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ETIQA INSURANCE BERHAD

(Formerly known as Malaysia National Insurance Berhad)

(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

AS AT 30 JUNE 2008

ETIQA INSURANCE BERHAD
(Formerly known as Malaysia National Insurance Berhad)
(Incorporated in Malaysia)

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ETIQA INSURANCE BERHAD
(Formerly known as Malaysia National 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 2008.

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 COMPANY

The holding company of the Company is Mayban Fortis Holdings Berhad ("MFHB"), which is incorporated in Malaysia.

RESULTS

	RM'000
Net profit for the financial year	<u>33,587</u>

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 substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The dividends paid or declared by the Company since 30 June 2007 were as follows:

RM '000

In respect of the financial year ended 30 June 2008:

(i) a Dividend-in-Specie comprising of shares held by the Company in Etiqa Takaful Berhad (formerly known as Takaful Nasional Sdn. Berhad) and Etiqa Offshore Insurance (L) Ltd (formerly known as MNI Offshore Insurance (L) Ltd) paid on 30 August 2007.	107,883
(ii) an interim dividend of 44.5 sen per share, less income tax at 26% paid on 20 May 2008.	<u>50,103</u>
	<u>157,986</u>

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 during the year since the date of the last report and at the date of this report are as follows:

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor

Dato' Haji Aminuddin bin Md Desa

Datuk Haji Abdul Rahman bin Mohd Ramli

Damis Jacobus Ziengs

Hans J. J. De Cuyper

Y. Bhg. Senator Tan Sri Amirsham bin A. Aziz (resigned on 18 March 2008)

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.

CORPORATE GOVERNANCE (CONTD.)

(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 JPI/GPI 1 (Consolidated): Minimum Standards for Prudential Management of Insurers and other directives. They also have to comply with the tenets of corporate governance by adopting its best practices as stipulated under JPI/GPI 25 (Consolidated): Prudential Framework of Corporate Governance for Insurers. Apart from their statutory responsibilities, the Board approves the Company's major investments, disposals and funding decisions. They ensure the implementation of appropriate systems to manage risks and also review and approve the strategies and financial objectives to be implemented by the management. These functions are carried out by the Board directly and/or through their various committees.

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

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

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

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

	Number of Board meetings	
	Attended	%
Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor (Chairman)	6/6	100
Datuk Haji Abdul Rahman bin Mohd Ramli	5/6	83
Dato' Haji Aminuddin Md Desa	6/6	100
Damis Jacobus Ziengs	-	-
Hans J. J. De Cuyper	6/6	100
Y. Bhg. Senator Tan Sri Amirsham A. Aziz (resigned on 18 March 2008)	3/4	75

(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.

CORPORATE GOVERNANCE (CONTD.)

(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) (appointed as Chairman on 11 January 2008)
Independent Non-Executive Director

Damis Jacobus Ziengs
Non-Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli
Non-Independent Non-Executive Director

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

Datuk Syed Tamim Ansari Syed Mohamed (appointed on 17 December 2007)
Independent Non-Executive Director

Raja Tan Sri Muhammad Alias bin Raja Muhd Ali (resigned on 30 September 2007)
Independent Non-Executive Director

The AC met 5 times during the year.

CORPORATE GOVERNANCE (CONTD.)

(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 Syed Mohamed (Chairman) Independent Non-Executive Director	(appointed as member on 17 December 2007, and as Chairman on 11 January 2008)
--	--

Petrus Bernadus Gerardus van Harten
Non-Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli
Non-Independent Non-Executive Director

Raja Tan Sri Muhammad Alias bin Raja Muhd Ali (resigned on 30 September 2007)
Independent Non-Executive Director

The RMC met 3 times during the year.

CORPORATE GOVERNANCE (CONTD.)

(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) (appointed as Chairman on 1 October 2007)
Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli
Non-Independent Non-Executive Director

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor
Independent Non-Executive Director

Datuk Zainun Aishah binti Ahmad (appointed on 1 October 2007)
Non-Independent Non-Executive Director

Datuk Syed Tamim Ansari Syed Mohamed (appointed on 11 October 2007)
Independent Non-Executive Director

Raja Tan Sri Muhammad Alias bin Raja Muhd Ali (resigned on 29 September 2007)
Independent Non-Executive Director

Mohammad bin Abdullah (resigned on 29 September 2007)
Independent Non-Executive Director

The NC met 8 times during the year.

CORPORATE GOVERNANCE (CONTD.)**(f) Nomination Committee and Remuneration and Establishment Committee (Contd.)**

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

Tan Sri Dato' Megat Zaharuddin bin
Megat Mohd Nor (Chairman) (appointed as Chairman on 1 October 2007)
Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli
Non-Independent Non-Executive Director

Datuk Zainun Aishah binti Ahmad (appointed on 1 October 2007)
Non-Independent Non-Executive Director

Tan Sri Dato' Sri Chua Hock Chin (appointed on 1 October 2007)
Independent Non-Executive Director

Mohammad bin Abdullah (resigned on 29 September 2007)
Independent Non-Executive Director

Raja Tan Sri Muhammad Alias bin Raja Muhd Ali (resigned on 29 September 2007)
Independent Non-Executive Director

Teh Soon Poh (resigned on 29 September 2007)
Independent Non-Executive Director

The REC met 12 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 (formerly known as Takaful Nasional Sdn. Berhad) and Etiqa Insurance Berhad (formerly known as Malaysia National 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.

CORPORATE GOVERNANCE (CONTD.)

(g) Investment Committee (Contd.)

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

The composition of the IC is as follows:

Sulaiman bin Salleh
Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli
Non-Independent Non-Executive Director

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

Hugo Philip van Vledder
Senior Management Team (appointed on 17 December 2007)

Hans J. J. De Cuyper
Senior Management Team

Norlia bt Mat Yusof
Senior Management Team

See Toong Chow
Senior Management Team

Haji Mohd Tarmidzi bin Ahmad Nordin
Senior Management Team

Amirudin bin Abdul Halim
Senior Management Team (appointed on 1 December 2007)

Y. Bhg. Senator Tan Sri Amirsham A. Aziz
Non-Independent Non-Executive Director (resigned on 18 March 2008)

Dato' Haji Aminuddin bin Md. Desa
Non-Independent Non-Executive Director (resigned on 1 December 2007)

Zainal Abidin bin Mohd Noor
Senior Management Team (resigned on 28 February 2008)

The IC met 4 times during the year.

CORPORATE GOVERNANCE (CONTD.)

(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, other than those arising from the share options to be granted pursuant to the ultimate holding company's Maybank Group Employee Share Option Scheme ("ESOS").

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 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.

DIRECTORS' INTERESTS

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

	Number of Ordinary Share of RM1 Each				
	1 July 2007	Bought	Bonus Issue	Sold	30 June 2008
Ultimate holding company: Malayan Banking Berhad					
Direct Interest					
Datuk Haji Abdul Rahman bin Mohd Ramli	36,200	43,800	20,000	-	100,000
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	-	5,000	-	-	5,000
Indirect Interest					
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	10,000	5,000	2,500	-	17,500

	Number of Options over Ordinary Share of RM1 Each				
	Option Price RM	Date of ESOS	Granted	Exercised	30 June 2008
Ultimate holding company: Malayan Banking Berhad					
Datuk Haji Abdul Rahman bin Mohd Ramli	9.23	01.09.2004	82,000	82,000	-
	9.92	14.11.2005	62,500	62,500	-
	10.19	14.11.2006	62,500	37,500	25,000

The options over ordinary shares were granted pursuant to the Maybank Group Employee Share Option Scheme which are subject to the By-Laws governing their issue and will expire on 25 August 2009.

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

OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the 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 Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the 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

OTHER STATUTORY INFORMATION (CONTD.)

(f) In the opinion of the directors: (Contd.)

- (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.

SIGNIFICANT EVENT

Details of the significant 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 12 August 2008.

Megat Zaharuddin bin Megat
Mohd Nor

Hans J.J. De Cuyper

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

We, Megat Zaharuddin bin Megat Mohd Nor and Hans J.J. De Cuyper, being two of the directors of Etiqa Insurance Berhad (formerly known as Malaysia National Insurance Berhad), do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 16 to 98 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Company as at 30 June 2008 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 12 August 2008.

Megat Zaharuddin bin Megat
Mohd Nor

Hans J.J. De Cuyper

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

I, Hans J.J. De Cuyper, being the director primarily responsible for the financial management of Etiqa Insurance Berhad (formerly known as Malaysia National Insurance Berhad), do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 98 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 Hans J.J. De Cuyper at Kuala
Lumpur in Wilayah Persekutuan on 12
August 2008.

Hans J.J. De Cuyper

Before me,

Commissioner for Oaths

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
ETIQA INSURANCE BERHAD
(Formerly known as Malaysia National Insurance Berhad)
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of Etiqa Insurance Berhad (formerly known as Malaysia National Insurance Berhad), which comprise the balance sheet as at 30 June 2008 of the Company, and the income statement, statement of changes in equity and cash flow statement of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 98.

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.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards with such modifications and exceptions as determined by Bank Negara Malaysia 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 2008 and of their financial performance and cash flows of the Company for the year then ended.

