	44,022	41,301	43,692
Sundry payables and accrued				
liabilities	16,420	19,158	16,297	18,970
	<u>76,401</u>	<u>84,725</u>	<u>75,576</u>	<u>83,863</u>
<b>TOTAL PAYABLES</b>	<u>80,117</u>	<u>90,473</u>	<u>79,292</u>	<u>89,611</u>

**16. DEFERRED TAX LIABILITIES/(ASSETS)**

	<b>Shareholders' fund</b>		<b>Life fund</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group and Company</b>				
At beginning of financial year	419	342	923	2,210
Recognised in the income				
statement/revenue account				
(Note 21)	186	77	2,472	(1,287)
At end of financial year	<u>605</u>	<u>419</u>	<u>3,395</u>	<u>923</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax shown in the balance sheet have been determined after appropriate offsetting.

## 16. DEFERRED TAX LIABILITIES/(ASSETS) (CONT'D.)

	Shareholders' fund		Life fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	699	490	6,061	5,669
Deferred tax assets	(94)	(71)	(2,666)	(4,746)
	<u>605</u>	<u>419</u>	<u>3,395</u>	<u>923</u>

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

**Deferred Tax Liabilities of the Group and Company:****(a) Shareholders' fund**

	Accretion of discounts on investments RM'000	Total RM'000
<b>2009</b>		
At 1 July 2008	490	490
Recognised in the income statement	209	209
At 30 June 2009	<u>699</u>	<u>699</u>
<b>2008</b>		
At 1 July 2007	399	399
Recognised in the income statement	91	91
At 30 June 2008	<u>490</u>	<u>490</u>

**16. DEFERRED TAX LIABILITIES/(ASSETS) (CONT'D.)****Deferred Tax Liabilities of the Group and Company (cont'd.):****(b) Life fund**

	Accelerated capital allowance on investment properties RM'000	Accelerated capital allowance on property, plant and equipment RM'000	Accretion of discounts on investments RM'000	Total RM'000
<b>2009</b>				
At 1 July 2008	-	524	5,145	5,669
Recognised in the revenue account	-	(195)	587	392
At 30 June 2009	<u>-</u>	<u>329</u>	<u>5,732</u>	<u>6,061</u>
<b>2008</b>				
At 1 July 2007	6	657	4,177	4,840
Recognised in the revenue account	(6)	(133)	968	829
At 30 June 2008	<u>-</u>	<u>524</u>	<u>5,145</u>	<u>5,669</u>

**Deferred Tax Assets of the Group and Company:****(a) Shareholders' fund**

	Provision for investments RM'000	Amortisation of premium on investments RM'000	Total RM'000
<b>2009</b>			
At 1 July 2008	(6)	(65)	(71)
Recognised in the income statement	6	(29)	(23)
At 30 June 2009	<u>-</u>	<u>(94)</u>	<u>(94)</u>
<b>2008</b>			
At 1 July 2007	-	(57)	(57)
Recognised in the income statement	(6)	(8)	(14)
At 30 June 2008	<u>(6)</u>	<u>(65)</u>	<u>(71)</u>

## 16. DEFERRED TAX LIABILITIES/(ASSETS) (CONT'D.)

## Deferred Tax Assets of the Group and Company (cont'd.):

## (b) Life fund

	Assets expensed off RM'000	Provision for investments RM'000	Amortisation of premium on investments RM'000	Total RM'000
<b>2009</b>				
At 1 July 2008	(5)	(2,061)	(2,680)	(4,746)
Recognised in the revenue account	5	223	1,852	2,080
At 30 June 2009	<u>-</u>	<u>(1,838)</u>	<u>(828)</u>	<u>(2,666)</u>
<b>2008</b>				
At 1 July 2007	(12)	(2,394)	(224)	(2,630)
Recognised in the revenue account	7	333	(2,456)	(2,116)
At 30 June 2008	<u>(5)</u>	<u>(2,061)</u>	<u>(2,680)</u>	<u>(4,746)</u>

## 17. OPERATING REVENUE

	Shareholders' fund		Life fund		Total	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Group</b>						
Investment-linked units created (Note 23B)	-	-	100,335	512,047	100,335	512,047
Ordinary life business gross premiums	-	-	696,492	365,190	696,492	365,190
Investment income:						
Investment-linked funds (Note 23F)	-	-	73,659	88,659	73,659	88,659
Others (Note 18)	9,914	9,714	183,117	165,463	193,031	175,177
	<u>9,914</u>	<u>9,714</u>	<u>1,053,603</u>	<u>1,131,359</u>	<u>1,063,517</u>	<u>1,141,073</u>
<b>Company</b>						
Investment-linked units created (Note 23B)	-	-	100,335	512,047	100,335	512,047
Ordinary life business gross premiums	-	-	696,492	365,190	696,492	365,190
Investment income:						
Investment-linked funds (Note 23F)	-	-	73,497	88,264	73,497	88,264
Others (Note 18)	9,751	9,198	183,096	165,379	192,847	174,577
	<u>9,751</u>	<u>9,198</u>	<u>1,053,420</u>	<u>1,130,880</u>	<u>1,063,171</u>	<u>1,140,078</u>

## 18. INVESTMENT INCOME

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>(a) Shareholders' fund</b>				
Gross dividends from:				
Shares quoted in Malaysia	428	233	428	233
Unit and property trusts quoted in Malaysia	69	54	69	54
Interest income	7,352	7,558	7,189	7,042
Rental income	1,556	1,438	1,556	1,438
Accretion of discounts net of amortisation of premiums	509	431	509	431
	<u>9,914</u>	<u>9,714</u>	<u>9,751</u>	<u>9,198</u>
<b>(b) Life fund</b>				
Gross dividends from:				
Shares quoted in Malaysia	6,544	6,818	6,544	6,818
Shares quoted outside Malaysia	491	1,231	491	1,231
Unit and property trusts quoted in Malaysia	2,441	1,951	2,441	1,951
Unquoted unit trusts outside Malaysia	17	38	17	38
Interest income	145,507	122,877	145,486	122,793
Rental income	6,245	5,770	6,245	5,770
Accretion of discounts net of amortisation of premiums	21,872	26,778	21,872	26,778
	<u>183,117</u>	<u>165,463</u>	<u>183,096</u>	<u>165,379</u>
Total	<u>193,031</u>	<u>175,177</u>	<u>192,847</u>	<u>174,577</u>

