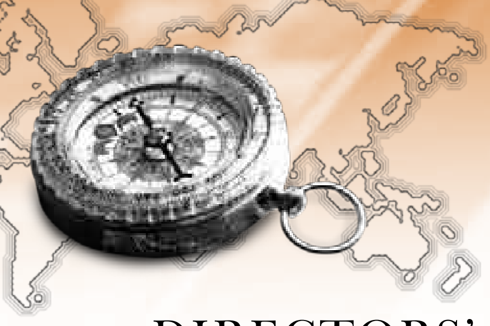
MCIS ZURICH
INSURANCE

Touching the lives of all

ANNUAL REPORT
2011

DIRECTORS' REPORT & AUDITED FINANCIAL STATEMENTS

30 June 2011



DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2011.

PRINCIPAL ACTIVITIES

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

The principal activity of the subsidiary is described in Note 12 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Net profit for the year	31,880	31,884

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 Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the changes in accounting policies as disclosed in Note 2.4 of the financial statements.

DIVIDENDS

The amounts of dividends declared and paid by the Company since 30 June 2010 were as follows:

	RM'000
Final dividend of 10% less 25% tax, amounting to RM7,521,305 in respect of the financial year ended 30 June 2010 declared on 24 November 2010 and paid on 15 December 2010	7,521
Interim dividend of 5% less 25% tax, amounting to RM3,760,653 in respect of the financial year ended 30 June 2011 declared on 24 June 2011 and paid on1 August 2011	3,761
	11,282

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 30 June 2011 of 10% less 25% tax on 100,284,071 ordinary shares amounting to a total dividend of RM7,521,305 (7.5 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 30 June 2012.

DIRECTORS' REPORT

DIRECTORS

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

Datuk Tan Kim Leong @ Tan Chong Min (Chairman)
Independent, non-executive director

Dato' Balaram a/l Petha Naidu
Non-independent, non-executive director

Datuk Haji Mohamed Al Amin bin Haji Abdul Majid
Independent, non-executive director

Mr. Arokiasamy a/l Savarimuthu
Non-independent, non-executive director

Mr. Gregory Joseph Della (resigned 13 May 2011)
Non-independent, non-executive director

Tuan Haji Mustapha @ Mustapa bin Md Nasir
Non-independent, non-executive director

Mr. Chan Tat Yoong
Non-independent, non-executive director

Mr. Kirupalani a/l Chelliah (appointed 12 May 2011)
Independent, non-executive director

Mr. Graham Malcolm Howard Morrall (appointed 22 September 2011)
Non-independent, non-executive director

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Board of Directors ("the Board") confirms that the Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with, the principles prescribed under Bank Negara Malaysia ("BNM")'s Guidelines, BNM/RH/GL/003-1 Minimum Standards for Prudential Management of Insurers (Consolidated) and BNM/RH/GL/003-2 Prudential Framework of Corporate Governance for Insurers.

Corporate Governance Standards

The memberships, roles and terms of reference of the Audit, Risk Management, Nominating, Remuneration and Investment Committees of the Board during the financial year were as follows:

(i) Audit Committee

The Audit Committee ("AC") comprises three independent, non-executive directors and one non-independent, non-executive director. The attendance of the members of the Committee in office at the end of the financial year at the 5 meetings of the Committee held during the financial year is as follows:

	Attendance
Chairman:	
Datuk Tan Kim Leong @ Tan Chong Min	5 / 5
Members:	
Datuk Haji Mohamed Al Amin bin Haji Abdul Majid	5 / 5
Tuan Haji Mustapha @ Mustapa bin Md Nasir	5 / 5
Mr. Kirupalani a/l Chelliah (appointed 24 June 2011)	0 / 0

The AC's terms of reference include the reinforcement of the independence and objectivity of the internal audit function and the specification of its scope, the review of the Company's financial statements which includes the findings of both the internal and external auditors and the propriety of disclosure of related party transactions. It also makes recommendations to the Board on the appointment and re-appointment of the external auditors and the maintenance of a sound system of internal controls to safeguard the Company's assets.

The Committee's primary duties are as spelt out in the Guidelines, BNM/RH/GL/003-22: Guidelines on Audit Committee and Internal Audit Department (Part A) and BNM/RH/GL/013-4: Guidelines on Internal Audit Function of Licensed Institutions issued by BNM.

(ii) Risk Management Committee

The Risk Management Committee ("RMC") comprises one independent, non-executive director and three non-independent, non-executive directors. The attendance of the members of the Committee in office at the end of the financial year at the 3 meetings of the Committee held during the financial year is as follows:

	Attendance
Chairman:	
Datuk Haji Mohamed Al-Amin bin Haji Abdul Majid	3 / 3

CORPORATE GOVERNANCE (CONT'D)

Corporate Governance Standards (cont'd)

(ii) Risk Management Committee (cont'd)

	Attendance
Members:	
Mr. Arokiasamy a/l Savarimuthu	3 / 3
Mr. Gregory Joseph Della (resigned 13 May 2011)	3 / 3
Tuan Haji Mustapha @ Mustapa bin Md Nasir	3 / 3
Mr. Chan Tat Yoong (appointed 13 May 2011)	1 / 1

The RMC oversees senior management's activities in managing the key risks of the Company, in order to ensure that the risk management process is in place and functioning effectively. The responsibilities of the RMC include the review, assessment and recommendation of the risk management strategies and risk tolerance of the Company. It also assesses the adequacy and effectiveness of the internal policies and frameworks for identifying, measuring, monitoring and controlling risks.

(iii) Nominating Committee

The Nominating Committee ("NC") comprises one independent, non-executive director and three non-independent, non-executive directors. The attendance of the members of the Committee in office at the end of the financial year at the 4 meetings of the Committee held during the financial year is as follows:

	Attendance
Chairman:	
Datuk Haji Mohamed Al-Amin bin Haji Abdul Majid	4 / 4
Members:	
Mr. Gregory Joseph Della (resigned 13 May 2011)	3 / 3
Tuan Haji Mustapha @ Mustapa bin Md Nasir	4 / 4
Mr. Arokiasamy a/l Savarimuthu	4 / 4
Mr. Chan Tat Yoong (appointed 13 May 2011)	1 / 1

The NC is empowered to consider and evaluate the appointment of new directors and directors to fill the seats on Committees of the Board. It also recommends suitable, competent candidates to the Board and BNM for appointment and re-appointment or re-election. In addition to that, the NC is also entrusted with the responsibility for both the appointment and evaluation of the Chief Executive Officer and key senior officers of the Company.

The NC will review annually, the structure, size, composition and mix of skills required for the Board to discharge its duties effectively. It also assesses on an annual basis, the effectiveness of the Board as a whole, including the various Committees of the Board.

(iv) Remuneration Committee

The Remuneration Committee ("RC") comprises one independent, non-executive director and three non-independent, non-executive directors. The attendance of the members of the Committee in office at the end of the financial year at the 3 meetings of the Committee held during the financial year is as follows:

CORPORATE GOVERNANCE (CONT'D)

Corporate Governance Standards (cont'd)

(iv) Remuneration Committee (cont'd)

	Attendance
Chairman:	
Datuk Tan Kim Leong @ Tan Chong Min	3 / 3
Members:	
Mr. Arokiasamy a/l Savarimuthu	3 / 3
Mr. Gregory Joseph Della (resigned 13 May 2011)	3 / 3
Mr. Chan Tat Yoong (appointed 13 May 2011)	0 / 0
Mr. Kirupalani a/l Chelliah (appointed 24 June 2011)	0 / 0

The Board recognises that levels of remuneration must be sufficient to attract, retain and motivate directors of the quality required to manage the business of the Company and to align the interests of the directors with those of the shareholders. In this respect, the RC is responsible for reviewing and recommending the remuneration packages of executive directors.

(v) Investment Committee

The Investment Committee ("IC") comprises two independent, non-executive directors and two non-independent, non-executive directors. The attendance of the members of the Committee in office at the end of the financial year at the 5 meetings of the Committee held during the financial year is as follows:

	Attendance
Chairman:	
Datuk Tan Kim Leong @ Tan Chong Min	5 / 5
Members:	
Mr. Arokiasamy a/l Savarimuthu	5 / 5
Mr. Gregory Joseph Della (resigned 13 May 2011)	5 / 5
Mr. Chan Tat Yoong (appointed 13 May 2011)	0 / 0
Mr. Kirupalani a/l Chelliah (appointed 24 June 2011)	0 / 0

The IC oversees the Management Investment Committee. The responsibilities of the IC include the review and approval of the overall investment policies, compliance and risk management policies with respect to investment, asset liability management, strategic asset allocation and monitoring the performance of the Investment Division. The IC also review and approve the appointments of external investment managers. The IC considers and approves significant investment decisions proposed by the Management Investment Committee.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 28 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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 Company during the financial year were as follows:

	Number of Ordinary Shares of RM1.00 Each			
	1 July 2010	Acquired	Sold	30 June 2011
Direct interest:				
Dato' Balaram a/l Petha Naidu	32,201	-	-	32,201
Mr. Arokiasamy a/l Savarimuthu	56,469	-	-	56,469
Tuan Haji Mustapha @ Mustapa bin Md Nasir	6,489	-	-	6,489

Other than as stated 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 companies during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of financial position and income statements of the Group and of the Company were made out, the directors took reasonable steps:

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

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

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

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

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

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

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

(e) The contingent liabilities of the Group and of the Company are disclosed in Note 37 to the financial statements. As at the date of this report, there does not exist:

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

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

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D)

(f) In the opinion of the directors:

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

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

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

(g) Before the statements of financial position and income statements 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 prescribed under Part D of the Risk-Based Capital ("RBC") Framework for insurers issued by BNM.

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 22 September 2011.

Tan Kim Leong @ Tan Chong Min

Kirupalani a/l Chelliah

Petaling Jaya, Malaysia
22 September 2011

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Kim Leong @ Tan Chong Min and Kirupalani a/l Chelliah, being two of the directors of MCIS ZURICH Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 28 to 113 are drawn up in accordance with Financial Reporting Standards, as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2011 and of their 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 22 September 2011.

Tan Kim Leong @ Tan Chong Min

Kirupalani a/l Chelliah

Petaling Jaya, Malaysia
22 September 2011

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Md. Adnan bin Md. Zain, being the officer primarily responsible for the financial management of MCIS ZURICH Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 28 to 113 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 Md. Adnan bin Md. Zain	)	
at Petaling Jaya in Selangor Darul Ehsan	)	
on 22 September 2011	)	Md. Adnan bin Md. Zain

INDEPENDENT AUDITORS' REPORT

To the members of MCIS ZURICH Insurance Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of MCIS ZURICH Insurance Berhad, which comprise the statements of financial position as at 30 June 2011 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 28 to 113.

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 Guidelines 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.

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2011 and of their financial performance and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT
To the members of MCIS ZURICH Insurance Berhad (Incorporated in Malaysia)

REPORTING ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

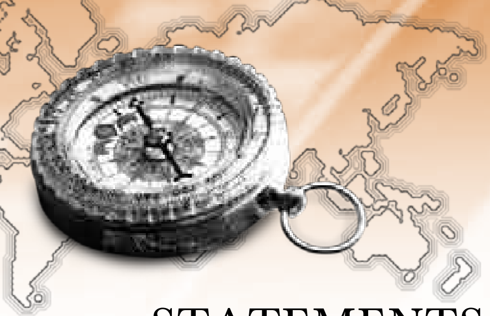
OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants

Abdul Rauf bin Rashid
No. 2305/05/12(J)
Chartered Accountant

Kuala Lumpur, Malaysia
22 September 2011



STATEMENTS OF FINANCIAL POSITION as at 30 June 2011

	Note	Group 2011 RM'000	Group 2010 RM'000 (Restated)	Group 1 July 2009 RM'000 (Restated)	Company 2011 RM'000	Company 2010 RM'000 (Restated)	Company 1 July 2009 RM'000 (Restated)
ASSETS							
Property and equipment	3	84,254	82,657	88,016	84,254	82,657	88,016
Investment properties	4	1,790	47,885	48,885	1,790	47,885	48,885
Intangible assets	5	1,398	221	670	1,398	221	670
Prepaid land lease payments	6	278	290	299	278	290	299
Investments	7	3,871,299	3,534,415	3,212,174	3,871,299	3,534,415	3,212,174
Reinsurance assets	8	179,510	177,389	210,339	179,510	177,389	210,339
Insurance receivables	9	58,493	57,682	54,011	58,493	57,682	54,011
Other receivables	10	59,259	51,166	49,291	59,259	51,166	49,291
Cash and bank balances		19,307	18,942	12,546	19,307	18,942	12,546
Assets held for sale	11	7,305	4,451	-	7,305	4,451	-
Total assets		4,282,893	3,975,098	3,676,231	4,282,893	3,975,098	3,676,231
EQUITY							
Share capital	13	100,284	100,284	100,284	100,284	100,284	100,284
Share premiums		24,740	24,740	24,740	24,740	24,740	24,740
Retained profits	14	142,753	122,155	108,154	142,765	122,163	108,159
Merger reserves	15	40,672	40,672	40,672	40,672	40,672	40,672
Available-for sale reserve		7,095	4,355	1,677	7,095	4,355	1,677
Total equity		315,544	292,206	275,527	315,556	292,214	275,532
LIABILITIES							
Insurance contract liabilities	16	3,734,009	3,479,881	3,209,334	3,734,009	3,479,881	3,209,334
Deferred tax liabilities	17	11,305	5,761	2,883	11,305	5,761	2,883
Insurance payables	18	148,262	131,871	124,831	148,262	131,871	124,831
Provision for taxation		7,277	11,580	13,507	7,277	11,580	13,507
Other payables	19	66,496	53,799	50,149	66,484	53,791	50,144
Total liabilities		3,967,349	3,682,892	3,400,704	3,967,337	3,682,884	3,400,699
Total equity and liabilities		4,282,893	3,975,098	3,676,231	4,282,893	3,975,098	3,676,231

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

INCOME STATEMENTS for the financial year ended 30 June 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Operating revenue	20	914,003	850,071	914,003	850,071
Gross earned premiums	21(a)	734,972	678,194	734,972	678,194
Premiums ceded to reinsurers	21(b)	(117,884)	(115,588)	(117,884)	(115,588)
Net earned premiums		617,088	562,606	617,088	562,606
Investment income	22	168,268	158,351	168,268	158,351
Realised gains and losses	23	37,640	37,752	37,640	37,752
Fair value gains and losses	24	90	-	90	-
Fee and commission income	25	26,699	27,815	26,699	27,815
Other operating revenue		1,270	5,979	1,270	5,979
Other revenue		233,967	229,897	233,967	229,897
Gross benefits and claims paid	26(a)	(420,304)	(364,805)	(420,304)	(364,805)
Claims ceded to reinsurers	26(b)	37,410	39,927	37,410	39,927
Gross change to contract liabilities	26(c)	(197,054)	(175,139)	(197,054)	(175,139)
Change in contract liabilities ceded to reinsurers	26(d)	(231)	(38,463)	(231)	(38,463)
Net benefits and claims		(580,179)	(538,480)	(580,179)	(538,480)
Fee and commission expense	27	(130,051)	(122,807)	(130,051)	(122,807)
Management expenses	28	(84,761)	(86,447)	(84,757)	(86,444)
Other expenses		(214,812)	(209,254)	(214,808)	(209,251)
Profit/surplus before taxation		56,064	44,769	56,068	44,772
Taxation	29	(24,184)	(20,117)	(24,184)	(20,117)
Net profit for the year		31,880	24,652	31,884	24,655
Earnings per share (sen)					
Basic and diluted	30	31.8	24.6	31.8	24.6

