

MAYBAN GENERAL ASSURANCE BERHAD (4157-A)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
30 June 2008

**MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)**

CONTENTS	PAGE
Directors' Report	1 - 11
Statement by Directors	12
Statutory Declaration	12
Independent Auditors' Report	13 - 14
Balance Sheet	15
Statement of Changes in Equity	16 - 17
Income Statement	18
General Insurance Revenue Account	19
Cash Flow Statement	20 - 21
Notes to the Financial Statements	22 - 73

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 30 June 2008.

PRINCIPAL ACTIVITY

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

There has been no significant change in the nature of this principal activity during the financial year.

RESULTS

	RM'000
Net profit for the financial year	<u>65,886</u>

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 Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than changes in accounting policies and effects arising from the adoption of new and revised financial reporting standards ("FRSs") as disclosed in Note 2.3 to the financial statements.

DIVIDENDS

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

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

DIRECTORS

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

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (Chairman)
Damis Jacobus Ziengs (Vice Chairman)
Sulaiman bin Salleh
Tee Keng Sing
Hans J. J. De Cuyper

CORPORATE GOVERNANCE

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

(a) Board Responsibilities

In discharging their duties, the Board is equally responsible to ensure compliance with the Insurance Act ("the Act") and Regulations, 1996 and Bank Negara Malaysia's ("BNM") Guidelines, including JPI/GPI 1 (Consolidated): Minimum Standards for Prudential Management for Insurers and other directives. They also have to comply with the tenets of corporate governance by adopting its best practices as stipulated under JPI/GPI 25 (Consolidated): Prudential Framework of Corporate Governance for Insurers. Apart from their statutory responsibilities, the Board approves the Company's major investments, disposals and funding decisions. They ensure the implementation of appropriate systems to manage risks and also review and approve the strategies and financial objectives to be implemented by the management. These functions are carried out by the Board directly and/or through their various committees.

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

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

CORPORATE GOVERNANCE (CONT'D)

(a) Board Responsibilities (Cont'd)

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

The Board met 5 times during the financial year and the attendance of the directors was as follows:

Name	Number of Board meetings	
	Attended	%
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (Chairman)	5/5	100
Damis Jacobus Ziengs (Vice Chairman)	5/5	100
Sulaiman bin Salleh	5/5	100
Tee Keng Sing *	1/5	20
Hans J. J. De Cuyper	5/5	100

* BNM had granted approval for less than 75% attendance due to medical reason.

(b) Management Accountability

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

(c) Corporate Independence

All material related party transactions have been disclosed in Note 26 to the financial statements.

(d) Internal Controls and Audit

The Board exercises overall responsibility for the Company's internal controls and its effectiveness. The Board recognises that risks cannot be eliminated completely; as such, the systems and processes put in place are aimed at minimising and managing them. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as to safeguard the assets of the Company and stakeholders' interests. Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective action where necessary, is taken in a timely manner.

CORPORATE GOVERNANCE (CONT'D)

(d) Internal Controls and Audit (Cont'd)

The internal audit reports are tabled at the first scheduled Audit Committee ("AC") meeting after the date of receipt of these reports. The internal audit function reports to the Board through the AC, and its findings and recommendations are communicated to senior management and all levels of staff concerned. The AC is established at the holding company's level.

The composition of the AC is as follows:

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

Damis Jacobus Ziengs
Non-Independent Non-Executive Director

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

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

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

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

The AC met 5 times during the financial year.

(e) Risk Management

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

The Company established the RMC at the holding company's level. In discharging its responsibilities, the RMC is complemented by the Investment Committee of the Board and assisted by the Asset Liability Committee ("ALCO") of the management.

The risk management framework for the Company comprises three main components i.e. policy making, monitoring and control and risk acceptance while the risk management approach would premise on three lines of defence i.e. risk-taking, risk control and coordinating units and internal audit.

CORPORATE GOVERNANCE (CONT'D)

(e) Risk Management (Cont'd)

Risks have been classified into three main categories, which are made up of insurance risk, financial risk (including market risk, credit risk and balance sheet risk) and operational risk.

There is an on-going process for identifying, evaluating and managing the significant risk faced by the Company. This is achieved through designated management functions and internal controls, which includes the setting up of operational risk limits for all core activities.

The composition of the RMC is as follows:

Datuk Syed Tamim Ansari Syed Mohamed (Chairman) Independent Non-Executive Director	(appointed as member on 17 December 2007 and as Chairman on 11 January 2008)
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Petrus Bernardus Gerardus van Harten
Non-Independent Non-Executive Director

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

Raja Tan Sri Muhammad Alias bin Raja Muhd Ali Independent Non-Executive Director	(resigned on 30 September 2007)
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The RMC met 3 times during the financial year.

(f) Nomination Committee and Remuneration and Establishment Committee

The Board also takes responsibility in establishing the Nomination Committee and Remuneration and Establishment Committee. The Company will continue to use the existing Nomination Committee and Remuneration and Establishment Committee of the ultimate holding company, Malayan Banking Berhad ("MBB") Group as part of its governance structure.

The primary objective of the Nomination Committee is to establish a documented, formal and transparent procedure for the appointment of directors, chief executive officer and key senior officers. The committee is also responsible to assess the effectiveness of directors, the Board as a whole and the various committees of the Board, the chief executive officer and key senior officers.

The Remuneration and Establishment Committee, on the other hand, is responsible to provide a formal and transparent procedure for developing a remuneration policy for directors, chief executive officer and key senior officers and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

CORPORATE GOVERNANCE (CONT'D)

(f) Nomination Committee and Remuneration and Establishment Committee (Cont'd)

The composition of the Nomination Committee is as follows:

Haji Mohd Hashir bin Haji Abdullah (Chairman) (appointed as Chairman on 1 October 2007)
Independent Non-Executive Director

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

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

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

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

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

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

The Nomination Committee met 8 times during the financial year.

The composition of the Remuneration and Establishment Committee is as follows:

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

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

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

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

CORPORATE GOVERNANCE (CONT'D)

(f) Nomination Committee and Remuneration and Establishment Committee (Cont'd)

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

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

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

The Remuneration and Establishment Committee met 12 times during the financial year.

(g) Investment Committee

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

The objectives of the IC include to present an opinion on the long-term strategic investment policy including real estate, as a recommendation for the Risk Management Meeting ("RMM")/RMC/Board based on ALCO advice, to establish the tactical investment policy on the basis of the proposal by the investment manager and within the boundaries laid out in the Investment Management Mandates ("IMM"), to test the policy conducted by the investment manager against the strategic and tactical investment policy/asset management mandate, to evaluate and approve the operational policy conducted by the Investment Management ("IM") and also to evaluate, negotiate conditions with, appoint or dismiss external fund managers, custodians, banks and other financial intermediaries.

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

The composition of the IC is as follows:

Sulaiman bin Salleh
Independent Non-Executive Director

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

CORPORATE GOVERNANCE (CONT'D)

(g) Investment Committee (Cont'd)

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

Hans J. J. De Cuyper
Senior Management Team

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

Norlia Mat Yusof
Senior Management Team

See Toong Chow
Senior Management Team

Haji Mohd. Tarmidzi bin Ahmad Nordin
Senior Management Team

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

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

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

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

The IC met 4 times during the financial year.

(h) Public Accountability

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

(i) Financial Reporting

The Board takes responsibility for presenting a balanced and comprehensive assessment of the Company's operations and prospects each time it releases its annual financial statements to shareholders. The AC of the Board assists by scrutinising the information to be disclosed, to ensure accuracy, adequacy and completeness.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the ultimate holding company's Maybank Group Employee Share Options Scheme ("ESOS").

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 18 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, except as disclosed in Note 26 to the financial statements.

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 and shares and options over shares in the ultimate holding company, MBB, during the financial year were as follows:

	Number of ordinary shares of RM1 each				
	1 July 2007	Exercise of ESOS/ Bought	Bonus Issue	Sold	30 June 2008
The Company					
Tee Keng Sing					
- direct	45,000	-	-	-	45,000
- indirect	4,860,000	-	-	-	4,860,000
Ultimate holding company: MBB					
Direct interest:					
Sulaiman bin Salleh	40,000	20,000	13,500	16,000	57,500
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	-	5,000	-	-	5,000
Indirect interest:*					
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	10,000	5,000	2,500	-	17,500

DIRECTORS' INTERESTS (CONT'D)

	Option date	Option price RM	Number of options over ordinary shares of RM1 each			30 June 2008	
			1 July 2007	Granted	Exercised		
MBB							
Sulaiman bin							
	Salleh	14.11.2005	9.92	15,000	-	15,000	-
		14.11.2006	10.19	15,000	-	5,000	10,000

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

* includes children's interest in the Register of Directors' Shareholdings pursuant to Section 134(12)(c) of the Companies Act, 1965 (as amended), effective from 15 August 2007.