## 19. OTHER INCOME/(EXPENDITURE) (NET)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>(a) Shareholders' fund</b>				
Net gain on disposal of investments	454	416	454	416
Writeback of/(provision for) diminution in value of investments	22	(22)	22	(22)
Bad debts recovered	78	228	78	228
Provision for doubtful debts	(51)	(259)	(51)	(259)
Unrealised foreign exchange (loss)/gain	(5)	5	-	-
Others	(463)	(38)	(463)	(379)
	<u>35</u>	<u>330</u>	<u>40</u>	<u>(16)</u>
<b>(b) Life fund</b>				
(Loss)/gain on disposal of investments	(46,922)	17,369	(46,922)	17,369
Realised foreign exchange loss	(724)	-	(738)	-
Unrealised foreign exchange gain/(loss)	6,406	(3,822)	6,406	(3,825)
Unrealised loss on derivatives	(4,698)	(360)	(4,698)	(360)
Realised gain on derivatives	-	3,108	-	3,108
Writeback of /(provision for) diminution in value of investments	33,880	(25,375)	33,880	(25,375)
Bad debts recovered	4,358	2,245	4,358	2,245
Provision for doubtful debts	(1,340)	(5,382)	(1,340)	(5,382)
Gain on disposal of property, plant and equipment	-	32	-	32
Investment-Linked management fee income	29,129	33,532	29,007	33,274
Others	(1,635)	(1,046)	(1,633)	(1,077)
	<u>18,454</u>	<u>20,301</u>	<u>18,320</u>	<u>20,009</u>

## 20. MANAGEMENT EXPENSES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>(a) Shareholders' fund</b>				
Depreciation of property, plant and equipment	648	647	647	647
Amortisation of prepaid land lease payments	31	31	31	31
Maybank Group ESOS expense	1	29	1	26
Portfolio management fees	313	-	313	-
Other expenses	-	9	-	9
	<u>993</u>	<u>716</u>	<u>992</u>	<u>713</u>
<b>(b) Life fund</b>				
Staff costs:	7,587	14,158	7,345	13,787
Basic salary	4,831	7,401	4,709	7,207
EPF	758	1,569	734	1,521
Short-term accumulating compensated absences	(48)	(23)	(48)	(23)
SOCSSO	69	68	68	66
Bonus, allowances and other staff related costs	1,977	5,143	1,882	5,016
Directors' remuneration:				
Fees payable to:	163	225	153	160
MBB	31	32	31	32
MFHB	35	39	25	25
Fortis Insurance Int. NV	25	40	25	25
Other directors	72	114	72	78
Other emoluments paid and payable to:	46	40	29	29
MBB	7	5	7	5
MFHB	7	7	4	4
Fortis Insurance Int. NV	4	6	4	4
Other directors	28	22	14	16

**20. MANAGEMENT EXPENSES (CONT'D.)**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(b) Life fund (cont'd.)</b>				
Auditors' remuneration :				
Fees :				
- current year	189	177	180	165
Others	108	15	108	15
Tax consultancy fees	8	29	8	29
Office rental	643	748	643	748
Depreciation of property, plant and equipment	3,941	3,877	3,940	3,877
Amortisation of prepaid land lease payments	125	124	125	124
Amortisation of intangible assets	134	739	134	739
Office maintenance and facilities expenses	1,538	1,986	1,538	1,986
Portfolio management fees	10,178	565	10,178	565
Other management fees	9,059	8,788	8,975	8,788
Other expenses	10,767	14,818	10,610	14,431
	<u>44,486</u>	<u>46,289</u>	<u>43,966</u>	<u>45,443</u>

The number of directors whose total remuneration received from the Group and Company during the financial year that fell within the following bands, is analysed below:

	<b>Group</b>		<b>Company</b>	
	<b>Number of Directors</b>		<b>Number of Directors</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Non-executive directors				
Below RM50,000	9	8	9	8

## 21. TAXATION

The domestic income tax for shareholders' funds is calculated based on the corporate tax rate of 25% (2008: 26%) of the estimated assessable profit for the financial year.

The income tax for life funds is calculated based on the statutory rate of 8% (2008: 8%) of the estimated assessable surplus for the financial year.

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>(a) Shareholders' fund</b>				
Income tax:				
Current financial year's provision	9,455	14,070	9,435	14,050
(Over)/under provision of taxation in prior financial years	(3,598)	17	(3,598)	17
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 16)	186	77	186	77
Tax expense for the financial year	6,043	14,164	6,023	14,144
<b>(b) Life fund</b>				
Income tax:				
Current financial year's provision	7,791	12,377	7,791	12,377
Under provision of taxation in prior financial years	1,203	316	1,203	316
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 16)	2,472	(1,287)	2,472	(1,287)
Tax expense for the financial year	11,466	11,406	11,466	11,406

**21. TAXATION (CONT'D.)****(b) Life fund (cont'd.)**

The corporate income tax rate for the year of assessment 2009 (for financial year ending 2009) and subsequent years of assessment will be reduced to 25% as gazetted in the Finance Act 2007. No changes have been proposed to the income tax rate for life fund, which is currently at 8%.

In view of this, the Group and the Company have computed the deferred tax for shareholders' fund based on the reduced corporate tax rate of 25%.