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

STATEMENTS OF COMPREHENSIVE INCOME for the financial year ended 30 June 2011

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Net profit for the year	31,880	24,652	31,884	24,655
Other comprehensive income:				
Available-for-sale fair value reserves:				
Gain on fair value changes of AFS investments	4,497	5,605	4,497	5,605
Realised gain transferred to income statement	(844)	(2,034)	(844)	(2,034)
Deferred tax relating to components of other comprehensive income	(913)	(893)	(913)	(893)
Other comprehensive for the year, net of taxation	2,740	2,678	2,740	2,678
Total comprehensive income for the year	34,620	27,330	34,624	27,333

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

STATEMENTS OF CHANGES IN EQUITY for the financial year ended 30 June 2011

		<----------- Non-distributable ----------->				Distributable	
	Note	Share capital RM'000 (Note 13)	Share premium RM'000	Merger reserve RM'000 (Note 15)	Available-for-sale reserve RM'000	Retained profits RM'000 (Note 14)	Total RM'000
Group							
At 1 July 2009		100,284	24,740	40,672	1,677	108,154	275,527
Total comprehensive income for the year		-	-	-	2,678	24,652	27,330
Dividends paid during the year	31	-	-	-	-	(11,282)	(11,282)
At 30 June 2010		100,284	24,740	40,672	4,355	121,524	291,575
At 30 June 2010, previously stated		100,284	24,740	40,672	4,355	121,524	291,575
Effects of adopting FRS 4	2.4(vi)	-	-	-	-	631	631
At 30 June 2010, restated		100,284	24,740	40,672	4,355	122,155	292,206
Total comprehensive income for the year		-	-	-	2,740	31,880	34,620
Dividends paid during the year	31	-	-	-	-	(11,282)	(11,282)
At 30 June 2011		100,284	24,740	40,672	7,095	142,753	315,544
Company							
At 1 July 2009		100,284	24,740	40,672	1,677	108,159	275,532
Total comprehensive income for the year		-	-	-	2,678	24,655	27,333
Dividends paid during the year	31	-	-	-	-	(11,282)	(11,282)
At 30 June 2010		100,284	24,740	40,672	4,355	121,532	291,583
At 30 June 2010, previously stated		100,284	24,740	40,672	4,355	121,532	291,583
Effects of adopting FRS 4	2.4(vi)	-	-	-	-	631	631
At 30 June 2010, restated		100,284	24,740	40,672	4,355	122,163	292,214
Total comprehensive income for the year		-	-	-	2,740	31,884	34,624
Dividends paid during the year	31	-	-	-	-	(11,282)	(11,282)
At 30 June 2011		100,284	24,740	40,672	7,095	142,765	315,556

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

STATEMENTS OF CASH FLOW for the financial year ended 30 June 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Operating activities					
Cash generated from operating activities	32	40,329	37,301	40,329	37,301
Income tax paid		(20,243)	(15,956)	(20,243)	(15,956)
Net cash flows from operating activities		20,086	21,345	20,086	21,345
Investing activities					
Proceeds from disposal of property and equipment		315	107	315	107
Purchase of property and equipment	3	(7,107)	(3,738)	(7,107)	(3,738)
Purchase of intangibles assets	5	(1,647)	(36)	(1,647)	(36)
Net cash flows from investing activities		(8,439)	(3,667)	(8,439)	(3,667)
Financing activity					
Dividends paid	31	(11,282)	(11,282)	(11,282)	(11,282)
Net cash flows from financing activity		(11,282)	(11,282)	(11,282)	(11,282)
Cash and bank balances					
Net increase in cash and cash equivalents		365	6,396	365	6,396
Cash and cash equivalents at beginning of year		18,942	12,546	18,942	12,546
Cash and cash equivalents at end of year		19,307	18,942	19,307	18,942
Cash and cash equivalents comprise:					
Cash and bank balances of:					
Shareholders' fund and general insurance business		7,512	1,757	7,512	1,757
Life fund		9,407	12,846	9,407	12,846
Investment-linked fund		2,388	4,339	2,388	4,339
		19,307	18,942	19,307	18,942

Note: Cash and bank balances of the Life and Investment-linked fund of RM11,795,000 (2010: RM17,185,000) are not available for the general use of the Company other than to meet the obligations under the insurance fund.

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

1. CORPORATE INFORMATION

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

The details of the subsidiary is described in Note 12 to the financial statements.

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at Wisma MCIS ZURICH, Jalan Barat 46200 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 September 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

At the beginning of the current financial year, the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 July 2010 as described fully in Note 2.4.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

The Company has met the minimum capital adequacy requirements as prescribed by The Framework as at the reporting date.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary. A subsidiary is a company in which the Group has a long-term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

The subsidiary is consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of the subsidiary are included in the consolidated income statements from the effective date of acquisition to the effective date of disposal, as appropriate. The difference between the cost of acquisition and the fair value of the Group's share of the net assets of the subsidiary at the date of acquisition is treated as goodwill. As a result of using merger relief provisions, under Section 60(4) of the Companies Act, 1965, a merger reserve is created in place of a share premium account. The goodwill arising on

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of consolidation (cont'd)

consolidation and any provision for impairment in value of the investment in subsidiary is written-off immediately against the merger reserve at acquisition date. The resulting difference, being a net merger reserve is carried forward as part of shareholders' equity.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets.

2.3 Summary of significant accounting policies

(a) Property and equipment and depreciation

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

Subsequent to recognition, property and equipment, except for land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land and the buildings are stated at revalued amounts, which is the fair value at the date of the revaluation less any accumulated depreciation and any accumulated impairment losses. Fair value is determined from market-based evidence by appraisals that are undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity of at least once in every three years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued assets are materially different from the fair values. Any increase in the carrying amount arising from the revaluation of land and buildings is credited to an Asset Revaluation Reserve as a revaluation surplus in the insurance contract liabilities of the Life fund, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset in the statement of financial position, and any remaining deficit is thereafter recognised in the income statement.

Freehold land has an unlimited useful life and therefore is not depreciated. Buildings-in-progress are also not depreciated as these assets are not available for use. Leasehold land is depreciated over the period of the respective leases which ranges from 35 to 110 years. The remaining period of respective leases ranges from 24 to 91 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(a) Property and equipment and depreciation (cont'd)

Depreciation of other property and equipment is computed on a straight-line basis over its estimated useful life at the following annual rates:

Freehold buildings	2%
Leasehold buildings	Over the remaining leasehold period or 50 years whichever is lower
Motor vehicles	20%
Furniture, fixtures and fittings	10%
Office equipment	10%
Computer equipment	20%
Office renovation	20%

The residual values, useful lives 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 and equipment.

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

(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 registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Fair value is reviewed at every reporting date and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying value of the investment properties is materially different from the market value.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(c) Assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in income statement in the period in which the expenditure is incurred.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of 5 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in income statement when the asset is derecognised.

The carrying amount of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(e) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group, all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases except that property held under operating leases that would otherwise meet the definition of an investment property, is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.3(e)(ii)).

(ii) Finance Leases - The Group as Lessee

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

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

The depreciation policy for leased assets is in accordance with that for depreciable property and equipment as described in Note 2.3(a) and investment properties as described in Note 2.3(b).

(iii) Operating Leases - The Group as Lessee

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(f) Impairment of non-financial assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is recognised in the income statement in the period in which it arises. Subsequent increases in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. A reversal of impairment loss is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(g) Investments and financial assets

The Company classifies its investments into financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM") financial assets, loans and other receivables ("LAR") and available-for-sale ("AFS") financial assets.

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Financial assets are classified as at fair value through profit or loss where the Company's documented investment strategy is to manage financial assets on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) are passively managed and/or carried at amortised cost.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets at FVTPL

FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Investments bought with the intention to sell in the near future are classified as held-for-trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(g) Investments and financial assets (cont'd)

Financial assets at FVTPL (cont'd)

(i) 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

(ii) 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.

These financial assets are initially recorded at fair value. Subsequent to initial recognition, these financial assets are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

Investments under unit-linked funds are designated as FVTPL at inception as they are managed and evaluated on a fair value basis in accordance with the respective investment strategies and mandates of the funds.

HTM

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, HTM are measured at amortised cost, using the effective yield method, less provision for impairment. Gains and losses are recognised in income statement when the investments are derecognised or impaired, as well as through the amortisation process. The Company does not have any financial assets classified as HTM as at the year-end.

LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less provision for impairment. Gains and losses are recognised in income statement when the financial assets are derecognised or impaired, as well as through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(g) Investments and financial assets (cont'd)

AFS

AFS are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recorded at fair value. After initial measurement, AFS are remeasured at fair value.

Any gains or losses from changes in fair value of the financial assets are recognised in the fair value reserve in the Statement of Comprehensive Income or Insurance Contract Liabilities, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method which are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to income statement.

(h) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date.

For investments in unit and real estate investment trusts, fair value is determined by reference to published net assets value.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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 and accrued interest/profit. The fair value of fixed interest/yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

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.

(i) Impairment of financial instruments

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(i) Impairment of financial instruments (cont'd)

Assets carried at amortised cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, 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 (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset is reduced and the loss is recorded in income statement.

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. Any subsequent reversal of an impairment loss is recognised in income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets 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.

Assets classified as available for sale

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.

In respect of equity investments classified as AFS, a decline of 30% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for AFS financial assets, the asset is considered for impairment, taking qualitative evidence into account.

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 loss previously recognised in the income statement, is transferred from equity to the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(i) Impairment of financial instruments (cont'd)

Assets classified as available for sale (cont'd)

Impairment losses on AFS equity investments are not reversed in the income statement in subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in equity. For AFS debt investments, impairment losses are subsequently reversed in the income statement 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 the income statement.

(j) Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligation under the liabilities are discharged, cancelled or expired.

(k) Equity instruments

Ordinary share capital

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the statement of financial position date are dealt with as an event after the reporting date.

(l) Contract classification

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

(i) Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) 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 determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Based on this definition, all policy contracts issued by the Company are insurance contracts as at current reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(l) Contract classification (cont'd)

(i) (cont'd)

Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective contracts and are based on guidelines laid down by BNM. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserves as the case may be, are recognised in the income statements.

(ii) Participating life insurance contracts contain discretionary participating feature ("DPF"). This feature entitles the policyholders to receive non-guaranteed benefits which could vary according to the investment and operating results of the Company. The Company does not recognise the guaranteed component separately from the DPF; hence the whole contract is presented within the insurance contract liability in the financial statements.

(iii) The Company is not required to un-bundle any insurance contract as the current accounting policy recognises all insurance premiums, claims and policy benefit payments, expenses and valuation of future benefit payments through the income statements.

(iv) The Company does not separately measure at fair value the policyholder's option to surrender an insurance contract for a fixed amount or for an amount based on fixed amount and an interest rate.

Options and guarantees inherent in some insurance contracts which are closely related to the host contract issued by the Company are not required to be separated and measured at fair value.

(v) The Company does not adopt a policy of deferring acquisition costs for its life insurance contracts.

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 expire.

Insurance contracts are further classified as being either with or without DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(l) Contract classification (cont'd)

(v) (cont'd)

Under the terms of the contracts, surpluses in the DPF funds can be distributed on a 90/10 basis to the policyholders and the shareholders respectively. The Company has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within the insurance liabilities.

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.

(m) Reinsurance

The Company enters into reinsurance contracts in the normal course of business to diversify the risks and limit its net loss potential. Assets, liabilities, income and expense arising from the reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurers.

Reinsurance assets represent balances due from reinsurers. Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in income statement.

The Company assesses its reinsurance assets for impairment at each reporting period. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets. These processes are described in Note 2.3(i).

Gains or losses on buying reinsurance are recognised in income statement immediately at the date of purchase and are not amortised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(m) Reinsurance (cont'd)

The Company also assumes reinsurance risk in the normal course of its general insurance business.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the contract classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

(n) Life insurance underwriting results

The surplus transferable from the Life fund to the income statement is based on the surplus determined by an annual actuarial valuation of the liabilities to policyholders.

Gross premiums

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised on assumption of risks and subsequent premiums are recognised on due date.

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

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

Reinsurance premiums

Gross reinsurance premiums are recognised as an expense when payable or on the date on which the policy is effective.

Benefits, claims and expenses

Benefits and claims that are incurred during the financial period 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-basis method and for this purpose, the amounts payable under a policy are recognised as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(n) Life insurance underwriting results (cont'd)

Benefits, claims and expenses (cont'd)

- 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
- bonus on policies with DPF are recognised upon declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

Commission and agency expenses

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

(o) General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, premium liabilities and claim liabilities.

Gross premiums

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period.

Reinsurance premiums

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

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. In determining premium liabilities at reporting date, the method that must accurately reflects the actual unearned premium used is described in Note 2.3(q)(ii).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(o) General insurance underwriting results (cont'd)

Claim liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of claim liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at reporting date.

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

Acquisition costs

The gross costs 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.

(p) Insurance receivables and payables

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

If there is objective evidence that an insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in income statement. 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 2.3(i).

Insurance receivables and payable are derecognised when the derecognition criteria for financial assets and liabilities, as described in Note 2.3(j), have been met.

(q) Insurance contract liabilities

Life insurance contract liabilities

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

The valuation of insurance contract liabilities is determined according to the Insurance Act and Regulations 1996, the RBC Framework and FRS 4. The liability estimation methods prescribed under the RBC Framework meets the requirements of the Liability Adequacy Test under FRS 4.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(q) Insurance contract liabilities (cont'd)

Life insurance contract liabilities (cont'd)

The Company performs liability adequacy tests on its life insurance liabilities to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows arising from contracts of insurance underwritten. When performing the liability adequacy test, the Company discounts all contractual cash flows and compares this amount against the carrying value of the liability. Any deficiency is charged to the income statement.

Participating Life plans are valued using a prospective actuarial valuation method based on the sum of the present value of future guaranteed benefits, an appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate risk discount rate. The Participating Life Insurance Liability is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities.

Provisions for annuity policies are valued using similar basis as Participating Life contracts.

The liability of Non-Participating Life plans are valued using a prospective actuarial valuation method based on the sum of the present value of future benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate.

Provisions for investment-linked insurance contracts is based on the carrying amount of the net assets of the Investment-Linked Fund at the reporting date and the non-unit liability. The non-unit liability of Investment-Linked policies are valued by projecting future cash flows to ensure that all future outflows can be met without recourse to additional financing or capital support at any future time during the duration of the policy.

General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claims liabilities and premium liabilities.

(i) Claims liabilities

Claim liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions and includes a margin for adverse deviation as prescribed by the RBC Framework. The liability is discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(q) Insurance contract liabilities (cont'd)

General insurance contract liabilities (cont'd)

(ii) Premium liabilities

Premium liabilities is the higher of the aggregate of the Unearned Premium Reserves ("UPR") for all lines of business and the best estimate value of the Unexpired Risk Reserves ("URR") at the required risk margin for adverse deviation as required by the RBC Framework.

UPR

UPR represent the portion of the net premiums of insurance policies written less deductible acquisition costs that relate to the unexpired periods of the policies at the end of the financial period.

In determining UPR at reporting date, the method that most accurately reflects the actual unearned premiums is used as follows:

- 25% method for marine cargo, aviation cargo and transit
- 1/24th method (or other more accurate) method for all other classes of Malaysian general policies
- 1/8th method for all other classes of overseas inward business
- Non-annual policies are time-apportioned over the period of the risks

URR

The best estimate value of URR is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of the financial year and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future premium refunds.

(r) Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(r) Other revenue recognition (cont'd)

Interest and profit income

Income is recognised on an accrual basis using the effective yield method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective yield of the instrument. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income

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

Realised gains and losses on investments

Realised gains and losses recorded in income statement on investments include gains and losses on financial assets, investment properties and property and equipment. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management 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.

(s) Income tax

Income tax on the income statement for the 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 year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method. 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 profit 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(s) 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 reporting date.

Deferred tax is recognised as income or an expense and included in the income statement 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.

(t) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(u) Employee benefits

Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year 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.