OTHER STATUTORY INFORMATION

- (a) Before the balance sheet and income statement of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would:
- (i) require any amount to be written off as bad debts or render the amount of the provision for doubtful debts for the financial statements of the Company inadequate to any substantial extent; and
 - (ii) render the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

OTHER STATUTORY INFORMATION (CONT'D)

- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due;
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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

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

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 August 2008

MEGAT ZAHARUDDIN BIN MEGAT MOHD NOR

HANS J. J. DE CUYPER

**MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)**

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

We, MEGAT ZAHARUDDIN BIN MEGAT MOHD NOR and HANS J. J. DE CUYPER, being two of the directors of MAYBAN GENERAL ASSURANCE BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 73 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Company as at 30 June 2008 and of the financial performance and the cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 August 2008

MEGAT ZAHARUDDIN BIN MEGAT MOHD NOR

HANS J. J. DE CUYPER

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

I, SEE TOONG CHOW, being the officer primarily responsible for the financial management of MAYBAN GENERAL ASSURANCE BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 73 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed SEE TOONG CHOW
at Kuala Lumpur in Wilayah Persekutuan
on 11 August 2008

SEE TOONG CHOW

Before me,

Commissioner for Oaths

4157-A

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of Mayban General Assurance Berhad, which comprise the balance sheet as at 30 June 2008 of the Company, and the income statement, statement of changes in equity and cash flow statement of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 15 to 73.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MAYBAN GENERAL ASSURANCE BERHAD (CONT'D)
(Incorporated in Malaysia)**

Report on the financial statements (Cont'd)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, with such modifications and exceptions as determined by Bank Negara Malaysia and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 30 June 2008 and of the financial performance and the cash flows of the Company for the year then ended.

Reporting on other legal and regulatory requirements

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

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

Other matters

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
Date

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

BALANCE SHEET
AS AT 30 JUNE 2008

	Note	2008 RM'000	2007 RM'000
ASSETS			
Property, plant and equipment	3	45,687	47,637
Investment properties	4	1,430	1,430
Prepaid land lease payments	5	8,088	8,192
Intangible assets	6	39	603
Investments	7	634,668	573,337
Staff loans	8	8,460	6,856
Receivables	9	48,993	45,069
Cash and bank balances		22,520	16,102
TOTAL ASSETS		<u>769,885</u>	<u>699,226</u>
EQUITY, INSURANCE FUND AND LIABILITIES			
Equity			
Share capital	10	178,171	178,171
Reserves		221,815	143,686
		<u>399,986</u>	<u>321,857</u>
Insurance fund			
Unearned premium reserves	11	117,445	115,756
Liabilities			
Deferred taxation	12	1,164	3,533
Provision for outstanding claims	13	195,742	197,978
Payables	14	50,595	53,187
Tax payable		4,953	6,915
		<u>252,454</u>	<u>261,613</u>
TOTAL EQUITY, INSURANCE FUND AND LIABILITIES		<u>769,885</u>	<u>699,226</u>

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

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

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

Note	Share capital RM'000	Non- distributable Currency translation reserve RM'000	← Distributable →		Total RM'000
		Special reserve (Note 22) RM'000	Retained profits RM'000		
At 1 July 2006	178,171	16,672	63,202	3,334	261,379
Currency translation differences, representing net losses recognised directly in equity	-	(6,185)	-	-	(6,185)
Net profit for the financial year	-	-	-	66,663	66,663
Total recognised income for the financial year	-	(6,185)	-	66,663	60,478
At 30 June 2007	178,171	10,487	63,202	69,997	321,857

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008 (CONT'D)

	Share capital	Non- distributable Currency translation reserve	← Distributable → Special reserve (Note 22)	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2007	178,171	10,487	63,202	69,997	321,857
Currency translation differences, representing net gain recognised directly in equity	-	12,243	-	-	12,243
Net profit for the financial year	-	-	-	65,886	65,886
Total recognised income for the financial year	-	12,243	-	65,886	78,129
At 30 June 2008	178,171	22,730	63,202	135,883	399,986

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

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	2008 RM'000	2007 RM'000
Operating revenue	15	<u>374,493</u>	<u>369,234</u>
Surplus transferred from revenue account		85,323	92,146
Investment income	17	3,143	1,380
Management expenses	18	(868)	(1,512)
Other (expenditure)/income (net)	19	<u>(2,244)</u>	<u>3,600</u>
Profit before taxation		85,354	95,614
Taxation	20	<u>(19,468)</u>	<u>(28,951)</u>
Net profit for the financial year		<u>65,886</u>	<u>66,663</u>
Earnings per share - Basic (sen)	21	<u>37.0</u>	<u>37.4</u>

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

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

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

	Note	Fire		Motor		Marine, Aviation & Transit		Miscellaneous ("Misc.")		Total	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Gross premiums		105,148	103,747	73,425	69,938	10,800	8,915	151,800	156,635	341,173	339,235
Reinsurance		(22,618)	(21,259)	(2,537)	(2,587)	(4,254)	(3,168)	(25,406)	(25,053)	(54,815)	(52,067)
Net premiums		82,530	82,488	70,888	67,351	6,546	5,747	126,394	131,582	286,358	287,168
Decrease/(increase) in unearned premium reserves	11	187	3,772	(4,040)	4,513	(26)	135	2,425	(6,061)	(1,454)	2,359
Earned premium		82,717	86,260	66,848	71,864	6,520	5,882	128,819	125,521	284,904	289,527
Net claims (incurred)/written-back	16	(20,040)	(24,795)	(66,185)	(58,514)	(6,354)	279	(39,718)	(49,480)	(132,297)	(132,510)
Net commissions		(10,686)	(12,022)	(9,470)	(8,579)	(1,107)	(955)	(20,697)	(22,037)	(41,960)	(43,593)
Underwriting surplus before management expenses		51,991	49,443	(8,807)	4,771	(941)	5,206	68,404	54,004	110,647	113,424
Management expenses	18									(55,974)	(56,797)
Underwriting surplus										54,673	56,627
Investment income	17									30,177	28,619
Other income (net)	19									473	6,900
Transfer to income statement										85,323	92,146

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

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	2008	2007
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	85,354	95,614
Adjustment for:		
Increase/(decrease) in unearned premium reserves	1,454	(2,359)
Write-back of doubtful debts	(5,555)	(3,070)
Interest income	(22,667)	(21,745)
Interest expense	-	2
Gross dividend income	(5,330)	(3,665)
Net gain on disposal of investments	(6,474)	(7,794)
Net provision for/(write-back of) diminution in value of investments	6,866	(3,204)
Net amortisation of premiums/(accretion of discounts)	71	(274)
Writeback of investments	-	(631)
Amortisation of intangible assets	572	647
Amortisation of prepaid land lease payment	104	104
Depreciation of property, plant and equipment	2,501	2,506
Gain on disposal of property, plant and equipment	(18)	(109)
Property, plant and equipment written off	-	26
Short-term accumulating compensated absences	170	44
Profit from operations before changes in operating assets and liabilities	57,048	56,092
Net increase in loans	(1,604)	(33)
Purchase of investments	(167,846)	(164,842)
Proceeds from disposal/maturity of investments	151,334	128,763
Net increase in structured deposits	(4,000)	(15,000)
Net increase in fixed, repurchase agreement and call deposits	(30,938)	(28,203)
Decrease in amounts due from insureds, agents, brokers, co-insurers and reinsurers	206	11,639
Increase/(decrease) in other receivables	1,153	(4,966)
(Decrease)/increase in outstanding claims	(2,565)	15,799
Increase in amounts due to insureds, agents, brokers, co-insurers and reinsurers	711	2,418
(Decrease)/increase in other payables	(4,048)	10,029
Foreign exchange fluctuation	1,448	(554)
Cash generated from operations	899	11,142

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008 (CONT'D)

	2008	2007
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)		
Interest received	24,164	20,311
Interest paid	-	(2)
Net dividend received	4,314	3,128
Tax refund received	154	-
Net tax paid	<u>(23,160)</u>	<u>(26,201)</u>
Net cash generated from operating activities	<u>6,371</u>	<u>8,378</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(459)	(2,454)
Purchase of intangible assets	(5)	(26)
Proceeds from disposal of property, plant and equipment	18	110
Recovery on impaired investment	-	631
Net cash used in investing activities	<u>(446)</u>	<u>(1,739)</u>
NET INCREASE IN CASH AND BANK BALANCES	5,925	6,639
EFFECT OF EXCHANGE RATE CHANGES	493	(111)
CASH AND BANK BALANCES AT BEGINNING OF YEAR	<u>16,102</u>	<u>9,574</u>
CASH AND BANK BALANCES AT END OF YEAR	<u>22,520</u>	<u>16,102</u>

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

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

1. CORPORATE INFORMATION

The Company is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of the principal activity 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 Mayban Assurance Tower, Dataran Maybank, No. 1, Jalan Maarof, 59000 Kuala Lumpur.

