ETIQA INSURANCE BERHAD
(9557 T)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
30 June 2009

Ernst & Young
AF : 0039

9557 T

Etiqa Insurance Berhad
(Incorporated in Malaysia)

Contents

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Etiqa Insurance Berhad
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Directors' report

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

Principal activities

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

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

Holding and ultimate holding companies

The holding and ultimate holding companies of the Company are Mayban Fortis Holdings Berhad ("MFHB") and Malayan Banking Berhad ("MBB") respectively, which are both incorporated in Malaysia.

Results

	RM'000
Net profit for the financial year	102,441

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 Company during the financial year were not affected by any item, transaction or event of a material and unusual nature.

Dividend

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 who have held office since the date of the last report and at the date of this report are as follows:

Datuk Syed Tamim Ansari bin Syed Mohamed (Chairman)	(appointed on 31 March 2009)
Dato' Haji Aminuddin bin Md Desa	
Damis Jacobus Ziengs	
Hans J. J. De Cuyper	
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	(resigned on 15 February 2009)
Datuk Haji Abdul Rahman bin Mohd Ramli	(resigned on 31 March 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 of 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.

Corporate governance (cont'd.)

(a) Board responsibilities (cont'd.)

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 year and the attendance of the directors was as follows:

	Number of Board meetings Attended	%
Datuk Syed Tamim Ansari bin Syed Mohamed (Chairman) (appointed on 31 March 2009)	2/2	100
Dato' Haji Aminuddin bin Md Desa	6/6	100
Damis Jacobus Ziengs*	3/6	50
Hans J. J. De Cuyper	5/6	83
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (resigned on 15 February 2009)	3/3	100
Datuk Haji Abdul Rahman bin Mohd Ramli (resigned on 31 March 2009)	4/4	100

* Mr Damis Jacobus Ziengs could not fulfill the 75% requirement for attendance at Board meetings due to unavoidable reasons.

(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 31 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 joint AC established at MFHB is as follows:

Sulaiman bin Salleh (Chairman)
Independent Non-Executive Director

Damis Jacobus Ziengs
Non-Independent Non-Executive Director

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

Datuk Dr Syed Othman bin Syed Hussin Alhabshi
Independent Non-Executive Director

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

The AC met 5 times during the year.

Corporate governance (cont'd.)

(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 joint RMC established at MFHB is as follows:

Datuk Syed Tamim Ansari bin Syed Mohamed (Chairman) Independent Non-Executive Director	
Petrus Bernadus Gerardus van Harten Non-Independent Non-Executive Director	(resigned on 18 July 2009)
Datuk Haji Abdul Rahman bin Mohd Ramli Non-Independent Non-Executive Director	(resigned on 31 March 2009)

The RMC met 5 times during the year.

(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 ("NC") 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 ("REC"), 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 joint NC established at MBB is as follows:

Haji Mohd Hashir bin 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 NC met 12 times during the year.

Corporate governance (cont'd.)

(f) Nomination committee and remuneration and establishment committee (cont'd.)

The composition of the joint REC established at MBB is as follows:

Haji Mohd Hashir bin Haji Abdullah (Chairman) Independent Non-Executive Director	(appointed on 19 February 2009)
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (Chairman) Independent Non-Executive Director	(resigned on 15 February 2009)
Datuk Haji Abdul Rahman bin Mohd Ramli Non-Independent Non-Executive Director	(resigned on 31 March 2009)
Datuk Zainun Aishah binti Ahmad Non-Independent Non-Executive Director	
Tan Sri Dato' Sri Chua Hock Chin Independent Non-Executive Director	

The REC met 9 times during the year.

(g) Investment committee

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

(g) Investment committee (cont'd.)

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) Non-Independent Non-Executive Director	(appointed on 11 December 2008)
Sulaiman bin Salleh Independent Non-Executive Director	
Datuk Dr. Syed Othman bin Syed Hussin Alhabshi Independent Non-Executive Director	
Dato' Haji Aminuddin bin Md. Desa Non-Independent Non-Executive Director	(appointed on 1 November 2008)
Hans J. J. De Cuyper Senior Management Team	
Haji Mohd Tarmidzi bin Ahmad Nordin Senior Management Team	
Mohd Din bin Merican Senior Management Team	(appointed on 1 November 2008)
Norlia binti Mat Yusof Senior Management Team	(resigned on 1 September 2008)
Amirudin bin Abdul Halim Senior Management Team	(resigned on 15 October 2008)
See Toong Chow Senior Management Team	(retired on 1 November 2008)
Hugo Philip van Vledder Senior Management Team	(resigned on 1 November 2008)
Datuk Haji Abdul Rahman bin Mohd Ramli Non-Independent Non-Executive Director	(resigned on 31 March 2009)

The IC met 4 times during the year.

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Corporate governance (cont'd.)

(h) Public accountability

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

(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 acquisition of shares in or debentures of the Company or any other body corporate.

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 22 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.

According to the register of directors' shareholdings, the interest of a director in office at the end of the financial year in shares and options over shares in the ultimate holding company during the financial year were as follows:

	Number of ordinary share of RM1 each				
	1 July 2008/ Date of appointment	**Bought**	**Rights issue**	**Sold**	**30 June 2009**
Ultimate holding company: Malayan Banking Berhad					
Direct interest					
Datuk Syed Tamim Ansari bin Syed Mohamed	12,500	-	5,625	-	18,125

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

Other statutory information

(a) Before the balance sheet and income statement of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would:

(i) require any amount to be written off as bad debts or render the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

(ii) render the values attributed to the current assets in the financial statements of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

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

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

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Other statutory information (cont'd.)

(f) In the opinion of the directors: (cont'd.)

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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

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

Subsequent event

Details of the subsequent event are disclosed in Note 33 to the financial statements.

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

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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 Etiqa Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 92 are drawn up in accordance with 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 Company as at 30 June 2009 and of the financial performance and the cash flows of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors 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, Mohd Din bin Merican, being the officer primarily responsible for the financial management of Etiqa Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 92 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 Mohd Din bin Merican at Kuala Lumpur in Wilayah Persekutuan on 14 August 2009

Mohd Din bin Merican

Before me,

Commissioner for Oaths

Independent auditors' report to the member of
Etiqa Insurance Berhad
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Report on the financial statements

We have audited the financial statements of Etiqa Insurance Berhad, which comprise the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 15 to 92.

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.

**Independent auditors' report to the member of
Etiqa Insurance Berhad (cont'd.)
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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 Company as at 30 June 2009 and of its financial performance and cash flows 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 that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other matters

This report is made solely to the member 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

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Etiqa Insurance Berhad
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Balance sheet as at 30 June 2009

	Note	2009 RM'000	2008 RM'000
Assets			
General insurance and shareholder's fund assets			
Property, plant and equipment	3(a)	10,333	11,343
Investment properties	4(a)	38,590	1,700
Prepaid land lease payments	5	803	19,617
Intangible assets	6	197	173
Subsidiaries	7	-	53,330
Due from related companies	8(a)	1,204	-
Investments	9(a)	1,160,016	1,035,575
Loans	10(a)	51,075	52,292
Deferred tax assets	11	7,538	14,699
Trade and other receivables	12(a)	239,175	242,803
Tax recoverable		87,288	87,288
Cash and bank balances	13	50,136	32,762
		1,646,355	1,551,582
Life insurance fund assets	Page 20	4,471,492	4,543,271
Total assets		6,117,847	6,094,853
Equity, insurance funds and liabilities			
Equity attributable to equity holder of the Company			
Share capital	14	152,151	152,151
Reserves		929,369	813,911
Total equity		1,081,520	966,062
Insurance funds			
Unearned premium reserves	15	160,055	156,309
Life insurance policyholders' fund	16	4,171,012	4,247,352
Total insurance funds		4,331,067	4,403,661

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Balance sheet as at 30 June 2009 (cont'd.)

	Note	2009 RM'000	2008 RM'000
Liabilities			
Provision for outstanding claims	17(a)	223,404	225,492
Due to related companies	8(a)	1,426	4,530
Trade and other payables	18(a)	179,950	199,189
		404,780	429,211
Life insurance fund liabilities	Page 20	300,480	295,919
Total liabilities		705,260	725,130
Total equity, insurance funds and liabilities		6,117,847	6,094,853

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

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Statement of changes in equity
For the financial year ended 30 June 2009

			Non-distributable		Distributable	
	Note	Share capital RM'000	Share premium RM'000	Asset Revaluation reserve RM'000	Retained profits RM'000	Total equity RM'000
At 1 July 2007		152,151	17,728	-	920,582	1,090,461
Net profit for the financial year		-	-	-	33,587	33,587
Dividends	25	-	-	-	(157,986)	(157,986)
At 30 June 2008		152,151	17,728	-	796,183	966,062
At 1 July 2008		152,151	17,728	-	796,183	966,062
Net profit for the financial year		-	-	-	102,441	102,441
Revaluation surplus on investment properties	28	-	-	13,017	-	13,017
At 30 June 2009		152,151	17,728	13,017	898,624	1,081,520

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

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Income statement
For the financial year ended 30 June 2009

	Note	2009 RM'000	2008 RM'000
Operating revenue	19	1,276,817	1,235,982
Shareholder's fund:			
Investment income	20(a)	16,483	14,664
Net other operating income	21(a)	16,693	20,672
Management expenses	22(a)	(1,292)	(1,124)
		31,884	34,212
Surplus transferred from revenue accounts:			
- General insurance fund	Page 19	8,728	41,981
- Life insurance fund	Page 21	92,000	50,000
Profit before tax		132,612	126,193
Taxation	23(a)	(30,171)	(92,606)
Net profit for the financial year		102,441	33,587
Earnings per share - Basic (sen)	24	67.3	22.1

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

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General insurance revenue account
For the financial year ended 30 June 2009