Defined contribution plans

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

(v) Foreign currencies

The financial statements are presented in Ringgit Malaysia which is also the functional currency of the Company.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(v) Foreign currencies (cont'd)

Non-monetary items that are measured in terms of historical cost in foreign currency are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to income statement, except for differences relating to items where gains or losses are recognised directly in equity, in which case, the gain or loss is recognised net of the exchange component in equity.

(w) Financial liabilities

Financial liabilities 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.

(x) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and at banks, excluding fixed and call deposits.

2.4 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and revised FRSs, amendments to FRSs and Interpretations of the Issues Committee ("IC Interpretations") which are effective for financial periods beginning on or after 1 January 2010. Except as discussed below, these new and revised FRSs, amendments to FRSs and IC Interpretations do not give rise to any significant effects on the financial statements of the Group and of the Company.

(i) 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:

- 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.

- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Changes in accounting policies (cont'd)

(i) FRS 4: Insurance Contracts (cont'd)

- Liability adequacy tests ("LAT")

  The Standard introduces the need to perform a liability adequacy test by considering current estimates of future cash flows under its insurance contracts. The LAT requirements under FRS 4 have been addressed by the Company with the adoption of the liability valuation requirements under Part D of the RBC Framework as of 1 July 2009.

- Impairment of reinsurance assets and insurance receivables

  Prior to 1 July 2010, provision for doubtful debts was made in the financial statements for outstanding premiums including agents, brokers and reinsurers balances of the general insurance business, which were in arrears for more than thirty days for motor business and more than six months for other classes of business. Reinsurance assets were not individually or collectively assessed for impairment.

  Upon the adoption of FRS 139 and FRS 4, an impairment loss is recognised in respect of reinsurance assets and insurance receivables when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the carrying amount of the receivables and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. This change is assessment of impairment losses constitutes a change in accounting policy. FRS 4 does not contain a transitional provision similar to FRS 139, and as such this accounting policy change is accounted retrospectively, in accordance with FRS 108: Accounting Policies, Changes in Accounting Estimates and Error.

The change in accounting policy has been applied retrospectively to the year ended 30 June 2010, as described in Note 2.4(vi).

The new disclosures under FRS 4 are included throughout the notes to the financial statements for the year ended 30 June 2011 and 2010.

(ii) FRS 7: Financial Instruments - Disclosures

Prior to 1 January 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 provisions of FRS 7, the Company has applied the disclosure requirements of the Standard prospectively and, hence, comparative disclosures have not been provided. The new disclosures are included throughout the notes to the financial statements for the year ended 30 June 2011.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Changes in accounting policies (cont'd)

(iii) 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 income statement, 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 statements to evaluate the Company's objectives, policies and processes for managing capital as disclosed in Note 38.

The revised FRS 101 was adopted retrospectively by the Company.

(iv) FRS 117: Leases

Prior to 1 July 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially the entire risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Company as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 require leasehold land which is in substance finance leases to be classified as property, plant and equipment or investment property as appropriate. The Company has reassessed and determined that some of the leasehold land of the Company are in substance finance leases and has reclassified some of the leasehold land to property and equipment. The change in accounting policy has been applied retrospectively in accordance with the transitional provisions of the amendment. The effects to the statement of financial positions as at 30 June 2011 arising from the above changes in accounting policies are further explained in Note 2.4(vi).

(v) FRS: 139 Financial Instruments - Recognition and Measurement

FRS 139 establishes principles for recognising, derecognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. However, since the adoption of RBC Framework on 1 July 2009, certain principles in connection with the recognition, derecognition and measurement of financial instruments which are largely similar to those prescribed by FRS 139 have already been adopted by the Company. The adoption of FRS 139 on 1 July 2010 resulted in changes in accounting policies for the following areas:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Changes in accounting policies (cont'd)

(v) FRS: 139 Financial Instruments - Recognition and Measurement (cont'd)

Investments measured at market bid prices

Upon the implementation of FRS 139, the Company has valued its quoted financial instruments at market bid prices. Prior to the implementation of FRS 139, these quoted financial instruments were valued at market closing prices as prescribed by the RBC Framework. Quoted financial instruments of the Company affected by the above requirement comprise mainly quoted equities and debt securities.

Gain or losses arising from the change in fair value of quoted financial instruments is recognised in the Available-for sale reserve, Unallocated surplus and Statements of comprehensive income.

The effects arising from applying quoted market bid prices to the above quoted financial instruments on the opening balances of retained earnings and current year income statement is not material.

(vi) Summary of effects of changes in accounting treatment on the financial statements

(a) The following are effects arising from the adoption of FRS 4:

Company	As at 30 June 2010 RM'000	Increase/ Decrease RM'000	Restated as at 30 June 2009 RM'000
Retained profits:	121,532	631	122,163
Impairment loss on insurance receivables		841	
Income tax effect		(210)	
Insurance receivables	56,841	841	57,682
Provision for taxation	11,370	210	11,580

The following tables provide estimates of the extent to which each of the line items in the statements of financial position and income statements 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 year

	Increase/ (decrease) 2011 RM'000
Effects on statements of financial position:	
Assets	
Insurance receivables	(1,363)
Equity and liabilities	
Retained profits	(1,022)
Provision for taxation	341
Effects on income statements:	
Management expenses:	
Impairment loss on insurance receivables	1,363
Taxation	(341)
	1,022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Changes in accounting policies (cont'd)

(vi) Summary of effects of changes in accounting treatment on the financial statements (cont'd)

(b) The following are effects arising from the adoption of FRS 117:

	As previously reported RM'000	Re-classification RM'000	As restated RM'000
Effects on statements of financial position:			
1 July 2009:			
Property and equipment	65,763	22,253	88,016
Prepaid land lease payments	22,552	(22,253)	299
30 June 2010:			
Property and equipment	60,789	21,868	82,657
Prepaid land lease payments	22,158	(21,868)	290

2.5 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following FRSs, amendments to FRSs and IC Interpretations have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group and 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 18 Transfers of Assets from Customers
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

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 Group 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 Group and of the Company upon their initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Significant accounting judgements, estimates and assumptions

The preparation of the Group and Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

(a) Critical judgements made in applying accounting policies

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

(i) Classification between investment properties and property and equipment

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

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

(ii) Impairment of receivables

The Company assesses at each reporting date whether there is any objective evidence that a financial asset 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 financial assets which are individually assessed for impairment are 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 debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the Company will recognise the impairment loss in the income statement.

(iii) Impairment of AFS financial assets

Significant judgement is required to assess impairment for AFS financial assets. The Group and Company evaluates the duration and extent to which the fair value of an investment is less than cost. In addition the Group and the Company evaluates 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Significant accounting judgements, estimates and assumptions (cont'd)

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

(iv) Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Company. The Company exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether the Company is required to pay significant additional benefits in excess of amounts payable when the insured event occurs. These additional benefits include claims liability and assessment costs, but exclude the loss of the ability to charge the policyholder for future services. The assessment covers the whole of the expected term of the contract where such additional benefits could be payable. Some contracts contain options for the policyholder to purchase insurance risk protection at a later date: these insurance risks are deemed not significant.

(b) Key sources of estimation uncertainty and assumptions

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

Valuation of life insurance contract liabilities

There are several sources of uncertainty that need to be considered in the estimation of the life insurance contract liabilities that the Company will ultimately be required to pay as claims.

For life insurance contracts, estimates are made for future deaths, disabilities, voluntary terminations, discount rates and expenses.

The Company relies on standard industry and reinsurance mortality tables which represent historical mortality experience, and makes appropriate adjustments for its respective risk exposures in deriving the mortality and morbidity estimates. These estimates provide the basis in the valuation of the future benefits to be paid to policyholders and ensure adequate provision of reserve which are monitored against current and future premiums. At each reporting date, these estimates are assessed for adequacy and changes will be reflected as adjustments to insurance fund contract liabilities. Changes to the insurance fund contract liabilities during the year are reported in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Significant accounting judgements, estimates and assumptions (cont'd)

(b) Key sources of estimation uncertainty and assumptions (cont'd)

Valuation of life insurance contract liabilities (cont'd)

Table below provides the key underlying assumptions used for valuation of life insurance contract liabilities:

Valuation method	Gross premium
Discount rates	Participating and annuity fund: The actual zero-coupon spot yields of Malaysian Government Securities (MGS) is used to discount the guaranteed benefit cash flows while the average of the last five years Company's gross investment returns (capped at 7%) after net of 8% Investment Tax is used to discount the total benefit cash flows. Non-participating and investment-linked fund: The weighted average of zero-coupon spot yields of MGS is used to discount the guaranteed benefit cash flows. Data source: MGS spot yields are obtained from the Bond Pricing Agency Malaysia (BPAM) under http://www.bpam.com.my
Mortality and Morbidity	Best estimates plus provision for adverse deviation Data source: internal experience studies
Lapse and Surrender	Best estimates plus provision for adverse deviation Data source: internal experience studies
Expenses	Best estimates plus provision for adverse deviation Data source: internal experience studies

Valuation of general insurance contract liabilities

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date ("IBNR").

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornhuetter-Ferguson methods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Significant accounting judgements, estimates and assumptions (cont'd)

(b) Key sources of estimation uncertainty and assumptions (cont'd)

Valuation of general insurance contract liabilities (cont'd)

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Fair value of financial assets determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For reference to similar instruments, instruments must have similar credit ratings.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counter-parties. Discount rates are influenced by risk-free interest rates and credit risk.

The valuation techniques described above are calibrated annually.

Valuation of unitised insurance contract liabilities

Unitised insurance contract fair values are determined by reference to the values of the assets backing the liabilities, which are based on the value of the unit-linked fund.

For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit-prices at the reporting date are valued on a basis consistent with their measurement basis in the Company's statement of financial position adjusted to take account of the effect on the liabilities of the deferred tax on unrealised gains or losses on assets in the fund.

3. PROPERTY AND EQUIPMENT

Group and Company	Freehold land RM'000	Leasehold land 50 years or more RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office and computer equipment RM'000	Office renovation RM'000	Work-in-progress RM'000	Total RM'000
	<------ At valuation				------>	<------ At cost				------>	
	<------ Properties				------>						
2011											
Cost / valuation											
At 1 July 2010											
- as previously stated	10,575	-	12,065	32,160	450	2,505	10,379	20,985	5,726	3,117	97,962
- effect of adopting FRS 117 (revised)	-	23,770	-	-	-	-	-	-	-	-	23,770
At 1 July 2010, as restated	10,575	23,770	12,065	32,160	450	2,505	10,379	20,985	5,726	3,117	121,732
Additions	-	-	-	-	-	110	1,611	4,294	-	1,092	7,107
Disposals	-	-	-	-	-	(858)	(37)	(209)	-	-	(1,104)
Write-offs	-	-	-	-	-	-	(19)	(69)	(51)	-	(139)
At 30 June 2011	10,575	23,770	12,065	32,160	450	1,757	11,934	25,001	5,675	4,209	127,596
Accumulated depreciation											
At 1 July 2010											
- as previously stated	-	-	1,074	2,851	33	1,166	8,138	18,375	5,536	-	37,173
- effect of adopting FRS 117 (revised)	-	1,902	-	-	-	-	-	-	-	-	1,902
At 1 July 2010, as restated	-	1,902	1,074	2,851	33	1,166	8,138	18,375	5,536	-	39,075
Charge for the year	-	380	603	1,566	18	36	897	1,547	130	-	5,177
Disposals	-	-	-	-	-	(565)	(26)	(210)	-	-	(801)
Write-offs	-	-	-	-	-	-	(12)	(46)	(51)	-	(109)
At 30 June 2011	-	2,282	1,677	4,417	51	637	8,997	19,666	5,615	-	43,342
Net carrying amount											
At 30 June 2011	10,575	21,488	10,388	27,743	399	1,120	2,937	5,335	60	4,209	84,254

3. PROPERTY AND EQUIPMENT (CONT'D)

Group and Company (cont'd)	Freehold land RM'000	Leasehold land 50 years or more RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office and computer equipment RM'000	Office renovation RM'000	Work-in-progress RM'000	Total RM'000
	< At valuation			>		< At cost				>	
	< Properties			>							
2010											
Cost / valuation											
At 1 July 2009											
- as previously stated	13,195	-	12,955	32,160	450	2,903	10,159	21,523	5,685	559	99,589
- effect of adopting FRS 117 (revised)	-	23,770	-	-	-	-	-	-	-	-	23,770
At 1 July 2009, as restated	13,195	23,770	12,955	32,160	450	2,903	10,159	21,523	5,685	559	123,359
Additions	-	-	-	-	-	-	226	913	41	2,558	3,738
Disposals	-	-	-	-	-	(398)	-	(1,346)	-	-	(1,744)
Write-offs	-	-	-	-	-	-	(6)	(105)	-	-	(111)
Reclassified as asset held for sale	(2,620)	-	(890)	-	-	-	-	-	-	-	(3,510)
At 30 June 2010	10,575	23,770	12,065	32,160	450	2,505	10,379	20,985	5,726	3,117	121,732
Accumulated depreciation											
At 1 July 2009											
- as previously stated	-	-	567	311	12	1,443	7,333	18,841	5,319	-	33,826
- effect of adopting FRS 117 (revised)	-	1,517	-	-	-	-	-	-	-	-	1,517
At 1 July 2009, as restated	-	1,517	567	311	12	1,443	7,333	18,841	5,319	-	35,343
Charge for the year	-	385	507	2,599	21	64	810	982	217	-	5,585
Disposals	-	-	-	-	-	(341)	-	(1,343)	-	-	(1,684)
Write-offs	-	-	-	-	-	-	(5)	(105)	-	-	(110)
Reclassified as asset held for sale	-	-	-	(59)	-	-	-	-	-	-	(59)
At 30 June 2010	-	1,902	1,074	2,851	33	1,166	8,138	18,375	5,536	-	39,075
Net carrying amount											
At 30 June 2010	10,575	21,868	10,991	29,309	417	1,339	2,241	2,610	190	3,117	82,657

Included in the cost of property and equipment of the Group and of the Company are cost of fully depreciated assets which are still in use amounting to RM37,799,000 (2010: RM37,799,000).

3. PROPERTY AND EQUIPMENT (CONT'D)

Properties

The properties were revalued in February and April 2009 by independent professional valuers and the fair values have been determined by reference to observable prices in an active market or recent market transactions on arm's length terms, adjusted if necessary, for any differences in the nature, location or condition of the specific properties.

Details of the freehold and leasehold land and buildings stated at revalued amounts are as follows:

	Year of Valuation	Location of Property	Valuation by professional valuer RM'000
(i)	**Freehold land and buildings:**		
	2009	Sungai Petani, Kedah	780
	2009	Kulim, Kedah	280
	2009	Seremban, Negeri Sembilan	280
	2009	Bentong, Pahang	620
	2009	Kuantan, Pahang	1,000
	2009	Butterworth, Penang	700
	2009	George Town, Penang	6,000
	2009	Taiping, Perak	600
	2009	Ipoh, Perak	3,300
	2009	Sitiawan, Perak	90
	2009	Kuching, Sarawak	2,700
	2009	Kuala Lumpur	2,470
	2009	Kuala Lumpur	3,150
	2009	Port Dickson, Negeri Sembilan	320
	2009	Teluk Intan, Perak	350
			22,640
(ii)	**Leasehold land and buildings:**		
	2009	Kluang, Johor	550
	2009	Alor Setar, Kedah	200
	2009	Melaka	800
	2009	Port Dickson, Negeri Sembilan	180
	2009	Kangar, Perlis	400
	2009	Kota Bahru, Kelantan	450
	2009	Kota Kinabalu, Sabah	3,800
	2009	Petaling Jaya, Selangor	50,000
			56,380
			79,020

4. INVESTMENT PROPERTIES

Group and Company	2011 RM'000	2010 RM'000
At beginning of year	47,885	48,885
Disposals	(38,880)	-
Fair value gains (Note 24)	90	-
Transfer to assets held for sale (Note11)	(7,305)	(1,000)
At end of year	1,790	47,885

The investment properties were revalued in February and April 2009 and in January 2011 by independent professional valuers and the fair values have been determined by reference to observable prices in an active market or recent market transactions on arm's length terms, adjusted if necessary, for any differences in the nature, location or condition of the specific properties.