The holding and ultimate holding companies of the Company are Mayban Fortis Holdings Berhad ("MFHB") and Malayan Banking Berhad ("MBB") respectively, both of which are incorporated in Malaysia. MBB is a licensed commercial bank listed on the Main Board of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 11 August 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company have been prepared under the historical cost convention, except for the valuation of investment properties that have been measured at their fair values and comply with Financial Reporting Standards ("FRS"), Companies Act, 1965, the Insurance Act, 1996 and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM") in Malaysia.

The assets and liabilities relate to both the general insurance business and shareholders' fund.

At the beginning of the financial year, the Company had adopted new and revised FRSs as described fully in Note 2.3.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of Preparation (Cont'd)

The financial statements are presented in Ringgit Malaysia (“RM”) and rounded to the nearest thousand (RM’000) unless otherwise stated.

2.2 Summary of Significant Accounting Policies

(a) Underwriting Results

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

(i) Premium Income

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

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

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

(ii) Unearned Premium Reserves

Unearned Premium Reserves (“UPR”) represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of policies at the end of the financial period. In determining the UPR at the balance sheet date, the method that most accurately reflects the actual unearned premium is used as follows:

- 25% method for marine cargo, aviation cargo and transit business
- 1/24th method for all other classes of Malaysian policies reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding the limits specified by BNM as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(a) Underwriting Results (Cont'd)

(ii) Unearned Premium Reserves (Cont'd)

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

- 1/8th method for all classes of overseas inward treaty business with a deduction of 20% for commissions
- Non-annual policies are time apportioned over the period of the risks

(iii) Provision for Claims

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

Provision is also made for the cost of claims together with related expenses 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 give rise to income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(b) Other Revenue Recognition

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

(i) Interest/Profit Income

Interest/profit is recognised on a time proportion basis that reflects the effective yield on the asset except for interest on loans which are considered non-performing, i.e., when repayments are in arrears for more than three months, in which case, recognition of such interest is suspended with retrospective adjustment made to the date of first default. Subsequent to suspension, interest is recognised on the receipt basis until all arrears have been paid.

(ii) Dividend Income

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

(iii) Rental Income

Rental income is recognised on the accrual basis in accordance with the terms of the relevant agreements except where default in payment of rental has already occurred and rental due remains outstanding for over three months, in which case, recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.

(c) Property, Plant and Equipment and Depreciation

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

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

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

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

Renovation/building-in-progress are also not depreciated as these assets are not available for use.

Depreciation on other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Furniture, fittings, equipment and renovation	20%
Computers and peripherals	20% - 25%
Electrical and security equipment	10%
Motor vehicles	25%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

(d) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by firms of professional independent valuers having an appropriate recognised qualification and recent experience in the location and category of the properties being valued and/or periodic intervening valuation by internal qualified professionals, as appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(d) Investment Properties (Cont'd)

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

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

(e) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the 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(d)).

(ii) Finance Leases - The Company as Lessee

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(e) Leases (Cont'd)

(iii) Operating Leases - The Company as Lessee

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

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

(f) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

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

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

Computer softwares are amortised over their finite useful lives of 4 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(g) Impairment of Assets

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

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

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in income statement/revenue account in the period in which it arises. An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in income statement/revenue account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(h) Employee Benefits

(i) Short-term Benefits

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

(ii) Defined Contribution Plan

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

(iii) Share-based Compensation

The ultimate holding company's share-based compensation scheme, Maybank Group Employee Share Options Scheme ("ESOS"), allows the Company's employees to acquire ordinary shares of the ultimate holding company.

The total fair value of share options granted to employees is recognised as an employee cost charged by the ultimate holding company over the vesting period and taking into account the probability that the options will vest. The fair value of the share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable on vesting date.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(i) Income Tax

Income tax on the profit or 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 for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit.

(j) Foreign Currencies

(i) Functional and Presentation Currency

The financial statements 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.

(ii) Foreign Currency Transactions

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(j) Foreign Currencies (Cont'd)

(ii) Foreign Currency Transactions (Cont'd)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Company's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Company's foreign operation, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the cessation of the foreign operations, at which time they are recognised in income statement/revenue account.

Exchange differences arising on monetary items that form part of the Company's foreign operations, where the monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in income statement/revenue account for the period. Exchange differences arising on monetary items that form part of the Company's foreign operation, regardless of the currency of the monetary item, are recognised in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

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

(iii) Foreign Operations

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

- assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(j) Foreign Currencies (Cont'd)

(iii) Foreign Operations (Cont'd)

- income and expenses for each income statement/revenue account are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions
- all resulting exchange differences are taken to the foreign currency translation reserve within equity

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used for translation of foreign operation is as follows:

	2008	2007
Singapore Dollar (S\$)	2.4053	2.2561

(k) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash and bank balances but do not include fixed and call deposits.

The cash flow statement has been prepared using the indirect method.

(l) Financial Instruments

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

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

Disclosure information for financial assets and liabilities that relate to rights and obligations arising under insurance contracts are excluded from the scope of FRS 132 - Financial Instruments: Disclosure and Presentation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(I) Financial Instruments (Cont'd)

(i) Malaysian Government Securities and Other Approved Investments

Malaysian Government Securities ("MGS") and other approved investments inclusive of negotiable certificate deposits ("NCD") and negotiable islamic certificate deposits ("NICD") as specified by BNM are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on the effective yield basis, from the date of purchase to maturity date.

Amortisation of premiums and accretion of discounts are charged or credited in the income statement.

(ii) Government Guaranteed Bonds and Unquoted Corporate Bonds

Government guaranteed bonds and unquoted corporate bonds which are secured or carry a minimum rating of "BBB" or "P3" are stated at cost adjusted for amortisation of premiums and accretion of discounts, where applicable, calculated on the effective yield basis, from the date of purchase to their respective maturity dates. Any corporate bond with a lower rating is stated at the lower of cost and net realisable value.

For the purpose of determining net realisable values, the discounted cash flow model is used after taking into account the projected cash flow expected to be generated from holding the bond.

(iii) Quoted Investments

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

Cost is determined on the weighted average basis while market value is determined based on market prices as at balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(I) Financial Instruments (Cont'd)

(iv) Unquoted Investments

Unquoted investments are stated at cost less any accumulated impairment losses.

Increases or decreases in the carrying amount of investments are recognised in the income statement.

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

(v) Loans and Receivables

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

(vi) Payables

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

(vii) Equity Instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

Standard/Interpretation	Effective date
FRS 117: Leases	1 October 2006
FRS 124: Related Party Transactions	1 October 2006
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 119 ²⁰⁰⁴ : Employee Benefits - Actuarial Gains and losses, Group Plans and Disclosure	1 January 2007
Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 6 : Exploration for and Evaluation of Mineral Resources	1 January 2007
FRS 107: Cash Flow Statements	1 July 2007
FRS 111: Construction Contracts	1 July 2007
FRS 112: Income Taxes	1 July 2007
FRS 118: Revenue	1 July 2007
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134: Interim Financial Reporting	1 July 2007
FRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
IC 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC 2 : Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC 5 : Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC 6 : Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)

Standard/Interpretation	Effective date
IC 7 : Applying the Restatement Approach under FRS 129 ₂₀₀₄ - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC 8 : Scope of FRS 2	1 July 2007

FRS 6, Amendment to FRS 119₂₀₀₄, Amendment to FRS 121, FRS 111 and FRS 120, IC 1, IC 5, IC 6 and IC 7 are not applicable to the Company. The adoption of FRS 107, FRS 112, FRS 118, FRS 134 and FRS 137 and IC 2 and IC 8 does not result in significant changes in accounting policies of the Company.

The principal effects of the changes in accounting policies resulting from the adoption are discussed in Note 2.3(a) below.

