MCIS ZURICH
INSURANCE

Annual Report 2010

Touching the lives of all

Directors' Report
&
Audited Financial Statements

30 JUNE 2010

CONTENTS	PAGE

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 2010.

PRINCIPAL ACTIVITIES

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 9 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Net profit for the year	24,652	24,655

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than those arising from the adoption of the Risk-Based Capital ("RBC") Framework, as disclosed in Note 2.4.

DIVIDENDS

The amount of dividends paid by the Company since the end of the previous financial year 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 2009 paid on 15 December 2009	7,521
Interim dividend of 5% less 25% tax, amounting to RM3,760,653 in respect of the financial year ended 30 June 2010 paid on 31 July 2010	3,761
	11,282

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 30 June 2010 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 2011.

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:

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

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

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

Denny Chan Yung Leung (resigned on 25 November 2009)
Non-independent, non-executive director

Chan Tat Yoong (appointed on 21 January 2010)
Non-independent, non-executive director

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's ("BNM") Guideline 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 are as follows:

(i) Audit Committee

The Audit Committee ("AC") comprises two independent, non-executive directors and one non-independent, non-executive directors. The composition of the AC is as follows:

Datuk Tan Kim Leong @ Tan Chong Min (Chairman)

Datuk Haji Mohamed Al-Amin bin Haji Abdul Majid

Tuan Haji Mustapha @ Mustapa bin Md Nasir

Mr. Gregory Joseph Della (resigned on 17 September 2009)

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 AC met 5 times during the year and during those meetings, deliberated on 21 internal audit reports. All these reports were tabled within the 1 month time-frame prescribed by BNM/RH/GL/003-2.

(ii) Risk Management Committee

The Risk Management Committee ("RMC") comprises one independent, non-executive director and three non-independent, non-executive directors. The composition of the RMC is as follows:

Datuk Haji Mohamed Al-Amin bin Haji Abdul Majid (Chairman)

Mr. Arokiasamy a/l Savarimuthu

Mr. Gregory Joseph Della

Tuan Haji Mustapha @ Mustapa bin Md Nasir

CORPORATE GOVERNANCE (CONTD.)

(ii) Risk Management Committee (Contd.)

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.

The RMC met 4 times during the financial year.

(iii) Nominating Committee

The Nominating Committee ("NC") comprises one independent, non-executive director and three non-independent, non-executive directors. The composition of the NC is as follows:

Datuk Haji Mohamed Al-Amin bin Haji Abdul Majid (Chairman)

Mr. Gregory Joseph Della

Tuan Haji Mustapha @ Mustapa bin Md Nasir

Mr. Arokiasamy a/l Savarimuthu

Denny Chan Yung Leung (resigned on 25 November 2009)

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.

The NC met 4 times during the financial year.

(iv) Remuneration Committee

The Remuneration Committee ("RC") comprises one independent, non-executive director and two non-independent, non-executive directors. The composition of the RC is as follows:

Datuk Tan Kim Leong @ Tan Chong Min (Chairman)

Mr. Arokiasamy a/l Savarimuthu

Mr. Gregory Joseph Della

CORPORATE GOVERNANCE (CONTD.)

(iv) Remuneration Committee (Contd.)

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 the Chief Executive Officer ("CEO") and Directors.

The RC met 3 times during the financial year.

(v) Investment Committee

The Investment Committee ("IC") comprises one independent, non-executive director and two non-independent, non-executive directors. The composition of the IC is as follows:

Datuk Tan Kim Leong @ Tan Chong Min (Chairman)

Mr. Arokiasamy a/l Savarimuthu

Mr. Gregory Joseph Della

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.

The IC met 4 times during the financial year

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

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

Directors	Number of Ordinary Shares of RM1.00 Each 1 July 2009	Bought	Sold	30 June 2010
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 income statements and balance sheets 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.

OTHER STATUTORY INFORMATION (CONTD.)

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

(i) any charge on the assets of the Group and 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 and of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and 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 and of the Company for the financial year in which this report is made.

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

(g) Before the balance sheets and income statements were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation method specified in Part D of the Risk-Based Capital ("RBC") Framework for insurers issued by Bank Negara Malaysia.

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 23 September 2010.

Balaram a/l Petha Naidu

Tan Kim Leong @ Tan Chong Min

Petaling Jaya, Malaysia
23 September 2010

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

We, Balaram a/l Petha Naidu and Tan Kim Leong @ Tan Chong Min 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 108 are drawn up in accordance with Financial Reporting Standards in Malaysia, as modified by Bank Negara Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2010 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 September 2010.

Balaram a/l Petha Naidu

Tan Kim Leong @ Tan Chong Min

Petaling Jaya, Malaysia
23 September 2010

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 108 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, l960.

Subscribed and solemnly declared by
the abovenamed Md. Adnan bin Md. Zain
at Petaling Jaya in Selangor Darul Ehsan
on 23 September 2010

Md. Adnan bin Md. Zain

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of MCIS ZURICH Insurance Berhad, which comprise the balance sheets as at 30 June 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 28 to 108.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, as modified by Bank Negara Malaysia, and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2010 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

REPORTING ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

OTHER MATTERS

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

Ernst & Young	Wong Lai Wah
AF: 0039	No.1956/04/11(J)
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
23 September 2010

BALANCE SHEETS

As at 30 June 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
ASSETS					
General business and shareholders' fund assets					
Property, plant and equipment	4(a)	828	866	828	866
Intangible assets	7	1	5	1	5
Investments	8(a)	482,981	440,355	482,981	440,355
Investment in subsidiary	9	-	-	-	-
Loans	10	138	-	138	-
Trade and other receivables	11(a)	43,257	45,898	43,257	45,898
Deferred tax assets	15	-	2,411	-	2,411
Cash and bank balances		1,757	2,195	1,757	2,195
Total general business and shareholders' fund assets		528,962	491,730	528,962	491,730
Total life business assets (page 32)		3,255,657	2,919,570	3,255,657	2,919,570
Total assets		3,784,619	3,411,300	3,784,619	3,411,300
LIABILITIES					
General business and shareholders' fund liabilities					
Claims liabilities	12(a)	110,487	96,150	110,487	96,150
Trade and other payables	14(a)	69,502	74,176	69,494	74,171
Provision for taxation		6,908	8,371	6,908	8,371
Deferred tax liabilities	15	1,042	-	1,042	-
Total general business and shareholders' fund liabilities		187,939	178,697	187,931	178,692
Total life business liabilities (page 32)		142,584	121,917	142,584	121,917
Total liabilities		330,523	300,614	330,515	300,609
INSURANCE RESERVES					
Premium liabilities	13	61,697	51,060	61,697	51,060
Life policyholders' fund	16	2,998,796	2,696,891	2,998,796	2,696,891
Unitholders' investment -linked fund	28(a)	81,926	68,996	81,926	68,996
Asset revaluation reserve	17	20,102	20,102	20,102	20,102
Total insurance reserves		3,162,521	2,837,049	3,162,521	2,837,049
SHAREHOLDERS' FUNDS					
Share capital	18	100,284	100,284	100,284	100,284
Share premium		24,740	24,740	24,740	24,740
Merger reserve	19	40,672	40,672	40,672	40,672
Available-for-sale reserves		4,355	-	4,355	-
Retained profits		121,524	107,941	121,532	107,946
Total shareholders' funds		291,575	273,637	291,583	273,642
Total liabilities, insurance reserves and shareholders' funds		3,784,619	3,411,300	3,784,619	3,411,300

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

STATEMENTS OF CHANGES IN EQUITY

For The Year Ended 30 June 2010

	Note	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	AFS reserve RM'000	Retained profits RM'000	Total RM'000
		<------------ Attributable to Equity holders of the Company ------------>					
		Non-distributable				Distributable	
Group							
At 30 June 2008		100,284	24,740	40,672	-	86,993	252,689
Net profit for the year		-	-	-	-	32,230	32,230
Dividends	20	-	-	-	-	(11,282)	(11,282)
At 30 June 2009		100,284	24,740	40,672	-	107,941	273,637
Effects due to adoption of RBC framework	2.4 (d)	-	-	-	1,677	213	1,890
At 1 July 2009 (restated)		100,284	24,740	40,672	1,677	108,154	275,527
Fair value changes in AFS investment		-	-	-	3,571	-	3,571
Deferred tax on fair value changes		-	-	-	(893)	-	(893)
Net profit for the year		-	-	-	-	24,652	24,652
Dividends	20	-	-	-	-	(11,282)	(11,282)
At 30 June 2010		100,284	24,740	40,672	4,355	121,524	291,575
Company							
At 30 June 2008		100,284	24,740	40,672	-	87,045	252,741
Net profit for the year		-	-	-	-	32,183	32,183
Dividends	20	-	-	-	-	(11,282)	(11,282)
At 30 June 2009		100,284	24,740	40,672	-	107,946	273,642
Effects due to adoption of RBC framework		-	-	-	1,677	213	1,890
At 1 July 2009 (restated)		100,284	24,740	40,672	1,677	108,159	275,532
Fair value changes in AFS investment		-	-	-	3,571	-	3,571
Deferred tax on fair value changes		-	-	-	(893)	-	(893)
Net profit for the year		-	-	-	-	24,655	24,655
Dividends	20	-	-	-	-	(11,282)	(11,282)
At 30 June 2010		100,284	24,740	40,672	4,355	121,532	291,583

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

INCOME STATEMENTS

For the year ended 30 June 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Operating revenue	21	875,674	808,474	875,674	808,474
Surplus transferred from:					
General Insurance Revenue Account (page 31)		20,894	26,917	20,894	26,917
Life Insurance Revenue Account (page 33)		12,249	11,664	12,249	11,664
		33,143	38,581	33,143	38,581
Shareholder's fund:					
Investment income	22	4,845	5,194	4,845	5,194
Net other operating income	23	492	1,217	492	1,217
Management expenses	24	(2,174)	(1,343)	(2,171)	(1,390)
Profit before taxation		36,306	43,649	36,309	43,602
Taxation	25	(11,654)	(11,419)	(11,654)	(11,419)
Net profit for the year		24,652	32,230	24,655	32,183
Earnings per share (sen)	26	24.6	32.1	24.6	32.1

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

GENERAL INSURANCE REVENUE ACCOUNT

For the year ended 30 June 2010

Group and Company	Note	Fire 2010 RM'000	Fire 2009 RM'000	Motor 2010 RM'000	Motor 2009 RM'000	Marine, Aviation and Transit 2010 RM'000	Marine, Aviation and Transit 2009 RM'000	Miscellaneous ("Misc.") 2010 RM'000	Miscellaneous ("Misc.") 2009 RM'000	Total 2010 RM'000	Total 2009 RM'000
Operating revenue	21									244,195	222,286
Gross premium		73,787	67,619	69,544	53,815	31,812	32,070	57,016	56,210	232,159	209,714
Reinsurance		(51,139)	(47,881)	(4,551)	(3,408)	(25,177)	(24,948)	(27,977)	(27,665)	(108,844)	(103,902)
Net premium		22,648	19,738	64,993	50,407	6,635	7,122	29,039	28,545	123,315	105,812
Decrease/(increase) in premium liabilities	13	51	4,590	(11,266)	(10,668)	1,158	(123)	(580)	(240)	(10,637)	(6,441)
Earned premium		22,699	24,328	53,727	39,739	7,793	6,999	28,459	28,305	112,678	99,371
Net claims incurred	27	(6,082)	(6,587)	(51,857)	(30,337)	(1,637)	(5,400)	(18,359)	(18,837)	(77,935)	(61,161)
Net commission received/ (paid)		7,189	6,205	(6,554)	(5,077)	453	811	(2,483)	(2,789)	(1,395)	(850)
Underwriting surplus/ (deficit) before management expenses		23,806	23,946	(4,684)	4,325	6,609	2,410	7,617	6,679	33,348	37,360
Management expenses	24									(27,538)	(23,593)
Underwriting surplus										5,810	13,767
Investment income	22									12,036	12,572
Net other operating income	23									3,902	960
Provision for doubtful debts										(854)	(382)
Surplus transferred to Income Statement (page 30)										20,894	26,917