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

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(a) Shareholders' fund</b>				
Profit before taxation	51,356	54,362	51,199	53,503
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	12,839	14,134	12,800	13,911
Effect of different tax rate on offshore business activity	(19)	(156)	-	-
Income not subject to tax	(3,465)	(128)	(3,465)	(81)
Expenses not deductible for tax purposes	286	297	286	297
(Over)/under provision in prior financial years	(3,598)	17	(3,598)	17
Tax expense for the financial year	6,043	14,164	6,023	14,144

## 21. TAXATION (CONT'D.)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>(b) Life fund</b>				
Surplus before taxation				
- Life business	594,250	264,072	594,593	264,210
- Investment-linked funds (Note 23)	(757,373)	(15,469)	(750,980)	(8,012)
	<u>(163,123)</u>	<u>248,603</u>	<u>(156,387)</u>	<u>256,198</u>
Taxation at Malaysian tax rate of 8% (2008: 8%)	(13,050)	19,888	(12,511)	20,496
Income not subject to tax	(65,537)	(70,785)	(65,155)	(70,628)
Expenses not deductible for tax purposes	95,866	57,849	94,945	57,084
Utilisation of previously unrecognised tax losses	(895)	-	(895)	-
Under provision in prior financial years	<u>1,088</u>	<u>94</u>	<u>1,088</u>	<u>94</u>
Tax expense for the financial year				
- Life business	11,466	11,406	11,466	11,406
- Investment-linked funds (Note 23H)	6,006	(4,360)	6,006	(4,360)
	<u>17,472</u>	<u>7,046</u>	<u>17,472</u>	<u>7,046</u>

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credits under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

**21. TAXATION (CONT'D.)****(b) Life fund (cont'd.)**

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2007, to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 30 June 2008, the Company has sufficient credits in the Section 108 balance to pay franked dividends out of its entire retained earnings.

Previously, investment income and gains from disposal of investments from the Life Fund was taxed twice, once at tax rate of 8% in the Life Fund and again at a tax rate of 25% (2008:26%) when the surplus from Life Fund is transferred to the Shareholders' Fund. In Budget 2008 which was enacted via a Gazette order on 21 April 2008 and effective from year of assessment 2008 onwards insurance companies are permitted a set-off ("Section 110B credits") from the total amount of tax imposed on the Shareholders' Fund to overcome the incidence of double taxation.

Section 110B credits are governed by a specific Inland Revenue Board ("IRB") guideline issued on 5 November 2008 which details the computation of said credits available to the Shareholders' Fund of an insurance company. Section 110B credits are applied before dividend tax credits when computing net tax payable to IRB.

**22. EARNINGS PER SHARE**

Basic earnings per share of the Group and of the Company are calculated by dividing the profit for the financial year, by the number of ordinary shares in issue, during the financial year.

	<b>Net profit for the financial year</b>		<b>Number of shares in issue ( '000)</b>		<b>Basic earnings per share (sen)</b>	
	<b>RM'000</b>	<b>RM'000</b>				
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Group</b>	45,313	40,198	100,000	100,000	45.3	40.2
<b>Company</b>	45,176	39,359	100,000	100,000	45.2	39.4

The Group has no potential dilutive ordinary shares in issue as at balance sheet date and therefore, diluted earnings per share has not been presented.

## 23. INVESTMENT-LINKED FUNDS

## A. BALANCE SHEETS AS AT 30 JUNE 2009

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>ASSETS</b>				
Investments (Note C)	2,469,932	3,135,057	2,463,521	3,123,033
Derivative assets (Note D)	12,323	89,904	12,323	89,904
Amount due from stockbrokers	3,897	3,323	3,897	3,323
Amount due from life fund	347	732	-	388
Sundry receivables	12,289	20,326	12,289	20,303
Deferred tax assets	5,347	8,349	5,347	8,349
Cash and bank balances	179,730	1,203	179,730	1,195
<b>Investment-linked funds assets</b>	<b>2,683,865</b>	<b>3,258,894</b>	<b>2,677,107</b>	<b>3,246,495</b>
<b>LIABILITIES</b>				
Provision for outstanding claims	177,317	-	177,317	-
Derivative liabilities (Note E)	407	-	407	-
Amount due to stockbrokers	3,791	1,219	3,791	1,057
Amount due to life fund	40,123	26,051	39,453	25,398
Sundry payables	224	263	185	233
Tax payable	3,817	7,338	3,817	7,338
Deferred tax liabilities	3,795	7,141	3,795	7,141
<b>Investment-linked funds liabilities</b>	<b>229,474</b>	<b>42,012</b>	<b>228,765</b>	<b>41,167</b>
<b>Unitholders' investment-linked funds</b>	<b>2,454,391</b>	<b>3,216,882</b>	<b>2,448,342</b>	<b>3,205,328</b>
<b>REPRESENTED BY:</b>				
<b>Unitholders' accounts</b>	<b>2,457,927</b>	<b>3,221,306</b>	<b>2,448,342</b>	<b>3,205,328</b>
<b>Currency translation reserve</b>	<b>(3,536)</b>	<b>(4,424)</b>	<b>-</b>	<b>-</b>
	<b>2,454,391</b>	<b>3,216,882</b>	<b>2,448,342</b>	<b>3,205,328</b>

**23. INVESTMENT-LINKED FUNDS (CONT'D.)****B. INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Units created (net) (Note 17)	100,335	512,047	100,335	512,047
Investment income (Note F)	73,659	88,659	73,497	88,264
Other income (Note G)	166,606	57,512	162,161	56,716
Other outgo (Note H)	(1,097,973)	(673,687)	(1,086,973)	(665,039)
Deficit before taxation	(757,373)	(15,469)	(750,980)	(8,012)
Taxation (Note I)	(6,006)	4,360	(6,006)	4,360
Deficit for the financial year after taxation	(763,379)	(11,109)	(756,986)	(3,652)
Fund at beginning of financial year	3,221,306	3,232,415	3,205,328	3,208,980
Fund at end of financial year	2,457,927	3,221,306	2,448,342	3,205,328