(a) Changes in Accounting Policies

FRS 117: Lease

Leasehold land

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

The Company have applied the change in accounting policy in respect of leasehold land in accordance with the transitional provision of FRS 117. At 1 July 2007, the unamortised carrying amount of leasehold land is classified as prepaid land lease payment. The reclassification of leasehold land as prepaid land lease payment has been accounted for retrospectively.

Certain comparatives of the balance sheets of the Company as at 30 June 2007 have been restated as set out in Note 2.3(b)(ii). There were no effects on the income statement of the Company for the current financial year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)

(a) Changes in Accounting Policies (Cont'd)

FRS 124: Related Party Disclosures

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

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

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

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

FRS 117	(Decrease) /increase RM'000
Property, plant and equipment	(8,088)
Prepaid land lease payments	<u>8,088</u>

(ii) Restatement of Comparatives

FRS 117	Previously stated RM'000	(Decrease) /increase RM'000	Restated RM'000
At 1 July 2006			
Property, plant and equipment	8,296	(8,296)	-
Prepaid land lease payments	<u>-</u>	<u>8,296</u>	<u>8,296</u>
At 30 June 2007			
Property, plant and equipment	8,192	(8,192)	-
Prepaid land lease payments	<u>-</u>	<u>8,192</u>	<u>8,192</u>

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant Accounting Estimates and Judgements

(a) Key Sources of Estimation Uncertainty

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

(i) Depreciation of Property, Plant and Equipment

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

The Company estimates the useful lives of these plant and equipment to be within 5 to 10 years.

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

(ii) Valuation of Investment Properties

The measurement of the fair value for investment properties is arrived at by reference to market evidence of transaction prices for similar properties. Full valuations on investment properties are performed by firms of professional independent valuers at regular intervals, of not less than every 3 years. In intervening years, desktop valuations using comparable method and investment method are performed by internal qualified professionals to update the valuations.

(iii) Amortisation and Impairment of Intangible Assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.4 Significant Accounting Estimates and Judgements (Cont'd)****(a) Key Sources of Estimation Uncertainty (Cont'd)****(iv) Liabilities of Insurance Business**

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

(v) Impairment of Unquoted Investment

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 or when there is any indications of impairment and is critically reviewed by management taking into consideration specific industry and economic factors relevant to the investment concerned.

3. PROPERTY, PLANT AND EQUIPMENT

	Properties* RM'000	Furniture, fittings, equipment and renovation RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Renovation & building- in-progress RM'000	Total RM'000
2008							
Cost							
At 1 July 2007	59,154	21,932	11,569	7,694	324	21	100,694
Effect of adopting FRS 117	(8,894)	-	-	-	-	-	(8,894)
As at 1 July 2007 (restated)	50,260	21,932	11,569	7,694	324	21	91,800
Additions	-	3	19	-	-	437	459
Disposals	-	-	-	-	(59)	-	(59)
Translation differences	185	124	28	-	17	-	354
At 30 June 2008	50,445	22,059	11,616	7,694	282	458	92,554
Accumulated Depreciation and Impairment Losses							
At 1 July 2007	8,706	19,505	11,359	4,897	324	-	44,791
Effect of adopting FRS 117	(702)	-	-	-	-	-	(702)
Impairment losses	74	-	-	-	-	-	74
As at 1 July 2007 (restated)	8,078	19,505	11,359	4,897	324	-	44,163
Charge for the year	1,007	618	114	762	-	-	2,501
Disposals	-	-	-	-	(59)	-	(59)
Translation differences	117	106	22	-	17	-	262
At 30 June 2008	9,202	20,229	11,495	5,659	282	-	46,867
Net Book Value	41,243	1,830	121	2,035	-	458	45,687

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

	Properties* RM'000	Furniture, fittings, equipment and renovation RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Renovation & building- in-progress RM'000	Total RM'000
2007							
Cost							
At 1 July 2006 (previously stated)	59,229	22,674	11,551	8,581	719	21	102,775
Effect of adopting FRS 117	(8,894)	-	-	-	-	-	(8,894)
As at 1 July 2007 (restated)	50,335	22,674	11,551	8,581	719	21	93,881
Additions	-	2,286	29	139	-	-	2,454
Disposals	-	(56)	-	-	(388)	-	(444)
Write-offs	-	(2,922)	-	(1,026)	-	-	(3,948)
Translation differences	(75)	(50)	(11)	-	(7)	-	(143)
At 30 June 2007	50,260	21,932	11,569	7,694	324	21	91,800
Accumulated Depreciation and Impairment Losses							
At 1 July 2006 (previously stated)	7,642	21,992	11,167	5,130	719	-	46,650
Effect of adopting FRS 117	(598)	-	-	-	-	-	(598)
Impairment losses	74	-	-	-	-	-	74
As at 1 July 2007 (restated)	7,118	21,992	11,167	5,130	719	-	46,126
Charge for the year	1,006	529	199	772	-	-	2,506
Disposals	-	(56)	-	-	(388)	-	(444)
Write-offs	-	(2,917)	-	(1,005)	-	-	(3,922)
Translation differences	(46)	(43)	(7)	-	(7)	-	(103)
At 30 June 2007	8,078	19,505	11,359	4,897	324	-	44,163
Net Book Value	42,182	2,427	210	2,797	-	21	47,637

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

* Properties consist of:

	Leasehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
2008			
Cost			
At 1 July 2007	8,894	50,260	59,154
Effect of adopting FRS 117	(8,894)	-	(8,894)
At 1 July 2007 (restated)	-	50,260	50,260
Translation differences	-	185	185
At 30 June 2008	-	50,445	50,445
Accumulated Depreciation and Impairment Losses			
At 1 July 2007	702	8,004	8,706
Effect of adopting FRS 117	(702)	-	(702)
Impairment losses	-	74	74
At 1 July 2007 (restated)	-	8,078	8,078
Charge for the year	-	1,007	1,007
Translation differences	-	117	117
At 30 June 2008	-	9,202	9,202
Net Book Value	-	41,243	41,243

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

	Leasehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
2007			
Cost			
At 1 July 2006 (previously stated)	8,894	50,335	59,229
Effect of adopting FRS 117	(8,894)	-	(8,894)
At 1 July 2007 (restated)	-	50,335	50,335
Translation difference	-	(75)	(75)
At 30 June 2007	-	50,260	50,260
Accumulated Depreciation and Impairment Losses			
At 1 July 2006 (previously stated)	598	7,044	7,642
Effect of adopting FRS 117	(598)	-	(598)
Impairment losses	-	74	74
At 1 July 2007 (restated)	-	7,118	7,118
Charge for the year	-	1,006	1,006
Translation difference	-	(46)	(46)
At 30 June 2007	-	8,078	8,078
Net Book Value	-	42,182	42,182

4. INVESTMENT PROPERTIES

	Leasehold land and building RM'000	Freehold land and building RM'000	Total RM'000
At 1 July 2007/30 June 2008	-	1,430	1,430
At 1 July 2006	218	1,585	1,803
Disposal	(218)	(155)	(373)
At 30 June 2007	-	1,430	1,430

5. PREPAID LAND LEASE PAYMENTS

	Leasehold land RM'000
2008	
Cost	
At 1 July 2007 (previously stated)	-
Effect of adopting FRS 117	8,894
At 1 July 2007 (restated)	8,894
Accumulated Amortisation	
As at July 2007	702
Amortisation for the year	104
At 30 June 2008	8,088
2007	
Cost	
At 1 July 2006 (previously stated)	-
Effect of adopting FRS 117	8,894
At 1 July 2006 (restated)	8,894
Accumulated Amortisation	
As at July 2007	598
Amortisation for the year	104
At 30 June 2007	8,192

The leasehold land was last revalued by firm of professional independent valuers on 29 June 2007.