		Fire		Motor		Marine, aviation and transit		Miscellaneous		Total	
		2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	19									1,276,817	1,235,982
Gross premiums	19	73,812	63,476	143,019	135,468	362,973	370,028	90,012	69,622	669,816	638,594
Reinsurance		(45,866)	(38,882)	(6,930)	(6,818)	(348,514)	(355,553)	(42,658)	(26,063)	(443,968)	(427,316)
Net premiums		27,946	24,594	136,089	128,650	14,459	14,475	47,354	43,559	225,848	211,278
(Increase)/decrease in unearned premium reserves	15	(1,969)	(3,766)	(3,938)	(7,995)	6,066	11,272	(3,905)	4,240	(3,746)	3,751
Earned premiums		25,977	20,828	132,151	120,655	20,525	25,747	43,449	47,799	222,102	215,029
Net claims incurred	26	(11,168)	(11,204)	(99,484)	(78,091)	(3,710)	(4,732)	(39,798)	(32,187)	(154,160)	(126,214)
Net commissions		(1,884)	(1,096)	(12,811)	(11,637)	6,125	7,338	(4,739)	(4,093)	(13,309)	(9,488)
Underwriting surplus before management expenses		12,925	8,528	19,856	30,927	22,940	28,353	(1,088)	11,519	54,633	79,327
Management expenses	22(b)									(87,979)	(81,709)
Underwriting deficit										(33,346)	(2,382)
Investment income	20(b)									30,336	37,023
Net other operating income	21(b)									11,738	7,340
Surplus transferred to Income Statement (Page 18)										8,728	41,981

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

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Life insurance fund balance sheet as at 30 June 2009

	Note	2009 RM'000	2008 RM'000
Assets			
Property, plant and equipment	3(b)	25,734	18,358
Investment properties	4(b)	463,210	453,400
Prepaid land lease payments	5	1,274	1,300
Intangible assets	6	105	844
Investments	9(b)	3,560,503	3,640,426
Loans	10(b)	297,295	293,919
Trade and other receivables	12(b)	77,917	80,178
Cash and bank balances	13	30,627	40,019
Tax recoverable		14,827	14,827
Life insurance fund assets		4,471,492	4,543,271
Liabilities			
Provision for outstanding claims	17(b)	14,809	9,281
Due to related companies	8 (b)	1,576	38,418
Trade and other payables	18(b)	219,043	171,870
Tax payable		50,777	62,411
Deferred tax liabilities	11	14,275	13,939
Life insurance fund liabilities		300,480	295,919
Life insurance policyholders' fund	16	4,171,012	4,247,352
		4,171,012	4,247,352
Total life insurance fund liabilities and policyholders' fund		4,471,492	4,543,271

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

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Life insurance fund revenue account
For the financial year ended 30 June 2009

	Note	2009 RM'000	2008 RM'000
Gross premium	19	345,787	330,957
Reinsurance		(6,088)	(18,043)
Net premium		339,699	312,914
Benefits paid and payable:			
Death		(72,649)	(68,317)
Maturity		(186,574)	(66,803)
Surrender		(133,293)	(94,144)
Cash bonus		(37,293)	(33,444)
Annuities		(1,325)	(1,080)
Others		(11,067)	(9,380)
Reinsurance recoveries		1,114	4,636
		(441,087)	(268,532)
Net premium less benefits paid and payable		(101,388)	44,382
Commission and agency expenses		(44,717)	(36,586)
Management expenses	22(c)	(59,808)	(50,491)
		(205,913)	(42,695)
Investment income	20(c)	214,395	214,744
Net other operating income	21(c)	30,782	74,794
Surplus before tax		39,264	246,843
Taxation	23(b)	(23,604)	(23,120)
Surplus after tax		15,660	223,723
Life insurance policyholders' fund at beginning of financial year	16	4,247,352	4,073,629
Transfer to Income Statement (Page 18)	16	(92,000)	(50,000)
Life insurance policyholders' fund at end of financial year	16	4,171,012	4,247,352

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

Etiqa Insurance Berhad
(Incorporated in Malaysia)

Cash flow statement
For the financial year ended 30 June 2009

	2009 RM'000	2008 RM'000
Cash flows from operating activities		
Profit before taxation	132,612	126,193
Adjustments for:		
Depreciation of property, plant and equipment	1,646	2,235
Amortisation of intangible assets	1,051	1,209
Fair value adjustments on investment properties	(9,810)	(44,000)
Amortisation of prepaid land lease payments	328	302
Increase in asset revaluation reserve	(16,531)	-
Net accretion of discounts	(14,317)	(9,735)
Gain on disposal of property, plant and equipment	(200)	(36)
Increase/(decrease) in unearned premium reserves	3,745	(3,751)
(Decrease)/increase in Life Policyholders' fund	(76,337)	173,723
Writeback of provision for doubtful debts	(3,827)	(2,743)
Gain on disposal of investments	(39,220)	(7,976)
Gain from capital reduction in a subsidiary	(12,578)	-
Gain on disposal of subsidiary	-	(7,197)
Interest income	(205,142)	(215,338)
Provision for/(writeback of) diminution in value of investments	3,753	(48,870)
Impairment loss in properties	-	456
Writeback of provision for impairment loss in investment properties	(320)	-
Loss from operations before changes in working capital	(235,147)	(35,528)
Changes in working capital:		
Decrease in trade receivables	17,995	93,829
Decrease in other receivables	57,657	68,456
Increase in loan receivable	(2,158)	(2,692)
(Decrease)/increase in amounts due to related parties	(36,585)	26,700
(Decrease)/increase in other payables	(16,052)	13,845

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Etiqa Insurance Berhad
(Incorporated in Malaysia)

Cash flow statement (cont'd.)
For the financial year ended 30 June 2009

	2009 RM'000	2008 RM'000
Cash flows from operating activities (cont'd.)		
Increase/(decrease) in outstanding claims	3,440	(8,336)
Decrease in trade payables	(13,370)	(99,536)
Decrease/(increase) in fixed deposits	95,165	(57,578)
Proceeds from disposal of investments	970,193	681,655
Purchase of investments	(1,060,237)	(705,388)
Investment income received	212,295	219,501
Cash generated from operations	(6,804)	194,928
Tax paid	(41,168)	(116,992)
Net cash (used in)/generated from operating activities	(47,972)	77,936
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1,879	37
Purchase of property, plant and equipment	(11,655)	(10,980)
Purchase of leasehold property	-	(1,300)
Purchase of investment property	-	(37,000)
Proceeds from capital reduction in a subsidiary	65,909	17,109
Purchase of intangible assets	(179)	-
Net cash generated from/(used in) investing activities	55,954	(32,134)
Cash flow from financing activity		
Dividend paid	-	(50,103)
Net cash used in financing activity	-	(50,103)
Net increase/(decrease) in cash and cash equivalents	7,982	(4,301)
Cash and cash equivalents at beginning of financial year	72,781	77,082
Cash and cash equivalents at end of financial year (note 13)	80,763	72,781

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

Notes to the financial statements - 30 June 2009

1. Corporate information

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and the principal place of business of the Company are 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 incorporated in Malaysia. MBB is a licensed commercial bank listed on the Main Board of 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 Company have been prepared under the historical cost convention, except for the valuation of investment properties that have been measured at their fair values, and comply with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, the Insurance Act, 1996 and the relevant Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

At the beginning of the financial year, the Company had adopted new and revised Financial Reporting Standards ("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) General insurance underwriting results

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

(i) Premium income

Premium income is recognised in a financial period in respect of risks assumed during that particular financial period. Premiums from direct business are recognised during the financial period upon the issuance of debit notes. Premiums in respect of risks incepted for which debit notes have not been issued as of the balance sheet date are accrued at that date.

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

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

(ii) Unearned premium reserves

The short term unearned premium reserves (“UPR”) represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of policies at the end of the financial period. In determining the UPR at the balance sheet date the following methods are used:

- 25% method for marine cargo and aviation cargo, and transit business

- 1/24th method for all other classes of Malaysian policies reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding limits specified by BNM as follows:

Motor and bonds	10%
Fire, engineering, aviation and marine hull	15%
Medical and health	
- Stand-alone individuals	15%
- Group of 3 or more	10%
Workmen compensation and employers' liability	
- foreign worker	10%
- other	25%
Other classes	25%

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(a) General insurance underwriting results (cont'd.)

(ii) Unearned premium reserves (cont'd.)

- 1/8th method for all classes of overseas inward treaty business with a deduction of 20% for commissions.

- Non-annual policies are time apportioned over the period of the risks.

The long term UPR represents the portion of the net premiums of long term fire insurance policies underwritten, that relate to the unexpired periods of policies at the end of the financial year. The premium income is recognised on a time apportionment basis over the duration of the policies.

(iii) Provision for claims

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

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

(iv) Acquisition costs

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(b) Life insurance underwriting results

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

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(b) Life insurance underwriting results (cont'd.)

(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 period, 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.

(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.

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.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(b) Life insurance underwriting results (cont'd.)

(iii) Commission and agency expenses

Commission 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 financial year.

(c) 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. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income

Interest 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.

(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 six months, in which case, recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(d) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company 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, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(e) 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement/revenue account during the financial year 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.

Freehold land has an unlimited useful life and therefore, is not depreciated.

Work-in-progress are also not depreciated as these assets are not available for use.

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

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(e) Property, plant and equipment and depreciation (cont'd.)

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:

Buildings on freehold land and freehold self-occupied properties	2%
Computer equipment	20% - 25%
Motor vehicles	20% - 25%
Office equipment, furniture and fittings	10% - 20%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period 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.

(f) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for 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 internal qualified professionals, as appropriate.

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

Where investment properties are transferred from self-occupied properties, any gains arising from the change in the fair value of those investment properties are credited directly to equity as a revaluation surplus. Any losses arising from the change in fair value are recognised in the income statement, to the extent that the losses offset any earlier gains already recognised in the revaluation surplus.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(f) Investment properties (cont'd.)

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Company holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

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 financial year in which they arise.

(g) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risk 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 and 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 risk 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.

(ii) Finance leases - The Company 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 Company 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 Company and measured in accordance with FRS 116 - Property, Plant and Equipment and FRS 140 - Investment Properties.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(g) Leases (cont'd.)

(iii) Operating leases - The Company 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.

(iv) Operating Leases - The Company as Lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on a straight-line basis on the lease term.

(h) 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 any 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.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(h) Intangible assets (cont'd.)