**C. INVESTMENTS**

## Quoted in Malaysia:

## Shares and warrants

## of corporation, at cost

159,181 178,145 159,181 175,870

## Investment fluctuation

11,176 16,211 11,176 16,423

## At market value

170,357 194,356 170,357 192,293

## Unit and property trusts, at cost

- 1,018 - 1,018

## Investment fluctuation

- 184 - 184

## At market value

- 1,202 - 1,202

## Quoted outside Malaysia:

## Shares of corporations, at cost

14,322 29,787 14,322 21,644

## Investment fluctuation

(3,031) (7,996) (3,031) (4,255)

## At market value

11,291 21,791 11,291 17,389

Preference shares of a  
corporation, at cost

7 - 7 -

## Investment fluctuation

2 - 2 -

## At market value

9 - 9 -

Exchange traded fund/  
Closed End Funds, at cost

309 - 309 -

## Investment fluctuation

82 - 82 -

## At market value

391 - 391 -

## Corporate bonds, at cost

- 3,831 - -

## Investment fluctuation

- 25 - -

## At market value

- 3,856 - -

## 23. INVESTMENT-LINKED FUNDS (CONT'D.)

## C. INVESTMENTS (CONT'D.)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unquoted in Malaysia:				
Preference shares of a corporation, at cost	2,843	-	2,843	-
Investment fluctuation	(1,492)	-	(1,492)	-
At market value	<u>1,351</u>	<u>-</u>	<u>1,351</u>	<u>-</u>
NCD/NICD, at cost	1,046,459	1,211,979	1,046,459	1,211,979
Investment fluctuation	94,102	66,179	94,102	66,179
At market value	<u>1,140,561</u>	<u>1,278,158</u>	<u>1,140,561</u>	<u>1,278,158</u>
Corporate bonds, at cost	791,722	1,261,851	791,722	1,261,851
Investment fluctuation	(10,278)	(28,003)	(10,278)	(28,003)
At market value	<u>781,444</u>	<u>1,233,848</u>	<u>781,444</u>	<u>1,233,848</u>
Government guaranteed bonds, at cost	6,746	-	6,746	-
Investment fluctuation	(312)	-	(312)	-
At market value	<u>6,434</u>	<u>-</u>	<u>6,434</u>	<u>-</u>
Khazanah bonds, at cost	-	30,300	-	30,300
Investment fluctuation	-	6,892	-	6,892
At market value	<u>-</u>	<u>37,192</u>	<u>-</u>	<u>37,192</u>
Fixed and call deposits with:				
Licensed commercial banks	6,690	1,659	279	268
Investment banks	66,501	105,119	66,501	105,119
	<u>73,191</u>	<u>106,778</u>	<u>66,780</u>	<u>105,387</u>
Unquoted outside Malaysia:				
Unit trusts	<u>453</u>	<u>996</u>	<u>453</u>	<u>684</u>
Foreign notes, at cost	298,729	276,810	298,729	276,810
Investment fluctuation	(14,279)	(19,930)	(14,279)	(19,930)
At market value	<u>284,450</u>	<u>256,880</u>	<u>284,450</u>	<u>256,880</u>
Total	<u>2,469,932</u>	<u>3,135,057</u>	<u>2,463,521</u>	<u>3,123,033</u>

## 23. INVESTMENT-LINKED FUNDS (CONT'D.)

## C. INVESTMENTS (CONT'D.)

(i) The remaining maturity of investments at cost is, as follows:

Group	< 1 year RM'000	1 to <3 years RM'000	3 to 5 years RM'000	> 5 years RM'000	Total RM'000
<b>2009</b>					
NCD/NICD	890,174	156,285	-	-	1,046,459
Unquoted corporate bonds	117,912	228,300	220,926	224,584	791,722
Government guaranteed bonds	-	-	6,746	-	6,746
Foreign notes	-	298,729	-	-	298,729
Fixed and call deposits with:					
Licensed commercial banks	6,690	-	-	-	6,690
Investment banks	66,501	-	-	-	66,501
<b>2008</b>					
Quoted corporate bonds	-	97	648	3,086	3,831
NCD/NICD	151,967	942,806	117,206	-	1,211,979
Unquoted corporate bonds	178,718	503,521	297,212	282,400	1,261,851
Khazanah bonds	30,300	-	-	-	30,300
Foreign notes	-	-	276,810	-	276,810
Fixed and call deposits with:					
Licensed commercial banks	1,659	-	-	-	1,659
Investment banks	105,119	-	-	-	105,119

## 23. INVESTMENT-LINKED FUNDS (CONT'D.)

## C. INVESTMENTS (CONT'D.)

(i) The remaining maturity of investments at cost is, as follows (cont'd.):

Company	< 1 year RM'000	1 to <3 years RM'000	3 to 5 years RM'000	> 5 years RM'000	Total RM'000
<b>2009</b>					
NCD/NICD	890,174	156,285	-	-	1,046,459
Unquoted corporate bonds	117,912	228,300	220,926	224,584	791,722
Government guaranteed bonds	-	-	6,746	-	6,746
Foreign notes	-	298,729	-	-	298,729
Fixed and call deposits with:					
Licensed commercial banks	279	-	-	-	279
Investment banks	66,501	-	-	-	66,501
	<u>66,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,501</u>
<b>2008</b>					
NCD/NICD	151,967	942,806	117,206	-	1,211,979
Unquoted corporate bonds	178,718	503,521	297,212	282,400	1,261,851
Khazanah bonds	30,300	-	-	-	30,300
Foreign notes	-	-	276,810	-	276,810
Fixed and call deposits with:					
Licensed commercial banks	268	-	-	-	268
Investment banks	105,119	-	-	-	105,119
	<u>105,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,119</u>