6. INTANGIBLE ASSETS

	Computer software	
	2008	2007
	RM'000	RM'000
Cost		
At beginning of financial year	6,626	6,615
Additions	5	26
Translation differences	38	(15)
At end of financial year	<u>6,669</u>	<u>6,626</u>
Accumulated amortisation and impairment		
At beginning of financial year	6,023	5,388
Amortisation	572	647
Translation differences	35	(12)
At end of financial year	<u>6,630</u>	<u>6,023</u>
Net Book Value	<u>39</u>	<u>603</u>

7. INVESTMENTS

	2008		2007	
	Cost	Market/ indicative value*	Cost	Market/ indicative value*
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Securities ("MGS")*	15,991		8,751	
Net amortisation of premiums	(215)		(381)	
	<u>15,776</u>	<u>13,915</u>	<u>8,370</u>	<u>8,704</u>
Government Investment Issues ("GII")*	2,404		2,403	
Accretion of discounts	204		94	
	<u>2,608</u>	<u>2,626</u>	<u>2,497</u>	<u>2,585</u>
Cagamas bonds*	-		25,015	
Amortisation of premiums	-		(13)	
	<u>-</u>	<u>-</u>	<u>25,002</u>	<u>24,987</u>

7. INVESTMENTS (CONT'D)

	2008		2007	
	Cost RM'000	Market/ indicative value* RM'000	Cost RM'000	Market/ indicative value* RM'000
Singapore Government Securities ("SGS")*	45,379		26,014	
Net amortisation of premiums	(91)		(25)	
Provision for diminution in value	(1,678)		-	
	<u>43,610</u>	<u>43,610</u>	<u>25,989</u>	<u>26,606</u>
Malaysian Government guaranteed bonds ("MGGB")*	20,046		8,797	
Net amortisation of premiums	(556)		(392)	
	<u>19,490</u>	<u>18,855</u>	<u>8,405</u>	<u>8,926</u>
Khazanah bond*	2,281		2,281	
Net accretion of discounts	196		92	
	<u>2,477</u>	<u>2,479</u>	<u>2,373</u>	<u>2,398</u>
Negotiable Certificates of Deposit ("NCD")*	25,182		25,182	
Net (amortisation of premiums) accretion of discounts	(20)		11	
	<u>25,162</u>	<u>25,064</u>	<u>25,193</u>	<u>26,000</u>
Quoted in Malaysia:				
Shares and warrants of corporations	81,706		57,307	
Provision for diminution in value	(835)		-	
	<u>80,871</u>	<u>90,835</u>	<u>57,307</u>	<u>84,911</u>
Unit and property trusts	7,969		5,210	
Provision for diminution in value	(58)		-	
	<u>7,911</u>	<u>8,648</u>	<u>5,210</u>	<u>6,545</u>
Quoted outside Malaysia:				
Bonds/loan stocks of corporations	50,386		49,081	
Net amortisation of premiums	(554)		(262)	
Provision for diminution in value	(533)		-	
	<u>49,299</u>	<u>49,299</u>	<u>48,819</u>	<u>49,420</u>

7. INVESTMENTS (CONT'D)

	2008		2007	
	Cost	Market/ indicative value*	Cost	Market/ indicative value*
	RM'000	RM'000	RM'000	RM'000
Shares of corporations	11,841		14,742	
Provision for diminution in value	(3,726)		(68)	
	<u>8,115</u>	<u>8,160</u>	<u>14,674</u>	<u>16,769</u>
Unquoted in Malaysia:				
Bonds/loan stocks of corporations	135,449		141,202	
Net accretion of discounts	2,015		1,194	
Impairment losses	(4,346)		(4,346)	
	<u>133,118</u>		<u>138,050</u>	
Shares and warrants of corporations	518		518	
Provision for diminution in value	(228)		(228)	
	<u>290</u>		<u>290</u>	
Corporate loans	<u>7,050</u>		<u>8,450</u>	
Unquoted outside Malaysia:				
Bonds/loan stocks of corporations	4,811		6,767	
Net accretion of discounts	-		1	
Provision for diminution in value	(239)		-	
	<u>4,572</u>		<u>6,768</u>	
Shares of corporations	<u>2,262</u>		<u>3,373</u>	
Fixed and call deposits with:				
Licensed commercial banks	124,879		115,086	
Other financial institutions **	88,178		62,481	
	<u>213,057</u>		<u>177,567</u>	
Structured deposits - foreign	<u>19,000</u>		<u>15,000</u>	
Total investments	<u>634,668</u>		<u>573,337</u>	

7. INVESTMENTS (CONT'D)

* indicative values obtained from the secondary market

** other financial institutions comprise investment banks and the Malaysian Building Society Berhad

The comparative total investments balance has been restated due to the reclassification of investment properties disclosed separately under Note 4.

(i) The remaining maturity of investments, at cost is as follows:

	< 1 year	1 to < 3 years	3 to 5 years	> 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2008					
MGS	1,509	-	-	14,482	15,991
GII	-	-	2,404	-	2,404
SGS	-	3,807	-	41,572	45,379
MGGB	-	-	-	20,046	20,046
Khazanah bond	2,281	-	-	-	2,281
NCD	-	25,182	-	-	25,182
Quoted bonds/loan					
stocks of					
corporations					
outside					
Malaysia	6,024	10,202	18,506	15,654	50,386
Unquoted bonds/loan					
stocks of					
corporations:					
In Malaysia	4,251	27,690	32,822	70,686	135,449
Outside					
Malaysia	-	-	4,811	-	4,811
Corporate					
loans	-	-	7,050	-	7,050
Fixed and call					
deposits	183,057	15,000	15,000	-	213,057
Structured					
deposits -					
foreign	-	-	10,000	9,000	19,000

7. INVESTMENTS (CONT'D)

	< 1 year RM'000	1 to < 3 years RM'000	3 to 5 years RM'000	> 5 years RM'000	Total RM'000
2007					
MGS	1,792	1,509	-	5,450	8,751
GII	-	-	2,403	-	2,403
Cagamas bonds	25,015	-	-	-	25,015
SGS	-	-	4,026	21,988	26,014
MGGB	-	-	-	8,797	8,797
Khazanah bond	-	2,281	-	-	2,281
NCD	-	-	25,182	-	25,182
Quoted bonds/loan stocks of corporations outside Malaysia	-	17,988	9,165	21,928	49,081
Unquoted bonds/loan stocks of corporations: In Malaysia	11,166	9,468	44,942	75,626	141,202
Outside Malaysia	-	2,255	4,512	-	6,767
Corporate loans	-	-	-	8,450	8,450
Fixed and call deposits	147,339	228	30,000	-	177,567
Structured deposits - foreign	-	-	10,000	5,000	15,000

7. INVESTMENTS (CONT'D)

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

	2008	2007
	%	%
	per annum	per annum
MGS	4.11	4.03
GII	4.36	4.36
Cagamas bonds	-	3.50
SGS	2.93	3.19
MGGB	3.96	3.84
Khazanah bond	0.49	0.95
Quoted bonds/loan stocks of corporations outside Malaysia	3.88	3.64
Unquoted bonds/loan stocks of corporations:		
In Malaysia	5.97	5.93
Outside Malaysia	3.92	3.68
NCD	4.72	4.72
Corporate loans	7.67	7.67
Fixed and call deposits with:		
Licensed commercial banks	2.76	3.46
Other financial institutions	3.46	3.49
Structured deposits - foreign	3.79	5.33

- (iii) Fixed deposits amounting to RM14,291,000 (2007: RM14,114,000) were pledged to the ultimate holding company for bank guarantee facilities.

8. STAFF LOANS

	2008	2007
	RM'000	RM'000
Secured:		
Receivable within 12 months	886	486
Receivable after 12 months	7,562	6,346
	<u>8,448</u>	<u>6,832</u>
Unsecured:		
Receivable within 12 months	7	12
Receivable after 12 months	5	12
	<u>12</u>	<u>24</u>
	<u>8,460</u>	<u>6,856</u>

The weighted average effective interest rate during the year for staff loans was 3.58% (2007: 3.51%) per annum on the basis of monthly rest.