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

LIFE INSURANCE BALANCE SHEET

As at 30 June 2010

	Note	Group and Company 2010 RM'000	2009 RM'000
ASSETS			
Assets held for sale	3	4,451	-
Property, plant and equipment	4(b)	59,961	64,897
Prepaid land lease payments	6	22,158	22,552
Intangible assets	7	220	665
Investments properties	5	47,885	48,885
Investments	8(b)	2,574,775	2,276,708
Loans	10	399,155	381,896
Trade and other receivables	11(b)	51,899	45,213
Cash and bank balances		12,846	7,968
Investment-linked business assets	28(a)	82,307	70,786
Total life business assets (page 28)		3,255,657	2,919,570
LIABILITIES			
Provision for outstanding claims	12(b)	29,484	26,295
Trade and other payables	14(b)	103,902	87,469
Provision for taxation		4,410	5,017
Deferred tax liabilities	15	4,407	1,346
Investment-linked business liabilities	28(a)	381	1,790
Total life business liabilities (page 28)		142,584	121,917
Due to general business and shareholders' fund	11(a)	12,249	11,664
Total liabilities		154,833	133,581
INSURANCE RESERVES			
Unitholders' investment-linked fund	28(a)	81,926	68,996
Life policyholders' fund	16	2,998,796	2,696,891
Asset revaluation reserve	17	20,102	20,102
Total insurance reserves		3,100,824	2,785,989
Total life business liabilities and insurance reserves		3,255,657	2,919,570

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

LIFE INSURANCE REVENUE ACCOUNT
For the year ended 30 June 2010

	Note	Group and Company 2010 RM'000	2009 RM'000
Operating revenue	21	626,634	580,994
Gross premium		459,561	414,459
Less: Reinsurance		(9,633)	(8,781)
Net premium		449,928	405,678
Benefits paid and payable:			
Death		(23,014)	(26,961)
Maturities		(133,472)	(99,570)
Surrenders		(49,616)	(42,640)
Annuity		(21,301)	(21,898)
Others		(33,877)	(33,409)
		(261,280)	(224,478)
Commission and agency expenses		(94,440)	(78,318)
Management expenses	24	(55,956)	(49,937)
		(150,396)	(128,255)
Investment income	22	141,470	145,432
Net other operating income	23	40,180	30,075
Write-back of doubtful debts		75	11
Surplus for the year before taxation		219,977	228,463
Taxation	25	(8,463)	(13,892)
Surplus for the year after taxation		211,514	214,571
Life policyholders' fund at 1 July 2009 (as previously stated)		2,696,891	2,493,984
Effects due to adoption of RBC Framework :			
Reversal of provision for diminution of investments, net of deferred tax		1,539	-
Impairment effects of AFS investments, net of deferred tax		(3,643)	-
Fair value measurement for AFS investments, net of deferred tax		41,605	-
Life policyholders' fund at 1 July 2009 (re-stated)		2,947,906	2,708,555
Movement in fair value of AFS investments, net of deferred tax		63,139	-
Surplus transferred to Income Statement (page 30)		(12,249)	(11,664)
Life policyholders' fund at 30 June 2010	16	2,998,796	2,696,891

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

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before taxation		36,306	43,649	36,309	43,602
Adjustments:					
Depreciation of property, plant and equipment		5,200	4,699	5,200	4,699
Amortisation of prepaid land lease payments		394	392	394	392
Amortisation of intangible assets		485	670	485	670
Provision for doubtful debts		854	382	854	382
Property, plant and equipment written-off		27	490	27	490
Gain on disposal of property, plant and equipment		(47)	-	(47)	-
Revaluation deficit on property, plant and equipment		-	261	-	261
Gain on disposal of investments		(37,575)	(25,196)	(37,575)	(25,196)
Revaluation surplus on investment properties		-	(5,236)	-	(5,236)
Provision for impairment of investments		5,303	-	5,303	-
Write-back of impairment loss		(3,854)	(1,714)	(3,854)	(1,714)
Life fund surplus for the year before taxation		219,977	228,463	219,977	228,463
Investment-linked fund surplus for the year before taxation		13,637	9,420	13,637	9,420
Life fund surplus transferred to income statement		(12,249)	(11,664)	(12,249)	(11,664)
Increase in premium liabilities		10,637	6,441	10,637	6,441
Net accretion of discounts of investment		(4,643)	(2,148)	(4,643)	(2,148)
Investment income		(174,071)	(163,101)	(174,071)	(163,101)
Operating (loss)/profit before working capital changes		60,381	85,808	60,384	85,761
(Increase)/Decrease in receivables		(4,974)	2,296	(4,974)	2,296
Increase in payables		10,105	17,662	10,102	17,715
Increase in loans		(17,397)	(30,120)	(17,397)	(30,120)
Increase in claims liabilities		17,526	19,213	17,526	19,213
Decrease in fixed and call deposits		253,164	151,707	253,164	151,707
Increase in amount due from subsidiary		-	6	-	-
Purchase of investments		(1,774,838)	(762,822)	(1,774,838)	(762,822)
Proceeds from disposal of investments		1,330,310	374,326	1,330,310	374,326
Investment income received		163,047	157,097	163,047	157,097
Cash generated from operations		37,324	15,173	37,324	15,173
Taxes paid (net of recoveries)		(15,956)	(18,496)	(15,956)	(18,496)
Net cash generated from/(used in) operating activities	29	21,368	(3,323)	21,368	(3,323)

CASH FLOW STATEMENTS

For the year ended 30 June 2010 (contd.)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment and intangible assets		(3,773)	(1,100)	(3,773)	(1,100)
Proceeds from disposal of property, plant and equipment		83	-	83	-
Net cash used in investing activities	29	(3,690)	(1,100)	(3,690)	(1,100)
CASH FLOW FROM FINANCING ACTIVITY					
Dividends paid representing cash used in financing activity	29	(11,282)	(11,282)	(11,282)	(11,282)
Net increase/(decrease) in cash and cash equivalents	29	6,396	(15,705)	6,396	(15,705)
Cash and cash equivalents at beginning of year		12,546	28,251	12,546	28,251
Cash and cash equivalents at end of year		18,942	12,546	18,942	12,546
CASH AND CASH EQUIVALENTS COMPRISE					
Cash on hand and at banks		18,942	12,546	18,942	12,546
Cash on hand and at banks are derived from:					
General business and shareholders' fund		1,757	2,195	1,757	2,195
Life fund		12,846	7,968	12,846	7,968
Investment-linked fund	28(a)	4,339	2,383	4,339	2,383
		18,942	12,546	18,942	12,546

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 9 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 23 September 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with Financial Reporting Standards in Malaysia ("FRSs") as modified by Bank Negara Malaysia ("BNM"), and the provisions of the Companies Act, 1965, the Insurance Act and Regulations, 1996 and the Guidelines/Circulars issued by BNM. The Company had adopted all FRSs, Interpretations of the Issues Committee ("IC Interpretations")and Amendments to FRSs and/or IC Interpretations except for those issued but not effective as described in Note 2.3.

The financial statements of the Company are prepared under the historical cost convention except for investment properties, freehold/leasehold land and buildings, investments that have been measured at their fair values and insurance liabilities in accordance with the valuation methods prescribed under Part D of the Risk-based Capital Framework for insurers issued by BNM ("the RBC Framework"). The RBC Framework became effective for all insurers beginning 1 January 2009 and the impact of the changes arising from the RBC Framework is discussed under Note 2.4.

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

General business assets and liabilities relate to both the general insurance and shareholders' funds.

2.2 Summary of Significant Accounting Policies

(a) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(a) Basis of Consolidation (Contd.)

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 statement 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 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.

(b) Property, Plant and Equipment

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

Subsequent to recognition, property, plant and equipment, except for freehold land and the buildings of the Life fund, are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land and the buildings of the Life fund are stated at revalued amounts, which is the fair value at the date of the revaluation less 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 market values. Any increase in the carrying amount arising from the revaluation of land and buildings of the Life fund is credited to an Asset Revaluation Reserve as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the Life Insurance Revenue Account, in which case the increase is recognised in the Life Insurance Revenue Account 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 balance sheet, and any remaining deficit is thereafter recognised in the Life Insurance Revenue Account. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to life fund surplus.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(b) Property, Plant and Equipment (Contd.)

Included in the Life fund's property, plant and equipment are freehold land, and leasehold and freehold buildings occupied for own use for the operations of the Company. Leasehold land are classified as prepaid land lease payment.

Depreciation of property, plant and equipment is calculated on a straight-line basis to write off the cost of each asset to its residual value over their estimated useful life. Work-in-progress is not depreciated and is stated at cost, until such time when such assets are completed and are ready for active use. No depreciation is provided for freehold land. Leasehold buildings are depreciated over their estimated useful lives or over the remaining lease term of the leasehold land on which the building resides, if the remaining leasehold term of the leasehold land is shorter than the estimated useful life of the building. The annual depreciation rates of other property, plant and equipment are:

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

The residual values, useful lives and depreciation methods are reviewed at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset is included in the income statement/revenue account in the year the asset is derecognised.

(c) Investments and Financial Assets

Prior to 1 July 2009

(i) Malaysian Government Securities and other approved investments

Malaysian Government Securities and other approved investments as specified by BNM are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on an effective yield basis from the dates of purchase to the maturity dates. The amortisation of premiums and accretion of discounts are recognised in the income statement/revenue account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(c) Investments and Financial Assets (Contd.)

(ii) Corporate Bonds

Corporate bonds which are secured or which carry a minimum rating of “BBB” or “P3” are valued at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on an effective yield basis from the dates of purchase to the maturity dates. Any bond with a lower rating is valued at the lower of cost or net realisable value. The amortisation of premiums and accretion of discounts are recognised in the income statement/revenue account.

(iii) Quoted investments

Quoted investments are stated at the lower of cost and market value determined on an aggregate portfolio basis by category of investment except that if diminution in value of a particular investment is not regarded as temporary in accordance with the requirements of BNM, provision is made against the value of that investment.

(iv) Unquoted and other investments

Unquoted and other investments are stated at cost less provision for any diminution in value.

Upon disposal of investments, the difference between net disposal proceeds and the net carrying amount was recognised in the income statement/revenue account.

Subsequent to 1 July 2009

On 1 July 2009, the Company changed its accounting policies in line with the requirements of the RBC Framework, and classified all its investments as Available-for-sale (“AFS”) with the exception of the unit-linked funds which are all classified as Held-for-Trading (“HFT”).

In accordance with the directive from BNM in relation to the adoption of the RBC framework, the effects of recognition, derecognition and measurement of financial instruments for the periods prior to 1 July 2009 is not reversed. Consequently, the comparatives for the year ended 30 June 2009 have not been re-stated.

The classification depends on the intention 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.

The Available-for-sale category is used when the relevant liabilities (including shareholders’ fund) are passively managed and/or carried at amortised cost. All regular way purchases and sales of investments are recognised either on the trade date or settlement date. Regular way purchases or sales of investments require delivery of assets within the period generally established by regulation or convention in the market place.

Investments are classified as Held-for-trading 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(c) Investments and Financial Assets (Contd.)

(i) Available-for-Sale ("AFS") Financial Assets

AFS are non-derivative financial assets not classified in any other categories. These investments are initially recorded at fair value. After initial recognition, AFS investments are measured at fair value. Any gain or losses from changes in fair value of the investments are recognised in fair values reserves in the Statement of Changes in Equity, or in the unallocated surplus of the Life Fund, except for impairment losses, which are recognised in the Income Statement/Revenue Account accordingly. The cumulative gain or loss previously recognised in equity is recognised in the Income Statement/Revenue Account when the financial asset is derecognised.

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

(ii) Held-for-Trading Financial Assets ("HFT")

Financial assets are classified as HFT if they are acquired for the purpose of selling in the near term.

These investments are initially recorded at fair value. Subsequent to initial recognition these investments are re-measured at fair value using prevailing market prices as at balance sheet date. Fair value adjustments and realised gains and losses are recognised in the income statement/revenue account.

Investments under the unit-linked funds are designated as HFT at inception as they are managed and evaluated on a fair value basis in accordance with the respective investment strategy and mandate.

(d) Fair value of Investments

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(d) Fair value of Investments (Contd.)

For financial instruments where there is no active market such as unquoted fixed income securities i.e. unquoted corporate bonds, the estimated fair values are based on the average indicative market prices obtained from a bond pricing agency in Malaysia.

If the fair value cannot be measured reliably, these investments are measured at cost, being the fair value of the consideration paid for the acquisition in 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.

(e) Impairment

(i) Financial Assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Objective evidence that a financial asset is impaired includes observable data about loss events such as significant financial difficulty of the issuer or obligor; significant adverse changes in the business environment in which the issuer or obligor operates and the disappearance of an active market for that investment because of financial difficulties which indicate that there is a measurable decrease in the estimated future cash flows. However, it may not be possible to identify a single discrete event that caused the impairment. Rather, the combined effect of several events is considered in determining whether an investment is impaired.

AFS Financial Assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, is transferred to the income statement/revenue account. Reversals of impairment losses on debt instruments classified as AFS are reversed through the income statement/revenue account if the increase in the fair value of the investments can be objectively related to an event occurring after the impairment losses were recognised in the income statement/revenue account.

