



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

Directors' Report and Audited Financial Statements
30 June 2011

9557 T

**ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)**

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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 2011.

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 during the financial year, except for the commencement of managing investment-linked business upon the transfer of the assets, liabilities and life insurance business of Mayban Life Assurance Berhad (now known as Sri MLAB Berhad) ("Sri MLAB") as a going concern to the Company on 1 November 2010, as described in Note 36 to the financial statements.

HOLDING AND ULTIMATE HOLDING COMPANIES

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

RESULTS

	RM'000
Net profit for the financial year	<u>299,019</u>

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

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, other than the transfer of life insurance business from Sri MLAB as disclosed in Note 36.

DIVIDENDS

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

DIRECTORS

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

Dato' Mohd Salleh Hj Harun (Chairman)	
Dato' Johan bin Ariffin	
Zainal Abidin bin Jamal	
Damis Jacobus Ziengs	
Hans J. J. De Cuyper	
Mohamed Nor bin Abdul Hamid	(appointed on 3 September 2010)
Datuk R. Karunakaran	(appointed on 16 November 2010)
Loh Lee Soon	(appointed on 23 December 2010)
Dato' Aminuddin bin Md Desa	(resigned on 30 November 2010)

CORPORATE GOVERNANCE

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

(a) Board responsibilities

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

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

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

CORPORATE GOVERNANCE (CONT'D)

(a) Board responsibilities (Cont'd)

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

The Board met 7 times during the year and the attendance of the directors was as follows:

	Number of Board meetings	
	Attended	%
Dato' Mohd Salleh Hj Harun (Chairman)	7/7	100
Damis Jacobus Ziengs	6/7	86
Hans J. J. De Cuyper	7/7	100
Dato' Johan bin Ariffin	6/7	86
Zainal Abidin bin Jamal	7/7	100
Mohamed Nor bin Abdul Hamid (appointed on 3 September 2010)	3/6	50
Datuk R. Karunakaran (appointed on 16 November 2010)	5/5	100
Loh Lee Soon (appointed on 23 December 2010)	3/3	100
Dato' Aminuddin bin Md Desa (resigned on 30 November 2010)	2/3	67

(b) Management accountability

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

(c) Corporate independence

All material related party transactions have been disclosed in Note 35 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.

CORPORATE GOVERNANCE (CONT'D)

(d) Internal controls and audit (Cont'd)

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 MAHB is as follows:

	Number of AC meetings	
	Attended	%
Loh Lee Soon (Chairman) (appointed on 7 February 2011) Independent Non-Executive Director	4/4	100
Damis Jacobus Ziengs Non-Independent Non-Executive Director	5/6	83
Datuk Dr. Syed Othman bin Syed Hussin Alhabshi Independent Non-Executive Director	5/6	83
Sulaiman bin Salleh (Chairman) (resigned on 6 February 2011) Independent Non-Executive Director	2/2	100

The AC met 6 times during the year.

(e) Risk management

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

The Company established the RMC at the holding company's level. In discharging its responsibilities, the RMC is complemented by the Investment Committee ("IC") 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.

CORPORATE GOVERNANCE (CONT'D)

(e) Risk management (Cont'd)

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 MAHB is as follows:

Mohamed Nor Abdul Hamid (Chairman) (appointed on 7 February 2011)
Independent Non-Executive Director

Damis Jacobus Ziengs
Non-Independent Non-Executive Director

Datuk R. Karunakaran (appointed on 7 February 2011)
Non-Independent Non-Executive Director

Dato' Johan bin Ariffin (Chairman) (resigned on 6 February 2011)
Independent Non-Executive Director

Sulaiman bin Salleh (resigned on 6 February 2011)
Independent Non-Executive Director

The RMC met 6 times during the year.

(f) Nomination and remuneration committee

The Company will continue to leverage on the existing Nomination and Remuneration Committee of the Board ("NRC") [which had taken effect as merged committee on 27 May 2010] of the ultimate holding company, Malayan Banking Berhad ("MBB"), as part of its governance structure.

The primary objective of the NRC 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.

Further, the NRC is also 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.

CORPORATE GOVERNANCE (CONT'D)

(f) Nomination and remuneration committee (Cont'd)

The composition of the NRC is as follows:-

Dato' Mohd Salleh Hj Harun (appointed on 1 July 2011)
Independent Non-Executive Director

Tan Sri Dr Hadenan bin A Jalil
Independent Non-Executive Director

Dato' Dr Tan Tat Wai
Independent Non-Executive Director

Zainal Abidin bin Jamal
Non-Independent Non-Executive Director

Alister Maitland
Independent Non-Executive Director

Dato' Seri Ismail bin Shahudin (Chairman) (resigned on 1 July 2011)
Independent Non-Executive Director

The NRC met 11 times during the year.

(g) Investment committee

The Investment Committee ("IC") was previously set up at Mayban Life Assurance Berhad (now known as Sri MLAB Berhad) ("Sri MLAB"). However, its membership, roles and responsibilities transcended beyond Mayban Life Assurance Bhd to cover all other operating companies under Mayban Ageas Holdings Berhad ("MAHB")(formerly known as Mayban Fortis Holdings Berhad), which include Etiqa Insurance Berhad and Etiqa Takaful Berhad.

Following the transfer of MLAB's business to Etiqa Insurance Berhad on 1 November 2010, the IC is now established at Etiqa Insurance Berhad.

The objectives of the IC include, to present an opinion on the long-term strategic investment policy including real estate, as a recommendation for the Risk Management Meeting ("RMM")/RMC/Board based on ALCO's 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 investment manager. It also evaluates, reviews and maintains the Investment Management Guidelines ("IMG"), based on ALCO's advice and negotiates conditions with, appoints or dismisses external fund managers, custodians, banks and other financial intermediaries.

CORPORATE GOVERNANCE (CONT'D)

(g) Investment committee (Cont'd)

The IC reports to the Board of all the operating companies under MAHB.

The composition of the IC is as follows:

Dato' Sri Abdul Wahid bin Omar (Chairman)
Non-Independent Non-Executive Director

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

Hans J. J. De Cuyper
Chief Executive Officer, Mayban Ageas Holdings
Berhad

Mohd Din bin Merican
Chief Executive Officer, Etiqa Insurance Berhad

Ahmad Shahril Azuar Jimin
Chief Executive Officer, Etiqa Takaful Berhad

Datuk R. Karunakaran (appointed 7 February 2011)
Independent Non-Executive Director

Sulaiman bin Salleh (resigned 6 February 2011)
Independent Non-Executive Director

Dato' Haji Aminuddin bin Md. Desa (resigned on 30 November 2010)
Chief Executive Officer, Mayban Ageas Holdings
Berhad

The IC met 2 times during the year.

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

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 Notes 29 and 35 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 in the ultimate holding company, Malayan Banking Berhad ("MBB") during the financial year were as follows:

	Number of Ordinary Shares of RM1 each			
	1 July			30 June
	2010/ since	Bought	Sold	2011
	appointment			
Ultimate holding company : MBB				
Direct interest:				
Dato' Mohd Salleh Hj Harun	287,781	18,200	-	305,981
Dato' Johan bin Ariffin	70,000	52,805	-	122,805
Mohamed Nor bin Abdul Hamid	9,870	230	-	10,100
Indirect interest:				
Mohamed Nor bin Abdul Hamid	22,233	518	-	22,751
Number of Options over Ordinary Shares of RM0.627 Each				
	1 July			30 June
	2010	Granted	Exercised	2011
Ultimate holding company : MBB				
Hans J. J. De Cuyper	-	200,000	-	200,000

OTHER STATUTORY INFORMATION

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.

- (a) Before the statement of financial position and income statement of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONT'D)

(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
- (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 statement of financial position and income statement of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework") for insurers issued by Bank Negara Malaysia.

SIGNIFICANT EVENT

The significant event during the financial year is disclosed in Note 41 to the financial statements.

SUBSEQUENT EVENT

The subsequent event after the financial year end is disclosed in Note 42 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 11 August 2011.

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**ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)**

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

We, Dato' Mohd Salleh Hj Harun and Hans J.J. De Cuyper, being two of the directors of Etiqa Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 14 to 133 are drawn up in accordance with Financial Reporting Standards, as modified by Bank Negara Malaysia ("BNM") and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 30 June 2011 and of the financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 August 2011.

DATO' MOHD SALLEH HJ HARUN

HANS J. J. DE CUYPER

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

I, Mohd Din bin Merican, being the officer primarily responsible for the financial management of Etiqa Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 14 to 133 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Mohd Din bin Merican
at Kuala Lumpur in Wilayah
Persekutuan on 11 August 2011

MOHD DIN BIN MERICAN

Before me,

Commissioner for Oaths

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**Independent auditors' report to the member of
Etika Insurance Berhad
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of Etika Insurance Berhad, which comprise the statements of financial position as at 30 June 2011, the income statements, the statements of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 14 to 133.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards, as modified by Bank Negara Malaysia and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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**Independent auditors' report to the member of
Etiqa Insurance Berhad (Cont'd)
(Incorporated in Malaysia)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, as modified 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 2011 and of its financial performance and cash flows for the year then ended.

Report 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

Nik Rahmat Kam arulzam an bin Nik Ab. Rahm an
No. 1759/02/12(J)
Chartered Accountant

Kuala Lumpur, Malaysia
11 August 2011

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	30.06.2011 RM'000	30.06.2010 RM'000 (Restated)	01.07.2009 RM'000 (Restated)
Assets:				
Property, plant and equipment	3	136,228	87,680	79,493
Investment properties	4	516,360	489,080	502,790
Prepaid land lease payments	5	20,796	9,897	10,061
Intangible assets	6	163	285	358
Investment in associate	8	152	152	-
Investments	9	12,216,293	5,549,107	5,245,501
Financing receivables	10	311,916	236,621	363,436
Reinsurance assets	11	1,318,371	1,047,571	1,229,632
Insurance receivables	12	289,934	318,492	172,320
Other receivables	13	164,700	108,257	192,415
Derivative assets	14	41,782	-	-
Current tax assets		97,441	108,536	102,115
Cash and bank balances		256,669	104,181	99,920
Total Assets		15,370,805	8,059,859	7,998,041
Equity and liabilities:				
Share capital	15	152,151	152,151	152,151
Reserves	16	1,403,144	1,065,898	910,434
Total Equity		1,555,295	1,218,049	1,062,585
Insurance contract liabilities	17	13,037,119	6,219,232	6,167,426
Deferred tax liabilities	18	79,662	39,249	3,581
Insurance payables	19	322,331	355,867	183,104
Other payables	20	332,772	191,148	530,568
Current tax liabilities		43,626	36,314	50,777
Total Liabilities		13,815,510	6,841,810	6,935,456
Total Equity and Liabilities		15,370,805	8,059,859	7,998,041

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 RM'000	2010 RM'000 (Restated)
Operating revenue	21	2,504,386	1,737,507
Gross earned premiums	22(a)	1,928,008	1,381,204
Premiums ceded to reinsurers	22(b)	(621,234)	(528,534)
Net earned premiums		<u>1,306,774</u>	<u>852,670</u>
Fee and commission income	23	68,064	52,156
Investment income	24	488,938	309,062
Realised gains	25	179,091	58,246
Fair value gains/(losses)	26	110,236	(9,862)
Other operating (expenses)/revenue	27	(34,144)	6,660
Other revenue		<u>812,185</u>	<u>416,262</u>
Gross benefits and claims paid	28(a)	(1,506,094)	(848,277)
Claims ceded to reinsurers	28(b)	241,102	143,975
Gross change to contract liabilities	28(c)	(232,461)	169,528
Change in contract liabilities ceded to reinsurers	28(d)	191,220	(209,545)
Net benefits and claims		<u>(1,306,233)</u>	<u>(744,319)</u>
Management expenses	29	(232,811)	(193,136)
Fee and commission expenses	30	(197,997)	(152,946)
Other expenses		<u>(430,808)</u>	<u>(346,082)</u>
Profit/Surplus before taxation		381,918	178,531
Taxation	31	(82,899)	(60,378)
Net profit for the year		<u>299,019</u>	<u>118,153</u>
Earnings per share (sen)	32		
Basic		196.53	77.66

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 RM'000	2010 RM'000
Net profit for the year		<u>299,019</u>	<u>118,153</u>
Other comprehensive income:			
Revaluation of properties			
- Deficit on revaluation		-	(200)
- Transfer to profit or loss upon disposal		-	(996)
Net gain on AFS financial assets			
- Gain on fair value changes		58,524	90,566
- Transfer to profit or loss upon disposal		(41,992)	(24,131)
Gain/(loss) on foreign exchange		14,464	(11,831)
Tax effect relating to components of other comprehensive income	31	<u>(2,938)</u>	<u>(16,097)</u>
Other comprehensive income for the year, net of tax		<u>28,058</u>	<u>37,311</u>
Total comprehensive income for the year		<u>327,077</u>	<u>155,464</u>

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

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ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	-----Attributable to owners----->					
	-----Non-distributable----->			Distributable		
Note	Share Capital RM'000	Share Premium RM'000	Available- for-Sale Reserve RM'000	Other Reserves RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 July 2010 (As previously stated)	152,151	17,728	36,311	55	1,009,724	1,215,969
Effects due to adoption of FRS 139:						
2.5						
- fair value adjustments	-	-	(1,886)	-	(160)	(2,046)
- impairment losses on investments	-	-	2,379	-	(2,379)	-
- deferred tax on fair value adjustment	-	-	472	-	40	512
- deferred tax on impairment losses on investments	-	-	(595)	-	595	-
Effects due to adoption of FRS 4:						
- impairment losses on insurance receivables	-	-	-	-	2,774	2,774
- deferred tax on impairment losses on insurance receivables	-	-	-	-	(694)	(694)
At 1 July 2010 (As restated)	152,151	17,728	36,681	55	1,009,900	1,216,515
Transfer from Sri MLAB (Note 36)	-	-	11,703	-	-	11,703
Total comprehensive income for the year	-	-	13,594	14,464	299,019	327,077
At 30 June 2011	152,151	17,728	61,978	14,519	1,308,919	1,555,295

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ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY (CONT'D)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	←-----Attributable to owners-----→					
	←-----Non-distributable-----→			Distributable		
	Share Capital RM'000	Share Premium RM'000	Available- for-Sale Reserve RM'000	Other Reserves RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 July 2009	152,151	17,728	(13,962)	13,017	893,651	1,062,585
Total comprehensive income for the year, as previously stated	-	-	50,273	(12,962)	116,073	153,384
At 30 June 2010 (As previously stated)	152,151	17,728	36,311	55	1,009,724	1,215,969
Effects due to adoption of FRS 4:						
- impairment losses on insurance receivables	-	-	-	-	2,774	2,774
- deferred tax on impairment losses on insurance receivables	-	-	-	-	(694)	(694)
At 30 June 2010 (As restated)	152,151	17,728	36,311	55	1,011,804	1,218,049

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	2011	2010
	RM'000	RM'000
CASH FLOWS FROM OPERATING		
ACTIVITIES		
Profit before taxation	381,918	178,531
Adjustments for:		
Depreciation of property, plant and equipment	6,762	3,268
Amortisation of intangible assets	129	183
Gain from disposal of investment property	-	(1,397)
Fair value gain on investment	(94,888)	-
Fair value (gain)/loss on investment property	(27,030)	10,000
Amortisation of prepaid land lease payments	252	164
Accretion of discounts	(31,344)	(16,701)
Gain on disposal of property, plant and equipment	(180)	(114)
Gain on disposal of prepaid land lease payments	(70)	-
Realised loss on foreign exchange	7,411	432
Allowance/(write back) of impairment of insurance receivables	22,795	(6,616)
Bad debt recovered	(388)	-
Net gain on disposal of investments	(178,841)	(56,735)
Interest income	(386,000)	(226,206)
Allowance/(write back) of impairment on investments	11,682	(138)
Impairment of property, plant and equipment	37	-
Impairment of prepaid land lease payments	13	-
Gross dividend income	(43,946)	(42,839)
Rental income	(31,707)	(24,315)
Loss from operations before changes in operating assets and liabilities	(363,395)	(182,483)
Changes in working capital:		
(Increase)/decrease in reinsurance assets	(271,860)	182,061
Decrease/(increase) in insurance receivables	451	(178,466)
Decrease/(increase) in other receivables	9,114	(8,952)
Decrease in loans	177	111,749
Decrease/(increase) in amounts due to related parties	2,075	(1,858)
Increase in other liabilities	96,627	49,855
Increase in insurance contract liabilities	322,095	75,239
(Decrease)/increase in insurance payables	(36,115)	185,143

ETIQA INSURANCE BERHAD
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CASH FLOW STATEMENT (CONT'D)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	2011	2010
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)		
Increase in fixed deposits	(41,746)	(111,749)
Proceeds from disposal of investments	2,246,656	1,464,641
Purchase of investments	(1,981,094)	(1,512,317)
Interest income received	399,229	223,284
Dividend income received	42,380	42,710
Rental income received	34,467	20,987
Foreign exchange fluctuation	14,463	-
Cash generated from operations	<u>473,524</u>	<u>359,844</u>
Tax paid	(59,235)	(76,834)
Net cash generated from operating activities	<u>414,289</u>	<u>283,010</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	425	115
Proceeds from sale of prepaid land lease payments	576	-
Proceeds from sale of investment property	-	4,907
Purchase of property, plant and equipment	(8,362)	(16,449)
Purchase of Sri MLAB/Sri MGAB net assets (Note 36)	(285,888)	(267,054)
Purchase of Investment in associate	-	(152)
Purchase of intangible assets	-	(116)
Net cash used in investing activities	<u>(293,249)</u>	<u>(278,749)</u>
Net increase in cash and cash equivalents	121,040	4,261
Cash and cash equivalents at beginning of financial year (as previously stated)	<u>104,181</u>	<u>80,763</u>
Transfer from Sri MLAB/Sri MGAB (Note 36)	<u>31,448</u>	<u>19,157</u>
Cash and cash equivalents at beginning of financial year (as restated)	<u>135,629</u>	<u>99,920</u>
Cash and cash equivalents at end of financial year	<u>256,669</u>	<u>104,181</u>
Cash and cash equivalents comprise:		
Cash and bank balances:		
General insurance and shareholder's funds	177,737	84,202
Life insurance fund	78,932	19,979
	<u>256,669</u>	<u>104,181</u>

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

ETIQA INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2011

1. CORPORATE INFORMATION

The principal activities of the Company include the underwriting of general and life insurance businesses.