9. RECEIVABLES

	2008	2007
	RM'000	RM'000
Trade receivables:		
Outstanding premiums including agents, brokers and co-insurers balances	33,087	24,421
Provision for doubtful debts	(2,201)	(1,877)
	<u>30,886</u>	<u>22,544</u>
Amount due from reinsurers and ceding companies	18,171	25,885
Provision for doubtful debts	(12,937)	(18,751)
	<u>5,234</u>	<u>7,134</u>
Other receivables:		
Other receivables, deposits and prepayments	5,603	9,253
Income due and accrued	7,270	6,138
	<u>12,873</u>	<u>15,391</u>
	<u>48,993</u>	<u>45,069</u>

10. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2008	2007	2008	2007
	'000	'000	RM'000	RM'000
(a) Authorised:				
At beginning/end of year	300,000	300,000	300,000	300,000
(b) Issued and fully paid:				
At beginning/end of year	178,171	178,171	178,171	178,171

11. UNEARNED PREMIUM RESERVES

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc. RM'000	Total RM'000
2008					
At 1 July 2007	35,229	29,315	1,735	49,477	115,756
(Decrease)/increase in reserves	(187)	4,040	26	(2,425)	1,454
Translation differences	23	80	5	127	235
At 30 June 2008	35,065	33,435	1,766	47,179	117,445
2007					
At 1 July 2006	38,944	33,624	1,856	43,143	117,567
(Decrease)/increase in reserves	(3,772)	(4,513)	(135)	6,061	(2,359)
Translation differences	57	204	14	273	548
At 30 June 2007	35,229	29,315	1,735	49,477	115,756

12. DEFERRED TAXATION

	2008	2007
	RM'000	RM'000
At beginning of year	3,533	2,102
Recognised in the income statement (Note 20)	(2,364)	1,453
Exchange differences	(5)	(16)
Effect of reduction in foreign tax rate	-	(6)
At end of year	<u>1,164</u>	<u>3,533</u>

Presented after appropriate offsetting as follows:

Deferred tax liabilities	5,552	6,279
Deferred tax assets	<u>(4,388)</u>	<u>(2,746)</u>
	<u>1,164</u>	<u>3,533</u>

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

2008**Deferred Tax Liabilities**

	Accelerated capital allowances	Others	Total
	RM'000	RM'000	RM'000
At 1 July 2007	5,794	485	6,279
Recognised in the income statement	(652)	(86)	(738)
Exchange differences	4	7	11
At 30 June 2008	<u>5,146</u>	<u>406</u>	<u>5,552</u>

12. DEFERRED TAXATION (CONT'D)**Deferred Tax Assets**

	Provision for diminution in value of investments RM'000	Provision for doubtful debts RM'000	Provision for bonus RM'000	Others RM'000	Total RM'000
At 1 July 2007	(80)	(321)	(1,450)	(895)	(2,746)
Recognised in the income statement	(1,489)	(2)	148	(283)	(1,626)
Exchange difference	(24)	-		8	(16)
At 30 June 2008	<u>(1,593)</u>	<u>(323)</u>	<u>(1,302)</u>	<u>(1,170)</u>	<u>(4,388)</u>

2007**Deferred Tax Liabilities**

	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
At 1 July 2006	5,943	158	6,101
Recognised in the income statement	(139)	331	192
Exchange differences	(4)	(5)	(9)
Effect of reduction in foreign tax rate	(6)	1	(5)
At 30 June 2007	<u>5,794</u>	<u>485</u>	<u>6,279</u>

Deferred Tax Assets

	Provision for diminution in value of investments RM'000	Provision for doubtful debts RM'000	Provision for bonus RM'000	Others RM'000	Total RM'000
At 1 July 2006	(316)	(1,131)	(1,176)	(1,376)	(3,999)
Recognised in the income statement	236	807	(274)	492	1,261
Exchange difference	-	1	-	(8)	(7)
Effect of reduction in foreign tax rate	-	2	-	(3)	(1)
At 30 June 2007	<u>(80)</u>	<u>(321)</u>	<u>(1,450)</u>	<u>(895)</u>	<u>(2,746)</u>

13. PROVISION FOR OUTSTANDING CLAIMS

	2008	2007
	RM'000	RM'000
Provision for outstanding claims	426,635	443,232
Recoverable from reinsurers	(230,893)	(245,254)
Net outstanding claims	<u>195,742</u>	<u>197,978</u>

14. PAYABLES

	2008	2007
	RM'000	RM'000
Trade payables:		
Amount due to reinsurers	16,805	15,636
Amount due to agents, brokers, co-insurers and insureds	6,117	6,265
	<u>22,922</u>	<u>21,901</u>
Other payables:		
Due to holding company	1,864	1,989
Sundry payables	25,809	29,297
	<u>27,673</u>	<u>31,286</u>
	<u>50,595</u>	<u>53,187</u>

The balance due to holding company is mainly in respect of reimbursement of shared services cost.

15. OPERATING REVENUE

	Note	2008	2007
		RM'000	RM'000
Gross premiums		341,173	339,235
Investment income	17	33,320	29,999
		<u>374,493</u>	<u>369,234</u>

16. NET CLAIMS INCURRED

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc. RM'000	Total RM'000
2008					
Gross claims paid less salvage	27,778	62,167	3,265	56,928	150,138
Reinsurance recoveries	(6,265)	(1,833)	(1,462)	(5,739)	(15,299)
Net claims paid	21,513	60,334	1,803	51,189	134,839
Net outstanding claims:					
At 30 June 2008	28,472	80,365	9,562	77,342	195,741
At 1 July 2007	(29,933)	(74,365)	(5,007)	(88,673)	(197,978)
Translation differences	(12)	(149)	(4)	(140)	(305)
Net claims incurred	20,040	66,185	6,354	39,718	132,297
2007					
Gross claims paid less salvage	31,663	51,756	1,927	53,066	138,412
Reinsurance recoveries	(13,314)	(2,185)	(1,077)	(5,157)	(21,733)
Net claims paid	18,349	49,571	850	47,909	116,679
Net outstanding claims:					
At 30 June 2007	29,933	74,365	5,007	88,673	197,978
At 1 July 2006	(23,469)	(65,137)	(6,123)	(86,772)	(181,501)
Translation differences	(18)	(285)	(13)	(330)	(646)
Net claims incurred/ (written-back)	24,795	58,514	(279)	49,480	132,510

17. INVESTMENT INCOME

	2008	2007
	RM'000	RM'000
Shareholders' Fund		
Interest from:		
Unquoted bonds in Malaysia	317	58
Fixed, repurchase agreement and call deposits	1,524	444
Staff loans	244	240
Gross dividends from shares:		
Quoted in Malaysia	756	472
Quoted outside Malaysia	119	155
Gross dividends from unit and property trusts quoted in Malaysia		
	184	11
Net accretion of discount	(1)	-
	<u>3,143</u>	<u>1,380</u>
 General Business		
Interest from:		
MGS	425	369
Cagamas bonds	684	872
SGS	1,171	1,039
MGGB	666	482
Structured deposits - foreign	658	1,116
Fixed, repurchase agreement and call deposits	6,433	6,547
Staff loans	7	3
Other investments	916	846
Bonds/loan stocks of corporations:		
Quoted outside Malaysia	1,900	1,757
Unquoted in Malaysia	7,395	7,584
Unquoted outside Malaysia	327	388
Gross dividends from shares:		
Quoted in Malaysia	3,408	2,826
Quoted outside Malaysia	429	141
Gross dividends from unit and property trusts quoted in Malaysia		
	434	60
Rental income	5,394	4,315
Net (amortisation)/accretion of discounts	(70)	274
	<u>30,177</u>	<u>28,619</u>
	<u>33,320</u>	<u>29,999</u>

18. MANAGEMENT EXPENSES

	2008	2007
	RM'000	RM'000
Shareholders' Fund		
Depreciation of property, plant and equipment	470	470
Amortisation of prepaid land lease payments	49	49
Share option expense	55	992
Bank charges	273	-
Other expenses	21	1
	<u>868</u>	<u>1,512</u>
General Business		
Staff costs:	29,440	29,089
Basic salaries	17,206	16,539
EPF and CPF	3,254	3,358
SOCSO	122	125
Short-term accumulating compensated absences	170	44
Bonus, allowances and other related costs	8,688	9,023
Directors' remuneration:		
Directors' fees:		
Payable to the holding company	25	-
Payable to a corporate shareholder, Fortis Insurance Int. NV	25	41
Payable to other directors (Note (a))	80	80
Other emoluments:		
Payable to the holding company	4	-
Payable to a corporate shareholder, Fortis Insurance Int. NV	4	6
Payable to other directors (Note (a))	8	13
Auditors' remuneration:		
Current year	275	241
Others	104	100
Rental of offices	743	630
Rental of office equipment	93	104
Depreciation of property, plant and equipment	2,031	2,036
Amortisation of prepaid land lease payment	55	55
Amortisation of intangible assets	572	647
Interest expense	-	2
Write-back of doubtful debts	(5,555)	(3,070)
Promotional and marketing cost	3,740	2,717
Utilities, assessment and maintenance	3,510	3,844
Printing and stationery	1,656	1,098

18. MANAGEMENT EXPENSES (CONT'D)

	2008	2007
	RM'000	RM'000
Computer upgrade and maintenance	935	1,043
Postage and stamp duties	676	760
Shared services	6,271	6,548
Outsourced of information technology services	2,771	2,182
Other expenses	8,511	8,631
	<u>55,974</u>	<u>56,797</u>

(a) Directors' remuneration

	2008	2007
	RM'000	RM'000
Non-executive directors		
- Fees	80	80
- Other emoluments	8	13
Total directors' remuneration	<u>88</u>	<u>93</u>