Reporting on other legal and regulatory requirements

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

Kuala Lumpur, Malaysia
Date: 12 August 2008

GLORIA GOH EWE GIM
No. 1685/04/09(J)
Chartered Accountant

ETIQA INSURANCE BERHAD
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BALANCE SHEET
AS AT 30 JUNE 2008

	Note	2008 RM'000	2007 RM'000
ASSETS			
General Insurance and Shareholder's Fund Assets			
Property, plant and equipment	3(a)	11,343	11,139
Investment properties	4(a)	1,700	1,700
Prepaid land lease payments	5	19,617	20,484
Intangible assets	6	173	301
Subsidiaries	7	53,330	171,125
Due from related companies	8(a)	-	2,377
Investments	9(a)	1,035,575	1,064,185
Loans	10(a)	52,292	52,918
Deferred tax assets	11	14,699	20,414
Trade and other receivables	12(a)	242,803	324,534
Tax recoverable		87,288	87,288
Cash and bank balances	13	32,762	50,407
		<u>1,551,582</u>	<u>1,806,872</u>
Life Insurance Fund Assets	Page 21	<u>4,543,271</u>	<u>4,309,450</u>
TOTAL ASSETS		<u>6,094,853</u>	<u>6,116,322</u>
EQUITY, INSURANCE FUNDS AND LIABILITIES			
Equity attributable to equity holder of the Company			
Share capital	14	152,151	152,151
Reserves		<u>813,911</u>	<u>938,310</u>
Total equity		<u>966,062</u>	<u>1,090,461</u>
Insurance funds			
Unearned premium reserves	15	156,309	160,060
Life Insurance Policyholders' Fund	16	<u>4,247,352</u>	<u>4,073,629</u>
Total insurance funds		<u>4,403,660</u>	<u>4,233,689</u>

ETIQA INSURANCE BERHAD
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BALANCE SHEET (CONTD.)
AS AT 30 JUNE 2008

	Note	2008 RM'000	2007 RM'000
Liabilities			
Provision for outstanding claims	17(a)	225,492	231,808
Due to related companies	8(a)	4,530	18,625
Trade and other payables	18(a)	199,189	300,944
Tax payable		-	4,974
		<u>429,211</u>	<u>556,351</u>
Life Insurance Fund Liabilities	Page 21	<u>295,919</u>	<u>235,821</u>
Total Liabilities		<u>725,130</u>	<u>792,172</u>
TOTAL EQUITY, INSURANCE FUNDS AND LIABILITIES		<u>6,094,853</u>	<u>6,116,322</u>

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

ETIQA INSURANCE BERHAD
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

		Non- distributable	Distri- butable		
	Note	Share capital RM'000	Share premium RM'000	Retained profits RM'000	
	Note			Total equity RM'000	
At 1 July 2006		152,151	17,728	816,621	986,500
Net profit for the financial year		-	-	103,961	103,961
At 30 June 2007		<u>152,151</u>	<u>17,728</u>	<u>920,582</u>	<u>1,090,461</u>
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		<u>152,151</u>	<u>17,728</u>	<u>796,183</u>	<u>966,062</u>

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

ETIQA INSURANCE BERHAD
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INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	2008 RM'000	2007 RM'000
Operating revenue	19	<u>1,235,982</u>	<u>1,160,257</u>
Shareholder's Fund:			
Investment income	20(a)	14,664	14,522
Net other operating income	21(a)	20,672	22,872
Management expenses	22(a)	<u>(1,124)</u>	<u>(1,690)</u>
		34,212	35,704
Surplus transferred from revenue accounts:			
- General insurance fund	Page 20	41,981	37,655
- Life insurance fund	Page 22	<u>50,000</u>	<u>38,000</u>
Profit before tax		126,193	111,359
Taxation	23(a)	<u>(92,606)</u>	<u>(7,398)</u>
Net profit for the financial year		<u>33,587</u>	<u>103,961</u>
Earnings per share - Basic (sen)	24	<u>22.1</u>	<u>68.3</u>

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

ETIQA INSURANCE BERHAD
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GENERAL INSURANCE REVENUE ACCOUNT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	Fire		Motor		Marine, aviation and transit		Miscellaneous		Total	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Operating revenue	19									1,235,982	1,160,257
Gross premiums	19	63,476	60,687	135,468	120,748	370,028	353,261	69,622	64,871	638,594	599,567
Reinsurance		(38,882)	(39,586)	(6,818)	(6,216)	(355,553)	(336,916)	(26,063)	(22,387)	(427,316)	(405,104)
Net premiums		24,594	21,101	128,649	114,532	14,474	16,346	43,559	42,484	211,278	194,463
Decrease/(increase) in unearned premium reserves	15	(3,766)	5,957	(7,995)	2,349	11,272	1,660	4,240	(2,827)	3,751	7,139
Earned premiums		20,829	27,058	120,654	116,881	25,746	18,006	47,800	39,657	215,028	201,602
Net claims incurred	26	(11,204)	(9,959)	(78,090)	(77,197)	(4,733)	(10,077)	(32,187)	(23,851)	(126,214)	(121,084)
Net commissions		(1,098)	(1,278)	(11,637)	(10,091)	7,340	5,719	(4,093)	(5,270)	(9,487)	(10,920)
Underwriting surplus before management expenses		8,528	15,821	30,927	29,593	28,353	13,647	11,519	10,536	79,327	69,597
Management expenses	22(b)									(81,709)	(73,571)
Underwriting deficit										(2,382)	(3,974)
Investment income	20(b)									37,023	34,579
Net other operating income	21(b)									7,340	7,050
Surplus transferred to Income Statement (Page 19)										41,981	37,655

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

ETIQA INSURANCE BERHAD
(Formerly known as Malaysia National Insurance Berhad)
(Incorporated in Malaysia)

LIFE INSURANCE FUND BALANCE SHEET
AS AT 30 JUNE 2008

	Note	2008 RM'000	2007 RM'000
ASSETS			
Property, plant and equipment	3(b)	18,358	9,077
Investment properties	4(b)	453,400	372,400
Prepaid land lease payments	5	1,300	-
Intangible assets	6	844	2,579
Investments	9(b)	3,640,426	3,463,036
Loans	10(b)	293,919	290,685
Trade and other receivables	12(b)	80,178	130,171
Cash and bank balances	13	40,019	26,675
Tax recoverable		14,827	14,827
LIFE INSURANCE FUND ASSETS		<u>4,543,271</u>	<u>4,309,450</u>
LIABILITIES			
Provision for outstanding claims	17(b)	9,281	11,301
Due to related companies	8 (b)	38,418	-
Trade and other payables	18(b)	171,870	167,071
Tax payable		62,411	48,837
Deferred tax liabilities	11	13,939	8,612
LIFE INSURANCE FUND LIABILITIES		<u>295,919</u>	<u>235,821</u>
LIFE INSURANCE POLICYHOLDERS' FUND	16	<u>4,247,352</u>	<u>4,073,629</u>
		<u>4,247,352</u>	<u>4,073,629</u>
TOTAL LIFE INSURANCE FUND			
LIABILITIES AND POLICYHOLDERS' FUND		<u>4,543,271</u>	<u>4,309,450</u>

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

ETIQA INSURANCE BERHAD
(Formerly known as Malaysia National Insurance Berhad)
(Incorporated in Malaysia)

LIFE INSURANCE FUND REVENUE ACCOUNT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	2008 RM'000	2007 RM'000
Gross premium	19	330,957	307,163
Reinsurance		<u>(18,043)</u>	<u>(2,801)</u>
Net premium		<u>312,914</u>	<u>304,362</u>
Benefits paid and payable:			
Death		(68,317)	(85,090)
Maturity		(66,803)	(61,546)
Surrender		(94,144)	(94,755)
Cash bonus		(33,444)	(36,388)
Annuities		(1,080)	(868)
Others		(9,380)	(52,559)
Reinsurance recoveries		4,636	4,017
		<u>(268,532)</u>	<u>(327,189)</u>
Net premium less benefits paid and payable		44,382	(22,827)
Commission and agency expenses		(36,586)	(34,731)
Management expenses	22(c)	<u>(50,491)</u>	<u>(43,598)</u>
		(42,695)	(101,156)
Investment income	20(c)	214,744	204,426
Net other operating income	21(c)	<u>74,794</u>	<u>167,759</u>
Surplus before tax		246,843	271,029
Taxation	23(b)(i)	<u>(23,120)</u>	<u>(28,272)</u>
Surplus after tax		223,723	242,757
Life insurance policyholders' fund at beginning of financial year	16	4,073,629	3,868,872
Transfer to Income Statement (Page 19)	16	<u>(50,000)</u>	<u>(38,000)</u>
Life insurance policyholders' fund at end of financial year	16	<u>4,247,352</u>	<u>4,073,629</u>

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

ETIQA INSURANCE BERHAD
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(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	2008	2007
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	126,193	111,359
Adjustments for:		
Depreciation of property, plant and equipment	2,235	5,685
Amortisation of intangible assets	1,209	373
Fair value adjustments on investment properties	(44,000)	(90,794)
Amortisation of prepaid land lease payments	302	304
Reversal of asset revaluation reserve	-	(1,825)
Net accretion of discounts	(9,735)	(9,477)
Gain on disposal of property, plant and equipment	(36)	(3)
Decrease in unearned premium reserves	(3,751)	(7,139)
Decrease in Life Policyholders' fund	173,723	204,755
Decrease in Investment-linked fund	-	48,261
(Writeback of)/provision for doubtful debts	(2,743)	1,479
Gain on disposal of investments	(7,976)	(66,191)
Gain on disposal of subsidiary	(7,197)	-
Interest income	(215,338)	(244,056)
Writeback of provision for diminution in value of investments	(48,870)	(28,839)
Impairment loss in properties	456	1,121
Writeback of provision for impairment loss in investment properties	-	(17,723)
Loss from operations before changes in working capital	<u>(35,528)</u>	<u>(92,710)</u>
Changes in working capital:		
Decrease/(increase) in trade receivables	93,829	(74,495)
Decrease/(increase) in other receivables	68,456	(58,352)
Decrease in tax recoverable	-	33,109
Increase in loan receivable	(2,692)	(121,456)
Increase/(decrease) in amounts due to related parties	26,700	(472)
Increase/(decrease) in other payables	13,845	(34,085)

ETIQA INSURANCE BERHAD
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(Incorporated in Malaysia)

CASH FLOW STATEMENT (CONTD.)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)