There have been no significant changes in the nature of the principal activities, except on 1 November 2010, the Company has commenced the business of managing investment-linked business upon the transfer of the assets, liabilities and business of Mayban Life Assurance Berhad (now known as Sri MLAB Berhad) ("Sri MLAB") to the Company, as described in Note 36.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 19, Tower C, Dataran Maybank, No. 1, Jalan Maarof, 59000 Kuala Lumpur.

The holding and ultimate holding companies of the Company are Mayban Ageas Holdings Berhad ("MAHB") (formerly known as Mayban Fortis Holdings Berhad) and Malayan Banking Berhad ("MBB") respectively, both of which are incorporated in Malaysia. MBB is a licensed commercial bank listed on the Main Market 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 11 August 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with the provisions of the Companies Act, 1965, Financial Reporting Standards ("FRSs") in Malaysia as modified by Bank Negara Malaysia ("BNM") Guidelines, the Insurance Act 1996, and Guidelines/Circulars issued by BNM.

At the beginning of the current financial year, the Company had fully adopted the new and revised FRSs, Issues Committee ("IC") Interpretations and amendments to FRSs in Malaysia which are mandatory for financial periods beginning on or after 1 January 2010 and 1 July 2011 as described fully in Note 2.3.

The financial statements of the Company have also been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The Company has met the minimum capital requirements as prescribed by RBC Framework issued by BNM as at the date of the statement of financial position.

ETIQA INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of Preparation (Cont'd)

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency and all values are rounded to the nearest thousand, (RM'000) unless otherwise indicated.

2.2 Summary of Significant Accounting Policies

(a) 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 assets, 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 profit or loss during the financial period in which they are incurred.

Subsequent to initial recognition, property, plant and equipment, except certain land and buildings, 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.

ETIQA INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(a) Property, Plant and Equipment and Depreciation (Cont'd)

Depreciation on 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	2%
Furniture, fittings, equipment and renovations	10% - 20%
Computers and peripherals	20% - 25%
Electrical and security equipment	10% - 20%
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, and the net carrying amount is recognised in profit or loss.

(b) 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, as appropriate.

Gain or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the financial year in which they arise.

ETIQA INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(b) Investment Properties (Cont'd)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to self-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from self-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.2 (a) up to the date of change in use.

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 rental income or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

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

(c) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets 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.

ETIQA INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(c) Leases (Cont'd)

(ii) Finance Leases - The Company as Lessee (Cont'd)

Buildings held under finance lease are recognised as assets in the statement of financial position of the Company and measured in accordance with FRS 116 - Property, Plant and Equipment and FRS 140 - Investment Properties.

(iii) Operating Leases - The Company as Lessor

Assets leased out under operating leases are presented on the statement of financial position 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.

(iv) 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 buildings elements in proportion to the relative fair values for leasehold interests in the land and building 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.

(d) 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 are 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 date of the statement of financial position.

ETIQA INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(d) Intangible Assets (Cont'd)

Amortisation is charged to profit or loss.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

(i) Software development costs

Software development in progress are tested for impairment annually and represent development expenditure on software. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future use. During the period of which the asset is not yet in use, it is tested for impairment annually.

(ii) Software

The useful lives of computer software and licenses are amortised using the straight line method over their estimated useful lives of 2-5 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each date of the statement of financial position.

(e) Investment In Associate And Basis of Non-Consolidation

An associate is an entity in which the Company has significant influence and that is neither a subsidiary nor an interest in a joint-venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint-control over those policies.

In the Company's financial statements, investment in associate is stated at cost less impairment losses. On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(e) Investment In Associate And Basis of Non-Consolidation (Cont'd)

As permitted under FRS128: Investments in Associate, the investment in associate has not been accounted for under the equity method because the ultimate holding company, Malayan Banking Berhad ("MBB") produces financial statements that comply with approved FRS in Malaysia that are available for public use.

(f) Financial Assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company determine the classification of its financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("LAR") and available-for-sale financial assets ("AFS").

(i) Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

To designate financial assets at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ETIQA INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(f) Financial Assets (Cont'd)

(i) Financial assets at FVTPL (Cont'd)

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at FVPTL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other losses or other income.

Financial assets at FVTPL could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading are presented as current or non-current based on the settlement date.

(ii) LAR excluding insurance receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as LAR.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

LAR are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(iii) AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the two preceding categories.

After initial recognition, AFS financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

ETIQA INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(f) Financial Assets (Cont'd)

(iii) AFS financial assets (Cont'd)

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gains or losses that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Company commit to purchase or sell the asset.

(g) Fair value of Financial Assets at FVTPL and AFS

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets at the close of business on the date of statement of financial position.

For financial assets in quoted unit and real estate investment trusts, fair value is determined by reference to published prices. Investments in equity that do not have quoted market price in an active market and whose fair value cannot be reliably measured will be stated at cost.

For financial instruments where there is no active market such as unquoted fixed income securities i.e. unquoted bonds, MGS, GII, government guaranteed bonds, Khazanah bonds, the fair value are determined by reference to indicative bid prices obtained from Bondweb. In case of defaulted or bad bond there will be internal valuation done to determine the fair value of the bond. The fair values of structured deposits are based on latest market prices obtained from the respective issuer. The market value of NCD/NICDs are determined by reference to BNM Interest Rate Swap.

Over-the-counter derivatives comprise forward foreign exchange contracts, currency on swap contracts and options. They are revalued at the date of statement of financial position.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(g) Fair value of Financial Assets at FVTPL and AFS (Cont'd)

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(h) Impairment of insurance receivables and financial assets

The Company assesses at each reporting date whether there is any objective evidence that an insurance receivable and financial asset is impaired.

(i) Insurance receivables

To determine whether there is objective evidence that an impairment loss on insurance receivables has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Insurance receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Impairment losses on insurance receivables are recognised as a reduction against the carrying amount of those receivables through the use of an allowance account. When an insurance receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(h) Impairment of insurance receivables and financial assets (Cont'd)

(ii) AFS financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment losses previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on AFS equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For AFS debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity securities carried at cost

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the carrying amount will be written down to the recoverable amount. Such impairment losses are not reversed in subsequent periods.

Loans and receivables

Loans and receivables are impaired and impairment loss is incurred only if there is objective evidence of impairment loss as a result of occurrence of loss event(s) after initial recognition. An impairment loss is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

ETIQA INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(h) Impairment of insurance receivables and financial assets (Cont'd)

(iii) Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(i) Reinsurance

The Company cedes insurance risk in the normal course of their business. Ceded reinsurance arrangements do not relieve the Company from their obligations to policyholders. For both ceded and assumed reinsurance, premiums, claims and benefits paid or payable are presented on a gross basis.

Reinsurance arrangements, entered into by the Company, that meet the classification requirements of insurance contracts as described in Note 2.2 (j) are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

ETIQA INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(i) Reinsurance (Cont'd)

Reinsurance assets represent amounts recoverable from reinsurers for insurance contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the underlying insurance contract and the terms of the relevant reinsurance arrangements.

At each reporting date, or more frequently, the Company assesses whether objective evidence exists that reinsurance assets are impaired. Objective evidence of impairment for reinsurance assets are similar to those noted for insurance receivables as described in Note 2.2 (h)(i). If any such evidence exists, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

(j) Product Classification

The Company issues contracts that transfer insurance risk or both insurance and financial risks.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

An insurance contract is a contract under which an entity has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company defines whether significant insurance risk has been accepted by comparing benefits paid or payable on the occurrence of an insured event against benefits paid or payable if the insured event does not occur. If the ratio of the former exceeds the latter by 5% or more, the insurance risk accepted is deemed to be significant.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Based on this definition, all policies issued by the Company are considered insurance contracts as at the reporting date.

ETIQA INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(j) Product Classification (Cont'd)

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- a) likely to be a significant portion of the total contractual benefits; and
- b) whose amount or timing is contractually at the discretion of the issuer; and
- c) that are contractually based on the:
 - (i) performance of a specified pool of contracts or a specified type of contract; or
 - (ii) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - (iii) the profit or loss of the company, fund or other entity that issues the contract.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Company may exercise their discretion as to the quantum and timing of their payment to contract holders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, are held within insurance contract liabilities as at the end of the reporting period.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(j) Product Classification (Cont'd)

When an insurance contract contains both a financial risk (or deposit) component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying components are required to be unbundled unless all obligations and rights arising from the deposit component has already been accounted for. Any premiums or contributions relating to the insurance risk component are accounted for on the same bases as insurance and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts. As at the reporting date, all obligations and rights arising from the deposit components in contracts issued by the Company are accounted for as insurance contract liabilities. Accordingly, the Company has opted not to unbundle these insurance contracts.

(k) Premium income

Premiums represent consideration paid for an insurance contract and is accounted for as follows:

(i) General insurance business

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 reporting date are accrued at that date.

Inward facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks accepted during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

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 policies to which the reinsurances relate.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(k) Premium income (Cont'd)

(ii) Life insurance business

Premium income is recognised as soon as the amount of the premium can be reliably measured. Initial 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 reinsurances relate.

Net creation of units, which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract, are reflected in profit or loss. Net creation of units is recognised on a receipt basis.

Creation/cancellation of units is recognised in the financial statements at the next valuation date, after the request to purchase/ sell units is received from the policyholders.

(l) General Insurance contract liabilities

Insurance contract liabilities are recognised and measured in accordance with the terms and conditions of the respective insurance contracts and are also based on regulatory guidelines, specifically, the Framework issued by BNM.

The insurance contract liabilities of the Company comprises claim liabilities and premium liabilities.

(i) Claim liabilities

Claim liabilities represent the Company's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date. Claim liabilities are estimated cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and other recoveries. Claim liabilities comprise liabilities for outstanding claims - being the cost of claims incurred and reported to the Company - as well as a reserve for claims incurred but not reported ("IBNR") and a provision of risk margin for adverse deviation ("PRAD") calculated at 99.5% confidence level at the overall Company level.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(I) General Insurance contract liabilities (Cont'd)

(i) Claim liabilities (Cont'd)

Liabilities for outstanding claims are recognised as advised by ceding companies. IBNR claims are estimated via an actuarial valuation performed by a qualified actuary, using a mathematical method of estimation based on, amongst others, actual claim development patterns.

(ii) Premium liabilities

Premium liabilities represent the Company's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. The movement in premium liabilities is released over the term of the insurance contracts and is recognised as premium income.

In accordance with the valuation requirements of the RBC Framework, premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business or the best estimate value of the reinsurer's unexpired risk reserves ("URR") at the end of the financial year and a PRAD calculated at 75% confidence level at the overall Company level.

• **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 as at the date of the statement of financial position, the method that most accurately reflects the actual unearned premium is used as follows:

- 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 to the corresponding premiums, not exceeding limits specified by BNM.
- 1/8th method for all classes of overseas business with a deduction of 20% for commission.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Summary of Significant Accounting Policies (Cont'd)****(l) General Insurance contract liabilities (Cont'd)****(ii) Premium liabilities (Cont'd)****• Unearned premium reserves (Cont'd)**

- Non-annual policies are time-apportioned over the period of the risks after deducting the commission, that relate to the unexpired periods of policies at the end of the financial period.

(m) Life insurance contract liabilities

Life insurance contract liabilities are determined in accordance with BNM's RBC Framework for insurers. All life insurance liabilities have been valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the policies discounted at the appropriate risk discount rate. This method is known as the gross premium valuation method.

For non-participating business, the expected future cash flows of guaranteed benefits are determined using best estimate assumptions with an appropriate allowance for provision of risk margin for adverse deviation from expected experience such that an overall level of sufficiency of policy reserves at the 75% confidence level is secured. For participating business, the higher of the guaranteed benefit liabilities or the total benefit liabilities at fund level is taken. In the total benefit liabilities computation, the expected cash flows of total guaranteed and non-guaranteed benefits are determined using best estimate assumptions together with the assumption that the current bonus rate to policyholders will be maintained.

The liabilities in respect of the non-unit component of an investment-linked policy have been valued at the risk-free discount rate by projecting future cash flows to ensure that all future outflows can be met at the product level without recourse to additional finance or capital support at any future time during the duration of the investment-linked policy. The value of the unit component is the net asset value of the fund.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as liabilities if the accumulated amount is higher than the figure calculated using the gross premium valuation method.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(m) Life insurance contract liabilities (Cont'd)

For a 1-year life policy or a 1-year extension to a life policy covering contingencies other than life or survival, the liability for such life insurance contracts comprises the provision for premium and claim liabilities with an appropriate allowance for provision of risk margin for adverse deviation from the expected experience.

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originating from margins of adverse deviation on run-off contracts, are recognised in profit or loss over the life of the contract, whereas losses are fully recognised in profit or loss during the first year of run-off.

The RBC Framework for Insurers issued by BNM meets the Liability Adequacy Test requirements stipulated under FRS 4.

(n) Liability adequacy test

At each reporting date, the Company reviews all insurance contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Company, contractual or otherwise, with respect to insurance contracts issued. In performing this review, the Company discounts all contractual cash flows and compares this against the carrying value of insurance contract liabilities. Any deficiency is recognised in profit or loss.

The estimation of claim liabilities and premium liabilities performed at reporting date is part of the liability adequacy tests performed by the Company. Based on this, all insurance contract liabilities as at reporting date are deemed to be adequate.

(o) Benefits and Claims expenses

(i) General insurance business

Claims expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to policyholders or third parties damaged by the policyholders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company.

ETIQA INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(o) Benefits and Claims expenses (Cont'd)

(ii) Life insurance business

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- 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 contingency covered; and
- cash bonus/dividend on policies with DPF upon payment

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

(p) Commission Expenses and Acquisition Costs

(i) General insurance business

The gross 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.

(ii) Life insurance

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to profit or loss in the period in which they are incurred.

ETIQA INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(q) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2 (h).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(f), have been met.

(r) Other Revenue Recognition

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

(i) Interest/Profit Income

Interest/profit income is recognised using the effective interest method.

(ii) Dividend Income

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

(iii) Rental Income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

ETIQA INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(s) Fee and commission income

Insurance contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, then, they are deferred and recognised over those future periods.

Management fee income earned from the investment-linked business is recognised on an accrual basis based on the net asset value of the investment-linked funds.

(t) Employee Benefits

(i) Short-term 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. 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 profit or loss as incurred. As required by law, the Company makes such contributions to the Employees Provident Fund ("EPF") and foreign branches of a subsidiary makes contributions to that country's statutory pension scheme, the Singapore Central Provident Fund ("CPF") and Brunei Tabung Amanah Pekerja ("TAP").

ETIQA INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(t) Employee Benefits (Cont'd)

(iii) Share-based Compensation

The ultimate holding company's share-based compensation scheme, MBB Employee Share Options Scheme ("ESOS"), allows the Company's employees to acquire ordinary shares of the ultimate holding company. The total fair value of share options granted to employees is recognised as an employee cost charged by the ultimate holding company over the vesting period and taking into account the probability that the options will vest.

The fair value of the share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable on vesting date.

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

(u) Foreign Currencies

(i) Functional and Presentation Currency

The financial statement of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

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

(ii) Foreign Currency Transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

ETIQA INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(u) Foreign Currencies (Cont'd)

(ii) Foreign Currency Transactions (Cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Company on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

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

- assets and liabilities for the statement of financial position presented are translated at the closing rate prevailing at the date of the statement of financial position.
- income and expenses for income statement are translated at average exchange rates for the financial 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.

On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(u) Foreign Currencies (Cont'd)

(iii) Foreign Operations (Cont'd)

The principal exchange rate for every unit of foreign exchange currency ruling at date of the statement of financial position used for translation of foreign operation is as follows:

	2011	2010
Singapore Dollar	2.46	2.31
Brunei Dollar	2.46	2.32
US Dollar	3.02	-

(v) Income Tax

Income tax on the profit or loss 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 date of the statement of financial position.

Deferred tax is provided for, using the liability method on temporary differences at the date of the statement of financial position 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(v) Income Tax (Cont'd)

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 date of the statement of financial position. Deferred tax is recognised as income or 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.

(w) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

During the financial year and as at the reporting date, the Company did not classify any of its financial liabilities at FVTPL.

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(x) Insurance Payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(y) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash and bank balances. The cash flow statement has been prepared using the indirect method.

(z) 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.

2.3 Changes in Accounting Policies

The accounting policies adopted by the Company are consistent with those of the previous financial year except as follows:

On 1 July 2010, the Company adopted the following new and revised FRSs, Amendments to FRS and Issues Committee ("IC") Interpretations.