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

	Number of directors	
	2008	2007
Non-executive directors		
Below RM50,000	<u>5</u>	<u>5</u>

19. OTHER INCOME (NET)

	Shareholders' Fund		General Business	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Other income:				
Gain on disposal of property, plant and equipment	-	-	18	109
Gain on disposal of investments	1,682	2,216	6,007	5,310
Write-back of provision for diminution in value of investments	-	830	-	2,374
Write-back of impairment of investments	-	631	-	-
Gain on disposal of investment properties	-	-	-	384
Sundry income	-	-	1	39
	<u>1,682</u>	<u>3,677</u>	<u>6,026</u>	<u>8,216</u>
Other expenditure:				
Property, plant and equipment written off	-	-	-	26
Loss on disposal of investments	182	-	1,033	116
Realised loss on foreign exchange	-	-	69	55
Provision for diminution in value of investments	3,697	-	3,169	-
Sundry expenditure	47	77	1,282	1,119
	<u>3,926</u>	<u>77</u>	<u>5,553</u>	<u>1,316</u>
	<u>(2,244)</u>	<u>3,600</u>	<u>473</u>	<u>6,900</u>

20. TAXATION

	2008	2007
	RM'000	RM'000
Income tax:		
Current year's provision		
Malaysian	22,372	21,546
Foreign	639	2,885
Double taxation relief	(316)	(731)
	<u>22,695</u>	<u>23,700</u>
(Over)/under provision of taxation in prior years	(863)	3,804
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 12)	(2,364)	1,453
Relating to reduction in foreign income tax rate	-	(6)
Tax expense for the year	<u>19,468</u>	<u>28,951</u>

The domestic income tax is calculated based on the corporate tax rate of 26% (2007: 27%) of the estimated assessable profit for the financial year. The corporate tax rate of the branch in Singapore is at 18% (2007: 18%).

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

In view of this, the Company has computed the deferred tax based on the reduced corporate tax rate of 25%.

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

	2008	2007
	RM'000	RM'000
Profit before taxation	<u>85,354</u>	<u>95,614</u>
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	22,192	25,816
Effect of different tax rate outside Malaysia	(284)	(1,360)
Income not subject to tax	(2,925)	(261)
Expenses not deductible for tax	1,348	958
(Over)/under provision of taxation in prior years	(863)	3,804
Effects on opening deferred tax of changes in foreign tax rate	-	(6)
Tax expense for the year	<u>19,468</u>	<u>28,951</u>

20. TAXATION (CONT'D)

The Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt account amounting to RM45,983,000 (2007: RM33,645,000) to frank the payment of dividends out of its entire retained profits as at 30 June 2008.

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credits under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

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

21. EARNINGS PER SHARE

Basic earnings per ordinary share is calculated by dividing the net profit for the year by the number of ordinary shares in issue during the financial year.

	2008	2007
Net profit for the financial year (RM'000)	65,886	66,663
Number of ordinary shares in issue during the financial year ('000)	178,171	178,171
Basic earnings per share (sen)	<u>37.0</u>	<u>37.4</u>

The Company has no potential dilutive ordinary shares in issue as at balance sheet date and therefore, diluted earnings per share has not been presented.

22. SPECIAL RESERVE

On 16 March 2006, the Company obtained approval from the High Court of Malaya to transfer its existing share premium into a distributable special reserve. As at 30 June 2008, the reserve had since been used for capital distribution to all shareholders of the Company and transferred to retained profits to write off goodwill.

23. SEGMENT INFORMATION ON CASH FLOW

	Shareholders' Fund RM'000	General Business RM'000	Total RM'000
2008			
Cash flows from:			
Operating activities	203	6,168	6,371
Investing activities	-	(446)	(446)
	<u>203</u>	<u>5,722</u>	<u>5,925</u>
Net increase in cash and bank balances	203	5,722	5,925
At beginning of the year, as previously reported	2,039	14,063	16,102
Effect of exchange rate changes	-	493	493
At beginning of year, as restated	<u>2,039</u>	<u>14,556</u>	<u>16,595</u>
At end of year	<u>2,242</u>	<u>20,278</u>	<u>22,520</u>
2007			
Cash flows from:			
Operating activities	225	8,153	8,378
Investing activities	-	(1,739)	(1,739)
Financing activities	-	-	-
	<u>225</u>	<u>6,414</u>	<u>6,639</u>
Net increase in cash and bank balances	225	6,414	6,639
At beginning of the year, as previously reported	1,814	7,760	9,574
Effect of exchange rate changes	-	(111)	(111)
At beginning of year, as restated	<u>1,814</u>	<u>7,649</u>	<u>9,463</u>
At end of year	<u>2,039</u>	<u>14,063</u>	<u>16,102</u>

24. OPERATING LEASE COMMITMENTS

The Company as Lessee

As at the balance sheet date, the Singapore branch leases its office premises and equipment under lease agreements that are not cancellable within a year. The leases contain renewable options. Lease terms do not contain restrictions on the branch's activities concerning additional debts or further leasing.

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

	2008	2007
	RM'000	RM'000
Within 1 year	262	76
After 1 year but not more than five years	165	69
	<u>427</u>	<u>145</u>

25. COMMITMENTS AND CONTINGENCIES

A bank covenant amounting to S\$500,000 equivalent to RM1,202,650 (2007: S\$500,000 equivalent to RM1,128,000) was lodged with the Monetary Authority of Singapore in lieu of the statutory deposit required by the Singapore Insurance Act Chapter 142 in respect of the Singapore branch.

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant transactions of the Company with related parties during the financial year were as follows:

	2008	2007
	RM'000	RM'000
Transactions with the ultimate holding company:		
Insurance premium income	18,233	18,368
Interest income	2,326	1,909
Commissions and fee expense	(28,914)	(29,372)
Rental income	378	1,080
Rental expense	<u>(31)</u>	<u>(29)</u>

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	2008	2007
	RM'000	RM'000
Transactions with the holding company:		
Insurance premium income	404	404
Transactions with other related companies within the MBB group:		
Insurance premium income	329	395
Net reinsurance premiums on facultative/treaty policies	(237)	(53)
Interest income	2,129	1,479
Fee expense	(328)	(268)
Net reinsurance commissions on facultative/treaty policies	36	(35)
Rental income	4,187	190
Rental expense	(443)	(30)
Other expenses	-	(50)
Transactions with other related parties:		
Reinsurance premiums on facultative/treaty policies (net) with Labuan Reinsurance (L) Ltd.	(283)	(386)
Reinsurance premiums on facultative/treaty policies (net) with Malaysian Reinsurance Berhad	(1,899)	(8,566)
Net premium with Kumpulan Guthrie Bhd	9	370
Net premium with Malaysian Electronic Payment System	612	511
Net commission from Labuan Reinsurance (L) Ltd.	60	86
Net commission from Malaysian Reinsurance Berhad	485	2,628

27. SIGNIFICANT RELATED PARTY BALANCES

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

	2008	2007
	RM'000	RM'000
Ultimate holding company:		
Bank balances	22,508	16,102
Fixed and call deposits	65,167	58,344
Outstanding premiums	5,632	5,842
Income due and accrued	1,239	857
Commissions and other payables	(6,878)	(7,426)

27. SIGNIFICANT RELATED PARTY BALANCES (CONT'D)

	2008	2007
	RM'000	RM'000
Holding company:		
Other payables	(750)	(572)
Shared services costs	(1,114)	(1,417)
	<u> </u>	<u> </u>
Other related companies within the MBB group:		
Fixed, repurchase agreement and call deposits	61,315	36,632
Outstanding premiums	7	58
Income due and accrued	318	2,195
Other receivables	770	2,548
Trade payables	(404)	(204)
Other payables	(210)	(1,634)
	<u> </u>	<u> </u>
Balances with other related parties:		
Trade payable to Labuan Reinsurance (L) Ltd.	(531)	(516)
Trade payable to Malaysian Reinsurance Berhad	-	(968)
	<u> </u>	<u> </u>

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

(a) Key management personnel compensation

	2008	2007
	RM'000	RM'000
Short-term employee benefits		
- Fees	130	121
- Salaries, allowances and bonuses	368	382
- EPF	55	43
- Other staff benefits	19	16
Share-based payment		
- ESOS expense	12	-
	<u>584</u>	<u>562</u>

27. SIGNIFICANT RELATED PARTY BALANCES (CONT'D)**(a) Key management personnel compensation (Cont'd)**

The movement in share options in Maybank Group ESOS held by key management personnel is as follows:

	2008	2007
	RM'000	RM'000
At 1 July	39	130
Granted	-	24
Exercised	29	115
At 30 June	<u>10</u>	<u>39</u>

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

28. FINANCIAL INSTRUMENTS**(a) Financial Risk Management Policies**

The Company's risk management policies seek to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its various risks. The overall objective is to safeguard the interests of all its stakeholders. Risk management at Mayban Fortis Holding Berhad ("MFHB") is therefore organised both centrally and on a business/functional unit basis. As the first line of defence, The Company is responsible for the day-to-day management of risks inherent in their business activities. The Risk Management Division ("CRM") of MFHB Group acts as a risk control and coordinating unit whose responsibility includes the establishment of a risk management framework, the formulation and implementation of risk and capital management guidelines and the development of tools and methodologies for risk identification, measurement, monitoring, control and pricing. As such, CRM becomes the second line of defence, and assumes the role of an oversight function. It provides risk management guidance, support and advice across the Group. The internal auditors of Maybank Group, acting as the third line of defence, provide independent assurance of the effectiveness of the risk management framework and practices. These three-level approach is consistent with that of the Maybank Group's approach.

28. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

A. Risks can arise in all business activities, operational areas, processes, system and also from external events. Assessing the risk situation of MFHB Group business therefore requires a holistic, enterprise-wide approach. The scope of risk management approach at MFHB Group includes the strategic and reputational risks which come are under purview of the Risk Management Committee ("RMC") and the Board. The risk management approach and practices at MFHB Group are in accordance to the three risk management pillars of risks, and are in line with that of Maybank Group's approach and practices. The three pillars are the Insurance Risk, Financial Risk and Operational Risk.

(i) Insurance risk

This relates to the risks inherent in the business activities of general business. Such risks include pricing risk, premium/claims risk, claims reserving risk, reinsurance risk and solvency risk. The premium/claims risk is the risk of having to pay, premiums fixed in advance, claims and benefits whose scope is uncertain at the time the premium is fixed. Reinsurance risk can arise from the underwriting of direct business or reinsurance business in relation to reinsurers, retrocessionaires, cedants and brokers. Solvency risk relates to the ability of an insurer to fulfill its obligations under all contracts. Therefore, special attention is given to the adequacy of claims reserves and margin of solvency. For this purpose, The Appointed Actuary carries out financial investigations and makes an assessment on the adequacy of pricing, capital and reserves on a regular basis in accordance with BNM's and actuarial's guidelines.

(ii) Financial risk

Financial Risk includes market, credit, liquidity, asset-liability matching (ALM) and currency risks. Market risk involves potential losses in the value of invested capital as a result of changes in market prices, due to fluctuations in interest rates/rates of return or profits, share prices, exchange rates, property prices and their respective derivatives. Credit risk arises when a borrower or counterparty is no longer able to honour their debts. The risks from defaults can arise from the portfolio of assets, particularly bonds and other fixed income securities. ALM risk relates to the non-parallel movement of the present values of assets and liabilities following a change in interest rate. It is also called the interest rate risk. The resulting value gap is mainly due to the differences in the cash-flow profiles of assets and liabilities, including their duration and convexity. Liquidity risk is the risk that funds may not be available when required, which may lead to the forced sale of assets. Currency risk involves potential losses in value of invested assets if the assets are invested into non-Ringgit denominated financial instruments.

28. FINANCIAL INSTRUMENTS (CONT'D)**(a) Financial Risk Management Policies (Cont'd)****(iii) Operational risk**

Operational Risk covers a wide range of risks other than the Insurance and Financial Risks. It is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This broad definition includes legal risk, but excludes strategic and reputational risks. The approach and methodology used to identify, assess, mitigate and control the operational risks, and the management of business continuity risks in the events of disasters are in accordance to the Maybank Group's risk framework and practices.

B. Monitoring and Controlling Risks

Having classified the different types and categories of risks, it is important that risks are continuously identified, monitored, mitigated and controlled. The applications of consistent approach and methodology throughout MFHB Group have become the focal point of interest to the Management, RMC and Boards of MFHB Group companies. In essence, they can be described as follows:

(i) Insurance risk

Comprehensive underwriting and claims guidelines and limits have been established to clearly regulate the responsibility and accountability for the whole process of conducting insurance, reinsurance contracts. The guidelines spell out who may accept what risks and up to what amounts. They are regularly monitored for compliance and updated to reflect current requirements. To further control the underwriting, claim and reserve adequacy risks, the Actuarial department regularly assesses the adequacy of insurance pricing, reserves and technical provisions. In addition, CRM monitors the risk-return evolution of the business results and whether the business creates or destroys value.

The general business uses reinsurance as a form of risk transfer. The risks of defaults by reinsurers operators are reduced by selecting only reinsurers operators with reputable securities or those that have been awarded with at least an "A" rating by internationally recognised rating agencies. Additionally, provisions for known and unknown liabilities arising from the insurance contracts are computed general businesses using prudent and generally accepted actuarial principles and methods.

28. FINANCIAL INSTRUMENTS (CONT'D)

B. Monitoring and Controlling Risks (Cont'd)

(ii) Financial risk

In order to manage the enterprise-wide financial risks, the Asset-Liability Management Committee ("ALCO") has been established. ALCO is responsible for advising the Investment Committee ("IC"), RMC and the Board of Directors on financial and investment-related risks. It is responsible, among others, for formulating the investment management guidelines on market, counterparty and concentration risks in the fixed income, equity, property investments and derivatives taking into account BNM's regulations and market trends. In addition, ALM studies, based on stress tests of the impact of alternative investment strategies on solvency, revenue and balance sheet values are performed for every investment portfolio separately, taking into account the characteristics of the liabilities, and translated into a specific investment management mandate. The investment management guidelines and the portfolio-specific mandates are submitted to the IC, RMC and the Boards for review and approval. ALCO and CRM will then monitor the compliance to the approved mandates. In managing credit risk, credit limits are imposed where ALCO sets forth the maximum credit exposures the Group is willing to assume over specified periods. They relate to products, conditions of the exposure and other factors.

(iii) Operational risk

An ongoing process of implementing a comprehensive framework for identifying, monitoring and controlling operational risks has been put in place. In the process, operational loss data is collected and analysed using an approach similar to the requirements of Bank for International Settlement Capital Accord II ("Basel II") and consistent with Maybank Group's operational risk framework and practices. Key risk indicators, i.e. advanced warning signals, and their respective responses and mitigating actions are regularly compiled for deliberation at the Management and RMC meetings.

In practice, risk control self assessment scorecards, and risk responses and mitigation plans are maintained by the respective risk-taking units in order to continuously identify, manage, mitigate and control their operational risks. To inculcate an appropriate risk management culture, a risk communication programme is regularly carried out by CRM with the objective to create in-depth risk awareness among all staff of MFHB Group of possible risks, and to avoid the common fallacy of equating risk-awareness with being risk-averse.

28. FINANCIAL INSTRUMENTS (CONT'D)**(b) Fair Values**

The aggregate net fair values of financial assets of the Company as at the end of the financial year are represented as follows:

	2008		2007	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
MGS	15,776	13,915	8,370	8,704
Cagamas bonds	-	-	25,002	24,987
GII	2,608	2,626	2,497	2,585
SGS	43,610	43,610	25,989	26,606
MGGB	19,490	18,855	8,405	8,926
Khazanah bond	2,477	2,479	2,373	2,398
NCD	25,162	25,064	25,193	26,000
Quoted in Malaysia:				
Shares	80,871	90,835	57,307	84,911
Unit and property trusts	7,911	8,648	5,210	6,545
Quoted outside Malaysia:				
Bonds/loan stocks	49,299	49,299	48,819	49,420
Shares	8,115	8,160	14,674	16,769
Unquoted in Malaysia:				
Bonds/loan stocks	133,118	131,043	138,050	136,508
Shares and warrants	290	*	290	*
Corporate loans	7,050	*	8,450	*
Unquoted outside Malaysia:				
Bonds/loan stocks	4,572	4,572	6,768	6,848
Shares	2,262	*	3,373	*

* it is not practical to estimate the fair value of these investments as there are no readily available secondary market indicative prices

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

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

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

28. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair Values (Cont'd)

(ii) Investments

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

The fair values of Government securities and bonds, bonds/loan stocks and NCD are indicative values obtained from the secondary market.

The fair values of quoted units in unit and property trusts are determined by reference to market quotations by the managers of the funds.