	2008	2007
	RM'000	RM'000
(Decrease)/increase in outstanding claims	(8,336)	3,655
(Decrease)/increase in trade payables	(99,536)	56,445
(Increase)/decrease in fixed deposits	(57,578)	113,007
Proceeds from disposal of investments	681,655	756,132
Purchase of investments	(705,388)	(777,078)
Investment income received	219,501	239,010
Cash generated from operations	<u>194,928</u>	<u>42,710</u>
Tax paid	<u>(116,992)</u>	<u>(69,928)</u>
Net cash generated from/(used in) operating activities	<u>77,936</u>	<u>(27,218)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of property, plant and equipment	38	370
Purchase of property, plant and equipment	(10,980)	(5,210)
Purchase of leasehold property	(1,300)	-
Purchase of investment property	(37,000)	-
Proceeds from sale of subsidiary	17,109	-
Purchase of intangible assets	-	(1,039)
Net cash used in investing activities	<u>(32,134)</u>	<u>(5,879)</u>

CASH FLOW FROM FINANCING ACTIVITY

Dividend paid	<u>(50,103)</u>	-
Net cash used in financing activity	<u>(50,103)</u>	-

NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,301)	(33,097)
CASH AND CASH EQUIVALENTS AT BEGINNING		
OF FINANCIAL YEAR	<u>77,082</u>	<u>110,179</u>
CASH AND CASH EQUIVALENTS AT END		
OF FINANCIAL YEAR (NOTE 13)	<u>72,781</u>	<u>77,082</u>

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

ETIQA INSURANCE BERHAD
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(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008

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 12 August 2008.

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 in Malaysia and the provisions of the Companies Act, 1965, 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 (CONTD.)

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 (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(a) General Insurance Underwriting Results (Contd.)

(ii) Unearned Premium Reserves (Contd.)

- 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 (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(b) Life Insurance Underwriting Results (Contd.)

(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 (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(b) Life Insurance Underwriting Results (Contd.)

(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 (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(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 (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(e) Property, Plant and Equipment and Depreciation (Contd.)

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%
Office equipment, furniture and fittings	10% - 20%
Computer equipment	20% - 25%
Motor vehicles	20% - 25%

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 professional 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(f) Investment Properties (Contd.)

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 (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(g) Leases Contd.)

(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 (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(h) Intangible Assets (Contd.)

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 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 (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(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.

(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 (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(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 (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(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 (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(m) Financial Instruments (Contd.)

(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.

Increase 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 (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(m) Financial Instruments (Contd.)

(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.

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

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

The accounting policies and methods of computation applied by the Company are consistent with those adopted in the previous years except for adoption of the following Financial Reporting Standards ("FRS's") amendments to FRSs and Interpretations of the Issues Committee ("IC") issued by the Malaysian Accounting Standards Board, effective from the financial year of the Company beginning 1 July 2007 :

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

Standard/Interpretation	Effective date of Standard/ Interpretation
FRS 117 : Leases	1 October 2006
FRS 124 : Related Party Disclosures	1 October 2006
FRS 139 : Financial Instruments Recognition and Measurement	Deferred
FRS 6 : Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 119 ₂₀₀₄ : Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 107 : Cash Flow Statements	1 July 2007
FRS 111 : Construction Contracts	1 July 2007
FRS 112 : Income Taxes	1 July 2007
FRS 118 : Revenue	1 July 2007
FRS 120 : Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134 : Interim Financial Reporting	1 July 2007
FRS 137 : Provisions, Contingent Liabilities and Contingent Assets	
IC 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC 2 : Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC 5 : Rights to Interests from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC 6 : Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC 7 : Applying the Restatement Approach under FRS 129 ₂₀₀₄ - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC 8 : Scope of FRS 2	1 July 2007

The Company has not early adopted the deferred FRS 139 - Financial Instruments: Recognition and Measurement. FRS 6, Amendment to FRS 119₂₀₀₄, Amendment to FRS 121, FRS 111, and FRS 120, IC 1, IC 5, IC 6 and IC 7 are not applicable to the Group. The adoption of FRS 107, FRS 112, FRS 118, FRS 124, FRS 134, and FRS 137, IC 2 and IC 8 does not result in significant changes in accounting policies of the Company. The principal effect of the changes in accounting policies resulting from the adoption of FRS 117 is discussed in Note 2.3(a) below.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(a) FRS 117 : Leases

Leasehold land

Prior to 1 July 2007, leases of land held for own use was classified as property, plant and equipment and was stated at cost less amortisation and impairment loss. The adoption of the revised FRS 117: Leases with effect from 1 July 2007 resulted in a change in the accounting policy relating to the classification of leases of land. Under FRS 117, leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. As a result, leasehold land held for own use is now classified as operating lease. The up-front payments made represent prepaid land lease payments and is amortised on a straight-line basis over the remaining lease term.

The Company has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provision of FRS 117. At 1 July 2007, the unamortised carrying amount of leasehold land is classified as prepaid land lease payments. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively. Certain comparatives of the balance sheets of the Company as at 30 June 2007 have been restated as set out in Note 2.3 (b)(ii). There were no effects on the income statement of the Company for the current financial year.

FRS 124: Related Party Disclosures

The adoption of FRS 124 affects the level and extent of related party disclosures.

(b) Summary of effects of adopting new and revised FRSs on the current financial year's financial statements

The following provides estimates of the extent to which each of the line items in the balance sheet for the financial year ended 30 June 2008 is higher or lower than it would have been had the previous policies been applied in the current financial

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(b) Summary of effects of adopting new and revised FRSs on the current financial year's financial statements (Contd.)

(i) Effects on Balance Sheet as at 30 June 2008

FRS 117	(Decrease) /Increase RM'000
General Insurance and Shareholder's Funds	
Property, plant and equipment	(20,484)
Prepaid land lease payments	<u>20,484</u>

(ii) Restatement of comparatives

FRS 117	Previously Stated RM'000	(Decrease) /Increase RM'000	Restated RM'000
General Insurance and Shareholder's Funds			
At 1 July 2006			
Property, plant and equipment	36,389	(20,788)	15,601
Prepaid land lease payments	-	20,788	<u>20,788</u>
At 30 June 2007			
Property, plant and equipment	31,623	(20,484)	11,139
Prepaid land lease payments	-	20,484	<u>20,484</u>

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

The preparation of financial statements in conformity with FRS requires management to exercise judgement 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 judgement 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 judgement 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 (CONTD.)

2.4 Significant Accounting Estimates and Judgements (Contd.)

(b) Key Sources of Estimation Uncertainty (Contd.)

(i) Depreciation of property, plant and equipment

The cost of a building's plant and equipment e.g elevators, lifts etc and the self occupied properties are depreciated on a straight line basis over the estimated remaining useful lives. The Company estimates the useful lives of these plant and equipment to be within 5 to 10 years.

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

(ii) Valuation of Investment Properties

The measurement of the fair value for investment properties is arrived at by reference to market evidence of transaction prices for similar properties. Full valuations on investment properties are performed by firms of professional independent valuers at regular intervals, of not less 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) Amortisation and Impairment of Other Intangible Assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Significant Accounting Estimates and Judgements (Contd.)

(b) Key Sources of Estimation Uncertainty (Contd.)

(iv) Liabilities of 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.

For General Claims, reserve is made upon notification of a new claim where the potential liability will be assessed based on information available . Where little or no information is available, a 'blind' reserve will be used. The blind reserves are based on class of business and are reviewed annually in line with BNM guidelines. As and when more information becomes available regarding a claim, the reserve is updated accordingly.

(v) Impairment of Unquoted Investments

Impairment of unquoted investments is made after considering several factors, including business viability of the investee, potential recovery of capital invested and present values of any future dividend or income streams thereon. The present values of future income streams are measured by applying an expected rate of return that reflects the risk profile of the investment. These are compared against the carrying costs of investments and appropriate judgement and consideration is made by management to ascertain if the current carrying costs continue to be relevant.

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

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
2008						
Cost						
At 1 July 2007	43,468	62,865	319	27,420	-	134,072
Effect of adopting FRS 117	(24,978)	-	-	-	-	(24,978)
At 1 July 2007 (restated)	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	11,633	62,100	317	26,739	-	100,789
Effect of adopting FRS 117	(4,494)	-	-	-	-	(4,494)
At 1 July 2007 (restated)	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 (CONTD.)

(a) GENERAL INSURANCE AND SHAREHOLDER'S FUNDS (CONTD.)

	#Land and buildings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
2007					
Cost					
At 1 July 2006	43,468	62,836	915	27,345	134,564
Effect of adopting FRS 117	(24,978)	-	-	-	(24,978)
At 1 July 2006 (restated)	18,490	62,836	915	27,345	109,586
Additions	-	29	-	75	104
Disposals	-	-	(596)	-	(596)
At 30 June 2007	18,490	62,865	319	27,420	109,094
Accumulated depreciation					
At 1 July 2006	10,479	60,421	544	26,059	97,503
Effect of adopting FRS 117	(4,190)	-	-	-	(4,190)
At 1 July 2006 (restated)	6,289	60,421	544	26,059	93,313
Charge for the financial year	850	1,679	2	680	3,211
Disposals	-	-	(229)	-	(229)
At 30 June 2007	7,139	62,100	317	26,739	96,295
Accumulated impairment loss					
At 1 July 2006	672	-	-	-	672
Charge for the financial year	988	-	-	-	988
At 30 June 2007	1,660	-	-	-	1,660
Net carrying amount	9,691	765	2	681	11,139

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(a) GENERAL INSURANCE AND SHAREHOLDER'S FUNDS (CONTD.)

Breakdown for land and buildings:

	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land 50 years or more 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	24,978	5,861	43,468
Effect of adopting FRS 117	-	-	(24,978)	-	(24,978)
At 1 July 2007 (restated)	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	4,494	3,851	11,633
Effect of adopting FRS 117	-	-	(4,494)	-	(4,494)
At 1 July 2007 (restated)	-	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

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(a) GENERAL INSURANCE AND SHAREHOLDER'S FUNDS (CONTD.)