Effective for financial periods beginning on or after 1 January 2010

- (i) FRS 4 *Insurance Contracts*
- (ii) FRS 7 *Financial Instruments: Disclosures*
- (iii) FRS 101 *Presentation of Financial Statements (Revised)*
- (iv) FRS 123 *Borrowing Costs*
- (v) FRS 139 *Financial Instruments: Recognition and Measurement*
- (vi) Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- (vii) Amendments to FRS 2 *Share-based Payment - Vesting Conditions and Cancellations*
- (viii) Amendments to FRS 132 *Financial Instruments: Presentation*

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies (Cont'd)

Effective for financial periods beginning on or after 1 January 2010 (Cont'd)

- (ix) Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*, FRS 7 *Financial Instruments: Disclosures* and IC Interpretation 9 *Reassessment of Embedded Derivatives*
- (x) Improvements to FRS issued in 2009
- (xi) IC Interpretation 9 *Reassessment of Embedded Derivatives*
- (xii) IC Interpretation 10 *Interim Financial Reporting and Impairment*
- (xiii) IC Interpretation 11 *FRS 2 – Group and Treasury Share Transactions*
- (xiv) IC Interpretation 13 *Customer Loyalty Programmes*
- (xv) IC Interpretation 14 *FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- (xvi) TR i-3 - Presentation of Financial Statements of Islamic Financial Institutions

Effective for financial periods beginning on or after 1 July 2010

- (i) FRS 1 *First-time Adoption of Financial Reporting Standards (Revised)*
- (ii) FRS 3 *Business Combinations (Revised)*
- (iii) Amendments to FRS 2 *Share-based Payment*
- (iv) Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- (v) Amendments to FRS 127 *Consolidated and Separate Financial Statements*
- (vi) Amendments to FRS 138 *Intangible Assets*
- (vii) Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*
- (viii) IC Interpretation 12 *Service Concession Arrangements*
- (ix) IC Interpretation 15 *Agreements for the Construction of Real Estate*
- (x) IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*
- (xi) IC Interpretation 17 *Distributions of Non-cash assets to Owners*

The adoption of the above new and revised FRSs, Amendments to FRS and IC Interpretations did not have any significant effect on the financial performance or position of the Company except for those discussed below:

ETIQA INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies (Cont'd)

a) FRS 7 *Financial Instruments: Disclosures*

Prior to 1 July 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 *Financial Instruments: Disclosure and Presentation*. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

In accordance with the transitional provision of FRS 7, the Company have applied the disclosure requirements of the Standard prospectively and, hence, comparative disclosure have not been provided. The new disclosures are included throughout the Company's financial statements for the year ended 30 June 2011.

b) FRS 101 *Presentation of Financial Statements (Revised)*

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Company has elected to present this statement as two linked statements.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Company to make new disclosures to enable users of the financial statement to evaluate the Company's objectives, policies and processes for managing capital as disclosed in Note 37.

The revised FRS 101 was adopted retrospectively by the Company.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies (Cont'd)

c) FRS 139 *Financial Instruments: Recognition and Measurement*

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. In the prior financial year ended 30 June 2010, the Company had adopted the valuation requirements prescribed in the Risk-Based Capital Framework ("the RBC Framework") for its investments which were largely similar to the requirements of FRS 139. The impact of the adoption of FRS 139 were hence, limited to the following:

Debt securities

Prior to 1 July 2010, debt securities of the life insurance fund of the Company were classified as available-for-sale ("AFS") financial assets as the option to designate investments as financial assets at fair value through profit or loss ("FVTPL") was not available in the RBC Framework. Upon adoption of FRS 139 on 1 July 2010 and in accordance with the transitional provisions of the Standard, these debt securities were redesignated as financial assets at FVTPL and reclassified accordingly. The financial impact of this redesignation on the results and financial position of the Company is as disclosed in Note 2.5.

Accordingly, cumulative net gains amounting to RM53,424,000 were reclassified from the AFS reserves of the life insurance fund of the Company to the opening balance of unallocated surplus as at 1 July 2010 as indicated in Note 2.5.

Investments measured at market bid prices

Upon the implementation of FRS139, the Company has valued its financial instruments at market bid prices. Prior to the implementation of FRS139, these financial statements were valued at market closing prices. Financial instruments of the Company affected by this requirement comprise mainly debt securities. The impact of the remeasurement of investment securities at market bid prices on results and financial position of the Company is as disclosed in Note 2.5.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies (Cont'd)

d) FRS 4 *Insurance Contracts*

This Standard specifies the financial reporting requirements for insurance contracts by any entity that issues such contracts. The key changes arising from the adoption of this Standard is summarised as follows:

(i) Gross presentation

The Standard requires that assets, liabilities, income and expenses arising from insurance contracts to be presented on a gross basis separately from assets, liabilities, income and expenses arising from the related reinsurance arrangements. The impact arising from the grossing up of such balances is described in Note 44. In addition, certain comparatives have been reclassified upon adoption of FRS4 to conform with the disclosure requirements prescribed under the Standard and in accordance with BNM Guidelines. These are also described in Note 44.

(ii) Impairment of insurance receivables

Prior to 1 July 2010, provision for doubtful debts was made in the financial statements for any balances in insurance receivables which remain outstanding for more than six months for non-motor business and 30 days for motor business, from the date on which they become receivable and for all debts which are considered doubtful.

Upon the adoption of FRS 4, if there is objective evidence that the receivables are impaired, the carrying amount of the assets is reduced accordingly and an impairment loss is recognised in the income statement.

This is an accounting policy change as it affects the basis of measurement of impairment losses for insurance receivables and should be adjusted retrospectively. However, management has determined that insufficient data is available to reliably estimate the impairment losses on insurance receivables as at 1 July 2009. Accordingly, the impact of the change has been adjusted to the earliest comparative period as at 30 June 2010. The relevant adjustments made to the prior year financial position/results as at 30 June 2010 and to the opening reserves as at 1 July 2010 are as disclosed in Note 2.5 and Note 44.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies (Cont'd)

d) FRS 4 *Insurance Contracts (Cont'd)*

(iii) Qualitative and quantitative disclosures

The Standard also requires additional disclosures to assist users of financial statements in understanding the amounts, timing and uncertainty of future cash flows arising from insurance contracts including a reconciliation between the opening and closing balances of insurance contract liabilities and a sensitivity analysis on insurance risk.

This new disclosures are included throughout the notes to the financial statements for the year ended 30 June 2011.

2.4 Standards Issued But Not Yet Effective

At the date of authorisation of these financial statements, the following new FRSs, amendments to FRS, Interpretations of the Issues Committee ("IC Interpretations") and Technical Releases ("TRs") have been issued but are not yet effective at 30 June 2011 and have not been adopted by the Company:

Effective for financial periods beginning on or after 1 January 2011

Amendments to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters.*

Amendments to FRS 1 *Additional Exemptions for First-time Adopters*

Amendments to FRS 2 *Group Cash-settled Share-based Payment Transactions*

Amendments to FRS 7 *Improving Disclosures about Financial Instruments*

Amendments to FRSs contained in the document entitled *Improvements to FRSs (2010)*

Amendments to IC Interpretation 14 *Prepayments of a Minimum Funding Requirement*

IC Interpretation 4 *Determining whether an Arrangement contains a Lease*

IC Interpretation 15 *Agreements for the Construction of Real Estate*

IC Interpretation 18 *Transfers from Assets from Customers*

IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*

TR 3 *Guidance on Disclosures of Transition to IFRSs*

TR i-4 *Shariah Compliant Sale Contracts*

Effective for financial periods beginning on or after 1 July 2011

IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Standards Issued But Not Yet Effective (Cont'd)

Effective for financial periods beginning on or after 1 January 2012

FRS 124 Related Party Disclosures (Revised)
 IC Interpretation 15 Agreements for the Construction of Real Estate

The Company plans to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Company upon their initial application.

2.5 Summary of effects of change in accounting policies on the current financial year's financial statements

The adoption of FRS4 requires retrospective adjustment to be applied at the beginning of the earliest date practicable. Accordingly, the effects of adoption have been accounted for retrospectively as a prior year adjustment and the effects to the financial position and results of the Company are disclosed in the tables below. The financial effects for the periods prior to 30 June 2009 are not considered due to impracticability in determining the prior year adjustments thereon due to insufficiency of data.

The Company applied FRS 139 prospectively in accordance with the transitional provisions of the standard. As a result of the adoption of FRS 139 as at 1 July 2010, the Company had adjusted the opening balance of retained earnings as at 1 July 2010. Comparatives are not restated.

The effects on adoption of the above new accounting policies and description of the changes affecting prior year and the opening balances of retained earnings, related assets and liabilities are summarised below:

	As previously stated at 30 June 2010 RM'000	Increase/ (Decrease) RM'000	Restated as at 30 June 2010 RM'000
Retained Profits	1,009,724	2,080	1,011,804
Effect due to adoption of FRS139:			
- Effect on impairment of insurance receivables		2,774	
- Deferred tax on impairment of insurance receivables		(694)	

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Changes in Accounting Treatment After the Adoption of FRS 4 and FRS 139 (Cont'd)

	As at 30 June 2010 (restated)/ 1 July 2010 RM'000	(Decrease)/ Increase RM'000	Restated as at 1 July 2010 RM'000
Retained Profits	1,011,804	(1,904)	1,009,900
Effect due to adoption of FRS139:			
- Effect on impairment of investment assets		(2,379)	
- Deferred tax on impairment of investment assets		595	
- Effect on fair value adjustment		(160)	
- Deferred tax on fair value adjustment		40	
AFS Reserve	36,311	370	36,681
Effect due to adoption of FRS139:			
- Effect on impairment of investment assets		2,379	
- Deferred tax on impairment of investment assets		(595)	
- Effect on fair value adjustment		(1,886)	
- Deferred tax on fair value adjustment		472	
Life insurance contract liabilities	4,453,704	(11,424)	4,442,280
Claim liabilities	16,100	-	16,100
Actuarial liabilities	3,612,377	-	3,612,377
Unallocated surplus:	637,627	49,607	687,234
Effect due to adoption of FRS139:			
- Reclassification investment from AFS to FVTPL		58,070	
- Deferred tax on reclassification investment from AFS to FVTPL		(4,646)	
- Effect on impairment of investment assets		(4,149)	
- Deferred tax on impairment of investment assets		332	
AFS Reserve	187,600	(61,031)	126,569
Effect due to adoption of FRS139:			
- Reclassification investment from AFS to FVTPL		(70,487)	
- Deferred tax on reclassification investment from AFS to FVTPL		5,639	
- Effect on impairment of investment assets		4,149	
- Deferred tax on impairment of investment assets		(332)	

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2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Summary of effects of change in accounting policies on the current financial year's financial statements (Cont'd)

The following tables provide estimates of the extent to which each of the line items in the statement of financial position and income statement for the financial year ended 30 June 2011 are higher or lower than it would have been had the previous policies been applied in the current financial year.

Effects on Statement of Financial Position as at 30 June 2011

	Higher RM'000
Effect due to adoption of FRS139:	
Investments	15,142
Deferred tax liabilities	4,354
AFS Reserves	370
Effect due to adoption of FRS4:	
Insurance receivables	3,486
Deferred tax liabilities	(2,245)

Effects on Income Statement for the financial year ended 30 June 2011

Effect due to adoption of FRS139:	
Fair value gain	15,142
Other income	5,477
Taxation	(3,050)
Profit before taxation	(3,011)
Net profit for the year	39
Effect due to adoption of FRS4:	
Other income/(expenses)	(1,991)
Taxation	775
Profit before taxation	3,098
Net profit for the year	2,324

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 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 had developed certain criteria based on FRS 140 in making judgement whether a property qualifies to be classified as an investment property. Investment properties are property held to earn rental income or for capital appreciation or both.

Some properties comprise a portion that is held to earn rental income 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.

(ii) Impairment of Available-for-Sale Assets

Significant judgement is required to assess impairment for Available-for-Sale investments. The Company evaluates the duration and extent to which the fair value of an investment is less than cost; the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology and operational and financial cash flow.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Significant Accounting Estimates and Judgements (Cont'd)

(a) Critical judgements made in applying accounting policies (Cont'd)

(iii) Impairment of Receivables

The Company assesses at each reporting date whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Company complies with BNM's Guidelines on Financial Reporting for Insurers (BNM/RH/GL003-28). According to the Guidelines, objective evidence of impairment is deemed to exist where the receivables that are individually assessed for impairment is past due for more than 90 days or 3 months. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the receivables and default or significant delays in payments.

(b) Key Sources of Estimation Uncertainty

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

(i) Depreciation of Property, Plant and Equipment

The cost of a building's plant and equipment for example, elevators, lifts and others and the self-occupied properties are depreciated on a straight line basis over the estimated remaining useful lives. The 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 to be 50 years.

(ii) Valuation of Investment Properties

The measurement of the fair value for investment properties is arrived at by reference to market evidence of transaction prices for similar properties. Full valuations on investment properties are performed by firms of professional independent valuers at regular intervals, of not less than every 3 years.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Significant Accounting Estimates and Judgments (Cont'd)

(b) Key Sources of Estimation Uncertainty (Cont'd)

(iii) Amortisation and Impairment of Other Intangible Assets

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

The determination of the estimated useful life of these intangible assets requires management to analyse the circumstances, the industry and market practice and also to use judgement. At each date of the statement of financial position, 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 their recoverable amount.

(iv) Uncertainty in accounting estimates for General Insurance business

The principal uncertainty in the general business arises from the technical provisions which include the provisions of premium and claim liabilities. The premium liabilities comprise unearned premium reserves while claim liabilities comprise provision for outstanding claims. The estimation basis for unearned premium reserves is explained in the related accounting policy statement.

Generally, claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant are past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedure.

However, additional qualitative judgements are also used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates. The estimates of the general insurance contract liabilities are therefore sensitive to various factors and uncertainties and the actual future premium and claims liabilities may not develop exactly as projected and could vary significantly from initial estimates.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Significant Accounting Estimates and Judgments (Cont'd)

(b) Key Sources of Estimation Uncertainty (Cont'd)

(v) Valuation of Life Insurance Liabilities

There are several sources of uncertainty that need to be considered in the estimation of life insurance liabilities.

The main assumptions used relate to mortality, morbidity, longevity, expenses, withdrawal rates and discount rates.

These estimates are adjusted when appropriate to reflect the Company's unique risk exposures, provide the basis for the valuation of future policy benefits payable.

(vi) Deferred taxation

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

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

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3. PROPERTY, PLANT AND EQUIPMENT

	Properties #	Furniture & fittings, equipment and renovations	Computers and peripherals	Electrical and security equipment	Motor vehicles	Renovation & building-in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011 Cost							
At 1 July 2010	65,653	70,883	89,842	-	749	30,177	257,304
Additions	-	4,273	184	12	12	3,881	8,362
Disposals	(430)	(231)	(17)	-	-	-	(678)
Reclassification	-	5,428	-	-	-	(5,428)	-
Transfer from/(to):							
- Sri MLAB (Note 36)	56,284	23,789	7,873	18,609	322	-	106,877
- Others	-	(200)	-	-	-	(731)	(931)
Translation differences	153	(32)	24	-	41	-	186
At 30 June 2011	121,660	103,910	97,906	18,621	1,124	27,899	371,120
Accumulated Depreciation and Impairment Losses							
At 1 July 2010	17,577	62,211	89,501	-	335	-	169,624
Charge for the year	1,842	4,318	183	310	109	-	6,762
Disposals	(185)	(230)	(17)	-	-	-	(432)
Transfer from:							
- Sri MLAB (Note 36)	11,070	21,255	7,873	18,299	322	-	58,819
Provision for impairment	37	-	-	-	-	-	37
Translation differences	97	(58)	17	-	26	-	82
At 30 June 2011	30,438	87,496	97,557	18,609	792	-	234,892
Net Book Value	91,222	16,414	349	12	332	27,899	136,228

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

	Properties #	Furniture & fittings, equipment and renovations	Computers and peripherals	Electrical and security equipment	Motor vehicles	Renovation & building-in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2010 Cost							
At 1 July 2009	15,317	30,496	82,419	7,694	204	18,558	154,688
Additions	-	4,021	76	-	439	11,913	16,449
Disposals	-	(1,566)	-	-	(164)	-	(1,730)
Reversal/Adjustment	-	155	-	-	-	-	155
Reclassification	-	7,756	(4,536)	(7,694)	-	4,474	-
Transfer from/(to):							
- Sri MGAB (Note 36)	50,477	30,421	11,724	-	285	62	92,969
- Others	-	(262)	190	-	-	(4,830)	(4,902)
Translation differences	(141)	(138)	(31)	-	(15)	-	(325)
At 30 June 2010	65,653	70,883	89,842	-	749	30,177	257,304
Accumulated Depreciation and Impairment Losses							
At 1 July 2009	6,339	27,987	77,669	6,421	205	-	118,621
Charge for the year	1,100	1,874	260	-	24	-	3,258
Disposals	-	(1,565)	-	-	(164)	-	(1,729)
Reclassification	-	6,421	-	(6,421)	-	-	-
Transfer from/(to):							
- Sri MGAB (Note 36)	10,232	27,429	11,597	-	285	-	49,543
- Others	-	155	-	-	-	-	155
Translation differences	(94)	(90)	(25)	-	(15)	-	(224)
At 30 June 2010	17,577	62,211	89,501	-	335	-	169,624
Net Book Value	48,076	8,672	341	-	414	30,177	87,680

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

Properties consist of :

2011	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
Cost				
At 1 July 2010	3,620	8,010	54,023	65,653
Disposal	-	-	(430)	(430)
Transfer from:				
- Sri MLAB (Note 36)	-	-	56,284	56,284
Translation differences	-	-	153	153
At 30 June 2011	<u>3,620</u>	<u>8,010</u>	<u>110,030</u>	<u>121,660</u>
Accumulated Depreciation and Impairment Losses				
At 1 July 2010	-	4,682	12,895	17,577
Charge for the year	-	-	1,842	1,842
Disposal	-	-	(185)	(185)
Transfer from:				
- Sri MLAB (Note 36)	-	-	11,070	11,070
Impairment losses	-	19	18	37
Translation differences	-	-	97	97
At 30 June 2011	<u>-</u>	<u>4,701</u>	<u>25,737</u>	<u>30,438</u>
Net Book Value	<u>3,620</u>	<u>3,309</u>	<u>84,293</u>	<u>91,222</u>

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

Properties consist of :

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
2010				
Cost				
At 1 July 2009	3,620	8,010	3,687	15,317
Transfer from:				
- Sri MGAB (Note 36)	-	-	50,477	50,477
Translation differences	-	-	(141)	(141)
At 30 June 2010	<u>3,620</u>	<u>8,010</u>	<u>54,023</u>	<u>65,653</u>
Accumulated Depreciation and Impairment Losses				
At 1 July 2009	-	4,682	1,657	6,339
Charge for the year	-	-	1,100	1,100
Transfer from:				
- Sri MGAB (Note 36)	-	-	10,232	10,232
Translation differences	-	-	(94)	(94)
At 30 June 2010	<u>-</u>	<u>4,682</u>	<u>12,895</u>	<u>17,577</u>
Net Book Value	<u>3,620</u>	<u>3,328</u>	<u>41,128</u>	<u>48,076</u>

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4. INVESTMENT PROPERTIES

	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Total RM'000
2011			
At 1 July 2010	371,310	117,770	489,080
Fair value adjustment	27,010	20	27,030
Transfer from:			
- Sri MLAB (Note 36)	250	-	250
At 30 June 2011	<u>398,570</u>	<u>117,790</u>	<u>516,360</u>
2010			
At 1 July 2009	381,310	120,490	501,800
Disposal	-	(3,510)	(3,510)
Fair value adjustment	(10,000)	(200)	(10,200)
Transfer from:			
- Sri MGAB (Note 36)	-	990	990
At 30 June 2010	<u>371,310</u>	<u>117,770</u>	<u>489,080</u>

Investment properties are stated at fair value in accordance with the policies as described in Note 2.2 (b).