**23. INVESTMENT-LINKED FUNDS (CONT'D.)****C. INVESTMENTS (CONT'D.)**

(ii) The weighted average rates of return of investments at the balance sheet date were, as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2009</b> %	<b>2008</b> %	<b>2009</b> %	<b>2008</b> %
	<b>per annum</b>	<b>per annum</b>	<b>per annum</b>	<b>per annum</b>
Quoted corporate bonds	-	2.35	-	-
NCD/NICD	3.77	4.09	3.77	4.09
Unquoted corporate bonds	4.79	5.05	4.79	5.05
Government guaranteed bonds	3.13	-	3.13	-
Khazanah bonds	-	4.38	-	4.38
Fixed and call deposits with:				
Licensed commercial banks	0.35	2.70	0.70	1.97
Investment banks	1.80	3.24	1.80	3.24

**D. DERIVATIVE ASSETS**

	<b>Cost</b> <b>RM'000</b>	<b>Notional</b> <b>Amount</b> <b>RM'000</b>	<b>Fair</b> <b>Value</b> <b>RM'000</b>
<b>2009</b>			
Options	87,419	-	8,155
Currency on swap contract	-	314,184	4,168
<b>Total</b>	<b>87,419</b>	<b>314,184</b>	<b>12,323</b>
<b>2008</b>			
Options	92,583	-	66,937
Forward foreign exchange contract	-	23,669	1,337
Currency on swap contract	-	314,184	21,630
<b>Total</b>	<b>92,583</b>	<b>337,853</b>	<b>89,904</b>

**23. INVESTMENT-LINKED FUNDS (CONT'D.)****E. DERIVATIVE LIABILITIES**

	<b>Cost RM'000</b>	<b>Notional Amount RM'000</b>	<b>Fair Value RM'000</b>
<b>2009</b>			
Forward foreign exchange contract	-	23,669	407
Total	<u>-</u>	<u>23,669</u>	<u>407</u>

**F. INVESTMENT INCOME**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross dividends from:				
Shares quoted in Malaysia	7,312	8,183	7,273	8,087
Shares quoted outside Malaysia	651	868	610	741
Unit and property trusts quoted in Malaysia	69	156	69	156
Unquoted unit trusts outside Malaysia	8	25	8	25
Interest income	65,619	77,983	65,537	77,811
Others	-	1,444	-	1,444
	<u>73,659</u>	<u>88,659</u>	<u>73,497</u>	<u>88,264</u>

**G. OTHER INCOME**

Gain on disposal of investments	45,636	22,964	45,636	22,471
Gain on disposal of derivatives	-	9,556	-	9,556
Investment fluctuation	91,065	24,364	86,620	24,364
Unrealised foreign exchange gain	29,897	303	29,897	-
Unrealised gain on derivatives	-	325	-	325
Others	8	-	8	-
	<u>166,606</u>	<u>57,512</u>	<u>162,161</u>	<u>56,716</u>

**23. INVESTMENT-LINKED FUNDS (CONT'D.)**

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>H. OTHER OUTGO</b>				
Benefits paid and payable:				
Death	6,248	6,528	6,248	4,782
Surrender	181,956	227,323	178,865	225,804
Maturity	700,814	174,702	700,814	174,702
Others	11,235	18,636	11,235	18,636
Loss on disposal of investments	35,555	2,444	28,182	1,508
Loss on disposal of derivatives	7,266	22,647	7,266	22,647
Investment fluctuation	46,428	108,527	46,211	104,370
Realised foreign exchange loss	723	-	718	-
Unrealised foreign exchange loss	166	23,812	-	23,812
Unrealised loss on derivatives	74,610	51,751	74,610	51,751
Auditors' remuneration	56	55	46	46
Investment-Linked management charge	29,129	33,532	29,007	33,274
Others	3,787	3,730	3,771	3,707
	<u>1,097,973</u>	<u>673,687</u>	<u>1,086,973</u>	<u>665,039</u>

**I. TAXATION**

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income tax:				
Current year's provision	7,360	8,281	7,360	8,281
Over provision of taxation in prior financial years	(115)	(222)	(115)	(222)
Tax equalisation	(895)	-	(895)	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(344)	(12,419)	(344)	(12,419)
Tax expense for the financial year	<u>6,006</u>	<u>(4,360)</u>	<u>6,006</u>	<u>(4,360)</u>

**23. INVESTMENT-LINKED FUNDS (CONT'D.)****I. TAXATION (CONT'D.)**

The Malaysian tax charge on the investment-linked life insurance business is based on the method prescribed under the Income Tax Act, 1967 for life business.

The deferred tax (assets)/liabilities of the respective individual funds are in respect of unrealised capital (losses)/gains of the investment-linked funds.

**24. SEGMENT INFORMATION ON CASH FLOW**

<b>Group</b>	<b>Shareholders' fund RM'000</b>	<b>Life fund RM'000</b>	<b>Total RM'000</b>
<b>2009</b>			
Cash flows from:			
Operating activities	(273)	172,531	172,258
Investing activities	-	(637)	(637)
	<u>(273)</u>	<u>171,894</u>	<u>171,621</u>
Net (decrease)/increase in cash and cash equivalents			
	(273)	171,894	171,621
At beginning of financial year	357	15,805	16,162
At end of financial year	<u>84</u>	<u>187,699</u>	<u>187,783</u>
<b>2008</b>			
Cash flows from:			
Operating activities	133	(5,180)	(5,047)
Investing activities	-	20	20
	<u>133</u>	<u>(5,160)</u>	<u>(5,027)</u>
Net increase/(decrease) in cash and cash equivalents			
	133	(5,160)	(5,027)
At beginning of financial year	224	20,965	21,189
At end of financial year	<u>357</u>	<u>15,805</u>	<u>16,162</u>