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 - 5 years.

(i) 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 assets belong to.

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 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 income statement/revenue account 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 income statement/revenue account.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(j) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies 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 value was 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.

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) Foreign operations

The results and financial position of foreign 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 are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions.
- all resulting exchange differences are taken to the foreign currency translation reserve within equity.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(k) Income tax

Income tax on the income statement/revenue account for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit and surplus for the financial 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.

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as an income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, 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 net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(l) 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.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(m) Financial instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends, gains and losses relating to financial instruments 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 Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Disclosure information for financial assets and liabilities that relate to rights and obligations arising under insurance contracts is excluded from the scope of FRS 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 deposit ("NCD") and negotiable Islamic certificates of deposit ("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/revenue account.

(ii) Government Guaranteed Bonds and Unquoted Corporate Bonds

Government guaranteed bonds and unquoted corporate bonds which are secured or 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.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(m) 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.

Gain or loss arising from the disposal of the above investments is the difference between net disposal proceeds and its carrying value. Gain or loss on disposal of investment is credited or charged to the income statement/revenue account.

(v) Derivative financial instruments

Derivative financial instruments are not recognised in the financial statements.

(vi) Receivables

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 balances as at the balance sheet date. Specific provisions are made for any premiums including agents, brokers and reinsurers' balances which remain outstanding for more than six months (except for motor premium balances which remain outstanding for more than 30 days) from the date on which they become receivable.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(m) Financial instruments (cont'd.)

(vii) Payables

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

(viii) Equity instruments

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

(n) Subsidiaries and basis of non-consolidation

Investments in the wholly-owned subsidiaries of the Shareholder's Fund are stated at cost less provision for any impairment losses.

Subsidiaries are companies in which the Company has a long term equity interest and where it has the power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

As permitted under sub-paragraph 5(4)(a) of the Ninth Schedule of the Companies Act, 1965, no consolidated financial statements are prepared as the Company itself is a wholly-owned subsidiary of Mayban Fortis Holdings Berhad ("MFHB"), a company incorporated in Malaysia. The registered office of MFHB is located at Level 19, Tower C, Dataran Maybank, No. 1, Jalan Maarof, 59000 Kuala Lumpur. The audited financial statements of the subsidiary company are annexed herewith in accordance with the said Act.

On disposal of investments in subsidiaries, the difference between net disposal proceeds and their carrying amount is recognised in the income statement.

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 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 have been issued but are not yet effective and have not been adopted by the Company:

	FRS, Amendments to FRS and Interpretations	Effective for financial periods beginning on or after
(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 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 judgments

(a) Critical judgments made in applying accounting policies

The preparation of financial statements in conformity with FRS requires management to exercise judgment on the use of estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving higher degree of judgment and complexity, are disclosed as below:

(i) Classification between investment properties and property, plant and equipment

The Company has developed certain criteria based on FRS 140 in making judgment whether a property qualifies to be classified as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of good or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Company would account for the portion separately. If the portion could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

(b) 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:

2. Significant accounting policies (cont'd.)

2.4 Significant accounting estimates and judgments (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(i) Depreciation and amortisation

Depreciation and amortisation is based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, expected level of usage, competition, market conditions and other factors, and could impact the estimated average useful lives and the residual values of these assets. This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses. It is currently estimated that the property, plant and equipment and intangible assets of the Company will not have any residual values.

(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 that every 3 years. In intervening years, desktop valuations using comparable methods and investment methods are performed by internal qualified professionals to update the valuations.

(iii) 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 judgment. 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.

(iv) Liabilities of life insurance business

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.

2. Significant accounting policies (cont'd.)

2.4 Significant accounting estimates and judgments (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(v) Uncertainties in accounting estimates for general insurance business

The principal uncertainty in the Company's general insurance business arose from the technical provisions which included the provisions of premiums and claim liabilities. The premium liabilities comprised unearned premium reserves while claim liabilities comprised provision for outstanding claims. The estimation bases for unearned premium reserves are explained in the related accounting policy statement.

Generally, claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant was past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It was certain that actual future premium and claim liabilities would not exactly develop as projected and would vary from the Company's projections.

The estimates of premiums and claim liabilities were therefore sensitive to various factors and uncertainties. The establishment of technical provisions was an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claim liabilities would vary from the initial estimates.

There would be significant reporting lags between the occurrence of an insured event and the time it was actually reported to the Company. Following the identification and notification of an insured loss, there would still be uncertainty as to the magnitude of the claim. There were many factors that would determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

2. Significant accounting policies (cont'd.)

2.4 Significant accounting estimates and judgments (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(vi) 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 judgment 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.

(vii) 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, unearned premium reserves, provision for doubtful debts, 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 judgment is required to determine the amount of deferred tax assets that can be recognised, based upon 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, provision for doubtful debts, net amortisation/accretion of premiums/discounts in investments, investment properties fair value adjustments and other temporary differences of the General Insurance and Shareholder's Funds is RM30,152,000 (2008: RM58,296,000) and the Life Insurance Fund is RM178,438,000 (2008: RM174,238,000).

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3. Property, plant and equipment

(a) General insurance and shareholder's funds

	#Land and buildings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Work-in-progress RM'000	Total RM'000
2009						
Cost						
At 1 July 2008	18,513	62,865	204	27,436	1,046	110,064
Additions	-	318	-	2,712	-	3,030
Disposals	(1,107)	-	-	-	-	(1,107)
Transfers to investment properties	(5,518)	-	-	-	-	(5,518)
Reclassification from prepaid land lease payments	1,327	-	-	-	-	1,327
Adjustments	-	24	-	(154)	(1,046)	(1,176)
At 30 June 2009	13,215	63,207	204	29,994	-	106,620
Accumulated depreciation						
At 1 July 2008	6,875	62,590	204	27,120	-	96,789
Charge for the financial year	139	330	-	309	-	778
Disposals	(417)	-	-	-	-	(417)
Transfers to investment properties	(3,052)	-	-	-	-	(3,052)
Reclassification from prepaid land lease payments	523	-	-	-	-	523
Adjustments	-	24	-	(154)	-	(130)
At 30 June 2009	4,068	62,944	204	27,275	-	94,491
Accumulated impairment loss						
At 1 July 2008	1,932	-	-	-	-	1,932
Reversal for the financial year	(136)	-	-	-	-	(136)
At 30 June 2009	1,796	-	-	-	-	1,796
Net carrying amount	7,351	263	-	2,719	-	10,333

3. Property, plant and equipment (cont'd.)

	#Land and buildings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Work-in-progress RM'000	Total RM'000
2008						
Cost						
At 1 July 2007	18,490	62,865	319	27,420	-	109,094
Additions	23	-	-	16	1,046	1,085
Disposals	-	-	(115)	-	-	(115)
At 30 June 2008	18,513	62,865	204	27,436	1,046	110,064
Accumulated depreciation						
At 1 July 2007	7,139	62,100	317	26,739	-	96,295
Charge for the financial year	117	490	1	381	-	989
Disposals	-	-	(114)	-	-	(114)
Reclassification	(381)	-	-	-	-	(381)
At 30 June 2008	6,875	62,590	204	27,120	-	96,789
Accumulated impairment loss						
At 1 July 2007	1,660	-	-	-	-	1,660
Charge for the financial year	272	-	-	-	-	272
At 30 June 2008	1,932	-	-	-	-	1,932
Net carrying amount	9,706	275	-	316	1,046	11,343

3. Property, plant and equipment (cont'd.)

(a) General insurance and shareholder's funds (cont'd.)

 # Breakdown for land and buildings:

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Total RM'000
2009				
Cost				
At 1 July 2008	3,697	8,932	5,884	18,513
Disposals	(384)	(723)	-	(1,107)
Transfers to investment properties	(493)	(1,504)	(3,521)	(5,518)
Reclassification from prepaid land lease payments	-	-	1,327	1,327
At 30 June 2009	2,820	6,705	3,690	13,215
Accumulated depreciation				
At 1 July 2008	-	3,858	3,017	6,875
Charge for the financial year	-	32	107	139
Disposals	-	(417)	-	(417)
Transfers to investment properties	-	(574)	(2,478)	(3,052)
Reclassification from prepaid land lease payments	-	-	523	523
At 30 June 2009	-	2,899	1,169	4,068
Accumulated impairment loss				
At 1 July 2008	-	1,919	13	1,932
Reversal for the financial year	-	(136)	-	(136)
At 30 June 2009	-	1,783	13	1,796
Net carrying amount	2,820	2,023	2,508	7,351

3. Property, plant and equipment (cont'd.)

(a) General insurance and shareholder's funds (cont'd.)

 # Breakdown for land and buildings: (cont'd.)

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Total RM'000
2008				
Cost				
At 1 July 2007	3,697	8,932	5,861	18,490
Addition	-	-	23	23
At 30 June 2008	3,697	8,932	5,884	18,513
Accumulated depreciation				
At 1 July 2007	-	3,288	3,851	7,139
Charge for the financial year	-	-	117	117
Reclassification	-	570	(951)	(381)
At 30 June 2008	-	3,858	3,017	6,875
Accumulated impairment loss				
At 1 July 2007	-	-	1,660	1,660
Charge for the financial year	-	259	13	272
Reclassification	-	1,660	(1,660)	-
At 30 June 2008	-	1,919	13	1,932
Net carrying amount	3,697	3,155	2,854	9,706

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3. Property, plant and equipment (cont'd.)