Details of the investment properties stated at revalued amount are as follows:

Year of Valuation	Location of Property	Valuation by professional valuer RM'000
2011	Johor Bahru, Johor	1,090
2009	Hulu Selangor, Selangor	700
		1,790

5. INTANGIBLE ASSETS

Group and Company	2011 RM'000	2010 RM'000
Cost		
At beginning of year	13,881	13,858
Additions	1,647	36
Write-offs	(3)	(13)
At end of year	15,525	13,881
Accumulated amortisation		
At beginning of year	13,660	13,188
Charge for the year	470	485
Write-offs	(3)	(13)
At end of year	14,127	13,660
Net carrying amount	1,398	221

Intangible assets comprise computer application software which were developed or acquired to meet the unique requirements of the Company.

6. PREPAID LAND LEASE PAYMENTS

Group and Company	Leasehold land 50 years or more RM'000	Leasehold land less than 50 years RM'000	Total RM'000
2011			
Cost / valuation			
At 1 July 2010			
- as previously stated	23,770	350	24,120
- effect of adopting FRS 117 (revised)	(23,770)	-	(23,770)
At 1 July 2010, as restated / 30 June 2011	-	350	350
Accumulated amortisation			
At 1 July 2010			
- as previously stated	1,902	60	1,962
- effect of adopting FRS 117 (revised)	(1,902)	-	(1,902)
At 1 July 2010, as restated	-	60	60
Charge for the year	-	12	12
At 30 June 2011	-	72	72
Net carrying amount			
At 30 June 2011	-	278	278
2010			
Cost / valuation			
At 1 July 2009			
- as previously stated	23,770	350	24,120
- effect of adopting FRS 117 (revised)	(23,770)	-	(23,770)
At 1 July 2009, as restated / 30 June 2010	-	350	350
Accumulated amortisation			
At 1 July 2009			
- as previously stated	1,517	51	1,568
- effect of adopting FRS 117 (revised)	(1,517)	-	(1,517)
At 1 July 2009, as restated	-	51	51
Charge for the year	-	9	9
At 30 June 2010	-	60	60
Net carrying amount			
At 30 June 2010	-	290	290

7. INVESTMENTS

Group and Company	2011 RM'000	2010 RM'000
Malaysian government securities	1,027,365	652,716
Government investment issues	38,326	103,770
Malaysian government guaranteed bonds	577,385	626,445
Quoted debt securities	1,963	3,662
Unquoted debt securities	1,080,568	1,063,938
Quoted equity securities	348,396	300,763
Unquoted equity securities	7,339	7,339
Quoted unit and property trust funds	103,854	64,989
Deposits with financial institutions	289,443	311,500
Loans receivable	396,660	399,293
	3,871,299	3,534,415

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

	2011 RM'000	2010 RM'000
LAR	686,103	710,793
AFS financial assets	3,098,513	2,751,977
Designated upon initial recognition at FVTPL	86,683	71,645
	3,871,299	3,534,415

(a) LAR

	2011 RM'000	2010 RM'000
At amortised cost:		
Deposits with financial institutions	289,443	311,500
Loans receivable:		
Policy loans	372,152	371,128
Mortgage loans	11,108	12,853
Term loan to related party	13,000	15,000
Other loans	801	713
Accumulated impairment loss	(401)	(401)
	396,660	399,293
	686,103	710,793

(b) AFS

	2011 RM'000	2010 RM'000
At fair value:		
Malaysian government securities	1,027,365	648,662
Government investment issues	38,326	103,263
Malaysian government guaranteed bonds	573,832	626,445
Quoted debt securities	1,881	2,821
Unquoted debt securities	1,062,657	1,043,750
Quoted equity securities	285,127	256,112
Quoted unit and property trust funds	101,986	63,585
	3,091,174	2,744,638
At cost less impairment:		
Unquoted equity securities (net of impairment loss of RM59,000 (2010: RM59,000))	7,339	7,339
	3,098,513	2,751,977

7. INVESTMENTS (CONT'D)

Group and Company (cont'd)	2011 RM'000	2010 RM'000
(c) FVTPL		
At fair value:		
Malaysian government securities	-	4,054
Government investment issues	-	507
Malaysian government guaranteed bonds	3,553	-
Quoted debt securities	82	841
Unquoted debt securities	17,911	20,188
Quoted equity securities	63,269	44,651
Quoted unit and property trust funds	1,868	1,404
	86,683	71,645

(d) Carrying values of financial instruments

Group and Company	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 July 2009	946,601	2,217,537	48,036	3,212,174
Purchases	-	1,746,266	28,572	1,774,838
Disposals	-	(1,319,220)	(11,090)	(1,330,310)
Fair value gains recorded in:				
Other comprehensive income	-	3,571	-	3,571
Insurance contract liabilities:				
Life fund	-	68,629	-	68,629
Investment-linked fund	-	-	6,127	6,127
Realised gains recorded in income statements	-	37,705	-	37,705
Increase in loans	17,397	-	-	17,397
Decrease in deposits with financial institutions	(253,205)	-	-	(253,205)
Impairment loss	-	(899)	-	(899)
Net amortisation of premiums	-	(1,612)	-	(1,612)
At 30 June 2010	710,793	2,751,977	71,645	3,534,415
Purchases	-	2,195,808	30,254	2,226,062
Disposals	-	(1,924,186)	(24,496)	(1,948,682)
Fair value gains recorded in:				
Other comprehensive income	-	3,653	-	3,653
Insurance contract liabilities:				
Life fund	-	38,466	-	38,466
Investment-linked fund	-	-	9,280	9,280
Realised gains recorded in income statements		37,787	-	37,787
Increase in loans	(2,633)	-	-	(2,633)
Decrease in deposits with financial institutions	(22,057)	-	-	(22,057)
Net amortisation of premiums	-	(4,992)	-	(4,992)
At 30 June 2011	686,103	3,098,513	86,683	3,871,299

7. INVESTMENTS (CONT'D)

(e) Fair values of financial instruments

The following tables show financial investments recorded at fair value analysed by the different bases as follows:

Group and Company	AFS RM'000	FVTPL RM'000	Total RM'000
2011			
Quoted market bid price	388,994	65,219	454,213
Valuation techniques - market observable inputs	2,702,180	21,464	2,723,644
At cost less impairment	7,339	-	7,339
	3,098,513	86,683	3,185,196
2010			
Quoted market bid price	322,518	46,896	369,414
Valuation techniques - market observable inputs	2,422,120	24,749	2,446,869
At cost less impairment	7,339	-	7,339
	2,751,977	71,645	2,823,622

Included in the quoted category are financial instruments that are measured in whole or in part by reference to quoted market bid prices. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Company's own models whereby the majority of assumptions are market observable.

For the Group and Company's unquoted equity securities, 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 investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(f) Range of effective interest rates

The range of effective interest rates and the earlier of the contractual re-pricing or maturity dates for each class of interest-bearing investment and placements with licensed financial institutions, at net carrying amounts of the Group and Company are as below:

7. INVESTMENTS (CONT'D)

(f) Range of effective interest rates (cont'd)

Group and Company	2011 %	2010 %
Malaysian government securities	3.46 - 5.73	2.51 - 5.73
Government investment issues	3.82 - 4.28	3.91 - 4.49
Malaysian government guaranteed bonds	3.64 - 7.75	3.45 - 7.75
Quoted debt securities	2.50	2.50
Unquoted debt securities	3.98 -10.35	3.00 -10.35
Deposits with financial institutions	0.25 - 3.40	0.25 - 6.50
Loans receivable	4.00 - 9.50	4.00 - 9.50

(g) Interest-bearing contractual re-pricing or maturity dates

	Interest-bearing contractual re-pricing maturity dates (whichever is earlier)			
Group and Company	1 year or less RM'000	1 year to 5 years RM'000	More than 5 years RM'000	Total RM'000
2011				
Malaysian government securities	-	322,132	705,233	1,027,365
Government investment issues	-	-	38,326	38,326
Malaysian government guaranteed bonds	-	211,517	365,868	577,385
Quoted debt securities	-	-	1,963	1,963
Unquoted debt securities	5,075	380,863	694,630	1,080,568
Deposits with financial institutions	289,443	-	-	289,443
Loans receivable*	1,157	1,710	21,641	24,508
	295,675	916,222	1,827,661	3,039,558
2010				
Malaysian government securities	2,053	236,312	414,351	652,716
Government investment issues	-	-	103,770	103,770
Malaysian government guaranteed bonds	-	141,178	485,267	626,445
Quoted debt securities	-	-	3,662	3,662
Unquoted debt securities	9,966	293,435	760,537	1,063,938
Deposits with financial institutions	308,405	-	3,095	311,500
Loans receivable*	873	1,338	25,954	28,165
	321,297	672,263	1,796,636	2,790,196

* The Company's policy loan portfolio of RM372,152,000 (2010: RM371,128,000) is not included in the above loans receivable as there are no specific maturity dates.

8. REINSURANCE ASSETS

Group and Company	2011 RM'000	2010 RM'000	1 July 2009 RM'000
Claims liabilities (Note 16)	123,393	124,414	160,252
Premium liabilities (Note 16)	56,117	52,975	50,087
	179,510	177,389	210,339

9. INSURANCE RECEIVABLES

Group and Company	2011 RM'000	2010 RM'000
Due premiums including agents/brokers and co-insurers balances	59,072	56,561
Due from reinsurers and cedants	5,219	4,841
	64,291	61,402
Accumulated impairment loss	(5,798)	(3,720)
	58,493	57,682

Details of the allowance account has been disclosed in Note 40(d).

Included in amount due from reinsurers and cedants is an amount of RM156,000 (2010: RM148,000) due from related companies. The amount receivable is subject to settlement terms stipulated in the insurance contracts.

10. OTHER RECEIVABLES

Group and Company	2011 RM'000	2010 RM'000
Financial assets:		
Income due and accrued	31,643	31,957
Amount due from Life insurance fund*	12,873	12,249
Amount due from related companies	52	-
Other receivables	11,146	5,068
	55,714	49,274
Non-financial assets:		
Prepayments	2,051	995
Tax recoverable	1,494	897
	3,545	1,892
	59,259	51,166

* These balance are unsecured, interest-free and are repayable on demand.

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

11. ASSETS HELD FOR SALE

Group and Company	2011 RM'000	2010 RM'000
At beginning of year	4,451	-
Reclassified from:		
Investment properties	7,305	1,000
Property and equipment	-	3,451
Disposals	(4,451)	-
At end of year	7,305	4,451

The Group and Company has entered into a Sale and Purchase Agreement to dispose certain investment properties. The disposals have not been completed as at 30 June 2011. Details of the properties are as follows:

Location of property	Date of Sale and Purchase Agreement	Sale consideration RM'000	Carrying value at 30 June 2011 RM'000
Kuala Lumpur	30-Dec-2010	7,200	6,865
Kulim	20-Dec-2010	680	440
		7,880	7,305

Included in the disposals amount above is a property which was sold to a related party for RM2,300,000, as disclosed in Note 35(a)(vi).

12. SUBSIDIARY

Company	2011 RM'000	2010 RM'000
Unquoted shares, at cost	100	100
Less: Allowance for impairment loss	(100)	(100)
	-	-

Details of subsidiary:

Name	Country of incorporation	Proportion of equity interest 2011 %	2010 %	Principal activity
Cramson (Malaysia) Bhd.	Malaysia	100	100	Dormant

13. SHARE CAPITAL

Company	2011 No. of Shares ('000)	2011 RM'000	2010 No. of Shares ('000)	2010 RM'000
Authorised:				
Ordinary share of RM1.00 each				
At beginning and end of year	200,000	200,000	200,000	200,000
Issued and paid-up:				
Ordinary share of RM1.00 each				
At beginning and end of year	100,284	100,284	100,284	100,284

14. RETAINED PROFITS

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

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 30 June 2011 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007.

The Company has sufficient Section 108 balance and balance in the tax-exempt account to frank the payment of dividends out of its entire retained earnings as at 30 June 2011.

As at 30 June 2011, the Company also has tax exempt profits available for distribution of RM1,494,000 (2010: RM871,000), subject to the agreement of the Inland Revenue Board.

15. MERGER RESERVES

In June 2002, the Company acquired the entire equity interest in the subsidiary for a purchase consideration amounting to RM123,349,408, via the issuance of 30,085,221 new ordinary shares of RM1.00 each to the vendors of the subsidiary at an issue price of RM4.10 per ordinary share.

As a result of using merger relief provisions, under Section 60(4) of the Companies Act, 1965, the merger reserve was created in place of a share premium account and this reserve has been utilised to write-off the goodwill arising from the business combination in the Group financial statements and impairment in value of the investment in subsidiary at the effective date of acquisition, in the Company's financial statements.

The merger reserve was arrived at after considering the fair value of the subsidiary acquired, the nominal value of ordinary shares issued as consideration for the acquisition and the write-off of goodwill on consolidation in June 2002 as follows:

	RM'000
Fair value of subsidiary acquired	123,349
Nominal value of shares issued as consideration	(30,085)
Merger reserve on acquisition	93,264
Write-off of goodwill on consolidation	(52,592)
	40,672

16. INSURANCE CONTRACT LIABILITIES

	2011 Gross RM'000	2011 Reinsurance RM'000	2011 Net RM'000	2010 Gross RM'000	2010 Reinsurance RM'000	2010 Net RM'000	1 July 2009 Gross RM'000	1 July 2009 Reinsurance RM'000	1 July 2009 Net RM'000
Life insurance	3,349,470	(4,150)	3,345,320	3,135,246	(4,938)	3,130,308	2,854,099	(2,315)	2,851,784
General insurance	384,539	(175,360)	209,179	344,635	(172,451)	172,184	355,235	(208,024)	147,211
	3,734,009	(179,510)	3,554,499	3,479,881	(177,389)	3,302,492	3,209,334	(210,339)	2,998,995

(a) Life insurance fund

	2011 Gross RM'000	2011 Reinsurance RM'000	2011 Net RM'000	2010 Gross RM'000	2010 Reinsurance RM'000	2010 Net RM'000	1 July 2009 Gross RM'000	1 July 2009 Reinsurance RM'000	1 July 2009 Net RM'000
Provision for outstanding claims	32,063	(4,150)	27,913	34,422	(4,938)	29,484	28,610	(2,315)	26,295
Actuarial liabilities	2,728,716	-	2,728,716	2,529,018	-	2,529,018	2,365,314	-	2,365,314
Unallocated surplus	335,122	-	335,122	365,034	-	365,034	329,472	-	329,472
AFS reserves	142,822	-	142,822	104,744	-	104,744	41,605	-	41,605
Asset revaluation reserves	16,771	-	16,771	20,102	-	20,102	20,102	-	20,102
Net asset value attributable to unitholders	93,976	-	93,976	81,926	-	81,926	68,996	-	68,996
	3,349,470	(4,150)	3,345,320	3,135,246	(4,938)	3,130,308	2,854,099	(2,315)	2,851,784