5. PREPAID LAND LEASE PAYMENTS

	2011 RM'000	2010 RM'000
Cost		
At 1 July 2010/2009	11,406	2,512
Disposal	(584)	-
Transfer from:		
- Sri MLAB/Sri MGAB (Note 36)	13,196	8,894
At 30 June	<u>24,018</u>	<u>11,406</u>
Accumulated amortisation and impairment		
At 1 July 2010/2009	1,509	435
Amortisation for the year	252	164
Disposal	(78)	-
Impairment loss	13	-
Transfer from:		
- Sri MLAB/Sri MGAB (Note 36)	1,526	910
At 30 June	<u>3,222</u>	<u>1,509</u>
Net Book Value	<u>20,796</u>	<u>9,897</u>

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6. INTANGIBLE ASSETS

	Computer Software	
	2011	2010
	RM'000	RM'000
Cost		
At 1 July	34,713	27,908
Additions	-	116
Transfer from Sri MLAB/Sri MGAB (Note 36)	8,448	6,725
Translation difference	-	(36)
At 30 June	<u>43,161</u>	<u>34,713</u>
Accumulated amortisation		
At 1 July	34,428	27,606
Amortisation for the year	129	183
Transfer from Sri MLAB/Sri MGAB (Note 36)	8,448	6,669
Translation difference	(7)	(30)
At 30 June	<u>42,998</u>	<u>34,428</u>
Net book value	<u>163</u>	<u>285</u>

7. INVESTMENT IN SUBSIDIARY

	2011	2010
	RM1	RM1
Unquoted shares, at cost	<u>1</u>	<u>1</u>
No. of shares	<u>1</u>	<u>1</u>

Name of company	Principal activity	Effective interest (%)	
		2011	2010
Double Care Sdn Bhd ("DCSB") (incorporated in Malaysia)	Dormant	100.00	100.00

On 26 October 2009, the Company has passed a Special Resolution to commence winding up of DCSB. The winding up will be completed upon obtaining the final tax clearance from the Inland Revenue Board.

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8. INVESTMENT IN ASSOCIATE

	2011	2010
	RM'000	RM'000
Unquoted shares, at cost	152	152

Name of company	Principal activity	Effective interest (%)	
		2011	2010
Asian Forum Inc. (incorporated in Federal Territory of Labuan, Malaysia)	Offshore captive insurance	33.33	33.33

The summarised financial information of the associate is as follows:

	2011	2010
	RM'000	RM'000
Assets and liabilities		
Current assets	17,471	18,658
Total assets	17,471	18,658
Current liabilities	11,868	12,177
Non-current liabilities	150	906
Total liabilities	12,018	13,083
Share of net assets @ 33.33%	1,818	1,858
Results		
Revenue	251	322
Share of profits @ 33.33%	84	107

The financial year end of the associate is 31 December. For the purposes of the disclosures above, the audited financial statements of the associate and its management financial statements for the 3-months period ended 31 March 2011 and 2010 were used.

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9. INVESTMENTS

	2011	2010
	RM'000	RM'000
Malaysian government papers	602,846	399,306
Singapore government securities	57,000	50,067
Debt securities	7,398,197	3,164,444
Equity securities	1,719,509	703,906
Unit and property trust funds	56,410	42,344
Structured deposits	330,671	227,729
Negotiable certificate of deposits	716,159	245,971
Foreign notes	209,132	-
Deposits with financial institutions	1,126,369	715,340
	<u>12,216,293</u>	<u>5,549,107</u>

The Company's financial investments are summarised by categories as follows:

Available-for-sale ("AFS")	2,478,213	4,833,767
Fair value through profit and loss ("FVTPL")		
-designated upon initial recognition	7,497,587	-
-held for trading ("HFT")	1,114,124	-
Loan and receivables ("LAR")	1,126,369	715,340
	<u>12,216,293</u>	<u>5,549,107</u>

The carrying value of investments maturing after 12 months are as follows:

AFS	1,004,235	4,532,205
FVTPL		
-designated upon initial recognition	7,164,371	-
-HFT	313,320	-
LAR	1,000	200,000
	<u>8,482,926</u>	<u>4,732,205</u>

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9. INVESTMENTS (CONT'D)

	2011	2010
	RM'000	RM'000
(a) Available-for -Sale ("AFS")		
<u>Fair value</u>		
Malaysian government papers	84,740	399,306
Singapore government securities	57,000	50,067
Debt securities:		
Quoted outside Malaysia	42,243	42,407
Unquoted in Malaysia	789,266	3,105,423
Unquoted outside Malaysia	22,827	16,614
Equity securities:		
Quoted in Malaysia	1,246,690	594,555
Quoted outside Malaysia	71	1,362
Unquoted in Malaysia	105,842	103,761
Unquoted outside Malaysia	5,078	4,228
Unit and property trust funds:		
Quoted in Malaysia	8,066	23,588
Quoted outside Malaysia	11,114	2,383
Unquoted in Malaysia	4,302	16,373
Unquoted outside Malaysia	10,902	-
Structured deposits	54,308	227,729
Negotiable certificate of deposits	35,764	245,971
Total AFS financial assets	<u>2,478,213</u>	<u>4,833,767</u>

(b) Fair Value Through Profit and Loss

(i) Designated upon initial recognition

Fair value

Malaysian government papers	512,033	-
Debt securities:		
Unquoted in Malaysia	6,144,931	-
Structured deposits	276,363	-
Negotiable certificate of deposits	564,260	-
	<u>7,497,587</u>	<u>-</u>

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9. INVESTMENTS (CONT'D)

	2011	2010
	RM'000	RM'000
(b) Fair Value Through Profit and Loss (Cont'd)		
(ii) HFT		
<u>Fair value</u>		
Malaysian government papers	6,072	-
Debt securities:		
Unquoted in Malaysia	398,931	-
Equity securities		
Quoted in Malaysia	361,829	-
Unit and property trust funds:		
Quoted outside Malaysia	22,025	-
Negotiable certificate of deposits	116,135	-
Foreign notes	209,132	-
	<u>1,114,124</u>	<u>-</u>
 Total FVTPL financial assets	 <u>8,611,711</u>	 <u>-</u>
(c) Loans and receivables ("LAR")		
<u>Fair value</u>		
Fixed and call deposits with:		
Licensed banks	841,248	651,089
Others	285,121	64,251
Total LAR financial assets	<u>1,126,369</u>	<u>715,340</u>
	<u>12,216,293</u>	<u>5,549,107</u>

The carrying amount disclosed for LAR above approximates fair value as at reporting date due to the short term maturity of the financial assets.

(d) Fair Value of Financial Investments

The following table provides information of fair values of investments analysed by the different bases used to estimate their respective fair values:

	2011	2010
	RM'000	RM'000
Quoted market price	1,649,794	621,888
Valuation techniques - market observable inputs	9,324,907	4,087,517
Valuation techniques - non-market observable inputs	115,222	124,362
	<u>11,089,924</u>	<u>4,833,767</u>

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9. INVESTMENTS (CONT'D)

Included in the AFS financial assets are assets pledged to obtain a banking facility from Malayan Banking Berhad ("MBB") which amounted to RM45,760,000 (2010 : RM45,760,000).

10. FINANCING RECEIVABLES

	2011	2010
	RM'000	RM'000
Policy/automatic premium loans	229,206	162,096
Corporate loans	43,733	38,749
Staff loans:		
Secured	25,189	20,372
Unsecured	153	53
Others	21,405	21,583
Interest in suspense	(6,092)	(5,494)
Allowance for impairment losses	(1,678)	(738)
	<u>311,916</u>	<u>236,621</u>
Receivable after 12 months	<u>88,749</u>	<u>103,693</u>

The above balances are interest bearing. The carrying amount approximates fair value as the effect of discounting is not material.

The weighted average effective interest rates during the financial year were as follows:

	2011	2010
Policy/automatic premium loans	8.00%	8.00%
Corporate loans	5.73%	5.29%
Staff loans	3.07%	3.04%

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11. REINSURANCE ASSETS

	30.06.2011	30.06.2010	01.07.2009
	RM'000	RM'000	RM'000
		(Restated)	(Restated)
Reinsurers' share of policyholders' liabilities	35,692	34,856	38,849
Reinsurers' share of claim liabilities	889,356	697,839	903,391
Reinsurers' share of premium liabilities	393,323	314,876	287,392
	<u>1,318,371</u>	<u>1,047,571</u>	<u>1,229,632</u>

12. INSURANCE RECEIVABLES

	2011	2010
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	280,889	310,813
Due from reinsurers and cedants	65,601	42,177
	<u>346,490</u>	<u>352,990</u>
Allowance for impairment losses	(56,556)	(34,498)
	<u>289,934</u>	<u>318,492</u>

13. OTHER RECEIVABLES

	2011	2010
	RM'000	RM'000
Sundry receivables, deposits and prepayments	43,301	34,612
Allowance for impairment losses	(1,162)	(847)
	<u>42,139</u>	<u>33,765</u>
Income and profits due and accrued	116,210	69,079
Allowance for impairment losses	(128)	(105)
	<u>116,082</u>	<u>68,974</u>
Amount due from related companies	6,479	5,518
TOTAL	<u>164,700</u>	<u>108,257</u>

The carrying amounts approximate fair values due to the relatively short-term maturity of these balances. Amount due from related companies are unsecured, interest-free and repayable on demand.

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14. DERIVATIVE ASSETS

	2011		2010	
	Contract/ Notional Amount RM'000	Asset RM'000	Contract/ Notional Amount RM'000	Asset RM'000
Non-hedging derivatives:				
Current				
Principal Only Swap	263,188	39,535	-	-
Option	303,528	1,866	-	-
		<u>41,401</u>		<u>-</u>
Non-current				
Cross Currency Swap	23,471	381	-	-
Total derivatives		<u>41,782</u>		<u>-</u>
Total held for trading financial assets		<u>41,782</u>		<u>-</u>

The fair value of derivatives assets is derived based on valuation techniques from market observable inputs. They are revalued at the date of the statement of financial position, of which valuations are provided by the respective counter parties using market convention.

15. SHARE CAPITAL

	Number of shares		Amount	
	2011 '000	2010 '000	2011 RM'000	2010 RM'000
Authorised :				
Ordinary shares of RM1.00 each				
At beginning and end of year	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and Paid-up :				
Ordinary shares of RM1.00 each				
At beginning and end of year	<u>152,151</u>	<u>152,151</u>	<u>152,151</u>	<u>152,151</u>

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16. RESERVES

	2011	2010
	RM'000	RM'000
Non-distributable:		
Share premium:		
At beginning and end of financial year	<u>17,728</u>	<u>17,728</u>
AFS reserve	<u>61,978</u>	<u>36,311</u>
Other reserves:		
Revaluation reserve	11,887	11,887
Currency translation reserve	<u>2,632</u>	<u>(11,832)</u>
	<u>14,519</u>	<u>55</u>
Distributable:		
Retained profits	<u>1,308,919</u>	<u>1,011,804</u>
Total reserves	<u>1,403,144</u>	<u>1,065,898</u>

The AFS reserve of the Company arose from the changes in the fair value of the investment assets.

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Company's presentation currency.

The revaluation reserve of the Company arose from the fair value movement on investment properties upon transfer from property, plant and equipment.

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17. INSURANCE CONTRACT LIABILITIES

	2011			2010			1.7.2009		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance (Note A)	10,967,150	(36,966)	10,930,184	4,453,704	(34,856)	4,418,848	4,242,204	(38,849)	4,203,355
General insurance (Note B)	2,069,969	(1,281,405)	788,564	1,765,528	(1,012,715)	752,813	1,925,222	(1,190,783)	734,439
	<u>13,037,119</u>	<u>(1,318,371)</u>	<u>11,718,748</u>	<u>6,219,232</u>	<u>(1,047,571)</u>	<u>5,171,661</u>	<u>6,167,426</u>	<u>(1,229,632)</u>	<u>4,937,794</u>

(A) Life Insurance

The life insurance contract liabilities and its movements are further analysed as follows:

(i) Life insurance contract liabilities

	2011			2010			1.7.2009		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claims liabilities	65,426	(1,274)	64,152	16,100	-	16,100	14,809	-	14,809
Actuarial liabilities	7,714,233	(35,692)	7,678,541	3,612,377	(34,856)	3,577,521	3,592,100	(38,849)	3,553,251
Unallocated surplus	1,723,480	-	1,723,480	637,627	-	637,627	621,787	-	621,787
Available-for-sale fair value reserves	256,315	-	256,315	187,600	-	187,600	13,508	-	13,508
Net asset value attributable to unitholders (Note 45)	1,207,696	-	1,207,696	-	-	-	-	-	-
	<u>10,967,150</u>	<u>(36,966)</u>	<u>10,930,184</u>	<u>4,453,704</u>	<u>(34,856)</u>	<u>4,418,848</u>	<u>4,242,204</u>	<u>(38,849)</u>	<u>4,203,355</u>

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**ETIQA INSURANCE BERHAD
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17. INSURANCE CONTRACT LIABILITIES (CONT'D)

(A) Life Insurance (Cont'd)

(ii) Movements of life insurance contract liabilities

	Provision for outstanding claims RM'000	NAV attributable to unitholders RM'000	AFS RM'000	Actuarial liabilities RM'000	Surplus RM'000	Gross RM'000	Reinsurance RM'000	Total Liabilities RM'000
As at 1 July 2010 (as previously stated)	16,100	-	187,600	3,612,377	637,627	4,453,704	(34,856)	4,418,848
Effects due to adoption of FRS 139:								
- Reclassification investment from AFS to FVTPL	-	-	(70,487)	-	58,070	(12,417)	-	(12,417)
- On impairment of investments assets	-	-	4,149	-	(4,149)	-	-	-
- Deferred tax on reclassification investment from AFS to FVTPL	-	-	5,639	-	(4,646)	993	-	993
- Deferred tax on impairment of investments assets	-	-	(332)	-	332	-	-	-
As at 1 July 2010 (as restated)	16,100	-	126,569	3,612,377	687,234	4,442,280	(34,856)	4,407,424
Transfer from Sri MLA (Note 36)	32,168	1,465,879	80,060	3,910,078	971,539	6,459,724	(1,133)	6,458,591
Earned premiums	-	143,422	-	-	618,092	761,514	(20,834)	740,680
Other revenue	-	44,018	-	-	608,673	652,691	17,283	669,974
Benefits and claims	17,158	(441,019)	-	-	(545,830)	(969,691)	3,410	(966,281)
Other expenses	-	(39)	-	-	(172,662)	(172,701)	-	(172,701)
Change in Reserve :								
- Discounting	-	-	-	145,257	(145,257)	-	(110)	(110)
- Assumptions	-	-	-	52,479	(52,479)	-	(2,399)	(2,399)
- Policy Movements	-	-	-	(5,958)	5,958	-	1,673	1,673
Changes in AFS	-	-	54,006	-	-	54,006	-	54,006
Taxation	-	(4,565)	(4,320)	-	(10,965)	(19,850)	-	(19,850)
Transfer to shareholders	-	-	-	-	(240,823)	(240,823)	-	(240,823)
As at 30 June 2011	65,426	1,207,696	256,315	7,714,233	1,723,480	10,967,150	(36,966)	10,930,184

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17. INSURANCE CONTRACT LIABILITIES (CONT'D)

(A) Life Insurance (Cont'd)

(ii) Movements of life insurance contract liabilities (Cont'd)

	Provision for outstanding claims RM'000	NAV attributable to unitholders RM'000	AFS RM'000	Actuarial liabilities RM'000	Surplus RM'000	Gross RM'000	Reinsurance RM'000	Total Liabilities RM'000
As at 1 July 2009	14,809	-	13,508	3,592,100	621,787	4,242,204	(38,849)	4,203,355
Earned premiums	-	-	-	-	335,969	335,969	(13,832)	322,137
Other revenue	-	-	-	-	252,318	252,318	9,236	261,554
Benefits and claims	1,291	-	-	-	(408,891)	(407,600)	4,596	(403,004)
Other expenses	-	-	-	-	(105,458)	(105,458)	-	(105,458)
Change in Reserve :								
- Discounting	-	-	-	7,318	(7,318)	-	(166)	(166)
- Assumptions	-	-	-	14,266	(14,266)	-	-	-
- Policy Movements	-	-	-	(1,307)	1,307	-	4,159	4,159
Changes in AFS	-	-	189,231	-	-	189,231	-	189,231
Taxation	-	-	(15,139)	-	(17,821)	(32,960)	-	(32,960)
Transfer to shareholders	-	-	-	-	(20,000)	(20,000)	-	(20,000)
As at 30 June 2010	16,100	-	187,600	3,612,377	637,627	4,453,704	(34,856)	4,418,848

Included in the unallocated surplus component of the insurance contract liabilities is an amount of RM1,270,635,955 (2010 : RM555,685,274), being the accumulated surplus of the Non Participating ("Non Par") Fund of the Company less the estimated actuarial liabilities for the Fund (collectively referred to as the "Non Par unallocated surplus"). In accordance with FRS 4 and the Framework for Preparation and Presentation of Financial Statements ("FRS Framework"), the Non Par unallocated surplus does not meet the definition of a liability, that is, a present obligation of the company arising from past events, the settlement of which is expected to result in an outflow of economic benefits as the Non Par unallocated surplus represents the residual interest in the assets of the Non Par Fund after consideration of all liabilities. In addition, in accordance to FRS 139, the AFS reserves of the life insurance fund of the Company, amounting to RM256,315,126 (2010 : RM187,601,095) should be accounted for as equity of the Company.