Breakdown for land and buildings: (Contd.)

	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land 50 years or more RM'000	Buildings on Leasehold land 50 years or more RM'000	Total RM'000
2007					
Cost					
At 1 July 2006	3,697	8,932	24,978	5,861	43,468
Effect of adopting FRS 117	-	-	(24,978)	-	(24,978)
At 1 July 2006 (restated)/ at 30 June 2007	<u>3,697</u>	<u>8,932</u>	<u>-</u>	<u>5,861</u>	<u>18,490</u>
Accumulated depreciation					
At 1 July 2006	1,024	2,204	4,190	3,061	10,479
Effect of adopting FRS 117	-	-	(4,190)	-	(4,190)
At 1 July 2006 (restated)	<u>1,024</u>	<u>2,204</u>	<u>-</u>	<u>3,061</u>	<u>6,289</u>
Charge for the financial year	-	60	-	790	850
Reclassification	(1,024)	1,024	-	-	-
At 30 June 2007	<u>-</u>	<u>3,288</u>	<u>-</u>	<u>3,851</u>	<u>7,139</u>
Accumulated impairment loss					
At 1 July 2006	-	-	-	672	672
Effect of adopting FRS 117	-	-	-	-	-
At 1 July 2006 (restated)	<u>-</u>	<u>-</u>	<u>-</u>	<u>672</u>	<u>672</u>
Charge for the financial year	-	-	-	988	988
At 30 June 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,660</u>	<u>1,660</u>
Net carrying amount	<u>3,697</u>	<u>5,644</u>	<u>-</u>	<u>350</u>	<u>9,691</u>

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(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
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/ 30 June 2008	-	165	-	-	-	165
Net carrying amount	1,200	450	5,348	494	10,866	18,358

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**(b) LIFE INSURANCE FUND (CONTD.)**

	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
<u>2007</u>						
Cost						
At 1 July 2006	1,200	905	15,857	7,409	-	25,371
Additions	-	-	4,019	-	1,087	5,106
At 30 June 2007	<u>1,200</u>	<u>905</u>	<u>19,876</u>	<u>7,409</u>	<u>1,087</u>	<u>30,477</u>
Accumulated depreciation						
At 1 July 2006	-	-	12,276	6,485	-	18,761
Charge for the financial year	-	276	1,921	277	-	2,474
At 30 June 2007	<u>-</u>	<u>276</u>	<u>14,197</u>	<u>6,762</u>	<u>-</u>	<u>21,235</u>
Accumulated impairment						
At 1 July 2006	-	128	-	-	-	128
Charge for the financial year	-	37	-	-	-	37
At 30 June 2007	<u>-</u>	<u>165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165</u>
Net carrying amount	<u>1,200</u>	<u>464</u>	<u>5,679</u>	<u>647</u>	<u>1,087</u>	<u>9,077</u>

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(b) LIFE INSURANCE FUND (CONTD.)

The titles to all self-occupied freehold land and all buildings are in the process of being transferred to the Company, under the new name Etiqa Insurance Berhad. In 2007, the titles to certain self-occupied properties of the Life Insurance Fund costing RM305,000 and General Insurance and Shareholder's funds costing RM16,506,000 were still in the process of being transferred to the Company, under the name Malaysia National 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	
	2008 RM'000	2007 RM'000
At 1 July 2007/ 2006	1,700	1,600
Fair value adjustments	-	100
At 30 June	<u>1,700</u>	<u>1,700</u>

(b) LIFE INSURANCE FUND

	Freehold Land and Buildings RM'000	Leasehold Land and Buildings RM'000	Total RM'000
<u>2008</u>			
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	<u>370,012</u>	<u>83,388</u>	<u>453,400</u>

4. INVESTMENT PROPERTIES (CONTD.)**(b) LIFE INSURANCE FUND (CONTD.)**

	Freehold Land and Buildings RM'000	Leasehold Land and Buildings RM'000	Total RM'000
<u>2007</u>			
Cost			
At 1 July 2006	189,083	92,623	281,706
Fair value adjustments	112,706	(22,012)	90,694
At 30 June 2007	<u>301,789</u>	<u>70,611</u>	<u>372,400</u>
Accumulated impairment loss			
At 1 July 2006	-	17,595	17,595
Writeback of impairment loss	-	(17,595)	(17,595)
At 30 June 2007	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount			
At 30 June 2007	<u>301,789</u>	<u>70,611</u>	<u>372,400</u>

The titles to all investment properties are in the process of being transferred to the Company, under the new name Etiqa Insurance Berhad. In 2007, the titles to certain investment properties of the Life Insurance Fund costing RM280,856,000 and General Insurance and Shareholder's funds costing RM1,533,000 were still in the process of being transferred to the Company, under the name Malaysia National 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	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Long term leasehold land:				
Cost				
At 1 July 2007/ 2006	-	-	-	-
Effect of adopting FRS 117	24,978	24,978	-	-
At 1 July 2007/ 2006 (Restated)	24,978	24,978	-	-
Additions	-	-	1,300	-
At 30 June	24,978	24,978	1,300	-
Accumulated amortisation				
At 1 July 2007/ 2006	-	-	-	-
Effect of adopting FRS 117	4,494	4,190	-	-
At 1 July 2007/ 2006 (Restated)	4,494	4,190	-	-
Charge for the financial year	302	304	-	-
Reclassification	381	-	-	-
At 30 June	5,177	4,494	-	-
Accumulated impairment				
At 1 July 2007/ 2006	-	-	-	-
Charge for the financial year	184	-	-	-
At 30 June	184	-	-	-
Net carrying amount	19,617	20,484	1,300	-

The titles to all leasehold land are in the process of being transferred to the Company, under the new name Etiqa Insurance Berhad. In 2007, the titles to certain leasehold land of the General Insurance and Shareholder's funds costing RM3,820,000 were still in the process of being transferred to the Company, under the name Malaysia National 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		Life fund	
	Shareholder's funds			
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Cost				
At 1 July 2007/ 2006	14,017	13,849	13,031	12,160
Additions	-	168	-	871
Reclassification	-	-	524	-
At 30 June	<u>14,017</u>	<u>14,017</u>	<u>13,555</u>	<u>13,031</u>
Accumulated amortisation				
At 1 July 2007/ 2006	13,716	13,452	10,452	10,343
Amortisation	128	264	1,081	109
Reclassification	-	-	1,178	-
At 30 June	<u>13,844</u>	<u>13,716</u>	<u>12,711</u>	<u>10,452</u>
Net carrying amount	<u>173</u>	<u>301</u>	<u>844</u>	<u>2,579</u>

7. SUBSIDIARIES

	General Insurance and	
	Shareholder's Funds	
	2008	2007
	RM'000	RM'000
Unquoted shares, at cost	298,183	415,978
Provision for impairment loss	(244,853)	(244,853)
	<u>53,330</u>	<u>171,125</u>

7. SUBSIDIARIES (CONTD.)

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interests (%)		Principal activities
		2008	2007	
Etiqa Takaful Berhad ("ETB") (Formerly known as Takaful Nasional Sdn. Berhad) (Note (i))	Malaysia	-	100	Underwriting of Family and General Takaful businesses
Etiqa Offshore Insurance (L) Ltd. ("EOIL") (Formerly known as MNI Offshore Insurance (L) Ltd) (Note (i))	Malaysia	-	100	Offshore general reinsurance business and the provision of bureau services to offshore reinsurers in the Federal Territory of Labuan
MNI Life International (L) Ltd. ("MNILIL") (Note (ii))	Malaysia	-	100	Offshore life insurance business
Double Care Sdn. Bhd.	Malaysia	100	100	Investment holding
Peram Ranum Berhad	Malaysia	100	100	Dormant

(i) Transfer of Shares via Dividend-in-Specie

On 27 September 2007 and 9 October 2007 respectively, the Company transferred its entire shareholdings in ETB and EOIL to Mayban Fortis Holdings Berhad via the payment of dividend-in-specie on 30 August 2007 at a value equal to the cost of the Company's investments in ETB and EOIL.

(ii) Member's Voluntary Winding-Up of a MNILIL

On 30 September 2007, MNILIL completed its Member's Voluntary Winding-Up pursuant to a special resolution made under Section 131(1) of the Offshore Companies Act, 1990 and Section 254(1)(b) of the Companies Act, 1965 and was dissolved on that date.

8. DUE FROM/TO RELATED COMPANIES**(a) GENERAL INSURANCE AND SHAREHOLDER'S FUNDS**

	2008	2007
	RM'000	RM'000
Due from related companies	-	2,377
	<u>-</u>	<u>2,377</u>
Due to holding company	1,140	962
Due to subsidiaries	-	16,610
Due to related companies	3,390	1,053
	<u>4,530</u>	<u>18,625</u>

(b) LIFE INSURANCE FUND

Due to related companies	38,418	-
	<u>38,418</u>	<u>-</u>

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.

9. INVESTMENTS**(a) GENERAL INSURANCE AND SHAREHOLDER'S FUNDS**

	2008		2007	
	Carrying	Market/	Carrying	Market/
	value	indicative	value	indicative
	RM'000	value	RM'000	value
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Securities - at cost	24,748		32,809	
Net amortisation of premiums	(122)		(1,035)	
	<u>24,626</u>	24,217	<u>31,774</u>	32,267
Malaysian Government Guaranteed Bonds - at cost	36,243		68,694	
Net amortisation of premiums	(1,652)		(1,304)	
	<u>34,591</u>	33,116	<u>67,390</u>	67,811

9. INVESTMENTS

(a) GENERAL INSURANCE AND SHAREHOLDER'S FUNDS (CONTD.)