2011	Gross With DPF RM'000	Gross Without DPF RM'000	Gross Total RM'000	Reinsurance With DPF RM'000	Reinsurance Without DPF RM'000	Reinsurance Total RM'000	Net RM'000
At 1 July 2010	2,710,145	425,101	3,135,246	(1,510)	(3,428)	(4,938)	3,130,308
Premiums received (Note 21(a))	396,391	91,155	487,546	(3,222)	(2,827)	(6,049)	481,497
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 26(a))	(265,924)	(51,171)	(317,095)	927	13	940	(316,155)
Policy movement	115,268	17,755	133,023	-	-	-	133,023
Interest rate	9,801	3,656	13,457	-	-	-	13,457
Adjustments due to changes in assumptions:							
Mortality/morbidity	(2,194)	3,406	1,212	-	-	-	1,212
Expenses	(3,142)	(2,822)	(5,964)	-	-	-	(5,964)
Lapse	46,944	2,278	49,222	-	-	-	49,222
Others	5,254	3,494	8,748	-	-	-	8,748
Claims benefit experience variation	991	(3,350)	(2,359)	(482)	1,270	788	(1,571)
Net asset value attributable to unitholders	-	11,169	11,169	-	-	-	11,169
Net creation of units	-	24,268	24,268	-	-	-	24,268
Net cancellation of units	-	(23,387)	(23,387)	-	-	-	(23,387)
AFS reserves	36,627	1,839	38,466	-	-	-	38,466
Deferred tax on AFS reserves	(241)	(147)	(388)	-	-	-	(388)
Asset revaluation reserves	(1,873)	-	(1,873)	-	-	-	(1,873)
Deferred tax on asset revaluation reserves	(1,211)	(247)	(1,458)	-	-	-	(1,458)
Unallocated surplus available	(154,680)	(45,683)	(200,363)	2,295	2,814	5,109	(195,254)
As at 30 June 2011	2,892,156	457,314	3,349,470	(1,992)	(2,158)	(4,150)	3,345,320

16. INSURANCE CONTRACT LIABILITIES (CONT'D)

(a) Life insurance fund (cont'd)

2010	Gross With DPF RM'000	Gross Without DPF RM'000	Gross Total RM'000	Reinsurance With DPF RM'000	Reinsurance Without DPF RM'000	Reinsurance Total RM'000	Net RM'000
At 1 July 2009	2,449,182	365,417	2,814,599	(365)	(1,950)	(2,315)	2,812,284
Effects due to adoption of RBC Framework:							
Impairment effects of AFS investments	(2,105)	-	(2,105)	-	-	-	(2,105)
Fair value changes on AFS investments	44,318	905	45,223	-	-	-	45,223
Deferred tax effects relating to investments	(3,546)	(72)	(3,618)	-	-	-	(3,618)
At 1 July 2009, as restated	2,487,849	366,250	2,854,099	(365)	(1,950)	(2,315)	2,851,784
Premiums received (Note 21(a))	364,503	95,058	459,561	(3,446)	(6,187)	(9,633)	449,928
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 26(a))	(232,423)	(34,874)	(267,297)	2,400	3,617	6,017	(261,280)
Policy movement	118,249	28,300	146,549	-	-	-	146,549
Interest rate	3,865	1,362	5,227	-	-	-	5,227
Adjustments due to changes in assumptions:							
Mortality/morbidity	16,005	4,383	20,388	-	-	-	20,388
Expenses	(3,730)	(3,231)	(6,961)	-	-	-	(6,961)
Lapse	11,716	84	11,800	-	-	-	11,800
Others	(13,298)	-	(13,298)	-	-	-	(13,298)
Claims benefit experience variation	1,878	3,934	5,812	(1,145)	(1,478)	(2,623)	3,189
Net asset value attributable to unitholders	-	7,392	7,392	-	-	-	7,392
Net creation of units	-	22,771	22,771	-	-	-	22,771
Net cancellation of units	-	(17,233)	(17,233)	-	-	-	(17,233)
AFS reserves	62,392	6,237	68,629	-	-	-	68,629
Deferred tax on AFS reserves	(4,991)	(499)	(5,490)	-	-	-	(5,490)
Unallocated surplus available	(101,870)	(54,833)	(156,703)	1,046	2,570	3,616	(153,087)
As at 30 June 2010	2,710,145	425,101	3,135,246	(1,510)	(3,428)	(4,938)	3,130,308

Included in the unallocated surplus component of the Company's insurance contract liabilities is an amount of RM54,878,000 (2010: RM60,576,000), being the accumulated surplus of the 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 RM142,822,000 (2010: RM104,744,000), 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 Standard and the FRS Framework, the insurance contract liabilities of the Company would have been lower by RM197,700,000 (2010: RM165,320,000); consequently, the retained profits and AFS reserves of the Company would have been higher by RM54,878,000 (2010: RM60,576,000) and RM142,822,000 (2010: RM104,744,000) respectively.

16. INSURANCE CONTRACT LIABILITIES (CONT'D)

(b) General insurance fund

	2011 Gross RM'000	2011 Reinsurance RM'000	2011 Net RM'000	2010 Gross RM'000	2010 Reinsurance RM'000	2010 Net RM'000	1 July 2009 Gross RM'000	1 July 2009 Reinsurance RM'000	1 July 2009 Net RM'000
Provision for claims reported by policyholders	182,737	(90,042)	92,695	166,404	(85,725)	80,679	185,686	(113,102)	72,584
Provision for incurred but not reported claims ("IBNR") and provision for risk margin for adverse deviations ("PRAD")	76,366	(29,201)	47,165	63,558	(33,751)	29,807	68,402	(44,835)	23,567
Claim liabilities (i)	259,103	(119,243)	139,860	229,962	(119,476)	110,486	254,088	(157,937)	96,151
Premiums liabilities (ii)	125,436	(56,117)	69,319	114,673	(52,975)	61,698	101,147	(50,087)	51,060
	384,539	(175,360)	209,179	344,635	(172,451)	172,184	355,235	(208,024)	147,211

	2011 Gross RM'000	2011 Reinsurance RM'000	2011 Net RM'000	2010 Gross RM'000	2010 Reinsurance RM'000	2010 Net RM'000
(i) Claim liabilities						
At beginning of year	229,962	(119,476)	110,486	254,088	(157,937)	96,151
Claims incurred in the current accident year	102,392	(36,283)	66,109	99,410	(30,910)	68,500
IBNR incurred	12,810	4,548	17,358	(4,845)	11,085	6,240
Other movements in claims incurred in prior accident years	17,148	(4,502)	12,646	(21,183)	24,376	3,193
Claims paid during the year	(103,209)	36,470	(66,739)	(97,508)	33,910	(63,598)
At end of year	259,103	(119,243)	139,860	229,962	(119,476)	110,486
(ii) Premiums liabilities						
At beginning of year	114,673	(52,975)	61,698	101,147	(50,087)	51,060
Premiums written in the year (Note 21(a))	258,189	(114,977)	143,212	232,159	(108,844)	123,315
Premiums earned during the year	(247,426)	111,835	(135,591)	(218,633)	105,956	(112,677)
At end of year	125,436	(56,117)	69,319	114,673	(52,975)	61,698

17. DEFERRED TAXATION

Group and Company	Note	2011 RM'000	2010 RM'000
At beginning of year		5,761	(1,244)
Effects due to fair value movement of investment assets		-	4,127
At beginning of year, restated		5,761	2,883
Recognised in:			
Income statement	29	2,101	(3,866)
Other comprehensive income		913	893
Insurance contract liabilities		2,530	5,851
At end of year		11,305	5,761

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 taxes relate to the same tax authority.

	2011 RM'000	2010 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	16,805	22,623
Deferred tax assets	(5,500)	(16,862)
	11,305	5,761

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

	Accretion and amortisation on investment assets RM'000	Accelerated capital allowance on property and equipment RM'000	Fair value of investment properties RM'000	Fair value of investments assets RM'000	Total RM'000
Deferred tax liabilities:					
At 1 July 2009	5,548	747	-	4,127	10,422
Recognised in:					
Income statement	355	1,526	-	-	1,881
Other comprehensive income	-	-	-	1,030	1,030
Insurance contract liabilities	-	-	-	9,290	9,290
At 30 June 2010	5,903	2,273	-	14,447	22,623
Recognised in:					
Income statement	(4,102)	(1,541)	-	-	(5,643)
Other comprehensive income	-	-	-	913	913
Insurance contract liabilities	-	-	1,458	(2,546)	(1,088)
At 30 June 2011	1,801	732	1,458	12,814	16,805

17. DEFERRED TAXATION (CONT'D)

	Accretion and amortisation on investment assets RM'000	Accelerated capital allowance on property and equipment RM'000	Fair value of investment properties RM'000	Fair value of investments assets RM'000	Total RM'000
Deferred tax assets:					
At 1 July 2009	(6,519)	(841)	-	(179)	(7,539)
Recognised in:					
Income statement	4,000	(9,747)	-	-	(5,747)
Other comprehensive income	-	-	-	(137)	(137)
Insurance contract liabilities	-	-	-	(3,439)	(3,439)
At 30 June 2010	(2,519)	(10,588)		(3,755)	(16,862)
Recognised in:					
Income statement	1,325	6,419	-	-	7,744
Insurance contract liabilities	-	-	-	3,618	3,618
At 30 June 2011	(1,194)	(4,169)	-	(137)	(5,500)

18. INSURANCE PAYABLES

Group and Company	2011 RM'000	2010 RM'000
Due to agents and intermediaries	39,750	33,470
Due to reinsurers and cedants	64,921	57,224
Due to policyholders	29,769	24,521
Accrual for agency related expenses	13,822	16,656
	148,262	131,871

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

Included in amount due to reinsurers and cedants is an amount of RM29,134,000 (2010: RM29,602,000) due to related companies. The amount payable is subject to settlement terms stipulated in the insurance contracts.

19. OTHER PAYABLES

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Financial liabilities:				
Dividend payable	3,761	3,761	3,761	3,761
Amount due to Shareholders fund	12,873	12,249	12,873	12,249
Amount due to related companies	-	17	-	17
Others	44,644	32,207	44,632	32,207
	61,278	48,234	61,266	48,234
Non-financial liabilities:				
Accrued expenses	2,718	3,139	2,718	3,139
Other payables	2,500	2,426	2,500	2,418
	5,218	5,565	5,218	5,557
	66,496	53,799	66,484	53,791

The carrying amounts of financial liabilities disclosed above approximate fair value at the reporting date. All amounts are payable within one year.

20. OPERATING REVENUE

Group and Company	2011 RM'000	2010 RM'000
Gross premiums (Note 21)	745,735	691,720
Investment income (Note 22)	168,268	158,351
	914,003	850,071

21. NET EARNED PREMIUMS

Group and Company	Note	2011 RM'000	2010 RM'000
(a) Gross premiums			
Insurance contracts:			
Life	16(a)	487,546	459,561
General	16(b)(ii)	258,189	232,159
		745,735	691,720
Change in unearned premiums provision		(10,763)	(13,526)
		734,972	678,194
(b) Premiums ceded			
Insurance contracts:			
Life	16(a)	(6,049)	(9,633)
General	16(b)(ii)	(114,977)	(108,844)
		(121,026)	(118,477)
Change in unearned premiums provision		3,142	2,889
		(117,884)	(115,588)
Net earned premiums		617,088	562,606

22. INVESTMENT INCOME

Group and Company	2011 RM'000	2010 RM'000
Rental income related to properties	3,547	4,583
Expenses related to properties	(5,820)	(4,156)
AFS financial assets:		
Interest/profit income	121,051	111,977
Dividend income		
- Quoted equity securities in Malaysia	10,924	8,414
- Quoted unit and property trust funds	4,589	2,471
LAR interest/profit income	40,525	37,564
Net amortisation of premiums on investment	(4,992)	(1,612)
Sundry investment expenses	(1,556)	(890)
	168,268	158,351

23. REALISED GAINS AND LOSSES

Group and Company	2011 RM'000	2010 RM'000
Loss on disposal of investment properties	(159)	-
Gain on disposal of property and equipment	12	47
	(147)	47
AFS financial assets:		
Realised gains:		
Quoted equity securities in Malaysia	7,027	25,092
Unquoted debt securities in Malaysia	33,855	14,926
Realised losses:		
Quoted equity securities in Malaysia	(56)	(476)
Unquoted debt securities in Malaysia	(3,039)	(1,374)
Quoted unit and property trust funds	-	(463)
Total realised gains for AFS financial assets	37,787	37,705
	37,640	37,752

Total realised gains of AFS financial assets transferred from statement of comprehensive income amounts to RM844,000 (2010: RM2,034,000).

24. FAIR VALUE GAINS AND LOSSES

Group and Company	2011 RM'000	2010 RM'000
Investment properties	90	-

25. FEE AND COMMISSION INCOME

Group and Company	2011 RM'000	2010 RM'000
Policyholder administration and investment management services	1,028	843
Reinsurance commission income	25,671	26,972
	26,699	27,815

26. NET BENEFITS AND CLAIMS

Group and Company		Note	2011 RM'000	2010 RM'000
(a)	**Gross benefits and claims paid**			
	Insurance contracts:			
	Life	16(a)	(317,095)	(267,297)
	General	16(b)(i)	(103,209)	(97,508)
			(420,304)	(364,805)
(b)	**Claims ceded to reinsurers**			
	Insurance contracts:			
	Life	16(a)	940	6,017
	General	16(b)(i)	36,470	33,910
			37,410	39,927
(c)	**Gross change in contract liabilities**			
	Insurance contracts:			
	Life		(167,913)	(199,265)
	General		(29,141)	24,126
			(197,054)	(175,139)
(d)	**Change in contract liabilities ceded to reinsurers**			
	Insurance contracts:			
	General		(231)	(38,463)

27. FEE AND COMMISSION EXPENSES

	2011 RM'000	2010 RM'000
Agency commission expenses	124,026	116,218
Reinsurance commission expenses	6,025	6,589
	130,051	122,807

28. MANAGEMENT EXPENSES

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Employee benefits expenses (a)	43,590	46,561	43,590	46,561
Directors' remuneration (b)	777	940	777	940
Auditors' remuneration:				
- statutory audits	327	282	325	280
Insurance guarantee scheme fund/ PIDM levy	1,008	351	1,008	351
Office rental	2,097	1,619	2,097	1,619
Equipment rental	157	140	157	140
Depreciation of property and equipment	5,177	5,585	5,177	5,585
Amortisation of prepaid land lease payments	12	9	12	9
Amortisation of intangible assets	470	485	470	485
Entertainment	392	404	392	404
EDP expenses	4,620	4,968	4,620	4,968
Advertising and promotion	2,548	3,262	2,548	3,262
Repair and maintenance	4,336	1,961	4,336	1,961
Agency training	948	910	948	910
Printing and stationery	1,619	1,449	1,619	1,449
Electricity and water	1,327	1,686	1,327	1,686
Telephone and postages	1,541	887	1,541	887
Legal and consultancy fees	3,490	7,059	3,490	7,058
Finance charges	4,741	4,493	4,741	4,493
Property and equipment written-off	30	1	30	1
Impairment loss on insurance receivables	2,078	854	2,078	854
Other expenses	3,476	2,541	3,474	2,541
	84,761	86,447	84,757	86,444

Group and Company

(a) Employee benefits expense

	2011 RM'000	2010 RM'000
Wages and salaries	28,633	32,390
Social security contributions	285	287
Contributions to defined contribution plan, EPF	3,977	4,134
Other benefits	10,695	9,750
	43,590	46,561

(b) Non-executive directors' remuneration

The details of non-executive directors' remuneration for the year are as follows:

	2011 RM'000	2010 RM'000
Non-executive:		
Fees	274	298
Allowances and other emoluments	503	642
	777	940

Included in the non-executive directors' remuneration an amount of RM291,000 (2010: RM298,000), being remuneration paid during the year for the services rendered for the previous financial years.

28. MANAGEMENT EXPENSES (CONT'D)

Group and Company (cont'd)

(b) Non-executive directors' remuneration (cont'd)

The number of non-executive directors of the Company whose remuneration during the financial year fell within the following bands is analysed below:

	Number of directors 2011	Number of directors 2010
Non-executive directors:		
Below RM50,000	2	1
RM50,000 - RM150,000	7	6

(c) Executive directors' remuneration

The remuneration including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the year amounted to RM995,000 (2010: RM966,000).