When assessing the impairment of an equity instruments, the Company considers, in addition to observable data about loss events, whether there is significant or prolonged decline in the fair value to the equity instrument, and whether the cost of the investment in the equity instrument may be recovered. Where there is evidence that the cost of the investment in the equity instrument may not be recovered, impairment loss is provided.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(e) Impairment (Contd.)

(ii) Non-financial Assets

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

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

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in income statement and/or revenue accounts in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised in the income statement and/or revenue accounts, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(f) Financial Liabilities

Financial liabilities are recognised when due and measured on initial recognition at the fair value of the consideration received plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method, except for derivatives which are measured at fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(g) Financial Instruments : Derecognition of Financial Assets and Liabilities

A financial asset is derecognised when:

* The contractual right to receive cash flows from the financial asset expired.

* The Company retains the contractual rights to receive cash flow from the asset but has assumed obligation to pay them in the full without material delay to a third party.

* The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement/revenue account. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

(h) Loans and Receivables ("LAR")

LAR are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding balances as at the balance sheet date. Specific provisions are made for any premiums including agents, brokers and reinsurers' balances which remain outstanding for more than six months (except for motor premium balances which remain outstanding for more than 30 days) from the date on which then become receivable.

The fair values of variable rate loans are estimated to approximate their carrying values. For fixed rate loans, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at balance sheet date offered for similar facilities to new borrowers with similar credit profiles. In respect of non-performing loans, the fair values are deemed to approximate the carrying values which are net of interest/income-in-suspense and specific provision for bad and doubtful debts.

(i) 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 professional qualification and recent experience in the location and category of properties being valued.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(i) Investment Properties (Contd.)

Gains or losses arising from changes in the values of investment properties are recognised in the Life Insurance Revenue Account in the period 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 the Life Insurance Revenue Account in the period in which they arise.

(j) Non-current Assets Held For Sale

Non-current assets (or disposal groups) are classified as Held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary. Immediately before classification as Held-for-sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as Held-for-sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in income statement/revenue account.

(k) 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 accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite useful lives is recognised in the income statement/revenue account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(k) Intangible Assets (Contd.)

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. Any gains or losses arising on derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statement and/or revenue accounts when the asset is derecognised.

The cost of significant development of knowledge-based software and computer applications to meet the unique requirements of the insurance business is capitalised and recognised as an intangible asset in accordance with FRS 138. The Company establishes that these development costs will generate economic benefits beyond one year and are associated with identifiable software applications controlled by the Company. Software development costs are amortised from the date of system commissioning, on a straight line basis over its useful economic life of five (5) years. The carrying amount is assessed for impairment on an annual basis.

(l) Leases

(i) Classification

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(l) Leases (Contd.)

(ii) Finance Leases - The Group as Lessee (Contd.)

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

The depreciation policy for leased assets is in accordance with that of property, plant and equipment as described in Note 2.2 (b) and investment properties as described in Note 2.2 (i).

(iii) Operating Leases - The Group as Lessee

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

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

(m) General Insurance Underwriting Results

The general insurance underwriting results, other than those arising from inward treaty business, are determined for each class of business, after taking into account reinsurances, premium liabilities, net commissions, claims liabilities and any other additional reserves.

(i) Premium Income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(m) General Insurance Underwriting Results (Contd.)

(i) Premium Income (Contd.)

Inward treaty reinsurance premium are recognised on the basis of periodic advices received from ceding insurers. Outward reinsurance premiums are recognised in the same financial period as the original policy to which the reinsurance relates.

(ii) Premium Liabilities

Premium liabilities are reported at 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") with a provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the overall Company level at the end of the financial year. The URR requirement was established pursuant to the RBC Framework which became effective on 1 January 2009.

Unexpired Risk Reserve ("URR")

The URR is the prospective estimate of the expected future payments arising from future events insured under policies expected to be incurred during the unexpired period as at the valuation date. In estimating URR, the loss ratio is adjusted by taking into account all potential future payments, including but not limited to future claims payments, claims handling expenses and on-going policy administration cost arising from the unearned portion of premium collected.

In order to arrive at the 75% confidence level for URR, the proportionate PRAD is added with adjustments depending on the tail of each line of business.

Unearned Premium Reserves ("UPR")

The short-term UPR represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial year. In determining the UPR at balance sheet date, the method that most accurately reflects the actual liability is used, as follows:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(m) General Insurance Underwriting Results (Contd.)

(ii) Premium Liabilities (Contd.)

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

Motor	10%
Fire, engineering, aviation and marine hull	15%
Medical and health	
- Standalone individuals	15%
- Group of 3 or more	10%
Workmen's compensation and employers' liability	
- Foreign workers	10%
- Others	25%
Other classes	25%

- 1/8th method for all other classes of overseas inward treaty business with a deduction of 20% for commission;

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

(iii) Claims Liabilities

Claims liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. It is recognised in respect of both direct insurance and inward reinsurance. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligations at the balance sheet date.

Claims liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduced 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 balance sheet date. The liability is calculated at the reporting date by an independent actuarial firm using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that includes PRAD at a 75% confidence level. No provision for equalization or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(m) General Insurance Underwriting Results (Contd.)

(iii) Claims Liabilities (Contd.)

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

(iv) Acquisition Costs

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

(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 long-term liabilities to policyholders, made in accordance with the provisions of the Insurance Act, 1996 and Part D of the RBC Framework by the Company's appointed actuary. Any deficit arising from the actuarial valuation is recoverable from the shareholders' fund.

(i) Premium Income

Premium income includes premium recognized in the life fund and the investment-linked fund.

Premium income of the life fund is recognized as soon as the amount of premium can be reliably measured. First premium income is recognized on assumption of risks and subsequent premiums are recognized on due dates. Premium outstanding as at balance sheet date is recognized as income for the period provided it is still within the grace period allowed for payment.

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

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 or subsequent payments to increase the amount of that contract. Net creation of units is recognized on a receipt basis.

(ii) Commission and Agency Expenses

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(n) Life Insurance Underwriting Results (Contd.)

(iii) Provision for Claims

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

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

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

(a) maturity or other policy benefit payments due on specified dates are treated as claims payable on due dates; and

(b) 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.

(o) Other Revenue Recognition

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

(i) Interest on loans are recognised on an accrual basis except where a loan is considered non-performing, i.e. where repayments are in arrears for more than six months, in which case, recognition of such interest is suspended. Subsequent to suspension, interest is recognised on a receipt basis until all arrears have been paid.

(ii) Other interest income is recognised on an accrual basis.

(iii) Interest income is recognised on a time proportion basis that reflects the effective yield on the asset except where an event of default on interest payment has occurred, and the said interest remains outstanding for a period of more than six months. In such a case, the recognition of interest will be suspended. Subsequent to suspension, interest is recognised on receipt basis until all arrears have been paid.

(iv) Dividend income is recognised on a declared basis when the right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(o) Other Revenue Recognition (Contd.)

(v) Rental income is recognised on an accrual basis except where a default in the payment of rent has already occurred and rent due remains outstanding for more than six months, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on a receipt basis until all arrears have been paid.

(p) Foreign Currencies

Functional and Presentation Currency

Items included in the financial statement of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

Foreign Currency Transaction

Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded in the functional currency using the exchange rates prevailing at the dates of transactions. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rates that existed when the values were determined. All exchange rate differences are taken to the income statement/revenue accounts.

The principal exchange rate for every unit of United States Dollar ruling at balance sheet date used is RM3.26 (2009: RM3.52).

(q) Income Tax

Income tax on the profit and loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit/surplus for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(q) Income Tax (Contd.)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

(r) Employee Benefits

(i) Short Term Benefits

Wages, salaries and other salary related expenses are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plan

As required by law, the Group makes contributions to the national pension scheme, the Employees Provident Fund ("EPF"). The Group also makes additional contributions to the EPF for eligible employees by reference to their length of service and earnings. Such contributions are recognised as an expense in the income statement and/or revenue account as incurred.

(s) Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand and at banks, excluding fixed and call deposits. The cash flow statement has been prepared using the indirect method.

(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 will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes In Accounting Policies And Effects Arising From Adoption Of New and Revised FRSs, Amendments to FRSs and IC Interpretations

At the date of authorisation of these financial statements, the following new FRSs, amendment to FRS, Interpretations of the Issues Committee ("IC Interpretations") and Technical Releases ("TRs") have been issued but are not yet effective for the current financial year and have not been adopted by the Company.

Effective for financial periods beginning on or after 1 January 2010

(i) FRS 4: Insurance Contracts
(ii) FRS 7: Financial Instruments - Disclosure
(iii) FRS 101: Presentation of Financial Statements (revised 2009)
(iv) FRS 123: Borrowing Costs
(v) FRS 139: Financial Instruments - Recognition and Measurement
(vi) Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
(vii) Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellations
(viii) Amendments to FRS 132: Financial Instruments : Presentation
(ix) Amendments to FRS 132: Financial Instruments : Presentation (Classification of Rights Issues)
(x) Amendments to FRS 139: Financial Instruments : Recognition and Measurement, FRS 7: Financial Instruments: Disclosure and IC Interpretation 9: Reassessment of Embedded Derivatives
(xi) Amendments to FRSs contained in the document entitled 'Improvements to FRSs (2009)'
(xii) IC Interpretation 9: Reassessment of Embedded Derivatives
(xiii) IC Interpretation 10: Interim Financial Reporting and Impairment
(xiv) IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions
(xv) IC Interpretation 13: Customer Loyalty Programmes
(xvi) IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
(xvii) TR i-3: Presentation of Financial Statements of Islamic Financial Institutions

Effective for financial periods beginning on or after 1 July 2010

(i) FRS 1: First-time Adoption of Financial Reporting Standards (revised 2010)
(ii) FRS 3: Business Combinations (revised 2010)
(iii) FRS 127: Consolidated and Separate Financial Statements (revised 2010)
(iv) Amendments to FRS 2: Share-based Payment
(v) Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
(vi) Amendments to FRS 138: Intangible Assets
(vii) Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
(viii) IC Interpretation 12: Service Concession Arrangements
(ix) IC Interpretation 15: Agreements for the Construction of Real Estate
(x) IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
(xi) IC Interpretation 17: Distributions of Non-cash Assets to Owners

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes In Accounting Policies And Effects Arising From Adoption Of New and Revised FRSs, Amendments to FRSs and IC Interpretations (Contd.)

Effective for financial periods beginning on or after 1 January 2011

(i) Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
(ii) Amendments to FRS 1: Additional Exemptions for First-time Adopters
(iii) Amendments to FRS 2: Group cash-settled Share-based Payment Transactions
(iv) Amendments to FRS 7: Improving Disclosures about Financial Instruments
(v) IC Interpretation 4: Determining whether an Arrangement contains a Lease
(vi) IC Interpretation 18: Transfer of Assets from Customers
(vii) TR3 : Guidance on Disclosure of Transition to IFRSs
(viii) TRi-4: Shariah compliant Sale Contracts

The impact of applying FRS 4, FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Company.

(i) FRS 139 Financial Instruments: Recognition and Measurement

This standard establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. Requirements for presenting and disclosing information about financial instruments are as required under FRS 132: Financial Instruments: Presentation and FRS 7: Financial Instruments -Disclosures.

(ii) FRS 4 Insurance Contracts

This standard specifies the financial reporting requirements for insurance contracts by any entity that issues such contracts, including disclosures to assist users of financial statements understand the amounts, timing and uncertainty of future cash flows arising from insurance contracts.

(iii) FRS 7 Financial Instruments: Disclosures

This standard requires both quantitative and qualitative disclosures in respect of an entity's exposure to financial instruments and related risks. It also requires enhanced disclosures regarding components of the Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes In Accounting Policies And Effects Arising From Adoption Of New and Revised FRSs, Amendments to FRSs and IC Interpretations (Contd.)

(iv) FRS 101 Presentation of Financial Statements (Revised 2009)

This standard sets the overall requirements for the presentation of financial statements, guidelines for their structure and the minimum requirements for their content.

This standard separates owner and non-owner changes in equity, whereby the statement of changes in equity will include only details of transactions with owners, and all non-owner changes in equity will be presented as a single line, labelled as total comprehensive income. The standard also introduces a statement of comprehensive income, which presents all items of income and expense recognized in the income statement, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The Company is currently evaluating the format to be adopted. 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 reclassification of items in the financial statements. The adoption of this revised FRS will not have any impact on the financial position and results of the Company.

2.4 Adoption of The Risk Based Capital ("RBC") Framework

The Company adopted the RBC Framework which is applicable to all insurers licensed under the Insurance Act 1996 effective from 1 January 2009. Insurers are required to apply the new valuation bases for assets and liabilities as specified under Part D of the RBC Framework.