	2008		2007	
	Carrying value RM'000	Market/ indicative value RM'000	Carrying value RM'000	Market/ indicative value RM'000
Malaysian Government Investment				
Issues - at cost	26,491		26,491	
Net accretion of discounts	4,088		2,843	
	<u>30,579</u>	<u>30,636</u>	<u>29,334</u>	<u>30,272</u>
Quoted in Malaysia:				
Equity securities of corporations - at cost	124,252		117,658	
Provision for diminution in value	-		(309)	
	<u>124,252</u>	<u>179,097</u>	<u>117,349</u>	<u>188,103</u>
Unit and property trusts - at cost	8,745		8,085	
Provision for diminution in value	(1,057)		(409)	
	<u>7,688</u>	<u>7,688</u>	<u>7,676</u>	<u>8,103</u>
Unquoted:				
Equity securities of corporations - at cost	47,500		63,500	
Provision for diminution in value	(2,696)		(2,696)	
	<u>44,804</u>	<u>44,804</u>	<u>60,804</u>	<u>60,804</u>
Corporate debt securities - at cost	472,725		407,309	
Net (amortisation of premiums)/ accretion of discounts	(1,670)		19,228	
Provision for diminution in value	-		(24,537)	
	<u>471,055</u>	<u>452,584</u>	<u>402,000</u>	<u>410,675</u>
Negotiable Certificates of Deposits	20,956		20,956	
Net amortisation of premiums	(404)		(203)	
	<u>20,552</u>	<u>20,522</u>	<u>20,753</u>	<u>20,753</u>

9. INVESTMENTS

(a) GENERAL INSURANCE AND SHAREHOLDER'S FUNDS (CONTD.)

	2008		2007	
	Carrying value RM'000	Market/ indicative value RM'000	Carrying value RM'000	Market/ indicative value RM'000
Structured deposits with licensed commercial banks - local	<u>100,000</u>		<u>100,000</u>	
Fixed and call deposits with:				
Licensed commercial banks	177,427		97,898	
Other financial institutions ²	<u>-</u>		<u>129,207</u>	
	<u>177,427</u>		<u>227,105</u>	
Total investments - General Insurance and Shareholder's Funds	<u>1,035,575</u>		<u>1,064,185</u>	

Fixed deposits amounting to RM35,000,000 (2007: Nil) were pledged to the ultimate holding company for bank guarantee facilities provided to the Company.

¹ Indicative values are obtained from the secondary market

² Other financial institutions are discount houses, investment bank and Malaysian Building Society Berhad

9. INVESTMENTS

(a) GENERAL INSURANCE AND SHAREHOLDER'S FUNDS (CONTD.)

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

2008	< 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	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	256,969	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
2007	< 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	8,062	4,526	-	20,222	32,809
Malaysian Government Guaranteed Bonds	50,000	-	-	18,694	68,694
Malaysian Government Investment Issues	-	-	26,491	-	26,491
Unquoted corporate debt securities	50,355	77,249	90,745	188,960	407,309
Negotiable Certificates of Deposit	20,956	-	-	-	20,956
Structured deposits	100,000	-	-	-	100,000
Fixed and call deposits	184,105	-	43,000	-	227,105

9. INVESTMENTS**(a) GENERAL INSURANCE AND SHAREHOLDER'S FUNDS (CONTD.)**

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

	2008	2007
	%	%
	per annum	per annum
Malaysian Government Securities	4.12	3.82
Malaysian Government Guaranteed Bonds	4.47	4.14
Malaysian Government Investment Issues	4.20	4.20
Unquoted corporate debt securities	5.71	3.90
Negotiable Certificates of Deposit	4.72	4.79
Structured deposits	4.66	5.48
Fixed and call deposits	3.80	3.70

(b) LIFE INSURANCE FUND

	2008		2007	
	Carrying	Market/	Carrying	Market/
	value	indicative	value	indicative
	RM'000	value	RM'000	value
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Securities - at cost	244,212		302,030	
Net accretion of discounts/ (amortisation of premiums)	217		(6,964)	
	<u>244,429</u>	<u>252,115</u>	<u>295,066</u>	<u>324,278</u>
Malaysian Government Investment Issues - at cost	29,185		19,524	
Net accretion of discounts	226		9,814	
	<u>29,411</u>	<u>29,745</u>	<u>29,338</u>	<u>31,740</u>
Cagamas papers - at cost	4,674		158,113	
Net accretion of discounts	162		12	
	<u>4,836</u>	<u>4,888</u>	<u>158,125</u>	<u>167,268</u>
Quoted in Malaysia: Equity securities of corporations - at cost	319,586		313,717	
Provision for diminution in value	-		(264)	
	<u>319,586</u>	<u>404,631</u>	<u>313,453</u>	<u>438,133</u>

9. INVESTMENTS

(b) LIFE INSURANCE FUND (CONTD.)

	2008		2007	
	Carrying value RM'000	Market/ indicative value RM'000	Carrying value RM'000	Market/ indicative value RM'000
Unit and property trusts - at cost	29,500		27,760	
Provision for diminution in value	(4,202)		(3,105)	
	<u>25,298</u>	<u>25,298</u>	<u>24,655</u>	<u>24,655</u>
Unquoted:				
Equity securities of corporations - at cost	58,455		86,359	
Provision for diminution in value	(196)		(85)	
	<u>58,259</u>	<u>58,259</u>	<u>86,274</u>	<u>86,274</u>
Corporate debt securities - at cost	2,008,454		1,725,367	
Net accretion of discounts	16,858		30,538	
Provision for diminution in value	-		(25,619)	
	<u>2,025,312</u>	<u>1,988,789</u>	<u>1,730,286</u>	<u>1,830,371</u>
Negotiable Certificates of Deposit	348,990		330,339	
Net accretion of discounts	11,720		6,717	
	<u>360,710</u>	<u>358,964</u>	<u>337,056</u>	<u>337,056</u>
Structured deposits with:				
Licensed banks	<u>321,000</u>		<u>200,000</u>	
Fixed and call deposits with:				
Licensed commercial banks	171,234		256,046	
Other financial institutions ²	80,351		32,737	
	<u>251,585</u>		<u>288,783</u>	
Total investments - Life Insurance Fund	<u>3,640,426</u>		<u>3,463,036</u>	

Included in 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.

9. INVESTMENTS (CONTD.)**(b) LIFE INSURANCE FUND (CONTD.)**

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. The Company is currently seeking a court order to restrain the issuer from proceeding with the redemption and an order that the issuer proceed with the issuance of the relevant ordinary shares pursuant to the conversion.

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

2008	< 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	41,483	4,027	43,847	154,855	244,211
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
2007	< 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	57,818	45,511	18,558	180,143	302,030
Malaysian Government Investment Issues	-	-	-	19,524	19,524
Cagamas papers	-	56,347	31,430	70,336	158,113
Unquoted corporate debt securities	53,215	194,223	516,117	961,812	1,725,367
Structured deposits	-	50,000	60,000	90,000	200,000
Negotiable Certificates of Deposit	-	155,748	156,995	17,596	330,339
Fixed and call deposits	120,997	10,786	58,000	99,000	288,783

9. INVESTMENTS (CONTD.)**(b) LIFE INSURANCE FUND (CONTD.)**

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

	2008	2007
	%	%
	per annum	per annum
Malaysian Government Securities	5.09	2.81
Malaysian Government Investment Issues	4.77	0.40
Cagamas papers	4.95	0.61
Unquoted corporate debt securities	5.77	4.78
Structured deposits	4.38	4.54
Negotiable Certificates of Deposit	4.57	4.85
Fixed and call deposits	4.51	3.24

10. LOANS**(a) GENERAL INSURANCE AND SHAREHOLDER'S FUNDS**

	2008	2007
	RM'000	RM'000
Staff loans (secured)	3,468	3,227
Other secured loans	49,071	49,821
Unsecured loans	178	203
	<u>52,717</u>	<u>53,251</u>
Provision for doubtful debts	(425)	(333)
	<u>52,292</u>	<u>52,918</u>
Receivable within 1 year	40	909
Receivable after 1 year	52,252	52,009
	<u>52,292</u>	<u>52,918</u>

10. LOANS**(b) LIFE INSURANCE FUND (CONTD.)**

	2008	2007
	RM'000	RM'000
Policy loans	154,662	149,769
Mortgage loans	114	790
Staff loans (secured)	27,492	27,265
Other secured loans	118,130	118,923
	<u>300,398</u>	<u>296,747</u>
Interest-in-suspense	(6,211)	(5,786)
Provision for doubtful debts	(268)	(276)
	<u>293,919</u>	<u>290,685</u>
Receivable within 1 year	982	20,359
Receivable after 1 year	292,937	270,326
	<u>293,919</u>	<u>290,685</u>

11. DEFERRED TAX ASSETS/(LIABILITIES)

	General Insurance and Shareholder's Funds		Life Insurance Fund	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
At 1 July 2007/ 2006	20,414	15,174	(8,612)	2,987
Recognised in income statement (Note 23)	(5,715)	5,240	(5,327)	(11,599)
At 30 June	<u>14,699</u>	<u>20,414</u>	<u>(13,939)</u>	<u>(8,612)</u>

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

	General Insurance and Shareholder's Funds		Life Insurance Fund	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	(223)	2,124	(14,514)	(9,389)
Deferred tax assets	14,922	18,290	575	777
	<u>14,699</u>	<u>20,414</u>	<u>(13,939)</u>	<u>(8,612)</u>

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	Total RM'000
<u>2008</u>			
At 1 July 2007	772	1,352	2,124
Recognised in the income statement	(804)	(1,544)	(2,347)
At 30 June 2008	<u>(32)</u>	<u>(192)</u>	<u>(223)</u>

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONTD.)**Deferred Tax Liabilities (Contd.)****GENERAL INSURANCE AND SHAREHOLDER'S FUNDS (CONTD.)**