29. TAXATION

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current income tax:				
Malaysian income tax	23,535	23,983	23,535	23,983
Over provision in prior year	(1,452)	-	(1,452)	-
	22,083	23,983	22,083	23,983
Deferred tax:				
Relating to origination and reversal of temporary differences	2,101	(3,866)	2,101	(3,866)
	24,184	20,117	24,184	20,117

The income tax for the Shareholders' and General funds are calculated based on the 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 tax rate of 8% (2010: 8%) of the assessable investment income for the financial year. The taxes of the respective funds are disclosed in Note 41 – Insurance Funds.

29. TAXATION (CONT'D)

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit/surplus before tax	56,064	44,769	56,068	44,772
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	14,016	11,192	14,017	11,193
Tax rate differential of 17% in respect of Life fund	(2,757)	(1,439)	(2,757)	(1,439)
Business outside Malaysia tax rate at 5%	(1,507)	(532)	(1,507)	(532)
Income not subject to tax	(7,093)	(9,670)	(7,093)	(9,670)
Expenses not deductible for tax purposes	22,977	20,566	22,976	20,565
Over provision in prior years	(1,452)	-	(1,452)	-
Tax expense for the year	24,184	20,117	24,184	20,117

30. EARNINGS PER SHARE

Earnings per share is calculated by dividing 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.

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit attributable to ordinary equity holders	31,880	24,652	31,884	24,655
Weighted average number of shares in issue	100,284	100,284	100,284	100,284
Basic earnings per share (sen)	31.8	24.6	31.8	24.6

There were no dilutive potential ordinary shares as at the reporting date.

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

31. DIVIDENDS

Group and Company	Amount 2011 RM'000	Amount 2010 RM'000	Net dividend per share 2011 Sen	Net dividend per share 2010 Sen
Approved and paid				
Dividend paid in respect of the financial year ended 30 June 2009:				
Final dividend of 10% less 25% tax paid on 19 December 2009	-	7,521	-	7.5
Dividend paid in respect of the financial year ended 30 June 2010:				
Interim dividend of 5% less 25% tax paid on 31 July 2010	-	3,761	-	3.7
Final dividend of 10% less 25% tax paid on 15 December 2010	7,521	-	7.5	-
Dividend paid in respect of the financial year ended 30 June 2011:				
Interim dividend of 5% less 25% tax paid on 26 July 2011	3,761	-	3.7	-
	11,282	11,282	11.2	11.2

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 30 June 2011 of 10% less 25% tax on 100,284,071 ordinary shares amounting to a total dividend of RM7,521,305 (7.5 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 30 June 2012.

32. CASH FLOWS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit / surplus before taxation	56,064	44,769	56,068	44,772
Investment income	(173,260)	(159,963)	(173,260)	(159,963)
Realised gains recorded in income statement	(37,787)	(37,705)	(37,787)	(37,705)
Purchases of FVTPL financial assets	(30,254)	(28,572)	(30,254)	(28,572)
Purchases of AFS investments	(2,195,808)	(1,746,266)	(2,195,808)	(1,746,266)
Proceeds from sale of AFS investments	1,924,186	1,319,220	1,924,186	1,319,220
Proceeds from sale of FVTPL financial assets	24,496	11,090	24,496	11,090
Proceeds from sale of investment properties	38,721	-	38,721	-
Proceeds from disposal of assets held for sale	4,270	-	4,270	-
Increase in LAR	24,758	235,767	24,758	235,767
Non-cash items:				
Depreciation of property and equipment	5,177	5,585	5,177	5,585
Gain on disposal of property and equipment	(12)	(47)	(12)	(47)
Loss on disposal of investment properties	159	-	159	-
Amortisation of intangible assets	470	485	470	485
Amortisation of prepaid land lease payments	12	9	12	9
Property and equipment written-off	30	1	30	1
Gain on disposal of assets held for sale	181	-	181	-
Revaluation surplus on investment properties	(90)	-	(90)	-
Provision for impairment of investments	-	5,303	-	5,303
Write-back of provision for diminution in value of investment	-	(3,854)	-	(3,854)
Net amortisation of investments	4,992	1,612	4,992	1,612
Investment income received	121,833	79,241	121,833	79,241
Impairment loss on insurance receivable	2,078	854	2,078	854
Changes in working capital:				
Increase in reinsurance assets	(2,121)	32,950	(2,121)	32,950
Increase in insurance receivables	(2,889)	(3,684)	(2,889)	(3,684)
Increase in other receivables	(8,093)	(2,402)	(8,093)	(2,402)
Increase in insurance contract liabilities	254,128	270,547	254,128	270,547
Increase in insurance payables	16,391	7,040	16,391	7,040
Increase in other payables	12,697	5,321	12,693	5,318
Cash generated from operating activities	40,329	37,301	40,329	37,301

The Company classifies the cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance and investment contracts, net of the cash flows for payments of benefits and claims incurred for insurance and investment contracts, which are respectively treated under operating activities.

33. OPERATING LEASE ARRANGEMENTS

(a) The Company as lessee

The Company has entered into a lease agreement for rental of equipment, software and services and office premises.

The future aggregate minimum lease payments under operating lease contracted for as at the reporting date but not recognised as liabilities are as follows:

Future minimum rental payments:

	2011 RM'000	2010 RM'000
Rental of equipment, software and services:		
Payable within one year	35	438
Payable after one year	35	-
	70	438
Rental of office premises:		
Payable within one year	994	849
Payable after one year	606	416
	1,600	1,265

(b) The Company as lessor

The Company has entered into non-cancellable operating lease arrangements on its portfolio of investment properties. The leases have remaining non-cancellable lease terms of between 1 and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

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

	2011 RM'000	2010 RM'000
Receivable with one year	1,914	1,889
Receivable after one year	749	1,363
	2,663	3,252

Rental income on investment properties recognised in income statement during the financial year is disclosed in Note 22.

34. CAPITAL COMMITMENTS

The commitments of the Group and of the Company as at the financial year-end are as follows:

	2011 RM'000	2010 RM'000
Capital expenditure:		
Approved and contracted for:		
Property and equipment	6,903	-
Intangible assets	13,375	22,238
	20,278	22,238
Approved but not contracted for:		
Property and equipment	3,299	7,515
Intangible assets	886	-
	4,185	7,515
	23,577	29,753

35. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties

The related parties and their relationship with the Company as at 30 June 2011 are as follow:

Name	**Relationship**
Zurich Asia Holdings Ltd ("ZAHL")	Corporate shareholder
Koperasi MCIS Berhad	Corporate shareholder
Associated Marine Insurers	Related company of ZAHL
Zurich American Insurance Company	Related company of ZAHL
Zurich International (Deutschland)	Related company of ZAHL
Zurich International (UK) Limited	Related company of ZAHL
Zurich Forsakring (Sweden)	Related company of ZAHL
Zurich Insurance Company (Switzerland)	Related company of ZAHL
Zurich Services (Hong Kong) Limited	Related company of ZAHL
Koperasi Konsumer Malaysia Berhad	A Co-operative in which a director Dato' Balaram a/l Petha Naidu is also a director
National Land Finance Co-operative Society	A Co-operative in which a director Dato' Balaram a/l Petha Naidu is also a director

The Company undertakes various transactions with related companies of ZAHL. The Directors are of the opinion that the reinsurance premiums ceded to related companies and related parties are contracted on terms and conditions no more favourable than those available with other reinsurance counterparties. Other related party transactions were also carried out on terms and conditions no more favourable than those available on similar transactions with unrelated parties, unless otherwise stated.

35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(a) Related parties (cont'd)

Group and Company	2011 RM'000	2010 RM'000
Transactions with related parties:		
(i) Interest income received from:		
National Land Finance Co-operative Society Limited	745	860
(ii) Rental income received from:		
Koperasi MCIS Berhad	86	86
Koperasi Konsumer Malaysia Berhad	100	126
(iii) Reinsurance premium ceded to:		
Zurich American Insurance Company	1,718	1,534
Zurich International (Deutschland)	4,355	4,064
Zurich Netherland	1,421	1,439
Zurich International (UK) Limited	5,228	5,962
Zurich Forsakring (Sweden)	620	754
Zurich Insurance Company (Switzerland)	22,657	18,825
	35,999	32,578
(iv) Reimbursable costs to:		
Zurich services (Hong Kong) Limited	549	2,120
Zurich Insurance Company (Switzerland)	106	172
	655	2,292
(v) Reimbursable costs from:		
Zurich services (Hong Kong) Limited	437	552
Zurich Insurance Company (Switzerland)	-	4
	437	556
(vi) Sale of property to:		
Koperasi Konsumer Malaysia Berhad	2,300	-
Balances with related parties:		
(i) Term loan granted to:		
National Land Finance Co-operative Society Limited	13,000	15,000
(ii) Included in insurance receivables (Note 9):		
Associated Marine Insurers	6	144
(iii) Included in insurance payables (Note 18):		
Zurich American Insurance Company	1,105	1,334
Zurich Forsakring (Sweden)	615	405
Zurich International (Deutschland)	1,887	1,735
Zurich International (UK) Limited	2,872	4,867
Zurich Insurance Company (Switzerland)	20,415	18,857
	26,894	27,198

The directors are of the opinion that all transactions entered into with related companies of ZAHL have been entered into in the normal course of business and have been established on terms and conditions that are determined on a negotiated basis. The transactions with National Land Finance Co-operative Society Limited have been established on an arm's length basis.

35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Key management personnel

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

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2011 RM'000	2010 RM'000
Salaries and bonuses	767	652
Contributions to EPF	192	279
Fees and allowances	777	940
Benefits-in-kind	36	35
	1,772	1,906

36. REGULATORY CAPITAL REQUIREMENT

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

	2011 RM'000	2010 RM'000
Eligible Tier 1 capital		
Share capital (paid-up)	100,284	100,284
Reserve, including retained earnings	890,899	874,137
	991,183	974,421
Tier 2 capital		
Eligible reserves	166,689	129,202
Amount deducted from capital	(423)	(1,293)
Total capital available	1,157,449	1,102,330

37. CONTINGENT LIABILITIES

(a) There are claims made against the Company by former agents and an ex-employee:

(i) A former agent had filed a suit against the Company for general damages for libel and malicious prosecution, loss of profits, punitive and exemplary damages and interest amounting to RM30 million with an interest rate of 8% thereon, as a result of winding up proceedings instituted by the Company against the agency involved.

(ii) An ex-employee is claiming for loss of earnings for incentive bonus which has been allegedly promised to him of approximately RM4.6 million. The Company's defence is that the claim does not form part of the employment contract.

(iii) A former Architect Firm had file a suit against the Company for architectural professional fees and project management fees amounting to RM4,105,750 with interest of 8% thereon together with cost and other relief that the Court thinks fit. The Company's defence is that it has paid all the fees specified and that the Plaintiff's action was time barred by virtue of the Limitation Act, 1953.

The Company is contesting the above claims and in the opinion of the directors, based on legal advice, no material losses are anticipated.

(b) The Group and Company also have other on-going disputes with certain former agents. Based on legal advice, no material losses are anticipated as a result of these disputes.

38. RISK MANAGEMENT FRAMEWORK

(a) Risk management framework

The Company has an integrated risk management framework and processes for identifying, measuring and monitoring and controlling risks which may impact both earnings and capital.

The responsibility for risk management and control is embedded into the respective business lines management to ensure that risk management processes are functioning effectively. The Risk Management Department functions independently for assessing and reporting the potential risk impact and probability across the organization and the adequacy of risk management actions. This includes assessing and reporting risks related to financial, insurance and operational aspects of the business.

The Compliance function provides support in complying with rules and regulations.

The Internal Audit function which is independent of the business functions also provides support in identifying and highlighting key risk areas for improvement.

The risk profiles, risk exposure, emerging risks and compliance with risk appetite and regulatory requirements as well as the adequacy of the mitigating actions are reviewed by the Enterprise Risk Management Committee ("ERMC") and reported to the Board Risk Management Committee ("BRMC") on a regular basis.

The Board Investment Committee provides oversight on all aspects of investment management to safeguard the interests of policyholders and shareholders.

38. RISK MANAGEMENT FRAMEWORK (CONT'D)

(b) Capital management objectives, policies and approach

Capital management risk is the risk of having insufficient capital, which may impact the implementation of strategic objectives, reduces the Company's ability to manage losses that are not anticipated, and reduces confidence of the market, policyholders and creditors.

The Company's capital management objectives are to maintain effective capital management processes and a level of capital resources consistent with the risk profiles approved by the Board from time to time to support business development thereby meeting the shareholders' requirements, stakeholders and meeting the capital adequacy requirement set by BNM.

The Capital Management Committee ("CMC") undertakes to implement capital framework for planning, managing, monitoring and optimizing the Company's capital position.

(c) Governance and regulatory framework

The Risk Management Policies identify the inherent risks and set out how the risks are to be managed. The policies include the level of tolerance (or appetite) in relation to each of the inherent risks and minimum standards of control that the company is expected to maintain.

The risk management governance process operates through delegation of authority from the Board to the CEO and oversight committees, Executive Management Committee ("EMC") Enterprise Risk Management Committee ("ERMC"), Risk Management Department ("RMD"), Capital Management Committee ("CMC"), Management Investment Committee ("MIC") and Product Development Committee.

39. INSURANCE RISK

Insurance risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Company to financial loss and may result in the inability to meet its liabilities.

Life insurance risk

The Company's life insurance businesses are exposed to a range of life insurance risks from various products. In providing financial advisory with insurance protection, the Company has to manage risks such as mortality (the death of policyholder), morbidity (ill heath), persistency, product design and pricing.

The mortality and morbidity risks are managed through the use of reinsurance to transfer risks in excess of the Company's risk appetite, appropriate actuarial methodologies/techniques as well as other risk mitigating measures.

Persistency (or lapsation) risk is managed through monitoring of experience. Where possible, the potential financial impact of lapses is reduced by persistency management, product design requirements, experience monitoring and management actions.

Poorly designed or inadequately priced products may lead to both financial loss and reputation risk to the Company. Policies have been developed to support the Company through complete product development process, financial analysis and pricing.

39. INSURANCE RISK (CONT'D)

The table below sets out the concentration of life insurance risk as at the reporting date:

Life insurance contracts (net)	2011 RM'000	2010 RM'000
Whole life	224,987	180,882
Term assurance	129,313	101,488
Endowment	1,876,452	1,799,925
Annuity	447,704	424,122
Others	50,260	22,601
	2,728,716	2,529,018

Key assumptions

Material judgment is required in the choice of assumptions to determine the value of life insurance liabilities. 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 further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The sensitivity analysis below shows the impact of changes in key assumptions on the value of life insurance liabilities. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on liabilities. The correlation of assumptions will have a significant effect in determining the liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

There are no material change to the methods used to derive assumptions from the previous year.

The following table highlights the sensitivity of the gross valuation liabilities to reasonably possible changes to the key assumptions:

Assumptions	Change	Impact on 30 June 2011 insurance contract liabilities RM'000
Base		2,728,716
Discount rates	+100 basis points	2,650,336
	- 100 basis points	2,828,606
Mortality and morbidity	Increase by 25%	2,774,359
	Decrease by 25%	2,692,517
Lapse and surrender	Increase by 25%	2,687,677
	Decrease by 25%	2,778,549
Expenses	Increase by 25%	2,786,318
	Decrease by 25%	2,675,414

39. INSURANCE RISK (CONT'D)

General insurance risk

The Company's general insurance businesses are exposed to the possibility of occurrence of an insured event and uncertainty of the amount and timing of the resultant claim. The principal risk that the Company faces is that the actual claims exceed the carrying amount of insurance liabilities.

The probability and severity of risk events are managed through a diversification of insurance portfolio and careful selection of risks, together with the implementation of underwriting strategy and guidelines, limiting the Company's exposure to large claims and catastrophes by placing risk with reinsurers as well as regular claims management and claims review to minimize the uncertainty of claims development as well as to mitigate dubious or fraudulent claims whilst ensuring fair claims settlement on a timely basis.