The RBC Framework also requires that any adjustments to the carrying amounts of assets and liabilities as a result of the adoption of the new valuation bases above, must be recognised as adjustments to the balance of retained earnings and unallocated surplus brought forward via the creation of an AFS reserve at the beginning of the financial year.

The effects on adoption of RBC prospectively on 1 July 2009 and description of the changes affecting the opening balances of retained earnings and unallocated surplus and AFS reserves, related assets and liabilities are summarised below:

Changes in Accounting Treatment

(a) Investments

(i) Investments measured at Fair Value Through Profit and Loss

Financial instruments under the unit-linked funds are designated as fair value through profit and loss at inception. The financial instruments include debt instruments and equity instruments.

Fair value for quoted financial instruments are derived from the quoted closing market prices at the balance sheet date. The fair value of unquoted fixed income securities are based on the average indicative market prices obtained from licensed financial institutions.

Gains or losses arising from the change in fair value are recognised in the income statement/revenue account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Adoption of The Risk Based Capital ("RBC") Framework (Contd.)

Changes in Accounting Treatment (Contd.)

(a) Investments (Contd.)

(ii) Investments measured at AFS

Financial instruments classified as AFS are measured at fair value. With the exception of financial instruments under the unit-linked funds, all financial instruments of the Life and General insurance funds, and Shareholders fund are classified as AFS. These financial instruments consists of debt and equity instruments comprising of common stock and unquoted shares.

Gains or losses arising from changes in the fair value of AFS financial instruments are recognised in the AFS reserves in Statement of Changes in Equity/life policyholder's fund except for impairment losses which are recognised in the income statement/ revenue account.

The fair value of these investments are determined as disclosed in Note 2.2 (d).

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

On derecognition, the cumulative gain or loss recognised in equity or in the unallocated surplus of the life insurance funds is reclassified from equity/life policyholder's fund into income statement/revenue account. The effects on the balance sheet and income statement/revenue account are set out in Note 2.4 (d).

(b) Life Insurance Contract Liabilities

Upon the adoption of the RBC framework, the valuation of life insurance contract liabilities has changed from Net Premium Valuation method to Gross Premium Valuation method.

Under the Net Premium Valuation method, the liability was ascertained by deducting the present value of the net premiums from the present value of the sums assured and bonuses (if any), discounted at prescribed fixed interest rate. An allowance was made for preliminary expenses on regular premium Whole Life and Endowment Assurances.

Under the Gross Premium Valuation method, Guaranteed benefits reserve were calculated as present values of sum assured, vested bonuses (if any), other guaranteed benefits, distribution expenses, management expenses less present value of gross premiums discounted at risk free rate. Total benefit reserves were calculated as present values of sum assured, vested bonuses plus best estimate of non-guaranteed future bonuses, other guaranteed benefits, distribution expenses, management expenses less the present value of gross premium, discounted at the net of tax fund-based yield.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Adoption of The Risk Based Capital ("RBC") Framework (Contd.)

Changes in Accounting Treatment (Contd.)

(b) Life Insurance Contract Liabilities (Contd.)

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

(c) General Insurance Contract Liabilities

The RBC Framework introduced new features in the estimation of general insurance liabilities comprising of both premium liabilities and claims liabilities.

Prior to 1 July 2009, claims liabilities are valued at best estimate which includes provision for claims reported, claims incurred but not enough reserved ("IBNER") and claims incurred but not reported ("IBNR"). Premium liabilities comprised of unearned premium reserves computed for all lines of business.

Under the RBC Framework, claims liabilities are valued at best estimate with an additional Provision of Risk Margin for Adverse Deviation ("PRAD") at a 75% confidence level calculated at the overall Company level, allowing discounting, diversification and allowing the actuary to include inflation in the estimation.

Under the RBC Framework, premium liabilities are reported at the higher of the aggregate of the unearned premium reserve ("UPR") for all lines of business and the best estimate value of the insurer's unexpired risk reserves ("URR") at the end of the financial year and the provision of risk margin for adverse deviation ("PRAD") calculated at a 75% confidence level at the overall Company level.The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force at the end of the financial year including allowance for insurer's expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Adoption of The Risk Based Capital ("RBC") Framework (Contd.)

Changes in Accounting Treatment (Contd.)

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

(i) 1 July 2009

The following table presents the changes to the affected balance sheet items, arising from the adoption of the RBC Framework for insurers with effect from 1 July 2009. Pursuant to the Framework, the resultant changes are reflected in the opening balance retained earnings and/or unallocated surplus and via the creation of AFS reserves as at 1 July 2009, as appropriate. These adjustments are detailed as follows:

	As previously stated 1 July 2009 (RM'000)	Effected of RBC Framework Increase/ Decrease (RM'000)	As restated 1 July 2009 (RM'000)
General Business and Sharehoder's fund			
Retained earnings	107,941	213	108,154
Reversal of provision for diminution of investments		863	
Impairment loss on investments		(612)	
Deferred tax effects relating to investments		(38)	
AFS Reserves	-	1,677	1,677
Effects of fair value adjustments		2,235	
Deferred tax effects		(558)	
Life Fund			
Policyholders' fund	2,696,891	(2,104)	2,694,787
- Unallocated surplus		30,939	
Change in valuation of actuarial liabilities		33,043	
Reversal of provision for diminution of investments		1,672	
Impairment loss on investments		(3,863)	
Deferred tax effects relating to investments		87	
- Actuarial liabilities		(33,043)	
Change in valuation of actuarial liabilities		(33,043)	
AFS Reserve	-	41,605	41,605
Effects of fair value adjustments		45,223	
Deferred tax effects		(3,618)	

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Adoption of The Risk Based Capital ("RBC") Framework (Contd.)

Changes in Accounting Treatment (Contd.)

(d) Summary of effects of change in accounting treatment on the current financial year's financial statements (Contd.)

(ii) 30 June 2010

The following table provide estimates of the extent to which each of the line items in the balance sheet and income statement/revenue accounts for the financial year ended 30 June 2010 are higher or lower than it would have been had the previous policies been applied in the current financial year.

Effects on Balance Sheet as at 30 June 2010

General business and shareholders' fund	Increase/ (decrease) RM'000
Fair value of investments	(5,228)
AFS reserves	5,807
Deferred tax assets	1,452
Retained earnings	599
Life fund	
Fair value of investments	(112,200)
AFS reserves	113,852
Deferred tax assets	9,108
Life Policyholders' fund	1,567

Effects on Income Statement/Revenue Account for the year ended 30 June 2010

	Increase/ (decrease) General business and shareholders' fund RM'000	Life fund RM'000
Other operating income	799	1,703
Profit before taxation	799	-
Profit after taxation	599	-
Surplus before taxation	-	1,703
Surplus after taxation	-	167

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgement Made in Applying Accounting Policies

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

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

The Company has developed certain criteria based on FRS 140 : 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 a 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.

(b) Key Sources of Estimation Uncertainty

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

(i) Depreciation and amortisation

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgements (Contd.)

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

(ii) Impairment

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, a significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, and significant adverse industry or economic changes.

Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and CGUs, and future market conditions. Changes in circumstances may lead to changes in estimates and assumptions, and result in changes to the recoverable amounts of assets and impairment losses needed.

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

(iii) Uncertainties in accounting estimates

Impairment of unquoted investments is made after considering several factors, including business viability of the investee, potential recovery of capital invested and present values of any future dividend or income streams thereon. The present values of future income streams are measured by applying an expected rate of return that reflects the risk profile of the investment. These are compared against the carrying costs of investments and appropriate judgement and consideration is made by management to ascertain if the current carrying costs continue to be relevant. This assessment is performed at each balance sheet date and is critically reviewed by management, taking into consideration specific industry and economic factors relevant to the investment concerned.

General insurance business

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgements (Contd.)

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

(iii) Uncertainties in accounting estimates (Contd.)

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

The estimates of premiums and claims liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions in an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premiums and claims liabilities may vary from the initial estimates.

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

Life insurance business

The estimation of the ultimate liability arising from claims made under life insurance policies is a critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the life insurance will ultimately be required to pay as claims.

For life insurance contracts, estimates are made for future deaths, disabilities, maturities, investment returns, voluntary terminations and expenses in accordance with contractual and regulatory requirements. The company bases the estimate of expected number of deaths on statutory mortality tables, adjusted where appropriate to reflect the company's unique risk exposures. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgements (Contd.)

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

(iv) Deferred tax assets

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

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

3. ASSETS HELD FOR SALE

Life Fund		Company	
		2010	2009
	Note	RM'000	RM'000
At 1 July		-	-
Reclassified from			
Investment Properties		1,000	-
Property and equipment	4 (b)	3,451	-
At 30 June		4,451	-

The Group and Company has entered into a Sales and Purchase Agreement to dispose off three parcels of properties. The disposals are pending completion as at 30 June 2010.

Location of Property	Date of Sales and Purchase Agreement	Sales Consideration (RM'000)	Carrying Value at 30 June 2010 (RM'000)
Muar Johor	23 February 2010	870	990
Kuala Lumpur	29 June 2010	2,300	2,461
Kuala Lumpur	11 December 2009	1,100	1,000
		4,270	4,451

4. PROPERTY, PLANT AND EQUIPMENT

(a) General business and shareholders' fund

	Group and Company				
	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office and computer equipment RM'000	Office renovation RM'000	Total RM'000
2010					
Cost					
At 1 July 2009	1,289	1,100	3,801	68	6,258
Additions	-	34	87	-	121
Disposal	(256)	-	(387)	-	(643)
Write-offs	-	-	(84)	-	(84)
At 30 June 2010	1,033	1,134	3,417	68	5,652
Accumulated Depreciation					
At 1 July 2009	719	946	3,666	61	5,392
Charge for the year	48	32	75	4	159
Disposal	(256)	-	(387)	-	(643)
Write-offs	-	-	(84)	-	(84)
At 30 June 2010	511	978	3,270	65	4,824
Net Book Value					
At 30 June 2010	522	156	147	3	828
2009					
Cost					
At 1 July 2008	1,289	1,066	3,754	68	6,177
Additions	-	34	48	-	82
Disposal	-	-	(1)	-	(1)
At 30 June 2009	1,289	1,100	3,801	68	6,258
Accumulated Depreciation					
At 1 July 2008	719	912	3,565	57	5,253
Charge for the year	-	34	101	4	139
At 30 June 2009	719	946	3,666	61	5,392
Net Book Value					
At 30 June 2009	570	154	135	7	866

4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(b) Life Fund

	Group and Company							
	At Cost					At Valuation		
						Properties		
	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	Freehold Land RM'000	Buildings RM'000	Total RM'000
Cost/Valuation								
At 1 July 2009	1,614	9,059	17,722	5,617	559	13,195	45,565	93,331
Additions	-	192	826	41	2,558	-	-	3,617
Disposal	(142)	-	(959)	-	-	-	-	(1,101)
Write-offs	-	(6)	(21)	-	-	-	-	(27)
Reclassified as asset held for sale	-	-	-	-	-	(2,620)	(890)	(3,510)
At 30 June 2010	1,472	9,245	17,568	5,658	3,117	10,575	44,675	92,310
Accumulated Depreciation								
At 1 July 2009	724	6,387	15,175	5,258	-	-	890	28,434
Charge for the year	16	778	907	213	-	-	3,127	5,041
Disposal	(85)	-	(956)	-	-	-	-	(1,041)
Write-offs	-	(5)	(21)	-	-	-	-	(26)
Reclassified as asset held for sale	-	-	-	-	-	-	(59)	(59)
At 30 June 2010	655	7,160	15,105	5,471	-	-	3,958	32,349
Net Book Value								
At 30 June 2010	817	2,085	2,463	187	3,117	10,575	40,717	59,961

4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(b) Life Fund (Contd.)

	Group and Company							
	At Cost					At Valuation		
						Properties		
	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	Freehold Land RM'000	Buildings RM'000	Total RM'000
Cost/Valuation								
At 1 July 2008	1,365	8,925	17,328	5,617	899	12,730	63,600	110,464
Revaluation surplus/(deficit) transferred to Asset revaluation reserve (Note 19)	-	-	-	-	-	465	(17,774)	(17,309)
Revaluation deficit transferred to Other Operating Expenses (Note 25)	-	-	-	-	-	-	(261)	(261)
Additions	249	134	395	-	150	-	-	928
Disposals	-	-	(1)	-	-	-	-	(1)
Write-offs	-	-	-	-	(490)	-	-	(490)
At 30 June 2009	1,614	9,059	17,722	5,617	559	13,195	45,565	93,331
Accumulated Depreciation								
At 1 July 2008	662	5,623	14,164	4,603	-	-	14,576	39,628
Charge for the year	62	764	1,011	655	-		2,068	4,560
Revaluation surplus/(deficit) transferred to Asset revaluation reserve (Note 19)	-	-	-	-	-	-	(15,754)	(15,754)
At 30 June 2009	724	6,387	15,175	5,258	-	-	890	28,434
Net Book Value								
At 30 June 2009	890	2,672	2,547	359	559	13,195	44,675	64,897

4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(b) Life Fund (Contd.)