	Accelerated capital allowances RM'000	Net accretion of discount RM'000	Total RM'000
<u>2007</u>			
At 1 July 2006	(509)	(6,005)	(6,514)
Recognised in the income statement	1,281	7,357	8,638
At 30 June 2007	<u>772</u>	<u>1,352</u>	<u>2,124</u>

LIFE INSURANCE FUND

	Accelerated capital allowances RM'000	Net accretion of discount RM'000	Fair value adjustments RM'000	Others RM'000	Total RM'000
<u>2008</u>					
At 1 July 2007	(610)	-	(8,265)	(514)	(9,389)
Recognised in the income statement	148	(1,398)	(3,481)	(394)	(5,125)
At 30 June 2008	<u>(462)</u>	<u>(1,398)</u>	<u>(11,746)</u>	<u>(908)</u>	<u>(14,514)</u>

2007

At 1 July 2006	(744)	(1,959)	-	-	(2,703)
Recognised in the income statement	134	1,959	(8,265)	(514)	(6,686)
At 30 June 2007	<u>(610)</u>	<u>-</u>	<u>(8,265)</u>	<u>(514)</u>	<u>(9,389)</u>

Deferred Tax Assets**GENERAL INSURANCE AND SHAREHOLDER'S FUNDS**

	Provision for diminution in investments RM'000	Provision for doubtful debts RM'000	Net amortisation of premium RM'000	Others RM'000	Total RM'000
<u>2008</u>					
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	<u>938</u>	<u>9,548</u>	<u>131</u>	<u>4,305</u>	<u>14,922</u>

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONTD.)**Deferred Tax Assets (Contd.)****GENERAL INSURANCE AND SHAREHOLDER'S FUNDS (CONTD.)****2007**

At 1 July 2006	9,101	11,125	-	1,481	21,707
Recognised in the income statement	(8,180)	198	150	4,565	(3,267)
At 30 June 2007	<u>921</u>	<u>11,323</u>	<u>150</u>	<u>6,046</u>	<u>18,440</u>

LIFE INSURANCE FUND

	Provision for diminution in investments RM'000	Provision for doubtful debts RM'000	Net amortisation of premium RM'000	Others RM'000	Total RM'000
--	---	--	---	--------------------------	-------------------------

2008

At 1 July 2007	276	351	150	-	777
Recognised in the income statement	75	(128)	(150)	-	(202)
At 30 June 2008	<u>351</u>	<u>223</u>	<u>-</u>	<u>-</u>	<u>575</u>

2007

At 1 July 2006	1,418	4,138	-	134	5,690
Recognised in the income statement	(1,142)	(3,787)	150	(134)	(4,913)
At 30 June 2007	<u>276</u>	<u>351</u>	<u>150</u>	<u>-</u>	<u>777</u>

12. TRADE AND OTHER RECEIVABLES**(a) GENERAL INSURANCE AND SHAREHOLDER'S FUNDS**

	2008	2007
	RM'000	RM'000
Trade receivables		
Due premiums from agents, brokers and co-insurers balances	137,450	195,199
Provision for doubtful debts	<u>(21,083)</u>	<u>(28,378)</u>
	<u>116,367</u>	<u>166,821</u>
Due from reinsurers and cedants	27,610	70,488
Provision for doubtful debts	<u>(11,068)</u>	<u>(10,492)</u>
	<u>16,542</u>	<u>59,996</u>
Other receivables		
Other receivables, deposits and prepayments	24,890	28,322
Income due and accrued	11,774	8,287
Taxes paid	25,414	-
Due from Life Insurance Fund (Note 18(b))	<u>51,043</u>	<u>62,308</u>
	<u>113,121</u>	<u>98,917</u>
Provision for doubtful debts	<u>(3,227)</u>	<u>(1,200)</u>
	<u>109,894</u>	<u>97,717</u>
	<u>242,803</u>	<u>324,534</u>

(b) LIFE INSURANCE FUND

	2008	2007
	RM'000	RM'000
Trade receivables		
Due premiums from insureds	21,370	15,191
Amount due from reinsurers	<u>2,971</u>	<u>3,312</u>
	<u>24,341</u>	<u>18,503</u>
Provision for doubtful debts	<u>(3,836)</u>	<u>(4,130)</u>
	<u>20,505</u>	<u>14,373</u>
Other receivables		
Other receivables, deposits and prepayments	2,161	69,406
Income due and accrued	<u>58,213</u>	<u>46,892</u>
	<u>60,374</u>	<u>116,298</u>
Provision for doubtful debts	<u>(701)</u>	<u>(500)</u>
	<u>59,673</u>	<u>115,798</u>
	<u>80,178</u>	<u>130,171</u>

13. CASH AND CASH EQUIVALENTS

	2008	2007
	RM'000	RM'000
Cash and bank balances		
- General Insurance and Shareholder's Funds	32,762	50,407
- Life Insurance Fund	40,019	26,675
Cash and cash equivalents	<u>72,781</u>	<u>77,082</u>

14. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2008	2007	2008	2007
	'000	'000	RM'000	RM'000
Authorised:				
At 1 July 2007/ 2006 and 30 June	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:				
At 1 July 2007/ 2006 and 30 June	<u>152,151</u>	<u>152,151</u>	<u>152,151</u>	<u>152,151</u>

15. UNEARNED PREMIUM RESERVES**GENERAL INSURANCE AND SHAREHOLDER'S FUNDS**

	Fire	Motor	Marine aviation & transit	Miscel- laneous	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2008</u>					
<u>Short term</u>					
At 1 July 2007	12,763	50,794	26,270	23,827	113,654
Increase/(decrease) in reserves	<u>5,639</u>	<u>7,960</u>	<u>(11,314)</u>	<u>(3,741)</u>	<u>(1,457)</u>
At 30 June 2008	<u>18,402</u>	<u>58,754</u>	<u>14,956</u>	<u>20,086</u>	<u>112,197</u>
<u>Long term</u>					
At 1 July 2007	45,676	-	-	730	46,406
Increase/(decrease) in reserves	<u>(1,873)</u>	<u>36</u>	<u>42</u>	<u>(499)</u>	<u>(2,294)</u>
At 30 June 2008	<u>43,803</u>	<u>36</u>	<u>42</u>	<u>231</u>	<u>44,112</u>
Total	<u>62,205</u>	<u>58,789</u>	<u>14,998</u>	<u>20,317</u>	<u>156,309</u>
Total increase/ (decrease) in reserves	<u>3,766</u>	<u>7,995</u>	<u>(11,272)</u>	<u>(4,240)</u>	<u>(3,751)</u>

15. UNEARNED PREMIUM RESERVES (CONTD.)**GENERAL INSURANCE AND SHAREHOLDER'S FUNDS (CONTD.)**

	Fire RM'000	Motor RM'000	Marine aviation & transit RM'000	Miscel- laneous RM'000	Total RM'000
<u>2007</u>					
<u>Short term</u>					
At 1 July 2006	13,257	53,122	54,900	(6,422)	114,857
Decrease in reserves	(494)	(2,328)	(28,631)	30,250	(1,203)
At 30 June 2007	<u>12,763</u>	<u>50,794</u>	<u>26,270</u>	<u>23,827</u>	<u>113,654</u>
<u>Long term</u>					
At 1 July 2006	51,139	21	50	1,132	52,342
Decrease in reserves	(5,463)	(21)	(50)	(402)	(5,936)
At 30 June 2007	<u>45,676</u>	<u>-</u>	<u>-</u>	<u>730</u>	<u>46,406</u>
Total	<u>58,439</u>	<u>50,794</u>	<u>26,270</u>	<u>24,557</u>	<u>160,060</u>
Total (decrease)/ increase in reserves	<u>(5,957)</u>	<u>(2,349)</u>	<u>(28,680)</u>	<u>29,847</u>	<u>(7,139)</u>

16. LIFE INSURANCE POLICYHOLDERS' FUND

	2008 RM'000	2007 RM'000
Actuarial liabilities	3,462,671	3,331,381
Unallocated surplus	784,681	742,248
Life insurance policyholders' fund	<u>4,247,352</u>	<u>4,073,629</u>

16. LIFE INSURANCE POLICYHOLDERS' FUND (CONTD.)

	2008	2007
	RM'000	RM'000
<u>Actuarial liabilities</u>		
At 1 July	3,331,381	3,264,260
<u>Add:</u>		
Increase in policy reserves	53,228	10,134
Bonus allocated to participating policyholders, including interim bonus from normal surplus	85,000	63,463
<u>Less:</u>		
Interim bonus paid	(6,938)	(6,476)
	<u>131,290</u>	<u>67,121</u>
At 30 June	<u>3,462,671</u>	<u>3,331,381</u>
<u>Unallocated surplus</u>		
At 1 July	742,248	556,351
<u>Add:</u>		
Surplus arising during the financial year	177,433	287,360
<u>Less:</u>		
Bonus allocated to policyholders, including interim bonus from normal surplus	(85,000)	(63,463)
Transfer to Income Statement (Page 22)	(50,000)	(38,000)
	<u>42,433</u>	<u>185,897</u>
At 30 June	<u>784,681</u>	<u>742,248</u>

17. PROVISION FOR OUTSTANDING CLAIMS**(a) GENERAL INSURANCE AND SHAREHOLDER'S FUNDS**

	2008	2007
	RM'000	RM'000
Provision for outstanding claims	515,780	500,150
Recoverable from reinsurers	<u>(290,288)</u>	<u>(268,342)</u>
Net outstanding claims	<u>225,492</u>	<u>231,808</u>

(b) LIFE INSURANCE FUND

	2008	2007
	RM'000	RM'000
Provision for outstanding claims	9,281	11,301
Recoverable from reinsurers	<u>-</u>	<u>-</u>
Net outstanding claims	<u>9,281</u>	<u>11,301</u>