(b) Life insurance fund

	Freehold land RM'000	Buildings on freehold land RM'000	Computer equipment RM'000	Office equipment, furniture and fittings RM'000	Work-in-progress RM'000	Total RM'000
2009						
Cost						
At 1 July 2008	1,200	905	19,387	7,468	10,866	39,826
Additions	-	-	107	728	7,692	8,527
Reclassification	(400)	400	-	-	-	-
Adjustments	-	-	(283)	-	-	(283)
At 30 June 2009	800	1,305	19,211	8,196	18,558	48,070
Accumulated depreciation						
At 1 July 2008	-	290	14,039	6,974	-	21,303
Charge for the financial year	-	20	686	162	-	868
Adjustments	-	28	-	-	-	28
At 30 June 2009	-	338	14,725	7,136	-	22,199
Accumulated impairment loss						
At 1 July 2008	-	165	-	-	-	165
Adjustments	-	(28)	-	-	-	(28)
At 30 June 2009	-	137	-	-	-	137
Net carrying amount	800	830	4,486	1,060	18,558	25,734

3. Property, plant and equipment (cont'd.)

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

	Freehold land RM'000	Buildings on freehold land RM'000	Computer equipment RM'000	Office equipment, furniture and fittings RM'000	Work-in-progress RM'000	Total RM'000
2008						
Cost						
At 1 July 2007	1,200	905	19,876	7,409	1,087	30,477
Additions	-	-	35	68	9,792	9,895
Adjustments	-	-	(524)	(9)	(13)	(546)
At 30 June 2008	1,200	905	19,387	7,468	10,866	39,826
Accumulated depreciation						
At 1 July 2007	-	276	14,197	6,762	-	21,235
Charge for the financial year	-	14	1,020	212	-	1,246
Adjustments	-	-	(1,178)	-	-	(1,178)
At 30 June 2008	-	290	14,039	6,974	-	21,303
Accumulated impairment loss						
At 1 July 2007/ At 30 June 2008	-	165	-	-	-	165
Net carrying amount	1,200	450	5,348	494	10,866	18,358

The titles to all self-occupied freehold land and all buildings in the Shareholder's Fund have been submitted to the relevant Land Office for registration under the name of Etiqa Insurance Berhad. Risks and rewards and effective title to the land and buildings have been passed to the Company upon unconditional completion of the sale and purchase agreements. The Company has submitted all the relevant documents to the land authorities and is awaiting the process and formalities for the transfer of title to be completed by the authorities.

4. Investment properties

(a) General insurance and shareholder's funds

	Leasehold buildings	
	2009	2008
	RM'000	RM'000
At 1 July 2008/2007	1,700	1,700
Fair value adjustments	16,532	-
Transfers from:		
- property, plant and equipment	2,466	-
- prepaid land lease payments	17,892	-
At 30 June	38,590	1,700

(b) Life insurance fund

	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Total RM'000
2009			
Carrying amount/cost			
At 1 July 2008	370,012	83,388	453,400
Reclassification	1,388	(1,388)	-
Fair value adjustments	9,910	(100)	9,810
At 30 June 2009	381,310	81,900	463,210
2008			
Carrying amount/cost			
At 1 July 2007	301,789	70,611	372,400
Additions	37,000	-	37,000
Fair value adjustments	31,223	12,777	44,000
At 30 June 2008	370,012	83,388	453,400

The titles to investment properties at carrying amount in the Shareholder's Fund of RM6,810,000 and in the Life Fund of RM384,210,000, have been submitted to the relevant Land Office for registration under the name of Etiqa Insurance Berhad. Risks and rewards and effective title to the land and buildings have been passed to the Company upon unconditional completion of the sale and purchase agreements. The Company has submitted all the relevant documents to the land authorities and is awaiting the process and formalities for the transfer of title to be completed by the authorities.

5. Prepaid land lease payments

	General and Shareholder's funds		Life fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Long term leasehold land:				
Cost				
At 1 July 2008/2007	24,978	24,978	1,300	-
Additions	-	-	-	1,300
Reclassification to plant and equipment	(1,327)	-	-	-
Transfers to investment properties	(22,439)	-	-	-
At 30 June	1,212	24,978	1,300	1,300
Accumulated amortisation				
At 1 July 2008/2007	5,177	4,494	-	-
Charge for the financial year	302	302	26	-
Reclassification (to)/from plant and equipment	(523)	381	-	-
Transfers to investment properties	(4,547)	-	-	-
At 30 June	409	5,177	26	-
Accumulated impairment loss impairment				
At 1 July 2008/2007	184	-	-	-
(Reversal)/charge for the financial year	(184)	184	-	-
At 30 June	-	184	-	-
Net carrying amount	803	19,617	1,274	1,300

The titles to all leasehold land have been submitted to the relevant Land Office for registration under the name of Etiqa Insurance Berhad. Risks and rewards and effective title to the land and buildings have been passed to the Company upon unconditional completion of the sale and purchase agreements. The Company has submitted all the relevant documents to the land authorities and is awaiting the process and formalities for the transfer of title to be completed by the authorities.

6. Intangible assets

	Software development costs			
	General and shareholder's funds		Life fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cost				
At 1 July 2008/2007	14,017	14,017	13,555	13,031
Additions	156	-	179	-
Adjustments	-	-	1	524
At 30 June	14,173	14,017	13,735	13,555
Accumulated amortisation				
At 1 July 2008/2007	13,844	13,716	12,711	10,452
Amortisation	132	128	919	1,081
Adjustments	-	-	-	1,178
At 30 June	13,976	13,844	13,630	12,711
Net carrying amount	197	173	105	844

7. Subsidiaries

	General insurance and shareholder's funds	
	2009 RM'000	2008 RM'000
Unquoted shares, at cost	-	298,183
Provision for impairment loss	-	(244,853)
	-	53,330

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interests (%) 2009	Effective interests (%) 2008	Principal activities
Double Care Sdn. Bhd.	Malaysia	100	100	Investment holding
Peram Ranum Berhad	Malaysia	-	100	Dormant

7. Subsidiaries (cont'd.)

Sale of Peram Ranum To Holding Company

During the financial year, Peram Ranum Berhad, which was a wholly owned subsidiary of Double Care Sdn Bhd, was sold at RM1.00 to the holding company, Mayban Fortis Holdings Berhad, in line with the MFHB Group's restructuring exercise. The sale was completed on 31 December 2008.

Capital Reduction in Double Care Sdn Bhd

During the financial year, Double Care Sdn Bhd obtained approval from the High Court of Malaya in Kuala Lumpur for the reduction of its issued and paid-up share capital by way of cancellation of 65,000,000 ordinary shares of RM1.00 each and cancellation of the share premium account amounting to RM909,000. Accordingly a total of RM65,909,000 capital was returned to the Company and the transaction was completed on 30 June 2009.

8. Due from/to related companies

(a) General insurance and shareholder's funds

	2009 RM'000	2008 RM'000
Due from related companies	1,204	-
	1,204	-
Due to holding company	1,121	1,140
Due to related companies	305	3,390
	1,426	4,530

(b) Life insurance fund

	2009 RM'000	2008 RM'000
Due to related companies	1,576	38,418

The amounts due from/to holding company, subsidiaries and related companies are unsecured, non-trade in nature, interest-free and have no fixed terms of repayment.

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9. Investments

(a) General insurance and shareholder's funds

	2009		2008	
	Carrying value RM'000	Market/ indicative value [1] RM'000	Carrying value RM'000	Market/ indicative value[1] RM'000
Malaysian Government Securities - at cost	78,857		24,748	
Net amortisation of premiums	(272)		(122)	
	78,585	78,163	24,626	24,217
Malaysian Government Guaranteed Bonds - at cost	72,291		36,243	
Net amortisation of premiums	(1,854)		(1,652)	
	70,437	69,134	34,591	33,116
Malaysian Government Investment Issues - at cost	25,090		26,491	
Net accretion of discounts	2,912		4,088	
	28,002	28,528	30,579	30,636
Quoted in Malaysia:				
Equity securities of corporations - at cost	96,362		124,252	
Provision for diminution in value	(2,070)		-	
	94,292	97,609	124,252	179,098
Unit and property trusts - at cost	10,708		8,746	
Provision for diminution in value	(958)		(1,057)	
	9,750	9,750	7,689	7,689
Unquoted:				
Equity securities of corporations - at cost	47,500		47,500	
Provision for diminution in value	(2,696)		(2,696)	
	44,804	44,804	44,804	44,804
Corporate debt securities - at cost	461,171		472,725	
Net accretion of discounts/ (amortisation of premiums)	981		(1,670)	
	462,152	453,148	471,055	452,584
Negotiable Certificates of Deposits	20,956		20,956	
Net amortisation of premiums	(615)		(404)	
	20,341	20,924	20,552	20,522

9. Investments (cont'd.)

(a) General insurance and shareholder's funds (cont'd.)

	2009		2008	
	Carrying value RM'000	Market/ indicative value [1] RM'000	Carrying value RM'000	Market/ indicative value[1] RM'000
Structured deposits with licensed commercial banks - local	70,000		100,000	
Fixed and call deposits with licensed commercial banks	281,653		177,427	
Total investments - General Insurance and Shareholder's Funds	1,160,016		1,035,575	

[1] Indicative market values are obtained from Bondweb for unquoted corporate bonds and secondary market for other instruments.

(i) Maturity structure of investments, at cost (excluding equity investments, and unit and property trusts) is as follows:

2009	< 1 year RM'000	1 to < 3 years RM'000	3 to 5 years RM'000	> 5 years RM'000	Total RM'000
Malaysian Government Securities	3,082	-	64,549	11,226	78,857
Malaysian Government Guaranteed Bonds	-	-	10,000	62,291	72,291
Malaysian Government Investment Issues	-	15,330	-	9,760	25,090
Unquoted corporate debt securities	15,492	98,685	101,237	245,757	461,171
Negotiable Certificates of Deposit	5,036	15,920	-	-	20,956
Structured deposits	20,000	10,000	40,000	-	70,000
Fixed and call deposits	238,653	43,000	-	-	281,653

9. Investments (cont'd.)

(a) General insurance and shareholder's funds (cont'd.)

(i) Maturity structure of investments, at cost (excluding equity investments, and unit and property trusts) is as follows: (cont'd.)