## 24. SEGMENT INFORMATION ON CASH FLOW (CONT'D.)

	Shareholders' fund RM'000	Life fund RM'000	Total RM'000
<b>Company</b>			
<b>2009</b>			
Cash flows from:			
Operating activities	(251)	172,820	172,569
Investing activities	-	(636)	(636)
	<u>(251)</u>	<u>172,184</u>	<u>171,933</u>
Net (decrease)/increase in cash and cash equivalents			
	(251)	172,184	171,933
At beginning of financial year	273	15,396	15,669
At end of financial year	<u>22</u>	<u>187,580</u>	<u>187,602</u>
<b>2008</b>			
Cash flows from:			
Operating activities	134	(4,822)	(4,688)
Investing activities	-	20	20
	<u>134</u>	<u>(4,802)</u>	<u>(4,668)</u>
Net increase/(decrease) in cash and cash equivalents			
	134	(4,802)	(4,668)
At beginning of financial year	139	20,198	20,337
At end of financial year	<u>273</u>	<u>15,396</u>	<u>15,669</u>

## 25. SIGNIFICANT RELATED PARTY DISCLOSURES

Significant transactions of the Group and the Company with related parties during the financial year were, as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>(a) Shareholders' fund</b>				
Transactions with the ultimate holding company:				
Commissions and fee expense	(47)	(28)	(47)	(28)
Interest income	(148)	152	(148)	152
Rental income	14	18	14	18
<hr/>				
Transactions with the holding company:				
Rental income	7	21	7	21
<hr/>				
Transactions with other related companies within MBB group:				
General insurance premium expense	(11)	(9)	(11)	(9)
Interest income	855	966	693	450
Rental income	1,444	1,355	1,444	1,355
Portfolio management fees	(313)	-	(313)	-
<hr/>				
<b>(b) Life fund</b>				
Transactions with the ultimate holding company:				
Gross insurance premium income	893	3,707	893	3,707
Interest income	6,825	(1,808)	6,825	(1,808)
Commissions and fee expense	(34,959)	(38,745)	(34,959)	(38,731)
Dividend income	192	548	192	548
Rental income	56	67	56	67
<hr/>				

## 25. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>(b) Life fund (cont'd.)</b>				
Transactions with the holding company:				
Gross insurance premium income	(1)	35	(1)	35
Rental income	26	82	26	82
Transactions with other related companies within MBB group:				
Gross insurance premium income	35	155	35	155
General insurance premium expense	(532)	(116)	(516)	(109)
Interest income	6,656	8,266	6,616	8,147
Rental income	5,779	5,419	5,779	5,419
Insurance recovery	27	-	27	-
Rental expense	(541)	(541)	(541)	(541)
Portfolio management fees	(9,965)	-	(9,965)	-
Other management fees	(84)	(122)	-	-

Included in the balance sheets of the Group and of the Company are amounts due from/(to) related companies represented by the following:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>(a) Shareholders' fund</b>				
Amount due from/(to) the ultimate holding company:				
Bank balances	84	355	22	273
Fixed and call deposits	-	3,000	-	3,000
Income due and accrued	-	72	-	72
Sundry receivables	3	5	3	5
Sundry payables	(5)	-	(5)	-

## 25. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>(a) Shareholders' fund (cont'd.)</b>				
Amount due from/(to) other related companies within MBB group:				
Fixed and call deposits	67,096	12,369	55,072	1,371
Sundry receivables	90	127	89	113
Sundry payables	(85)	-	(85)	-
<b>(b) Life fund</b>				
Amount due from/(to) the ultimate holding company:				
Bank balances	185,638	15,796	185,519	15,395
Corporate bonds	125,068	-	125,068	-
NCD	275,101	151,056	275,101	151,056
Structured deposits	30,000	30,000	30,000	30,000
Fixed and call deposits	279	12,178	279	12,178
Income due and accrued	2,312	341	2,312	341
Sundry receivables	64	80	64	80
Commissions payable	(1,789)	(2,460)	(1,789)	(2,460)
Sundry payables	(543)	(683)	(543)	(683)
Amount due from/(to) the holding company:				
Sundry receivables	1	77	1	77
Sundry payables	(397)	(1,284)	(397)	(1,284)
Amount due from/(to) other related companies within MBB group:				
Fixed and call deposits	233,264	164,519	225,221	161,963
Income due and accrued	11	15	11	15
Outstanding premiums	-	1	-	1
Sundry receivables	546	1,745	493	1,741
Sundry payables	(4,226)	(2,051)	(4,226)	(2,051)

**25. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)**

The remuneration of the key management during the year are, as follows:

**(a) Key management personnel compensation**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Short-term employee benefits</b>				
- Fees	163	225	153	160
- Salaries, allowances and bonuses	436	208	419	197
- Contribution to Employees Provident Fund (EPF)	59	27	59	27
	<u>658</u>	<u>460</u>	<u>631</u>	<u>384</u>

The movement in share options in Maybank Group ESOS held by key management personnel is, as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 July	64,300	110,100	64,300	110,100
Right issue	25,500	-	25,500	-
Granted	-	9,400	-	9,400
Exercised	-	(55,200)	-	(55,200)
At 30 June	<u>89,800</u>	<u>64,300</u>	<u>89,800</u>	<u>64,300</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and the Group, directly or indirectly. The key management personnel of the Group and Company are the directors and Chief Executive Officer.