Freehold land and buildings were revalued in February and April 2009. The properties were valued 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 land and buildings stated at revalued amounts are as follows:

(i) Freehold land and buildings:

Year of Valuation	Location of Property	District	Valuation by professional valuer RM'000
2009	Sungai Petani, Kedah	Kuala Muda	780
2009	Kulim, Kedah	Kulim	280
2009	Seremban, Negeri Sembilan	Seremban	280
2009	Bentong, Pahang	Bentong	620
2009	Kuantan, Pahang	Kuala Kuantan	1,000
2009	Butterworth, Penang	Seberang Perai	700
2009	George Town, Penang	Timur Laut	6,000
2009	Taiping, Perak	Larut & Matang	600
2009	Ipoh, Perak	Kinta	3,300
2009	Sitiawan, Perak	Manjung	90
2009	Kuching, Sarawak	Kuching	2,700
2009	Kuala Lumpur	Kuala Lumpur	2,470
2009	Kuala Lumpur	Kuala Lumpur	3,150
2009	Port Dickson, Negeri Sembilan	Port Dickson	320
2009	Teluk Intan, Perak	Hilir Perak	350
			22,640

(ii) Leasehold buildings:

2009	Kluang, Johor	Kluang	320
2009	Alor Setar, Kedah	Kota Setar	145
2009	Melaka	Melaka Tengah	800
2009	Port Dickson, Negeri Sembilan	Port Dickson	180
2009	Kangar, Perlis	Utan Aji	180
2009	Kota Bahru, Kelantan	Kota Bahru	320
2009	Kota Kinabalu, Sabah	Kota Kinabalu	690
2009	Petaling Jaya, Selangor	Petaling	29,975
			32,610
			55,250

5. INVESTMENT PROPERTIES

Life Fund

	Group and Company 2010 RM'000	2009 RM'000
Fair value		
At beginning and end of year	48,885	43,649
Gain from fair value adjustment	-	5,236
Reclassified as asset held for sale	(1,000)	-
At end of year	47,885	48,885

Freehold land and buildings were revalued in February and April 2009. The properties were valued 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 land and buildings stated at revalued amounts are as follows:

Year of Valuation	Location of Property	District	Valuation by professional valuer RM'000
Freehold land and buildings:			
2009	Johor Bahru, Johor	Johor Bahru	1,000
2009	Kuala Lumpur	Kuala Lumpur	6,865
2009	Kulim, Kedah	Sungai Seluang	440
2009	Ipoh, Perak	Kinta	110
2009	Ipoh, Perak	Kinta	50
2009	Hulu Selangor, Selangor	Hulu Selangor	700
2009	Johor Bahru, Johor	Johor Bahru	3,500
2009	Kuala Lumpur	Kuala Lumpur	16,320
2009	Kuala Lumpur	Kuala Lumpur	16,300
2009	Kuala Lumpur	Kuala Lumpur	2,600
			47,885

6. PREPAID LAND LEASE PAYMENTS

Life Fund

	Group and Company	
	2010	2009
	RM'000	RM'000
Long term leasehold land		
Cost		
At beginning and end of year	24,120	24,120
Accumulated amortisation		
At beginning of year	1,568	1,176
Charge for the year	394	392
At end of year	1,962	1,568
Net carrying amount	22,158	22,552

7. INTANGIBLE ASSETS

	Group and Company			
	General business and shareholders' fund		Life fund	
Software development costs	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cost				
At beginning of year	7,910	7,910	5,948	5,858
Additions	1	-	35	90
Write-offs	(13)	-	-	-
At end of year	7,898	7,910	5,983	5,948
Accumulated amortisation				
At beginning of year	7,905	7,873	5,283	4,645
Charge for the year	5	32	480	638
Write-offs	(13)	-	-	-
At end of year	7,897	7,905	5,763	5,283
Net Book Value	1	5	220	665

8. INVESTMENTS

(a) General business and shareholders' fund

2010	Group and Company Cost RM'000	Group and Company Fair Value RM'000
Malaysian Government Papers:		
Malaysian Government Securities	138,235	139,177
Government Investment Issues	7,058	6,931
Malaysian Government Guaranteed bonds	87,148	86,813
	232,441	232,921
Quoted in Malaysia:		
Unit-linked and Real Estate Investment Trusts	23,865	26,575
Shares in corporations	9,646	11,520
	33,511	38,095
Unquoted in Malaysia:		
Corporate bonds	149,744	150,486
Fixed and call deposits with licenced banks	61,479	61,479
	477,175	482,981

* Included in shares in corporations are impairment for AFS financial assets amounted to RM660,555 (2009: Nil).

2009	Group and Company Cost RM'000	Group and Company Market Value RM'000
Malaysian Government Papers:		
Malaysian Government Securities	86,651	
Net amortisation of premiums	(1,233)	
	85,418	86,644
Government Investment Issues	18,863	
Net amortisation of premiums	(2)	
	18,861	18,600
Malaysian Government Guaranteed bonds	24,235	
Net amortisation of premiums	(1,814)	
	22,421	21,572

8. INVESTMENTS (CONTD.)

(a) General business and shareholders' fund (Contd.)

	Group and Company Cost RM'000	Group and Company Market Value RM'000
Quoted in Malaysia:		
Unit-linked investment	4,480	
Provision for diminution in value	(37)	
	4,443	5,926
Shares in corporations	10,815	
Provision for diminution in value	(725)	
	10,090	10,090
Unquoted in Malaysia:		
Corporate bonds	114,733	
Net accretion of discounts	3,111	
Provision for diminution in value	(6,285)	
	111,559	112,347
Institutional Trust Fund	91	91
Fixed and call deposits with licenced banks	187,472	
	440,355	

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 general business and shareholders' fund of the Group and Company are as follows:

	Group and Company Range of effective interest rates (per annum) 2010 %	Group and Company Range of effective interest rates (per annum) 2009 %
Malaysian Government Securities	2.51 - 5.09	2.51 - 6.84
Government Investment Issues	3.91 - 3.91	3.08 - 3.91
Malaysian Government Guaranteed bonds	3.45 - 7.00	3.58 - 7.00
Corporate bonds	3.00 - 7.25	3.00 - 7.25
Fixed and call deposits placed with licensed financial institutions	2.25 - 2.60	1.80 - 3.80

8. INVESTMENTS (CONTD.)

	Group and Company Interest-bearing contractual re-pricing or maturity dates (whichever is earlier) 1 year or less RM'000	1 year to 5 years RM'000	More than 5 years RM'000	Total RM '000
2010				
Malaysian Government Securities	-	122,752	16,425	139,177
Government Investment Issues	-	-	6,931	6,931
Malaysian Government Guaranteed bonds	-	70,384	16,429	86,813
Corporate bonds	4,854	116,238	29,394	150,486
Fixed and call deposits placed with licensed banks	58,384	-	3,095	61,479
	63,238	309,374	72,274	444,886
2009				
Malaysian Government Securities	5,014	75,397	5,007	85,418
Government Investment Issues	-	11,797	7,064	18,861
Malaysian Government Guaranteed bonds	5,000	-	17,421	22,421
Corporate bonds	7,910	80,016	23,633	111,559
Fixed and call deposits placed with licensed banks	187,472	-	-	187,472
	205,396	167,210	53,125	425,731

(b) Life Fund

2010	Group and Company Cost RM'000	Fair Value RM'000
Malaysian Government Papers:		
Malaysian Government Securities	500,517	509,485
Government Investment Issues	96,109	96,332
Malaysian Government Guaranteed bonds	521,133	539,632
	1,117,759	1,145,449
Quoted in Malaysia:		
Unit-linked and Real Estate Investment Trusts	35,322	37,010
Shares in corporations	188,168	244,592
	223,490	281,602

8. INVESTMENTS (CONTD.)

(b) Life Fund (Contd.)

	Group and Company	
	Cost RM'000	Fair Value RM'000
Unquoted in Malaysia:		
Corporate bonds	868,034	896,085
Shares in corporations	7,339	7,339
Negotiable certificate of deposit	20,023	20,023
	895,396	923,447
Fixed and call deposits with:		
Licensed banks	223,591	223,591
Licensed foreign bank	686	686
	224,277	224,277
	2,460,922	2,574,775

* Included in shares in corporations and unit-linked investment and real estate investment trusts are impairment for AFS financial assets amounted to RM1,317,000 and RM906,000 respectively (2009: Nil).

	Group and Company	
	Cost RM'000	Market Value RM'000
2009		
Malaysian Government Papers:		
Malaysian Government Securities	399,885	
Net amortisation of premiums	(757)	
	399,128	398,319
Government Investment Issues	53,396	
Net amortisation of premiums	(13)	
	53,383	51,481
Malaysian Government Guaranteed bonds	341,802	
Amortisation of premiums	(14,280)	
	327,522	326,201

8. INVESTMENTS (CONTD.)

(b) Life Fund (Contd.)

	Group and Company Cost RM'000	Group and Company Market Value RM'000
Quoted in Malaysia:		
Unit trusts	10,517	
Provision for diminution in value	(1,661)	
	8,856	8,860
Shares in corporations	207,571	
Provision for diminution in value	(5,239)	
	202,332	234,407
Unquoted in Malaysia:		
Corporate bonds	800,512	
Net accretion of discounts	35,431	
Provision for diminution in value	(6,282)	
	829,661	844,600
Shares in corporations	7,408	
Provision for diminution in value	(11)	
	7,397	
Negotiable certificates of deposit	20,398	
Amortisation of premiums	(335)	
	20,063	
Institutional Trust Fund	90,857	
Fixed and call deposits with:		
Licensed banks	336,789	
Licensed foreign bank	720	
	337,509	
	2,276,708	

8. INVESTMENTS (CONTD.)

(b) Life Fund (Contd.)

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

	Group and Company Range of effective interest rates (per annum)	
	2010	2009
	%	%
Malaysian Government Securities	3.50 - 5.73	3.50 - 5.73
Government Investment Issues	3.91 - 4.49	3.08 - 3.91
Malaysian Government Guaranteed bonds	3.64 - 7.75	3.58 - 7.75
Negotiable certificates of deposit	6.50	6.50
Corporate bonds	2.50-10.35	2.50-10.35
Fixed and call deposits placed with licensed financial institutions	0.25 - 2.70	0.50 - 4.00

	Group and Company Interest-bearing contractual re-pricing or maturity dates (whichever is earlier)			
	1 year or less	1 year to 5 years	More than 5 years	Total
	RM'000	RM'000	RM'000	RM '000
2010				
Malaysian Government Securities	2,053	113,558	393,873	509,484
Government Investment Issues	-	-	96,332	96,332
Malaysian Government Guaranteed bonds	-	70,794	468,838	539,632
Negotiable certificates of deposit	20,023	-	-	20,023
Corporate bonds	5,113	157,008	733,964	896,085
Fixed and call deposits placed with licensed banks	224,277	-		224,277
	251,466	341,360	1,693,007	2,285,833

8. INVESTMENTS (CONTD.)

(b) Life Fund (Contd.)

	Group and Company Interest-bearing contractual re-pricing or maturity dates (whichever is earlier) 1 year or less RM'000	1 year to 5 years RM'000	More than 5 years RM'000	Total RM '000
2009				
Malaysian Government Securities	-	103,847	295,281	399,128
Government Investment Issues	-	4,997	48,386	53,383
Malaysian Government Guaranteed bonds	30,000	10,000	287,522	327,522
Negotiable certificates of deposit	-	20,063	-	20,063
Corporate bonds	34,842	199,779	595,040	829,661
Fixed and call deposits placed with licensed banks	337,509	-	-	337,509
	402,351	338,686	1,226,229	1,967,266

9. SUBSIDIARY

General business and shareholders' fund

	Company 2010 RM'000	2009 RM'000
Unquoted shares, at cost	100	100
Less: Provision for impairment loss	(100)	(100)
	-	-

Details of subsidiary:

Name	Country of Incorporation	Proportion of Equity Interest 2010 %	2009 %	Principal Activity
Cramson (Malaysia) Bhd.	Malaysia	100	100	Dormant

10. LOANS

(a) General business and shareholders' fund

	Group and Company 2010 RM'000	Group and Company 2009 RM'000
Agency Financing Scheme	138	-

The Agency Financing Scheme is a scheme under which interest free loan facilities are granted by the Company to selected candidates for the purpose of agency recruitment. The Scheme is designed to assist the newly recruited agents to stabilize their income during the initial stages of their career development. The disbursements of loans are reviewed on a quarterly basis and subject to agents meeting the required minimum production and persistency quota.