18. TRADE AND OTHER PAYABLES**(a) GENERAL INSURANCE AND SHAREHOLDER'S FUNDS**

	2008	2007
	RM'000	RM'000
Trade payables		
Due to agents, brokers, co-insurers and insureds	52,999	60,794
Due to reinsurers and cedants	<u>105,662</u>	<u>208,944</u>
	<u>158,661</u>	<u>269,738</u>
Other payables		
Other payables and accrued liabilities	<u>40,528</u>	<u>31,206</u>
	<u>199,189</u>	<u>300,944</u>

18. TRADE AND OTHER PAYABLES (CONTD.)**(b) LIFE INSURANCE FUND**

	2008	2007
	RM'000	RM'000
Trade payables		
Due to agents and insureds	4,461	3,687
Due to reinsurers	10,835	68
	<u>15,296</u>	<u>3,755</u>
Other payables		
Premiums deposits	25,777	25,693
Dividends payable to policyholders	52,166	44,538
Other payables and accrued liabilities	27,588	30,777
Due to General Insurance and Shareholder's Funds (Note 12(a))	51,043	62,308
	<u>156,574</u>	<u>163,316</u>
	<u>171,870</u>	<u>167,071</u>

19. OPERATING REVENUE

	Shareholder's Fund RM'000	General Insurance Fund RM'000	Life Insurance Fund RM'000	Total RM'000
<u>2008</u>				
Gross premium	-	638,594	330,957	969,551
Investment income (Note 20)	14,664	37,023	214,744	266,431
	<u>14,664</u>	<u>675,617</u>	<u>545,701</u>	<u>1,235,982</u>
<u>2007</u>				
Gross premium	-	599,567	307,163	906,730
Investment income (Note 20)	14,522	34,579	204,426	253,527
	<u>14,522</u>	<u>634,146</u>	<u>511,589</u>	<u>1,160,257</u>

20. INVESTMENT INCOME**(a) SHAREHOLDER'S FUND**

	2008	2007
	RM'000	RM'000
Gross dividends from:		
Equity securities quoted in Malaysia	2,945	4,504
Unquoted shares	-	1,406
Unit and property trusts	336	28
Interest income from:		
Malaysian Government Securities	446	900
Corporate debt securities	5,066	3,158
Other loans	480	867
Fixed and call deposits	3,649	3,475
Net rental income	585	418
Net accretion of discounts/(amortisation of premiums)	1,157	(234)
	<u>14,664</u>	<u>14,522</u>

(b) GENERAL INSURANCE FUND

Gross dividends from:		
Equity securities quoted in Malaysia	4,039	4,116
Unit and property trusts	-	26
Interest income from:		
Malaysian Government Securities	982	2,051
Corporate debt securities	18,842	15,500
Other loans	2,121	1,192
Fixed and call deposits	11,221	11,558
Net (amortisation of premiums)/accretion of discounts	(182)	136
	<u>37,023</u>	<u>34,579</u>

20. INVESTMENT INCOME (CONTD.)**(c) LIFE INSURANCE FUND**

	2008	2007
	RM'000	RM'000
Gross dividends from:		
Equity securities quoted in Malaysia	19,664	23,320
Unquoted shares	-	411
Unit and property trusts	1,051	763
Interest income:		
Malaysian Government Securities	14,775	18,745
Cagamas bonds	196	7,285
Corporate debt securities	104,937	87,082
Mortgage loans	1,043	1,157
Policy loans	11,474	10,816
Other loans	6,189	2,836
Fixed and call deposits	33,917	31,425
Net rental income	13,410	11,018
Net accretion of discounts	8,758	9,575
	<u>215,414</u>	<u>204,433</u>
Less: Investment expenses	(670)	(7)
	<u>214,744</u>	<u>204,426</u>

21. OTHER OPERATING INCOME/(EXPENSES) - NET**(a) SHAREHOLDER'S FUND**

	2008	2007
	RM'000	RM'000
Net (loss)/gain on disposal of investments	(3,255)	19,923
Gain on disposal of subsidiaries	7,197	-
Writeback of diminution in value of investments	16,954	4,581
Gain on disposal of property and equipment	36	-
Fair value adjustments on investment properties	-	100
Impairment loss on properties	(456)	(988)
Others	196	(744)
	<u>20,672</u>	<u>22,872</u>

(b) GENERAL INSURANCE FUND

Net (loss)/gain on disposal of investments	(167)	7,924
Writeback of/(provision for) diminution in value of investments	7,243	(53)
Others	263	(821)
	<u>7,340</u>	<u>7,050</u>

(c) LIFE INSURANCE FUND

Net gain on disposal of investments	11,398	38,344
Writeback of diminution in value of investments	24,673	24,310
Writeback of impairment loss on investment properties	-	17,595
Fair value adjustment on investment properties	44,000	90,694
Others	(5,277)	(3,184)
	<u>74,794</u>	<u>167,759</u>

22. MANAGEMENT EXPENSES**(a) SHAREHOLDER'S FUND**

	2008	2007
	RM'000	RM'000
Staff costs:		
Basic salary	65	259
EPF	8	62
SOCSO	-	3
Bonus, allowances and other staff related costs	(1)	120
Staff cost	<u>72</u>	<u>444</u>
Non-executive directors:		
Fees:		
Payable to MBB	18	25
Payable to MFHB	50	76
Payable to corporate shareholder Fortis Insurance Int.	25	1
Payable to other directors	55	55
Other emoluments:		
Payable to MBB	4	5
Payable to MFHB	3	17
Payable to a corporate shareholder Fortis Insurance Int	5	-
Payable to other directors	8	10
Non-executive directors' remuneration	<u>168</u>	<u>189</u>
Depreciation of property, plant and equipment	200	567
Amortisation of prepaid land lease payments	302	304
Auditors' remuneration	19	10
Provision for doubtful debts	98	-
Rental of premises	12	41
Electronic data processing expenses	20	-
Others	233	135
	<u>884</u>	<u>1,057</u>
	<u>1,124</u>	<u>1,690</u>

22. MANAGEMENT EXPENSES (CONTD.)

	2008	2007
	RM'000	RM'000
(b) GENERAL INSURANCE FUND		
Staff costs:		
Basic salary	24,530	23,962
EPF	5,197	4,977
SOCSO	271	244
Bonus, allowances and other staff related costs	13,030	9,484
Staff cost	<u>43,028</u>	<u>38,667</u>
Depreciation of property and equipment	789	2,644
Amortisation of intangible assets	128	264
Auditors' remuneration	238	186
Rental of premises	3,864	4,143
Advertising and promotion	6,334	6,212
(Writeback of)/provision for doubtful debts	(2,311)	222
Accrual for Insurance Guarantee Scheme Fund Levy	586	676
Electronic data processing expenses	9,157	6,852
Repairs and maintenance	1,875	582
Bank charges	1,705	1,790
Postage and telecommunications	2,978	1,334
Training expenses	3,006	2,112
Professional fees	3,580	3,770
Travelling expenses	1,612	1,432
Printing and stationery	1,619	1,270
Others	3,522	1,415
	<u>38,681</u>	<u>34,904</u>
	<u>81,709</u>	<u>73,571</u>

22. MANAGEMENT EXPENSES (CONTD.)

	2008	2007
	RM'000	RM'000
(c) LIFE INSURANCE FUND		
Staff costs:		
Basic salary	13,480	13,156
EPF	2,894	2,948
SOCSO	152	144
Short-term accumulating compensated absences	3	-
Bonus, allowances and other staff related costs	7,926	7,713
Staff cost	<u>24,455</u>	<u>23,961</u>
Depreciation of property, plant and equipment	1,246	2,474
Amortisation of intangible assets	1,081	109
Amortisation of prepaid land lease payments	-	-
Auditors' remuneration	121	142
Rental of premises	2,104	2,474
Repair and maintenance	1,517	
Electronic data processing expenses	6,383	5,000
Advertising and promotion	3,202	2,181
(Writeback of)/provision for doubtful debts	(530)	1,702
Bank charges	885	919
Training expenses	2,153	1,124
Professional fees	2,809	2,361
Printing and stationery	1,310	616
Others	3,755	535
	<u>26,036</u>	<u>19,637</u>
	<u>50,491</u>	<u>43,598</u>

22. MANAGEMENT EXPENSES (CONTD.)

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer ("CEO") of the Company during the financial year amounted to RM574,987 (2007: RM469,697). The CEO was not entitled to any benefits-in-kind during the current and previous financial years.

The estimated monetary value of benefits-in-kind provided to Directors during the financial year by way of usage of the Company's assets amounted to RMNil (2007: RMNil).

23. TAXATION

The domestic income tax for shareholder's and general insurance funds are generally calculated based on the corporate tax rate of 26% (2007: 27%) of the estimated assessable profit for the financial year.

The corporate income tax rate for the year of assessment 2009 (for financial year ending 2009) and subsequent years of assessment will be reduced to 25% as gazetted in the Finance Act 2007.

In view of this, the Company has computed the deferred tax for shareholder's and general insurance funds based on the reduced corporate tax rate of 25%.