	< 1 year RM'000	1 to < 3 years RM'000	3 to 5 years RM'000	> 5 years RM'000	Total RM'000
2008					
Malaysian Government Securities	1,444	3,082	20,222	-	24,748
Malaysian Government Guaranteed Bonds	-	-	-	36,243	36,243
Malaysian Government Investment Issues	-	-	-	26,491	26,491
Unquoted corporate debt securities	20,646	60,364	134,747	256,968	472,725
Negotiable Certificates of Deposit	-	20,956	-	-	20,956
Structured deposits	-	-	40,000	60,000	100,000
Fixed and call deposits	134,427	-	43,000	-	177,427

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

	2009 % per annum	2008 % per annum
Malaysian Government Securities	3.89	4.12
Malaysian Government Guaranteed Bonds	4.41	4.47
Malaysian Government Investment Issues	4.17	4.20
Unquoted corporate debt securities	5.52	5.71
Negotiable Certificates of Deposit	4.71	4.72
Structured deposits	1.57	4.66
Fixed and call deposits	1.23	3.80

9. Investments (cont'd.)

(b) Life insurance fund

	2009		2008	
	Carrying value RM'000	Market/ indicative value [1] RM'000	Carrying value RM'000	Market/ indicative value [1] RM'000
Malaysian Government Securities - at cost	237,403		244,212	
(Amortisation of premiums)/ net accretion of discounts	(268)		217	
	237,135	249,370	244,429	252,115
Malaysian Government Guaranteed Bonds - at cost	234,996		-	
Net amortisation of premiums	(2,765)		-	
	232,231	224,566	-	-
Malaysian Government Investment Issues - at cost	65,931		29,185	
Net accretion of discounts	221		226	
	66,152	65,179	29,411	29,745
Cagamas papers - at cost	4,674		4,674	
Net accretion of discounts	208		162	
	4,882	5,069	4,836	4,888
Quoted in Malaysia:				
Equity securities of corporations - at cost	217,558	239,522	319,586	404,631
Unit and property trusts - at cost	32,601		29,500	
Provision for diminution in value	(4,179)		(4,202)	
	28,422	28,754	25,298	25,298
Unquoted:				
Equity securities of corporations - at cost	58,455		58,455	
Provision for diminution in value	(196)		(196)	
	58,259	58,259	58,259	58,259

9. Investments (cont'd.)

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

	2009 Carrying value RM'000	2009 Market/ indicative value [1] RM'000	2008 Carrying value RM'000	2008 Market/ indicative value [1] RM'000
Corporate debt securities - at cost	1,925,742		2,008,454	
Net accretion of discounts	27,730		16,858	
Provision for diminution in value	(1,723)		-	
	1,951,749	1,962,763	2,025,312	1,988,789
Negotiable Certificates of Deposit	234,063		348,990	
Net accretion of discounts	12,114		11,720	
	246,177	254,922	360,710	358,964
Structured deposits with licensed banks	196,000		321,000	
Fixed and call deposits with:				
Licensed commercial banks	258,890		171,234	
Other financial institutions [2]	63,048		80,351	
	321,938		251,585	
Total investments - Life Insurance Fund	3,560,503		3,640,426	

Included in the carrying value of corporate debt securities of the Life Insurance Fund is an amount of RM44.8 million held by a trustee on behalf of the Company pending the final outcome of an on-going litigation with the issuer.

The Company had on 16 October 2007 issued a conversion notice to convert the Redeemable Convertible Bonds ("RCB") to fully paid-up ordinary shares in the issuer. The issuer had subsequently made payment of RM48.1 million to redeem the RCB. This case is currently pending the Federal Court's decision on the Leave Application filed by the issuer.

[1] Indicative market values are obtained from Bondweb for unquoted corporate bonds and secondary market for other instruments.

[2] Other financial institutions are discount houses, investment banks and Malaysian Building Society Berhad

9. Investments (cont'd.)

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

(i) Maturity structure of investments, at cost (excluding equity investments, unit and property trusts) is as follows:

2009	**< 1 year RM'000**	**1 to < 3 years RM'000**	**3 to 5 years RM'000**	**> 5 years RM'000**	**Total RM'000**
Malaysian Government Securities	4,028	-	62,580	170,795	237,403
Malaysian Government Guaranteed Bonds	35,000	-	20,000	179,996	234,996
Malaysian Government Investment Issues	-	-	-	65,931	65,931
Cagamas papers	-	4,674	-	-	4,674
Unquoted corporate debt securities	75,812	265,497	302,027	1,282,406	1,925,742
Structured deposits	-	60,000	60,000	76,000	196,000
Negotiable Certificates of Deposit	50,146	156,995	17,596	9,326	234,063
Fixed and call deposits	164,938	157,000	-	-	321,938
2008					
Malaysian Government Securities	41,483	4,027	43,847	154,855	244,212
Malaysian Government Investment Issues	-	-	-	29,185	29,185
Cagamas papers	-	-	4,674	-	4,674
Unquoted corporate debt securities	144,503	219,044	441,825	1,203,082	2,008,454
Structured deposits	50,000	20,000	115,000	136,000	321,000
Negotiable Certificates of Deposit	105,602	129,211	95,526	18,651	348,990
Fixed and call deposits	94,585	-	157,000	-	251,585

9. Investments (cont'd.)

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

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

	2009 % per annum	2008 % per annum
Malaysian Government Securities	4.77	5.09
Malaysian Government Guaranteed Bonds	4.53	-
Malaysian Government Investment Issues	4.00	4.77
Cagamas papers	4.95	4.95
Unquoted corporate debt securities	6.02	5.77
Structured deposits	2.40	4.38
Negotiable Certificates of Deposit	4.89	4.57
Fixed and call deposits	2.67	4.51

10. Loans

(a) General insurance and shareholder's funds

	2009 RM'000	2008 RM'000
Staff loans (secured)	3,383	3,468
Other secured loans	48,064	49,071
Unsecured loans	53	178
	51,500	52,717
Provision for doubtful debts	(425)	(425)
	51,075	52,292
Receivable within 1 year	50	40
Receivable after 1 year	51,025	52,252
	51,075	52,292

The weighted average rates of return of loans at the balance sheet date were as follows:

	2009 % per annum	2008 % per annum
Staff loans (secured)	3.00	3.00
Other secured loans	5.16	5.16
Unsecured loans	4.00	4.00

10. Loans (cont'd.)

(b) Life insurance fund

	2009 RM'000	2008 RM'000
Policy loans	158,248	154,662
Mortgage loans	11,924	11,897
Staff loans (secured)	16,038	15,137
Other secured loans	117,068	118,130
	303,278	299,826
Interest-in-suspense	(5,886)	(5,639)
Provision for doubtful debts	(97)	(268)
	297,295	293,919
Receivable within 1 year	953	982
Receivable after 1 year	296,342	292,937
	297,295	293,919

The weighted average rates of return of loans at the balance sheet date were as follows:

	2009 % per annum	2008 % per annum
Policy loans	8.00	8.00
Mortgage loans	9.50	9.50
Staff loans (secured)	3.25	3.25
Other secured loans	5.21	5.21

11. Deferred tax assets/(liabilities)

	General Insurance and Shareholder's Funds		Life Insurance Fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At 1 July 2008/2007	14,699	20,414	(13,939)	(8,612)
Recognised in the:				
- income statement (Note 23)	(3,646)	(5,715)	(336)	(5,327)
- asset revaluation reserve (Note 28)	(3,515)	-	-	-
At 30 June	7,538	14,699	(14,275)	(13,939)

11. Deferred tax assets/(liabilities) (cont'd.)

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 liabilities shown in the balance sheet have been determined after appropriate offsetting.

	General insurance and shareholder's funds		Life insurance fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	(2,571)	(223)	(14,825)	(14,514)
Deferred tax assets	10,109	14,922	550	575
	7,538	14,699	(14,275)	(13,939)

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

Deferred tax liabilities

General insurance and shareholder's funds

	Accelerated capital allowances RM'000	Net accretion of discount RM'000	Fair value adjustments RM'000	Others RM'000	Total RM'000
2009					
At 1 July 2008	(31)	(192)	-	-	(223)
Recognised in the:					
- income statement	(593)	144	1,730	(114)	1,167
- asset revaluation reserve	-	-	(3,515)	-	(3,515)
At 30 June 2009	(624)	(48)	(1,785)	(114)	(2,571)
2008					
At 1 July 2007	772	1,352	-	-	2,124
Recognised in the income statement	(803)	(1,544)	-	-	(2,347)
At 30 June 2008	(31)	(192)	-	-	(223)

11. Deferred tax assets/(liabilities) (cont'd.)

Deferred tax liabilities (cont'd.)

Life insurance fund

	Accelerated capital allowances RM'000	Net accretion of discounts RM'000	Fair value adjustments RM'000	Others RM'000	Total RM'000
2009					
At 1 July 2008	(462)	(1,398)	(11,746)	(908)	(14,514)
Recognised in the revenue account	137	(616)	229	(61)	(311)
At 30 June 2009	(325)	(2,014)	(11,517)	(969)	(14,825)
2008					
At 1 July 2007	(610)	-	(8,265)	(514)	(9,389)
Recognised in the revenue account	148	(1,398)	(3,481)	(394)	(5,125)
At 30 June 2008	(462)	(1,398)	(11,746)	(908)	(14,514)

Deferred tax assets

General insurance and shareholder's funds

	Provision for diminution in value of investments RM'000	Provision for doubtful debts RM'000	Net amortisation of premiums RM'000	Others RM'000	Total RM'000
2009					
At 1 July 2008	938	9,548	131	4,305	14,922
Recognised in the income statement	556	(1,366)	302	(4,305)	(4,813)
At 30 June 2009	1,494	8,182	433	-	10,109

11. Deferred tax assets/(liabilities) (cont'd.)

Deferred tax assets (cont'd.)

General insurance and shareholder's funds (cont'd.)