The table below sets out the concentration of general insurance risk by contract type as at the reporting date:

General insurance contracts	2011 RM'000 Net premium liabilities	2011 RM'000 Net claim liabilities	2010 RM'000 Net premium liabilities	2010 RM'000 Net claim liabilities
Marine, aviation and transit	1,564	8,478	1,212	6,088
Contractors all risks and engineering	851	5,106	2,411	4,125
Fire	5,030	9,934	6,341	11,093
Liabilities	2,046	5,913	1,209	4,980
Marine hull	283	1,560	261	2,011
Medical and health	1,541	1,301	2,182	1,256
Motor	50,628	88,473	39,931	63,110
Personal accident	2,018	4,912	1,910	4,394
Workmen compensation	198	478	184	282
Others	5,160	13,705	6,057	13,147
	69,319	139,860	61,698	110,486

General insurance contract liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. The estimates of the general insurance contract liabilities are therefore sensitive to various factors and uncertainties. The actual future premium and claims liabilities may not develop exactly as projected and may vary from initial estimates.

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgments are 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. Judgment is further used to assess the extent to which external factors, such as, judicial decisions and government legislation affect the probability and incidence of claims.

Other key circumstances affecting the reliability of assumptions include variation in interest rates and delays in settlement and changes in foreign currency rates.

39. INSURANCE RISK (CONT'D)

Sensitivities

The general insurance claim liabilities are sensitive to the key assumptions shown below. It is not possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on Gross and Net liabilities, Profit before Tax 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 had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
2011					
Average claim cost	+10%	24,800	14,000	(14,000)	(10,500)
Average number of claims	+10%	24,700	15,800	(15,800)	(11,850)
Average claim settlement period	+6 months	2,400	1,700	(1,700)	(1,275)
2010					
Average claim cost	+10%	19,200	10,700	(10,700)	(8,025)
Average number of claims	+10%	14,500	7,600	(7,600)	(5,700)
Average claim settlement period	+6 months	2,400	2,300	(2,300)	(1,725)

* impact on equity reflects adjustments for tax, when applicable

An equivalent decrease in the assumptions shown above would have resulted in an equivalent, but opposite, impact.

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and Incurred But Not Report ("IBNR") for each successive accident year at each reporting date, together with cumulative payments to-date.

In setting provisions for claims, 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. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Data pertaining to the gross general insurance liabilities prior to underwriting year 2009 was not available and hence only post underwriting year 2009 developments in gross general reinsurance liabilities are disclosed.

39. INSURANCE RISK (CONT'D)

Claims development table (cont'd)

Gross general insurance contract liabilities for 2011:

Accident year	PRAD	Inward Treaty	Prior to 2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At end of accident year								138,812	122,509	138,356	
One year later							92,042	118,533	127,396		
Two year later						86,183	83,631	114,331			
Three year later					80,684	82,146	84,431				
Four year later				59,730	78,405	82,316					
Five year later				60,283	78,038						
Six year later			68,022	59,419							
Seven year later			70,376								
Claims incurred			70,376	59,419	78,038	82,316	84,431	114,331	127,396	138,356	754,663
At end of accident year								(35,867)	(34,987)	(31,393)	
One year later							(53,509)	(77,002)	(76,116)		
Two year later						(62,100)	(66,396)	(92,098)			
Three year later					(67,225)	(64,764)	(72,201)				
Four year later				(55,496)	(69,540)	(69,831)					
Five year later				(56,787)	(71,125)						
Six year later			(63,483)	(57,455)							
Seven year later			(64,662)								
Payments to date			(64,662)	(57,455)	(71,125)	(69,831)	(72,201)	(92,098)	(76,116)	(31,393)	(534,881)
Gross general insurance contract liabilities per statement of financial position	31,290	8,031	5,714	1,964	6,913	12,485	12,230	22,233	51,280	106,963	259,103

39. INSURANCE RISK (CONT'D)

Claims development table (cont'd)

Net general insurance contract liabilities for 2011:

Accident year	PRAD	Inward Treaty	Prior to 2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At end of accident year			44,545	39,211	51,186	59,025	58,368	66,491	80,223	90,811	
One year later			34,737	35,527	44,123	55,160	56,254	65,385	79,234		
Two year later			34,352	34,110	43,257	52,402	54,077	65,517			
Three year later			33,600	33,701	41,838	50,733	54,864				
Four year later			32,482	33,087	41,416	50,888					
Five year later			32,380	34,945	40,322						
Six year later			31,435	33,226							
Seven year later			33,480								
Claims incurred			33,480	33,226	40,322	50,888	54,864	65,517	79,234	90,811	448,342
At end of accident year			(12,415)	(15,068)	(18,867)	(24,166)	(25,247)	(25,589)	(28,934)	(26,001)	
One year later			(24,497)	(26,581)	(32,700)	(41,105)	(41,418)	(49,414)	(55,416)		
Two year later			(26,526)	(28,607)	(34,616)	(42,906)	(44,933)	(55,312)			
Three year later			(28,228)	(29,744)	(36,387)	(44,080)	(48,026)				
Four year later			(28,677)	(30,292)	(37,881)	(47,214)					
Five year later			(29,730)	(33,116)	(38,006)						
Six year later			(30,324)	(32,337)							
Seven year later			(31,822)								
Payments to date			(31,822)	(32,337)	(38,006)	(47,214)	(48,026)	(55,312)	(55,416)	(26,001)	(334,134)
Net general insurance contract liabilities per statement of financial position	17,621	8,031	1,658	889	2,316	3,674	6,838	10,205	23,818	64,810	139,860

39. INSURANCE RISK (CONT'D)

Claims development table (cont'd)

Gross general insurance contract liabilities for 2010:

Accident year	PRAD	Inward Treaty	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
At end of accident year								138,812	122,509	
One year later							92,042	118,533		
Two year later						86,183	83,631			
Three year later					80,684	82,146				
Four year later				59,730	78,405					
Five year later			71,315	60,283						
Six year later			68,022							
Claims incurred			68,022	60,283	78,405	82,146	83,631	118,533	122,509	613,529
At end of accident year								(35,867)	(34,987)	
One year later							(53,509)	(77,002)		
Two year later						(62,100)	(66,396)			
Three year later					(67,255)	(64,764)				
Four year later				(55,496)	(69,540)					
Five year later			(62,811)	(56,787)						
Six year later			(53,297)							
Payments to date			(53,297)	(56,787)	(69,540)	(64,764)	(66,396)	(77,002)	(34,987)	(422,773)
Gross general insurance contract liabilities per statement of financial position	34,119	5,087	14,725	3,496	8,865	17,382	17,235	41,531	87,522	229,962

39. INSURANCE RISK (CONT'D)

Claims development table (cont'd)

Net general insurance contract liabilities for 2010:

Accident year	PRAD	Inward Treaty	Prior 2004 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
At end of accident year				44,545	39,211	51,186	59,025	58,368	66,491	80,223	
One year later				34,737	35,527	44,123	55,160	56,254	65,385		
Two year later				34,352	34,110	43,257	52,402	54,077			
Three year later				33,600	33,701	41,838	50,733				
Four year later				32,482	33,087	41,416					
Five year later				32,380	34,945						
Six year later				31,435							
Claims incurred				31,435	34,945	41,416	50,733	54,077	65,385	80,223	358,214
At end of accident year				(12,415)	(15,068)	(18,867)	(24,166)	(25,247)	(25,589)	(28,934)	
One year later				(24,497)	(26,581)	(32,700)	(41,105)	(41,418)	(49,414)		
Two year later				(26,526)	(28,607)	(34,616)	(42,906)	(44,933)			
Three year later				(28,228)	(29,744)	(36,387)	(44,080)				
Four year later				(28,677)	(30,292)	(37,881)					
Five year later				(29,730)	(33,116)						
Six year later				(30,325)							
Payments to date				(30,325)	(33,116)	(37,881)	(44,080)	(44,933)	(49,414)	(28,934)	(268,683)
Net general insurance contract liabilities per statement of financial position	13,845	4,933	2,177	1,110	1,829	3,535	6,653	9,144	15,971	51,289	110,486

40. FINANCIAL RISK

Market and credit risk

Market risk is the risk of assets or liabilities values being adversely affected by movement in the market prices or rates. This includes currency risk, interest rate risk and market price risk.

The Company manages market risk by setting polices on asset allocation, investment limits and diversification benchmark. The Company adopts the asset liability matching criteria to minimize the impact of mismatches between the values of assets and liabilities from market movements.

Exposure to fixed income provides the Company's largest market risk exposure. The Company monitors its exposure levels through regular stress/sensitivity testing and constant market supervision of the asset prices. Investment in derivatives is restricted.

(a) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed rate instrument expose the Company to fair value interest risk. The Company's exposure to interest rate risk arises primarily from investment in fixed income securities and deposits with licensed institutions.

The carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk is as disclosed in Note 7(g).

Sensitivity analysis:

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on income or loss and impact on equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate yield 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.

2011	Changes in basis points %	Effect on net income/ (loss) for the year RM	Effect on equity RM
Interest rates	+ 100 bps	-	(180,625)
Interest rates	- 100 bps	-	123,479

(b) Currency risk

Currency risk is the risk that the fair value or 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) with minimal exposure to foreign currency risks.

40. FINANCIAL RISK (CONT'D)

Market and credit risk (cont'd)

(c) Equity price risk

Equity price risk is that the fair value of equity assets will be adversely affected by movement in market prices (other than those arising from interest risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting similar financial instruments traded in the market.

The Company's exposure to equity price risk arises from its investment in quoted equities traded in the Bursa Malaysia. The Company manages its exposure to equity price risk by setting policies and investment parameters governing asset allocation and investments limits, having regard to such limits stipulated by BNM as well as specific assessment for equity investments falling below 30% of its average historical cost or a prolonged decline for 12 consecutive months.

Sensitivity analysis:

Management's best estimate of the effect on the net income for the year and equity due to a reasonably possible change in the FTSE Bursa Malaysia KLCI Index ("FBMKLCI") with all other variables held constant is indicated in the table below:

2011	Change in FBMKLCI %	Effect on net income/ (loss) for the year RM'000	Effect on equity RM'000
Market indices:			
FBMKLCI	+5%	-	12,284
FBMKLCI	-5%	-	(12,284)

(d) Credit risk

Credit risk is the risk of a financial loss resulting from the failure of an intermediary or counterparty to settle its financial and contractual obligations to the Company as when they fall due.

The Company's primary exposure to credit risk arises through its investment in fixed income securities and deposits, obligations of reinsurers through reinsurance contracts and receivables from sales of insurance policies. The Company has in place a credit control policy and investment policy to manage its credit risk.

The Company manages the exposure to individual counterparties pertaining to its investment in fixed income securities, by measuring the exposure against internal limits, taking into consideration of the credit ratings issued by the authorized rating agencies.

The Company actively monitors and considers the risk of a fall in value of the fixed asset securities from changes in the credit worthiness of the issuer by managing individual exposures as well as the concentration of credit risks in its fixed income portfolio through asset allocation, observing minimum credit rating requirements, duration maximum limits for corporate debt, maximum duration as well as setting maximum permitted exposure to single counterparty or group of counterparties.

40. FINANCIAL RISK (CONT'D)

Market and credit risk (cont'd)

(d) Credit risk (cont'd)

Cash and deposits are placed with financial institutions licensed under the Banking and Financial Institutions Act 1989 which are regulated by BNM, guided by the Company's approved exposure limits and minimum credit rating requirements.

Reinsurance arrangements are only placed with providers who meet the Company's counterparty credit standards and satisfy the minimum credit rating requirements of the Company. The Company reviews the credit condition of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Company cedes business to reinsurers that satisfy the minimum credit rating requirements of the Company.

Credit exposure

At the reporting date, the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial assets recognised in the statement of financial position as shown in the table below:

Group and Company	2011 RM'000	2010 RM'000
LAR		
Deposits with financial institutions	289,443	311,500
AFS		
Malaysian government securities	1,027,365	648,662
Government investment issues	38,326	103,263
Malaysian government guaranteed bonds	573,832	626,445
Quoted debt securities	1,881	2,821
Unquoted debt securities	1,062,657	1,043,750
FVTPL		
Malaysian government securities	-	4,054
Government investment issues	-	507
Malaysian government guaranteed bonds	3,553	-
Quoted debt securities	82	841
Unquoted debt securities	17,911	20,188
Reinsurance assets	179,510	177,389
Insurance receivables	58,493	57,682
Cash and bank balances	19,307	18,942
	3,272,360	3,016,044

The Company's policy loan portfolio is not included in the above as there are no significant credit exposures for policy loans as they are fully secured on the surrender values of related insurance contracts.

40. FINANCIAL RISK (CONT'D)

Market and credit risk (cont'd)

(d) Credit risk (cont'd)

Credit exposure (cont'd)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to Rating Agency of Malaysia, Malaysian Rating Corporation Berhad, AM-Best Company and Standards and Poor's credit ratings of counterparties credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

2011	Neither past-due nor impaired Investment grade (BBB to AAA) RM'000	Non-investment grade (C to BB) RM'000	Not-rated RM'000	Unit-linked RM'000	Past-due but not impaired RM'000	Total RM'000
LAR						
Deposits with financial institutions	281,438	-	-	8,005	-	289,443
AFS						
Malaysian government securities	-	-	1,027,365	-	-	1,027,365
Government investment issues	-	-	38,326	-	-	38,326
Malaysian government guaranteed bonds	-	-	573,832	-	-	573,832
Quoted debt securities	-	1,881	-	-	-	1,881
Unquoted debt securities	1,062,657	-	-	-	-	1,062,657
FVTPL						
Malaysian government guaranteed bonds	-	-	-	3,553	-	3,553
Quoted debt securities	-	-	-	82	-	82
Unquoted debt securities	-	-	-	17,911	-	17,911
Reinsurance assets	83,168	-	96,342	-	-	179,510
Insurance receivables	1,035	587	33,971	-	22,900	58,493
Cash and bank balances	16,919	-	-	2,388	-	19,307
	1,445,217	2,468	1,769,836	31,939	22,900	3,272,360

40. FINANCIAL RISK (CONT'D)

Market and credit risk (cont'd)

(d) Credit risk (cont'd)

Credit exposure (cont'd)

Credit exposure by credit rating (cont'd)

2010	Neither past-due nor impaired Investment grade (BBB to AAA) RM'000	Non-investment grade (C to BB) RM'000	Not-rated RM'000	Unit-linked RM'000	Past-due but not impaired RM'000	Total RM'000
LAR						
Deposits with financial institutions	305,779	-	-	5,721	-	311,500
AFS						
Malaysian government securities	-	-	648,662	-	-	648,662
Government investment issues	-	-	103,263	-	-	103,263
Malaysian government guaranteed bonds	-	-	626,445	-	-	626,445
Quoted debt securities	2,821	-	-	-	-	2,821
Unquoted debt securities	1,043,750	-	-	-	-	1,043,750
FVTPL						
Malaysian government securities	-	-	-	4,054	-	4,054
Government investment issues	-	-	-	507	-	507
Quoted debt securities	-	-	-	841	-	841
Unquoted debt securities	-	-	-	20,188	-	20,188
Reinsurance assets	81,737	-	95,652	-	-	177,389
Insurance receivables	1,074	553	34,076	-	21,979	57,682
Cash and bank balances	14,603	-	-	4,339	-	18,942
	1,449,764	553	1,508,098	35,650	21,979	3,016,044

40. FINANCIAL RISK (CONT'D)

Market and credit risk (cont'd)

(d) Credit risk (cont'd)

Credit exposure (cont'd)

It is the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

The Company has not provided the credit risk analysis for the financial assets of the unit-linked business where the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholders do not direct exposure to any credit risk in those assets.

Age analysis of financial assets past-due but not impaired:

	< 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Total
2011					
Insurance receivable	-	-	11,489	11,411	22,900
2010					
Insurance receivable	-	-	9,040	12,939	21,979

At the reporting date, all other financial assets are neither past-due nor impaired.