(a) GENERAL INSURANCE AND SHAREHOLDER'S FUNDS

	2008	2007
	RM'000	RM'000
Income tax:		
Malaysian income tax	31,804	38,911
Deferred tax: (Note 11)		
Relating to origination and reversal of temporary differences	5,715	(5,240)
	<u>37,518</u>	<u>33,671</u>
Under/(over) provision of income tax in prior financial years	55,088	(26,273)
	<u>92,606</u>	<u>7,398</u>

23. TAXATION (CONTD.)**(a) GENERAL INSURANCE AND SHAREHOLDER'S FUNDS (CONTD.)**

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:

	2008	2007
	RM'000	RM'000
Profit before tax	126,193	111,359
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	32,810	30,067
Business outside Malaysia taxed at 5% (2007: 5%)	(2,567)	(1,408)
Income not subject to tax	(7,039)	(46)
Expenses not deductible for tax purposes	14,314	5,058
Under/(over) provision of income tax in prior financial years	55,088	(26,273)
Tax expense for the financial year	<u>92,606</u>	<u>7,398</u>

(b) LIFE INSURANCE FUND

Income tax:		
Malaysian income tax	17,792	21,343
Deferred tax: (Note 11)		
Relating to origination and reversal of temporary differences	5,327	11,599
	<u>23,120</u>	<u>32,942</u>
Over provision of income tax in prior financial years	-	(4,670)
	<u>23,120</u>	<u>28,272</u>

23. TAXATION (CONTD.)**(b) LIFE INSURANCE FUND**

	2008	2007
	RM'000	RM'000
Life insurance surplus before tax	<u>246,843</u>	<u>271,029</u>
Taxation at Malaysian tax rate of 8% (2007: 8%)	19,747	21,682
Income not subject to tax	(30,889)	(22,159)
Expenses not deductible for tax purposes	34,261	33,418
Over provision of income tax in prior financial years	-	(4,670)
Tax expense for the financial year	<u>23,120</u>	<u>28,271</u>

As at 30 June 2008, the Company has tax exempt profits available for distribution of approximately RM38,323,000 (2007: RM142,000,000).

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.

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 2008 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 2008.

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	
2008	2007	2008	2007	2008	2007
RM'000	RM'000	'000	'000	sen	sen
33,587	103,961	152,151	152,151	22.1	68.3

There is no dilution of earnings per share as there was no dilutive potential ordinary shares as at 30 June 2008.

25. DIVIDENDS

	Amount		Net dividends per ordinary share	
	2008	2007	2008	2007
	RM'000	RM'000	Sen	Sen
<u>Dividend-in-specie</u>				
Dividend-in-specie comprising the shares held in Etiqa Takaful Berhad (previously known as Takaful Nasional Sdn. Berhad) and Etiqa Offshore Insurance (L) Ltd (previously known as MNI Offshore Insurance (L) Ltd.)	107,883	-	n/a	n/a
<u>Interim</u>				
Gross dividend of 44.5 sen per share, less income tax at 26%	50,103	-	44.5	-

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
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)	(82,590)
Net claims paid	8,734	83,794	13,019	26,983	132,530
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	11,204	78,090	4,733	32,187	126,214
2007					
Gross claims paid less salvage	25,039	84,986	100,301	27,718	238,044
Reinsurance recoveries	(13,970)	(4,595)	(91,246)	(7,789)	(117,600)
Net claims paid	11,069	80,391	9,055	19,929	120,444
Net outstanding claims:					
At end of financial year	17,559	119,615	38,491	56,142	231,807
At beginning of financial year	(18,669)	(122,809)	(37,468)	(52,220)	(231,166)
Net claims incurred	9,959	77,197	10,077	23,851	121,084

27. INVESTMENT-LINKED BUSINESS

In the previous financial year, the Company redeemed all units in its investment-linked fund amounting to RM48,261,000 and thereafter ceased the underwriting of investment-linked business.

28. SEGMENT INFORMATION ON CASH FLOWS

	Shareholder's Fund RM'000	General Insurance Fund RM'000	Life Insurance Fund RM'000	Total RM'000
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 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
2007				
Cash flows from:				
Operating activities	2,071	(13,492)	(15,797)	(27,218)
Investing activities	-	100	(5,979)	(5,879)
Net increase in cash and cash equivalents	2,071	(13,392)	(21,776)	(33,097)
Cash and cash equivalents:				
At beginning of financial year	24,792	36,937	48,450	110,179
At end of financial year	26,863	23,545	26,674	77,082

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 not cancellable within a year. 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:

	2008	2007
	RM'000	RM'000
Within 1 year	35	-
After 1 year but not more than 5 years	1,373	541
More than 5 years	81	-
	<u>1,488</u>	<u>541</u>

(b) The Company as Lessor

The Company has entered into non-cancellable operating lease agreements on its portfolio of investment properties. The leases have remaining non-cancellable 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 future minimum lease payments receivable under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as receivables, are as follows:

	2008	2007
	RM'000	RM'000
Not later than 1 year	3,872	718
Later than 1 year but not later than 5 years	31,256	38,065
	<u>35,128</u>	<u>38,783</u>

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	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted for:				
- Property, plant and equipment	-	-	-	562
- Branding costs	-	4,000	-	-
- Life Core system	-	-	39,344	29,288
Authorised but not contracted for:				
- Branding costs	-	12,900	-	-
- Property, plant and equipment	-	-	-	350
- Life Core system	-	-	-	26,712
	<u>-</u>	<u>16,900</u>	<u>39,344</u>	<u>56,912</u>

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:

	2008	2007
	RM'000	RM'000
(a) General Insurance and Shareholder's Funds		
Transactions with the ultimate holding company:		
Gross insurance premium income	222	-
Interest income	2,984	-
Other expenses	(219)	-
Transactions with the holding company		
Other management fees	(2,286)	(787)
Dividends paid	(157,986)	-

31. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

	2008	2007
	RM'000	RM'000
(a) General Insurance and Shareholder's Funds (Contd.)		
Transactions with other related companies within the MBB group:		
Gross insurance premium income	641	458
Commissions and fee expenses	(133)	(91)
Interest income	3,571	3,564
Rental expenses	(2,457)	(1,209)
Other expenses	(122)	(124)
(b) Life Insurance Funds		
Transactions with the ultimate holding company:		
Interest income	7,828	1,775
Other expenses	(726)	-
Transactions with the holding company		
Other management fees	(1,650)	(340)
Transactions with other related companies within the MBB group:		
Interest income	5,101	4,546
Rental income	961	2,232
Management fee	(205)	(124)
Rental expense	(1,214)	(635)
Transactions with a subsidiary		
Purchase of investment property	37,000	-
Purchase of leasehold land	1,300	-

31. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

	2008	2007
	RM'000	RM'000
(a) General Insurance and Shareholder's Funds		
Ultimate holding company:		
Fixed deposits	100,909	48,000
Structured deposits	10,000	10,000
Income due and accrued	4,915	1,680
Holding company:		
Other payables	(1,140)	(962)
Other related companies within the MBB Group:		
Fixed deposits and call deposits	46,221	113,817
Other receivables	2,581	7,925
Other payables	(3,594)	(18,173)
(b) Life Insurance Funds		
Ultimate holding company:		
Fixed and call deposits	157,288	157,288
Structured deposits	70,000	10,000
Income due and accrued	3,661	1,792
Other related companies within the MBB Group:		
Fixed and call deposits	46,653	61,578
Other payables	(38,419)	-

31. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

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

	2008	2007
	RM'000	RM'000
(a) Key management personnel compensation		
Short-term employee benefits		
Fees	148	157
Salaries, allowances and bonuses	460	560
Contribution to Employees Provident Fund (EPF)	74	109
Other staff benefits	49	60
Share-based payment		
ESOS expense	16	-

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

	2008	2007
	RM'000	RM'000
At 1 July	759	997
Granted	(182)	(238)
Resigned during the financial year	(552)	-
At 30 June	<u>25</u>	<u>759</u>

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. FINANCIAL INSTRUMENTS

The Company 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, 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 defence. 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 defence. 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 defence, 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.

32. FINANCIAL INSTRUMENTS (CONTD.)

A. Type of Risk (Contd.)

(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.

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-Ringggit denominated instruments.

32. FINANCIAL INSTRUMENTS (CONTD.)

A. Type of Risk (Contd.)

(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.

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.

32. FINANCIAL INSTRUMENTS (CONTD.)**B. Monitoring and controlling risks****(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.

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.

32. FINANCIAL INSTRUMENTS (CONTD.)**B. Monitoring and controlling risks (Contd.)****(iii) Operational risk (Contd.)**

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, a risk communication programme is regularly carried out by CRM with the objective to create in-depth risk awareness among all staff of MFHG of possible risks, and to avoid the common fallacy of equating risk-awareness with being risk-averse.

C. Estimated fair values

The carrying values of financial assets and liabilities of the Company as at 30 June 2008 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
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	179,097	319,586	404,631
- Negotiable Certificates of Deposit	20,552	20,522	360,710	358,964
- Unit and property trusts	7,688	7,688	25,298	25,298
	<u>713,343</u>	<u>747,858</u>	<u>3,009,582</u>	<u>3,064,430</u>

32. FINANCIAL INSTRUMENTS (CONTD.)**C. Estimated fair values (Contd.)**

	General and Shareholder's Fund		Life Fund	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
2007				
Investments				
- Malaysian Government Securities	31,774	32,267	295,066	324,278
- Malaysian Government Guaranteed Bonds	67,390	67,811	-	-
- Malaysian Government Investment Issue	29,334	30,272	29,338	31,740
- Cagamas papers	-	-	158,125	167,268
- Corporate debt securities	402,000	410,675	1,730,286	1,830,371
- Quoted equity securities of corporations	117,349	188,103	313,453	438,133
- Negotiable Certificates of Deposit	20,753	20,753	337,056	337,056
- Unit and property trusts	7,676	8,103	24,655	24,655
	<u>676,276</u>	<u>757,984</u>	<u>2,887,979</u>	<u>3,153,501</u>

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

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

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

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

32. FINANCIAL INSTRUMENTS (CONTD.)

C. Estimated fair values (Contd.)

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

(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 values obtained from the 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. SIGNIFICANT EVENT

Change of company name

On 15 November 2007, the Mayban Fortis Group had rebranded the organisation under a new name and identity that symbolises the Group efforts to humanise insurance and takaful operational processes. In conjunction with the new brand exercise, the Company had changed its name to Etiqa Insurance Berhad on 12 November 2007.

34. COMPARATIVES

Certain comparatives that have been restated resulting from the adoption of new and revised FRSs in the current financial year are described in Note 2.3.