2008

	Provision for diminution in value of investments RM'000	Provision for doubtful debts RM'000	Net amortisation of premiums RM'000	Others RM'000	Total RM'000
At 1 July 2007	921	11,323	-	6,046	18,290
Recognised in the income statement	17	(1,775)	131	(1,741)	(3,368)
At 30 June 2008	938	9,548	131	4,305	14,922

Life insurance fund

	Provision for diminution in value of investments RM'000	Provision for doubtful debts RM'000	Net amortisation of premium RM'000	Total RM'000
2009				
At 1 July 2008	352	223	-	575
Recognised in the revenue account	(2)	(23)	-	(25)
At 30 June 2009	350	200	-	550
2008				
At 1 July 2007	276	351	150	777
Recognised in the revenue account	76	(128)	(150)	(202)
At 30 June 2008	352	223	-	575

12. Trade and other receivables

(a) General insurance and shareholder's funds

	2009 RM'000	2008 RM'000
Trade receivables		
Due premiums from agents, brokers and co-insurers balances	119,421	137,450
Provision for doubtful debts	(17,219)	(21,083)
	102,202	116,367
Due from reinsurers and cedants	22,293	27,610
Provision for doubtful debts	(10,883)	(11,068)
	11,410	16,542
Other receivables		
Other receivables, deposits and prepayments	13,496	24,890
Income due and accrued	10,767	11,774
Taxes paid	6,085	25,414
Due from Life Insurance Fund (Note 18(b))	97,690	51,043
	128,038	113,121
Provision for doubtful debts	(2,475)	(3,227)
	125,563	109,894
	239,175	242,803

The amount due from Life Insurance Fund is unsecured, non-trade in nature, interest free and have no fixed terms of repayment.

(b) Life insurance fund

	2009 RM'000	2008 RM'000
Trade receivables		
Due premiums from insureds	17,791	21,370
Amount due from reinsurers	11,901	2,971
	29,692	24,341
Provision for doubtful debts	(6,053)	(3,836)
	23,639	20,505
Other receivables		
Other receivables, deposits and prepayments	2,679	2,161
Income due and accrued	51,933	58,213
	54,612	60,374
Provision for doubtful debts	(334)	(701)
	54,278	59,673
	77,917	80,178

13. Cash and cash equivalents

	2009 RM'000	2008 RM'000
Cash and bank balances		
- General Insurance and Shareholder's Funds	50,136	32,762
- Life Insurance Fund	30,627	40,019
Cash and cash equivalents	80,763	72,781

14. Share capital

	Number of ordinary shares of RM1 each		Amount	
	2009 '000	2008 '000	2009 RM'000	2008 RM'000
Authorised:				
At 1 July 2008/2007 and 30 June	500,000	500,000	500,000	500,000
Issued and fully paid:				
At 1 July 2008/2007 and 30 June	152,151	152,151	152,151	152,151

15. Unearned premium reserves

General insurance and shareholder's funds

	Fire RM'000	Motor RM'000	Marine aviation & transit RM'000	Miscel-laneous RM'000	Total RM'000
2009					
Short term					
At 1 July 2008	18,402	58,753	14,956	20,086	112,197
(Decrease)/increase in reserves	(493)	3,969	(6,979)	3,056	(447)
At 30 June 2009	17,909	62,722	7,977	23,142	111,750

15. Unearned premium reserves (cont'd.)

General insurance and shareholder's funds (cont'd.)

	Fire RM'000	Motor RM'000	Marine aviation & transit RM'000	Miscel-laneous RM'000	Total RM'000
2009 (cont'd.)					
Long term					
At 1 July 2008	43,803	36	42	231	44,112
Increase/(decrease) in reserves	2,462	(31)	913	849	4,193
At 30 June 2009	46,265	5	955	1,080	48,305
Total	64,174	62,727	8,932	24,222	160,055
Total increase/ (decrease) in reserves	1,969	3,938	(6,066)	3,905	3,746
2008					
Short term					
At 1 July 2007	12,763	50,794	26,270	23,827	113,654
Increase/(decrease) reserves	5,639	7,959	(11,314)	(3,741)	(1,457)
At 30 June 2008	18,402	58,753	14,956	20,086	112,197
Long term					
At 1 July 2007	45,676	-	-	730	46,406
(Decrease)/increase in reserves	(1,873)	36	42	(499)	(2,294)
At 30 June 2008	43,803	36	42	231	44,112
Total	62,205	58,789	14,998	20,317	156,309
Total increase/ (decrease) in reserves	3,766	7,995	(11,272)	(4,240)	(3,751)

16. Life insurance policyholders' fund

	2009 RM'000	2008 RM'000
Actuarial liabilities	3,415,389	3,462,671
Unallocated surplus	755,623	784,681
Life insurance policyholders' fund	4,171,012	4,247,352

Actuarial liabilities

At 1 July 2008/2007	3,462,671	3,331,381
Add:		
(Decrease)/increase in policy reserves	(139,711)	53,228
Bonus allocated to participating policyholders, including interim bonus from normal surplus	100,622	85,000
Less:		
Interim bonus paid	(8,193)	(6,938)
	(47,282)	131,290
At 30 June	3,415,389	3,462,671

Unallocated surplus

At 1 July 2008/2007	784,681	742,248
Add:		
Surplus arising during the financial year	163,564	177,433
Less:		
Bonus allocated to policyholders, including interim bonus from normal surplus	(100,622)	(85,000)
Transfer to Income Statement (Page 21)	(92,000)	(50,000)
	(29,058)	42,433
At 30 June	755,623	784,681

17. Provision for outstanding claims

(a) General insurance and shareholder's funds

	2009 RM'000	2008 RM'000
Provision for outstanding claims	669,648	515,780
Recoverable from reinsurers	(446,244)	(290,288)
Net outstanding claims	223,404	225,492

17. Provision for outstanding claims (cont'd.)

(b) Life insurance fund

	2009 RM'000	2008 RM'000
Provision for outstanding claims	14,809	9,281
Recoverable from reinsurers	-	-
Net outstanding claims	14,809	9,281

18. Trade and other payables

(a) General insurance and shareholder's funds

	2009 RM'000	2008 RM'000
Trade payables		
Due to agents, brokers, co-insurers and insureds	19,277	52,999
Due to reinsurers and cedants	128,525	105,662
	147,802	158,661
Other payables		
Other payables and accrued liabilities	32,148	40,528
	179,950	199,189

(b) Life insurance fund

	2009 RM'000	2008 RM'000
Trade payables		
Due to agents and insureds	3,768	4,461
Due to reinsurers	11,805	10,835
	15,573	15,296
Other payables		
Premiums deposits	23,213	25,777
Dividends payable to policyholders	54,319	52,166
Other payables and accrued liabilities	28,248	27,588
Due to General Insurance and Shareholder's Funds (Note 12(a))	97,690	51,043
	203,470	156,574
	219,043	171,870

18. Trade and other payables (cont'd.)

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

The amounts due to General Insurance and Shareholder's Funds are unsecured, non-trade in nature, interest free and have no fixed terms of repayment.

19. Operating revenue

	Shareholder's fund RM'000	General insurance fund RM'000	Life insurance fund RM'000	Total RM'000
2009				
Gross premium	-	669,816	345,787	1,015,603
Investment income (Note 20)	16,483	30,336	214,395	261,214
	16,483	700,152	560,182	1,276,817
2008				
Gross premium	-	638,594	330,957	969,551
Investment income (Note 20)	14,664	37,023	214,744	266,431
	14,664	675,617	545,701	1,235,982

20. Investment income

(a) Shareholder's fund

	2009 RM'000	2008 RM'000
Gross dividends from:		
Equity securities quoted in Malaysia	1,719	2,945
Unit and property trusts	389	336
Interest income from:		
Malaysian Government Securities	577	446
Corporate debt securities	8,426	5,066
Other loans	563	480
Fixed and call deposits	2,621	3,649
Net rental income	834	585
Net accretion of discounts	1,354	1,157
	16,483	14,664

20. Investment income (cont'd.)

(b) General insurance fund

	2009 RM'000	2008 RM'000
Gross dividends from:		
Equity securities quoted in Malaysia	2,273	4,039
Unit and property trusts	147	-
Interest income from:		
Malaysian Government Securities	1,231	982
Corporate debt securities	19,540	18,842
Other loans	2,109	2,121
Fixed and call deposits	4,516	11,221
Net rental income	46	-
Net accretion of discounts/(amortisation of premiums)	474	(182)
	30,336	37,023

(c) Life insurance fund

	2009 RM'000	2008 RM'000
Gross dividends from:		
Equity securities quoted in Malaysia	13,306	19,664
Unquoted shares	185	-
Unit and property trusts	1,822	1,051
Interest income:		
Malaysian Government Securities	13,578	14,775
Cagamas papers	195	196
Corporate debt securities	114,625	104,937
Mortgage loans	735	1,043
Policy loans	11,829	11,474
Other loans	6,130	6,189
Fixed and call deposits	18,467	33,917
Net rental income	21,766	13,410
Net accretion of discounts	12,489	8,758
	215,127	215,414
Less: Investment expenses	(732)	(670)
	214,395	214,744

21. Other operating income/(expenses) - net

(a) Shareholder's fund

	2009 RM'000	2008 RM'000
Net gain/(loss) on disposal of investments	5,599	(3,255)
Gain from capital reduction in a subsidiary	12,578	-
Gain on disposal of subsidiary	-	7,197
(Provision)/writeback of diminution in value of investments	(2,001)	16,954
Gain on disposal of property, plant and equipment	200	36
Writeback of/(provision for) impairment loss on land and buildings and prepaid land lease payments	320	(456)
Others	(3)	196
	16,693	20,672

(b) General insurance fund

	2009 RM'000	2008 RM'000
Net gain/(loss) on disposal of investments	12,181	(167)
(Provision for)/writeback of diminution in value of investments	(52)	7,243
Others	(391)	264
	11,738	7,340

(c) Life insurance fund

	2009 RM'000	2008 RM'000
Net gain on disposal of investments	21,635	11,398
(Provision for)/writeback of diminution in value of investments	(1,700)	24,673
Fair value adjustment on investment properties	9,810	44,000
Others	1,037	(5,277)
	30,782	74,794

Etiqa Insurance Berhad
(Incorporated in Malaysia)

22. Management expenses

(a) Shareholder's fund

	2009 RM'000	2008 RM'000
Staff costs:		
Basic salary	-	65
EPF	-	8
Staff cost	-	73
Non-executive directors:		
Fees:		
Payable to MBB	10	18
Payable to MFHB	50	50
Payable to corporate shareholder Fortis Insurance Int.	25	25
Payable to other directors	6	55
Other emoluments:		
Payable to MBB	6	4
Payable to MFHB	10	3
Payable to a corporate shareholder Fortis Insurance Int.	28	5
Payable to other directors	1	8
Non-executive directors' remuneration	136	168
Depreciation of property, plant and equipment	138	200
Amortisation of prepaid land lease payments	302	302
Auditors' remuneration:		
Statutory audit fees	18	18
Other audit fees	2	1
Provision for doubtful debts	-	98
Rental of premises	94	12
Electronic data processing expenses	69	20
Others	533	232
	1,156	883
	1,292	1,124