Impaired financial assets

At 30 June 2011, based on a individual and collective assessment of receivables, there are impaired insurance receivables of RM5,798,000 (2010: RM3,720,000). For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than six (6) months. The Company records impairment allowance for loans and receivables and insurance receivables in a separate Allowance for impairment loss account. A reconciliation of the allowance for impairment losses for loans and receivables and insurance receivables is as follows:

	Insurance receivables 2011 RM'000	Insurance receivables 2010 RM'000
At beginning of year, as previously stated	3,720	3,707
Effects of adopting FRS 4	-	(841)
At beginning of year, as restated	3,720	2,866
Charge for the year	2,078	854
At end of year	5,798	3,720

40. FINANCIAL RISK (CONT'D)

Market and credit risk (cont'd)

(d) Credit risk (cont'd)

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. No collaterals were received from any counterparty during the year (2010: Nil). No collaterals were repossessed by the Company during the year.

(e) Cash flow and liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations due to insufficient liquid resources, or would have to incur excessive cost in meeting the obligations. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Company manages the liquidity risk by monitoring daily cash inflows and outflows and by ensuring a reasonable amount of financial assets are kept in liquid instruments at all times. The Company also practices asset-liability management and ensures that the average investment duration and maturity profiles match the Company's liabilities.

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 form the analysis as they are not contractual obligations.

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.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

40. FINANCIAL RISK (CONT'D)

Market and credit risk (cont'd)

(e) Cash flow and liquidity risk (cont'd)

Maturity profiles (cont'd)

2011	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Financial investments:							
LAR	686,103	290,600	1,710	3,856	17,785	372,152	686,103
AFS	3,098,513	5,075	897,112	1,507,375	294,499	394,452	3,098,513
FVTPL	86,683	-	17,400	4,146	-	65,137	86,683
Reinsurance assets	179,510	116,088	58,290	5,132	-	-	179,510
Insurance receivables	58,493	56,140	1,897	456	-	-	58,493
Other receivables	59,259	59,259	-	-	-	-	59,259
Cash and bank balances	19,307	19,307	-	-	-	-	19,307
	4,187,868	546,469	976,409	1,520,965	312,284	831,741	4,187,868
Insurance contract liabilities	3,734,009	648,150	775,005	921,735	890,771	498,348	3,734,009
Insurance payables	148,262	146,800	1,462	-	-	-	148,262
Other payables	66,484	66,484	-	-	-	-	66,484
	3,948,755	861,434	776,467	921,735	890,771	498,348	3,948,755
2010							
Financial investments:							
LAR	710,793	309,278	1,338	5,248	23,801	371,128	710,793
AFS	2,751,977	12,019	650,737	1,199,505	562,680	327,036	2,751,977
FVTPL	71,645	-	20,188	5,402	-	46,055	71,645
Reinsurance assets	177,389	114,574	51,378	11,437	-	-	177,389
Insurance receivables	57,682	56,604	622	456	-	-	57,682
Other receivables	51,166	51,166	-	-	-	-	51,166
Cash and bank balances	18,942	18,942	-	-	-	-	18,942
	3,839,594	562,583	724,263	1,222,048	586,481	744,219	3,839,594
Insurance contract liabilities	3,130,308	236,592	697,337	894,527	808,620	493,232	3,130,308
Insurance payables	131,871	131,427	444	-	-	-	131,871
Other payables	53,791	53,791	-	-	-	-	53,791
	3,315,970	421,810	697,781	894,527	808,620	493,232	3,315,970

40. FINANCIAL RISK (CONT'D)

Market and credit risk (cont'd)

(e) Cash flow and liquidity risk (cont'd)

Maturity profiles (cont'd)

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

2011	Current* RM'000	Non-current RM'000	Unit-linked RM'000	Total RM'000
Property and equipment	-	84,254	-	84,254
Investment properties	-	1,790	-	1,790
Intangible assets	-	1,398	-	1,398
Prepaid land lease payments	-	278	-	278
Financial investments:				
LAR	282,595	395,503	8,005	686,103
AFS	5,076	3,093,437	-	3,098,513
FVTPL	-	-	86,683	86,683
Reinsurance assets	116,088	63,422	-	179,510
Insurance receivables	56,140	2,353	-	58,493
Other receivables	58,487	-	772	59,259
Cash and bank balances	16,919	-	2,388	19,307
Assets held for sale	7,305	-	-	7,305
Total assets	542,610	3,642,435	97,848	4,282,893

* expected utilisation or settlement within 12 months from the reporting date.

2010	Current* RM'000	Non-current RM'000	Unit-linked RM'000	Total RM'000
Property and equipment	-	82,657	-	82,657
Investment properties	-	47,885	-	47,885
Prepaid lease land	-	221	-	221
Intangible assets	-	290	-	290
Financial investments				
LAR	309,277	395,793	5,721	710,791
AFS	12,021	2,739,958	-	2,751,979
FVTPL	-	-	71,645	71,645
Reinsurance assets	177,389	-	-	177,389
Insurance receivables	57,682	-	-	57,682
Other receivables	50,564	-	602	51,166
Cash and bank balances	14,603	-	4,339	18,942
Assets held for sale	-	4,451	-	4,451
Total assets	621,536	3,271,255	82,307	3,975,098

40. FINANCIAL RISK (CONT'D)

Market and credit risk (cont'd)

(f) Operational risks

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events.

The Company mitigates operational risks by putting proper framework for controls and procedures, which includes total risk profiling, documented procedures, proper segregation of duties, access controls, authorization and reconciliation procedures and staff training.

The Compliance department will assess the effectiveness of the operational compliance and report to the ERMC and BRMC.

41. INSURANCE FUNDS

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

The balance sheet and income statement have been further analysed by funds and the Shareholders' and General Funds have been presented together as one fund.

Life Insurance Par Fund

The Life Insurance Par Fund contains all the individual participating life insurance contracts and certain nonparticipating life insurance contracts.

Participating life insurance contracts are contracts that contain a discretionary participating feature ("DPF"). This feature entitles the policyholders to receive additional benefits in the form of annual and terminal bonuses. The amount or timing of the bonus declaration is not guaranteed, and is at the sole discretion of the Company.

Life Insurance Non-Par Fund

The Life Insurance Non-Par Fund contains the health insurance and group term insurance businesses & contains no discretionary participating feature ("DPF").

Investment Linked Fund

The Investment Linked Fund contains the business of all investment-linked insurance contracts.

General Insurance Fund

The General Insurance Fund contains the business of all the general insurance contracts.

Shareholders' Fund

The Shareholders' Fund contains the capital contributions made by shareholders, net of transfers to and from the insurance funds and net assets relating to other non-insurance businesses.

41. INSURANCE FUNDS

The Company's activities are organised by funds and segregated into the Shareholders' and General, Life and Investment-Linked funds in accordance with the Insurance Act, 1996 and Insurance Regulations, 1996. The statements of financial position and income statements by funds are presented as follows:

Statements of financial position by funds as at 30 June 2011

	Shareholders' and General Funds			Life Fund			Investment-Linked Fund			Total		
	2011	2010	1 July 2009	2011	2010	1 July 2009	2011	2010	1 July 2009	2011	2010	1 July 2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets												
Property and equipment	798	828	866	83,456	81,829	87,150	-	-	-	84,254	82,657	88,016
Investment properties	-	-	-	1,790	47,885	48,885	-	-	-	1,790	47,885	48,885
Intangible assets	1	1	5	1,397	220	665	-	-	-	1,398	221	670
Prepaid land lease payments	-	-	-	278	290	299	-	-	-	278	290	299
Investments	540,095	483,119	442,841	3,236,516	2,973,930	2,701,636	94,688	77,366	67,697	3,871,299	3,534,415	3,212,174
Reinsurance assets	175,360	172,451	208,025	4,150	4,938	2,314	-	-	-	179,510	177,389	210,339
Insurance receivables	32,532	37,948	39,401	25,961	19,734	14,610	-	-	-	58,493	57,682	54,011
Other receivables	24,283	18,399	18,161	34,204	32,165	30,603	772	602	527	59,259	51,166	49,291
Cash and bank balances	7,512	1,757	2,195	9,407	12,846	7,968	2,388	4,339	2,383	19,307	18,942	12,546
Asset held for sale	-	-	-	7,305	4,451	-	-	-	-	7,305	4,451	-
Total assets	780,581	714,503	711,494	3,404,464	3,178,288	2,894,130	97,848	82,307	70,607	4,282,893	3,975,098	3,676,231
Total equity	315,556	292,214	275,532	-	-	-	-	-	-	315,556	292,214	275,532
Liabilities												
Insurance contract liabilities	384,539	344,635	355,235	3,255,495	3,053,320	2,785,103	93,975	81,926	68,996	3,734,009	3,479,881	3,209,334
Deferred tax liabilities	395	1,042	(1,815)	9,915	4,407	4,877	995	312	(179)	11,305	5,761	2,883
Insurance payable	66,961	61,951	66,619	81,301	69,920	58,212	-	-	-	148,262	131,871	124,831
Provision for taxation	4,970	7,118	8,371	2,202	4,410	5,017	105	52	119	7,277	11,580	13,507
Other payables	8,160	7,543	7,552	55,551	46,231	40,921	2,773	17	1,671	66,484	53,791	50,144
Total liabilities	465,025	422,289	435,962	3,404,464	3,178,288	2,894,130	97,848	82,307	70,607	3,967,337	3,682,884	3,400,699
Total equity and liabilities	780,581	714,503	711,494	3,404,464	3,178,288	2,894,130	97,848	82,307	70,607	4,282,893	3,975,098	3,676,231

41. INSURANCE FUNDS (CONT'D)

Income statements/revenue accounts by funds
For the financial year ended 30 June 2011

	Shareholders' and General Funds		Life Fund		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Operating revenue	277,495	249,040	636,508	601,031	914,003	850,071
Gross earned premiums	247,426	218,633	487,546	459,561	734,972	678,194
Premiums ceded to reinsurers	(111,835)	(105,955)	(6,049)	(9,633)	(117,884)	(115,588)
Net earned premiums	135,591	112,678	481,497	449,928	617,088	562,606
Investment income	19,306	16,881	148,962	141,470	168,268	158,351
Realised gains and losses	862	2,060	36,778	35,692	37,640	37,752
Fair value gains and losses	-	-	90	-	90	-
Fee and commission income	25,311	26,385	1,388	1,430	26,699	27,815
Other operating revenue	1,470	2,334	(200)	3,645	1,270	5,979
Other revenue	46,949	47,660	187,018	182,237	233,967	229,897
Gross benefits and claims paid	(103,209)	(97,508)	(317,095)	(267,297)	(420,304)	(364,805)
Claims ceded to reinsurers	36,470	33,910	940	6,017	37,410	39,927
Gross change to contract liabilities	(29,141)	24,126	(167,913)	(199,265)	(197,054)	(175,139)
Change in contract liabilities to reinsurers	(231)	(38,463)	-	-	(231)	(38,463)
Net claims	(96,111)	(77,935)	(484,068)	(460,545)	(580,179)	(538,480)
Fee and commission expense	(29,604)	(27,780)	(100,447)	(95,027)	(130,051)	(122,807)
Management expenses	(29,847)	(30,563)	(54,910)	(55,881)	(84,757)	(86,444)
Other expenses	(59,451)	(58,343)	(155,357)	(150,908)	(214,808)	(209,251)
Profit from operations	26,978	24,060	29,090	20,712	56,068	44,772
Transfer from revenue accounts*	12,873	12,249	(12,873)	(12,249)	-	-
Profit/surplus before taxation	39,851	36,309	16,217	8,463	56,068	44,772
Taxation	(7,967)	(11,654)	(16,217)	(8,463)	(24,184)	(20,117)
Net profit/surplus for the year	31,884	24,655	-	-	31,884	24,655

* The amount transferred from the Life Fund's Revenue Accounts to the Shareholders' Fund's income statement is net of tax.

41. INSURANCE FUNDS (CONT'D)

Statements of cash flows by funds
For the financial year ended 30 June 2011

	Shareholders' and General Funds		Life Fund		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash flows from:						
Operating activities	17,098	10,965	2,988	10,380	20,086	21,345
Investing activities	(63)	(121)	(8,376)	(3,546)	(8,439)	(3,667)
Financing activities	(11,282)	(11,282)	-	-	(11,282)	(11,282)
Net increase in cash and cash equivalents:	5,753	(438)	(5,388)	6,834	365	6,396
At beginning of year	1,758	2,196	17,184	10,350	18,942	12,546
At end of year	7,511	1,758	11,796	17,184	19,307	18,942

Investment-linked fund
Statements of financial position
As at 30 June 2011

	2011 RM'000	2010 RM'000	1 July 2009 RM'000
Assets			
Investments	94,688	77,366	67,697
Other receivables	772	602	527
Deferred tax assets	-	-	179
Cash and bank balances	2,388	4,339	2,383
Total assets	97,848	82,307	70,786
Liabilities			
Deferred tax liabilities	995	312	-
Provision for taxation	105	52	119
Other payables	2,773	17	1,671
Total liabilities	3,873	381	1,790
Net asset value of funds	93,975	81,926	68,996

Income statements
For the financial year ended 30 June 2011

	2011 RM'000	2010 RM'000
Investment income	3,934	2,832
Realised gains and losses	131	(130)
Fair value gains and losses	9,149	6,256
	13,214	8,958
Management expenses	(1,022)	(842)
Other expenses	(17)	(16)
Profit before taxation	12,175	8,100
Taxation	(1,009)	(707)
Net profit for the year	11,166	7,393

41. INSURANCE FUNDS (CONT'D)

Statements of changes in equity
For the financial year ended 30 June 2011

	2011 RM'000	2010 RM'000
At beginning of year	81,926	68,996
Net profit for the year	11,166	7,393
Creation of units	24,270	22,771
Cancellation of units	(23,387)	(17,234)
At end of year	93,975	81,926

42. COMPARATIVE

Certain comparative figures in the income statement and statement of financial position as at 30 June 2010 have been reclassified to conform with current year's presentation.

	As previously reported RM'000	Re-classi-fication RM'000	As restated RM'000
Income statements			
Gross premium	691,720	(691,720)	-
Reinsurance	(118,477)	118,477	-
Change in premium liabilities	(10,637)	10,637	-
	562,606	(562,606)	-
Gross earned premiums	-	678,194	678,194
Premiums ceded to reinsurers	-	(115,588)	(115,588)
	-	562,606	562,606
Net claims incurred	(339,215)	339,215	-
Gross claims paid	-	(364,805)	(364,805)
Claims ceded to reinsurers	-	39,927	39,927
Gross change to contract liabilities	-	(175,139)	(175,139)
Change in contract liabilities ceded to reinsurers	-	(38,463)	(38,463)
	-	(538,480)	(538,480)
Net commission	(94,992)	94,992	-
Commission income	-	27,815	27,815
Commission expense	-	(122,807)	(122,807)
	-	(94,992)	(94,992)
Management expenses	(85,665)	85,665	-
Investment income	158,351	(158,351)	-
Net other operating income	43,731	(43,731)	-
Allowance for doubtful debts	(779)	779	-
	115,638	(115,638)	-

42. COMPARATIVE (CONT'D)

	As previously reported RM'000	Re-classi-fication RM'000	As restated RM'000
Investment income	-	158,351	158,351
Realised gains and losses	-	37,752	37,752
Fair value gains and losses	-	-	-
Other operating revenue	-	5,979	5,979
Management expenses	-	(86,444)	(86,444)
	-	115,638	115,638
Statement of financial position			
Claim liabilities	139,971	(139,971)	-
Premium liabilities	61,697	(61,697)	-
	201,668	(201,668)	-
Reinsurance assets	-	177,389	177,389
Insurance contract liabilities	-	3,479,881	3,479,881
	-	3,657,270	3,657,270

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