In accordance with the requirements of Guidelines issued by BNM, the Company has continued to classify the Non Par unallocated surplus and the AFS reserves of the Non Par Fund as insurance contract liabilities. These are modifications to the FRS which had been approved by BNM under Section 90 of the Insurance Act 1996. Had the Company applied the requirements of the Standards and the FRS Framework, the insurance contract liabilities of the Company would have been lower by RM1,526,951,081 (2010 : RM743,286,369); consequently, the retained profits and AFS reserves of the Company would have been higher by RM1,270,635,955 and RM256,315,126 (2010 : RM555,685,274 and RM187,601,095) respectively.

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17. INSURANCE CONTRACT LIABILITIES (CONT'D)

(B) General insurance

	2011			2010			1.7.2009		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claims liabilities (i)	1,352,205	(888,082)	464,123	1,135,204	(697,839)	437,365	1,342,139	(903,391)	438,748
Premium liabilities (ii)	717,764	(393,323)	324,441	630,324	(314,876)	315,448	583,083	(287,392)	295,691
	2,069,969	(1,281,405)	788,564	1,765,528	(1,012,715)	752,813	1,925,222	(1,190,783)	734,439

(i) Claims liabilities

	2011			2010		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 July	1,135,204	(697,839)	437,365	1,342,139	(903,391)	438,748
Claims incurred in the current accident year	744,252	(424,207)	320,045	477,975	(167,448)	310,527
Other movements in claims incurred in prior accident years	(14,154)	11,050	(3,104)	(248,419)	261,366	12,947
Claims paid during the year	(535,115)	236,405	(298,710)	(440,678)	139,379	(301,299)
Movements in Unallocated Loss Adjustments Expenses ("ULAE")	5,484	(3,828)	1,656	(5,013)	7,786	2,773
Movements in PRAD	16,534	(9,663)	6,871	9,200	(35,531)	(26,331)
At 30 June	1,352,205	(888,082)	464,123	1,135,204	(697,839)	437,365

(ii) Premium liabilities

	2011			2010		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 July	630,324	(314,876)	315,448	583,083	(287,392)	295,691
Premiums written in the year	1,253,934	(678,847)	575,087	1,092,476	(542,186)	550,290
Premiums earned during the year	(1,166,494)	600,400	(566,094)	(1,045,235)	514,702	(530,533)
At 30 June	717,764	(393,323)	324,441	630,324	(314,876)	315,448

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18. DEFERRED TAXATION

	2011	2010
	RM'000	RM'000
At 1 July 2010/2009 (as previously stated)	(39,249)	(1,950)
Effect due to adoption of FRS 139:		
- On reclassification of investments from AFS to FVTPL	993	-
- On fair value adjustments	512	-
At 1 July (as restated)	<u>(37,744)</u>	<u>(1,950)</u>
Transfer from Sri MLAB/Sri MGAB (Note 36)	(28,893)	(1,631)
Recognised in :		
Income statement (Note 31)	(5,776)	(4,432)
Other comprehensive income	(2,938)	(16,097)
Insurance contract liabilities (Note 17)	(4,320)	(15,139)
Exchange differences	9	-
At 30 June	<u>(79,662)</u>	<u>(39,249)</u>

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

	2011	2010
	RM'000	RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	17,457	9,944
Deferred tax liabilities	<u>(97,119)</u>	<u>(49,193)</u>
	<u>(79,662)</u>	<u>(39,249)</u>

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

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18. DEFERRED TAXATION (CONT'D)

Deferred Tax Assets

	Impairment on Receivables RM'000	Amortisation premiums RM'000	General insurance liabilities RM'000	Impairment on Investment RM'000	Others RM'000	Total RM'000
2011						
At 1 July 2010	7,681	843	1,054	-	366	9,944
Transfer from Sri MLAB (Note 36)	-	-	-	1,906	-	1,906
Recognised in :						
Income statement	5,471	(427)	122	481	(49)	5,598
Exchange differences	9	-	-	-	-	9
At 30 June 2011	<u>13,161</u>	<u>416</u>	<u>1,176</u>	<u>2,387</u>	<u>317</u>	<u>17,457</u>
2010						
At 1 July 2009	8,382	433	3,645	(493)	-	11,967
Transfer from Sri MGAB (Note 36)	339	-	-	536	1,477	2,352
Recognised in :						
Income statement	(1,040)	410	(2,591)	(43)	(1,176)	(4,440)
Other comprehensive income	-	-	-	-	65	65
At 30 June 2010	<u>7,681</u>	<u>843</u>	<u>1,054</u>	<u>-</u>	<u>366</u>	<u>9,944</u>

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18. DEFERRED TAXATION (CONT'D)

Deferred Tax Liabilities

	Accelerated capital allowances RM'000	Net accretion of discounts on investments RM'000	Fair value adjustment RM'000	AFS Reserve RM'000	Others RM'000	Unit Linked RM'000	Total RM'000
2011							
At 1 July 2010 (as previously stated)	(1,885)	(4,947)	(13,305)	(27,822)	(1,234)	-	(49,193)
Effect due to adoption of FRS 139:							
- On reclassification of Investment from AFS to FVTPL	-	-	(3,719)	4,712	-	-	993
- On fair value adjustments	-	-	40	472	-	-	512
At 1 July 2010 (as restated)	(1,885)	(4,947)	(16,984)	(22,638)	(1,234)	-	(47,688)
Transfer from Sri MLAB (Note 36)	(182)	(6,363)	(11,095)	(10,863)		(2,296)	(30,799)
Recognised in :							
Income statement	1,128	(3,058)	(9,022)	-	1,234	(1,656)	(11,374)
Other comprehensive income	-	-	-	(2,938)	-	-	(2,938)
Insurance contract liabilities	-	-	-	(4,320)	-	-	(4,320)
At 30 June 2011	(939)	(14,368)	(37,101)	(40,759)	-	(3,952)	(97,119)
2010							
At 1 July 2009	(949)	(2,062)	(13,302)	3,479	(1,083)	-	(13,917)
Transfer from Sri MGAB (Note 36)	(3,983)	-	-	-	-	-	(3,983)
Recognised in :							
Income statement	3,047	(2,885)	(3)	-	(151)	-	8
Other comprehensive income	-	-	-	(16,162)	-	-	(16,162)
Insurance contract liabilities	-	-	-	(15,139)	-	-	(15,139)
At 30 June 2010	(1,885)	(4,947)	(13,305)	(27,822)	(1,234)	-	(49,193)

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19. INSURANCE PAYABLES

	2011	2010
	RM'000	RM'000
Due to agents and intermediaries	42,565	7,049
Due to reinsurers and cedants	279,766	348,818
	<u>322,331</u>	<u>355,867</u>

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

20. OTHER PAYABLES

	2011	2010
	RM'000	RM'000
Premium deposits	51,795	25,877
Dividend payable to policyholders	60,414	57,048
Amount due to related companies*	4,343	5,457
Amount due to stockbrokers	73,103	-
Sundry payables and accrued liabilities	143,117	102,766
	<u>332,772</u>	<u>191,148</u>

* Amount due to related companies are unsecured, interest free and are repayable on demand.

The carrying amounts disclosed above approximate fair values at the reporting date. All amounts are payable within one year.

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21. OPERATING REVENUE

	2011	2010
	RM'000	RM'000
Gross premiums	2,015,448	1,428,445
Investment income (Note 24)	488,938	309,062
	<u>2,504,386</u>	<u>1,737,507</u>

22. NET EARNED PREMIUMS

	2011	2010
	RM'000	RM'000
(a) Gross Premiums		
Life insurance contracts	761,514	335,969
General insurance contracts	1,253,934	1,092,476
	<u>2,015,448</u>	<u>1,428,445</u>
Change in premium liabilities	(87,440)	(47,241)
	<u>1,928,008</u>	<u>1,381,204</u>
(b) Premium ceded		
Life insurance contracts	(20,834)	(13,832)
General insurance contracts	(678,847)	(542,186)
	<u>(699,681)</u>	<u>(556,018)</u>
Change in premium liabilities	78,447	27,484
	<u>(621,234)</u>	<u>(528,534)</u>
Net Earned Premiums	<u>1,306,774</u>	<u>852,670</u>

23. FEE AND COMMISSION INCOME

	2011	2010
	RM'000	RM'000
Reinsurance commission income	<u>68,064</u>	<u>52,156</u>

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24. INVESTMENT INCOME

	2011	2010
	RM'000	RM'000
Financial assets at FVTPL		
(i) Designated as FVTPL		
Interest income	272,431	-
(ii) HFT		
Interest income	20,801	-
Dividend income		
- quoted in Malaysia	7,026	-
- quoted outside Malaysia	14	-
Financial Assets at AFS		
Interest income	46,716	184,542
Dividend income		
- quoted in Malaysia	32,667	32,331
- quoted outside Malaysia	21	29
- unquoted in Malaysia	312	2,715
- unit and property trusts	3,906	7,764
LAR		
Interest income	28,215	18,581
Interest income from financing receivables and other loans	17,837	23,083
Rental income	31,707	24,315
Accretion of premiums	31,344	16,701
Investment related expenses	(4,059)	(999)
	<u>488,938</u>	<u>309,062</u>

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25. REALISED GAINS AND LOSSES

	2011	2010
	RM'000	RM'000
Realised gain on disposal of property, plant and equipment	180	114
Realised gain on disposal of prepaid land lease payments	70	-
Realised gain on disposal of investment properties	-	1,397
AFS financial assets		
Realised gains:		
- Malaysian government papers	404	-
- Equity securities	149,821	56,735
- Debts securities	1,179	-
- Negotiable certificate of deposits	-	-
- Other investments	9,412	-
	<u>160,816</u>	<u>56,735</u>
FVTPL financial assets		
(i) Designated upon initial recognition		
Realised gains:		
- Malaysian government papers	1,508	-
- Debts securities	5,385	-
	<u>6,893</u>	<u>-</u>
(ii) HFT		
Realised (losses)/gains:		
- Malaysian government papers	(2)	-
- Equity securities	10,195	-
- Debts securities	71	-
- Negotiable certificate of deposits	4,515	-
- Other investments	44	-
- Foreign notes	(178)	-
- Derivative asset	(3,513)	-
	<u>11,132</u>	<u>-</u>
TOTAL REALISED GAINS	<u>179,091</u>	<u>58,246</u>

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26. FAIR VALUE GAINS/LOSSES

	2011	2010
	RM'000	RM'000
Investment properties	27,030	(10,000)
Financial investments - held for trading purposes	19,520	-
Financial investments - designated upon initial recognition	75,368	-
Total fair value gains on financial investment at FVTPL	<u>94,888</u>	<u>-</u>
Impairment of investments	(11,682)	138
TOTAL FAIR VALUE GAINS/(LOSSES)	<u>110,236</u>	<u>(9,862)</u>

27. OTHER OPERATING (EXPENSES)/REVENUE

	2011	2010
	RM'000	RM'000
<u>Other income</u>		
Gain on foreign exchange		
- unrealised	680	-
Processing income	1,435	-
Bad debt recovered	388	-
Reversal of impairment losses on receivables	-	8,103
Sundry income	601	2,152
	<u>3,104</u>	<u>10,255</u>
<u>Other expenses</u>		
Impairment losses on receivables	(22,795)	(1,487)
Impairment losses on property, plant and equipment	(37)	-
Impairment losses on prepaid land lease payments	(13)	-
Loss on foreign exchanges		
- realised	(7,839)	(432)
- unrealised	(252)	-
Sundry expenditure	(6,312)	(1,676)
	<u>(37,248)</u>	<u>(3,595)</u>
TOTAL OTHER OPERATING (EXPENSES)/REVENUE	<u>(34,144)</u>	<u>6,660</u>

ETIQA INSURANCE BERHAD
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28. NET BENEFITS AND CLAIMS

	2011	2010
	RM'000	RM'000
(a) Gross Benefits and Claims Paid		
Insurance contracts:		
General	535,115	440,678
Life	970,979	407,599
	<u>1,506,094</u>	<u>848,277</u>
(b) Claims Ceded to Reinsurers		
Insurance contracts:		
General	(236,405)	(139,379)
Life	(4,697)	(4,596)
	<u>(241,102)</u>	<u>(143,975)</u>
(c) Gross Change in Contract Liabilities		
Insurance contracts:		
General	217,001	(206,936)
Life	15,460	37,408
	<u>232,461</u>	<u>(169,528)</u>
(d) Change in Contract Liabilities Ceded to Reinsurers		
Insurance contracts:		
General	(190,243)	205,552
Life	(977)	3,993
	<u>(191,220)</u>	<u>209,545</u>

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29. MANAGEMENT EXPENSES

	2011	2010
	RM'000	RM'000
Employee benefits expense (a)	104,238	47,305
Directors' remuneration (b)	1,215	422
Auditors' remuneration:		
- statutory audits	759	711
- (over)/under provision in prior year	(99)	2
- other services	166	159
Amortisation of intangible assets	129	183
Amortisation of prepaid land lease payment	252	164
Bank charges	5,933	4,719
Depreciation of property, plant and equipment	6,762	3,268
Fund management fees	15,187	8,051
Other management fees	(454)	26,232
Professional fees	17,792	12,435
Rental of offices/premises	5,506	4,726
Electronic data processing expenses	11,890	12,024
Outsourcing services	14,552	16,605
Postage & stamp duties	5,606	3,652
Printing & stationery	2,797	4,118
Promotional and marketing cost	10,740	21,066
Training expenses	3,251	5,454
Utilities, assessment and maintenance	8,555	8,459
Other expenses	18,034	13,381
TOTAL MANAGEMENT EXPENSES	232,811	193,136
(a) Employee benefits expense:		
Wages and salaries	78,974	33,767
EPF, CPF and TAP	13,565	4,725
SOCSSO	510	280
Other benefits	11,189	8,533
	104,238	47,305

Included in employee benefits expenses is remuneration receivable by the Chief Executive Officer (CEO) of RM1,160,697 (2010:RM582,369 as disclosed in Note 29(c))

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29. MANAGEMENT EXPENSES (CONT'D)

(b) Directors' remuneration:

	2011	2010
	RM'000	RM'000
Executive:		
Salary, bonus and allowance	584	231
EPF	64	37
Retirement gratuity	151	-
Fees	50	25
Other emoluments	67	15
Non executive:		
Fees	257	97
Other emoluments	42	17
	<u>1,215</u>	<u>422</u>

The number of directors whose total remuneration received from the Company during the year falls within the following bands is analysed below:

	Numbers of Directors	
	2011	2010
Executive director		
Above RM50,000	2	1
Non-executive director		
Below RM50,000	6	6
Above RM50,000 to RM100,000	1	-
	<u>1</u>	<u>-</u>

(c) The details of remuneration receivable by CEO during the year are as follows:

	2011	2010
	RM'000	RM'000
Salary	481	384
Bonus	449	48
EPF	156	76
Other emoluments	45	45
Benefits in kind	29	29
	<u>1,160</u>	<u>582</u>

The movement in share options of CEO is as follows:

	2011	2010
	RM'000	RM'000
At 1 July	-	-
Granted	94	-
At 30 June	<u>94</u>	<u>-</u>

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30. FEE AND COMMISSION EXPENSES

	2011	2010
	RM'000	RM'000
Costs incurred for the acquisition of insurance contracts expensed in the current financial year	197,997	152,946

31. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 30 June 2011 and 2010 are:

	2011	2010
	RM'000	RM'000
Income Statement:		
<u>Income tax:</u>		
Current financial year's provision		
- Malaysia	136,537	62,368
- Foreign	123	-
<u>Deferred taxation:</u>		
Relating to origination and reversal of temporary differences (Note 18)	5,776	4,432
Over provision of taxation in prior financial years	(59,537)	(6,422)
Income tax expense recognised in income statement	<u>82,899</u>	<u>60,378</u>
Statement of comprehensive income:		
Deferred income tax related to other comprehensive income:		
- Fair value changes on AFS investments	(2,938)	(16,162)
- Revaluation reserve	-	65
	<u>(2,938)</u>	<u>(16,097)</u>

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31. INCOME TAX EXPENSE (CONT'D)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 June 2011 and 2010 are as follows:

	2011	2010
	RM'000	RM'000
Income Statement:		
Profit before taxation	<u>381,918</u>	<u>178,531</u>
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	95,480	44,633
Section 110B tax credit set off	(7,563)	-
Business outside Malaysia taxed at 5%	(1,989)	8,988
Income not subject to tax	(1,987)	(5,844)
Expenses not deductible for tax purposes	55,835	19,023
Utilisation of current financial year's tax losses	2,660	-
Over provision of taxation in prior financial years	<u>(59,537)</u>	<u>(6,422)</u>
Tax expense for the financial year	<u>82,899</u>	<u>60,378</u>

The domestic income tax for shareholder's fund and general fund are calculated based on the corporate tax rate of 25% (2010: 25%) of the estimated assessable profit for the financial year.

The income tax for the life fund is calculated based on the statutory rate of 8% (2010: 8%) of the estimated assessable investment income net of allowable deductions for the financial year.

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)**31. INCOME TAX EXPENSE (CONT'D)**

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 dividend will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credit under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance Section 39 of the Finance act 2007.

Due to the changes in the single tier system, any distribution of dividend-in-species in respect of the ordinary shareholdings would be regarded as single tier dividend. The Section 108 accounts and tax exempt account will not be affected. There will be parallel existence of single tier system and imputation system until 31 December 2013.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. During the transitional period, the Company may utilise the credits in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholder as defined under the Finance Act, 2007.

Previously, investment income and gains from disposal of investments from the Life Fund would be taxed twice, once at a tax rate of 8% (2010: 8%) in the Life Fund and again at a tax rate of 25% (2010: 25%) when the surplus from the Life Fund is transferred to the Shareholder's Fund. In the Budget 2008 which was enacted via a Gazette Order on 21 April 2008, effective from year of assessment 2008 onwards insurers are permitted a set-off ("Section 110B credits") from the total amount of tax imposed on the Shareholder's Fund to overcome the incidence of double taxation.