(b) Life fund

	Group and Company 2010 RM'000	Group and Company 2009 RM'000
Policy loans	371,128	349,528
Mortgage loans	18,327	23,263
Term loan to a related party (Note 31(a)(i))	15,000	17,000
Other secured loans	580	707
Unsecured loans	5	11
	405,040	390,509
Interest-in-suspense	(5,484)	(5,017)
Provision for doubtful debts	(401)	(3,596)
	399,155	381,896
Loans receivable within 12 months	1,274	14,823
Loans receivable after 12 months	397,881	367,073
	399,155	381,896

The average effective interest rates of the loans receivable are as follows:

	2010 % per annum	2009 % per annum
Policy loans	8.38	8.45
Mortgage loans	7.21	7.86
Term loan	7.00	7.00
Other loans	4.00	4.00

11. TRADE AND OTHER RECEIVABLES

(a) General business and shareholders' fund

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Trade receivables:				
Outstanding premiums, including agents, brokers and co-insurers balances	40,041	38,476	40,041	38,476
Amounts due from reinsurers	1,627	4,632	1,627	4,632
	41,668	43,108	41,668	43,108
Provision for doubtful debts	(4,561)	(3,707)	(4,561)	(3,707)
	37,107	39,401	37,107	39,401
Other receivables:				
Sundry receivables, deposits and prepayments	2,300	3,035	2,300	3,035
Income due and accrued	3,850	3,462	3,850	3,462
	6,150	6,497	6,150	6,497
Total receivables	43,257	45,898	43,257	45,898
Due from life fund *	12,249	11,664	12,249	11,664

* There are no balances receivable or payable between the general business and shareholders' fund, and the life fund. This is because the amounts due from life fund in the Company's balance sheet at page 28, amounting to RM12,248,718 (2009: RM11,664,000) has been offset against the amount due to general business and shareholder's fund in the life fund balance sheet at page 32, amounting to RM12,248,718 (2009: RM11,664,000).

(b) Life fund

	Group and Company 2010 RM'000	Group and Company 2009 RM'000
Trade receivables:		
Outstanding premiums, including agents balances	16,520	11,816
Amounts due from reinsurers	3,214	2,794
	19,734	14,610
Other receivables:		
Sundry receivables, deposits and prepayments *	4,619	6,902
Income due and accrued	29,116	25,438
	33,735	32,340
Provision for doubtful debts	(265)	(264)
Rental-in-suspense	(1,305)	(1,473)
	32,165	30,603
Total receivables	51,899	45,213

* Included in other receivables, deposits and prepayments of the Life fund is an amount of RM684,571 (2009: RM1,819,619), being tax recoverable from the Inland Revenue Board in respect of the current and previous years' taxation on dividend income.

12. CLAIMS LIABILITIES/PROVISION FOR OUTSTANDING CLAIMS

	Group and Company 2010 RM'000	2009 RM'000
(a) General business		
Claims liabilities	196,212	209,253
Recoverable from reinsurers	(85,725)	(113,103)
Net claims liabilities	110,487	96,150
(b) Life fund		
Provision for outstanding claims	34,421	28,609
Recoverable from reinsurers	(4,937)	(2,314)
Net outstanding claims	29,484	26,295

13. PREMIUM LIABILITIES

General business

	<------------------ Group and Company ------------------->				
	Fire RM'000	Motor RM'000	Marine, Aviation and Transit RM'000	Misc. RM'000	Total RM'000
2010					
At beginning of year	6,392	28,664	2,684	13,320	51,060
(Decrease)/increase in premium liabilities	(51)	11,266	(1,158)	580	10,637
At end of year	6,341	39,930	1,526	13,900	61,697
2009					
At beginning of year	10,982	17,996	2,561	13,080	44,619
(Decrease)/increase in premium liabilities	(4,590)	10,668	123	240	6,441
At end of year	6,392	28,664	2,684	13,320	51,060

14. TRADE AND OTHER PAYABLES

(a) General business and shareholders' fund

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Trade payables:				
Due to reinsurers	52,837	57,985	52,837	57,985
Due to agents, brokers and co-insurers	9,114	8,634	9,114	8,634
	61,951	66,619	61,951	66,619
Other payables and accruals	7,551	7,557	7,543	7,552
Total payables	69,502	74,176	69,494	74,171

(b) Life fund

	Group and Company 2010 RM'000	Group and Company 2009 RM'000
Trade payables:		
Due to reinsurers	4,387	2,862
Due to agents	24,356	19,382
	28,743	22,244
Other payables:		
Due to policyholders	24,521	20,456
Provision for agency related expenses	16,656	15,512
Other payables and accruals	33,982	29,257
	75,159	65,225
Total payables	103,902	87,469

15. DEFERRED TAX (ASSETS)/LIABILITIES

Group and Company

	General business and shareholders' fund		Life fund	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At beginning of year	(2,411)	(2,307)	1,346	873
- As previously stated				
- Effects due to fair value movement of investments assets	559	-	3,438	-
- As restated	(1,852)	(2,307)	4,784	873
Deferred tax on AFS reserve:				
Recognised in fair value reserves	893	-	5,490	-
Recognised in the Income Statement/Life Insurance Revenue Account (Note 25)	2,001	(104)	(5,867)	473
At end of year	1,042	(2,411)	4,407	1,346

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax (assets)/liabilities shown in the Balance Sheets have been determined after appropriate offsetting as follows:

	General business and shareholders' fund		Life fund	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deferred tax liabilities	3,331	1,728	18,980	4,567
Deferred tax assets	(2,289)	(4,139)	(14,573)	(3,221)
	1,042	(2,411)	4,407	1,346

15. DEFERRED TAX (ASSETS)/LIABILITIES (CONTD.)

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

2010
Deferred Tax Liabilities of the Group and Company:

General business and shareholders' fund

	Investment assets RM'000	Accelerated capital allowance on property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 July 2009	-	369	1,359	1,728
Recognised in fair value reserves	1,589	-	-	1,589
Recognised in the Income Statement	-	(310)	324	14
At 30 June 2010	1,589	59	1,683	3,331

Life fund

	Investment assets RM'000	Accelerated capital allowance on property, plant and equipment RM'000	Accretion of discounts on investments RM'000	Total RM'000
At 1 July 2009	-	378	4,189	4,567
Recognised in fair value reserves	9,108	-	-	9,108
Recognised in the Life Insurance Revenue Account	-	1,836	3,469	5,305
At 30 June 2010	9,108	2,214	7,658	18,980

15. DEFERRED TAX (ASSETS)/LIABILITIES (CONTD.)

Deferred Tax Assets of the Group and Company:

General business and shareholders' fund

	Investment assets RM'000	Accelerated capital allowance on property, plant and equipment RM'000	Amortisation of premiums RM'000	Others RM'000	Total RM'000
At 1 July 2009	-	(841)	(3,107)	(191)	(4,139)
Recognised in fair value reserves	(137)	-	-	-	(137)
Recognised in the Income Statement	-	357	1,604	26	1,987
At 30 June 2010	(137)	(484)	(1,503)	(165)	(2,289)

Life fund

	Investment assets RM'000	Amortisation of premiums RM'000	Total RM'000
At 1 July 2009	-	(3,221)	(3,221)
Recognised in fair value reserves	(3,618)	-	(3,618)
Recognised in the Life Insurance Revenue Account	-	(7,734)	(7,734)
At 30 June 2010	(3,618)	(10,955)	(14,573)

General business and shareholders' fund

2009

	Accelerated capital allowance on property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 July 2008	300	834	1,134
Recognised in the Income Statement	69	525	594
At 30 June 2009	369	1,359	1,728

15. DEFERRED TAX (ASSETS)/LIABILITIES (CONTD.)

Life fund

	Accelerated capital allowance on property, plant and equipment RM'000	Accretion of discounts on investments RM'000	Total RM'000
At 1 July 2008	1,807	3,843	5,650
Recognised in the Life Insurance Revenue Account	(1,429)	346	(1,083)
At 30 June 2009	378	4,189	4,567

General business and shareholders' fund

	Accelerated capital allowance on property, plant and equipment RM'000	Amortisation of premiums RM'000	Others RM'000	Total RM'000
At 1 July 2008	(746)	(2,587)	(108)	(3,441)
Recognised in the Income Statement	(95)	(520)	(83)	(698)
At 30 June 2009	(841)	(3,107)	(191)	(4,139)

Life fund

	Provision for investments RM'000	Amortisation of premiums RM'000	Total RM'000
At 1 July 2008	(1,203)	(3,574)	(4,777)
Recognised in the Life Insurance Revenue Account	1,203	353	1,556
At 30 June 2009	-	(3,221)	(3,221)

16. LIFE POLICYHOLDERS' FUND

Life fund

	Group and Company 2010 RM'000	Group and Company 2009 RM'000
Actuarial liabilities		
At beginning of year (as previously stated)	2,398,357	2,240,743
Effects due to adoption of RBC Framework:		
- Change in valuation of actuarial liabilities	(33,043)	-
At beginning of year (restated)	2,365,314	2,240,743
Add: Increase in policy reserves	92,808	88,165
Bonus allocated to participating policyholders (including interim bonus) from normal surplus	92,084	86,766
Less: Interim bonus paid	(21,188)	(17,317)
At end of year	2,529,018	2,398,357
Unallocated surplus		
At beginning of year (as previously stated)	298,534	253,241
Effects due to adoption of RBC Framework:		
- Change in valuation of actuarial liabilities	33,043	-
- Reversal of provision for diminution of investments	1,672	-
- Impairment effects of AFS investments	(3,864)	-
- Deferred tax effects relating to investments	87	-
At beginning of year (restated)	329,472	253,241
Add: Surplus arising during the year	139,895	143,723
Less: Bonus allocated to participating policyholders (including interim bonus) from normal surplus	(92,084)	(86,766)
Transfer to income statement	(12,249)	(11,664)
At end of year	365,034	298,534
Available For Sale Reserves		
At beginning of year (as previously stated)	-	-
Effects due to adoption of of RBC Framework:		
- Fair value changes on AFS investments	45,223	-
- Deferred tax on fair value changes	(3,618)	-
At beginning of year (restated)	41,605	-
Fair value changes on AFS investments	68,629	-
Deferred tax on fair value changes	(5,490)	-
At end of year	104,744	-
Life Policyholders' Fund as at end of year:		
Actuarial liabilities	2,529,018	2,398,357
Unallocated surplus	365,034	298,534
AFS reserves	104,744	-
	2,998,796	2,696,891

17. ASSET REVALUATION RESERVE

Life fund

	Group and Company	
	2010 RM'000	2009 RM'000
At beginning of year	20,102	21,657
Revaluation surplus/ (deficit) transferred from property, plant and equipment (Note 4 (b))		
Freehold land	-	465
Buildings	-	(2,020)
At end of year	20,102	20,102

The asset revaluation reserve includes the cumulative net change in fair value of the freehold land and buildings of the Life fund.

18. SHARE CAPITAL

	Number of Ordinary Shares of RM1.00 Each		Amount	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Authorised	200,000	200,000	200,000	200,000
Issued and fully paid-up	100,284	100,284	100,284	100,284

19. MERGER RESERVE

(a) 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.

19. MERGER RESERVE (CONTD.)

(b) 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

20. DIVIDENDS

	<-------------------- Company ------------------>			
	Shareholders' fund		Net dividend per share	
	2010	2009	2010	2009
	RM'000	RM'000	Sen	Sen
Approved and paid				
Interim dividend of 5% (2009: 5%), less 25% (2009:25%) tax paid on 31 July 2010	3,761	3,761	3.7	3.7
Final dividend of 10%, less 25 % tax in respect of the financial year ended 30 June 2009 paid on 19 December 2009	7,521	-	7.5	-
Final dividend of 10%, less 25 % tax in respect of the financial year ended 30 June 2008 paid on 19 December 2008	-	7,521	-	7.5
	11,282	11,282	11.2	11.2
Proposed				
Final dividend of 10%, less 25% tax in respect of the financial year ended 30 June 2010 *	7,521	-	7.5	-

* At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 30 June 2010 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 2011.