## 26. RISK MANAGEMENT POLICIES

### (a) Financial Risk Management Policies

The Group's risk management policies seek to ensure that adequate financial resources are available for the development of the Group's businesses taking into account its various risks. The overall objective is, to safeguard the interests of all its stakeholders. Risk management at Mayban Fortis Group ("MFHG") is therefore, organised both centrally and on a business/functional unit basis. As the first line of defence, the Company and its subsidiary, Etiqa Life International (Labuan) Ltd. (formerly known as Mayban Life International (Labuan) Ltd), are responsible for the day-to-day management of risks inherent in their business activities. The Central Risk Management ("CRM") at MFHG acts as a risk control and coordinating unit whose responsibility includes the establishment of a risk management framework, the formulation and implementation of risk and capital management guidelines and the development of tools and methodologies for risk identification, measurement, monitoring, control and pricing. As such, CRM becomes the second line of defence and assumes the role of an oversight function. It provides risk management guidance, support and advice across the Group. The internal auditors of Maybank Group, acting as the third line of defence, provide an independent assurance on the effectiveness of the risk management framework and practices. This three-level approach is consistent with Maybank Group's approach.

#### A. Types of Risk

Risks can arise in all business activities, operational areas, processes, systems and also from external events. Assessing the risk situation of MFHG's businesses therefore, requires a holistic, enterprise-wide approach. The scope of risk management at MFHG includes the strategic and reputational risks which come under the purview of the Risk Management Committee ("RMC") and the Boards. The risk management approach and practices at MFHG are in accordance to the three pillars of risks and are in line with the Maybank Group's approach and practices. The three pillars are the Insurance Risk, Financial Risk and Operational Risk.

##### (i) Insurance business risk

Insurance Risk relates to the risks inherent in the business activities of an insurer. Such risks include pricing risk, premium/benefits risk, premium/claims risk, claims/actuarial reserve risk, reinsurance risk and solvency risk. Premium/benefits risk in the life and health insurance is the risk of having to pay, from a premium that is fixed for many years at a constant level, benefits that can be affected by intervening trends before they become due. In the case of non-life insurance, the premium/claims risk is the risk of having to pay, from premiums fixed in advance, claims and benefits whose scope is uncertain at the time the premium is fixed.

## 26. RISK MANAGEMENT POLICIES (CONT'D.)

### (a) Financial Risk Management Policies (cont'd.)

#### A. Types of Risk (cont'd.)

##### (i) Insurance business risk (cont'd.)

Reinsurance risk can arise from the underwriting of direct or reinsurance businesses in relation to reinsurers, retrocessionaires, cedants and brokers. Solvency risk relates to the ability of an insurance operator to fulfil its obligations under all contracts. Therefore, special attention is given to the adequacy of the actuarial reserves, the claims reserves and the margin of solvency. For this purpose, the Appointed Actuary carries out financial investigations and makes an assessment on the adequacy of pricing, capital and reserves on a regular basis in accordance with BNM's and actuarial guidelines.

##### (ii) Financial risk

Financial Risk includes market, credit, liquidity, asset-liability matching ("ALM") and currency risks. Market risk involves potential losses in the value of invested capital as a result of changes in market prices, due to fluctuations in interest rates/rates of return or profits, share prices, exchange rates, property prices and their respective derivatives. Credit risk arises when a borrower or counterparty is no longer able to honour the debts. The risks from defaults can arise from the portfolio of assets, particularly bonds and other fixed income securities. ALM risk relates to the non-parallel movement of the present values of assets and liabilities following a change in interest rate. It is also called the interest rate risk. The resulting value gap is mainly due to the differences in the cash-flow profiles of assets and liabilities, including their duration and convexity. ALM risk mainly arises in the life insurance funds. Liquidity risk is the risk that funds may not be available when required, which may lead to forced sale of assets. Currency risk involves potential losses in value of invested assets if the assets are invested into non-Ringggit denominated financial instruments.

##### (iii) Operational risk

Operational Risk covers a wide range of risks other than the Insurance and Financial Risks. It is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This broad definition includes legal risk, but excludes strategic and reputational risks. The approach and methodology used to identify, assess, mitigate and control the operational risks, and the management of business continuity risks in the events of disasters are in accordance to the Maybank Group's risk framework and practices.

**26. RISK MANAGEMENT POLICIES (CONT'D.)****(a) Financial Risk Management Policies (cont'd.)****B. Monitoring and Controlling Risks**

Having classified the different types and categories of risks, it is important that risks are continuously identified, monitored, mitigated and controlled. The applications of consistent approach and methodology throughout MFHG have become the focal point of interest to the Management, RMC and Boards of MFHG companies. In essence, they can be described as follows:

**(i) Insurance risk**

Comprehensive underwriting and claims guidelines and limits have been established to clearly regulate the responsibility and accountability for the whole process of conducting insurance, reinsurance, takaful and retakaful contracts. The guidelines spell out who may accept what risks and up to what amounts. They are regularly monitored for compliance and updated to reflect current requirements. To further control the underwriting, claim and reserve adequacy risks, the actuarial department regularly assesses the adequacy of insurance pricing, reserves and technical provisions. In addition, CRM monitors the risk-return evolution of the business results and whether the business creates or destroys value.

The risks of defaults by reinsurance operators are reduced by selecting only reinsurance operators with reputable securities or those that have been awarded with at least an "A" rating by internationally recognised rating agencies. Additionally, provisions for known and unknown liabilities arising from the insurance contracts are computed for life business using prudent and generally accepted actuarial principles and methods.

**26. RISK MANAGEMENT POLICIES (CONT'D.)****(a) Financial Risk Management Policies (cont'd.)****B. Monitoring and Controlling Risks (cont'd.)****(ii) Financial risk**

In order to manage the enterprise-wide financial risks, the Asset-Liability Management Committee ("ALCO") has been established. ALCO is responsible for advising the Investment Committee ("IC"), RMC and the Board of Directors on financial and investment-related risks. It is responsible, among others, for formulating the investment management guidelines on market, counterparty and concentration risks in the fixed income, equity, property investments and derivatives, taking into account BNM's regulations and market trends. In addition, ALM studies, based on stress tests of the impact of alternative investment strategies on solvency, revenue and balance sheet values are performed for every investment portfolio separately, taking into account the characteristics of the liabilities and translated into a specific investment management mandate. The investment management guidelines and the portfolio-specific mandates are submitted to the IC, RMC and the Boards for review and approval. ALCO and CRM will then monitor the compliance with the approved mandates.