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

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32. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the financial year.

	2011	2010
	sen	sen
		Restated
Profit attributable to Ordinary equity holders	299,019	118,153
Basic earnings per share (sen)	<u>196.53</u>	<u>77.66</u>

Diluted earnings per share are not presented as there were no dilutive potential Ordinary Shares as at the date of the statement of financial position.

There have been no other transactions involving Ordinary Shares between the reporting date and date of completion of these financial statements.

33. OPERATING LEASE COMMITMENTS

- (a) As at the date of the statement of financial position, the Company leases its office premises and equipment under lease agreements that are not cancellable within a year. The leases contain renewable options.

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

	2011	2010
	RM'000	RM'000
Within 1 year	1,153	1,366
After 1 year but not more than 5 years	2,960	2,779
	<u>4,113</u>	<u>4,145</u>

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33. OPERATING LEASE COMMITMENTS (CONT'D)

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

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the date of statement of financial position but not recognised as receivables, are as follows:

	2011	2010
	RM'000	RM'000
Not later than 1 year	17,821	25,885
Later than 1 year but not later than 5 years	10,127	16,806
	<u>27,948</u>	<u>42,691</u>

Rental income on investment properties recognised in income statement during the financial year is disclosed in Note 24.

34. OTHER COMMITMENTS AND CONTINGENCIES

	2011	2010
	RM'000	RM'000
Approved and contracted for:		
Property, plant and equipment	1,882	3,338
Intangible assets	17,622	24,290
	<u>19,504</u>	<u>27,628</u>
Approved and not contracted for:		
Property, plant and equipment	<u>200</u>	<u>490</u>

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35. SIGNIFICANT RELATED PARTY DISCLOSURES

- (i) Significant transactions of the Company with related parties during the financial year were as follows:

	2011	2010
	RM'000	RM'000
Income/(expenses):		
Transactions with the ultimate holding company:		
Gross insurance premium income	4,990	3,815
Commissions and fees expenses	(47,412)	(31,369)
Interest income	35,198	13,820
Rental income	452	378
Other expenses	(2,141)	(1,405)
Transactions within holding company:		
Rental income	116	-
Other management fees	(6,410)	(4,528)
Shared service cost chargeback	296	595
Transactions with other related companies within the MBB group:		
Gross insurance premium income	1	1,467
Commissions and fee expenses	-	(226)
Rental income	9,544	3,339
Rental expenses	(774)	(2,325)
Investment management fees	(15,187)	(8,051)
Other management fees	(38,021)	(23,336)
Shared service cost chargeback	53,306	51,138
Other expenses	(2,634)	(242)

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35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

- (ii) Included in the statement of financial position of the Company are amounts due from/(to) related companies represented by the following:

	2011	2010
	RM'000	RM'000
Ultimate holding company:		
Fixed deposits and call deposits	451,170	414,488
Structured deposits	365,000	18,892
NCD & NICD	260,389	-
Corporate Bonds	367,673	-
Bank balance	179,489	70,059
Outstanding premiums	11,691	8,884
Income and profits due & accrued	9,272	4,941
Amount due from related companies	2,796	1,878
Sundry payables and accrued liabilities	(201)	-
Holding company :		
Amount due to Holding company	(2,435)	(1,876)
Other related companies within the MBB Group:		
Outstanding premiums	411	133
Income and profits due & accrued	537	-
Amount due from related companies	3,683	3,640
Amount due to related companies	(252)	(1,950)
Sundry payables and accrued liabilities	(4,785)	-
Subsidiary:		
Amount due to subsidiary	(1,655)	(1,631)

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35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(iii) Key management personnel compensation

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 Executive Directors and Chief Executive Officer.

The remuneration of the Executive Directors and Chief Executive Officer were as follows :

	2011	2010
	RM'000	RM'000
Short-term employee benefits		
- Salaries, allowances and bonuses	1,514	663
- EPF	220	113
- Fees	50	25
- Other staff benefits	141	89
Post employment benefits		
- Retirement gratuity	151	-
	<u>2,076</u>	<u>890</u>

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

	2011	2010
	RM'000	RM'000
At 1 July	-	-
Granted	94	-
At 30 June	<u>94</u>	<u>-</u>

The remuneration of key management personnel during the year was as disclosed in Note 29 (b) and (c).

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36. NET ASSETS TRANSFERRED

Mayban Life Assurance Berhad (now known as Sri MLAB Berhad) ("Sri MLAB") and Mayban General Assurance Berhad (now known as Sri MGAB) ("Sri MGAB") transferred their businesses and net assets as a going concern to the Company, on 1 November 2010 and 1 July 2009 respectively, pursuant to Vesting Orders obtained from the High Court of Malaya in Kuala Lumpur, and High Court of Singapore for Sri MGAB.

Details of the net assets transferred are as follows:

		Transferred from	
		Sri MLAB	Sri MGAB
		2011	2010
	Note	RM'000	RM'000
			(Restated)
<u>Assets:</u>			
Property, plant and equipment	3	48,058	43,426
Investment properties	4	250	990
Prepaid land lease payments	5	11,670	7,984
Intangible Assets		-	56
Investments		6,538,834	516,591
Financing receivables		75,900	15,066
Reinsurance assets	17	1,133	395,928
Insurance receivables		4,505	35,068
Other receivables		80,110	11,371
Derivative assets		41,371	-
Cash and bank balances		31,448	19,157
		<u>6,833,279</u>	<u>1,045,637</u>
<u>Equity and Liabilities :</u>			
AFS reserves		<u>11,703</u>	<u>-</u>
<u>Liabilities:</u>			
Insurance contract liabilities	17	6,459,724	732,329
Insurance payables		3,163	19,729
Other payables		43,908	24,894
Deferred tax liabilities	18	28,893	1,631
		<u>6,535,688</u>	<u>778,583</u>
Net assets transferred		<u>285,888</u>	<u>267,054</u>

The net assets transferred from Sri MLAB and Sri MGAB were satisfied by RM285,888,000 and RM267,054,000 cash, respectively.

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37. RISK MANAGEMENT FRAMEWORK

The Risk Management Framework defines and formalizes the risk management process. It comprises the development, implementation and monitoring of financial and operational strategies for assessing, mitigating, financing and exploiting financial, insurance and operational risks to increase the value of the Company.

It enhances the capabilities to align risk appetite and strategy, link risk with growth and return, make timely risk response decisions, minimize operational surprises and losses, seize opportunities and rationalize capital.

The framework takes into account:

- The Bank Negara Malaysia ("BNM") guidelines regarding the Risk Management Committee ("RMC")
- The existing Risk Management organization within Maybank Group
- The relevant section of the Maybank's Group Risk Management Oversight Framework
- The relevant section of the Maybank's Risk Governance and General Risk Management Framework for Credit Risk, Market Risk and Operational Risk
- The organizational structure of Etiqa Operating Companies ("EOC").

The scope of the framework addresses the management of risk policy, governance structure reporting and policy implementation.

Capital Management Objectives, Policies and Approach

The Capital Management Guideline sets a standard policy regarding the levels of capital to be maintained within the Group and the Company. The Company aligns its capital requirement with Capital Adequacy Ratio ("CAR") defined in the RBC Framework (Concept Paper for Takaful Operators) issued by Bank Negara Malaysia ("BNM").

Currently, the minimum CAR is set by Bank Negara Malaysia at 130%

Implementation of this guideline will also stabilise the relative surpluses in the different funds and it allows the Asset-Liability Management Committee ("ALCO") to advise on long term strategic asset-mixes by fund. It is clear that if the amount of capital varies in a fund, relative to its liabilities, the risk bearing capacity of the fund changes, and thus the investment mix has to reflect the available buffer for risk of the fund.

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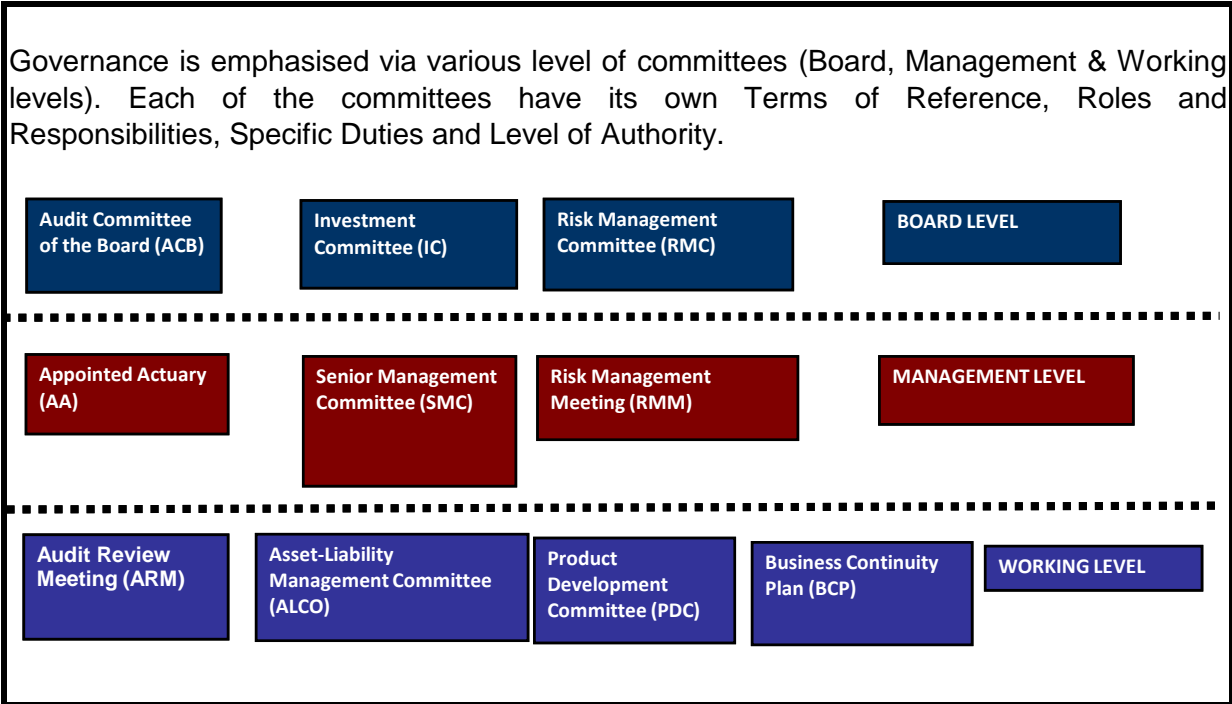
37. RISK MANAGEMENT FRAMEWORK (CONT'D)

Governance and Regulatory Framework

The governance structure outlines the organizational structure, the hierarchy and the scope of responsibilities of all the Governance bodies involved in the risk management function.

The Company risk management organization structure involves the Boards of Directors ("Board"), the Risk Management Committees ("Group RMC" and "RMC") and the Risk Management Meeting ("RMM").

The risk management framework comprises three (3) main management layers which are Policy Making, Monitoring & Control and Risk Acceptance



Asset-Liability Management ("ALM") Framework

The primary objective of the Asset-Liability Management Committee ("ALCO") is to coordinate the ongoing control over the financial/investment risk position of each investment portfolio and the risk liability position of the Company.

ALCO is authorised to propose policies to Risk Management Committee ("RMC") and Investment Committee ("IC") and propose the implementation program of the investment activities.

The ALCO is also responsible for carrying out Asset Liability Management ("ALM") studies, among other things.

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38. INSURANCE RISK

Insurance Risk relates to the inherent risk associated in the underwriting activities which may includes the risk of incurring higher claim payments than expected, uncertainty on the severity and frequency of the claim, economic and market conditions, legal, behaviour patern affecting pricing assumption, scope of coverage or reinsurance cost. Nothwithstanding of these criterias may results in the insurer receiving either inadequate premium for the underwritten risk which may lead having limited funds to invest and pay the claims.

The Company has established appropriate guidelines and framework tide with authority limits as part of risk mitigation activities embedded in the business operations. Reinsurance is placed to minimise certain insurance risk within the established risk parameters. Risk associated with reinsurance risk are the counterparty risk of reinsurers failing to honour their obligations. Claims processes are defined by approval authority as part of the control in place on financial exposure. Annual internal audit reviews are performed to ensure compliance with the Company's guidelines and standards.

(A) Life Insurance

(i) The table below shows the concentration of actuarial liabilities by type of contract.

	2011			2010		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
30 June 2011						
Whole life	519,092	-	519,092	552,388	-	552,388
Endowment	5,392,486	-	5,392,486	2,315,442	-	2,315,442
Mortgage	973,553	(35,692)	937,861	285,660	(34,856)	250,804
Term assurance	341,935	-	341,935	136,851	-	136,851
Annuity	442,943	-	442,943	308,299	-	308,299
Others	44,224	-	44,224	13,737	-	13,737
Total	7,714,233	(35,692)	7,678,541	3,612,377	(34,856)	3,577,521

As all of the business is derived from Malaysia, the entire life insurance contract liabilities are in Malaysia.

The geographical analysis is based on the countries where the business is written.

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38. INSURANCE RISK (CONT'D)

(A) Life Insurance (Cont'd)

(ii) Key Assumptions

Material judgement is required in determining the insurance liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

(a) Discount rate

The discount rate used for non-participating policies, guaranteed benefits of participating policies and the non-unit liability of investment-linked policies is the yield observed on the Malaysian Government Security ("MGS") of the appropriate duration. In the case of the total benefits liabilities of participating policies, the discount rate is based on the expected fund yield of the participating fund, net of tax on investment income of the life fund. The best estimate investment return for participating business is derived from the expected returns of the respective investment classes.

(b) Mortality and morbidity rates

The Company bases mortality and morbidity on established industry and Malaysian tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements.

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38. INSURANCE RISK (CONT'D)

(A) Life Insurance (Cont'd)

(ii) Key Assumptions (Cont'd)

(c) Lapse and surrender rates

Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders.

(d) Expenses

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, if appropriate.

(iii) Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of insurance liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, surplus arising and equity.

The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions were changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

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38. INSURANCE RISK (CONT'D)

(A) Life Insurance (Cont'd)

(iii) Sensitivities (Cont'd)

	Change in Assumptions %	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Impact on Surplus Arising RM'000	Impact on Equity RM'000
<u>Life Insurance</u>					
30 June 2011					
Discount rate	-1%	605,315	603,447	(603,447)	(56,991)
Mortality and morbidity rates	+/- 10% (adverse)	129,247	126,242	(126,242)	(1,431)
Lapse and surrender rates	+/- 10% (adverse)	18,867	18,770	(18,770)	(2,445)
Expenses	+10%	38,480	38,480	(38,480)	-
30 June 2010					
Discount rate *	-1%	634,593	632,902	(632,902)	(281,861)
Mortality and morbidity rates	+/- 10% (adverse)	123,550	120,610	(120,610)	-
Lapse and surrender rates	+/- 10% (adverse)	30,194	30,070	(30,070)	-
Expenses	+10%	35,810	35,810	(35,810)	-

* excludes impact on fixed income

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38. INSURANCE RISK (CONT'D)

(B) General Insurance

(i) The table below shows the concentration of premium by type of contract.

	2011			2010		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<u>Malaysia</u>						
Motor	240,485	(11,867)	228,618	194,306	(9,332)	184,974
Fire	164,014	(73,501)	90,513	161,977	(66,991)	94,986
Marine Cargo, Aviation						
Cargo & Transit	547,628	(530,274)	17,354	414,661	(401,783)	12,878
Miscellaneous	205,418	(51,095)	154,323	190,271	(47,333)	142,938
	1,157,545	(666,737)	490,808	961,215	(525,439)	435,776
<u>Singapore and Brunei</u>						
Motor	32,666	(982)	31,684	57,569	(1,696)	55,873
Fire	18,302	(4,197)	14,105	18,549	(5,378)	13,171
Marine Cargo, Aviation						
Cargo & Transit	4,081	(1,076)	3,005	4,608	(1,095)	3,513
Miscellaneous	41,340	(5,855)	35,485	50,535	(8,578)	41,957
	96,389	(12,110)	84,279	131,261	(16,747)	114,514

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38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(ii) Key Assumptions and Methods

The claim liabilities of the Company are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that the past claims development experience can be used to project future claims development and hence the ultimate costs of claims. Accordingly, these methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by type of coverage.

The assumptions used in the projection methodologies, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, legislative changes, judicial decisions and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved. The range of possible outcomes does not, however, result in the quantification of a liability range. In addition, the liabilities are estimated on an undiscounted basis and no curve-fitting methods have been applied in the estimation process.

The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience. The uncertainties involved in estimating liabilities are allowed for in the reserving process and by the estimation of explicit liability uncertainty distributions. The reserve estimation basis based on Bank Negara Malaysia's Risk-Based Capital Framework for Insurers requires all general insurance businesses to calculate booked claim provisions at the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty.

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38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(ii) Key Assumptions and Methods (Cont'd)

Changes to claims development patterns can materially impact the results of actuarial projection methodologies. However, allowance for the inherent uncertainty in the assumptions underlying liabilities projections is automatically allowed for in the explicit allowance for risk and uncertainty included when setting booked liabilities.

There has been no change in the estimation methods used since the previous financial year nor have there been any significant changes in key assumptions.

Unallocated loss adjustment expense

	2011	2010
Change in unallocated loss adjustment expense to paid loss ratio (Exclude Singapore)	5%	5%

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38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iii) Sensitivities

Using the methods described above, the claims development is extrapolated for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historical claims.

Illustrative results of sensitivity testing for general insurance business's claims liabilities are set out below. The cumulative effect of all possible factors that affect the assumptions in the projection would ultimately impact the claims liabilities and, consequently, the observed net incurred claim ratio for the financial year. Therefore, the sensitivity analysis has been performed based on reasonably possible movements in net incurred claims ratio with all other assumptions or key factors held constant, showing the impact on gross and net liabilities, profit before tax and the participants' fund.