22. Management expenses (cont'd.)

	2009 RM'000	2008 RM'000
(b) General insurance fund		
Staff costs:		
Basic salary	23,651	24,530
EPF	4,459	5,197
SOCSO	301	271
Bonus, allowances and other staff related costs	11,710	13,030
Staff cost	40,121	43,028
Depreciation of property and equipment	640	789
Amortisation of intangible assets	132	128
Auditors' remuneration		
Statutory audit fees	227	221
Other audit fees	27	17
Rental of premises	4,794	3,864
Advertising and promotion	4,911	6,334
Writeback of provision for doubtful debts	(6,027)	(2,311)
Accrual for Insurance Guarantee Scheme Fund Levy	644	586
Electronic data processing expenses	12,073	9,157
Repairs and maintenance	2,442	1,875
Bank charges	1,082	1,705
Postage and telecommunications	1,699	2,978
Training expenses	1,683	3,006
Professional fees	13,501	3,580
Traveling expenses	2,144	1,612
Printing and stationery	1,371	1,619
Others	6,515	3,521
	47,858	38,681
	87,979	81,709

22. Management expenses (cont'd.)

(c) Life insurance fund

	2009 RM'000	2008 RM'000
Staff costs:		
Basic salary	14,932	13,480
EPF	2,661	2,894
SOCSO	165	152
Short-term accumulating compensated absences	56	3
Bonus, allowances and other staff related costs	6,478	7,926
Staff cost	24,292	24,455
Depreciation of property, plant and equipment	868	1,246
Amortisation of intangible assets	919	1,081
Amortisation of prepaid land lease payments	26	-
Auditors' remuneration:		
Statutory audit fees	115	112
Other audit fees	94	9
Rental of premises	1,761	2,104
Repair and maintenance	750	1,517
Electronic data processing expenses	9,264	6,383
Advertising and promotion	1,355	3,202
Provision for/(writeback of) doubtful debts	2,200	(530)
Bank charges	1,516	885
Training expenses	1,093	2,153
Professional fees	11,294	2,809
Printing and stationery	1,560	1,310
Others	2,701	3,755
	35,516	26,036
	59,808	50,491

The remuneration attributable to the Chief Executive Officer ("CEO") of the Company during the financial year amounted to RM426,249 (2008: RM574,987). The CEO was not entitled to any benefits-in-kind during the current and previous financial years.

The were no benefits-in-kind provided to Directors during the financial year by way of usage of the Company's assets.

23. Taxation

The domestic income tax for shareholder's and general insurance funds are generally calculated based on the corporate tax rate of 25% (2008: 26%) of the estimated assessable profit for the financial year.

(a) General insurance and shareholder's funds

	2009 RM'000	2008 RM'000
Income tax:		
Malaysian income tax	24,741	31,803
Deferred tax: (Note 11)		
Relating to origination and reversal of temporary differences	3,646	5,715
	28,387	37,518
Under provision of income tax in prior financial years	1,784	55,088
	30,171	92,606

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 Company is as follows:

	2009 RM'000	2008 RM'000
Profit before tax	132,612	126,193
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	33,153	32,810
Business outside Malaysia taxed at 5% (2008: 5%)	(467)	(2,567)
Income not subject to tax	(6,493)	(7,039)
Expenses not deductible for tax purposes	2,194	14,314
Under provision of income tax in prior financial years	1,784	55,088
Tax expense for the financial year	30,171	92,606

23. Taxation (cont'd.)

(b) Life insurance fund

	2009 RM'000	2008 RM'000
Income tax:		
Malaysian income tax	19,309	17,793
Deferred tax: (Note 11)		
Relating to origination and reversal of temporary differences	336	5,327
	19,645	23,120
Under provision of income tax in prior financial years	3,959	-
	23,604	23,120
Life insurance surplus before tax	39,264	246,843
Taxation at Malaysian tax rate of 8% (2008: 8%)	3,141	19,747
Income not subject to tax	(27,989)	(30,888)
Expenses not deductible for tax purposes	44,493	34,261
Under provision of income tax in prior financial years	3,959	-
Tax expense for the financial year	23,604	23,120

As at 30 June 2009, the Company has tax exempt profits available for distribution of approximately RM49,879,000 (2008: RM38,323,000).

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, 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 the 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.

23. Taxation (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 30 June 2009 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and exempt income to frank the payment of dividends out of its entire retained earnings as at 30 June 2009.

24. Earning per share

The basic earnings per share are calculated as follows:

Net profit for the financial year		Number of shares		Earnings per share	
2009	2008	2009	2008	2009	2008
RM'000	RM'000	'000	'000	sen	sen
102,441	33,587	152,151	152,151	67.3	22.1

There is no dilution of earnings per share as there was no dilutive potential ordinary shares as at 30 June 2009.

25. Dividends

	Amount		Net dividends per ordinary share	
	2009	2008	2009	2008
	RM'000	RM'000	Sen	Sen
Dividend-in-specie				
Dividend-in-specie comprising shares held in Etiqa Takaful Berhad and Etiqa Offshore Insurance (L) Ltd	-	107,883	-	-
Interim				
Gross dividend of 44.5 sen per share, less income tax at 26%	-	50,103	-	45

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

26. Net claims incurred

General insurance fund

	Fire RM'000	Motor RM'000	Marine, aviation and transit RM'000	Miscel- laneous RM'000	Total RM'000
2009					
Gross claims paid less salvage	20,417	105,592	61,776	48,676	236,461
Reinsurance recoveries	(10,107)	(4,214)	(53,373)	(12,519)	(80,213)
Net claims paid	10,310	101,378	8,403	36,157	156,248
Net outstanding claims:					
At end of financial year	20,887	112,018	25,512	64,987	223,404
At beginning of financial year	(20,029)	(113,912)	(30,205)	(61,346)	(225,492)
Net claims incurred	11,168	99,484	3,710	39,798	154,160
2008					
Gross claims paid less salvage	18,738	87,286	63,852	45,244	215,120
Reinsurance recoveries	(10,005)	(3,492)	(50,833)	(18,261)	(82,591)
Net claims paid	8,733	83,794	13,019	26,983	132,529
Net outstanding claims:					
At end of financial year	20,029	113,912	30,205	61,346	225,492
At beginning of financial year	(17,559)	(119,615)	(38,491)	(56,142)	(231,807)
Net claims incurred	11,203	78,091	4,733	32,187	126,214

27. Segment information on cash flows

	Shareholder's Fund RM'000	General Insurance Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2009				
Cash flows from:				
Operating activities	(66,812)	19,526	(686)	(47,972)
Investing activities	67,788	(3,128)	(8,706)	55,954
Financing activities	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	976	16,398	(9,392)	7,982
Cash and cash equivalents:				
At beginning of financial year	1,253	31,509	40,019	72,781
At end of financial year	2,229	47,907	30,627	80,763
2008				
Cash flows from:				
Operating activities	8,432	7,964	61,540	77,936
Investing activities	16,061	-	(48,195)	(32,134)
Financing activities	(50,103)	-	-	(50,103)
Net (decrease)/increase in cash and cash equivalents	(25,610)	7,964	13,345	(4,301)
Cash and cash equivalents:				
At beginning of financial year	26,863	23,545	26,674	77,082
At end of financial year	1,253	31,509	40,019	72,781

28. Asset Revaluation Reserves

	General and Shareholder's funds	
	2009	2008
	RM'000	RM'000
At 1 July 2008/2007	-	-
Fair value gains from investment properties	16,532	-
Net of deferred taxation	(3,515)	-
At 30 June	13,017	-

29. Operating lease commitments

(a) The Company as Lessee

As at the balance sheet date, the branches of the Company lease office premises under lease agreements that are either not cancelable within a year or are cancelable with a notice period of three months. The lease agreements contain renewable options. Lease terms do not contain restrictions on the branches' activities concerning additional debts or further leasing.

Future minimum lease payments for the lease with initial or remaining terms of one year or more are as follows:

	2009	2008
	RM'000	RM'000
Within 1 year	27	35
After 1 year but not more than 5 years	2,121	1,373
More than 5 years	-	81
	2,148	1,489

29. Operating lease commitments (cont'd.)

(b) The Company as Lessor

The Company has entered into operating lease agreements on its portfolio of investment properties. The leases have remaining lease terms of between 1 and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. The leases also include a clause that allows for early termination but requires the tenant to provide a replacement tenant or pay for the remaining unexpired lease period.

The future minimum lease payments receivable under non-cancelable operating leases contracted for as at the balance sheet date but not recognised as receivables, are as follows:

	2009 RM'000	2008 RM'000
Not later than 1 year	5,363	3,872
Later than 1 year but not later than 5 years	34,085	31,256
	39,448	35,128

Rental income on investment properties recognised in income statement/revenue account during the financial year is disclosed in Note 20.