21. OPERATING REVENUE

	<--------------- Group and Company --------------->			
	General business RM'000	Life fund RM'000	Shareholders' fund RM'000	Total RM'000
2010				
Gross premium	232,159	459,561	-	691,720
Investment-linked units created (Note 28(b))	-	22,771	-	22,771
Investment income (Note 22)	12,036	141,470	4,845	158,351
Investment income - investment-linked business (Note 28(b))	-	2,832	-	2,832
	244,195	626,634	4,845	875,674
2009				
Gross premium	209,714	414,459	-	624,173
Investment-linked units created (Note 28(b))	-	18,166	-	18,166
Investment income (Note 22)	12,572	145,432	5,194	163,198
Investment income - investment-linked business (Note 28(b))	-	2,937	-	2,937
	222,286	580,994	5,194	808,474

22. INVESTMENT INCOME

	<------------- Group and Company ----------------->			
	General business		Life fund	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest income from:				
Malaysian Government Securities	3,847	2,634	22,787	11,855
Government Investment Issues	250	79	2,876	674
Malaysian Government Guaranteed bonds	1,945	1,235	-	16,798
Negotiable certificates of deposit		-	-	1,300
Corporate bonds	4,546	4,932	71,883	45,311
Term loan			861	1,225
Fixed and call deposits	1,220	3,109	6,511	14,970
Policy loans		-	27,585	28,961
Mortgage and other loans		-	824	814
Gross dividends from:				
Quoted investments in Malaysia	363	317	8,051	11,951
Unit trusts	455	5	1,669	1,163
Institutional Trust Fund	-	500	-	5,290
Net rental income	-	-	427	3,282
Net (amortisation of premiums)/ accretion of discounts on investments	(590)	(221)	(1,114)	3,065
Sundry investment expenses	-	(18)	(890)	(1,227)
	12,036	12,572	141,470	145,432

22. INVESTMENT INCOME (CONTD.)

	Group and Company Shareholders' fund 2010 RM'000	Group and Company Shareholders' fund 2009 RM'000
Interest income from:		
Malaysian Government Securities	1,511	1,172
Government Investment Issues	306	103
Malaysian Government Guaranteed bonds	322	-
Corporate bonds	1,704	1,136
Fixed and call deposits	563	2,119
Net accretion of discount on investments	92	190
Gross dividends from Unit trusts	347	474
	4,845	5,194

23. NET OTHER OPERATING INCOME/(EXPENSES)

	<------------- Group and Company ------------>			
	General business		Life fund	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Gain on disposal of property, plant and equipment	25	-	22	-
Gain/(loss) on disposal of AFS investments	1,439	(647)	35,670	24,317
Revaluation deficit transferred from Property, plant and equipment (Note 4 (b))	-	-	-	(261)
Gain from fair value adjustment on investment properties	-	-	-	5,236
Write-back of impairment loss on AFS investments	1,878	-	1,229	-
Write-back of diminution in value of investments	-	1,555	-	132
Investment-linked administrative income	-	-	843	644
Sundry income	560	52	2,416	7
	3,902	960	40,180	30,075

	Group and Company Shareholders' fund 2010 RM'000	Group and Company Shareholders' fund 2009 RM'000
Sundry expenses	(4)	(6)
Impairment loss on AFS investments	(100)	-
Write-back of diminution in value of investments	-	27
Gain on disposal of AFS investments	596	1,196
	492	1,217

24. MANAGEMENT EXPENSES

	<------------- Group and Company ---------------->			
	General business		Life fund	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Staff costs:				
Chief Executive Officer's ("CEO") remuneration (Note (a))	328	292	638	566
EPF contributions	1,646	1,683	2,399	2,534
Salaries	13,839	11,814	19,077	18,334
Bonus	1,597	1,063	2,889	1,730
Social Security costs	113	112	173	168
Other related costs	1,387	1,763	2,314	2,726
	18,910	16,727	27,490	26,058
Auditors' remuneration:				
Statutory audit	60	50	151	151
Others	2	4	46	143
Insurance guarantee scheme fund levy	351	336	-	-
Office rental	784	818	975	887
Depreciation of property, plant and equipment	159	139	3,864	4,560
Amortisation of prepaid land lease payments	-	-	394	392
Amortisation of intangible assets	5	32	480	638
Entertainment	307	226	97	86
EDP expenses	1,743	1,449	3,225	2,651
Advertising and promotion	196	223	2,877	2,043
Repair and maintenance	360	282	1,601	996
Agency training	208	184	702	811
Printing and stationery	404	411	1,024	956
Electricity and water	426	304	1,260	1,081
Telephone and postages	218	295	646	767
Legal and consultancy fees	1,378	122	5,230	1,336
Finance charges	568	511	3,921	3,731
Property, plant and equipment written-off	-	-	-	490
Other expenses	1,459	1,480	1,973	2,160
	27,538	23,593	55,956	49,937

Group

	Shareholders' fund	
	2010	2009
	RM'000	RM'000
Non-executive directors' remuneration (Note (b))	940	823
Auditors' remuneration	12	14
Other expenses	1,222	506
	2,174	1,343

24. MANAGEMENT EXPENSES (CONTD.)

Company

	Shareholders' fund 2010 RM'000	Shareholders' fund 2009 RM'000
Non-executive directors' remuneration (Note (b))	940	823
Auditors' remuneration	10	10
Other expenses	1,221	557
	2,171	1,390

(a) The remuneration including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the year amounted to RM966,041 (2009: RM857,793).

(b) Non-executive directors' remuneration for the year are detailed below:

	Group and Company Shareholders' fund 2010 RM'000	Group and Company Shareholders' fund 2009 RM'000
Non-executive directors :		
Fees	298	310
Allowances and other emoluments	642	513
	940	823

Included in the non-executive directors' remuneration of the shareholders' fund is an amount of RM298,000 (2009: RM274,980), being remuneration paid during the year for the services rendered for the previous financial years.

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 2010	Number of directors 2009
Non-executive directors:		
Below RM50,000	1	-
RM50,001 - RM150,000	6	7

25. TAXATION

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
General business and shareholders' fund				
Tax expense for the year:				
Malaysian income tax	9,653	11,523	9,653	11,523
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 15)	2,001	(104)	2,001	(104)
	11,654	11,419	11,654	11,419

Life Fund	Group and Company 2010 RM'000	Group and Company 2009 RM'000
Tax expense for the year:		
Malaysian income tax	14,330	13,419
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 15)	(5,867)	473
	8,463	13,892

Domestic income tax for general business and shareholders' fund is calculated at the Malaysian statutory rate of 25% (2009: 25%) of the estimated assessable profit for the year.

The amount of tax charged on the Life fund is based on the method prescribed under the Income Tax Act, 1967 for life insurance business.

The domestic statutory tax rate for the current year rate is 25% and is effective for year of assessment 2010 and subsequent years of assessment. The computation of deferred tax as at 30 June 2010 is based on the statutory tax rate.

25. TAXATION (CONTD.)

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
General business and shareholders' fund				
Profit before taxation	36,306	43,649	36,309	43,602
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	9,077	10,912	9,077	10,901
Effect of reduction in Malaysian income tax rate on opening deferred tax	-	(11)	-	-
Business outside Malaysia taxed at 5% (2009: 5%)	(532)	(403)	(532)	(403)
Expenses not deductible for tax purposes	3,072	921	3,072	921
Under provision of deferred tax expenses in prior years	37	-	37	-
Tax expense for the year	11,654	11,419	11,654	11,419

	Group and Company	
	2010 RM'000	2009 RM'000
Life fund		
Surplus before taxation	219,977	228,463
Taxation at Malaysian applicable tax rate of 8% (2009: 8%)	17,598	18,277
Income not subject to tax	(10,545)	(8,380)
Expenses not deductible for tax purpose	1,410	3,995
Tax expense for the year	8,463	13,892

Prior to the year of assessment 2009, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

25. TAXATION (CONTD.)

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 30 June 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 30 June 2010, the Company has sufficient credit in the Section 108 account to pay franked dividends out of its entire retained profits.

26. EARNINGS PER SHARE

The earnings per ordinary share of the Group and of the Company has been calculated based on the net profit for the year of RM24,651,336 (2009: RM32,230,273) and RM24,654,561 (2009: RM32,183,757) respectively and the number of ordinary shares in issue during the year of 100,284,071 (2009: 100,284,071).

27. NET CLAIMS INCURRED

	<---------------------General Business				------------------->
2010	**Fire RM'000**	**Motor RM'000**	**Marine, Aviation and Transit RM'000**	**Misc. RM'000**	**Total RM'000**
Gross claims paid less salvage	22,531	37,014	12,905	25,058	97,508
Reinsurance recoveries	(14,278)	(2,352)	(8,653)	(8,627)	(33,910)
Net claims paid (a)	8,253	34,662	4,252	16,431	63,598
Net claims liabilities:					
At end of year (b)	11,093	63,110	8,826	27,458	110,487
At beginning of year (c)	13,264	45,915	11,441	25,530	96,150
Net claims incurred (a+b-c)	6,082	51,857	1,637	18,359	77,935
2009					
Gross claims paid less salvage	8,949	28,813	22,342	25,237	85,341
Reinsurance recoveries	(5,395)	(1,388)	(18,122)	(12,337)	(37,242)
Net claims paid (a)	3,554	27,425	4,220	12,900	48,099
Net outstanding claims:					
At end of year (b)	13,264	45,915	11,441	25,530	96,150
At beginning of year (c)	10,231	43,003	10,261	19,593	83,088
Net claims incurred (a+b-c)	6,587	30,337	5,400	18,837	61,161

28. INVESTMENT-LINKED BUSINESS

(a) Statement of Assets and Liabilities as at 30 June 2010

	Group and Company 2010 RM'000	Group and Company 2009 RM'000
ASSETS		
Investments (Note (c))	77,366	67,697
Receivables (Note (d))	602	527
Deferred taxation (Note (e))	-	179
Cash and bank balances	4,339	2,383
	82,307	70,786
LIABILITIES		
Deferred taxation (Note (e))	312	-
Provision for taxation	52	119
Sundry payable	17	1,671
	381	1,790
NET ASSET VALUE OF FUNDS	81,926	68,996
REPRESENTED BY:		
Unitholders' accounts	81,926	68,996

(b) Statement of Income and Expenditure for the year ended 30 June 2010

	Group and Company 2010 RM'000	Group and Company 2009 RM'000
Units created	22,771	18,166
Investment income (Note (f))	2,832	2,937
Other income (Note (g))	6,656	7,397
Benefits paid and payable	(17,234)	(10,467)
Other expenses (Note (h))	(1,388)	(8,613)
Surplus before taxation	13,637	9,420
Taxation (Note (i))	(707)	(82)
Net surplus for the year after taxation	12,930	9,338
Unitholders' investment-linked fund at beginning of year	68,996	59,658
Unitholders' investment-linked fund at end of year	81,926	68,996

28. INVESTMENT-LINKED BUSINESS (CONTD.)

(c) Investments

	Group and Company 2010 RM'000	Group and Company 2009 RM'000
Quoted securities of corporations in Malaysia:		
Shares, at cost	41,673	31,802
Unrealised capital gain/(loss)	2,978	(2,733)
Shares, at market value	44,651	29,069
Unit Trust, at cost:	1,363	1,363
Unrealised capital gain/(loss)	41	(230)
Unit Trust, at market value	1,404	1,133
Malaysian Government Securities, at cost:	4,048	-
Unrealised capital gain	6	-
Malaysian Government Securities, at market value	4,054	-
Government Investment Issues, at cost:	506	-
Unrealised capital gain	1	-
Government Investment Issues, at market value	507	-
Corporate bonds, at cost	20,156	17,106
Unrealised capital gain	873	728
Corporate bonds, at market value	21,029	17,834
Fixed and call deposits with:		
Licensed banks	5,721	19,661
	77,366	67,697

Group and Company

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 of the investment-linked business are as follows:

	Range of effective interest rates (per annum) 2010 %	Range of effective interest rates (per annum) 2009 %
Malaysian Government Securities	3.84	-
Government Investment Issues	4.28	-
Corporate bonds	2.50 - 5.00	2.50 - 5.00
Fixed and call deposits placed with licensed financial institutions	1.80 - 2.53	1.80 - 3.70

28. INVESTMENT-LINKED BUSINESS (CONTD.)

(c) Investments (Contd.)