<u>General Insurance - Malaysia & Brunei businesses</u>	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
30 June 2011					
Net Incurred Claims Ratio	+/- 5%	52,731	24,257	(24,257)	(18,193)
30 June 2010					
Net Incurred Claims Ratio	+/- 5%	46,191	23,339	(23,339)	(17,504)

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38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iii) Sensitivities (Cont'd)

<u>General Insurance - Singapore business</u>	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
30 June 2011					
Net Incurred Claims Ratio	+/- 5%	4,867	4,239	(4,239)	(3,179)
30 June 2010					
Net Incurred Claims Ratio	+/- 5%	7,069	6,017	(6,017)	(4,513)

* impact on equity reflects adjustments for tax, when applicable

The method used and significant assumptions made for deriving sensitivity information did not change from the previous period.

(iv) Claims development table

The following tables show the Malaysia and Singapore branch estimated incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the Company believes the estimate of total claims outstanding as at the financial year end are adequate. The Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty.

Note: Prior years estimated incurred claims are not available for Malaysia because of the merger of a few companies with different financial ending period.

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38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

Analysis of claims development - Gross Insurance Contract Liabilities

<u>Malaysia and Brunei businesses</u>	Before				As at 30 June				Total
	2005	2005	2006	2007	2008	2009	2010	2011	
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of cumulative claims for Malaysia:									
At the end of accident year		664,798	430,845	327,662	323,911	545,600	385,501	663,692	
1 year later		573,613	487,390	356,101	379,571	402,815	436,698		
2 years later		546,334	471,837	347,237	343,889	347,644			
3 years later		519,648	461,290	361,200	331,195				
4 years later		484,231	467,120	352,793					
5 years later		486,999	486,561						
6 years later		476,705							
Estimate of cumulative claims for Malaysia (A)		476,705	486,561	352,793	331,195	347,644	436,698	663,692	
Estimate of cumulative payments to date for Malaysia:									
At the end of accident year		139,666	124,522	140,644	125,546	147,139	132,148	134,355	
1 year later		373,986	247,587	240,523	209,588	249,830	281,027		
2 years later		411,156	276,324	286,884	259,761	287,408			
3 years later		430,814	287,895	312,340	308,245				
4 years later		437,875	293,450	319,428					
5 years later		444,518	361,060						
6 years later		446,424							
Cumulative payments for Malaysia (B)		446,424	361,060	319,428	308,245	287,408	281,027	134,355	
Outstanding claim liabilities for Malaysia (A) - (B)	65,914	30,281	125,501	33,365	22,949	60,236	155,670	529,337	1,023,253
Outstanding claim liabilities for Brunei and Treaty Inward									39,058
Provision for Potential Reinsurance Uncollectibles									-
Unallocated loss adjustment expenses									29,636
Effect of discount									-
Best estimate of outstanding claim liabilities									1,091,947
Provision for Risk Margin for Adverse Deviation									98,304
Insurance Claims Liabilities									1,190,251

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**ETIQA INSURANCE BERHAD
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38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

Analysis of claims development - Net of Reinsurance

Malaysia and Brunei businesses

Accident year	Before	As at 30 June						Total	
	2005	2005	2006	2007	2008	2009	2010		2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of cumulative claims for Malaysia:									
At the end of accident year		239,151	263,218	227,142	218,328	225,983	222,173	243,170	
1 year later		199,893	222,594	225,650	209,971	230,620	235,887		
2 years later		195,532	213,758	211,663	206,647	221,020			
3 years later		189,085	204,541	212,962	199,645				
4 years later		182,288	206,241	207,488					
5 years later		184,140	202,221						
6 years later		181,531							
Estimate of cumulative claims for Malaysia (A)		181,531	202,221	207,488	199,645	221,020	235,887	243,170	
Estimate of cumulative payments to date for Malaysia:									
At the end of accident year		78,718	104,955	102,351	98,405	121,271	115,161	121,723	
1 year later		147,901	168,131	170,180	163,165	183,624	193,246		
2 years later		161,087	184,373	185,132	179,238	195,946			
3 years later		169,243	191,044	191,375	186,225				
4 years later		172,132	194,744	195,653					
5 years later		176,083	197,965						
6 years later		177,327							
Cumulative payments for Malaysia (B)		177,327	197,965	195,653	186,225	195,946	193,246	121,723	
Outstanding claim liabilities for Malaysia (A) - (B)	7,943	4,205	4,255	11,836	13,421	25,074	42,642	121,447	230,823
Outstanding claim liabilities for Brunei and Treaty Inward									37,446
Provision for Potential Reinsurance									-
Uncollectibles									-
Unallocated loss adjustment expenses									8,424
Effect of discount									-
Best estimate of outstanding claim liabilities									276,693
Provision for Risk Margin for Adverse Deviation									42,755
Insurance Claims Liabilities									319,448

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38. INSURANCE RISK (CONT'D)
(B) General Insurance (Cont'd)
(iv) Claims development table (Cont'd)
Analysis of claims development - Gross insurance Contract Liabilities

<u>Singapore business</u>	<u>Before</u>				<u>As at 30 June</u>		<u>2010</u>	<u>2011</u>	<u>Total</u>
	<u>2005</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>			
<u>Accident year</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Estimate of cumulative claims for Singapore:									
At the end of accident year		n/a	25,873	29,378	38,430	49,974	46,328	36,454	
1 year later		48,588	59,332	63,129	86,542	86,815	94,255		
2 years later		46,741	60,761	65,029	88,873	88,825			
3 years later		45,783	62,313	66,211	89,990				
4 years later		47,239	63,470	69,145					
5 years later		47,923	62,906						
6 years later		47,499							
Estimate of cumulative claims for Singapore (A)		47,499	62,906	69,145	89,990	88,825	94,255	36,454	
Estimate of cumulative payments to date for Singapore:									
At the end of accident year		17,158	18,576	22,021	23,546	31,869	6,158	4,591	
1 year later		35,010	44,785	46,683	62,120	51,124	41,987		
2 years later		40,303	52,035	56,896	69,684	64,166			
3 years later		43,008	58,084	59,941	78,390				
4 years later		45,189	59,868	62,754					
5 years later		46,168	60,647						
6 years later		46,628							
Cumulative payments (B)		46,628	60,647	62,754	78,390	64,166	41,987	4,591	
Outstanding claim liabilities (A) - (B)	667	871	2,260	6,391	11,600	24,659	52,268	31,862	130,578
Provision for Potential Reinsurance Uncollectibles									-
Unallocated loss adjustment expenses									2,706
Effect of discount									-
Best estimate of outstanding claim liabilities									133,284
Provision for Risk Margin for Adverse Deviation									18,922
Effect of currency translation									9,748
Insurance Claims Liabilities									161,954

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38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

Analysis of claims development - Net of Reinsurance

Singapore business Accident year	Before	As at 30 June							Total
	2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	
Estimate of cumulative claims for Singapore:									
At the end of accident year		39,069	51,258	54,441	73,732	88,519	78,871	34,380	
1 year later		40,929	54,469	60,337	80,568	83,090	86,079		
2 years later		40,687	56,130	62,392	83,850	83,104			
3 years later		42,081	58,711	64,053	85,401				
4 years later		43,269	59,514	65,834					
5 years later		43,832	60,205						
6 years later		44,223							
Estimate of cumulative claims for Singapore (A)		44,223	60,205	65,834	85,401	83,104	86,079	34,380	
Estimate of cumulative payments to date for Singapore:									
At the end of accident year		14,636	18,137	21,616	22,320	29,767	5,846	3,909	
1 year later		31,705	43,070	44,608	58,877	47,624	39,315		
2 years later		36,926	49,719	54,600	66,199	59,810			
3 years later		39,630	55,677	57,601	74,394				
4 years later		41,817	56,852	60,587					
5 years later		42,771	58,123						
6 years later		43,468							
Cumulative payments (B)		43,468	58,123	60,587	74,394	59,810	39,315	3,909	
Outstanding claim liabilities (A) - (B)	646	755	2,083	5,247	11,008	23,293	46,765	30,471	120,268
Provision for Potential Reinsurance Uncollectibles									-
Unallocated loss adjustment expenses									2,490
Effect of discount									-
Best estimate of outstanding claim liabilities									122,758
Provision for Risk Margin for Adverse Deviation									12,676
Effect of currency translation									9,241
Insurance Claims Liabilities									144,675

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38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

This valuation was performed based on data as at 30 June 2011. The “estimate of cumulative claims” were made as at this valuation rather than 31 December 2011. Hence the figures represent estimates of projected ultimate claims half a year into 2011, i.e. “At the middle of accident year” for AY2011, “0.5 years later” for AY2010, “1.5 years later” for AY2009, and so forth.

For accident year 2011 claims, the projected ultimate claims are based on net premium earned up to 30 June 2011 only. The estimated cumulative claims were determined by applying an expected loss ratio on the half-year earned premium. Thus the net outstanding claim liability for accident year 2010 represents estimate of expected claims to be paid on the net premium earned up to 30 June 2011 only.

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39. FINANCIAL RISKS

i) Credit Risk

The Company's credit risk arises through the investment in fixed income instruments, corporate loans and contracts with reinsurance.

However, the main contribution of the credit risk arises from transactions related to our positions in debt securities (mainly corporate bonds).

The default risk the Company faces is when the counterparties fail to meet contractual payment obligations.

The Company measures and manages the credit risk following the philosophy and principles below:

- Actively aim to prevent undue concentration by ensuring diversified and marketable credit portfolio
- Asset management research team does a prudent bond selection
- Sets forth maximum credit exposures it is willing to assume. The credit limit for a counterparty is based on the counterparty credit quality. And also aligned to the
- Uses Key Risk Indicators (KRI") to alert its impending problems in a timely manner.

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39. FINANCIAL RISKS (CONT'D)

(i) Credit Risk (Cont'd)

Credit Exposure

The table below shows the maximum exposure to credit risk for the components on the Statement of Financial Position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreement.

	2011		
	Insurance and Shareholder's Fund RM'000	Unit-Linked RM'000	Total RM'000
LAR			
Fixed and call deposits	1,058,708	67,661	1,126,369
AFS financial investments			
Equity securities	1,357,681	-	1,357,681
MGS / GII / MGGB	310,772	-	310,772
Debt securities	775,376	-	775,376
Trust funds	34,384	-	34,384
Financial investments at FVTPL			
(i) Designated upon initial recognition			
MGS / GII / MGGB	1,564,197	-	1,564,197
Debt securities	5,933,390	-	5,933,390
(ii) Held- for- trading (HFT)			
Equity securities	-	361,829	361,829
MGS / GII / MGGB	-	7,581	7,581
Debt securities	-	722,689	722,689
Trust funds	-	22,025	22,025
Financing receivables	311,916	-	311,916
Reinsurance assets	1,318,371	-	1,318,371
Insurance receivables	289,934	-	289,934
Other receivables	155,215	9,485	164,700
Derivative assets	-	41,782	41,782
Cash and bank balances	256,149	520	256,669
	<u>13,366,093</u>	<u>1,233,572</u>	<u>14,599,665</u>

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39. FINANCIAL RISKS (CONT'D)

(i) Credit Risk (Cont'd)

Credit Exposure by rating (Cont'd)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

	Neither past-due nor impaired			Unit-linked RM'000	Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
	*Investment grade RM'000 A to AAA	*Non- Investment grade RM'000 B to BBB	Not Rated RM'000				
2011							
LAR							
Fixed and call deposits	983,325	6,728	68,655	67,661	-	-	1,126,369
AFS financial investments							
Equity securities	-	-	-	-	-	1,357,681	1,357,681
MGS / GII / MGGB [^]	20,278	-	290,494	-	-	-	310,772
Debt securities	713,105	50	62,221	-	-	-	775,376
Trust funds	-	-	-	-	-	34,384	34,384
Financial investments at FVTPL							
(i) Designated upon initial recognition							
MGS / GII / MGGB [^]	376,783	-	1,187,414	-	-	-	1,564,197
Debt securities	5,888,831	346	44,213	-	-	-	5,933,390
(ii) Held- for- trading (HFT)							
Equity securities	-	-	-	361,829	-	-	361,829
MGS / GII / MGGB [^]	-	-	-	7,581	-	-	7,581
Debt securities	-	-	-	722,689	-	-	722,689
Trust funds	-	-	-	22,025	-	-	22,025
Financing receivables	-	-	308,351	-	3,565	-	311,916
Reinsurance assets	-	-	925,048	-	-	393,323	1,318,371
Insurance receivables ^{^^}	4,466	8	233,872	-	51,588	-	289,934
Other receivables	86,493	-	33,261	9,485	-	35,461	164,700
Derivative assets	-	-	-	41,782	-	-	41,782
Cash and bank balances	255,841	-	308	520	-	-	256,669
	8,329,122	7,132	3,153,837	1,233,572	55,153	1,820,849	14,599,665

* Based on ratings assigned by external rating agencies including RAM and MARC

[^] MGS/GII/MGGB are government securities and government guaranteed debts which is classified as not rated category.

^{^^} Insurance receivables from agents/insurers/reinsurers licensed under the Insurance Act, 1996 generally falls under not rated category.

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39. FINANCIAL RISKS (CONT'D)

(i) **Credit Risk (Cont'd)**

Age Analysis of Financial Assets Past-Due But Not Impaired

	Past due but not impaired				Past due and impaired			Total RM'000
	< 90 days RM'000	91 to 180 days RM'000	> 180 days RM'000	Total RM'000	Original carrying amount RM'000	Allowance for impairment RM'000	Net carrying amount RM'000	
2011								
AFS financial investments								
- Debt securities	-	-	-	-	15,957	(15,957)	-	-
Financing receivables	580	199	2,091	2,870	2,373	(1,678)	695	3,565
Insurance receivables	35,462	15,593	533	51,588	56,556	(56,556)	-	51,588
Other receivables	-	-	-	-	1,290	(1,290)	-	-
	<u>36,042</u>	<u>15,792</u>	<u>2,624</u>	<u>54,458</u>	<u>76,176</u>	<u>(75,481)</u>	<u>695</u>	<u>55,153</u>

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39. FINANCIAL RISKS (CONT'D)

(i) Credit Risk (Cont'd)

Reconciliation of allowance account

Movements in allowances for impairment for financial assets are as follows:

	Securities AFS	Financing	Insurance	Other	Total
	RM'000	receivables	receivables	receivables	RM'000
		RM'000	RM'000	RM'000	
2011					
At 1 July 2010					
- as previously stated	1,584	738	37,272	952	40,546
- effect of adopting FRS4	-	-	(2,774)	-	(2,774)
At 1 July 2010 (as restated)	1,584	738	34,498	952	37,772
Transfer from Sri MLAB	17,160	565	3	27	17,755
Allowance made during the year	2,791	429	22,055	311	25,586
Amount written back in respect of recoveries	(5,578)	-	-	-	(5,578)
Amount written off	-	(54)	-	-	(54)
At 30 June 2011	15,957	1,678	56,556	1,290	75,481

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39. FINANCIAL RISKS (CONT'D)

(ii) Liquidity Risk (Cont'd)

Liquidity Risk is the risk that arises from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss.

Liquidity risk management is to safeguard the Company's ability to meet all payments when they fall due.

The Company measures and manages the liquidity risk following the philosophy and principles below:

- Actively monitors the asset-liability cashflows through ALCO platform.
- The Company's investment strategies ensure that the investment limits set takes care of reasonable liquidity requirements at all times.

Maturity Profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest/profit payable and receivable. For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

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39. FINANCIAL RISKS (CONT'D)
(ii) Liquidity Risk (Cont'd)
Maturity Profiles (Cont'd)

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2011						
Financial investments:						
LAR	1,126,369	1,139,398	1,013	-	-	1,140,411
AFS	2,478,213	84,215	580,069	739,367	1,392,065	2,795,716
FVTPL	8,611,711	781,656	3,628,979	6,085,238	383,853	10,879,726
Financing receivables	311,916	267,167	27,325	34,275	-	328,767
Reinsurance assets*	925,048	496,691	368,671	67,342	-	932,704
Insurance receivables	289,934	289,934	-	-	-	289,934
Other receivables	164,700	129,239	-	-	35,461	164,700
Derivative assets	41,782	41,401	381	-	-	41,782
Cash and bank balances	256,669	256,669	-	-	-	256,669
Total assets	14,206,342	3,486,370	4,606,438	6,926,222	1,811,379	16,830,409
Insurance contract liabilities*	10,339,560	2,455,932	4,152,916	8,294,984	-	14,903,832
Insurance payables	322,331	322,331	-	-	-	322,331
Other payables	332,772	332,772	-	-	-	332,772
Total liabilities	10,994,663	3,111,035	4,152,916	8,294,984	-	15,558,935

* Excluded premium liabilities, AFS reserves and unallocated surplus.

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39. FINANCIAL RISKS (CONT'D)

(ii) Liquidity Risk (Cont'd)

The table below summarises the expected utilisation or settlement of assets.

2011	Current* RM'000	Current RM'000	Unit linked RM'000	Total RM'000
Property, plant and equipment	-	136,228	-	136,228
Investment properties	-	516,360	-	516,360
Prepaid land lease payments	-	20,796	-	20,796
Intangible assets	-	163	-	163
Investment in associate	-	152	-	152
Financial investments				
LAR	1,058,708	-	67,661	1,126,369
AFS	2,478,213	-	-	2,478,213
FVTPL	7,497,587	-	1,114,124	8,611,711
Financing receivable	311,916	-	-	311,916
Reinsurance assets	1,318,371	-	-	1,318,371
Insurance receivables	289,934	-	-	289,934
Other receivables	155,215	-	9,485	164,700
Derivative assets	-	-	41,782	41,782
Current tax assets	97,441	-	-	97,441
Cash and bank balances	256,149	-	520	256,669
Total assets	13,463,534	673,699	1,233,572	15,370,805

* Expected utilisation or settlement within 12 months from the date of the Statement of Financial Position.

(iii) Market Risk

Market Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks – foreign exchange rates (currency risk), interest rates / profit yield (interest rate / profit yield risk) and market prices (price risk).

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39. FINANCIAL RISKS (CONT'D)

(iii) Market Risk (Cont'd)

The Company has namely three key features in its market risk management practices and policies.