30. Capital commitments

	General insurance and shareholder's funds		Life insurance fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Authorised and contracted for:				
- Property, plant and equipment	2,778	-	951	-
- Life Core system		-	16,527	39,344
Authorised but not contracted for:				
- Property, plant and equipment	2,432	-	-	-
- Life Core system	-	-	8,167	-
	5,210	-	25,645	39,344

31. Significant related party disclosures

The significant related party transactions during the financial year between the Company and its related parties are set out below:

	2009 RM'000	2008 RM'000
(a) General insurance and shareholder's funds		
Transactions with the ultimate holding company:		
Interest income	3,072	2,984
Other expenses	(183)	(219)
Transactions with the holding company		
Other management fees	(3,531)	(1,107)
Dividends paid	-	(157,986)
Transactions with other related companies within the MBB group:		
Interest income	1,693	3,571
Rental expenses	(2,469)	(2,457)
Investment management fees	(1,775)	-
Other management fees	(4,095)	-
Shared service cost chargeback	8,116	-
(b) Life insurance fund		
Transactions with the ultimate holding company:		
Interest income	3,942	7,828
Other expenses	(666)	(726)
Transactions with the holding company		
Other management fees	(1,513)	(1,650)
Transactions with other related companies within the MBB group:		
Interest income	1,234	5,101
Rental income	1,093	961
Investment management fee	(5,919)	-
Other management fee	(2,200)	-
Rental expense	(1,214)	(1,214)
Shared service cost chargeback	3,216	-
Transactions with a subsidiary		
Purchase of investment property	-	37,000
Purchase of leasehold land	-	1,300

31. Significant related party disclosures (cont'd.)

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

	2009 RM'000	2008 RM'000
(a) General insurance and shareholder's funds		
Ultimate holding company:		
Fixed deposits	130,374	100,909
Structured deposits	10,000	10,000
Income due and accrued	2,535	4,915
Outstanding premiums	52	222
Holding company:		
Other payables	(1,121)	(1,140)
Other related companies within the MBB Group:		
Fixed deposits and call deposits	145,847	46,221
Outstanding premiums	349	-
Other receivables	1,204	2,581
Other payables	(305)	(3,594)
(b) Life insurance fund		
Ultimate holding company:		
Fixed and call deposits	157,288	157,288
Structured deposits	10,000	70,000
Income due and accrued	4,694	3,661
Other related companies within the MBB Group:		
Fixed and call deposits	87,158	46,653
Other payables	(1,576)	(38,419)

31. Significant related party disclosures (cont'd.)

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

	2009 RM'000	2008 RM'000
(a) Key management personnel compensation		
Short-term employee benefits		
Fees	120	148
Salaries, allowances and bonuses	370	460
Contribution to Employees Provident Fund (EPF)	56	74
Other staff benefits	19	49
Share-based payment		
ESOS expense	-	16
	565	747

The movement in share options of key management personnel is as follows:

	2009 RM'000	2008 RM'000
At 1 July	25	759
Granted	-	(182)
Resigned during the financial year	(25)	(552)
At 30 June	-	25

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

32. Risk management policies

The Company's risk management policies seek to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its various risks. The overall objective is to safeguard the interests of all its stakeholders. Risk management at MFHB is therefore organised both centrally and on a business/functional unit basis. Since risk itself is present at the various risk-taking business units, namely EIB, ETB, MGAB, MLA, MIM, SMB, EOIL and ELIL, the business/functional units are responsible for the day-to-day management of risks inherent in their business activities as the first line of defense. The Risk Management Division of MFHB acts as a risk control and coordinating unit whose responsibility includes the setting up of a risk management framework, the formulation and implementation of risk management guidelines and the development of tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. As such, it becomes the second line of defense. Furthermore, as second line of defense, the Risk Management Division of MFHB assumed the roles of the oversighting function, providing risk management support and advice across the organization. The internal auditors of Maybank Group, acting as the third line of defense, provide independent assurance of the effectiveness of the risk management approach. These three-pronged strategies are in line with that of Maybank Group's risk management approach.

A. Type of risk

Risks can arise in all operational areas, functions, processes, and also from external events. Assessing the risk situation of Mayban Fortis Group therefore requires a holistic approach. The strategic and reputational risks are under the purview of the MFHB's Risk Management Committee of the Board. The scope of risk management approach at the Mayban Fortis Group are in accordance to the three risk management pillars and are consistent with that of Maybank Group's risk management approach. The pillars are the Financial Risk, Insurance Risk and Operational Risk.

(i) Insurance risk

This relates to the risks inherent in the business activities of life, non-life and takaful businesses. Such risks include the premium/benefits risk, premium/claims risk, claims/actuarial reserve risk and reinsurance risk. Premium/benefits risk is more common in the life and health insurance, i.e. the risk of having to pay, from a premium that may be fixed for many years at a constant level, benefits that can be affected by intervening trends when they become due. In the case of non-life , it is the premium and claims risk, i.e. 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.

32. Risk management policies (cont'd.)

A. Type of risk (cont'd.)

(i) Insurance risk (cont'd.)

Special attention is also given to the adequacy of the actuarial reserves or the claims reserve risk. The appointed actuaries will assess the reserving methodology on a regular basis in accordance with the BNM's guidelines. Reinsurance risk arises from underwriting direct business or reinsurance business in relation to reinsurers, retrocessionaires, cedants and brokers.

(ii) Financial risk

Financial risks comprise of 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, i.e. due to fluctuations in interest rates/rates of return, share prices or exchange rates and perhaps to a certain extent property prices.

Credit risk arises when a borrower or counterparty is no longer able to pay their debt. Such risks from defaults on receivables may arise from profiles of assets (fixed income securities) in the book. It relates to the counterparty risk on the bond portfolio.

Asset-liability matching (ALM) risk relates to the non-parallel movement of values of assets and liabilities following a change in interest rate. It is also called Interest Rate Risk. The gap of movement of values is mainly due to inequality of asset & liability profile (duration and convexity). ALM risk mainly arises in life conventional funds.

Liquidity risk is the risk that funds may not be available when required, leading to the forced sale of assets. Currency risk involves potential losses in value of invested assets if the assets are invested into non-Ringgit denominated instruments.

(iii) Operational risk

Operational risk is defined as the risk of direct loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risks. The methodology used to assess, mitigate and control the risks identified are in accordance to the Maybank Group operational risk framework.

32. Risk management policies (cont'd.)

B. Monitoring and controlling risks

Having classified all the different types of risks, it is important that these risks are monitored and controlled regularly. The development of consistent methodology for use throughout the entire Mayban Fortis Group has become the focal point of interests to the management and Boards of Mayban Fortis Group of companies. In essence, these could be described as follows:

(i) Insurance risk

Underwriting guidelines and limits have been well established to clearly regulate responsibility and accountability for the whole process of conducting insurance, reinsurance, takaful and retakaful contracts. There it spells 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 risks, the actuarial department will regularly assess the adequacy of the insurance charges and technical provisions.

The non-life business uses reinsurance as a form of risk transfer. The risk of defaults by reinsurers were further reduced by selecting only those reinsurers 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 our commitments are calculated for life and non-life businesses using prudent actuarial methods.

(ii) Financial risk

In order to manage financial risks, the Asset-Liability Committee ("ALCO") has been established. The ALCO is responsible for advising the Investment Committee ("IC"), Risk Management Committee ("RMC") and the Board of Directors (Board) on financial risk management. It is responsible for preparing global investment management guidelines on counterparty and concentration risks in the fixed income investments, equity and property investments taking into account BNM’s regulations and market trends. Moreover, Asset-Liability Management ("ALM") studies, based on stress tests of the impact of alternative investment strategies on solvency and revenue, are performed for every investment portfolio separately, taking into account the characteristics of the liabilities and translated into a specific Investment Management Mandate. The global investment management guidelines and the portfolio-specific mandates are submitted to the IC, RMC and the Board for review and approvals. ALCO will then monitor the compliance to the approved mandates.

32. Risk management policies (cont'd.)

B. Monitoring and controlling risks (cont'd.)

(ii) Financial risk (cont'd.)

In managing credit risk, credit limits are imposed where ALCO sets forth the maximum credit exposures 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.

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 embed 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.

32. Risk management policies (cont'd.)

C. Estimated fair values

The carrying values of financial assets and liabilities of the Company as at 30 June 2009 approximate their fair value, except for the following:

	General and shareholder's fund		Life fund	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
2009				
Investments				
- Malaysian Government Securities	78,585	78,163	237,135	249,370
- Malaysian Government Guaranteed Bonds	70,437	69,134	232,231	224,566
- Malaysian Government Investment Issue	28,002	28,528	66,152	65,179
- Cagamas papers	-	-	4,882	5,069
- Corporate debt securities	462,152	453,148	1,951,749	1,962,763
- Quoted equity securities of corporations	94,292	97,609	217,558	239,522
- Negotiable Certificates of Deposit	20,341	20,924	246,177	254,922
- Unit and property trusts	9,750	9,750	28,422	28,754
	763,559	757,256	2,984,306	3,030,145

32. Risk management policies (cont'd.)

C. Estimated fair values (cont'd.)

	General and Shareholder's Fund		Life Fund	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
2008				
Investments				
- Malaysian Government Securities	24,626	24,217	244,429	252,115
- Malaysian Government Guaranteed Bonds	34,591	33,116	-	-
- Malaysian Government Investment Issue	30,579	30,636	29,411	29,745
- Cagamas papers	-	-	4,836	4,888
- Corporate debt securities	471,055	452,584	2,025,312	1,988,789
- Quoted equity securities of corporations	124,252	179,098	319,586	404,631
- Negotiable Certificates of Deposit	20,552	20,522	360,710	358,964
- Unit and property trusts	7,689	7,689	25,298	25,298
	713,344	747,862	3,009,582	3,064,430

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 director, 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.

32. Risk management policies (cont'd.)

C. Estimated fair values (cont'd.)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments: (cont'd.)

(ii) Investments

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

The fair values of Cagamas bonds, Government securities, corporate debt securities and NCD are indicative market values obtained from the Bondweb/secondary market.

The fair values of quoted units and property trust funds are determined by reference to market quotations by the manager of the funds.

33. Subsequent event

During the financial year, Mayban General Assurance Berhad ("MGAB") obtained respective approvals to transfer its insurance business to the Company under a scheme made pursuant to Part XI of the Insurance Act, 1996 at a purchase consideration equivalent to the net book value of the insurance business of MGAB at the date of transfer.

Bank Negara Malaysia ("BNM") approved the scheme of transfer on 30 January 2009, while the High Court of Malaya approved the scheme on 28 May 2009.

The Accounting & Corporate Regulatory Authority in Singapore approved the establishment of the Company's Singapore branch on 15 May 2009 while The Monetary Authority of Singapore issued a licence to the Company on 8 June 2009 to transact general insurance business in Singapore. MGAB's existing businesses in Singapore via its branch will be transferred to the Company's Singapore branch. The High Court of Singapore approved the scheme on 10 June 2009.

The effective date of the transfer of both Malaysia and Singapore insurance business of MGAB to the Company is 1 July 2009.