2010	Interest-bearing contractual re-pricing or maturity dates (whichever is earlier) 1 year or less RM '000	1 year to 5 years RM '000	More than 5 years RM '000	Total RM '000
Malaysian Government Securities	-	-	4,054	4,054
Government Investment Issues	-	-	507	507
Corporate bonds	-	20,188	841	21,029
Fixed and call deposits placed with licensed financial institutions	5,721	-	-	5,721
	5,721	20,188	5,402	31,311
2009				
Corporate bonds	-	4,738	13,096	17,834
Fixed and call deposits placed with licensed financial institutions	19,661	-	-	19,661
	19,661	4,738	13,096	37,495

(d) Receivables

	Group and Company 2010 RM'000	2009 RM'000
Income due and accrued	419	306
Tax recoverable	183	221
	602	527

(e) Deferred taxation

	Group and Company 2010 RM'000	2009 RM'000
At beginning of year	(179)	-
Recognised in the income statement (Note (i))	491	(179)
At end of year	312	(179)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The deferred tax asset arises entirely from net unrealised capital loss recognised in the financial statements.

28. INVESTMENT-LINKED BUSINESS (CONTD.)

(f) Investment income

	Group and Company 2010 RM'000	Group and Company 2009 RM'000
Gross dividends from shares quoted in Malaysia	1,503	1,522
Gross dividends from unit trust	136	144
Interest income from:		
Fixed and call deposits with licensed financial institutions	227	498
Corporate bonds	966	773
	2,832	2,937

(g) Other income

	Group and Company 2010 RM'000	Group and Company 2009 RM'000
Gain on disposal of investments	270	564
Unrealised capital gains, net	6,386	6,833
	6,656	7,397

(h) Other expenses

	Group and Company 2010 RM'000	Group and Company 2009 RM'000
Loss on disposal of investments	400	234
Unrealised capital losses, net	129	7,719
Sundry expenses	859	660
	1,388	8,613

(i) Taxation

	Group and Company 2010 RM'000	Group and Company 2009 RM'000
Tax expense for the year:		
Malaysian income tax	216	261
Deferred tax:		
Relating to origination and reversal of temporary differences (Note (e))	491	(179)
	707	82

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

28. INVESTMENT-LINKED BUSINESS (CONTD.)

(i) Taxation (Contd.)

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

	Group and Company 2010 RM'000	Group and Company 2009 RM'000
Surplus before taxation	8,100	1,721
Taxation at Malaysian applicable tax rate of 8% (2009: 8%)	648	138
Income not subject to tax	(10)	(108)
Expenses not deductible for tax purpose	69	52
Tax expense for the year	707	82

29. SEGMENT INFORMATION ON CASH FLOW

Group	General business RM'000	Life fund RM'000	Shareholders' fund RM'000	Total RM'000
2010				
Net cash (used in)/generated from:				
Operating activities	(964)	10,403	11,929	21,368
Investing activities	(118)	(3,569)	(3)	(3,690)
Financing activity	-	-	(11,282)	(11,282)
	(1,082)	6,834	644	6,396
Net (decrease)/increase in cash and cash equivalents:				
At beginning of year	2,157	10,351	38	12,546
At end of year	1,075	17,185	682	18,942
	(1,082)	6,834	644	6,396

29. SEGMENT INFORMATION ON CASH FLOW (CONTD.)

Group	General business RM'000	Life fund RM'000	Shareholders' fund RM'000	Total RM'000
2009				
Net cash (used in)/generated from:				
Operating activities	(1,009)	(13,530)	11,216	(3,323)
Investing activities	(75)	(1,018)	(7)	(1,100)
Financing activity	-	-	(11,282)	(11,282)
	(1,084)	(14,548)	(73)	(15,705)
Net decrease in cash and cash equivalents:				
At beginning of year	3,241	24,899	111	28,251
At end of year	2,157	10,351	38	12,546
	(1,084)	(14,548)	(73)	(15,705)

Company	General business RM'000	Life fund RM'000	Shareholders' fund RM'000	Total RM'000
2010				
Net cash (used in)/generated from:				
Operating activities	(964)	10,403	11,929	21,368
Investing activities	(118)	(3,569)	(3)	(3,690)
Financing activity	-	-	(11,282)	(11,282)
	(1,082)	6,834	644	6,396
Net (decrease)/increase in cash and cash equivalents:				
At beginning of year	2,157	10,351	38	12,546
At end of year	1,075	17,185	682	18,942
	(1,082)	6,834	644	6,396

29. SEGMENT INFORMATION ON CASH FLOW (CONTD.)

Company	General business RM'000	Life fund RM'000	Shareholders' fund RM'000	Total RM'000
2009				
Net cash (used in)/generated from:				
Operating activities	(1,009)	(13,530)	11,216	(3,323)
Investing activities	(75)	(1,018)	(7)	(1,100)
Financing activity	-	-	(11,282)	(11,282)
	(1,084)	(14,548)	(73)	(15,705)
Net decrease in cash and cash equivalents:				
At beginning of year	3,241	24,899	111	28,251
At end of year	2,157	10,351	38	12,546
	(1,084)	(14,548)	(73)	(15,705)

30. OPERATING LEASE ARRANGEMENTS

(a) The Company as Lessee

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

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

Future minimum rental payments:	2010 RM'000	2009 RM'000
Payable within one year	438	477
Payable after one year	-	438
	438	915

30. OPERATING LEASE ARRANGEMENTS (CONTD.)

(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 balance sheet date but not recognised as receivables, are as follows:

	2010 RM'000	2009 RM'000
Receivable within one year	1,889	2,815
Receivable after one year	1,363	3,743
	3,252	6,558

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

31. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties

The related parties and their relationship with the Company as at 30 June 2010 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 company in which a director, Dato' Balaram a/l Petha Naidu is also a director
National Land Finance Co-operative Society	A company 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.

31. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(a) Related parties (Contd.)

Life fund

	2010 RM'000	2009 RM'000
Transactions and balances with related parties:		
(i) Term Loan granted to:		
National Land Finance Co-operative Society Limited		
Term loan balance (Note 10)	15,000	17,000
Interest income received	860	1,225
(ii) Rental income received from:		
Koperasi MCIS Berhad	86	86
Koperasi Konsumer Malaysia Berhad	126	121

General business and shareholders' fund

	2010 RM'000	2009 RM'000
Balances with related parties:		
(i) Included in trade receivables (Note 11 (a)):		
Associated Marine Insurers	144	2,631
(ii) Included in trade payables (Note 14 (a)):		
Zurich American Insurance Company	746	1,058
Zurich Forsakring (Sweden)	117	385
Zurich International (Deutschland)	386	1,912
Zurich International (UK) Limited	2,362	6,278
Zurich Insurance Company (Switzerland)	10,539	9,773
	14,150	19,406
Transactions with related parties:		
(i) Reinsurance premium ceded to:		
Zurich American Insurance Company	1,534	3,047
Zurich International (Deutschland)	4,064	5,230
Zurich Nederland	1,439	-
Zurich International (UK) Limited	5,962	8,496
Zurich Forsakring (Sweden)	754	787
Zurich Insurance Company (Switzerland)	18,825	20,171
	32,578	37,731

31. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(a) Related parties (Contd.)

Transactions with related parties: (Contd.)

	2010 RM'000	2009 RM'000
(ii) Reimbursable costs to:		
Zurich Services (Hong Kong) Limited	2,120	445
Zurich Insurance Company (Switzerland)	172	230
	2,292	675
(iii) Reimbursable costs from:		
Zurich Services (Hong Kong) Limited	552	235
Zurich Insurance Company (Switzerland)	4	430
	556	665

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 NLFCS have been established on an arm's length basis.

(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:

	2010 RM'000	2009 RM'000
Salaries and bonuses	652	731
Contributions to EPF	279	93
Fees and allowances	940	823
Benefits-in-kind	35	34
	1,906	1,681

32. CAPITAL COMMITMENTS

	Group and Company 2010 RM'000	2009 RM'000
General business		
Property, plant and equipment:		
- Approved but not contracted for	596	766
Life fund		
Property, plant and equipment:		
- Approved but not contracted for	16,796	9,145

33. 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 earning 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.

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 has other on-going disputes with certain former agents. Based on legal advice, no material losses are anticipated as a result of these disputes.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the Group's business activities whilst managing the currency, interest rate, liquidity, market and credit risks. The Group operates within guidelines that are approved by the Board of Directors and its policy is to not engage in speculative transactions. The Group's policy in respect of the major areas of treasury activity are set out as follows:

(a) Currency risk

The Group's foreign currency transaction exposure arises primarily on reinsurance transactions with foreign reinsurance companies and brokers, which are transacted in United States Dollars ("USD"). Foreign currency exposures arising therewith are minimal, as the USD is not expected to fluctuate significantly.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(b) Insurance risk

Insurance risk is relates to the risks inherent in the business activities of an insurer. Such risks include pricing risk, premium/benefits risk, premium/claims risk, claims/actuarial reserve risk, reinsurance risk and solvency risk. The exposure is transferred to the Company through the underwriting process. The Company actively seeks to write those risks we understand and that provide a reasonable opportunity to earn an acceptable profit. The transfer of risk and the minimizing of unintended underwriting risks are managed through such means as:

- Establishing limits for underwriting authority.
- Requiring specific approvals for transactions involving new products or where established limits of size and complexity may be exceeded.
- Using reserving and modeling methods to address the various insurance risks inherent in our insurance business.
- Ceding insurance risk through proportional, non-proportional and specific reinsurance treaties.

(i) Life insurance risk

A substantial portion of the Company's life assurance business is participating in nature. In the event of volatile investment returns and/or unusual claims experience, the Company has the option of revising the bonus and dividends payable to policyholders.

Investment-linked products have been designed to reduce much of the risk associated with traditional business. The risks inherent in these products are largely passed on to the policyholder. The risk exposure for the Company is limited only to the underwriting aspect.

(ii) General insurance risk

Risks under general insurance policies usually cover a twelve-month duration. The risk inherent in general insurance contracts is reflected in the insurance contract liabilities which include the premium and claims liabilities, as set out under Note 12 of the financial statements. The premium liabilities comprise reserve for unexpired risks, while the claims liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

(c) Interest rate risk

The Group's interest rate risk arises principally from differences in maturities of its assets and liabilities and the reinvestment of interest-bearing assets to meet long-term liabilities. The Group's primary interest rate risk in this respect, relates to its interest-bearing assets. It does not have any borrowings or interest bearing debt as at 30 June 2010.

The interest bearing assets are made up primarily of fixed and call deposits with licensed financial institutions, Malaysian Government Securities, Cagamas bonds, Malaysian Government Guaranteed bonds, Treasury bills and corporate bonds. The interest rate risk in this respect arises from fluctuations in market interest rate which may affect reinvestment decisions for these interest-bearing assets.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(d) Liquidity risk

A significant amount of investible funds are placed with licensed financial institutions such as fixed and call deposits, and other money market instruments. The Group continuously endeavours to manage the maturity profiles of these instruments in order to ensure that sufficient funds are available at all times, to meet the day-to-day working capital requirements.

(e) Market risk

The Group's investments in quoted securities and unit trust funds are subject to fluctuations in market prices. The Group does not use derivative financial instruments to manage market related risks.

The quoted securities portfolio of the Group is made up of shares issued by fundamentally sound corporations, and which have a proven dividend payment track record. In addition, the Group has clear investment guidelines and trade authority limits to ensure that the funds invested are not exposed to significant risks.

(f) Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via limiting associations to business partners with good creditworthiness and ratings.

Nevertheless, the Group does not have significant exposures to any individual customer or borrower nor does it have any significant concentration of credit risk related to any financial instrument.

A significant portion of investments are placed in Malaysian Government Securities, Cagamas bonds, Treasury bills, corporate bonds and placements with licensed financial institutions in Malaysia, which are generally considered low risk assets. The counterparties to these financial instruments consist of corporations with commendable and high credit ratings. The Group does not expect any of these counterparties to default.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(f) Credit risk (Contd.)

The Group monitors all loan balances receivable on a timely manner and does not anticipate any significant exposures to arise over and above what has already been provided for in the financial statements. The credit ratings of corporate bonds obtained from reputable rating agencies, based on their fair values are as follows:

	Fair Value			
	General business and shareholders' fund		Life fund	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Rating of corporate bonds on fair value basis:				
AAA	101,718	53,231	534,457	406,955
AA	48,767	51,121	348,592	382,667
A	-	7,995	13,036	46,594
BBB	-	-	-	8,384
	150,485	112,347	896,085	844,600

(g) Fair values

The financial asset of the company at balance sheet date are measured at their fair values. Investment asset as at 30 June 2010 have been accounted for in accordance with the accounting policies as disclosed in note 2.4. The comparison between the carrying amounts and market values of investments as at 30 June 2009 are as disclosed in note 8 to the financial statements.

The carrying amounts of the financial instruments of the company which comprise of cash and bank balances, trade and other receivables, trade and other payables and amounts due to and from related companies approximate their fair values due to the relatively short term nature of these financial instruments.

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