- A Company-wide market risk policy setting out the evaluation and determination of components of market risk for the Company. Compliance with the policy is monitored and reported monthly to the Risk Management Committee ("RMC") and exposures and breaches are reported as soon as practicable.
- The Company's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Company's risk management policy after taking the cognizance of the regulatory requirements in respect of maintenance of assets and solvency.
- Strict control over derivative transactions; such transactions are only permitted for hedging purposes and strictly not for speculative purposes.

The Company also issues unit-linked investment policies in a number of its products. In the unit-linked business, the policyholder bear the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the funds.

The Company's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds.

(a) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to Singapore Dollar, Brunei Dollar and US Dollar.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Insurance Act, 1996, and hence, primarily denominated in the same currency (the local "RM") as its insurance and investment contract liabilities.

The Company does not engage in derivative transactions for speculative purposes. Where deemed necessary in line with the Company's risk management policy, the Company enters into derivative transactions solely for hedging purposes.

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39. FINANCIAL RISKS (CONT'D)

(iii) Market Risk (Cont'd)

(a) Currency Risk (Cont'd)

As the Company's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

(b) Interest Rate/ Profit Yield Risk

Interest rate risks arise from exposures to interest rate / profit yield related assets and liabilities. It is also known as asset-liability mismatch ("ALM") risks. It is mainly driven by the volatility of the future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities.

The Company measures and manages the interest rate / profit yield risk following mainly three philosophy and principles.

- Actively aim to match the liability duration with the asset duration, without compromising the credit quality.
- Set forth the benchmark for asset duration in line with our risk appetite.
- Use Key Risk Indicators ("KRI") to alert the organization to impending problems in a timely manner.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Profit before Tax and Equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non linear.

Funds	Changes in variables	2011	
		Impact on Profit/ Surplus Before Tax RM'000	Impact on Equity/Fund RM'000
Shareholders	+100 basis points	(26,093)	(26,093)
	-100 basis points	26,093	26,093
General	+100 basis points	-	(25,256)
	-100 basis points	-	25,256
Life	+100 basis points	(209,938)	(414,738)
	-100 basis points	209,938	414,738

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39. FINANCIAL RISKS (CONT'D)

(iii) Market Risk (Cont'd)

(c) Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate / profit yield risk or currency risk). The changes can be due to factors specific to the individual financial instrument or its issuer; or factors affecting similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM.

The Company complies with BNM stipulated limits during the financial year and has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables being held constant. The correlation of variables will have significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that the movements in these variables are non linear.

Funds	Market Indices	Changes in variables	2011
			Impact on Equity/Fund RM'000
Shareholder's	Bursa Malaysia	+10%	25,500
		-10%	(25,500)
General	Bursa Malaysia	+10%	9,482
		-10%	(9,482)
Life	Bursa Malaysia	+10%	142,610
		-10%	(142,610)

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39. FINANCIAL RISKS (CONT'D)

(iv) Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. The Company puts in place controls to mitigate operational risks. If these controls fail to perform, they can cause damage to reputation, have legal or regulatory implications and can lead to financial loss.

Business risks, such as, changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

The carrying amounts approximate fair values due to the short-term nature of these balances.

(ii) Financing receivables

Financing receivables are granted at interest/profit rates which are comparable with the rates offered on similar instruments in the markets and counter parties with similar credit profile. Accordingly, the carrying amount of the financing receivables approximate their fair values as the impact of discounting is not material.

(iii) Insurance receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Note 2.2(q) and 2.2(x) . The carrying amounts approximate fair values due to the short-term nature of these balances.

(v) Investments

Investments as at 30 June 2011 have been accounted for in accordance with the accounting policies as disclosed in Note 2.2(f) and 2.2(g). The carrying amounts and fair values of the investments are disclosed in Note 9 to the financial statements.

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41. SIGNIFICANT EVENT

Transfer of life insurance business from Sri MLAB

On 1 November 2010, Sri MLAB transferred its life insurance business to the Company under a scheme made pursuant to Part XI, of the Insurance Act, 1996 at a purchase consideration equivalent to the net book value of the insurance businesses.

BNM approved the scheme of transfer on 30 July 2010, while the High Court of Malaya approved the scheme on 27 September 2010.

42. SUBSEQUENT EVENT

On 23 June 2011, the Board of Directors of ultimate the holding company, MBB has approved the change in financial year end date from 30 June to 31 December.

Accordingly, on 11 August 2011, the Board of Directors of the Company had similarly approved the change in the financial year end from 30 June to 31 December, which shall be implemented after the close of the financial year ended 30 June 2011. The new financial year will run from 1 July 2011 to 31 December 2011, covering a period of six (6) months. Thereafter, the financial year shall revert to twelve (12) months ending 31 December, of each subsequent year.

43. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2011, as prescribed under the RBC Framework is provided below:

	2011	2010
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	152,151	152,151
Reserves, including retained earnings	3,696,119	2,190,779
	<u>3,848,270</u>	<u>2,342,930</u>
Tier 2 Capital		
Revaluation reserves	11,887	11,887
Available for sale reserves	318,293	223,911
Foreign exchange reserves	2,632	(11,832)
	<u>332,812</u>	<u>223,966</u>
Amount deducted from Capital	<u>(53,788)</u>	<u>(46,528)</u>
Total Capital Available	<u>4,127,294</u>	<u>2,520,368</u>

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44. COMPARATIVES

Certain comparative figures in the Statement of Financial Position and Income Statement as at 30 June 2010 have been restated/reclassified to conform with current year's presentation and to account for the effects of prior year adjustments as disclosed in Note 2.3 (d) (ii).

	Previously stated RM'000	Adjustment RM'000	Re- classification RM'000	Restated RM'000
(a) Statement of Financial Position				
Loans	236,621	-	(236,621)	-
Financing receivables	-	-	236,621	236,621
	<u>236,621</u>	<u>-</u>	<u>-</u>	<u>236,621</u>
Due from related companies	5,518	-	(5,518)	-
Trade and other receivables	510,890	-	(510,890)	-
Insurance receivables	-	2,774	315,718	318,492
Other receivables	-	-	108,257	108,257
	<u>516,408</u>	<u>2,774</u>	<u>(92,433)</u>	<u>426,749</u>
Due to related companies	(5,457)	-	5,457	-
Trade and other payables	(633,991)	-	633,991	-
Insurance payables	-	-	(355,867)	(355,867)
Other payables	-	-	(191,148)	(191,148)
Deferred tax liabilities	38,555	694	-	39,249
	<u>(600,893)</u>	<u>694</u>	<u>92,433</u>	<u>(547,015)</u>
Premium liabilities -				
General Fund	(315,448)	-	315,448	-
Claims liabilities -				
General Fund	(437,365)	-	437,365	-
Provision for outstanding				
claims - Life Fund	(16,100)	-	16,100	-
Life policyholders' fund	(4,402,748)	-	4,402,748	-
Reinsurance assets	-	-	1,047,571	1,047,571
Insurance contract liabilities	-	-	(6,219,232)	(6,219,232)
	<u>(5,171,661)</u>	<u>-</u>	<u>-</u>	<u>(5,171,661)</u>

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44. COMPARATIVES (CONT'D)

	Previously stated RM'000	Adjustment RM'000	Re- classification RM'000	Restated RM'000
(b) Income Statement				
Gross premium	1,428,445	-	(1,428,445)	-
Reinsurance	(556,018)	-	556,018	-
Movement in premium liabilities	(19,757)	-	19,757	-
Gross earned premiums	-	-	1,381,204	1,381,204
Premiums ceded to reinsurers	-	-	(528,534)	(528,534)
	<u>852,670</u>	<u>-</u>	<u>-</u>	<u>852,670</u>
Net commission -				
General Fund	(58,047)	-	58,047	-
Commission and agency expenses - Life Fund	(42,743)	-	42,743	-
Fee and commission income	-	-	52,156	52,156
Fee and commission expenses	-	-	(152,946)	(152,946)
	<u>(100,790)</u>	<u>-</u>	<u>-</u>	<u>(100,790)</u>
Net claims incurred -				
General Fund	(299,915)	-	299,915	-
Benefits paid and payable - Life Fund	(404,294)	-	404,294	-
Movements in life policyholders' fund	(40,110)	-	40,110	-
Gross benefits and claims paid	-	-	(848,277)	(848,277)
Claims ceded to reinsurers	-	-	143,975	143,975
Gross change to contract liabilities	-	-	169,528	169,528
Change in contract liabilities ceded to reinsurers	-	-	(209,545)	(209,545)
	<u>(744,319)</u>	<u>-</u>	<u>-</u>	<u>(744,319)</u>
Other operating income/ (expenses)	48,428	2,774	(44,542)	6,660
Management expenses	(189,294)	-	(3,842)	(193,136)
Realised gains and losses	-	-	58,246	58,246
Fair value gains and losses	-	-	(9,862)	(9,862)
	<u>(140,866)</u>	<u>2,774</u>	<u>-</u>	<u>(138,092)</u>
Profit/Surplus before taxation	175,757	2,774	-	178,531
Taxation	(59,684)	(694)	-	(60,378)
Net profit after taxation	<u>116,073</u>	<u>2,080</u>	<u>-</u>	<u>118,153</u>

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**ETIQA INSURANCE BERHAD
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45. INSURANCE FUNDS

The Company's principal activities are organised by funds and segregated into Shareholder's, General and Life funds in accordance with the Insurance Act, 1996 and Insurance Regulations, 1996.

The Company's Statement of Financial Position and Income Statement have been further analysed by funds.

The Life business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Annuity products, as well as Unit-linked products.

The General insurance businesses offer general insurance products which include Motor, Fire, Marine, Aviation and Transit ("MAT"), Health & Surgical and Miscellaneous products.

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ETIQA INSURANCE BERHAD
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45. INSURANCE FUNDS (CONT'D)
STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 30 JUNE 2011

	Total			Shareholder's and General Fund			Life Fund		
	30.06.2011 RM'000	30.06.2010 RM'000 (Restated)	01.07.2009 RM'000 (Restated)	30.06.2011 RM'000	30.06.2010 RM'000 (Restated)	01.07.2009 RM'000 (Restated)	30.06.2011 RM'000	30.06.2010 RM'000 (Restated)	01.07.2009 RM'000 (Restated)
Assets:									
Property, plant and equipment	136,228	87,680	79,493	64,289	54,153	53,759	71,939	33,527	25,734
Investment properties	516,360	489,080	502,790	35,890	35,870	39,580	480,470	453,210	463,210
Prepaid land lease payments	20,796	9,897	10,061	10,343	8,658	8,787	10,453	1,239	1,274
Intangible assets	163	285	358	148	227	253	15	58	105
Investment in associate	152	152	-	152	152	-	-	-	-
Investments	12,216,293	5,549,107	5,245,501	1,862,356	1,658,669	1,665,940	10,353,937	3,890,438	3,579,561
Financing receivables	311,916	236,621	363,436	29,242	32,230	66,141	282,674	204,391	297,295
Reinsurance assets	1,318,371	1,047,571	1,229,632	1,281,405	1,012,715	1,190,783	36,966	34,856	38,849
Insurance receivables	289,934	318,492	172,320	240,618	296,032	148,680	49,316	22,460	23,640
Other receivables	164,700	108,257	192,415	46,909	47,844	138,138	117,791	60,413	54,277
Derivative assets	41,782	-	-	-	-	-	41,782	-	-
Current tax assets	97,441	108,536	102,115	83,365	93,709	87,288	14,076	14,827	14,827
Cash and bank balances	256,669	104,181	99,920	177,737	84,202	69,293	78,932	19,979	30,627
Total Assets	15,370,805	8,059,859	7,998,041	3,832,454	3,324,461	3,468,642	11,538,351	4,735,398	4,529,399
Equity and liabilities:									
Share capital	152,151	152,151	152,151	152,151	152,151	152,151	-	-	-
Reserves	1,403,144	1,065,898	910,434	1,403,144	1,065,898	910,434	-	-	-
Total Equity	1,555,295	1,218,049	1,062,585	1,555,295	1,218,049	1,062,585	-	-	-
Insurance contract liabilities	13,037,119	6,219,232	6,167,426	2,069,969	1,765,528	1,925,223	10,967,150	4,453,704	4,242,203
Deferred tax liabilities	79,662	39,249	3,581	9,097	8,660	(12,219)	70,565	30,589	15,800
Insurance payables	322,331	355,867	183,104	296,580	343,409	167,531	25,751	12,458	15,573
Other payables ¹	332,772	191,148	530,568	(132,835)	(16,768)	325,522	465,607	207,916	205,046
Current tax liabilities	43,626	36,314	50,777	34,348	5,583	-	9,278	30,731	50,777
Total Liabilities	13,815,510	6,841,810	6,935,456	2,277,159	2,106,412	2,406,057	11,538,351	4,735,398	4,529,399
Total equity and liabilities	15,370,805	8,059,859	7,998,041	3,832,454	3,324,461	3,468,642	11,538,351	4,735,398	4,529,399

¹ - Included in other payables is the amounts due to life, general and investment-linked funds which are unsecured, not subject to any interest/profit elements and are repayable on demand.

Inter fund balances	-	-	-	(245,197)	(92,433)	(97,690)	245,197	92,433	97,690
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ETIQA INSURANCE BERHAD
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45. INSURANCE FUNDS (CONT'D)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS
FOR THE YEAR ENDED 30 JUNE 2011

	Total		Shareholder's Fund		General Fund		Life Fund	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Operating revenue	2,504,386	1,737,507	32,049	21,183	1,294,289	1,139,326	1,178,048	576,998
Gross earned premiums	1,928,008	1,381,204	-	-	1,166,494	1,045,235	761,514	335,969
Premiums ceded to reinsurers	(621,234)	(528,534)	-	-	(600,400)	(514,702)	(20,834)	(13,832)
Net earned premiums	1,306,774	852,670	-	-	566,094	530,533	740,680	322,137
Fee and commission income	68,064	52,156	-	-	61,492	49,894	6,572	2,262
Investment income	488,938	309,062	32,049	21,184	40,353	46,850	416,536	241,028
Realised gains and losses	179,091	58,246	17,582	11,805	24,659	13,724	136,850	32,717
Fair value gains and losses	110,236	(9,862)	(2,539)	-	(6,453)	-	119,228	(9,862)
Other operating revenue	(34,144)	6,660	(4,241)	(4)	(19,856)	7,263	(10,047)	(599)
Other revenue	812,185	416,262	42,851	32,985	100,195	117,731	669,139	265,546
Gross benefits and claims paid	(1,506,094)	(848,277)	-	-	(535,115)	(440,678)	(970,979)	(407,599)
Claims ceded to reinsurers	241,102	143,975	-	-	236,405	139,379	4,697	4,596
Gross change to contract liabilities	(232,461)	169,528	-	-	(217,001)	206,936	(15,460)	(37,408)
Change in contract liabilities ceded to reinsurers	191,220	(209,545)	-	-	190,243	(205,552)	977	(3,993)
Net benefits and claims	(1,306,233)	(744,319)	-	-	(325,468)	(299,915)	(980,765)	(444,404)
Management expenses	(232,811)	(193,136)	(2,163)	(1,077)	(133,984)	(131,606)	(96,664)	(60,453)
Fee and commission expenses	(197,997)	(152,946)	-	-	(121,960)	(107,941)	(76,037)	(45,005)
Other expenses	(430,808)	(346,082)	(2,163)	(1,077)	(255,944)	(239,547)	(172,701)	(105,458)
Profit before tax	381,918	178,531	40,688	31,908	84,877	108,802	256,353	37,821
Transfer from Revenue Accounts								
- General Funds	-	-	97,700	70,607	(97,700)	(70,607)	-	-
- Life Funds	-	-	240,823	20,000	-	-	(240,823)	(20,000)
Taxation	(82,899)	(60,378)	(80,193)	(4,362)	12,824	(38,195)	(15,530)	(17,821)
Net profit/Surplus after tax	299,019	118,153	299,018	118,153	1	-	-	-

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ETIQA INSURANCE BERHAD
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45. INSURANCE FUNDS (CONT'D)

CASH FLOWS STATEMENT BY FUNDS
FOR THE YEAR ENDED 30 JUNE 2011

	Total		Shareholder's Fund		General Fund		Life Fund	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash flows from:								
Operating activities	414,289	283,010	285,530	(5,796)	95,585	291,394	33,174	(2,588)
Investing activities	(293,249)	(278,749)	(285,527)	3,800	(2,174)	(274,489)	(5,548)	(8,060)
Financing activities	-	-	-	-	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	121,040	4,261	3	(1,996)	93,411	16,905	27,626	(10,648)
Cash and cash equivalents:								
Cash and cash equivalents at beginning of financial year (as previously stated)	104,181	80,763	233	2,229	83,969	47,907	19,979	30,627
Transfer from Sri MLAB (Note 36)/Sri MGAB	31,448	19,157	121	-	-	19,157	31,327	-
Cash and cash equivalents at beginning of financial year (as restated)	135,629	99,920	354	2,229	83,969	67,064	51,306	30,627
Cash and cash equivalents at end of financial year	256,669	104,181	357	233	177,380	83,969	78,932	19,979

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INVESTMENT-LINKED FUND STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	2011	2010
	RM'000	RM'000
<u>Assets:</u>		
Investments	1,181,785	-
Other receivables	9,485	-
Derivative assets	41,782	-
Cash and bank balances	520	-
Total Assets	1,233,572	-
<u>Liabilities:</u>		
Deferred tax liabilities	3,952	-
Other payables	20,162	-
Current tax liabilities	1,762	-
Total Liabilities	25,876	-
Net asset value of funds (Note 17)	1,207,696	-

INVESTMENT-LINKED FUND INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	RM'000	RM'000
Investment income	28,651	-
Realised gains and losses	11,132	-
Fair value gains and losses	19,520	-
Other operating revenue	(15,284)	-
Other revenue	44,019	-
Management expenses	(39)	-
Other expenses	(39)	-
Profit before tax	43,980	-
Taxation	(4,565)	-
Net profit/Surplus after tax	39,415	-