In managing credit risk, credit limits are imposed where ALCO sets forth the maximum credit exposures which the Group is willing to assume over specified periods. They relate to products, conditions of the exposure and other factors.

**(iii) Operational risk**

An ongoing process of implementing a comprehensive framework for identifying, monitoring and controlling operational risks has been put in place. In the process, operational loss data is collected and analysed using an approach similar to the requirements of Bank for International Settlement Capital Accord II ("Basel II") and consistent with Maybank Group's operational risk framework and practices. Key risk indicators, i.e. advanced warning signals, and their respective responses and mitigating actions are regularly compiled for deliberation at the Management and RMC meetings.

## 26. RISK MANAGEMENT POLICIES (CONT'D.)

### (a) Financial Risk Management Policies (cont'd.)

#### B. Monitoring and Controlling Risks (cont'd.)

##### (iii) Operational risk (cont'd.)

In practice, risk control self assessment scorecards, and risk responses and mitigation plans are maintained by the respective risk-taking units in order to continuously identify, manage, mitigate and control their operational risks. To inculcate an appropriate risk management culture, risk communication programmes are regularly carried out by CRM with the objective to create in-depth risk awareness and to embedded good risk management practises among all staff of MFHG of possible risks, and to avoid the common fallacy of equating risk-awareness with being risk-averse.

### (b) Fair Value of Financial Instruments

The aggregate net fair values of financial assets of the Group and of the Company as at the end of the financial year are represented as follows:

2009	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>(a) Shareholders' fund</b>				
Quoted in Malaysia:				
Shares and warrants of corporations	18,083	19,514	18,083	19,514
Unit and property trusts	1,801	2,040	1,801	2,040
Unquoted in Malaysia:				
MGS	26,745	26,413	26,745	26,413
Khazanah bonds	16,183	15,818	16,183	15,818
Corporate bonds	73,885	74,781	73,885	74,781
NCD/NICD	20,092	21,194	20,092	21,194

## 26. RISK MANAGEMENT POLICIES (CONT'D.)

## (b) Fair Value of Financial Instruments (cont'd.)

2009	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>(b) Life fund</b>				
MGS	135,545	131,675	135,545	131,675
GII	43,978	42,298	43,978	42,298
Quoted in Malaysia:				
Shares and warrants of corporations	179,519	187,103	179,519	187,103
Unit and property trusts	26,379	26,383	26,379	26,383
Quoted outside Malaysia:				
Shares of corporations	2,029	2,712	2,029	2,712
Unit trusts	7,478	7,478	7,478	7,478
Unquoted in Malaysia:				
Shares of corporations	2,092	*	2,092	*
Preference shares of corporations	8,470	*	8,470	*
Government guaranteed bonds	471,030	467,372	471,030	467,372
Khazanah bonds	19,420	18,981	19,420	18,981
Corporate bonds	1,801,119	1,789,738	1,801,119	1,789,738
NCD/NICD	501,490	526,963	501,490	526,963
Structured deposits	214,000	197,619	214,000	197,619
Unquoted outside Malaysia:				
Unit trusts	7,203	*	7,203	*

\* it is not practical to estimate the fair value of these investments as there are no readily available secondary market indicative prices

## 26. RISK MANAGEMENT POLICIES (CONT'D.)

## (b) Fair Value of Financial Instruments (cont'd.)

2008	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>(a) Shareholders' fund</b>				
Quoted in Malaysia:				
Shares and warrants of corporations	8,812	9,624	8,812	9,624
Loan stocks of corporations	21	25	21	25
Unit and property trusts	847	847	847	847
Unquoted in Malaysia:				
Corporate bonds	83,558	82,748	83,558	82,748
NCD/NICD	25,143	25,495	25,143	25,495
<b>(b) Life fund</b>				
MGS	26,585	24,031	26,585	24,031
GII	16,716	16,621	16,716	16,621
Quoted in Malaysia:				
Shares and warrants of corporations	149,318	162,979	149,318	162,979
Unit and property trusts	26,644	27,108	26,644	27,108
Quoted outside Malaysia:				
Shares of corporations	38,460	38,460	38,460	38,460
Unit trusts	8,562	14,070	8,562	14,070
Unquoted in Malaysia:				
Shares of corporations	2,092	*	2,092	*
Government guaranteed bonds	340,881	330,736	340,881	330,736
Khazanah bonds	9,901	9,918	9,901	9,918
Corporate bonds	1,457,501	1,392,600	1,457,501	1,392,600
NCD/NICD	480,940	470,420	480,940	470,420
Structured deposits	394,948	382,684	394,948	382,684
Unquoted outside Malaysia:				
Unit trusts	1,033	*	1,033	*

\* it is not practical to estimate the fair value of these investments as there are no readily available secondary market indicative prices

## 26. RISK MANAGEMENT POLICIES (CONT'D.)

### (b) Fair Value of Financial Instruments (cont'd.)

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

#### (i) Cash and Cash Equivalents and Other Receivables/Payables

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

In the opinion of the directors, no disclosure of fair value is made for inter-company balances as it is not practical to determine their fair values with sufficient reliability given that, these balances have no fixed terms of repayment.

#### (ii) Investments

The fair values of quoted investments are determined by reference to the stock exchange and unit trust market bid prices at the close of the business on the balance sheet date.

The fair values of Malaysian Government Guaranteed bonds, Khazanah bonds, and corporate bonds are determined by reference to indicative prices obtained from Bondweb.

The fair values of Malaysian Government Securities and Government Investment Issues are indicative values obtained from Bondweb while the fair values of NCDs, NICDs are from BNM Interest Rate Swap and structured deposits are market prices obtained from financial institutions.

## 27. CURRENCY

All amounts are stated in Ringgit Malaysia, unless otherwise stated.